Hac› Ömer Sabanc› Holding A.fi.
2007 Annual Report

Sabancı of Turkey...


Value creator...

SABANCI OF TURKEY

Responsible...


Participative...

SABANCI OF TURKEY


Innovative...

SABANCI OF TURKEY

07

sabancı holding 2007 annual report


Transparent...

SABANCI OF TURKEY

09

sabancı holding 2007 annual report

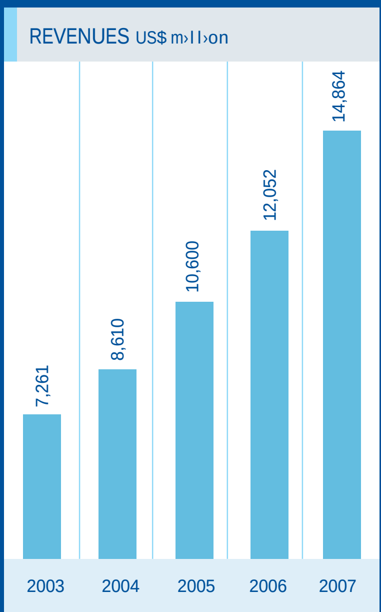

Distinctive...

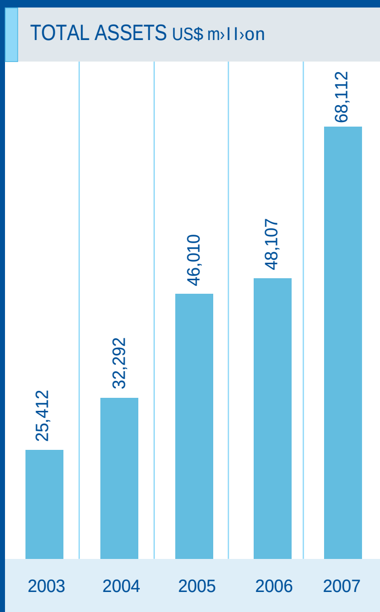
SABANCI OF TURKEY

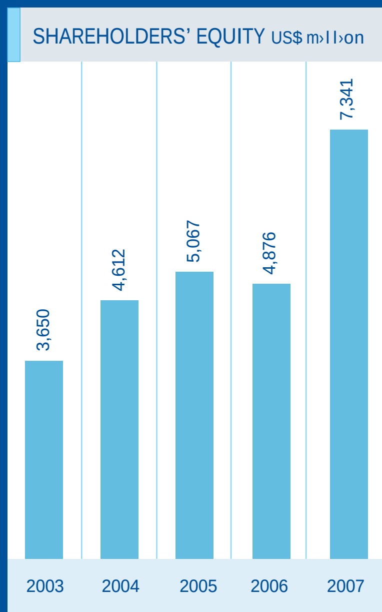
Consolidated Financial Highlights *

US$ m›ll›on				
YEARS	REVENUES	TOTAL ASSETS	NET INCOME	SHAREHOLDERS' EQUITY
2003	7,261	25,412	583	3,650
2004	8,610	32,292	540	4,612
2005	10,600	46,010	514	5,067
2006	12,052	48,107	351	4,876
2007	14,864	68,112	745	7,341

(*) In accordance with the Financial Reporting Standards issued by the Capital Markets Board.







Contents

The Sabanc› Group in Brief

Sabanc› Holding is the parent company of the Sabanc› Group, Turkey's leading industrial and financial conglomerate.

The Sabanc› Group is composed of 71 companies, many of which are recognized as market leaders in their respective sectors. Sabanc› Holding's main business units include financial services, automotive, tire and tire reinforcement materials, retail, cement and energy. Sabanc› Holding, being listed on Istanbul Stock Exchange (ISE), has controlling interests in 12 companies listed on the ISE.

The companies of the Sabanc› Group currently operate in 18 countries and market their products in various regions in Europe, the Middle East, Asia, North Africa and North and South America. Having a great deal of knowledge and experience in Turkey, Sabanc› Holding has led a drastic growth in its core businesses with its respectability, trademark image and strong joint ventures, further extending its operations into the global market. Sabanc› Holding's multinational business partners include such prominent companies as Aviva, Bridgestone, Carrefour, Citigroup, Dia, Heidelberg Cement, Hilton International, International Paper, Mitsubishi Motor Co., Philip Morris, Toyota and Verbund.

In addition to coordination of finance, strategy and business development and human resources functions, Sabanc› Holding determines the Group's vision and strategies, thus creating shareholder value through synergies across Group companies.

In 2007, consolidated revenue of Sabanc› Holding was US$ 14.9 billion with an EBITDA of US$ 2.3 billion.

The Sabanc› Family is collectively Sabanc› Holding's major shareholder with 78% of the share capital. Sabanc› Holding shares are traded on the Istanbul Stock Exchange with a free float of 22% and depository receipts are quoted on SEAQ International and Portal.

Letter from the Chairman and the Chief Executive Officer

Güler Sabancı
Chairman and Managing Director

Ahmet Cemal Dördüncü
CEO and Board Member

In line with our strategies, while exiting some of our businesses; reducing the number of strategic business units from 7 to 5; we invested US$ 900 million in our core business units. As we continued to grow in 2007, we also successfully restructured our Group.

Dear Shareholders,

2007 was a year when politics stood center stage in Turkey, first due to the early parliamentary elections and afterwards the presidential election. As a result, fiscal discipline took a backseat. Critical micro-economic reforms could not be enacted and the EU process came to a standstill. In general, macro targets could not be reached.

The turbulence in our geographical region, the continuing political unrest and misfortunes in Iraq took their toll on our country, as the enflamed security issue, particularly in the South East, dominated the agenda in the second half of the year.

The rising problems in US subprime mortgages led to deterioration in global credit markets and despite successive interest rate cuts by the US Federal Reserve, the impact of the crisis on financial markets lingers. There was a jump in food and energy prices. Thus, expectations of growth were reversed, the American Dollar depreciated, and the world entered a phase of moderate stagnation. While the US economy was the main source of this stagnation, the Euro zone, the UK, and Japan were also hurt, largely by this contagion. On the contrary, despite a relative slow down, a vigorous trend of growth prevailed in emerging economies led by China, Russia, and India.

The growth performance of the Turkish economy has been robust in recent years. However in 2007, growth slackened in the automotive, durable consumption goods, retail electronics, and construction sectors, and there have even been seasonal downturns. In contrast, the rise in energy prices resumed. Drought curtailed agricultural production and as a ramification of all these factors, the rate of economic growth decelerated to 4.5%. Although a strict monetary policy was followed, the prolonged process of elections slackened fiscal discipline and the ratio of the budget deficit to the GDP soared from 0.6% to 2.2%. In this environment, inflation remained at single digit levels at 8.39%, though short of the target of 4%. In spite of these weaknesses, the Turkish currency appreciated due to the inflow of foreign funds and US$ 20 billion of net foreign direct investment. Such appreciation did not stop exports from breaking a new record of US$ 107 billion. On the other hand, the simultaneous surge in imports triggered a high level of current account deficit, which was 5.8% of GDP.

In the face of these arguably negative developments across the world and in our country, Sabancı Group fulfilled its 2007 targets successfully. We are pleased to report the following results in 2007:

- Consolidated revenues of US$ 14.9 billion, with a 23% increase,
- Consolidated EBITDA of US$ 2.3 billion, with a 22% increase,
- Consolidated total assets of US$ 68.1 billion, and
- Total Group exports of US$ 1,333 million.

In line with our strategies, while exiting some of our businesses; reducing the number of strategic business units from 7 to 5; we invested US$ 900 million in our core business units. Within this context, we are proud to announce the following strategic, corporate and social/cultural developments:

• Sale of 20% of Akbank shares to Citigroup for US$ 3.1 billion was finalized in January 2007. This transaction further strengthened Akbank's position as Turkey's leading bank as its asset size grew to US$ 62 billion.

• Akemeklilik, our life and pension subsidiary, and Aviva's Turkish life and pensions business, Aviva Hayat ve Emeklilik merged as a 50/50 joint venture in October 2007, creating Avivasa as the market leader in Turkey with 25% market share.

• In May 2007, Akçansa, our joint venture with Heidelberg Cement, acquired Ladik Çimento in the Black Sea region for US$ 158 million, opening a whole new promising geography for the Company. The ongoing capacity expansion investment of US$ 135 million in Akçansa's Çanakkale Plant will be finalized in March 2008, increasing the Company's total clinker capacity by 2 million tons/year to 6.4 million tons/year.

• In May 2007, we purchased Oyak Group's 41.09% stake in Oysa, our joint venture with Oyak in cement business, for US$ 71 million. Oysa was subsequently merged into Çimsa in November 2007. Çimsa's ongoing capacity expansion and modernization investments of US$ 95 million in its Eskiflehir Plant was finalized at the end of 2007, increasing the Company's total clinker capacity by 900,000 tons/year to 4.8 million tons/year.

• In May 2007, we initiated our 50/50 joint venture at Enerjisa with Verbund of Austria in electricity generation business. In line with our objective to reach a 10% market share in the electricity sector in Turkey, Enerjisa executed the following transactions:

• In May 2007, Enerjisa acquired Ere Holding and KEAfi increasing its potential hydroelectric generation capacity to 1,030 MW of which 85 MW is operational.

• In June 2007, Enerjisa purchased property in Band›rma to build a natural gas power station with a capacity of 920 MW and secured the necessary licenses.

• At the end of 2007, the total electricity generation licenses of the Company reached almost at 3,000 MW, including the operational assets with 456 MW capacity and new sites for coal, hydroelectric, wind and natural gas. Our target is to reach 5,000 MW operational capacity by 2015.

• Teknosa, our electronics retail subsidiary, further strengthened its leadership position despite increasing competition and the entry of new players into the market. The number of Teknosa stores reached 233 and the total selling space grew from 34,000 m2 to 56,000 m2; 65% increase in 2007.

• Temsa, our commercial vehicles subsidiary started construction of a new coach production facility in Egypt in February 2007, targeting North African, Gulf and Middle Eastern markets. This facility will become operational in April 2008, with a 1,000 vehicle/year capacity.

• The partnership agreement at Toyotasa, our passenger cars distribution joint venture with Toyota, was extended for 5 more years.

Sabanc› Holding Management Platforms

SA15+ Strateg›c Plann›ng

SA15+ involves participatory planning that provides a roadmap to position the Sabanc› Group for the next 10 years and beyond to ensure sustainable profitable growth.

The ongoing SA15+ effort was initiated under the leadership of Güler Sabanc›, Chairperson of Sabanc› Holding with broad-based participation by over 600 local and international staff members.

The outcome of the process led to an integrated corporate strategy and planning process discipline with a ten-year strategy plan, a three-year business plan and an annual budget.

SABE (Sabanc› Bus›ness Excellence)

SABE is a continuous improvement approach to process change, linked to business strategy to drive better business results.

The purpose of SABE is to ensure business excellence becomes a culture as the foundation of sustainable competitive advantage and profitable growth.

We strive to continuously identify areas for improvement while developing and deploying the best practice implementations through methods and tools such as 6 Sigma. We encourage active participation, enhanced cross-SBU peer-communication, dynamic collaboration, knowledge-sharing and learning.

SATEK (Sabanc› Technology, Mater›als and Intellectual Property Comm›ttee)

SATEK was established to draw up strategies, policies and principles aimed at achieving a sustainable competitive position through customer-centric technological leadership and Sabanc› Group's intellectual property assets.

We aim to achieve a lean and flexible time-to-market discipline by being responsive to the needs of different businesses through a custom goal setting and funding mechanism for technology projects with high commercial and market-differentiation potential.

Growth and Value Creat›on Through Innovat›on

In line with its vision to "create sustainable advantage through differentiation," the Sabanc› Group intends to differentiate itself in the marketplace, thus gaining sustainable advantages in a global environment, to maintain growth and profitability. Accordingly, the Sabanc› Group has taken the initiative to promote innovations in all of its businesses. We want innovation to be part of our organization culture and management approach.

SAPOINT (Sabanc› Platform of Informat›on Technology)

Sabanc› management regards information as a critical asset in achieving a leading edge in the marketplace. SAPOINT aims to better coordinate the group-wide strategies and develop strategies, policies and standards to ensure information technologies are utilized to support business priorities of the group companies.

SAPOINT has developed a three-year strategic plan to address key areas of development for Information Technology Management such as: Information Security, Standards and Efficiency and Strategic Information Management and Sharing.

Human Resources and Organ›zat›onal Transformat›on

In order to achieve its long term goals and strategies, managing the leadership and organizational transformation has been identified by the Human Resources as a critical priority for the Sabanc› Group. The leadership and organizational transformation model defines our approach to developing and implementing critical human resources systems and processes, assessing the people profile, culture and organizational structures which support these systems and processes; finally planning the necessary improvements to assure that the organizational goals are achieved.

This transformation process is supported through the annual organizational and human resource review processes, during which future human resources and organizational needs are analyzed and priorities and goals for the coming year are identified.

Board of Directors

(Elected for the period 18.05.2007-15.05.2010)

1 Güler Sabanc›
Chairman and Managing Director

Güler Sabanc› was born in Adana and graduated from the Business Administration Department of Bosphorus University. She worked in various executive positions in the Tire and Tire Reinforcement Materials Group. She is the Chairperson and Managing Director of Sabanc› Holding and also the President of the Board of Trustees of Sabanc› University, Sabanc› Foundation and the Board of Sak›p Sabanc› Museum.

2 Erol Sabanc›
Vice Chairman

Erol Sabanc› was born in Kayseri in 1938 and graduated from Manchester College of Commerce in UK. He is not only the Vice Chairman of the Sabanc› Holding but also the Chairman and Managing Director of Akbank where he has been serving since 1967. He is married with two children.

3 Sevil Sabanc› Sabanc›
Board Member

Sevil Sabanc› was born in 1973 in Istanbul and graduated from Business Administration Department, Marmara University. She worked in different managerial positions within the Group. She served as a member of the Board from 1997 to 2001. Sevil Sabanc›, in addition to her Sabanc› Holding Board membership, is a member of the Board of Trustees of Sabanc› University and the Board of Sak›p Sabanc› Museum.

4 Serra Sabanc›
Board Member

Serra Sabanc› was born in 1975 in Adana and graduated from the University of Portsmouth. She also graduated from the Department of Economics, Istanbul Bilgi University with an honor degree. She started her career at Temsa. After becoming a Board member of Sabanc› Holding, she participated in the Institute of Directors (IOD) seminars and courses on board membership, mergers and acquisitions in London. In addition to her Sabanc› Holding Board membership, she is a member of the Board of Sabanc› Foundation and various Sabanc› Group companies.

5 Hasan Gülelçi
Board Member

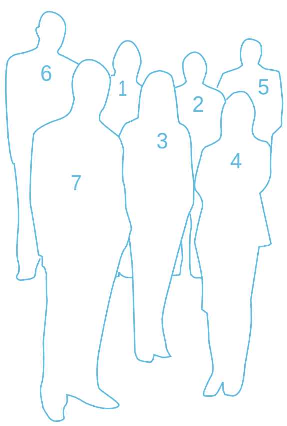
Hasan Gülelçi was born in Adana in 1937 and graduated from Manchester University as a textile engineer. He worked in various executive positions within the Group and consequently became the CEO of Sabanc› Holding; he retired in 2000. In addition to being a Board member of Sabanc› Holding, Mr. Gülelçi is also consultant to various companies, a member of the Board of consultants to the American Hospital, a member of SEV, Health and Education Foundation and the Istanbul Philately Association.

6 Nafiz Can Paker
Board Member

Dr. Nafiz Can Paker was born in 1942 in Istanbul. In 1973, after earning both a Master's and a Doctorate in Mechanical Engineering at Berlin Technical University, he received an MBA degree from Columbia University. He is currently serving as the President of Türk Henkel, TESEV and is a member of the TUSIAD Honorary Council, Sabanc› University Board of Trustees and Robert College Board of Trustees.

7 Ahmet Cemal Dördüncü
Board Member and CEO

Ahmet Cemal Dördüncü was born in 1953 and graduated from the Faculty of Business Administration of Çukurova University. Following his post-graduate studies at Mannheim University, he began his career in 1981 in Germany. He joined Kordsa in 1987 and fulfilled several executive positions until having been appointed as the Vice President/Business Development and Strategic Planning. Since 2005, he has been the CEO and a Board member of Sabanc› Holding.



Executive Committees, Strategic Business Unit Presidents and Corporate Management

Executive Committees

Finance Committee
Erol Sabanc›, *President*
Faruk Bilen
Mevlüt Aydemir
Nedim Bozfak›o¤lu

Audit Committee
Nafiz Can Paker, *President*
Serra Sabanc›

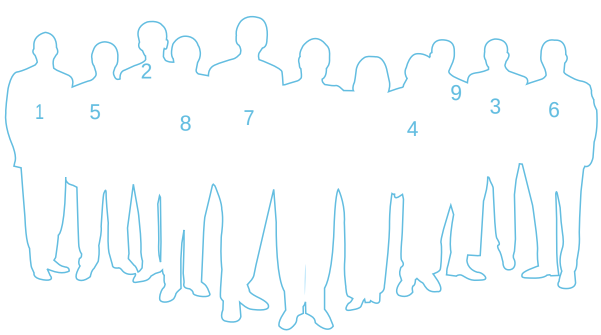
Human Resources Committee
Güler Sabanc›, *President*
R›dvan Yirmibeflo¤lu
Haluk Dinçer
Erhan Kam›fll›
Turgut Uzer

Ahmet C. Dördüncü
CEO

Güler Sabanc›
Chairman

Strategic Business Unit Presidents

1 Faruk Bilen, *Chief Financial Officer*
2 Hakan Akbafl, *Strategy and Business Development*
3 R›dvan Yirmibeflo¤lu, *Human Resources*
4 Ak›n Kozano¤lu, *Financial Services*
5 Engin Tuncay, *Trade and Industry*
6 Erhan Kam›fll›, *Cement*
7 Haluk Dinçer, *Retail*
8 Selahattin Hakman, *Energy*
9 Turgut Uzer, *Tire, Tire Reinforcement Materials and Automotive*



Corporate Management

A. U¤ur Karatop, *Secretary General*
Mevlüt Aydemir, *Head of Financing and Tax Management*
Nedim Bozfak›o¤lu, *Head of Budgeting, Accounting and Consolidation*
Fuat Öksüz, *Head of Internal Audit*

Atefl Eremekdar, *Director, Sabanc› Center Management*
Barbaros ‹neci, *Chief Economist*
Cezmi Kurtulufl, *Director, Budgeting, Accounting and Consolidation*
Ergun Hepvar, *Chief Information Officer*
Fikret Cömert, *Director, Institutional Investor Relations*
Kürflat Darbaz, *Director, Corporate Affairs*
Levent Demira¤, *Director, Structure and Tax Management*
Mehmet Bingöl, *Director, Tax Management*
Merve Ergün, *Director, Human Resources*
Metin Reyna, *Chief Legal Officer*
Murat Güvercinci, *Director, Industrial Relations*
Payam Yüce Ifl›k, *Director, Human Resources*
Reha Demiröz, *Director, Budgeting, Accounting and Consolidation*
R. Murat Y›lmaz, *Director, Management Platforms*
Tamer Saka, *Chief Risk Officer*
Volkan Kara, *Director, Strategic Planning*

Vision

Creating sustainable advantage through differentiation

Mission Statement

Managing a competitive strategic portfolio with sustainable growth potential to create value for all of our stakeholders

Management Approach

Respons›b›l›ty and Transparency

Upholding our core values of modesty, respect and proximity to people, being socially responsible and managing according to the principles of Corporate Governance

Innovat›on

Creating lasting advantages such as brand, technology, design, network and IP

Part›c›pat›on

Generating a management approach that promotes participation and collective thinking in the decision-making process

Strateg›c Approach

Managing the present with excellence and shaping our future to ensure long term advantages

We will continue to focus on high growth core businesses such as financial services, retail, cement, automotive, nylon and tire cord and energy. We believe that with our strong management team, our successful business track record for more than half of a century, our strong financial structure and the Sabanc› brand and reputation that now extends beyond Turkey, we will continue to create value for our shareholders.

• We sold our 51.23% stake in Pilsa to Wavin, the world leader for plastic pipes, for US$ 41.4 million to be finalized in January 2008.

• In August 2007, we announced the sale of our 99.65% stake in G›dasa, our food subsidiary, to be finalized in March 2008.

• We recently announced the sale of our 50% stake in Beksa, our joint venture in the steel cord business, to our partner Bekaert for EUR 40.3 million; the transaction will be completed by the second quarter of 2008.

• In 2007, we continued to develop Sabanc› Management Platforms such as Sabanc› Business Excellence (SABE) where the 6 Sigma improvement and sharing/learning activities concerning were further advanced, and Sabanc› Information Technology (SAPOINT) where we received the ISO 27001 certificate on Information Security, the first of its kind in Turkey. The projects developed by our companies within the working platform of Sabanc› Innovation began implementation.

• We initiated the Integrated Human Resources implementation for our employees. The 2nd step of the Sabanc› Leadership Team was completed and a corporate audit team for SA-Etik (Sabanc› Code of Business Ethics) was established.

• The Sabanc› Foundation accelerated restructuring activities by Search Conferences attended by 119 people, organized to review its vision, mission and areas of interest. As usual, the foundation granted scholarships to 1,200 students in 2007.

• In 2007, our companies again invested US$ 10 million towards environmental causes as part of our social responsibility. These investments will be reinforced by our activities on renewable energy in our energy business unit.

We will continue to focus on our high growth core businesses such as financial services, retail, cement, automotive, nylon and tire cord and energy. We believe that, with our strong management team, our successful business track record for more than half of a century, our strong financial structure, and the Sabanc› brand and reputation that now extend beyond Turkey, we will continue to create value for our shareholders. We are confident that our initiatives to attain higher growth within a well-balanced business portfolio can be achieved. By focusing on higher growth areas that will further strengthen our leadership position, the Sabanc› Group will stay in the forefront of Turkey's business community in the coming years.

We are grateful to our managerial staff, business partners, customers and shareholders for their faith in our vision.

Best regards,

Ahmet C. Dördüncü
CEO and
Board Member

Güler Sabanc›
Chairman and
Managing Director

Investor Relations and Dividend Policy

Investor Relat›ons

Sabanc› Holding has open, dynamic line of communication with its shareholders. We take great pride in this. We believe that the best way to increase Sabanc› Holding's value for its current shareholders, while creating an attractive investment opportunity for potential investors, is to execute its strategic agenda successfully and convey results in a timely and transparent manner. This is a fundamental principle embodied in Sabanc› Holding's corporate structure, by having two independent members serve on the Board of Directors.

The investor relations agenda is managed by the Institutional Investor Relations Department within the Finance Division. This Department handles the daily information flow to the investment community. In 2007, our investor relations team responded to numerous investor and equity research analyst requests via phone, e-mail and postal mail as well as proactively and regularly contacting a comprehensive list of financial institutions with news updates. Throughout the year, our investor relations activities included more than 100 investor and equity research analyst presentations at our corporate headquarters in Istanbul, as well as over 100 one-on-one and group meetings in major international financial centers, such as London, New York, Zurich, Geneva, Frankfurt and Vienna. Consequently, we have witnessed an increase in coverage by both the local and the international research communities.

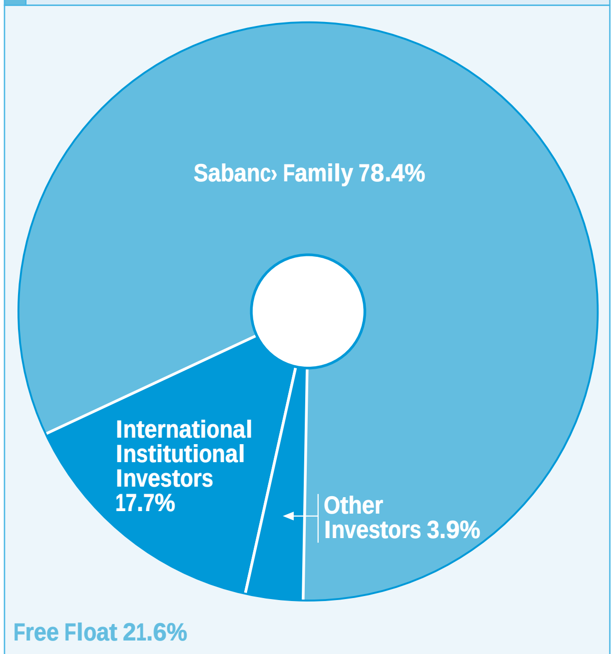
We are confident that through such open dialogue with current and potential shareholders, we will continue to convey the benefits of investing in Sabanc› Holding.

We encourage all potential investors to contact us at **investor.relations@sabanci.com** for any questions or requests for information.

D›v›dend Pol›cy

Sabanc› Holding's current dividend policy, in accordance with Capital Markets Board principles, is to pay out a minimum 20% of the distributable profit on an annual basis, in May. In line with this policy, in May 2008, YTL 180 million will be paid as a dividend to shareholders from year 2007 profits. Depending on pending projects and the availability of funds, the Board of Sabanc› Holding reserves the right to reevaluate its dividend policy on a year-to-year basis.

Shareholder Structure(*)



(*) Estimate based on Citibank N.A., Deutche Bank and Garanti Bank A.fi. (Foreign) Takasbank accounts as of March 17, 2008

Sabancı Holding's current dividend policy, in accordance with Capital Markets Board principles, is to pay out a minimum 20% of the distributable profit on an annual basis, in May.

Sabancı Holding Share Price Performance
Jan. 4, 2007 - Dec. 31, 2007
(Market Value in US$ million)

Risk Management

Introduct›on

Risk is an integral part of our business. We strongly believe that providing maximum value to our shareholders is possible only through effective risk management in all of our operations. Each opportunity brings with it its own inherent risk to varying extents. Therefore, managing our risk effectively is crucial toward achieving sustainable growth. Our outstanding business results stand as testament to our success in risk management activities.

R›sk Management ›n Our Non-F›nanc›al Compan›es

The Sabanc› Group has made great progress in its Enterprise Risk Management Transformation process on which it recently embarked. All Group Companies identify and prioritize their risk and determine detailed actions for critical risk through the support and methodology utilized by the Holding Risk Management Department. Our Group Companies continually improve and implement effective risk management at senior management levels. The success of our Group Companies in these risk management activities represents a crucial step in our performance measurement system.

In 2008, we established a Sabanc› Risk Management and Insurance Platform (SARIM) under the coordination of the Holding Risk Management Department. SARIM is composed of representatives from Group Companies. All major risk management issues are discussed in this platform and necessary actions are determined.

Overall, the Sabanc› Group, with a wide range of business activities, is prepared for any challenge that may occur in 2008. Our 2008 business plans are drawn up especially to enable us to manage our risk effectively without compromising our growth strategies.

We strongly believe that providing maximum value to our shareholders is possible only through effective risk management in all of our operations. Managing our risk effectively is crucial toward achieving sustainable growth. Our outstanding business results stand as testament to our success in risk management activities.

R›sk Management ›n Our F›nanc›al Compan›es

2007 was a successful year in terms of risk management for our financial services companies, which occupy a substantial place in our business portfolio. The risk management strategy, while conservative, is based on exploiting reasonable opportunities in a timely manner. Akbank has made considerable improvements in risk management and Basel II compliance. The liquidity crises which shook global markets in 2007 and are expected to continue into 2008 have also been managed successfully.

The main objectives of Akbank's Risk Management Division include setting up a risk management system in accordance with Basel II criteria and offering the best risk management practices in emerging countries. Our goal is to establish and develop the most effective systems for managing credit, market, operational and asset liability risk.

The basic characteristics of Akbank's risk management philosophy that differentiate the bank from other financial institutions are:

- To detect, manage and monitor market, credit, operational, asset liability risk and other banking-related risks at an early stage in a proactive manner and to appropriately allocate capital among business units,
- To establish a risk management system as an independent structure, separate from but coordinated with business units,
- To report all financial risk,
- To be open to learning and change in order to cope with new market conditions,
- To provide the highest value to shareholders, clients and employees,
- To be financially sound and reliable, to establish long-term business relationships with our shareholders and clients with the help of our long-term commitment to delivering the best possible service and product and
- To comply with Basel II regulations and other international guiding principles.

Human Resources

Sabancı Holding's strategy in Human Resources is to gain acclaim by setting world class human resources management standards and to be a top employer of choice.

To realize this goal, Sabancı Holding tailors a management team that is highly selective in recruitment and promotion, can create and instill a compelling vision, hold all employees accountable for achieving high standards of performance and encouraging and nurturing employees to achieve their full potential while rewarding those with outstanding performance.

Sabancı Holding aims to attract open-minded, ethical, entrepreneurial, strategic minded, innovative, energetic, achievement-oriented, collaborative and participative individuals.

Our Human Resources Polıcıes and Prıncıples

The human resources management approach employed in Sabancı Group companies responds to the specific business requirements in each industry as well as the design and implementation of practices, which support strategic objectives.

Sabancı Human Resource Policies and Principles represent the basic principles of the Sabancı Group's human resource management applications and priorities, while also enabling the flexibility required for the special conditions and needs of such a wide range of businesses of varying structures within different sectors.

Attractıng and Recruıtıng the Best Talent

Our goal is to:

- Be the employer of choice for top talent
- Recruit talented individuals who possess the required qualifications and who will help support the Group going forward and who adhere to the Sabancı values
- Meet the future workforce needs of the Group through a global and proactive perspective in recruitment.

Sabancı Holding aims to attract open-minded, ethical, entrepreneurial, strategic minded, innovative, energetic, achievement-oriented, collaborative and participative individuals.

Investing in Our People

Our main responsibilities are to:

- Invest in and create an environment with opportunities for continuous development of our employees and help them realize their potential.
- Continuously track employee performance and support open communication by creating a culture where managers are accountable for employee development.
- Develop and nurture employees to create a high performance global talent pool of future leaders.

Building Organizational Capability

It is our priority to:

- Continuously assess and review organizational capability, people, systems and processes while restructuring, if necessary, in line with the requirements to support success of the Group.
- Identify and assess high-potential employees and develop their careers based on the future needs of the Group.
- Enhance mobility in the Group through assignments, transfers and rotation for employee and organizational development.

Reward and Recognition

We intend to:

- Offer a competitive reward package to attract top talent and enhance the commitment of existing employees;
- Encourage employee accountability and reward and recognize outstanding contributions, success and high performance in employees.
- Provide a level of compensation to employees commensurate with their responsibilities and the value they add to the organization.

Increasing Employee Motivation and Commitment

Our objective is to:

- Promote the development and expansion of a participatory, open, transparent culture which values diversity and creativity.
- Proactively seek and consider employee feedback and expectations and continuously develop approaches that strengthen commitment, motivation and improve retention.
- Create a safe and healthy business environment where ethical values are embraced and a work/life balance is maintained.

Principal Subsidiaries and Participation Stakes

The following table shows Sabancı Holding's direct ownership interest in and indirect control over each of the Sabancı Group companies as of March 31, 2008.

Name of Company	Paid-in Capital as of March 31, 2008 (000 YTL)	Direct ownership (%)	Indirect control (%)	Total direct ownership and indirect control (%)
Financial Services				
Akbank[1]	3,000,000	31.38	9.47	40.85
Aksigorta[1]	306,000	61.98	-	61.98
Avivasa[2]	35,779	-	49.83	49.83
Ak Lease[3]	88,400	0.01	99.99	100.00
Ak Securities[3]	50,000	0.16	99.84	100.00
Ak Asset Management[3]	1,000	0	100	100.00
Ak Investment Fund[1,3]	18,000	0	100	100.00
Tire, Tire Reinforcement Materials and Automotive				
Kordsa Global[1]	194,529	91.11	-	91.11
Brisa[1]	7,442	43.63	-	43.63
Temsa	70,000	45.95	2.75	48.70
Toyotasa	3,326	64.99	0.01	65.00
Retail				
Carrefoursa[1]	113,422	38.78	-	38.78
Diasa	112,000	40.00	-	40.00
Teknosa	110,000	69.17	-	69.17
Cement				
Akçansa[1]	191,447	32.24	7.48	39.72
Çimsa[1]	135,084	47.12	11.29	58.41

Name of Company	Paid-in Capital as of March 31, 2008 (000 YTL)	Direct ownership (%)	Indirect control (%)	Total direct ownership and indirect control (%)
Energy				
Enerjisa Power Generation	413,782	50.00	-	50.00
Enerjisa Wholesale and Trading	1,000	49.99	0.01	50.00
Trade and Industry				
Advansa	EUR 22,374	92.82	7.18	100.00
Sasa [1,4]	216,300	-	51.00	51.00
Exsa	117,000	12.82	32.88	45.70
Exsa U.K.	GBP 25,000,000	87.00	13.00	100.00
Universal Trading	EUR 12,782,297	90.00	10.00	100.00
Exsa Americas	USD 410,285	40.00	60.00	100.00
Bossa[1]	108,000	50.12	-	50.12
Yünsa[1]	29,160	57.88	1.49	59.37
SKT Giyim[5]	20,880	-	70.00	70.00
Other				
Philsa	3,000	25.00	-	25.00
Philip Morrissa	700	24.75	-	24.75
Olmuksa[1]	32,603	43.73	-	43.73
Dönkasan	150	20.00	30.00	50.00
Bimsa	400	79.98	20.02	100.00
Tursa	95,000	96.85	3.15	100.00
AEO	38,000	70.29	-	70.29

1. Shares are traded on the ‹stanbul Stock Exchange
2. Direct ownership by Aksigorta
3. Wholly owned by Akbank
4. Direct ownership by Advansa
5. Direct ownership by Yünsa

Financial Services

AKBANK

As of the end of 2007, Akbank was Turkey's most valuable bank having the most profitable banking operations among privately owned banks in Turkey. In addition, with its extensive branch network, Akbank is one of the largest banks in Turkey in terms of loan volume.

As well as its core banking activities, Akbank offers a wide array of retail, commercial, corporate, private banking and international trade finance services. Non-banking financial services together with capital market and investment services are provided by the Bank's subsidiaries. With state-of-the-art IT systems and staff of experienced bankers, Akbank focuses on providing top quality services to a wide range of retail and corporate customers.

Akbank operates out of its Istanbul head office and 20 regional directorates throughout Turkey, underpinned by a strong and extensive domestic distribution network of 715 branches and a workforce of 13,513 employees. As well as its traditional delivery channels such as its branches -including "Credit Express" consumer loan only branches and "Big Red House" mortgage loan only branches- Akbank also provides services through its Retail and Corporate Internet Branches, the Telephone Banking Center, a total of 1,855 ATM and 835 BTM machines and 253,274 POS terminals as well as brand new high-tech channels such as mobile telephones and web-based platforms. Free Banking Areas have also been set up inside branches where customers have access to both Internet and telephone banking services.

Akbank's overseas operations are performed by Akbank NV in the Netherlands and Akbank AG in Germany as well as a branch in Malta.

Akbank and Citigroup successfully sealed a strategic partnership agreement on January 9, 2007, whereby Citigroup acquired a 20% equity stake in Akbank for approximately US$ 3.1 billion (YTL 0.095 per share). This partnership with Citigroup has contributed extensively to the development of new commercial banking activities, the improvement of available products and the development of new products.

2007 was a year in which Akbank successfully became Turkey's most valuable, stable and innovative bank. It developed new products and delivery channels which addressed customers' needs such as SMS Credit that allows customers to apply for consumer loans by simply sending their national ID number through an SMS message; Credit Express branches, which only sell consumer loans; the Credit Machine, offering clients the opportunity to obtain loans without going to the bank; and the new credit card, Wings, the first of its kind in the sector with a generous air-miles program.

At the end of 2007, Akbank's net profit reached YTL 2 billion (approximately US$ 1.76 billion) commanding a massive asset size of YTL 72.1 billion (approximately US$ 62.2 billion). Buttressed by relatively high equity levels, a strong deposit franchise, low-cost funding opportunities and strong growth in its asset size, Akbank now boasts the most profitable banking operations among Turkey's privately owned banks. In 2007, Akbank's loan portfolio reached YTL 40 billion, expanding by 32% with a market share growing from 13% to 13.4%.

Consumer loans registered a growth of 43% in 2007 to reach YTL 8.8 billion, with the bank's market share reaching 13.2% in this segment. General purpose loans recorded a massive 83% increase to reach YTL 3.4 billion, where Akbank's market share improved from 10.4% in 2006 to 11.6% in 2007.

Deposits grew by 21.3% in 2007 to reach YTL 43.6 billion and the market share increased from 11% to 11.6%.

Akbank continued to raise funds from foreign markets at favorable terms in 2007, with the total of such resources rising to US$ 7,889 million.

25% of Akbank's shares are traded on the Istanbul Stock Exchange. The bank's Level 1 ADRs are traded on the IOB in London and the OTC in the United States. Akbank's market capitalization stood at US$ 22.5 billion on December 31, 2007, identifying it as the most valuable bank on the Istanbul Stock Exchange. Akbank commanded this position at the end of 2007, boasting the most profitable banking operations among all privately owned banks in Turkey. In addition, Akbank ranks as one of the largest banks in the country in terms of loan volume, supported by an extensive branch network.

AKS‹GORTA

Established in 1960, Aksigorta ranks as one of Turkey's leading non-life insurance companies in terms of premium generation, shareholders' equity and financial strength.

Based in Istanbul, Aksigorta offers its clients fire, marine, motor third party liability, accident, personal accident, credit, legal protection, engineering, agriculture and health insurance coverage. It operates from ten regional offices, four of which are located in Istanbul with one each in Izmir, Adana, Ankara, Trabzon, Bursa and Antalya (for the Mediterranean region). Aksigorta also works out of three additional representative offices throughout Turkey.

In the interests of providing a better quality service to its corporate and individual customers, the Company's insurance products are marketed and distributed through a wide network made up of 1,402 agents, 33 brokers and 698 Akbank branches. These channels are supported by the "Aksigorta Service Center" and website, which provides various services ranging from claims follow-up to other insurance services on a 24/7 basis.

__Note:__ Unless otherwise stated, all financial information presented above has been extracted from the consolidated financial statements based on Turkish Accounting Principles and Turkish Financial Reporting Standards and their annexes and comments.

In the interests of providing better quality service to its corporate and individual customers, Aksigorta's insurance products are marketed and distributed through a wide network made up of 1,402 agents, 33 brokers and 698 Akbank branches.

In line with Aksigorta's customer-centric service philosophy, the "Aksigorta Service Center" continues to provide uninterrupted services, starting from the first step of an offer, through to focusing on every detailed processes of claim management. In addition, Aksigorta strives to simplify the claims process for its customers, to inform them in a timely manner and to call the customers (Happy Calls) in a bid to improve their satisfaction.

Aksigorta, with its customer-focused service philosophy, has increased its service quality and customer satisfaction, continuing to offer services for auto, household, business and health products. Aksigorta offers the highest quality service in the shortest time span starting as soon as it receives claim notification through its contracted auto repair services and contracted health associations. These assistance services play an integral part in the insurance business for Aksigorta and insurers.

In order to provide excellent service to insurers, Aksigorta has transferred claims process management to an electronic environment as part of its Operational Efficiency Project. Claims process management in an electronic environment, starting with claim notification, assures swift investigation of the claim, approval and finally payment of the claim.

Aksigorta had operated in both life and non-life insurance segments until the beginning of 1996, when the Company transferred its life insurance operations to the Sabancı Group's life insurance subsidiary, Akhayat. Within this new structure; Akhayat was converted into a pension fund company and renamed Ak Emeklilik A.fi. In 2007, Ak Emeklilik and Aviva completed a successful merger and a new company, Avivasa, was formed. Aksigorta holds a 49.7% stake in this company.

Aksigorta modeled ISO 9001: 1994 Standards and established its Quality Control System, which was certified in 1998. This certificate was renewed in 2001 in accordance with the ISO 900: 2000 Standard; in 2007, Aksigorta extended the validity of the certificate until 2010.

Aksigorta continues to deliver on its commitment to social responsibility. Within the framework of the "Investing in the Future Project", initiated in 1995, the Fire and Earthquake Simulation Center, YADEM, started operations the following year. Aksigorta was named the "Most Trustworthy Insurance Company in Terms of Quality" and was awarded the Consumer 2007 Quality Prize in the annual competition held by the Tüketici Dergisi (a free advertisement magazine). Furthermore, according to a survey carried out by A.C. Nielsen in 2007, Aksigorta was named the best known non-life insurance company in Turkey.

Aksigorta shares are listed on the Istanbul Stock Exchange with a free float of 38%.

AVIVASA

Avivasa, Turkey's leading individual pensions fund and life insurance company, was founded on October 31, 2007 through the merger of Ak Emeklilik A.fi. and Aviva Hayat Emeklilik A.fi. in a 50/50 joint venture between Sabanc› Group and the UK-based insurance giant Aviva.

With YTL 35,779,197 of paid in Capital, Avivasa employs a workforce of more than 2,300, of which 1,950 are sales staff.

Avivasa, with a range of distribution channels such as Bank Direct Sales, Direct Sales, Bank Sales, Agencies and Institutional Projects and Telemarketing, has 900,000 customer portfolios within individual pension fund and life insurance businesses.

Bank Direct Sales is a channel which ensures to introduce the individual pension and life insurance products to Akbank customers. While the Direct Sales Channel renders service through financial consultants to the various socio-economic customers, who are not attained by Bank Direct Sales, the Bank Sales Channel brings in not only individual pension funds but also other bank products to the Akbank clients through Branch Customer Representatives.

Moreover, Agencies and Institutional Projects Channel expands the current operation, while the Telemarketing Channel which has recently been constituted, plan on heading for divergent customer layers with more straightforward products.

Avivasa's funds are managed by a Sabanc› Group company, Ak Asset Management, one of the largest companies in the portfolio management sector.

As of December 28, 2007, Avivasa being the leader in its sector with a 24.70% market share, managed a total of YTL 1.1 billion in pension funds, according to the data gathered by the Pension Monitoring Center.

With statistics gathered by the Turkish Association of Insurance and Reinsurance Companies, as of the 3rd quarter of 2007, Avivasa's total life insurance premium was ranked third in the sector with a production amounting to YTL 116.9 million, which indicates a market share of 11.09%.

Working toward its mission of providing the most comprehensive portfolio of services to its customers, Ak Securities has become one of Turkey's leading brokerage houses, with 205,453 investor accounts at the end of 2007 and a staff of 165.

AK LEASE

Ak Lease, one of the first leasing companies to be established in Turkey, has since expanded to become a leading player in the sector with an equity of YTL 164 million and YTL 728 million in total assets.

The Company had previously served large-scale companies. However, after Akbank's full takeover of Ak Lease in 2005, it focused more on small and medium-size enterprises, offering clients leasing services through nine recently established regional representative offices and Akbank's widespread nationwide branch network.

Since 2005, Ak Lease entered a period of rapid growth and attained a total YTL 693 million of net lease receivables in 2007, five times higher than YTL 170 million in 2004.

Ak Lease's rank in transaction volume grew up from 12th in 2004 to 6th in 2007. Ak Lease aims to increase its strength in the market, in 2008.

AK SECURITIES

Ak Securities has achieved rapid and sustained growth since its establishment as an investment brokerage company in 1996. Working toward its mission of providing the most comprehensive portfolio of services to its customers, Ak Securities has become one of Turkey's leading brokerage houses, with 205,453 investor accounts at the end of 2007 and a staff of 165. In 2007, Ak Securities ranked fourth among brokerage houses in Turkey, realizing a 4.61% share of transactions on the Istanbul Stock Exchange (ISE).

As well as basic equity, bond trading and repo transactions, Ak Securities also provides portfolio management and investment advisory services and Amex mutual funds trading. The Institutional Sales Department caters to international corporate clients seeking to invest in the Turkish capital markets with a full range of trading services. The Research Department's periodicals, along with event-specific publications in Turkish and English play a key role in investment decisions to both domestic and foreign clients.

The Corporate Finance Department offers consultancy services to local and foreign companies regarding public offerings, mergers and acquisitions and provides buyer and seller consultations for privatization projects.

Backed by a wide investor network, Ak Securities offers these services from its Istanbul head office as well as 13 special Ak Securities Branches, five in Istanbul and a branch office in Ankara, Izmir, Adana, Gaziantep, Antalya, Bursa, Denizli and Kayseri as well as 698 Akbank branches, which also serve as Ak Securities agencies.

In addition, these services are available to customers on a 24/7 basis through the Internet. Ak Securities endeavors to provide the best service to its customers through investment in its human capital through an emphasis on information technology, as in previous years. Ak Securities' clients may execute stock transactions using Blackberry technology while simultaneously following global market indices. Ak Securities' new SMS service enables clients to perform a host of transactions such as displaying their portfolios, following and displaying their orders and reaching information through their mobile telephones.

Ak Securities' website (www.akyatirim.com) reaches a wide base of investors by publishing daily and weekly reports, industry and company reports and quarterly reports as well as macro notes and daily technical analysis comments.

AK ASSET MANAGEMENT

Ak Asset Management was established in June 2000 as a wholly owned subsidiary of Akbank, with YTL 1 million of paid in capital.

Ak Asset Management manages a total of 39 funds from four different promoters, including 17 mutual funds from Akbank, one from Ak Securities and 19 pension funds from Avivasa Pension Company and the Ak Investment Trust. Ak Asset Management, additionally manages individual portfolios for high net-worth individuals and institutions, tailored according to their financial expectations and risk profiles.

Ak Asset Management is Turkey's fourth largest mutual fund management company in terms of annual average volume of assets under its management (AUM). The company's AUM totaled US$ 2.9 billion by the end of 2007.

Ak Asset Management is Turkey's largest pension fund management company in AUM terms, with assets under its management reaching US$ 1 billion by the end of 2007.

Ak Asset Management commanded a 12.9% market share in the Turkish mutual fund market, at the end of 2007. The Company is ranked first in the pension fund market with a market share of 24.7%. Meanwhile, Ak Asset Management's market share in the individual and institutional portfolio management business line had also reached 5% by the end of the year.

With an emphasis on the importance of risk management in meeting client expectations, Ak Asset Management practices a clearly defined and well-disciplined investment strategy. The Company's general approach in asset management is to achieve above benchmark returns for each mandate on a risk adjusted basis, considering the liquidity and diversification limitations of its clients.

Ak Asset Management strives to be a pioneer in the Turkish asset management industry, leading in terms of performance creation and product innovation.

AK INVESTMENT FUND

The Ak Investment Fund ranks as the third largest fund in terms of assets among the 30 active investment funds in Turkey. This fund commanded a 7.73% market share in terms of investment portfolio size at the end of 2007 and yielded an 18.82% rate of return in 2007. Its stock traded at an average discount rate of 42.45%.

The Fund's strategy is to diversify its investment portfolio in such a manner as to minimize risk and maximize return. The fund has a focus on domestic markets and seeks for long-term capital appreciation through equity investment.

Tire, Tire Reinforcement Materials and Automotive

KORDSA GLOBAL

Kordsa Global is the world's largest supplier of nylon and polyester industrial yarn, fabrics and single-end-cord, serving primarily tire and mechanical rubber goods markets.

Kordsa's success story started with the tire cord fabric plant investment in Izmit, Turkey in 1973.

In the past 35 years, the Company has evolved into a global leader through strategic acquisitions and joint ventures with strong business partners, like DuPont. The company is a global leader with 12 operations spread over five continents, in ten countries and with a workforce exceeding 5,000 employees. In 2007, the Company's net sales reached at US$ 925 million.

With its headquarters in Istanbul, Kordsa Global operates in four regions:

Region 1 (Europe, Middle East and Africa)
Turkey, Germany, Egypt, Iran
Region 2 (North America)
Laurel Hill/NC, USA, Chattanooga/TN, USA
Region 3 (South America)
Brazil, Argentina
Region 4 (Asia Pacific)
China, Indonesia, Thailand

In 2007, the Company focused on integrating its newly acquired Asian operations and accelerating the "voice of the customer" efforts and innovative solutions. To achieve these objectives, key investments were made in global technology resources and the Single-End-Cord business.

In 2008, Kordsa Global aims to get closer to its vision of "its customers' solution partner" utilizing three approaches:

- **Operating Excellence**, driving competitive local cost and global supply chain.

- **Balanced Global Approach**, allocating resources to optimize value creation and cost efficiency opportunities.

- **Solution Partner initiatives**, focusing on bringing technology know-how and customized services to its customers enabled by innovation methodology.

Kordsa Global is shares are listed on the Istanbul Stock Exchange with a free float of 8.9%

BRISA

This company was established in 1974 and initiated mass production in 1978 under the name of Lassa. The company changed its name to Brisa after the establishment of 50/50 joint venture between the Sabancı Group and the Bridgestone Corporation in 1988.

Brisa became the first winner of the National Quality Award in Turkey in 1993. Likewise, Brisa's dedication to business excellence was rewarded with the prestigious European Quality Award in 1996, honoring Brisa as the first Turkish company and the first tire company in Europe to receive this award.

Brisa produces more than 450 different types of tires under the Lassa and Bridgestone brand names with a range of designs, types and sizes to accommodate many different vehicles ranging from passenger cars to earthmoving equipment. Its integrated tire production facilities are located in an enclosed area of 350,000 square meters. The capacity of the production unit totaled nine million tires in 2007.

A network of more than 600 exclusive sales points markets tires throughout Turkey. Brisa tires are mounted as original equipment on Renault, Toyota, Ford, Fiat, Honda, Hyundai, Mercedes Benz, BMC, Temsa, Mitsubishi and MAN vehicles. Maintaining its leading position in the domestic market, Brisa has expanded its presence in international markets with the Lassa brand by entering new markets and building brand equity. Brisa products are marketed and sold in 47 countries, mainly in Europe.

Brisa's state-of-the-art R&D Center works in coordination with Bridgestone's Technical Centers in Tokyo and Rome, integrating Bridgestone technology and playing a vital role in reinforcing its competitive edge in world markets.

Brisa's net sales revenue exceeded US$ 570 million in 2007; its shares are listed on the Istanbul Stock Exchange with a free float of 10.3%.

TEMSA

Temsa, established in 1968, entered automotive operations in 1984. Its vision is to become a global brand, with a mission to create innovative solutions as a commercial vehicle manufacturer.

Temsa's Adana plant has an annual production capacity of 1,000 buses and coaches, 2,000 midibuses and midicoaches and 7,500 light trucks, operating on a single shift basis. Temsa currently manufactures Diamond and Safir coaches, Powerbus midicoaches, Prestij midibuses, Metropol city buses and Mitsubishi Fuso Canter light trucks for the Turkish market. The Company also manufactures Diamond, Safari, Tourmalin and Opalin models for the European markets; these vehicles were

Temsa's international sales and marketing operations, undertaken by Temsa Europe NV located in Belgium, works with 43 distributors in 40 countries and 12 representative offices. Temsa Deutschland Gmbh and Temsa Austria Gmbh have been established further strengthening Temsa operations in these countries.

originally developed and designed by the Company. Temsa adopts a flexible production approach with a variety of engines and drive train components.

Temsa's international sales and marketing operations, undertaken by Temsa Europe NV located in Belgium, works with 43 distributors in 40 countries and 12 representative offices. Temsa appointed new distributors in Spain, Morocco, Macedonia, Poland, Estonia and Latvia in 2007, as well as establishing five new representative offices. Temsa Deutschland Gmbh and Temsa Austria Gmbh have been established further strengthening Temsa operations in these countries.

In its quest to become a global brand with new products able to penetrate new businesses and new regions, Temsa signed a JV agreement with the Lasheen Group to build a manufacturing facility in Egypt. This new plant, which will produce up to 1,000 buses and midi-buses annually, will carry Temsa's accumulated expertise in design and marketing experience to Northern Africa, the Middle East and the Gulf area to meet growing demand for busses and midi-busses. Construction work on the new plant got underway in February 2007. The facility, located in the Qualified Industrial Zone of the Tenth of Ramadan, approximately 50 km from Cairo, is scheduled to enter production by the end of March 2008. The total plant occupies an area of approximately 80,000 m^2 (first stage) of which 30,000 m^2 will be enclosed. The plant will employ a workforce of 750 at full capacity utilization.

Temsa Research Development and Technology Company (Temsa ARGE ve Teknoloji A.fi.) continues to adapt and commercialize the Company's research and development activities, as well as creating innovative solutions for customers within the "Temsa Value Chain." In 2007, Temsa Research Development and Technology Company (Temsa ARGE ve Teknoloji A.fi.) stepped up its investments and expanded its workforce to develop new product designs. In 2007, Temsa launched the Prestij Super Deluxe (with a seating capacity of 27) and Metropol S (with a seating capacity of 43) in the Turkish market. With the five newly appointed authorized dealers in 2007, the number of Temsa Bus Dealerships throughout Turkey has reached 20.

In addition to production, Temsa is also Turkey's sole distributor of Mitsubishi and Komatsu products. As a distributor for Mitsubishi, Temsa also conducts sales, service and spare parts operations through 40 authorized dealers across Turkey for Mitsubishi passenger cars, 2007 market leader pick-ups and panel-van light commercial vehicles as well as Mitsubishi Fuso Canter light trucks. Canter light trucks, market leaders in their own segment for four years in a row, are produced at the Company's Adana plant.

A distributor of Komatsu products for 25 years, Temsa supplies Komatsu construction equipment and forklift trucks to industrial corporations in Turkey. Temsa retained its position as the leading firm in the sector in 2007 by employing the customer-centric Samurai lean marketing model.

In 2007, Temsa invested US$ 41 million in its facilities and expanded its workforce to 1,836 staff.

Temsa generated revenues of US$ 863 million in 2007, of which US$ 182 million were from bus exports and US$ 52 million from exports of the Komatsu.

TOYOTASA

As a spin-off of the earlier joint venture founded in 1990, Toyotasa Toyota - Sabanc› Marketing and Sales Inc. was established in October 2000 as a new joint venture between Sabanc› Holding (65%), Toyota Motor Corporation (25%) and Mitsui& Co. (10%). The Company is the authorized distributor for Toyota branded automotive products in Turkey and carries out marketing, sales and after-sales services of locally produced and imported models such as Corolla, Auris, Corolla Verso, Avensis, Yaris, RAV4, Land Cruiser, Camry, Hiace, Hilux as well as spare parts and accessories.

Toyota vehicles are marketed, distributed and serviced by exclusive dealerships operating as Toyota Plazas throughout the country. These facilities have been founded on the principles of superior quality, advanced technology and complete customer satisfaction. They provide a full range of world-class sales and after-sales services for Toyota customers aiming to enhance the ownership experience.

Since it was established, Toyotasa has been continuously increasing its market share due to proactive marketing and sales strategies. In 2007, Toyotasa achieved an 8.3% share of the passenger car market by increasing its sales volume for the sixth consecutive year and recorded revenues of US$ 615 million. Ranking fourth in the passenger car market, Toyotasa aims to continue moving up further in the medium term.

Toyotasa leads the industry in overall customer satisfaction, which is the main focus of the Company's vision.

As a responsible corporate citizen, Toyotasa conducts corporate social responsibility activities in three main areas; environment, traffic safety and technical education.

Retail

FOOD RETAIL

Food, the longest established segment in the retail sector, is becoming an increasingly attractive business in Turkey due to the gradual expansion of organized retail in the overall sector. Food expenditures reached US$ 100 billion in a market still dominated by open markets and traditional stores, which account for more than half of the sector's sales. Nevertheless, as organized retailers start to amass market share, foreign investors are finding the sector progressively more attractive. Fuelled by factors such as rising income, urbanization and enhanced price sensitivity among consumers, the number of organized retail sales points by have grown at an average annual rate of 14% since 2000. In 2007, organized retailers exhibited strong 25% growth in US Dollar terms. During the same period, Sabancı-Carrefour joint ventures reported 25% sales growth, maintaining market shares.

CARREFOURSA

Carrefoursa is a joint venture between Sabancı Holding and Carrefour, the top retailer in Europe and the second largest in the world, with 15,000 stores located in 29 countries. Carrefoursa celebrated its eleventh anniversary in 2007. Its mission is to provide Turkish consumers with a broad selection of high quality, reasonably priced food products presented in a welcoming and pleasant shopping environment and to ensure profitable growth for its shareholders.

With sales areas ranging from 3,000 to 15,000 m^2, flagship format hypermarkets carry a wide assortment of food and non-food products with up to 40,000 SKUs at the lowest prices all housed under one roof. Supermarkets, with between 1,000 and 2,000 m^2 of retail space, offer an impressive assortment of fresh food, providing consumers with convenient shopping at the lowest prices.

2007 was a highly successful year for Carrefoursa; a time when the strategies implemented over the last two years have borne fruits. Carrefoursa generated US$ 1.6 billion in sales revenue, marking 19% growth over the previous year, while its store network expanded to 19 hypermarkets and 99 supermarkets with total sales area of 270,000 m^2. Over 70 million consumers shopped at Carrefoursa stores throughout the year.

The Company took notable strategic steps in 2007:

1) New supermarket format: Following positive results in the trial period beginning in 2006, the Carrefoursa Expres concept was launched in April 2007. The conversion process was completed after rapidly renewing the commercial model for all supermarkets. In parallel with its single brand-multi format strategy, the Company showed the strength of its Carrefoursa brand in a supermarket format where competition is most intense and introduced Carrefoursa innovations, bringing low prices and quality to this format.

2) Hypermarket openings in mid-size Anatolian cities: As the leader in the hypermarket format, Carrefoursa aims to open hypermarkets in Anatolian cities with populations of over 500,000, in a bid to expand beyond Istanbul and other of the largest cities in the country, to become a broader nationwide brand. The company tapped this potential in 2007 with hypermarket openings in Eskiflehir, Sakarya and Denizli.

3) Sale of non-core assets: The initial agreement for the sale of a 106,000 m^2 plot of land located in Merter, one of the most densely populated areas in Istanbul, to the Apollo Real Estate-Multi Turkmall joint venture for EUR 267 million was signed in December and the final deal was sealed in January 2008.

By strengthening the supermarket format and expanding the geographical scope of the hypermarket expansion, Carrefoursa achieved record growth in 2007, opening four hypermarkets and 18 supermarkets. This growth has not been achieved at the expense of profitability, with Carrefour improving its operating profit by 25% in 2007. In this respect, the 2007 results stand as testament to the Company's clout and determination to successfully implement its strategies and realize the related financial targets. The proceeds from the Merter sale further strengthened the Company's financial structure, providing the capacity to evaluate and rapidly take action with its own resources on all projects offering a value creation potential.

Carrefoursa will retain its leadership position in the hypermarket format in 2008 with new stores and strengthen its position further in the supermarket segment with accelerated openings. Carrefoursa's goal is to expand its new sales area by 30% in 2008 and expand its workforce with 1,500 new recruits, taking its personnel count to 8,500.

DIASA

The discount format for retail, which offers low prices through a low cost business model, is becoming ever more popular as consumers become more price conscious, both globally and in Turkey. To address the growing demand for discount stores, Diasa was established in 2000 as a joint venture between Sabanc› Holding and Dia, Spain's leading discounter and a part of Carrefour Group. The successful global model of over 6,000 Dia stores was adapted to Turkey's local needs. Currently in a phase of rapid expansion, Diasa provides consumers convenience and quality at discount prices. The discount format is a powerful growth engine for the Group and Diasa has been Turkey's fastest growing food retail chain in Turkey with 50% annual growth over the last four years.

Diasa generated US$ 420 million in revenue in 2007, marking 38% growth over the previous year through a network of 519 stores and a combined retail space of 120,000 m^2. Eighty five million consumers shopped at Diasa stores during the year. With its global expertise and own-brand products accounting for a significant 30% share of its sales, Diasa continued to lead the private label segment in Turkey.

In 2007, when GDP growth was 4%, the number of sales points operated organized retailers rose by 10%. During the same period, Sabanc›-Carrefour joint ventures reported 25% sales growth, capturing additional market shares.

In addition to the Marmara region, Diasa started operations in the Aegean and Central Anatolian regions, becoming a national player in 2006, while the Company accelerated its expansion, opening an average of two new stores per week in 2007. In a bid to achieve rapidly improving economies of scale, a 100-store network was established in the Aegean region in the second year of operations.

In 2007, the business was undertaken to integrate the commercial model of Endi branded stores to the Diasa network, while efforts took place to brand the network under two formats, with “classic” stores with 1,800 SKUs and larger “Plus” stores with 2,600 SKUs, giving Diasa the flexibility to better satisfy domestic needs.

In addition to its own stores, Diasa supports growth through franchisee stores. Operating under the Diasa brand, franchise owners receive purchasing, logistics and store operating know-how support. This allows Diasa to reach areas which are not a priority in the short term or seasonal areas. This business model, also applied in Spain and other Dia countries, will be improved in 2008.

2008 will be another year of strong growth for Diasa with more than 100 new store openings. Growth will be built on the solid foundation of redefined new store models and strengthened logistics infrastructure provided by the opening of the new warehouse in 2007. Diasa's most critical asset in realizing these targets is its workforce, which is slated to reach a total of 3,200 by the end of 2008.

TEKNOSA

The electrical retail sector in Turkey expanded to US$ 10 billion, with new players entering the market during the year. The potential of the Turkish market and rising interest in technology products has underpinned this growth. There are currently 35,000 sales points operating in the market, while the conversion to a multi-brand model offering a wider selection of products continues. As the pioneer of this conversion, Teknosa led the technology retail sector in 2007 with a slew of new investments and an innovative and customer-centric approach.

Teknosa was established in 2000 and is 100% owned by Sabanc›. Teknosa, with the slogan - “Technology for everyone” - boasts the sector's most extensive store network in Turkey, reaching 56 cities and over 230 stores in 2007. With over 55,000 m^2 of total retail space and a wide assortment of technology products, Teknosa has created a unique and pleasant shopping environment with outlets attracting some five million customer visits every month. With a workforce of over 3,100, Teknosa managed to augment its sales revenue by 36% to US$ 750 million in 2007.

In addition to its existing store model, Teknosa also reaches consumers through new formats. Teknosa Cep stores, offering small products such as mobile phones and MP3 players, entered operation in 2007. Teknosa Planet, which was opened in Profilo Shopping Mall in January 2008, offers a distinctive design and differentiated concept demonstrating Teknosa's vision in technology retailing in a large store format.

Teknosa continues to invest in Teknosa Akademi with the aim of creating an infrastructure for career planning and a back-up program, transferring sector innovations and developing individual performances. The Teknosa Akademi recently moved to its 1,800 m^2 new facility in Kartal, with 13 classrooms able to comfortably accommodate up to 350 trainees.

The “Satisfaction Guaranteed” program focused on customer satisfaction, allows customers to return their products within 15 days on a no-questions-asked basis; this program was launched in 2007. Representing a first of its kind in the sector, Tekno Asist sites were placed in stores and expert Teknoassistants were assigned to man these desks. In parallel with the Satisfaction Guaranteed program, the Teknosa call center was redesigned and renamed Teknosa Asist; its phone number was changed to 444 55 99. The 5599 SMS information service was also introduced and additional investments undertaken, such as a voice recognition software package. Moreover, the www.teknosa.com on-line store continues to provide a service to Teknosa customers on a 24/7 basis.

Teknosa was honored with the International Organization for Standardization's quality management standard ISO 9001:2000 Quality Management System Document in 2007, in recognition for all its activities.

As part of its aim of contributing to cultural and social life while creating a new technology-savvy generation, Teknosa sponsors many projects involving education, science, art and technology. In collaboration with the Turkish Football Federation, Teknosa began supporting the National Team and Turkish football as the supplier of technology for the team. The Zamana Direnen Eserler project was initiated in collaboration with Istanbul University; the Company sponsors the conversion of works in the Nadir Eserler Library to a digital format, while the Technology for women social responsibility project, undertaken in a number of Turkish cities, provides free computer training for women to boost computer literacy.

As well as the Teknosa stores, the technology retail chain Teknosa Stores, the Ilklimsa chain, distributing air conditioning units and gas boilers, operates under the Teknosa umbrella. Positioned as the HVAC Center of Turkey, ‹klimsa provides sales and after-sales services for Mitsubishi Heavy Ind., Sharp, Sigma, Midea ve Samui air conditioners and Beretta combi boilers. A total of 209 Iklimsa Centers have been established in 45 cities since the concept was launched in May 2006.

30 new store openings have been targeted for 2008. In this period, Teknosa will continue to take solid steps forward in a bid to strengthen its leading position in Turkey with its expanding network, creative innovations and superior service quality.

Cement

AKÇANSA

Through the merger of Akçimento and Çanakkale Çimento in 1996, Akçansa became the leading cement producer in Turkey. Akçansa is currently a Sabancı Holding and Heidelberg Cement joint venture.

Operating in the Marmara, Aegean and Black Sea regions of Turkey Akçansa has been producing cement and ready-mixed concrete at more than 25 ready mixed concrete plants under the Betonsa brand; it operates out of the Çatalca and Bursa aggregate quarries under the Agregasa brand.

The year 2007 was successful in terms of profitability and efficiency with record sales volumes, wider production and distribution network.

The acquisition of Ladik Çimento in Black Sea region, which expands the Company into a promising new geographical location, was completed by the end of April 2007. The new plant has achieved Akçansa's high standards in a very short period of integration, indicated by the highest production and sales volume reached to date.

After the completion of the capacity investment at its Çanakkale plant, Akçansa intends to become the major operator in the region. Annual clinker production by the Çanakkale plant will surge by 100%, increasing the total clinker production capacity to 6.5 million tons, the total cement production capacity to 9 million tons.

Akçansa meets 13% of Turkey's cement needs at global standards from environmentally friendly facilities. Emphasizing service quality, it utilizes state-of-the art technology to meet customer standards. Akçansa's total domestic cement and clinker sales rose by 21% to 4.9 million tons in 2007, while overall domestic and export sales reached 5.3 million tons. Total revenues were US$ 535 million in 2007.

In parallel to the growing targets, new ready-mixed concrete and aggregate plants were added to the sales network. Continually extending its spectrum of special products in the field of ready-mixed concrete, Betonsa has managed to differentiate itself from its competitors by finding innovative special solutions for its customers.

Akçansa aims to achieve “premium quality in production and service” to fulfill the demand of both domestic and foreign customers and to compete on measures beyond price in a sector where it is hard to discern differences.

The Company's vision is to move beyond the boundaries and to achieve a sustainable growth. Its goal is to be Turkey's leading building materials company, playing a part in enriching the quality of life the society.

Akçansa's Büyükçekmece and Çanakkale cement plants are the first plants in Turkey to be awarded with the Ministry of Environment & Forestry R134-001 and R117-001 certificates which authorize the use of alternative fuel.

Akçansa's shares are listed on the Istanbul Stock Exchange with a free float of 20.6%.

Ç‹MSA

Çimsa, established in 1972, has been producing special cement products, white cement, calcium aluminate cement and ready-mixed concretes and gray cement since 1975; it has become a leading manufacturer in Turkey and abroad.

The Company converted the Grinding and Packaging Facilities in Kayseri into a completely new clinker production plant with five-phase pre-heating technology and minimum power consumption in 2005.

Following the purchase of the Eskiflehir Cement Plant and Ankara Cement Grinding Facility for US$ 175.5 million, Çimsa completed the modernization work of existing clinker production line and the installation of the second production line at Eskiflehir Cement Plant in 2007. The Company merged with Oysa and acquired their Ni¤de plant with a capacity of 400 thousand tons/year, with a total expenditure of US$ 85 million, to increase annual clinker production capacity to 5.8 million tons in the same year.

Exporting to 35 countries, Çimsa is committed to be more active in international markets by expanding through its terminals in abroad.

Çimsa holds the EC Certificate, CE Mark and Kitemark quality certificates required to market cement products in EU member countries.

The Company entered the ready-mixed concretes segment in 1998 and currently provides services in Adana, Mersin, Kayseri, Antalya, Osmaniye, Kahramanmarafl, Nevflehir, Eskiflehir, Kütahya and Bilecik.

Çimsa aims for business excellence at the global level through its quality and environmental management and occupational health and safety systems. Furthermore, the Company took an important step toward protection of the environment by receiving an Alternative Fuel Usage Certificate.

As one of Turkey's most well-known brands in the cement industry, Çimsa continued the momentum of growth and business excellence it started on 2005 and will continue its efforts to create and sustain value for its shareholders.

The Company's annual turnover was US$ 430 million in 2007; its shares are listed on the Istanbul Stock Exchange with a free float of 27.4%.

Energy

The Sabanc› Group's strategic plans have identified the energy sector as a key growth area with a focus on electricity and downstream natural gas operations. Consequently, the Group intends to lead in the electricity market and has set an ambitious target to command a 10-15% market share in the electricity sector by the year 2015.

In March 2007, the Group signed a joint venture agreement with Verbund, Austria's largest generator and distributor of electricity. The agreement is based on an equal share and management principle. Sabanc› and Verbund will work together and exclusively with one another in the Turkish electricity sector, except for nuclear energy investments.

Planning to attain a total installed capacity of 5,000 MW by 2015, the Sabanc› Energy Group has accelerated its efforts to expand and diversify its generation portfolio under the scope of the Verbund partnership. According to agreements entered into in the last two years, construction work has started on new power stations with a capacity of 2,350 MW, which will add to the existing generation portfolio of 455 MW, currently operated by Enerjisa Enerji Üretim A.fi.

The Sabanc› Group, aiming to become the market leader in a vertically integrated structure, continues to undertake preparations to participate in the privatization of electricity distribution companies. There has been an intense interest in plans to build Turkey's first nuclear power station, which is currently on the government's agenda. Finally, the Group is working actively on seeking opportunities in the natural gas business.

ENERJ‹SA POWER GENERATION

Enerjisa Enerji Üretim was founded on April 4, 1996 to explore new business opportunities that could emerge in the energy sector and to operate as a reliable and competent supplier of energy to its customers.

In addition to the power stations in Kocaeli, Adana, Çanakkale and Mersin, with a combined capacity of 370 MW, Enerjisa has added hydroelectric power plants with a combined capacity of 85 MW through acquisitions realized in 2007. There are also plans afoot for close to 980 MW of hydropower power plants projects and a 450 MW lignite fired power station. All of the planned projects will be licensed under the generation portfolio of the new acquisitions in 2006 and 2007. In addition to these projects, Enerjisa started construction work on the Band›rma combined cycle power plant project, which will have a capacity of 920 MW in a bid to ease the problem of Turkey's tightening supply-demand balance. As part of its commitment to renewable energy, Enerjisa also has wind farm projects in the planning stages with a total capacity of 155 MW, with license applications awaiting evaluation by EMRA.

Enerjisa power plants generate electricity for some of Turkey's leading industrial and commercial entities as well as Sabanc› Group companies.

Enerjisa will continue to add value to its shareholders, customers, employees, suppliers and society by exploring every opportunity in the market. The company aims to be a preferred supplier by virtue of its customer-centric approach in all operations. Enerjisa constantly develops its processes and systems in a bid to increase and sustain competitiveness.

Enerjisa's total consolidated sales reached at US$ 320 million.

ENERJ‹SA WHOLESALE AND TRADING

In addition to electricity generation, Enerjisa operates in the electricity wholesale market through Enerjisa Elektrik Toptan Sat›fl A.fi., which was established on January 12, 2004. Enerjisa Elektrik Toptan Sat›fl A.fi. trades in electricity and/or capacity in accordance with the limits set by market regulations. In addition to wholesale trading of electricity, the Company sells electricity directly to eligible customers. Opportunities to import and export electricity are also realized under the wholesale license.

Trade and Industry

TEXTILE

BOSSA

Established in 1951, Bossa is one of Turkey's largest vertically integrated textile manufacturers and has four production plants located on an area of 110 hectares; it employs a workforce of more than 2,800. Bossa manufactures a diverse range of fabrics for formal and smart casual wear, denims, sportswear and shirts, with a total of 84.5 million meters of annual production capacity.

Bossa's main marketing strategy is based on developing high quality innovative products, exclusive services with more rapid responses while ensuring high levels of customer satisfaction through an extensive sales network and employing a dynamic price policy.

The Company's close relationships with some of the world's leading designers and brands for each of the three production lines attest to its innovative, pioneering and R&D oriented operations. Behind this success lies a strong management, a rich resource of human resources, a wide sales network, high quality products geared towards the world of high fashion, an extensive collection, large scale and flexible production, modern IT technology and a strong financial structure.

Having been awarded the ISO 9001 Quality Assurance Certificate, Bossa strives and focuses on both setting itself apart in the development of its products and in the creation of an integral and continuous innovative system in every aspect of its business.

Bossa's total production reached 59.5 million meters of denim and sportswear, formal and smart casual wear and shirting material in 2007. Total sales were recorded at US$ 253 million, while machinery and equipment investments reached approximately US$ 5.3 million in 2007.

Bossa's shares are listed on the Istanbul Stock Exchange with a free float of 32.2%.

YÜNSA

Established in 1973, Yünsa is the largest worsted wool fabric producer in both Turkey and Europe as a whole and Turkey's leading worsted wool fabric exporter. The company has doubled its production capacity in the last four years; its capacity now stands at 12.8 million meters of fabric. Yünsa, with its vision, high product quality, market position and flexibility of production, ranks among the world's top five worsted fabric producers.

Yünsa has the ability to adapt rapidly to changing market conditions and trends thanks to its customer-centric approach. The company's differentiation strategy keeps it ahead of the competition as it achieves ever greater success.

With over 900 customers in 33 countries around the world, Yünsa's total sales grew by 21.1% in 2007 when compared to its 2006 sales figures. Its sales are export oriented with US$ 69.4 million, or 60.4% of the total US$ 115 million in revenue realized through exports during 2007. Yünsa expects to enhance its export and domestic sales performance further in 2008. This year Yünsa initiated a new partnership - SKT Giyim Sanayi, with the Basmacı Group, a well-known men's apparel manufacturer with an extensive store network under the UPTOWN brand. The new firm, in which Yünsa holds a 69.99% stake, operates under the same brand name with a rapid rate of growth and the development of new store openings.

A new development for 2007 was the launch of the "Yünsa Touch" project. In this project, with the application of extensive expertise of Yünsa's technical and sales teams, the products of Yünsa are manufactured out of the Çerkezköy plant. Through "Yünsa Touch", traditional and guaranteed Yünsa quality fabrics are available to customers at Yünsa service standards. The infrastructure of the project was completed in 2007, and Yünsa aims to further develop and expand the project in 2008.

In line with its notion of corporate excellence, Yünsa moved forward with the application of the EFQM Excellence Model in 2007, an expression of Yünsa's ultimate dedication to expand excellence and quality and apply this principle in each process of its operations.

While Yünsa has adopted ISO 9001 Quality Standards, the Hohenstein Institute in Germany licensed the operation with the Eko-Tex 100, which certifies that Yünsa's products do not present any hazards to the environment or human health.

Yünsa's shares are listed on the Istanbul Stock Exchange with a free float of 27%.

ADVANSA

Following the sales of the PET, PTA and Preform businesses to the Spanish La Seda Group in 2006, Advansa has maintained its position as Europe's leading integrated polyester manufacturer with a focus on its staple, yarn and polymer facilities in Turkey and Germany.

The industry has been hit by the effects of a glut of new production capacity from eastern manufacturers since 2000, rising oil prices - which have pushed prices of polyester raw materials higher - and increasing ready-made garment imports to Europe and the USA following the elimination of quotas. Further to the aforementioned facts, the mounting strength of the New Turkish Lira has also had an adverse effect on Turkish manufacturers.

Always with a close eye on the dynamics of the industry, Advansa took certain measures to minimize the effects of the negative business environment. The product range of staple fiber and yarn was optimized and the ratio of specialty and niche products was increased in place of standard products. Investments in staple fiber production targeting customers in sectors other than the textile industry also commenced in 2007.

Olmuksa has been offering high quality corrugated packaging products and services to its customers since 1968. It commands an annual production capacity of 70,000 tons for paper and 250,000 tons for corrugated packaging.

Polyester Polymer Solutions is considered a growth area by Sasa, Advansa's Turkish subsidiary. This Business had previously initiated activity by supplying specialty resin for the film and industrial yarn industries in a customer-centric approach. Further sales growth is expected in this area in 2008 with the commissioning of the largest Batch Polymerization unit in Europe at the beginning of the year. This unit has enabled polymer production in a wide range of product segments.

The Uentrop site, where branded fibers and specialty PMS fiber are produced, is being restructured and will start operations later in 2008. Some of these products will be sourced from Asia. New products and new Advansa owned brands have been developed and will be launched at the same time.

The state-of-the-art R&D facilities in Adana offer complete solutions for polymerization and downstream technologies including yarn and staple fiber production. Major strategic cooperation with well-known institutes, universities and companies is ongoing.

Sasa is a 51% owned subsidiary of Advansa and is listed on the Istanbul Stock Exchange, with a free float of 49%.

FOREIGN TRADE

EXSA

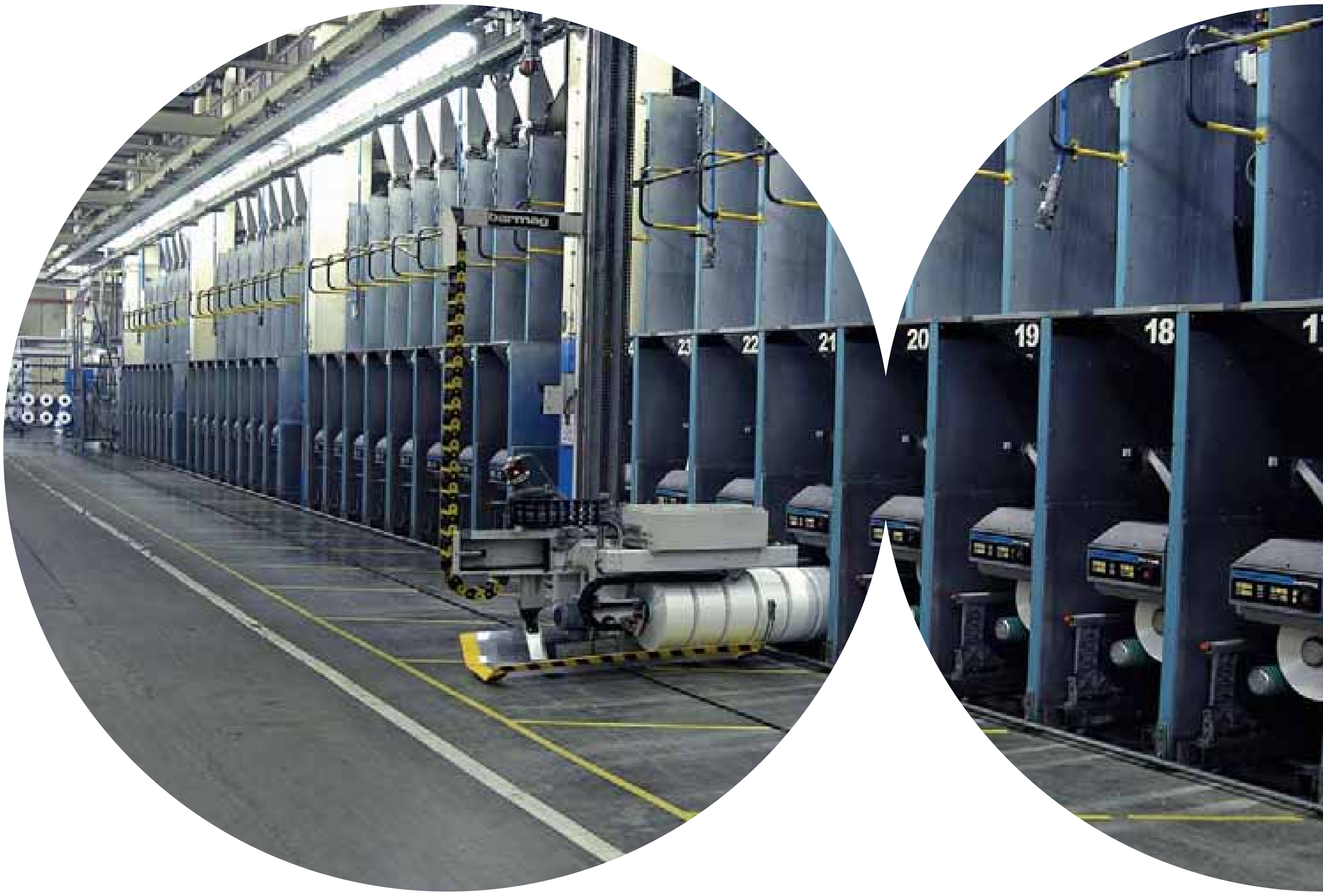
Active from Istanbul offices since its relocation in 2005, Exsa has provided export operation services to 11 companies that are exporting to more than 100 different countries.

With a business focused mainly on imports, textiles trading gained momentum in 2007 with a 114% increase in trading volume with respect to its 2006 level, to reach US$ 77 million. In a bid to generate additional value from Exsa owned land and properties, work is continuing on two development projects initiated in 2006, as well as preparations for new projects on other sites.

EXSA UK

Established in London in 1988, Exsa (UK) Limited is a leading company in international trade and business development. Exsa UK has also maintained its activities by providing services pertaining to the sale and marketing of various products manufactured by Sabancı Group companies.

Exsa Foods Limited, a subsidiary of Exsa (UK) Limited, has performed food distribution operations in the UK since 2005.



UNIVERSAL TRADING

Established in Jersey in 1984, Universal Trading procures raw materials and machinery for manufacturing companies within the Sabancı Group. It also provides up-to-date market information to associated companies by closely monitoring global markets.

EXSA AMERICAS

Established in New York in 1980, Exsa Americas Inc. (formerly Holsa Inc.) is the Sabancı Group's trading and business development portal to the Americas. Additionally, it undertakes an ongoing role in promoting the sales of Sabancı Group products and meeting the Group's procurement needs.

PAPER AND PACKAGING MATERIALS

OLMUKSA

Olmuksa has been offering high quality corrugated packaging products and services to its customers since 1968. It commands an annual production capacity of 70,000 tons for paper and 250,000 tons for corrugated packaging.

Olmuksa has consistently worked to the highest standards with responsibility toward its shareholders, customers, suppliers, employees and the wider community since its establishment and has rapidly passed on the benefits of technological advancements to its customers.

The Company provides qualified services and products to its customers throughout Turkey and neighboring countries with a paper mill in Edirne, corrugated box production facilities in Gebze, Izmir, Adana, Bursa and sheet plants in Manisa and Antalya. International Paper, the world's largest manufacturer of paper and corrugated packaging, became a shareholder in Olmuksa in 1998. This resulted in a more diverse product line and improved levels of quality in production and customer services. Olmuksa has also succeeded in growing its export volume.

With its more than 130 experienced employees, Bimsa aims to provide business consultancy in corporate performance management services, implementation consultancy in e-government, business intelligence, SAP applications, services oriented architecture, Pratis electronic purchasing platforms and information security and services in information technology outsourcing area.

A number of factors, including the attractive growth rates in the corrugated market sector, the positive impact of legislation being introduced in line with EU harmonization and Turkey's growing export volume, have paved the way for growth opportunities in the corrugated packaging segment.

Olmuksa aims to post higher levels of growth than in the corrugated market sector and the Turkish economy in 2008. Growth will be supported by modernization and new capacity investments which will be realized in line with the increasing and shifting demand in the market.

The core factor behind the success of the Company throughout its 40 years history has been Olmuksa's focus on customer relationship management. With over 700 employees fully dedicated to customer related innovation, Olmuksa will continue to offer innovative solutions in order to support its growth targets for 2008 and beyond.

The company posted US$ 178 million in net sales in 2007. Olmuksa's shares are listed on the Istanbul Stock Exchange with a free float rate of 12.5%

DÖNKASAN

Dönkasan is Turkey's largest state-of-the-art recycled paper collecting, sorting and baling facility. Its first plant was established in 1983 in Kartal, Istanbul followed by new facilities located in Adana and Büyükçekmece.

The Company boasts an annual processing capacity of more than 200,000 tons, most of which is devoted to supplying its shareholders, Olmuksa and Kartonsan, with recycled paper.

TOBACCO

PHILSA

Philsa, a 75/25 joint venture between Philip Morris and Sabancı Holding, was established in 1991 to manufacture Marlboro, Parliament, Muratti, Chesterfield, L&M, Lark, Bond Street and Lider brand cigarettes in Turkey.

Since its inauguration in late 1992, the factory in Izmir-Torbalı has strengthened its reputation as a world-class manufacturer in the tobacco industry, thanks to an outstanding workforce and its use of state-of-the-art technology. Total investment of this plant has reached more than US$ 418 million.

PHILIP MORRISSA

Philip Morrissa was established in mid-1994 as a 75/25 joint venture between Philip Morris and Sabancı Holding. The Company is active in the national distribution and sales of Philip Morris cigarette brands. Its distribution network serves 142,311 sales outlets in 81 provinces throughout the country.

It represents one of the largest sales networks in Turkey with 95 distributors, 460 vehicles and a sales force of 487 people. In 2007, Philip Morrissa captured 40.4% of the Turkish market while the total value of cigarettes sold reached YTL 6.1 billion (US$ 4.7 billion).

TOURISM

TURSA-AEO

Located in an area of natural and historic splendor, Turkey captivates visitors from all around the world. In 2007, 23.3 million tourists visited Turkey to partake of the warm Turkish hospitality, splendid food, brilliant beaches and stunning archeological sites.

The Sabanc› Group entered into the tourism sector many years ago with the Erciyas Hotel in Adana. The Group entered a partnership with Hilton International in 1988 with the opening of Ankara Hiltonsa. This partnership was extended further with the opening of Hilton Parksa in 1990 and the opening of the Mersin Hiltonsa the same year. This was followed by the addition of the Adana Hiltonsa in 2001. The Group now holds 100% of the shares of Tursa, the Company that owns the Adana Hiltonsa, Mersin Hiltonsa and Hilton Parksa as well as a majority stake in Ankara Enternasyonal Otelcilik, owner of Ankara Hiltonsa. All Sabanc›-Hilton facilities are managed by Hilton Hotels. Total accommodations have now reached 1,831 beds, with 630 beds at the Ankara Hiltonsa, 616 beds at the Adana Hiltonsa, 372 beds at the Mersin Hiltonsa and 213 beds at the Hilton Parksa.

INFORMATION TECHNOLOGIES

B‹MSA

Founded in 1975, Bimsa has been one of Turkey's leading business and information consulting service providers for the past 32 years. The company's goal is to co-create value with its medium and large customers in various service areas, such as business consultancy, solution implementation, server management, technical support, and hardware-software provision. In 2006, Bimsa made the strategic decision to expand its operations area to public sector.

With its more than 130 experienced employees, Bimsa aims to provide business consultancy in corporate performance management services, implementation consultancy in e-government, business intelligence, SAP applications, services oriented architecture, Pratis electronic purchasing platforms and information security and services in information technology outsourcing area.

Social and Cultural Activities

Sabanc› University's close ties to industry, Turkish NGOs, art centers and other prominent universities have helped foster an environment that nurtures collaboration and applied research of the highest quality, particularly in fast growth, trans-disciplinary technology-based areas.

SABANCI UNIVERSITY

Sabanc› University, based in Istanbul, is a private university situated on a 135 hectare campus and boasting state-of-the-art facilities. With the objective to “Create and Develop Together”, Since 1999, Sabanc› University has actively been training students who are competent, confident, team-oriented and endowed with a strong sense of responsibility to affect social change. The University aspires to educate students who are competent, confident team-oriented individuals, possessing a strong sense of responsibility and able to effect social change. This aspiration has been achieved by bringing student skills and creativity together. The theme of “Creating and Developing Together” has been carefully woven into the fabric of the University's interdisciplinary academic programs, research and development projects, exchange programs and state-of-the-art IT infrastructure.

Sabanc› University's close ties to industry, Turkish NGOs, art centers and other prominent universities have helped foster an environment that nurtures collaboration and applied research of the highest quality, particularly in rapidly growing trans-disciplinary technology-based areas.

Life at Sabanc› University is designed to improve students' analytical, critical and creative thinking skills. For example, Sabanc› University students have established their own democratically run Student Council, which mediates and works to solve problems on the campus, contributing to the University's growth and development as an institution. There are currently 48 university clubs that advance the quality of social and cultural life on campus. Student residence halls, with a capacity for 2,400 students offer young men and women a chance to learn the art of living together in harmony. A Performing Arts Center helps to enhance the artistic vibrancy of the local community. The Center's high quality facilities make it ideal for opera, symphonic music, concerts, theater, ballet and other forms of dance.

The university currently has 3,530 students from 67 cities throughout Turkey. The student body is composed of 2,942 undergraduate students and 588 postgraduates. Some 40% of the students have been awarded scholarships. This competitive student body benefits from an internationally educated and experienced academic staff.

Academic studies at the University are organized around three faculties: The Faculty of Engineering and Natural Sciences (FENS), the Faculty of Arts and Social Sciences (FASS) and the Faculty of Management (FMAN). All faculties offer undergraduate, Masters and PhD programs.

The FENS faculty offers undergraduate degree courses in Computer Science and Engineering, Biological Sciences and Bioengineering, Materials Science and Engineering, Mechatronics, Electronics Engineering and Manufacturing Systems Engineering. Graduate programs are offered in Biological Sciences and Bioengineering, Electronics Engineering, Computer Science and Engineering, Mechatronics, Industrial Engineering, Information Technology, Leaders for Industry, Materials Science and Engineering, Physics and Mathematics.

The FASS faculty offers undergraduate programs in Cultural Studies, Economics, Management, Social and Political Sciences, Visual Arts and Visual Communication Design. It offers graduate programs in Economics, Cultural Studies, History, Political Sciences, Conflict Analysis and Resolution, European Studies and Visual Arts and Visual Communications Design.

FMAN's degree-granting programs include a BA degree in Management, Masters of Business Administration courses, the Executive Masters of Business Administration, an MSc degree course in Information Technologies in Management and a PhD in Management. Additionally, a variety of Executive Development Programs are provided, geared to the needs of business organizations.

The University also offers the Leaders for Industry Program, which provides a dual degree, an MSc in Engineering and MSc in Management. The Program is sponsored by several industrial partners.

Since 2000, Sabanc› University has awarded a total of 2,100 graduate and undergraduate degrees. Approximately 54% of the university's alumni hold positions in national and multinational companies while another 31% pursue international graduate work on fellowships, particularly in the USA. A number of students have established start-up companies in areas such as Information Technology, Software Development and Advanced Materials, two of which are based abroad (in Poland and the Ukraine).

Sabanc› University not only shows us how to cross the finishing line in the first place, but it does more than that. It also shows us what can be done after the finish line is crossed.

The university develops projects, carries out science, values art and nurtures responsible people who can proudly represent and benefit Turkey.

Walking a path which the university has helped forge for me, I now strive to do what others said I could not, spreading inventions from Turkey to the world through a technology company founded with the help of the university.

Ergi fiener
Sabanc› University Microelectronics Engineering Undergraduate Degree, 2005
Industry Leaders Program Graduate Degree, 2007
(MSc. Management & MSc. Electronic Engineering and Computer Sciences)
CEO, NTT Technology, Electronics, R&D and Information Systems and Consultancy, Inc. 2007 - SABANCI UNIVERSITY

With social responsibility and commitment to the preservation of Turkey's national cultural heritage, the Sabancı Family donated their art collection -assembled over many years- to Sabancı University to be shared with the masses.

SABANCI UNIVERSITY SAKIP SABANCI MUSEUM

With social responsibility and commitment to the preservation of Turkey's national cultural heritage, the Sabancı Family donated their art collection -assembled over many years- to Sabancı University to be shared with the masses. The Family's former residence "Atlı Köşk" (Horse Mansion) where the collection is on display was bestowed to Sabancı University. A new gallery building was constructed adjacent to Atlı Köşk to exhibit the collection and for temporary exhibitions.

The Sabancı University Sakıp Sabancı Museum (SSM) offers educational activities for visitors and schools to better appreciate the collection and temporary exhibitions.
The museum opened its door on June 8, 2002. It is built on 6,000 m^2, of which 4,000 m^2 are allocated to exhibitions.

The collections displayed at the Sabancı University Sakıp Sabancı Museum fall into three categories: Calligraphy, Art/Sculpture and other artifacts (porcelains and furniture). The calligraphy collection is made up of 522 rare hand produced manuscripts from between the 15th and 20th century and the tools and materials used by calligraphers. The Art collection is comprised of 334 paintings exemplifying Turkish art in the 19th and 20th centuries. The 314 pieces of sculpture and porcelain in the category of artifacts include the first works bought by the deceased patriarch of the family, Hacı Ömer Sabancı.

From 1998 to 2001, selected works from the Calligraphy and Art Collection were put on display in the exhibition entitled "Letters in Gold: Ottoman Calligraphy from the Sakıp Sabancı Museum, Sabancı University" at the New York Metropolitan Museum, the Los Angeles County Art Museum and at Harvard University's Arthur M. Sackler Museum; it was also exhibited at the Louvre. An exhibit, known as "The Sultans' Seal," was on display at the Berlin Guggenheim Museum and the Museum für Angewandte Kunst in Frankfurt.

Exhibitions at the SSM

The Sabancı University Sakıp Sabancı Museum has hosted many exhibitions since its opening.

The exhibition ***"Football Scenes"*** organized by the Italian government on the occasion of the 2002 FIFA World Championship came to the SSM after Korea from September 5 through October 31, 2002. Some 74 paintings and 11 sculptures created by the leading Italian artists of the 20th century inspired from football - a phenomenon that grabs the attention of the whole world-were featured at the exhibition in association with the Italian Cultural Institute and ARIA.

The Education Department of the Museum organized its first art competition with the theme ***"Portrait"*** in 2003. The contest was open to schools in Istanbul. The theme for 2004 was ***"Horse"*** and for 2005 it was ***"Flowers in A Vase"***.

"Partnership of Power: Man and Horse" was co-produced by the Sabancı University Sakıp Sabancı Museum and the Istanbul Archeological Museum from June 27, 2003 until May 5, 2004; 48 works from the Istanbul Archeological Museum were on display.

An exhibit entitled ***"From the Medici to the Savoias: Ottoman Splendor in Florentine Palaces"*** displayed Ottoman works collected by the famous Medici family of Italy. It took place from December 23, 2003 to April 18, 2004 and was made possible by Akbank and the Italian Cultural Institute.

A collection designed by the eminent fashion historian, Alexandre Vassiliev, made up of clothes and accessories from the 18th to 20th centuries was exhibited from May 12 to October 24, 2004 with the support of Beymen under the title ***"Paris-St. Petersburg: Three Centuries of European Fashion from the Alexandre Vassiliev Collection"***.

The exhibition known as ***"Image of Turks in Europe in the 17th Century"*** was on display from July 13, to October 9, 2005 and was funded by Credit Suisse. It contained 92 oil paintings, engravings and books compiled from various museums and libraries in Slovenia and Croatia and private collections in the UK and Turkey.

Specimens of European porcelain selected from the 5000-piece porcelain collection belonging to the Topkap› Palace Museum were showcased at the Sabanc› University Sak›p Sabanc› Museum from May 25 to August 18, 2005. This exhibition was supported by the Ministry of Tourism and Culture, the General Directorate of Cultural Assets and Museums and the Directorate of the Topkap› Palace Museum.

"Picasso in Istanbul" presented 135 works by the eminent artist Pablo Picasso, to mark the 20th century. These works sampling the oeuvre of Picasso in the entirety of his life were shown to art lovers from November 24 to March 26, 2006. The exhibition, sponsored by Sabanc› Holding, included a collection that had been kept private by the artist during his lifetime (to be handed over to his family after his death) and works from the collections of the Paris and Barcelona Picasso Museums, the Lille Modern Art Museum and the Fundacion Almine y Bernard Ruiz-Picasso para el Arte (FABA). It was accompanied by lectures, workshops, educational programs for children, gallery talks and guided tours in the evenings.

At ***"The Art of the Book from the East to West and Memories of the Ottoman World"***, masterpieces from the Lisbon Calouste Gulbenkian Museum were exhibited from April 14 to May 28, 2006. This was an impressive exhibition of 111 pieces among which were 75 manuscripts and printed books, textiles, tapestries and ‹znik tiles. Sponsors were BankEuropa and Turgut Pharmaceuticals and Hürriyet Newspaper as the press sponsor. The books in the exhibition offered a rich anthology from a host of cultures. Lectures and educational programs for children were organized, as well.

"Master Sculptor Rodin in Istanbul" brought another art genius to Istanbul through the joint contributions of the Sak›p Sabanc› Museum and Akbank from June 12 to September 3, 2006. A total of 203 works by Rodin were borrowed from the Rodin Museum, inheritor of the collections and works of the artist. Some of these were The Thinker, The Kiss, The Walking Man and other sculptures, several drawings, old photographs and a series of ancient Greek and Roman-style statues from the artist's own collection. The exhibition was accompanied by lectures, workshops, educational programs for children, gallery talks and guided tours in the evenings.

In the “Abidin Dino-A World” exhibition organized in conjunction with Philips from November 24, 2007 until January 27, 2008, the late Abidin Dino, a versatile artist who passed away 14 years ago, was featured at the Sak›p Sabanc› Museum.

The next exhibition from December 7, 2006 to April 8, 2007 was ***“Genghis Khan and His Heirs-The Great Mongol Empire”*** Contributors were: Kunst und Ausstellungshalle der Bundesrepublik Deutschland in Bonn, Staatliches Museum für Völkerkunde in Munich, Kunsthistorisches Museum in Vienna, the State of Lower Austria Federal Ministry of Education Science and Art, Sabanc› University Sak›p Sabanc› Museum and Garanti Bank. There were 600 works in the exhibition from the major museums of Europe, Mongolia and Turkey, some of which were put on display for the first time. The exhibition was accompanied by lectures, workshops, educational programs for children, gallery talks and guided tours in the evenings.

The exhibition entitled ***“Rugs Devoted to God: Anatolian Rugs in Transylvanian Churches 1500-1750”*** was sponsored by Yünsa from April 19 until August 19, 2007. A total of 41 examples of Western Anatolian rugs dating from the 16th and 18th centuries were selected from churches and museums in Romania and Hungary recognized in rug literature as “Transylvanian rugs” and put on display. The exhibition was mounted thanks to the cooperation of the Romanian Cultural Institute, Sibiu National Brukenthal Museum, Romanian Evangelist Church, the Romanian Ministry of Cultural and Religious Affairs, the Bucharest National Art Museum, the Hungarian National Museum, the Hungarian Applied Arts Museum and the Berlin Museum of Islamic Art. Contemporaneously, the ***“Kaitag Embroideries, Textile Art from Daghestan”*** exhibition displayed 47 embroideries by the people of Daghestan, embellished with symbols from multiple cultures and the pagan world of the remote past.

Deutsche Bank sponsored ***“Blind Date Istanbul”*** on September 8 through November 1, 2007 in which Ottoman calligraphy works from the Sak›p Sabanc› Museum collection were gathered alongside one of the world's pre-eminent modern and contemporary art collections. The over 50,000-piece collection of Deutsche Bank is centered on the organization's mission to carry art beyond the walls of museums. At a time when the boundaries between the obvious characteristics of the East and the West are becoming more numerous and less defined and when Istanbul is more than ever ready to serve as a bridge between the East and the West, this exhibition offered different perspectives which interacted by transcending time and space and by melding into each other. This meeting of Eastern and Western art was accompanied by sculptural works by famous artists from the Deutsche Bank collections. Yaz› kuflaklar› from the Topkap› Palace and the Museum of Turkish and Islamic Art were unquestionably the most striking elements of the exhibition.

In the ***“Abidin Dino-A World”*** exhibition organized in conjunction with Philips from November 24, 2007 until January 27, 2008, the late Abidin Dino, a versatile artist who passed away 14 years ago, was featured at the Sak›p Sabanc› Museum. The prints of Dino's sketches and writing, his life mainly in Turkey and France and other works produced throughout 80 years of his life were put on view. Hundreds of works, photographs and documents demonstrating different stages in the life of the artist opened a wide window to a connoisseur of culture and art.

“The Three Capitals of Islamic Art: Istanbul, Isfahan and Delhi” brought roughly 220 works selected from the Louvre Museum's Islamic Art Section thanks to the precious support of Turkish Telecoms. Among the treasures was one of the most notable collections of the Louvre - works of art by the Ottomans (1299-1923), the Iranian Safavid Empire (1501-1722) and the Indian Mughal Dynasty (1526-1858). The Les Art Décoratifs also contributed to the exhibition, which will be open from February 19 until June 1, 2008.

Works on loan by the SSM to Exhibitions Abroad

In addition to organizing exhibitions locally in Turkey, the Sabancı University Sakıp Sabancı Museum has been able to promote its collection by lending works of art to other venues outside the country.

Two paintings and three works of calligraphy were sent to the exhibition entitled, ***"Mothers, Goddesses and Sultanas"*** held in the Palais des Beaux Arts, Brussels from October 6, 2004 until January 16, 2005; three works of calligraphy were sent to the exhibition, ***"Turks: A Journey of a Thousand Years, 600-1600"*** at the Royal Academy of Arts in London from January 22 until April 12, 2005; and three works of calligraphy to the exhibition ***"Istanbul: The City and the Sultan"*** at the De Nieuwe Kerk Museum in Amsterdam, the Netherlands from December 16, 2006 until April 15, 2007.

The Lisbon Gulbenkian Museum exhibited 38 paintings in the exhibition entitled, ***"Evocations, Passages, Atmospheres and Paintings from the Sakıp Sabancı Museum, Istanbul"***. These paintings highlighted the period from 1850 to 1950 in Turkish art, relatively unknown to the Western world. Sabancı Holding was the communications sponsor of the exhibition, which was characterized by works of Turkish artists who were just becoming familiar with Western art in the 19th century and the work of some foreign artists who painted for the Ottoman court. SSM returned a previous call by the Gulbenkian Museum by allowing a selection of the great masterpieces in Turkish art to be shown in a major European museum from April 14, 2007 to August 26, 2008.

After the establishment of the Sabancı University Sakıp Sabancı Museum in 2002, the Calligraphy Collection was exhibited for the first time in Madrid's Real Academia de Bellas Artes de San Fernando. Co-sponsored by the Spanish Ministry of Culture and Sabancı Holding, the exhibition, ***"Letters in Gold: The Ottoman Art of Calligraphy from Sakıp Sabancı Museum"*** featured 96 works including manuscripts produced by numerous Ottoman calligraphers from the end of the 15th century until the early 20th century. The exhibit included Qurans, prayer books, calligraphy albums and a few late-Ottoman paintings; it ran from December 11, 2007 until March 2, 2008.

Education is one of the most important areas of investment for the Sabanc› Foundation. Over the past 34 years, the Foundation has built 120 institutions in 78 residential areas across Turkey. As part of its awards program, the Sabanc› Foundation also recognizes exceptional performance in education, culture and art.

SABANCI FOUNDATION

The Sabanc› Family has made a considerable contribution to the development of the Turkish economy by starting many industrial establishments as part of Sabanc› Holding. Within the context of social responsibility, Sabanc› family members have been actively involved in philanthropic activities by building institutions in the areas of education, health, culture, social development.

The Hac› Ömer Sabanc› Foundation was established in 1974 with the aim of institutionalizing the Sabanc› family philanthropic investments. This foundation was established with the support of family members, mainly Sad›ka Sabanc› - the wife of Hac› Ömer Sabanc› - who donated her entire personal wealth to the endowment. The income base of the Foundation is sustained mainly through donations from family members, Sabanc› Group companies and revenues generated by Foundation assets. Today the Sabanc› Foundation is one of the largest foundations in Turkey.

Education is one of the most important areas of investment for the Sabanc› Foundation. Over the past 34 years, the Foundation has built 120 institutions in 78 residential areas across Turkey such as schools, student dormitories, guesthouses, health facilities, sports facilities, cultural centers, social facilities and Sabanc› University - one of its most significant investments. Each year 1,200 students benefit from Sabanc› Foundation scholarships and since its establishment in 1974, more than 32,000 students have received assistance through this program. As part of its awards program, the Sabanc› Foundation also recognizes exceptional performance in education, culture and art.

Another important investment for the Foundation is culture and art. The Sabanc› Foundation provides support to two annual events - the Turkish Folk Dance Competition and the International Sabanc› Adana Theater Festival. In 2006, the Foundation began supporting the Mehtap Ar Children's Theater, with the goal of making the art of drama more available and understandable to children. To date, more than 120,000 children living in remote areas of Istanbul and in Southeastern Anatolia have attended the theater for the first time in their lives.

Sabanc› Foundation

1	University
41	Educational institutions
17	Teachers centers
16	Student residences
14	Cultural centers
12	Social endowments
10	Healthcare centers
5	Sports facilities
4	Libraries

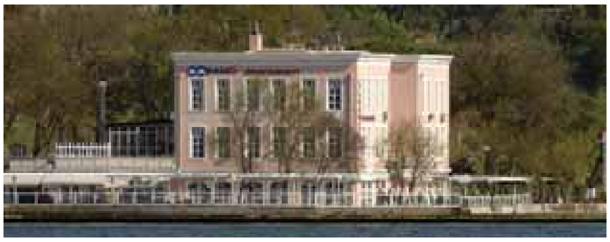
Total 120 endowments

Sak›p Sabanc› Education and Culture Center, Kandilli, Istanbul

Together with national and international organizations, the Sabanc› Foundation also makes considerable contributions in the area of human development. As a main partner of the United Nations Joint Program to Promote and Protect Human Rights of Women and Girls, the Sabanc› Foundation launched the Sabanc› Foundation Grant Program which funded 11 projects that align with the Joint Program goals. This program is an important model for national and international partnership and will continue through 2008.

While focusing on program areas, the Sabanc› Foundation has also begun an initiative to re-shape its future strategic direction. In 2007, the Foundation conducted a strategic review process and convened a series of consultations to discuss key areas and themes of focus with experts from academia, civil society, government, private sector and international organizations.

Considering the changing roles of foundations and the dynamics of the foundation sector in the national and international arena, the Sabanc› Foundation continues to support programs and innovative approaches which contribute to social development and improvement of living standards. In 2008, the Foundation will maintain support for current areas of work while concurrently developing and implementing activities within the new strategic framework.



Sabanc› Teachers Center, Anadoluhisar›, Istanbul

Corporate Social Responsibility Policy and Principles

With this policy statement, the Sabancı Group stresses corporate social responsibility principles and the importance and priority given to the topic by the Group.

Based on the accepted core values of modesty, respect and proximity to people, the Sabancı Group regards basing all corporate conduct on the awareness of social responsibility as an unchangeable core component of its management approach. We expect all of our establishments that constitute the Sabancı Group to manage the economic, social and environmental impact of their actions with responsibility and to place priority on the development of society. We do not regard the scope of our social responsibility limited to just our business operations or their impact. We determine our level of social responsibility and its priority on what is good for society and the environment as a whole. We pursue a pioneering role with regard to actions that protect democracy, human rights as well as the environment. As the Sabancı Group, the SA-Ethics program prepared and put into practice in accordance with the principles of Corporate Social Responsibility constitute a guide to our business operations.

The basic principles that govern our social responsibility practices are;

1- As the Sabancı Group, we fulfill our social and environmental responsibilities toward society in all places that we operate, in close collaboration with our shareholders, employees, public, non-governmental organizations and other stakeholders.

2- We regard our human resources as the most significant component in creating sustainable growth. We ensure that all employees take advantage of their personal rights as members of the Group, fully and accurately. We treat our employees with honesty and fairness; we are committed to creating a non-discriminatory, safe and healthy work environment. We undertake efforts to enable the personal development of all employees while pursuing a balance between their private and professional lives.

   Any discrimination within the organization based on race, religion, gender, age, political opinion, language, physical challenge or similar reasons are not tolerated.

   We strive to ensure that people of different beliefs, views and opinions work together in harmony by creating a positive and cordial work environment that supports cooperation and prevents conflict.

   We administer programs that contribute to preserving employee health that we accept as important to ensuring our employees' quality of life and success.

   As the Sabancı Group, we believe that all employees deserve to work in a healthy and secure work environment consistent with human dignity. Our employees are our most valuable assets and we strive to provide employee safety and security as our primary goal.

3- We manage the environmental impact of our activities with a sense of responsibility. All of our companies are required to identify and apply the necessary improvements and development activities that minimize or eliminate negative environmental impact. We require our companies, beyond their legal requirements, to apply the best environmental solutions to all they do and to support any initiative that will develop and deploy environment-friendly technology and enhance environmental awareness.

4- As the Sabanc› Group, we struggle toward the improvement of society pursuant to our sense of corporate social responsibility. We encourage our employees to take part in social and societal volunteering.

5- We develop and implement approaches to ensure that all of our partners and particularly our suppliers act in accordance with social responsibility standards of the Group.

6- We show sensitivity to the traditions and culture of Turkey and other countries in which we operate. We comply with all legal regulations currently in effect.

7- We encourage our Group companies to comply with international standards and assure that their operations are certified.

All principles of this policy statement are put into practice in accordance with the relevant regulations; relevant units audit the level of implementation. We consider the success of the companies with regard to social responsibility activities as a significant criterion for evaluating overall company performance. As the Sabanc› Group, we share corporate social responsibility activities realized by our Group with the public via annual reports and on our website.

All of our executives and employees, starting with the CEO of H.Ö. Sabanc› Holding A.fi., undertake accountability for carrying out corporate social responsibility activities.

This policy document has been prepared to share with our employees, shareholders and all other stakeholders, our public commitment on the part of the Sabanc› Group to fulfill its responsibility to help create a better world and a better future.

Ahmet Dördüncü
CEO and
Board Member

Güler Sabanc›
Chairman and
Managing Director

Hac› Ömer Sabanc› Holding A.fi.
Consolidated Financial Statements
at 31 December 2007

PRICEWATERHOUSECOOPERS

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hacı Ömer Sabancı Holding A.Ş.

1. We have audited the accompanying consolidated financial statements of Hacı Ömer Sabancı Holding A.Ş. and its subsidiaries (the "Group") which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated statement of income, consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Emphasis of matter

5. The consolidated financial statements include the accounts of Hacı Ömer Sabancı Holding (the "Holding"), the parent company, its Subsidiaries and Joint Ventures. In these consolidated financial statements, subsidiaries are companies in which the Holding exercises a dominant influence and power to govern the financial and operating policies through the exercise of voting power relating to shares held by the Holding and its Subsidiaries together with voting power which the Holding effectively exercises relating to shares held by Sabancı family members. Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Holding and one or more other parties. In effect the Sabancı family members allow the Holding to exercise voting power in respect of their shares held in these companies. In these consolidated financial statements the shares held by Sabancı family members in the consolidated subsidiaries are treated as outside interests.

Additional paragraph for US Dollar ("USD") translation

6. As explained in Note 2 to the consolidated financial statements, USD amounts presented in the accompanying consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements, USD amounts do not from part of these consolidated financial statements and have been translated from New Turkish Lira ("YTL"), as a matter of arithmetic computation only, at the official USD bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2007 for the consolidated balance sheet and the official USD average CBRT bid rate of the year 2007 for the consolidated statement of income statement and consolidated statement of cash flows. The resulting difference from the use of average CBRT rate for the translation of consolidated statement of income and the use of bid rate at the balance sheet date for the translation of the consolidated balance sheet is included in translation reserves under shareholders' equity in accordance with the translation requirements of IAS 21 "The effects of Changes in Foreign Exchange Rates" when the financial statements are presented in a currency other than the functional currency.

Additional paragraph for convenience translation into English

7. The accounting principles described in Note 2 to the consolidated financial statements (defined as "CMB Financial Reporting Standards") differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005, measurement principles and disclosure requirements for retirement benefits and presentation of basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

B. Özpoyraz

Burak Özpoyraz, SMMM
Partner
Istanbul, 11 April 2008

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of New Turkish Lira ["YTL"] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

	Notes	2007 USD (*)	2007	2006
ASSETS				
Current assets		**41,889,520**	**48,788,724**	**45,080,012**
Cash and cash equivalents	4	2,365,944	2,755,615	4,855,781
Marketable securities (net)	5	4,155,978	4,840,468	6,635,388
Financial assets (net)				
- Available for sale	16.a	8,316,880	9,686,670	7,370,306
- Held-to-maturity	16.b	-	-	8,152
Derivative financial instruments	44	69,788	81,282	91,005
Reserve deposits with the Central Bank of the Republic of Turkey	3.3	1,431,501	1,667,269	2,692,777
Loans and advances to customers (net)	45	21,855,838	25,455,494	20,081,532
Trade receivables (net)	7	1,222,651	1,424,022	1,409,384
Lease receivables (net)	8	273,442	318,478	209,060
Due from related parties (net)	9	10,046	11,700	21,616
Other receivables (net)	10	566,522	659,828	377,423
Biological assets (net)	11	-	-	-
Inventories (net)	12	1,028,224	1,197,573	1,262,648
Non-current assets held for sale	35	501,458	584,048	-
Receivables from construction contracts work in progress (net)	13	-	-	-
Deferred income tax assets	14	-	-	-
Other current assets	15	91,248	106,277	64,940
Non-current assets		**26,222,595**	**30,541,456**	**22,136,438**
Loans and advances to customers (net)	45	11,599,814	13,510,303	9,303,174
Trade receivables (net)	7	20,294	23,637	30,147
Lease receivables (net)	8	285,638	332,682	278,153
Due from related parties (net)	9	-	-	-
Other receivables (net)	10	39,339	45,818	37,859
Financial assets (net)				
- Available for sale	16.a	10,038,707	11,692,082	7,296,683
- Held-to-maturity	16.b	-	-	-
- Investments	16.c	154,022	179,390	181,814
Goodwill/negative goodwill (net)	17	313,817	365,503	281,452
Investment properties (net)	18	204,648	238,353	277,438
Property, plant and equipment (net)	19	3,155,703	3,675,447	4,039,211
Intangible assets (net)	20	281,200	327,514	267,164
Deferred income tax assets	14	129,413	150,727	143,343
Other non-current assets	15	-	-	-
Total Assets		**68,112,115**	**79,330,180**	**67,216,450**

(*) USD amounts presented above are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 December 2007, and therefore do not form part of these consolidated financial statements (Note 2.4).

These consolidated financial statements have been approved by the Board of Directors on 11 April 2008 and signed on its behalf by Ahmet Dördüncü and Nedim Bozfakioğlu.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of New Turkish Lira ["YTL"] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

	Notes	2007 USD (*)	2007	2006
LIABILITIES				
Current liabilities		**49,813,815**	**58,018,151**	**47,739,897**
Short-term borrowings (net)	6	3,763,164	4,382,957	3,757,903
Current portion of long-term borrowings (net)	6	1,504,465	1,752,250	693,027
Banking customer deposits	46	40,477,007	47,143,570	40,152,004
Derivative financial instruments	44	90,659	105,591	74,341
Lease payables (net)	8	2,320	2,702	4,022
Other financial liabilities (net)	10	-	-	-
Insurance technical reserves	3.22	259,988	302,808	223,325
Trade payables (net)	7	824,198	959,943	977,413
Due to related parties (net)	9	9,479	11,040	8,199
Advances received	21	12,083	14,073	19,107
Liabilities associated with non-current assets held for sale	35	305,711	356,062	-
Construction contracts progress billings (net)	13	-	-	-
Provisions	23	165,583	192,855	122,456
Current liabilities	15	184,278	214,629	217,020
Deferred income tax liabilities	14	-	-	-
Other current liabilities (net)	10	2,214,880	2,579,671	1,491,080
Non-current liabilities		**4,526,016**	**5,271,449**	**7,625,168**
Long-term borrowings (net)	6	3,531,836	4,113,529	6,766,744
Banking customer deposits	46	279,814	325,899	377,115
Lease payables (net)	8	3,676	4,281	2,983
Other financial liabilities (net)	10	-	-	-
Trade payables (net)	7	3,336	3,885	1,444
Due to related parties (net)	9	-	-	-
Advances received	21	-	-	-
Insurance technical reserves	3.22	230,287	268,215	59,802
Provisions	23	127,038	147,961	150,298
Deferred income tax liabilities	14	180,344	210,047	210,162
Government grants	30	-	-	-
Other payables (net)	10	169,685	197,632	56,620
MINORITY INTERESTS	**24**	**6,431,601**	**7,490,885**	**4,997,041**
- Sabancı Family members		1,984,284	2,311,095	2,094,194
- Others		4,447,317	5,179,790	2,902,847
SHAREHOLDERS' EQUITY		**7,340,683**	**8,549,695**	**6,854,344**
Share capital	**25**	**1,545,462**	**1,800,000**	**1,800,000**
Treasury shares	**25**	-	-	-
Capital reserves	**26**	**3,409,001**	**3,970,464**	**3,861,820**
Share premium		18,606	21,670	21,670
Share cancellation gains		-	-	-
Revaluation fund		6,199	7,220	10,496
Fair value reserve of financial assets		49,500	57,653	(54,267)
Inflation adjustment to shareholders' equity		3,334,696	3,883,921	3,883,921
Profit reserves	**27**	**595,922**	**592,368**	**329,042**
Legal reserves		97,705	113,797	92,463
Statutory reserves		-	-	-
Extraordinary reserves		595,749	693,869	478,007
Special reserves		-	-	-
Investment and property sales income to be added to the share capital		-	-	-
Currency translation reserve		(97,532)	(215,298)	(241,428)
Net income for the period		**745,071**	**969,487**	**494,049**
Retained earnings	**28**	**1,045,227**	**1,217,376**	**369,433**
Total liabilities and shareholders' equity		**68,112,115**	**79,330,180**	**67,216,450**

Commitments and contingent assets and liabilities 31

(*) USD amounts presented above are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 December 2007, and therefore do not form part of these consolidated financial statements (Note 2.4).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of New Turkish Lira [“YTL”] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

	Notes	2007 USD (*)	2007	2006
OPERATING REVENUE	36	14,863,624	19,340,547	16,947,973
Sales (net)	36	14,863,624	19,340,547	16,947,973
Cost of Sales (-)		(10,573,188)	(13,757,832)	(11,980,859)
GROSS PROFIT		4,290,436	5,582,715	4,967,114
Operating expenses (-)	37	(2,315,520)	(3,012,954)	(2,775,183)
OPERATING PROFIT		1,974,916	2,569,761	2,191,931
Other income	38	553,618	720,368	445,355
Other expenses (-)	38	(89,657)	(116,662)	(234,653)
Financial expenses (-)	39	(466,539)	(607,061)	(421,450)
Income from associates	16	103,814	135,083	111,751
INCOME BEFORE MONETARY LOSS, MINORITY INTEREST AND TAX		2,076,152	2,701,489	2,092,934
Monetary gain/(loss)	40	-	-	-
PROFIT/LOSS OF MINORITY INTEREST	24	(1,043,594)	(1,357,924)	(992,292)
- Sabancı Family members		(237,124)	(308,545)	(397,209)
- Other		(806,470)	(1,049,379)	(595,083)
INCOME BEFORE TAX		1,032,558	1,343,565	1,100,642
Taxation on income	41	(287,487)	(374,078)	(606,593)
NET INCOME FOR THE PERIOD		745,071	969,487	494,049
Earnings per share				
- thousands of ordinary shares (YTL)	42	4.01	5.22	2.66

(*) USD amounts presented above are translated from YTL for convenience purposes only, at the official average YTL exchange rate announced by CBRT for the year 2007, and therefore do not form part of these consolidated financial statements (Note 2,4).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of New Turkish Lira ["YTL"] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

	Share Capital	Share premium in excess of par value	Revaluation reserve	Fair value reserve of financial assets	Inflation adjustment to shareholders' equity	Legal reserves	Extraordinary reserves	Currency translation reserve	Net income for the period	Retained earnings	Total
Balances at 1 January 2006	1,800,000	21,670	12,455	92,213	3,883,921	76,136	567,538	(361,560)	689,765	17,021	6,799,159
Transfers	-	-	-	-	-	16,327	179,794	-	(689,765)	493,644	-
Effect of change in the effective rate of subsidiaries (Note 3.27)	-	-	-	-	-	-	-	-	-	5,864	5,864
Purchase of usufruct shares (Note 42)	-	-	-	-	-	-	(269,325)	-	-	-	(269,325)
Dividends paid	-	-	-	-	-	-	-	-	-	(149,055)	(149,055)
Transfer from revaluation reserve	-	-	(1,959)	-	-	-	-	-	-	1,959	-
Available for sale investments net fair value losses, net of tax	-	-	-	(146,480)	-	-	-	-	-	-	(146,480)
Currency translation differences	-	-	-	-	-	-	-	120,132	-	-	120,132
Net income for the period	-	-	-	-	-	-	-	-	494,049	-	494,049
Balances at 31 December 2006	1,800,000	21,670	10,496	(54,267)	3,883,921	92,463	478,007	(241,428)	494,049	369,433	6,854,344
Balances at 1 January 2007	1,800,000	21,670	10,496	(54,267)	3,883,921	92,463	478,007	(241,428)	494,049	369,433	6,854,344
Transfers	-	-	-	-	-	21,334	215,862	-	(494,049)	256,853	-
Effect of change in the effective rate of subsidiaries (Note 3.27)	-	-	-	-	-	-	-	-	-	798,302	798,302
Purchase of usufruct shares (Note 42)	-	-	-	-	-	-		-	-	(21,089)	(21,089)
Dividends paid	-	-	-	-	-	-	-	-	-	(189,399)	(189,399)
Transfer from revaluation reserve	-	-	(3,276)	-	-	-	-	-	-	3,276	-
Available for sale investments net fair value gains, net of tax	-	-	-	111,920	-	-	-	-	-	-	111,920
Currency translation differences	-	-	-	-	-	-	-	26,130	-	-	26,130
Net income for the period	-	-	-	-	-	-	-	-	969,487	-	969,487
Balances at 31 December 2007	1,800,000	21,670	7,220	57,653	3,883,921	113,797	693,869	(215,298)	969,487	1,217,376	8,549,695

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

(Amounts expressed in thousands of New Turkish Lira ["YTL"] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

	Notes	USD (*)	2007	2006
Income before taxation and minority interests		2.076.152	2.701.489	2.092.934
Adjustments to reconcile income before taxation and minority interest to net cash provided by operating activities:				
Depreciation and amortisation		333.711	434.225	475.033
Provision for loan losses		720.751	937.841	519.121
Impairment of non-current assets held for sale		15.609	20.311	-
Re-measurement of derivatives at fair value		31.489	40.973	(74.816)
Change in employment termination benefits reserve	23	25.089	32.646	52.917
Goodwill impairment	17	3.759	4.891	10.691
Goodwill charge to the income statement		-	-	13.040
Negative goodwill income	38	-	-	(3.464)
Impairment charge on property, plant and equipment and intangible assets	38	36.479	47.466	135.281
Impairment charge on investment property	38	3.121	4.061	6.303
Currency translation adjustment		45.553	59.274	82.920
Insurance technical reserves		(79.079)	(102.898)	(63.632)
Income from associates	16	(103.814)	(135.083)	(111.751)
(Gain)/loss on sale of subsidiaries		(162.550)	(211.510)	44.867
Other		42.842	55.746	42.451
Net cash provided by operating activities before changes in operating assets and liabilities		**2.989.112**	**3.889.432**	**3.221.895**
Changes in operating assets and liabilities:				
Increase in trade receivables		(93.701)	(121.924)	(271.265)
Decrease/(increase) in due from related parties		1.164	1.514	(1.770)
Increase in inventory		(17.277)	(22.481)	(297.741)
Increase in other receivables and other current assets		(37.545)	(48.854)	(383.523)
Increase in lease receivables		(122.636)	(159.574)	(227.768)
Increase in non-current assets held for sale		(175.212)	(227.986)	-
Increase/(decrease) in trade payables		33.790	43.967	236.996
Increase/(decrease) in due to related parties		12.050	15.679	(390)
Increase in insurance technical reserve		150.488	195.815	108.157
Increase in other liabilities and advances received		696.039	905.686	303.468
Changes in assets and liabilities in banking segment:				
Decrease/(increase) in marketable securities		1.379.434	1.794.920	(76.061)
Increase in loan and advances		(8.084.024)	(10.518.932)	(8.006.775)
Increase in customer deposits		5.333.807	6.940.350	3.601.466
Decrease in reserve with the Central Bank of the Republic of Turkey		788.125	1.025.508	1.234.674
		(135.498)	**(176.312)**	**(3.780.532)**
Income taxes paid		(186.340)	(242.465)	(584.198)
Employment termination benefits paid	23	(23.574)	(30.674)	(48.666)
Net cash provided by/(used in) by operating activities		**2.643.700**	**3.439.981**	**(1.191.501)**
Cash flows from investing activities:				
Capital expenditures		(744.898)	(969.261)	(817.240)
(Purchase)/sale of available-for-sale and held-to-maturity securities (non-banking segments)		(4.779.454)	(6.219.026)	1.537.516
Cash used in business combinations	32	(173.593)	(225.879)	(71.484)
Establishment of subsidiary		8.771	11.413	-
Change due to change in scope of consolidation		45.208	58.825	-
Proceeds from sale of subsidiary		214.338	278.897	643.219
Proceeds from sale of property, plant and equipment		90.466	117.714	197.107
Dividends received		107.089	139.344	40.411
Net cash used in/(provided by) investing activities		**(5.232.073)**	**(6.807.973)**	**1.529.529**
Cash flows from financing activities:				
(Decrease)/increase in short term funds borrowed, bank borrowings and debt securities in issue		(327.258)	(425.828)	1.474.463
Decrease in finance lease payables		(17)	(22)	(6.624)
Dividends paid		(145.557)	(189.399)	(149.055)
Purchase of usufruct shares	42	(16.207)	(21.089)	(269.325)
Dividends paid to outside interests	24	(377.558)	(491.278)	(390.922)
Increase in share capital of outside interests		99.380	129.313	5.485
Increase in share premium of outside interests		827.641	1.076.926	9.346
Effect of change in the effective rate of subsidiaries		913.928	1.189.203	(410.915)
Net cash provided by financing activities		**974.352**	**1.267.826**	**262.453**
Net (decrease)/increase in cash and cash equivalents		(1.614.021)	(2.100.166)	600.481
Currency translation adjustment		(189.161)	-	-
Cash and cash equivalents at the beginning of the period	4	4.169.126	4.855.781	4.255.300
Cash and cash equivalents at the end of the period	4	**2.365.944**	**2.755.615**	**4.855.781**

(*) USD amounts presented above are translated from YTL for convenience purposes only, at the official average YTL exchange rate announced by CBRT for the year 2007, and therefore do not form part of these consolidated financial statements (Note 2.4).

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

NOTE 1-ORGANISATION AND NATURE OF OPERATIONS

Hacı Ömer Sabancı Holding A.Ş. (the "Holding") was established in 1967 to coordinate and perform liaison services regarding the activities of companies operating in various fields including mainly finance, manufacturing and trade. The Holding is registered in Turkey and is owned by the members of the Sabancı family (Note 25). The address of the registered office is as follows:

Sabancı Center, 4. Levent, Istanbul, Turkey.

Subsidiaries

The business nature of the business of the Subsidiaries consolidated in these consolidated financial statements and, for the purposes of these consolidated financial statements, their respective business segments at 31 December 2007 are as follows:

Subsidiaries	Nature of business	Business segment
Akbank T.A.Ş. ("Akbank")	Banking	Finance
Aksigorta A.Ş. ("Aksigorta")	Insurance	Finance
Advansa B.V. ("Advansa")	Textile	Textile
Bossa Ticaret ve Sanayi İşletmeleri A.Ş. ("Bossa")	Textile	Textile
Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Yünsa")	Textile	Textile
Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. ("Kordsa Global")	Tire and tire reinforcement	Tire and tire reinforcement
Temsa Sanayi ve Ticaret A.Ş. ("Temsa")	Automotive	Automotive
Toyotasa Toyota-Sabancı Pazarlama ve Satış A.Ş. ("Toyotasa Pazarlama")	Automotive	Automotive
Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa")	Cement and clinker	Cement
Gıdasa Sabancı Gıda Sanayi ve Ticaret A.Ş. ("Gıdasa")	Food and beverage	Food
Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	Trade	Retailing
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş. ("Exsa")	Trade	Other
Exsa UK Ltd. ("Exsa UK")	Trade	Other
Universal Trading (Jersey) Ltd. ("Universal")	Trade	Other
Ankara Enternasyonel Otelcilik A.Ş. ("AEO")	Tourism	Other
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. ("Tursa")	Tourism	Other
Sapeksa Mensucat ve Toprak Mahsulleri Sanayi ve Ticaret A.Ş. ("Sapeksa")	Agriculture	Other
Sabancı Telekomünikasyon Hizmetleri A.Ş. ("Sabancı Telekom")	Telecommunication	Other
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. ("Bimsa")	Trade of data processing systems	Other
Pilsa Plastik Sanayi ve Ticaret A.Ş. ("Pilsa")	Plastics	Other

For the purposes of segment information, Holding's stand-alone financial statements have been included within the "Other" business segment (Note 33).

All the Subsidiaries are registered in Turkey except for Exsa UK, Universal and Advansa (collectively referred to as the "Foreign Subsidiaries"). Exsa UK and Universal are registered in the United Kingdom, Advansa in the Netherlands.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2007

(Amounts expressed in thousands of New Turkish lira ["YTL"] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

Joint Ventures

The nature of the business of the Joint Ventures proportionally consolidated in these consolidated financial statements at 31 December 2007 and, for the purposes of these consolidated financial statements, their respective business segments are as follows:

Joint Ventures	Nature of business	Segment	Venturer
Avivasa Emeklilik ve Hayat A.Ş. ("Avivasa") (*)	Pension	Finance	Aviva
Beksa Çelik Kord Sanayi ve Ticaret A.Ş. ("Beksa")	Tire and tire reinforcement	Tire and tire reinforcement	Bekaert
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa")	Tire and tire reinforcement	Tire and tire reinforcement	Bridgestone
Akçansa Çimento Sanayi ve Ticaret A.Ş. ("Akçansa")	Cement and clinker	Cement	Heidelberg
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. ("Carrefoursa")	Trade of consumer goods	Retailing	Carrefour
Diasa Dia Sabancı Süpermarketleri Ticaret A.Ş. ("Diasa")	Trade of consumer goods	Retailing	Dia S.A.
Enerjisa Enerji Üretim A.Ş. ("Enerjisa") (**)	Energy	Energy	Verbund
Olmuksa International Paper Sabancı Ambalaj Sanayi ve Ticaret A.Ş. ("Olmuksa")	Corrugated containers	Other	International Paper
Dönkasan Dönüşen Kağıt Hammaddeleri Sanayi ve Ticaret A.Ş. ("Dönkasan")	Paper	Other	International Paper and Kartonsan

(*) The Group sold a portion of its investment in Ak Emeklilik A.Ş. to Aviva International Holdings Limited on 31 October 2007. At 31 December 2006, the Group had effective interest rate of 99.41% in Ak Emeklilik A.Ş. and after the sale of 10.31% shares, the merger of Aviva International Holdings Limited and Ak Emeklilik A.Ş., Avivasa, became a joint venture with a shareholding structure of 50%-50% by each venturers. Effective from 31 October 2007, Avivasa is included in the scope of consolidation as a joint venture.

(**) The Group sold a portion of its investment in Enerjisa to Elektrizitätswirtschafts-Aktiengesellschaft ("Verbund") on 31 May 2007. At 31 December 2006, the Group had effective interest rate of 94.44% in Enerjisa and after the partial sale of shares to Verbund, Enerjisa became a joint venture with a shareholding structure of 49.99%-49.99% by each venturers. Effective from 31 May 2007, Enerjisa is included in the scope of consolidation as a joint venture.

All the Joint Ventures are registered in Turkey.

NOTE 2-BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Financial Reporting Standards

The consolidated financial statements of the Company have been prepared in accordance with the accounting and reporting principles issued by the CMB ("CMB Financial Reporting 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 the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") is accepted as an alternative to conform to the CMB Financial Reporting Standards. However, the Communiqué is effective for financial statements covering the first interim period after 10 January 2005. The CMB also issued the Communiqué No: XI-27 "Changes in the Accounting Standards in the Capital Markets" stating that applying International Financial Reporting Standards is in line with the requirements stated in the Communiqué.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards the application of inflation accounting is no longer required. Accordingly, the Holding 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 consolidated financial statements and the related notes have been presented in accordance with the formats required by the CMB.

Holding, its Subsidiaries and Joint Ventures registered in Turkey maintain their books of accounts and prepare their statutory financial statements ("Statutory Financial Statements") in YTL in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance, applicable Turkish insurance laws for insurance companies (Note 3.17) and banking law, accounting principles and instructions promulgated by the Banking Regulation and Supervising Agency for banks and accounting principles issued by the CMB for listed companies. The foreign Subsidiaries and Joint Ventures maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards.

2.2 Basis of consolidation

a) The consolidated financial statements include the accounts of the parent company, Hacı Ömer Sabancı Holding A.Ş., its Subsidiaries and Joint Ventures (collectively referred to as the "Group") on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards as explained in Note 2.1. The result of operations of Subsidiaries, Joint Ventures and Associates are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.

b) Subsidiaries are companies in which the Holding has the power to control the financial and operating policies for the benefit of the Holding, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or certain Sabancı family members and companies whereby the Holding exercises control over the voting rights of the shares held by them, or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of an actual dominant influence over the financial and operating policies.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2007

(Amounts expressed in thousands of New Turkish lira [“YTL”] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

The table below sets out all consolidated Subsidiaries and shows the proportion of ownership interest and the effective interest of the Holding in these subsidiaries at 31 December 2007:

Subsidiaries	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Ownership interest shares held by Sabancı family members %	Proportion of ownership interest %	Proportion of effective interest %
Advansa	100.00	-	100.00	99.93
AEO	70.29	-	70.29	70.29
Akbank	40.85	14.91	55.76	36.79
Aksigorta	61.98	-	61.98	61.98
Bossa	50.12	17.68	67.80	50.12
Bimsa	95.11	-	95.11	90.10
Çimsa	52.74	1.42	54.16	51.86
Exsa	45.70	54.30	100.00	29.87
Exsa UK	100.00	-	100.00	99.09
Gıdasa	99.68	-	99.68	99.67
Pilsa	51.23	48.77	100.00	51.23
Kordsa Global	91.11	-	91.11	91.11
Sapeksa	52.84	44.87	97.71	36.91
Sabancı Telekom	100.00	-	100.00	100.00
Teknosa	51.92	48.08	100.00	51.93
Temsa	48.70	51.29	99.99	47.66
Toyotasa Pazarlama	65.00	-	65.000	64.99
Tursa	99.52	-	99.52	98.46
Universal	100.00	-	100.00	92.99
Yünsa	59.37	13.66	73.03	58.80

The table below sets out all consolidated Subsidiaries and shows the proportion of ownership interest and effective interest of the Holding in these subsidiaries at 31 December 2006:

Subsidiaries	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Ownership interest shares held by Sabancı family members %	Proportion of ownership interest %	Proportion of effective interest %
Advansa	100.00	-	100.00	99.93
AEO	70.29	-	70.29	70.29
Akbank	45.74	23.55	69.29	40.05
Ak Emeklilik	99.41	-	99.41	61.61
Aksigorta	61.98	-	61.98	61.98
Bossa	50.12	23.14	73.26	50.12
Bimsa	95.11	-	95.11	90.10
Çimsa	50.80	2.06	52.86	49.82
Enerjisa	94.44	-	94.44	90.79
Exsa	45.70	54.30	100.00	27.71
Exsa UK	100.00	-	100.00	99.06
Gıdasa	99.68	-	99.68	99.67
Pilsa	51.23	48.77	100.00	51.23
Kordsa Global	91.11	-	91.11	91.11
Sabancı Bank Ltd. (“Sabank”) (*)	100.00	-	100.00	58.50
Sapeksa	52.84	44.87	97.71	34.84
Sabancı Telekom	100.00	-	100.00	100.00
Teknosa	51.92	48.08	100.00	51.91
Temsa	48.70	51.29	99.99	47.65
Toyotasa Pazarlama	65.00	-	65.00	65.00
Tursa	99.52	-	99.52	98.46
Universal	100.00	-	100.00	92.77
Yünsa	59.37	14.74	74.11	54.13

(*) Sabancı, a joint venture of the Group, is liquidated in 2007 and was excluded from the scope of consolidation (Note 35).

The balance sheets and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Holding and its Subsidiaries is eliminated against the related shareholders’ equity. Intercompany transactions and balances between the Holding and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by the Holding in its Subsidiaries are eliminated from shareholders’ equity and income for the period, respectively.

Financial statements of subsidiaries, whose financial position at 31 December 2007 and result of operations for the year ended 31 December 2007 are insignificant to the overall consolidated financial statements, are not consolidated on the grounds of materiality. Such subsidiaries are classified as available for sale equity securities in these consolidated financial statements (Note 16.a).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2007

(Amounts expressed in thousands of New Turkish lira ["YTL"] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

c) Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Holding and one or more other parties. The Group's interest in Joint Ventures is accounted for by way of proportionate consolidation. By this method, the Group includes its share of the assets, liabilities, income and expenses of each Joint Venture in the relevant components of the financial statements.

The table below sets out the Joint Ventures and shows the proportion of ownership interest and effective interest of the Holding in these Joint Ventures at 31 December 2007:

Joint Ventures	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Proportion of effective interest %
Akçansa	39.72	36.88
Avivasa (*)	49.83	49.83
Beksa	49.99	49.99
Brisa	43.63	43.63
Carrefoursa	38.78	38.78
Diasa	40.00	40.00
Dönkasan	33.13	33.12
Enerjisa (**)	50.00	50.00
Olmuksa	43.73	43.73

(*) The Group sold their portion on its investment in Ak Emeklilik A.Ş. to Aviva International Holdings Limited on 31 October 2007. At 31 December 2006, the Group had interest rate of 99.41% in Ak Emeklilik A.Ş. and after the sale of 10.31% shares, the merger of Aviva International Holdings Limited and Ak Emeklilik A.Ş., Avivasa, became a joint venture with a shareholding structure of 50%-50% by each venturers. Effective from 31 October 2007, Avivasa is included in the scope of consolidation as a joint venture.

(**) Enerjisa, which is owned by Group with an ownership percentage of 94.44% at 31 December 2006, was partly sold to Verbund on 31 May 2007. With a shareholding structure of 49.99%-49.99%, the company is consolidated as a Joint-Venture of Sabancı Holding effective from 31 May 2007.

The table below sets out the Joint Ventures and shows the proportion of ownership interest and effective interest of the Holding in these Joint Ventures at 31 December 2006:

Joint Ventures	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Proportion of effective interest %
Akçansa	39.72	36.88
Beksa	49.99	49.99
Brisa	43.63	43.63
Carrefoursa	38.78	38.78
Diasa	40.00	40.00
Dönkasan	33.13	33.12
Olmuksa	43.73	43.73
Oysa Çimento (*)	41.09	20.47

(*) The group acquired 41,09% of Oysa Çimento belonging to Oyak Grup on 30 April 2007. Effective from this date, the company is consolidated as a Subsidiary. As of 31 October 2007, Oysa Çimento is merged with Çimsa, another subsidiary of Group, by transferring all of its assets and liabilities.

Sabancı family members do not have any interest in the share capital of Joint Ventures.

d) Investments in Associates are accounted for by the equity method of accounting. These are entities over which the Holding generally has between 20% and 50% of voting rights, or over which the Holding has significant influence, but which it does not control. Unrealised gains that result from intercompany transactions between the Holding and its Associates are eliminated on consolidation, whereas unrealised losses are eliminated unless they do not address any impairment. Equity accounting is discontinued when the carrying amount of the investment in an Associate reaches zero, unless the Holding has incurred obligations or guaranteed obligations in respect of the Associates. Such Associates are accounted at fair value if the fair value can be determined objectively; otherwise, they are accounted at cost (Note 16.c and Note 2.e).

   Associates whose financial position at 31 December 2007 and result of operations for the year ended 31 December 2007 are insignificant to the overall consolidated financial statements are not accounted for by the equity method of accounting. Such Associates are classified as available for sale equity securities (Note 16.a).

The table below sets out all Associates and shows the total interest of the Holding in these associates at 31 December 2007 and 2006:

Associates	Proportion of effective interest by the Holding %
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. ("Philsa")	24.75
Philip Morris Sabancı Pazarlama Satış A.Ş. ("Philip Morrissa")	25.00

Sabancı family members do not have any interest in the share capital of Associates.

e) Other investments in which the Holding and its Subsidiaries, have interest below 20%, or over which the Holding does not exercise a significant influence, or which are immaterial, are classified as available for sale. Available for sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value. Available for sale investments that have a quoted market price in active markets and whose fair values can be measured reliably are carried at fair value (Note 16.a and 16.c).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2007

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

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

Certain Sabancı family members, Vaksa Hacı Ömer Sabancı Vakfı (the "Vaksa"), a charitable foundation established by Sabancı family members, and Akbank Tekaüt Sandığı, a retirement foundation for Akbank employees, have interests in the share capital of certain Subsidiaries and Associates. In these consolidated financial statements their interests are treated as outside interests and are not included in the Holding's net assets and profits attributable to shareholders of the Holding.

2.3 Offsetting

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

2.4 US Dolar Translation

USD amounts presented in the consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements. Consolidated balance sheet, consolidated statement of income and consolidated statements of cash flows are translated from YTL, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT and average USD exchange rate on 31 December 2007 of YTL1,1647 = USD1 and YTL 1,3012 = USD1, respectively and do not form part of these consolidated financial statements. The resulting difference from the use of average CBRT rate for the translation of consolidated statement of income and the use of bid rate at the balance sheet date for the translation of the consolidated balance sheet is included in translation reserves under shareholders' equity in accordance with the translation requirements of IAS 21 "The effects of Changes in Foreign Exchange Rates" when the financial statements are presented in a currency other than the functional currency. The resulting difference from the use of average CBRT rate for the translation of consolidated statement of cash flows and the use of bid rate at the balance sheet date for the translation of the closing and opening cash balances is included as currency translation adjustment separate from cash flows from operating, financing and investing activities.

2.5 Convenience translation into English of consolidated financial statements originally issued inTurkish

The accounting principles described in Note 2 to the consolidated financial statements (defined as "CMB Financial Reporting Standards") differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005, measurement principles and disclosure requirements for retirement benefits and presentation of basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

NOTE 3-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies other than Group accounting which is described in Note 2, followed in the preparation of the accompanying consolidated financial statements are summarised below:

3.1 Cash and cash equivalents

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

3.2 Sale and repurchase agreements

In the banking segment, securities sold subject to linked repurchase agreements ("repos") are retained in the financial statements as trading, available-for-sale or held to maturity financial assets and measured in accordance with the policies used in measuring the relevant class. The counter party liability is included in customer deposits and the difference between the sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective yield method.

Securities purchased under agreements to resell ("reverse repos") are recorded as cash and cash equivalents. The difference between the sale and repurchase price is treated as interest and is accrued over the life of the reverse repo agreement using the effective yield method.

3.3 Reserve deposits with the Central Bank of the Republic of Turkey

Reserve deposits represent the minimum deposits maintained with the Central Bank of the Republic of Turkey (the "Central Bank"), as required by the Turkish Banking Law ("Banking Law"), calculated on the basis of customer deposits taken at the rates determined by the Central Bank. In accordance with the current legislation, the mandatory reserve deposit rates for New Turkish Lira and foreign currency deposits are 6% (2006: 6%) and 11% (2006: 11%), respectively. Interest income is recognised quarterly using the interest rates determined by the Central Bank. The above mentioned interest rates at 31 December 2007 are 11.81% for YTL, 1.95% for USD and 1.80% for Euro.

3.4 Trade receivables and provision for doubtful receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is 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 (Note 7).

3.5 Related parties

For the purpose of the consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them, Associates and Joint Ventures are considered and referred to as related parties. On consolidation, most of the related party activity is eliminated and the remainder of non-eliminated balances are disclosed in Note 9.

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3.6 Inventories

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

3.7 Financial Assets

In accordance with IAS 39, in the banking segment the Group classifies its investments in debt and equity securities in the three following categories; assets held at fair value through profit or loss, held-to-maturity and, available-for-sale assets. Debt securities with fixed maturities, where management has both the intent and the ability to hold to the maturity are classified as "held-to-maturity financial assets". Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in the interest rates, exchange rates or equity prices, or the client's servicing activity are classified as "available-for-sale financial assets". The appropriate classification of investments is determined at the time of the purchase and re-evaluated by management on a regular basis.

All investment securities are initially recognised at cost. Transaction costs are included in the initial measurement of debt securities. Available-for-sale debt and equity investment securities are subsequently re-measured at fair value if the fair values can be reliably measured.

Investments in which the Holding has an interest below 20% that do not have a quoted market price in active markets, for which other methods of making a reasonable estimate of fair value are clearly inappropriate or unworkable and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.

Unrealised gains and losses arising from 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. Unrealised gains and losses arising from changes in the fair value of available for sale debt securities are the differences between the fair value of such securities and their amortised cost at the balance sheet date. 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.

Held to maturity investments are carried at amortised cost using the effective yield method.

Financial assets at fair value through profit or loss are securities, which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or included in a portfolio in which a pattern of short-term profit making exists. Financial assets at fair value through profit or loss are initially recognised at cost and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in the income statement.

Interest received from financial assets at fair value through profit or loss is recognised in the income statement as part of interest income and dividend received is recognised in the income statement as part of dividend income. All purchases and sales of financial assets at fair value through profit or loss that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recognised at the trade date, which is the date that the banks commit to purchase or sell the assets.

3.8 Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and currency and interest rate swap instruments are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently re-measured at their fair value. All derivative financial instruments are classified as financial assets at fair value through profit or loss. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. The fair value of over-the-counter forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated in reference to the market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2007. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Changes in the fair value of derivatives at fair value through profit or loss are included in the income statement.

Certain derivative transactions, while providing effective economic hedges under the risk management position, do not qualify for hedge accounting under the specific rules under IAS 39 and are therefore treated as derivatives at fair value through profit or loss and their fair value gains and losses are reported in the income statement.

Gains and losses on forward foreign exchange contracts are calculated by valuing the contract with the spot exchange rate prevailing at the balance sheet date and comparing the amount arrived at with the original amount calculated on a straight line basis by using the spot rate prevailing at the beginning of the contracts. Gains and losses on interest rate swaps used for hedging purposes are recognised as income or expense on the same basis as the corresponding expense or income on the hedged position. Gains and losses on interest rate swaps are included in the interest income and expense as appropriate.

3.9 Investment property

Land and buildings that are held to earn rentals 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 less impairment charges, if any (Note 18). 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 Group applies IAS 16 “Property, Plant and Equipment”. At that date, the property becomes investment property and thus is transferred to investment property.

3.10 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation in the consolidated financial statements (Note 19). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Years
Land improvements	4-50
Buildings	18-50
Machinery and equipment	2-25
Motor vehicles	2-15
Furniture and fixtures	3-10

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Gains or losses on disposals of property, plant and equipment are determined with respect to the difference between collections received and carrying amounts of property, plant and equipment and are included in the related income and expense accounts, as appropriate.

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

Costs to property plant and equipment are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statements during the financial period in which they were incurred.

3.11 Intangible assets

Intangible assets consist of licences, computer software, development costs, purchased technology, mining rights, acquired rights of use, and other identifiable rights. Intangible assets are initially accounted at cost and amortised using the straight-line method over an estimated useful life that does not exceed 20 years (Note 20). The amortisation of mining rights commences when the extraction begins.

3.12 Non-current assets held for sale and discontinued operations

Non-current assets held for sale (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset. The sale of assets held for sale is expected to be occur within the following 12 months from the balance sheet date.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount or fair value. If fair value is below the carrying value of asset, the related impairment is accounted for expense in consolidated income statement.

3.13 Shareholders' equity

In the restatement of shareholders' equity items, the addition of funds formed due to hyperinflation such as the revaluation value increase fund in share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders.

In the restatement of shareholders' equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of share premiums, the payment dates are considered (Note 25).

3.14 Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

3.15 Borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised 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 at 1 January 2009, yet voluntary early transition to the application right is reserved. The Group opted for early adoption and changed 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 capitalised 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.

3.16 Deferred financing charges

Deferred financing charges (primarily comprising legal and other costs incurred in relation to obtaining long-term bank borrowings from financial institutions) are amortised using the effective interest method over the remaining life of the long-term bank borrowings.

3.17 Deferred income taxes

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

Deferred income tax liabilities are recognised for all taxable temporary differences, whereas deferred income 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 (Note 14 and 41).

3.18 Employee benefits

Retirement benefits

Akbank's personnel are members of the "Akbank T.A.Ş. Personnel Pension Fund Foundation" ("Pension Fund"), established in accordance with the Social Security Law numbered 506, article No.20. The financial statements of the Pension Fund have been audited by an independent actuary in accordance with the 38th article of the Insurance Supervisory Law and the "Actuarial Regulation" based on the same article.

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On 1 November 2005, Banking Law No.5411 ("New Law") which requires the transfer of the pension funds of the banks to the Social Security Institution within three years following the publication date, was published in the Official Gazette. However, President of the Turkish Republic applied to the Constitutional Court on 2 November 2005 for the abrogation of the related article of Banking Law, and this article was abrogated with the decision No E. 2005/39, K. 2007/33 dated 22 March 2007, which was published in the Official Gazette No 26479 dated 31 March 2007, and its execution was annulled at the publication date of the decision.

Following the publication of the reasoned ruling of the Constitutional Court in December 2007, the relevant commission of the Turkish Parliament began to work on a new law provision establishing the transfer of the pension funds. The law provision was drawn up as a draft in the first months of 2008 and the legislation processes are in progress as of the preparation date of these financial statements.

As of 31 December 2007, the pension fund has no technical or actuarial deficit which requires a provision, in accordance with the technical balance sheet report audited pursuant to the framework stated in the above first paragraph, and which was prepared in consideration of the draft law provisions mentioned above. Furthermore, Akbank management is of the opinion that the liability amount to arise during and after the transfer will be at a reasonable level that can be met by the Fund's assets and it will not cause any additional burden for Akbank.

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 Group arising from the retirement of the employees, completion of one year of service of the employees, employees' being calling up for military service or death of the employees calculated in accordance with the Turkish Labour Law (Note 23.b).

3.19 Provisions, contingent liabilities and assets

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

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

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised. A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

3.20 Loans and advances to customers and provisions for loan impairment

Loans originated by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated and are carried at amortised cost using the effective yield method. Costs incurred due to obtaining guarantees for originated loans are not considered as transaction costs and are charged to the income statement. Loans originated by providing money directly to banks such as time or demand deposits are classified as due from banks.

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

The provision made during the period is charged against the profit for the period. Loans that cannot be recovered are written off and charged against the allowance for loan losses. Such loans are written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for loan losses for the period.

3.21 Government grants

The Group benefits from research and development ("R&D") grants within the scope of the Communiqué No: 98/10 of The Scientific and Technological Research Council of Turkey ("TÜBİTAK") and Money Credit and Coordination Board related to R&D grants for its research and development projects given that such projects satisfy specific criteria with respect to the evaluation of TÜBİTAK Technology Monitoring and Evaluation Board.

The government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

The government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Accordingly, government grants are recognised as income when the related costs which they are intended to compensate were incurred. Similarly, grants related to depreciable assets are recognised as income over the periods and in the proportions in which depreciation on those assets is charged.

3.22 Insurance technical reserves

Unearned premiums reserve

Unearned premiums are those proportions of the premiums written in a year that relate to the period of risk subsequent to the balance sheet date for all policies with more than one year of maturity.

Claim provisions

Claims are recorded in the period in which they occur, based on reported claims or on the basis of estimates when not reported. The provision for claims outstanding is the total estimated ultimate cost of settling all claims arising from events, which have occurred up to the end of the accounting period. Full provision is made for outstanding claims, including claim settlements, reported at the end of the period according to the insurance expert's report, or according to the initial estimations of the insured and the expert.

Life assurance provision

The Subsidiaries dealing in life assurance are required to establish benefit reserves, which in the aggregate must be sufficient to provide for future guaranteed benefits as they become due. The life assurance provision is based on the level of premiums, as adjusted by commission, and administrative expenses and risk premiums that are computed on the basis of actuarial mortality assumptions, as approved by the Insurance Supervisory Office, which are applicable for Turkish insurance companies. The revenues obtained upon the investment activities in relation to the provisions held, are set aside as life assurance provision.

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3.23 Leasing transactions

3.23.1 The Group as a lessee

Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in leasing payables.

Obligations under finance leases are stated in the consolidated financial statements at the acquisition values of the related property, plant and equipment. The interest element of the finance cost is charged to the income statement over the lease period.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

3.23.2 The Group as a lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

3.24 Revenue recognition

Banking

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price until, in management’s estimates and judgment, collection becomes doubtful. Interest income includes coupons earned on fixed income securities and accrued discount on treasury bills (Note 33.e).

Commission income and fees for various banking services are recorded as income at the time they affect the transactions to which they relate.

Insurance

Life:
Premium income represents premiums accrued on policies issued during the period, adjusted by the reserve for unearned premiums for annual life policies, during the period (Note 33.e).

Non-Life:
Premium income represents premiums on policies written during the period, net of cancellations, as adjusted by the reserve for unearned premiums.

Other segments

Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest income on a time proportion basis that takes into account the effective yield on the asset.

3.25 Earnings per share

Earnings per share for each class of share disclosed in these consolidated statements of income are determined by dividing the net income after translation adjustment attributable to that class of shares by the weighted average number of shares of that class that have been outstanding during the period concerned. As disclosed in Note 42 earnings per share are calculated in accordance with IAS 33 “Earnings Per Share”.

3.26 Foreign currency transactions

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in New Turkish lira, which is the functional currency of the Holding.

Foreign currency transactions and balances

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

Foreign Group companies

The results of Group undertakings using a measurement currency other than New Turkish lira are first translated into New Turkish lira by using the average exchange rate for the period. The assets and liabilities of such Group undertakings are translated into Turkish lira by using the closing rate at the balance sheet date. Differences arising on retranslation of the opening net assets of such Group undertakings and differences between the average and year-end rates are included in translation reserve as a separate item in the shareholders’ equity.

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3.27 Business combinations

In accordance with IFRS 3 "Business Combinations" all business combinations are accounted for by applying the purchase method. If the acquisition cost is higher than the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is accounted for as goodwill. Prior to the acquisition, the fair value differences of the net assets are accounted as fair value reserve in equity. Goodwill recognised in a business combination is not amortised, instead it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. The Group performs the impairment test of goodwill at year-ends.

If the acquisition cost is lower than the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is accounted for as income in the related period (Note 32).

Partial share purchase-sale transactions with minority interests

The group applies a policy of treating transactions with minority interests as transactions with equity owners of the group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are recorded in equity under retained earnings since there is no caption for these gains or losses in accordance with the CMB Financial Reporting Standards.

3.28 Use of estimates

The preparation of consolidated financial statements in conformity with CMB Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

3.29 Segment reporting

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

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

The Group has selected business segments as the Group's primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise's risks and returns. Geographical segments have not been disclosed in these consolidated financial statements as the secondary segment reporting format on the grounds of materiality as the operations of the Group in geographical areas other than Turkey are not reportable geographical segments individually when compared with the overall consolidated financial statements.

3.30 Financial Instruments and Financial Risk Management

3.30.1 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by individual Subsidiaries and Joint Ventures under policies, approved by their Board of Directors.

3.30.1.1 Foreign Exchange Risk

The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities to local currency. These risks are monitored and limited by analysing foreign currency position through obtaining positions within the approved limits (Note 29). The Group aims to lower foreign exchange risk arising from assets and liabilities by using swap and forward derivative instruments .

The difference between the assets and liabilities of Akbank both denominated in foreign currency is defined as the "Net Foreign Currency ("FC") position" and is the exposure to foreign currency risk. Another dimension of the foreign exchange risk is the change in the value of the foreign currencies themselves within the net FC position (cross rate risk). The Bank keeps the amount exposed to foreign exchange risk within the limits determined by the Risk Management Committee. The Risk Management Committee monitors the general economic conditions and developments in the markets and sets new limits when necessary. These limits are set and monitored separately for the net FC position and for the cross rate risk. When necessary swap and forward contracts are used as a tool to hedge the foreign exchange risk.

The Group is exposed to foreign exchange risk arising primarily from the Euro, US dollar and UK pound.

The foreign exchange risk of Group companies other than that of the banking segment is as follows (please refer to 3.30.1.5 for the foreign exchange risk of the Banking segment).

At 31 December 2007, if the Euro had strengthened/weakened by 10% against the YTL with all other variables held constant, income before monetary loss, minority interest and tax for the year would have been YTL 2.678 (2006: YTL 19.142) lower/higher, mainly as a result of foreign exchange losses/gains on the translation of Euro assets and liabilities.

At 31 December 2007, if the US dollar had strengthened/weakened by 10% against the YTL with all other variables held constant, income before monetary loss, minority interest and tax for the year would have been YTL 5.408 (2006: YTL 47.587 lower/higher) higher/lower, mainly as a result of foreign exchange losses/gains on the translation of US dollar assets and liabilities.

At 31 December 2007, if the GBP had strengthened/weakened by 10% against the YTL with all other variables held constant, income before monetary loss, minority interest and tax for the year would have been YTL 4.593 (2006: YTL 3.570) higher/lower, mainly as a result of foreign exchange gains/losses on translation of GBP assets and liabilities.

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3.30.1.2 Interest Rate Risk

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

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. During 2007 and 2006, the Group's borrowings at variable rate are denominated in YTL, US dollar and Euro.

At 31 December 2007, for Group companies in non-banking business segment, if interest rates on YTL denominated borrowings had been 10% higher/lower with all other variables held constant, income before monetary loss, minority interest and tax for the year would have been YTL 1.578 (2006: YTL 1.126) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. (please refer to 3.30.1.5 for banking segment.)

31 December 2007, for Group companies in non-banking business segment, if interest rates on US dollar denominated borrowings had been 10% higher/lower with all other variables held constant, income before monetary loss, minority interest and tax for the year would have been YTL 1.137 (2006: YTL 2.001) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

31 December 2007, for Group companies in non-banking business segment, if interest rates on Euro denominated borrowings had been 10% lower/higher with all other variables held constant, income before monetary loss, minority interest and tax for the year would have been YTL 2.097 (2006: YTL 1.534) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3.30.1.3 Liquidity Risk

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

A major objective of Akbank's asset and liability management is to ensure that sufficient liquidity is available to meet Akbank's commitments to customers and to satisfy Akbank's own liquidity needs. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities.

The primary funding sources of Akbank are equity placed in interest bearing assets, well-distributed and stable deposits and medium to long term borrowings obtained from international markets.

In spite of a substantial portion of deposits from individuals being short-term, diversification of these deposits by number and type of depositors together with the past experience of Akbank indicate that these deposits will provide a long-term and stable source of funding for Akbank.

3.30.1.4 Credit Risk

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

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

The credit risk on all products of Akbank including placements to customers, commitments and letters of credit is managed by detailed loan policies and procedures.

Akbank rates all borrowers and third parties in order to assess the quality of loans provided. The credit risk analysis is based on the Basel II Advanced Risk Decisioning and Monitoring approach (Advanced IRB).

Scoring systems calculate the risk of default for different types of customers and form different rating systems for corporate, consumer and credit card loans.

The credit risk analysis on loans and advances by credit rating at 31 December 2007 is as follows:

2007	Corporate	Consumer	Credit Card	Total
Investment grade	25,654,604	8,137,838	3,651,369	37,443,811
Standard monitoring	953,145	626,211	236,255	1,815,611
Loans under follow-up	526,434	200,743	280,451	1,007,628
Total	**27,134,183**	**8,964,792**	**4,168,075**	**40,267,050**
General provision	(131,591)	(33,254)	(128,780)	(293,625)
Specific provision	(526,434)	(200,743)	(280,451)	(1,007,628)
Total allowances	**(658,025)**	**(233,997)**	**(409,231)**	**(1,301,253)**
Loans and advances, net	**26,476,158**	**8,730,795**	**3,758,844**	**38,965,797**

The credit risk analysis on loans and advances by credit rating at 31 December 2006 is as follows:

2006	Corporate	Consumer	Credit Card	Total
Investment grade	19,740,430	5,818,685	2,963,888	28,523,003
Standard monitoring	515,331	328,344	211,564	1,055,239
Loans under follow-up	242,475	91,756	259,340	593,571
Total	**20,498,236**	**6,238,785**	**3,434,792**	**30,171,813**
General provision	(130,780)	(41,083)	(21,673)	(193,536)
Specific provision	(242,475)	(91,756)	(259,340)	(593,571)
Total allowances	**(373,255)**	**(132,839)**	**(281,013)**	**(787,107)**
Loans and advances, net	**20,124,981**	**6,105,946**	**3,153,779**	**29,384,706**

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The maximum exposure of the banking segment to credit risk is as follows:

	2007	2006
Due from banks	1,572,712	2,296,140
Loans and advances	38,965,797	29,384,706
loans to individuals	12,489,639	9,259,725
- credit cards	3,758,844	3,153,779
- consumer loans	8,730,795	6,105,946
loans and advances to corporate customers	26,476,158	20,124,981
Lease receivables	651,160	487,213
Trading securities	4,813,851	6,608,460
Derivative financial instruments	81,282	76,721
Financial assets	21,005,426	14,519,587
Other assets	432,724	167,510
Total	67,522,952	53,540,337

Please refer to Note 7 for segments other than banking.

Moody's rating analysis of trading securities and available for sale financial assets in the banking segment at 31 December 2007 and 2006 is as follows:

2007	Fair value through profit or loss	Available for sale financial assets	Total
Aaa	-	6,072	6,072
A1, A2, A3	-	46,344	46,344
Baa1, Baa2, Baa3	-	23,260	23,260
Ba3 (*)	4,813,851	20,929,750	25,743,601
Total	4,813,851	21,005,426	25,819,277

2006	Fair value through profit or loss	Available for sale financial assets	Total
Aaa	-	6,524	6,524
A1, A2, A3	-	33,103	33,103
Ba1	-	18,735	18,735
Ba3 (*)	6,608,460	14,461,225	21,069,685
Total	6,608,460	14,519,587	21,128,047

(*) Government bond and treasury bills of Turkish Treasury.

The geographical distribution of financial assets of the banking segment at 31 December 2007 and 2006 is as follows:

2007	Turkey	US	European Union	Non-European Union	Total
Due from other banks	212,038	426,407	884,123	50,144	1,572,712
Loans and advances	**38,092,236**	**11,441**	**405,239**	**456,881**	**38,965,797**
Loans and advances to customers	**12,489,639**	**-**	**-**	**-**	**12,489,639**
- credit cards	3,758,844	-	-	-	3,758,844
- consumer loan	8,730,795	-	-	-	8,730,795
Loans and advances to corporate customers	**25,602,597**	**11,441**	**405,239**	**456,881**	**26,476,158**
Lease receivables	651,160	-	-	-	651,160
Trading securities	4,813,851		-	-	4,813,851
Derivative financial instruments	42,422	-	38,860	-	81,282
Financial assets	20,919,296	110	86,020	-	21,005,426
Other assets	380,514	-	52,210	-	432,724
Total	**65,111,517**	**437,958**	**1,466,452**	**507,025**	**67,522,952**

2006	Turkey	US	European Union	Non-European Union	Total
Due from other banks	125,785	230,590	1,934,257	5,508	2,296,140
Loans and advances	**28,579,046**	**76,553**	**674,592**	**54,515**	**29,384,706**
Loans and advances to customers	**9,259,725**	**-**	**-**	**-**	**9,259,725**
- credit cards	3,153,779	-	-	-	3,153,779
- consumer loan	6,105,946	-	-	-	6,105,946
Loans and advances to corporate customers	**19,319,321**	**76,553**	**674,592**	**54,515**	**20,124,981**
Lease receivables	487,213	-	-	-	487,213
Trading securities	6,608,460	-	-	-	6,608,460
Derivative financial instruments	13,174	127	62,646	774	76,721
Financial assets	14,461,225	-	58,362	-	14,519,587
Other assets	137,337	-	30,173	-	167,510
Total	**50,412,240**	**307,270**	**2,760,030**	**60,797**	**53,540,337**

3.30.1.5 Value at Risk

Akbank considers foreign exchange risk and interest rate risk as two significant factors of market risk. The Risk Management Committee sets risk limits for market risk and closely monitors the risk limits in the light of market conditions. The determined limits are subject to an approval mechanism and authority limitations which enhances the control effectiveness. The market risk is measured based on investment securities portfolio and an analysis of market risk that also includes the foreign exchange risk is reported to the Risk Management Committee of Akbank.

The table (*) below represents average market risk table at 31 December 2007 and 2006 calculated in accordance with the “Standard Method for Market Risk Calculations” as set out in Section 3 of the “Regulation Regarding Measurement and Evaluation of the Bank’s Capital Adequacy Ratio”, published in the Official Gazette No.26333 dated 1 November 2006, “Calculation of Market Risk with the Standard Method”.

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	2007			2006		
	Average	High	Low	Average	High	Low
Interest rate risk	173,305	193,594	167,506	115,334	139,821	55,296
Foreign exchange risk	51,996	62,026	39,077	54,133	80,543	44,482
Equities risk	1,445	954	598	3,895	1,952	7,847
Total (**)	**226,746**	**256,574**	**207,181**	**173,362**	**222,316**	**107,625**
Total amount subject to market risk	**2,834,325**	**3,207,175**	**2,589,763**	**2,167,025**	**2,778,950**	**1,345,313**

(*) The table above has been prepared using Akbank's consolidated financial statements prepared in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, related to the 5411 numbered Banking Law which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency.

(**) Total balance represents the total capital to be employed for market risk.

3.30.2 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. Net debt is calculated as the total liability less cash and cash equivalents and tax liabilities (current period and deferred income tax liabilities).

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

	2006	2005
Total liability	63,141,639	55,214,767
Cash and cash equivalents	(2,755,615)	(4,855,781)
Net liability	60,386,024	50,358,986
Equity	8,549,695	6,854,344
Invested capital	68,935,719	57,213,330
Net liability/invested capital ratio	88%	88%

3.30.3 Fair Value of Financial Assets and Liabilities

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

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

For all other segments other than those of the banking segment the following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value.

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value.

The fair values of certain financial assets carried at cost including cash and due from banks, deposits with banks and other financial assets are considered to approximate their respective carrying values due to their short-term nature. The fair value of investment securities has been estimated based on the market prices at balance sheet dates.

The trade receivables are carried at amortised cost using the effective yield method, and hence are considered to approximate their fair values.

Financial liabilities

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

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

Trade payables are stated at their fair values and accordingly their carrying amounts approximate their fair values.

Derivative financial instruments

The fair value of forward foreign exchange contracts and currency/interest rate swaps is estimated based on quoted market rates prevailing at the balance sheet date.

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The carrying value and fair value of financial assets and liabilities in the banking segment at 31 December 2007 and 2006 are as follows:

	2007		2006	
	Carrying value	Fair value	Carrying value	Fair value
Due from banks	2,667,900	2,667,900	2,296,140	2,296,140
Loans and advances to customers	38,965,797	39,368,261	29,384,706	30,267,413
Trading securities	4,813,851	4,813,851	6,608,460	6,608,460
Available for sale financial assets	21,005,426	21,005,426	14,519,587	14,519,587
Other financial assets	812,293	812,293	654,723	654,723
Total financial assets	68,265,267	68,667,731	53,463,616	54,346,323
Deposits from other banks	1,939,964	1,939,964	1,749,353	1,749,353
Repo agreements	5,885,513	5,885,513	5,238,228	5,238,228
Deposits	48,418,300	48,145,497	33,920,903	33,714,986
Funds borrowed	9,645,144	9,645,144	9,905,126	9,905,126
Total financial liabilities	65,888,921	65,616,118	50,813,610	50,607,693

NOTE 4-CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2007 and 2006 is as follows:

	2007	2006
Cash in hand		
- banking	1,095,189	1,864,589
- other companies	6,621	10,877
Banks-time deposits	898,347	2,644,076
Banks-demand deposits	749,684	327,074
Due from reverse repo transactions	2,547	27
Other cash and cash equivalents	3,227	9,138
Total	2,755,615	4,855,781

Effective interest rates of USD, EUR and YTL denominated time deposits and money market placements are 4.13% p.a. (2006: 5.27% p.a.), 3.55% p.a. (2006: 3.37% p.a.) and 17.50% p.a. (2006: 18.39% p.a.), respectively.

The analysis of maturities at 31 December 2007 and 2006 is as follows:

	2007	2006
Demand	1,854,721	2,211,678
Up to 3 months	900,894	2,641,294
3 to 12 months	-	32
1 to 5 years	-	2,777
Total	**2,755,615**	**4,855,781**

Akbank, a subsidiary of Holding, pledged its demand deposits amounting to YTL 156,172 (2006: YTL 100,088) as an off-shore cash reserve and payment accounts in connection with long-term securitised borrowings from foreign institutions in the amount of USD 2,586 million (2006: USD 2,811 million).

NOTE 5-MARKETABLE SECURITIES

The analysis of securities at fair value through profit and loss is as follows:

	2007	2006
Government bonds denominated in foreign currency	4,551,710	6,415,387
Eurobonds	210,288	108,973
Government bonds	42,375	33,008
Mutual funds	26,617	22,608
Share certificates	4,637	47,273
Treasury bills	3,591	7,647
Other	1,250	492
Total	**4,840,468**	**6,635,388**

Effective interest rates of USD, EUR and YTL denominated securities at fair value through profit and loss are 6.94% p.a. (2006: 6.93% p.a.), 6.43% p.a. (2006: 5.35% p.a.) and 17.43% p.a. (2006: 17.85% p.a.), respectively.

The analysis of maturities at 31 December 2007 and 2006 is as follows:

Period remaining to contractual maturity dates:

	2007			2006		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	7,399	-	7,399	8,650	-	8,650
3 to 12 months	2,621,474	-	2,621,474	931,571	-	931,571
1 to 5 years	2,026,426	-	2,026,426	5,544,903	-	5,544,903
Over 5 years	152,664	-	152,664	75,571	-	75,571
No maturity	5,888	26,617	32,505	47,765	26,928	74,693
Total	**4,813,851**	**26,617**	**4,840,468**	**6,608,460**	**26,928**	**6,635,388**

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Period remaining to contractual repricing dates:

	2007			2006		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	1,886,952	-	1,886,952	2,204,855	-	2,204,855
3 to 12 months	2,628,457	-	2,628,457	4,156,458	-	4,156,458
1 to 5 years	139,932	-	139,932	123,811	-	123,811
Over 5 years	152,622	-	152,622	75,571	-	75,571
No maturity	5,888	26,617	32,505	47,765	26,928	74,693
Total	**4,813,851**	**26,617**	**4,840,468**	**6,608,460**	**26,928**	**6,635,388**

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

Short-term funds borrowed, bank borrowings and debt securities in issue:	2007	2006
Short-term	4,382,957	3,757,903
Short-term portion of long term	1,752,250	693,027
Total short term	**6,135,207**	**4,450,930**

Long-term funds borrowed, bank borrowings and debt securities in issue:		
Long-term	4,113,529	6,766,744
Total	**10,248,736**	**11,217,674**

Effective interest rates of USD, EUR and YTL denominated funds borrowed borrowings and debt securities in issue are 5.79% p.a. (2006: 5.82% p.a.), 4.94% p.a. (2006: 4.11% p.a.) and 15.56% p.a. (2006: 15.65% p.a.), respectively.

The maturity schedule of short term borrowings at 31 December 2007 and 2006 is summarised below:

	2007	2006
Up to 3 months	1,771,610	1,236,933
3 to 12 months	4,363,597	3,213,997
1 to 5 year	3,047,458	5,173,734
Over 5 years	1,066,071	1,593,010
Total	**10,248,736**	**11,217,674**

The maturity schedule of long term borrowings at 31 December 2007 is summarised below:

Period	2007
2009	1,469,890
2010	529,039
2011	499,116
2012	549,413
2013 and over	1,066,071
Total	**4,113,529**

The maturity schedule of long term borrowings at 31 December 2006 is summarised below:

Period	2006
2008	2,291,302
2009	1,613,404
2010	657,823
2011 and over	2,204,215
Total	**6,766,744**

The repricing schedule of borrowings at 31 December 2007 and 2006 is summarised below:

	2007	2006
Up to 3 months	8,236,307	8,963,008
3 to 12 months	1,584,701	1,729,505
1 to 5 years	421,695	503,297
Over 5 years	6,033	21,864
Total	**10,248,736**	**11,217,674**

Major borrowing transactions of Akbank at 31 December 2007 are as follows:

Funds borrowed:

a) Funds borrowed from West LB AG London Branch

At 31 December 2007, funds borrowed from foreign institutions include syndicated credit facilities in the amount of USD 500 million and EUR 1 billion with an interest rate of Libor + 0.6% p.a. and Euribor + 0.25% p.a. provided by 11 and 32 international banks with West LB AG, London Branch acting as the agent, which mature on 22 December 2008 and 26 September 2008 respectively.

b) Funds borrowed from UFJ Bank Limited

At 31 December 2007, funds borrowed from foreign institutions include syndicated credit facilities in the amount of EUR 500 million with an interest rate of Libor + 0.55% p.a. provided by 10 international banks with UFJ Bank Limited acting as the agent, maturing on 29 June 2009.

c) Funds borrowed from Bank of New York

At 31 December 2007, funds borrowed from foreign institutions include syndicated credit facilities in the amount of USD 550 million, with an interest rate of Libor + 0.43% p.a. provided by 16 international banks with Bank of New York acting as the agent, maturing on 18 December 2008.

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d) Debt securities in issue

In November 1999, Akbank finalised a structured finance deal of USD 400 million by securitising its foreign currency denominated present and future remittances (worker remittances, cash against goods, cash against documents, letters of credits, cheque remittances and other third party payment orders) for the issue of floating-rate notes amounting to USD 400 million. Akbank obtained further tranches related with the same deal in the amount of USD 3.175 million between 2000 and 2007 through the additional issue of floating-rate notes. Interest rates on the tranches vary between Libor + 0.16% p.a. and Libor + 1.1% p.a. At 31 December 2007, the outstanding principal amount of the securitisation deal amounts to USD 2.150 million after the repayment of USD 1.425 million between 2000 and 2007.

In December 2005, the Group finalised another structured finance deals with a total amount of USD 500 million by securitising its foreign currency denominated present and future remittances (credit card receivables). The interest rates varying between Libor + 0.16% and Libor +1.01%. As of 31 December 2007 the outstanding principal amount of the securitisation deal amount to USD 426 million after the repayment USD 48 million during the year 2007 and USD 26 million during the year 2006.

NOTE 7-TRADE RECEIVABLES AND TRADE PAYABLES

Short-term and long-term trade receivables:

	2007	2006
Trade receivables	1,345,966	1,248,703
Notes and cheques receivable	146,059	226,721
Sub-total	**1,492,025**	**1,475,424**
Less: doubtful receivables provision	(44,366)	(35,893)
Total	**1,447,659**	**1,439,531**

As of 31 December 2007, trade receivables of YTL 146,687 were past due but not impaired (2006: YTL 169,253). The aging analysis of these trade receivables is as follows:

	2007	2006
Up to 3 months	117,817	139,709
3 to 6 months	20,971	11,009
6 to 9 months	3,947	6,551
Over 9 months	3,952	11,984
Total (*)	**146,687**	**169,253**

(*) Amount of YTL 74,222 of past due trade receivables, is related to insurance business segment (2006: YTL 88,678).

As of 31 December 2007, the aging analysis overdue and impaired trade receivables are as follows:

	2007	2006
Up to 3 months	15,508	13,786
3 to 6 months	2,724	1,153
6 to 9 months	2,311	348
Over 9 months	23,823	20,606
Total	**44,366**	**35,893**

Short-term and long-term trade payables:

	2007	2006
Trade payables	963,656	974,194
Notes payable	172	4,663
Total	**963,828**	**978,857**

NOTE 8-LEASE RECEIVABLES AND LEASE PAYABLES

Long-term and the short-term lease receivables of Ak Finansal Kiralama A.Ş. as a subsidiary of Akbank at 31 December 2007 and 2006 are summarised below.

Financial lease receivables:

	2007	2006
Gross investment in finance leases	779,730	584,163
Less: unearned finance income	(118,585)	(90,409)
Total investment in finance leases	661,145	493,754
Less: provision for impairment	(9,985)	(6,541)
Net investment in finance leases	**651,160**	**487,213**

Lease receivables represent the principal lease balances for lease agreements. The maturity schedule as of 31 December 2007 and 2006 of lease receivables is summarised below:

	2007	2006
2007	-	209.060
2008	318,478	159,425
2009	168,277	81,734
2010	102,739	31,289
2011	36,999	5,705
2012	13,033	-
2013 and over	11,634	-
Total	**651,160**	**487,213**

Application of discounted rate for financial leasing operations was abolished by the article 2, paragraph 1 of the written decree published by the Council of Ministers in the Official Gazette dated 30 December 2007 No.2007/13033, which requires “In financial leasing operations, Value Added Tax (“VAT”) rate of goods subject to transaction is applied.” Application of New VAT rates is effective for the financial leasing agreements which were issued after the date of publish of the decree of Council of Ministers in the Official Gazette.

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(Amounts expressed in thousands of New Turkish lira ["YTL"] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

Lease payables at 31 December 2007 and 2006 are summarised below:

Lease payables:	2007	2006
Current	2,702	4,022
Non-current	4,281	2,983
Total	6,983	7,005

NOTE 9-DUE TO AND DUE FROM RELATED PARTIES

Due from related parties:

	2007	2006
Brisa	3,143	4,162
Akçansa	540	1,869
Olmuksa	341	230
Carrefoursa	187	3,153
Beksa	87	718
Diasa	49	778
Others	7,353	10,706
Total	11,700	21,616

Due to related parties:

	2007	2006
Brisa	5,076	4,968
Enerjisa	4,542	-
Olmuksa	187	1,640
Others	1,235	1,591
Total	11,040	8,199

Executive management personnel compensation:

	2007	2006
Executive management personnel compensation	62,436	61,074

NOTE 10-OTHER RECEIVABLES AND PAYABLES

Other receivables:

	2007	2006
Receivables on cheques in clearance	331,920	42,662
Deductible Value Added Tax (“VAT”)	80,960	76,463
Receivables from sale of chemical business segment	22,546	67,432
Job and salary advances given	7,435	6,334
Receivables from credit cards payments	6,742	5,682
Others	256,043	216,709
Total	**705,646**	**415,282**

Other payables:

	2007	2006
Payables related to credit card transactions	811,776	674,807
Income taxes payable to be offset (*)	416,418	-
Payables on cheques in clearance	411,050	42,100
Other taxes and funds	171,938	162,440
Unearned commission income	148,269	106,211
Bonus liability to credit card customers	114,762	105,886
Payables due to acquisition of subsidiaries	35,614	-
Import deposits and transfer orders	32,144	123,199
Blocked deposits	26,056	20,602
Due to personnel	25,454	17,962
Payment orders to correspondent banks	20,171	24,365
Saving deposits insurance	18,035	8,202
Others	545,616	261,926
Total	**2,777,303**	**1,547,700**

(*) As discussed in Note 34, the lawsuit that Akbank filed against the Ministry of Finance continued as of 31 December 2007. Partial offsetting of the tax receivable in the amount of YTL 754,303 became definite with the notification of the decision given by Boğaziçi Corporate Tax Office on 22 May 2007 concerning the offsetting of an amount of YTL 270,001 against various tax debts. On the other hand, the discussion between Akbank and the Ministry of Finance continues concerning the remaining portion of tax receivables in the amount of YTL 484,302. Since the lawsuit was continued in 2007, a portion of the tax liabilities accrued in the temporary tax periods of 2007 have not been paid by Akbank.

(Amounts expressed in thousands of New Turkish lira ["YTL"] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

NOTE 11-BIOLOGICAL ASSETS

None (2006: None).

NOTE 12-INVENTORIES

	2007	2006
Raw materials and supplies	394,186	427,015
Semi-finished goods	131,519	139,905
Finished goods and merchandise	565,157	594,837
Spare parts	106,711	100,891
Total	**1,197,573**	**1,262,648**

NOTE 13-CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING

None (2006: None).

NOTE 14-DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20% (2006: 20%). For the group companies which are using investment allowances as a deduction from the corporate tax base, the rate is 30% until 31 December 2008.

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

	2007		2006	
	Cumulative temporary difference	Deferred tax assets/ (liabilities)	Cumulative temporary difference	Deferred tax assets/ (liabilities)
Deferred income tax assets:				
Difference between tax base and carrying value of:				
- Property, plant and equipment	(39,188)	8,332	(61,671)	12,542
- Inventories	(37,018)	7,530	(28,991)	6,257
Provision for loan losses	(293,625)	58,725	(196,781)	39,937
Provision for employment termination benefits	(122,753)	25,965	(125,544)	26,762
Expense accruals	(76,305)	15,261	(51,747)	10,349
Provision for law suits	(41,398)	8,309	(29,081)	5,897
Carry forward tax losses	(37,121)	8,158	(87,810)	18,175
Insurance technical reserve	(5,652)	1,130	(6,724)	1,345
Investment allowances exemption	-	-	(75,562)	7,707
Other	(84,945)	17,317	(68,196)	14,372
Deferred income tax assets		150,727		143,343
Deferred income tax liabilities:				
Difference between tax base and carrying value of:				
- Property, plant and equipment	664,164	(153,779)	592,842	(146,261)
- Inventories	2,639	(528)	2,258	(452)
Reversal of country risk provision	99,360	(39,744)	107,298	(42,919)
Valuation difference on investment securities	14,396	(2,875)	5,693	(1,139)
Deferred financing charges	5,289	(1,058)	13,626	(2,725)
Other	57,980	(12,063)	82,971	(16,666)
Deferred income tax liabilities		(210,047)		(210,162)
Deferred income tax assets/(liabilities), net		(59,320)		(66,819)

Implications of net presentation form for the consolidated balance sheet of the Group are reflected, in consequence of joint ventures and subsidiaries as an independent tax payers, presented their deferred income tax assets and liabilities as a net, however temporary differences, deferred income tax assets and liabilities shown in the table above are prepared on the basis of the gross value of items.

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Deferred income tax assets:

	2007	2006
To be recovered after one year	65,498	82,469
To be recovered within one year	85,229	60,874
Total	**150,727**	**143,343**

Deferred income tax liabilities:

	2007	2006
To be recovered after more than one year	159,814	160,584
To be recovered within one year	50,233	49,578
Total	**210,047**	**210,162**

At 31 December 2007 the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of YTL 285,199 (2006: YTL 215,221) which can be offset against future taxable profits for a period of five years. The amount of the carry forward tax losses and the last fiscal periods that they can be utilized is presented below:

2009	28,777
2010	88,371
2011	98,073
2012	69,978
Total	**285,199**

The movements in deferred income tax assets for the years ended at 31 December 2007 and 2006 are as follows:

	2007	2006
Balances at 1 January-as previously reported	(66,819)	84,206
Effect of business combination	-	10,200
Balances at 1 January-as restated	**(66,819)**	**94,406**
Business combinations	(16,442)	(17,322)
Effect of change in scope of consolidation	20,777	(1,309)
Establishment of subsidiary	572	-
Fair value increase of financial assets	819	-
Effect of currency translation	3,834	(8,793)
Transfer to non-current assets held for sale	4,628	-
Charged to income statement	(6,689)	(133,801)
Balances at 31 December	**(59,320)**	**(66,819)**

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

Other Current/Non-Current Assets:

	2007	2006
Prepaid expenses	92,322	51,409
Income accrual	13,955	13,531
Total	**106,277**	**64,940**

Other Current/Non-Current Liabilities:

Expense accruals	**214,629**	**217,020**

NOTE 16-FINANCIAL ASSETS

a) Securities available-for-sale:

	2007	2006
Debt securities		
- Government bonds	16,915,166	11,055,781
- Government bonds denominated in foreign currency	2,482,240	2,740,723
- Eurobonds	1,755,339	720,522
- Treasury bills	91,145	46,813
- Mutual Funds	-	8,764
- Other bonds denominated in foreign currency	86,020	51,838
Sub-total	**21,329,910**	**14,624,441**
Equity securities		
- Listed	19,395	15,804
- Unlisted	29,447	26,744
Sub-total	**48,842**	**42,548**
Total securities available for sale	**21,378,752**	**14,666,989**

Effective interest rates of USD, EUR and YTL denominated available-for-sale debt securities are 5.66% p.a. (2006: 7.28% p.a.), 6.26% p.a. (2006: 4.54% p.a.) and 18.81% p.a. (2006: 18.20% p.a.) respectively.

The maturity analysis at 31 December 2007 and 2006 is as follows:

Period remaining to contractual maturity dates for available-for-sale securities:

	2007			2006		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	6,552,938	2,508	6,555,446	5,700,494	4,590	5,705,084
3 to 12months	8,773,362	123,019	8,896,381	5,336,096	72,188	5,408,284
1 to 5 years	4,334,279	149,331	4,483,610	3,149,918	40,471	3,190,389
Over 5 years	1,315,221	79,252	1,394,473	309,154	8,671	317,825
No maturity	29,626	19,216	48,842	23,925	21,482	45,407
Total	**21,005,426**	**373,326**	**21,378,752**	**14,519,587**	**147,402**	**14,666,989**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2007

(Amounts expressed in thousands of New Turkish lira ["YTL"] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

Period remaining to contractual repricing dates for available-for-sales securities:

	2007			2006		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	135,634	2,508	138,142	2,061,223	4,590	2,065,813
3 to 12 months	9,425,509	123,019	9,548,528	5,232,305	72,188	5,304,493
Current	9,561,143	125,527	9,686,670	7,293,528	76,778	7,370,306
1 to 5 years	7,201,002	149,331	7,350,333	6,892,980	40,471	6,933,451
Over 5 years	4,213,655	79,252	4,292,907	309,154	8,671	317,825
No maturity	29,626	19,216	48,842	23,925	21,482	45,407
Non-current	11,444,283	247,799	11,692,082	7,226,059	70,624	7,296,683
Total	21,005,426	373,326	21,378,752	14,519,587	147,402	14,666,989

The breakdown of available-for-sale equity securities at 31 December 2007 is as follows:

Listed	Share (%)	Carrying amount	Business
Ak Yatırım Ortaklığı A.Ş.(*)	65	19,302	Investment management
Others		93	
Total		19,395	

Unlisted	Share (%)	Carrying amount	Business
Liman İşletmeleri Nakliyat ve Tic. A.Ş.	5.53	8,358	Vessel transportation
Ak Portföy Yönetimi A.Ş.(*)	99.99	3,592	Portfolio management
Others		17,497	
Total		29,447	

(*) The Group owns 65% and 99.99% of the shares of Ak Yatırım Ortaklığı A.Ş. and Ak Portföy Yönetimi A.Ş., respectively (2006: 47% and 99.99%). Due to the insignificance of the financial impact on the financial position and results of the Group, these companies were not consolidated and carried at cost less provision for diminution in value at 31 December 2007 and 2006.

The breakdown of available-for-sale equity securities at 31 December 2006 is as follows:

Listed	Share (%)	Carrying amount	Business
Ak Yatırım Ortaklığı A.Ş.	47	14,765	Investment management
Others		1,039	-
Total		15,804	

Unlisted	Share (%)	Carrying amount	Business
Liman İşletmeleri Nakliyat ve Tic. A.Ş.	5.53	8,358	Vessel transportation
Ak Portföy Yönetimi A.Ş.	99.99	3,592	Portfolio management
Others		14,794	-
Total		26,744	

b) Securities held-to-maturity:

	2007	2006
Debt securities		
- Treasury bills	-	8,152

c) Investment in associates:

	2007	Share (%)	2006	Share (%)
Philsa	152,804	25.00	153,901	25.00
Philip Morrissa	26,586	24.75	27,913	24.75
Total	179,390		181,814	

Income from associates is as follows:

	2007	2006
Philsa	108,983	90,095
Philip Morrissa	26,100	21,656
	135,083	111,751

The summary financial information of Associates is as follows:

	2007		2006	
	Total assets	Total liabilities	Total assets	Total liabilities
Philsa	1,402,815	791,598	1,085,496	469,892
Philip Morrissa	390,378	282,959	328,813	216,035
Total	1,793,193	1,074,557	1,414,309	685,927

Sales revenue

	2007	2006
Philsa (*)	5,739,553	5,286,736
Philip Morrissa	6,051,047	5,685,822

(*) Philsa conducts its sales activities over Philip Morrissa.

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(Amounts expressed in thousands of New Turkish lira ["YTL"] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

Net income

	2007	2006
Philsa	435,932	353,722
Philip Morrissa	105,454	87,918
Total	**541,386**	**441,640**

NOTE 17-GOODWILL/NEGATIVE GOODWILL (NET)

The movements in goodwill during the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
Balances at 1 January-as previously reported	281,452	290,968
Adjustment to goodwill provisionally accounted	-	6,150
1 January-adjusted	**281,452**	**297,118**
Additions (Note 32)	86,233	8,479
Effect of change in scope of consolidation	-	(3,350)
Charged to income statement	-	(13,040)
Impairment	(4,891)	(10,691)
Currency translation difference	2,709	2,936
31 December	**365,503**	**281,452**

NOTE 18-INVESTMENT PROPERTY (NET)

The movements in investment property during the year ended 31 December 2007 and 2006 are as follows:

	1 January 2007	Additions	Disposals	Change in the scope of consolidation	Impairment	31 December 2007
Cost:						
Land	85,981	50	(3,404)	-	(4,061)	78,566
Buildings	223,467	-	(34,264)	-	-	189,203
Total	**309,448**	**50**	**(37,668)**	**-**	**(4,061)**	**267,769**
Accumulated depreciation:						
Buildings	32,010	4,382	(6,976)	-	-	29,416
Net book value	**277,438**					**238,353**

	1 January 2006	Additions	Disposals	Change in the scope of consolidation	Impairment	31 December 2006
Cost:						
Land	88,266	-	-	(1,228)	(1,057)	85,981
Buildings	229,628	-	-	(915)	(5,246)	223,467
Total	**317,894**	**-**	**-**	**(2,143)**	**(6,303)**	**309,448**
Accumulated depreciation:						
Buildings	26,929	5,194	-	(113)	-	32,010
Net book value	**290,965**					**277,438**

(Amounts expressed in thousands of New Turkish lira ["YTL"] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

NOTE 19-PROPERTY, PLANT AND EQUIPMENT (NET)

The movements in property, plant and equipment during the year ended 31 December 2007 are as follows:

	1 January 2007	Currency translation differences	Additions	Disposals	Change in the scope of consolidation	Transfer to non-current assets held for sale	Establishment of a subsidiary	Business combination	Impairment	31 December 2007
Cost:										
Land and land improvements	366,428	(8,519)	35,448	(7,243)	(39,054)	(81,007)	-	70,241	-	336,294
Buildings	2,114,149	(20,650)	157,825	(13,577)	(13,506)	(104,412)	-	14,365	(2,907)	2,131,287
Machinery and equipment	4,075,536	(58,929)	284,652	(99,461)	(300,627)	(346,411)	1,286	130,335	(42,664)	3,643,717
Motor vehicles	145,429	(1,119)	19,575	(31,319)	2,959	(8,076)	167	3,559	(32)	131,143
Furniture and fixtures	1,455,129	(1,152)	168,144	(110,549)	3,109	(37,209)	350	1,141	(305)	1,478,658
	8,156,671	(90,369)	665,644	(262,149)	(347,119)	(577,115)	1,803	219,641	(45,908)	7,721,099
Construction in progress	220,824	(3,162)	6,775	(4,881)	(4,388)	(29,014)	-	396	-	186,550
Total	8,377,495	(93,531)	672,419	(267,030)	(351,507)	(606,129)	1,803	220,037	(45,908)	7,907,649
Accumulated depreciation:										
Land and land improvements	80,058	(1,912)	10,244	(513)	(4,925)	(4,224)	-	2,873	-	81,601
Buildings	716,286	(5,471)	49,498	(5,176)	386	(26,987)	20	5,185	-	733,741
Machinery and equipment	2,367,624	(11,049)	196,713	(61,875)	(69,099)	(215,744)	449	36,164	-	2,243,183
Motor vehicles	106,021	(819)	12,233	(23,871)	2,918	(6,329)	59	3,270	-	93,482
Furniture and fixtures	1,068,295	(196)	139,100	(104,922)	2,732	(25,901)	261	826	-	1,080,195
Total	4,338,284	(19,447)	407,788	(196,357)	(67,988)	(279,185)	789	48,318	-	4,232,202
Net book value	4,039,211									3,675,447

At 31 December 2007 there are mortgages amounting to YTL 99,673 on buildings held as security for bank borrowings and for legal requirements (2006: USD 32,000 and YTL 89,647).

The movements in property, plant and equipment during the year ended 31 December 2006 are as follows:

	1 January 2006	Currency translation differences	Additions	Disposals	Change in the scope of consolidation	Impairment	Disposal of subsidiary	Business combinations	31 December 2006
Cost:									
Land and land improvements	317,292	14,451	10,892	(3,990)	(3,770)	-	(13,499)	45,052	366,428
Buildings	2,012,984	4,627	112,597	(37,089)	(2,930)	(1,736)	(13,257)	38,953	2,114,149
Machinery and equipment	4,789,203	68,705	292,595	(357,270)	2,897	(130,367)	(751,920)	161,693	4,075,536
Motor vehicles	136,140	2,097	17,814	(14,777)	14	-	(19)	4,160	145,429
Furniture and fixtures	1,357,827	28,161	166,588	(87,838)	(7,675)	(150)	(3,546)	1,762	1,455,129
	8,613,446	118,041	600,486	(500,964)	(11,464)	(132,253)	(782,241)	251,620	8,156,671
Construction in progress	181,395	8,171	46,348	(501)	(3,322)	-	(11,976)	709	220,824
Total	8,794,841	126,212	646,834	(501,465)	(14,786)	(132,253)	(794,217)	252,329	8,377,495
Accumulated depreciation:									
Land and land improvement	64,485	630	6,508	(184)	33	-	-	8,586	80,058
Buildings	669,397	5,423	47,847	(14,265)	(899)	-	(5,993)	14,776	716,286
Machinery and equipment	2,719,257	18,088	238,903	(269,138)	2,372	-	(429,076)	87,218	2,367,624
Motor vehicles	103,938	1,631	10,566	(12,328)	9	-	-	2,205	106,021
Furniture and fixtures	1,008,320	12,824	134,501	(81,158)	(5,242)	-	(1,885)	935	1,068,295
Total	4,565,397	38,596	438,325	(377,073)	(3,727)	-	(436,954)	113,720	4,338,284
Net book value	4,229,444								4,039,211

(Amounts expressed in thousands of New Turkish lira ["YTL"] unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

NOTE 20-INTANGIBLE ASSETS

The movements in intangible assets during the year ended 31 December 2007 and 2006 are as follows:

	1 January 2007	Currency translation differences	Additions	Disposals	Change in the scope of consolidation	Transfer to non-current assets held for sale	Establishment of a subsidiary	Business combination	Impairment	31 December 2007
Cost	395,939	(12,537)	296,792	(48,452)	(202,656)	(13,298)	308	7,855	(1,558)	422,393
Accumulated depreciation	128,775	(6,563)	22,055	(47,348)	3,836	(6,276)	131	269	-	94,879
Net book value	267,164									327,514

	1 January 2006	Currency translation differences	Additions	Disposals	Change in the scope of consolidation	Transfer to non-current assets held for sale	Establishment of a subsidiary	Business combination	Impairment	31 December 2006
Cost	299,047	10,312	170,406	(84,873)	(188)	-	-	4,263	(3,028)	395,939
Accumulated depreciation	99,782	2,006	31,514	(4,415)	(200)	-	-	88	-	128,775
Net book value	199,265									267,164

At 31 December 2007, the cost of intangible assets includes hydro-electric plant licenses of YTL 141,834, and mining rights of YTL 90,908 (coal mine and stone quarry mine).

NOTE 21-ADVANCES RECEIVED

	2007	2006
Advances received from customers	14,073	19,107

NOTE 22-RETIREMENT PLANS

As disclosed in Note 3 to the consolidated financial statements, Akbank T.A.Ş. Tekaüt Sandığı Vakfı (the "Fund") is a separate legal entity and a foundation recognised by an official decree, founded on the basis of Social Insurance Law No: 506, temporary article No: 20, providing all qualified Akbank employees with pension and post retirement benefits. According to the temporary article numbered 38 of the Turkish Insurance Law, and the "Decree on Actuaries", the Fund is subject to the inspection of a listed actuary. There is no technical or actual deficit in the financial statements of the Fund necessitating the accounting of a provision.

NOTE 23-PROVISIONS

a) Income taxes payable

	2007	2006
Corporation and income taxes currently payable	693,925	379,892
Less: prepaid taxes	(501,070)	(257,436)
Total taxes payable	**192,855**	**122,456**

(*) Please refer to Note 10 "Other liabilities" for the other taxes payable balances.

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

The Corporate Tax Law was amended as of 13 June 2006 with Law No 5520. The majority of the clauses of Law No 5520 are effective as of 01 January 2006. The corporation tax rate of the fiscal year 2007 is 20% (2006: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on an investment incentive allowance utilised within the scope of the Income Tax Law transitional article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, except from these corporations' dividends 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 calculate corporate tax quarterly at the rate of 20% on their corporate income and declare it until the 10th day and pay it on the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" that was published in 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 provisions of the aforementioned Law provisions, in order to apply inflation adjustment, the cumulative inflation rate (TURKSTAT WPI) over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled in the year 2007, 2006 and 2005.

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In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

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

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

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

Exemption for participation in subsidiaries:

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

Preferential right certificate sales and issued premiums exemption

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Exemption for participation into foreign subsidiaries

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

Exemption for sale of participation shares and property

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which have 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 five years. The cost of the sale has to be collected up until the end of the second calendar year following the year the sale was realised.

Brokerage houses and real estate companies who are dealing with the trading and the leasing of the real estate can not benefit from this exemption.

Exemption for investment allowance

The investment allowance application which had been in force for a significant period of time was abolished by Law No.5479 dated 30 March 2006. However, in accordance with the temporary article 69 of the Income Tax Law, income and corporate taxpayers can deduct the following amounts from their income related to the years 2006, 2007 and 2008 as well as the investment allowance amounts they could not offset against 2005 gains which were present as of 31 December 2005, in accordance with the legislation (including the provisions related to tax rates) in force as of 31 December 2005.

a) In the scope of the investment incentive certificates prepared related to the applications before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the additional 1st, 2nd, 3rd, 4th, 5th and 6tharticles prior to the abrogation of Income Tax Law No.193, with Law No.4842.

b) In the scope of the abolished 19th article of Income Tax Law No.193, the investment allowance amounts to be calculated in accordance with the legislation in force at 31 December 2005 for investments which were started before 1 January 2006 and which display an economical and technical integrity.

Accordingly, gains of the above nature which are in the profit/loss figures are taken into consideration, in the calculation of corporate tax.

Apart from the abovementioned exceptions in the determination of the corporate tax base, allowances cited in the articles 8, 9 and 10 of Corporate Tax Law and article 40 of Income Tax Law are taken into consideration.

b) Provision for employment termination benefits

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

At 31 December 2007, the amount payable consists of one month's salary limited to a maximum of YTL 2,09 (2006: YTL 1,86) for each year of service.

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

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 Holding arising from the retirement of the employees.

IAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate.

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Movements in the reserve for employment termination benefits for the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
Balances at 1 January	150,298	142,373
Business combinations	918	3,734
Change in the scope of consolidation	606	(60)
Establishment of subsidiary	139	-
Transfer to non-current assets held for sale	(5,972)	-
Payments during the period	(30,674)	(48,666)
Charge for the period	32,646	52,917
Balances at 31 December	**147,961**	**150,298**

NOTE 24-MINORITY INTEREST

The movement of minority interests for the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
Balances at 1 January-as restated	4,997,041	4,856,918
Increase in share premium	1,076,926	9,346
Capital increase	129,313	5,485
Effect of change in the effective rate of subsidiaries	390,901	(416,779)
Establishment of subsidiary	10,222	-
Change in the scope of consolidation	795	-
Partial disposition of subsidiary	-	32,702
Business combination	33,068	99,570
Liquidation of subsidiary	(118,194)	-
Currency translation differences	(79,296)	48,704
Dividends paid	(491,278)	(390,922)
Non-cash capital increase correction	(12,345)	(18,583)
Available for sale investments net fair value change, net of tax	195,808	(221,692)
Net income for the period	1,357,924	992,292
Balances at 31 December	**7,490,885**	**4,997,041**

NOTE 25-CAPITAL/ADJUSTMENT TO SHARE CAPITAL

The Holding's authorised and issued capital consists of 180,000,000,000 (2006: 180,000,000,000) shares of YKr1 each.

The Holding's authorised and paid-in share capital and shareholding structure at 31 December 2007 and 2006 is as follows:

Shareholders:	Share (%)	2007	Share (%)	2006
Sabancı family members	61.31	1,103,566	58.36	1,050,566
Public quotation	22.26	400,714	25.21	453,714
Sakıp Sabancı Holding A.Ş.	14.81	266,578	14.81	266,578
Sabancı University	1.62	29,142	1.62	29,142
Share capital	**100.00**	**1,800,000**	**100.00**	**1,800,000**
Share premium		**21,670**		**21,670**

NOTE 26-CAPITAL RESERVES

The restated amounts and the shareholders' equity restatement differences of equity accounts are as follows:

2007	Historical amount	Restated amount	Restatement difference
Share capital	1,800,000	5,226,761	3,426,761
Share premium	21,670	300,122	278,452
Legal reserves	113,797	196,900	83,103
Extraordinary reserves	693,869	789,474	95,605
Total	**2,629,336**	**6,513,257**	**3,883,921**

2006	Historical amount	Restated amount	Restatement difference
Share capital	1,800,000	5,226,761	3,426,761
Share premium	21,670	300,122	278,452
Legal reserves	92,463	175,566	83,103
Extraordinary reserves	478,007	573,612	95,605
Total	**2,392,140**	**6,276,061**	**3,883,921**

NOTE 27/28-PROFIT RESERVES AND RETAINED EARNINGS

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

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the Holding'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. However, this does not apply to Holding companies. 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.

Dividend distribution is made by the Holding in New Turkish Lira in accordance with its Articles after deducting taxes and setting aside the legal reserves as discussed above. In accordance with the Articles, dividends may also be paid to the Board of Directors of the Holding in amounts of up to 4% and to Vaksa in the amount of 3%, in each case, of the distributable profits remaining after deducting taxes, legal reserves and the first dividend.

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Public companies distribute dividends according to CMB regulations as follows:

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% (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.

The restatement difference of shareholders' equity can only be netted off against prior years' losses and used as an internal source in capital increases where extraordinary reserves can be netted off against prior years' losses, or used in the distribution of bonus shares and distribution of dividends to shareholders.

In accordance with the above explanation, the composition of the Holding's shareholders' equity, which is considered as the basis for profit distribution is as follows:

	2007	2006
Capital	1,800,000	1,800,000
Share premium	21,670	21,670
Legal reserves	113,797	92,463
Extraordinary reserves	693,869	478,007
Shareholders' equity restatement difference	3,883,921	3,883,921
Net income	969,487	494,049
Retained earnings	1,217,376	369,433
Total shareholders' equity subject to dividend distribution	8,700,120	7,139,543
Translation reserve	(215,298)	(241,428)
Revaluation reserve	7,220	10,496
Fair value reserve	57,653	(54,267)
Shareholders' equity per consolidated financial statements	**8,549,695**	**6,854,344**

NOTE 29-FOREIGN CURRENCY POSITION

Foreign currency denominated assets and liabilities held by the Group before consolidation eliminations at 31 December 2007 and 2006 terms of YTL are as follows:

	2007	2006
Assets	29,809,256	28,753,189
Liabilities	(29,779,885)	(29,276,764)
Net foreign currency balance sheet position	**29,371**	**(523,575)**

			2007		
	USD	EUR	GBP	Other	Total
Cash and due from banks	1,006,782	2,015,462	45,106	54,129	3,121,479
Trading securities	3,958,760	803,238	-	-	4,761,998
Derivative financial instruments	28,891	17,991	-	-	46,882
Reserve deposits at Central Bank	-	1,545,654	-	-	1,545,654
Loans and advances to customers	9,513,804	5,292,396	26,165	42,568	14,874,933
Financial assets	2,936,421	1,387,177	-	-	4,323,598
Financial lease receivables	152,753	289,221	-	-	441,974
Trade receivables	190,310	287,179	54,196	38,716	570,401
Other receivables	19,580	71,415	3,026	28,316	122,337
Total foreign currency denominated assets	**17,807,301**	**11,709,733**	**128,493**	**163,729**	**29,809,256**
Funds borrowed, bank borrowings and debt securities in issue	6,215,537	4,187,420	11,844	52,928	10,467,729
Customer deposits	9,831,632	8,130,777	556,830	165,601	18,684,840
Derivative financial instruments	19,658	29,093	-	-	48,751
Trade payables	95,512	180,400	16,642	46,446	339,000
Other payables	99,963	97,595	7,052	34,955	239,565
Total foreign currency denominated liabilities	**16,262,302**	**12,625,285**	**592,368**	**299,930**	**29,779,885**
Net balance sheet position	**1,544,999**	**(915,552)**	**(463,875)**	**(136,201)**	**29,371**

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			2006		
	USD	EUR	GBP	Other	Total
Cash and due from banks	2,235,597	2,167,084	340,457	46,317	4,789,455
Trading securities	5,657,980	866,379	-	-	6,524,359
Derivative financial instruments	31,766	25,177	7,145	-	64,088
Reserve deposits at Central Bank	-	1,521,198	-	-	1,521,198
Loans and advances to customers	6,659,251	4,343,793	60,943	15,581	11,079,568
Financial assets	2,908,774	608,899	-	-	3,517,673
Financial lease receivables	122,526	185,367	-	-	307,893
Trade receivables	196,771	373,379	117,851	63,198	751,199
Other receivables	35,408	114,833	22,801	24,714	197,756
Total foreign currency denominated assets	**17,848,073**	**10,206,109**	**549,197**	**149,810**	**28,753,189**
Funds borrowed, bank borrowings and debt securities in issue	8,855,577	2,292,960	43,488	54,591	11,246,616
Customer deposits	9,148,845	7,017,545	739,051	160,447	17,065,888
Derivative financial instruments	29,107	15,526	12,952	-	57,585
Trade payables	157,282	261,735	88,342	47,988	555,347
Other payables	208,901	86,463	20,987	34,977	351,328
Total foreign currency denominated liabilities	**18,399,712**	**9,674,229**	**904,820**	**298,003**	**29,276,764**
Net balance sheet position	**(551,639)**	**531,880**	**(355,623)**	**(148,193)**	**(523,575)**

NOTE 30-GOVERNMENT GRANTS

None (2006: None).

NOTE 31-PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

Commitments-Banking segment

	2007	2006
Letters of guarantee issued	3,415,879	2,724,924
Letters of credits	1,075,048	696,877
Foreign currency acceptance credits	46,857	39,872
Total	**4,537,784**	**3,461,673**

Commitments-Non-banking segments

Letters of guarantee issued	483,426	606,654
Other guarantees issued	308,405	109,768
Total	**791,831**	**716,422**

Commitments for resale and repurchase of debt securities:

Commitments for the resale and repurchase of debt securities (government bonds, treasury bills and Eurobonds) at 31 December 2007 and 2006 are as follows:

	2007	2006
Repurchase commitments	4,853,945	5,029,143
Resale commitments	3	135,101

Commitments to forward currency purchase/sale and swap transactions:

	2007	2006
Forward currency purchases		
YTL	67,201	48,977
EUR	50,176	62,113
JPY	49,278	33,576
USD	19,012	171,526
GBP	-	275,702
Total	**185,667**	**591,894**
Forward currency sales		
EUR	91,729	129,477
YTL	64,442	171,457
USD	18,750	302,638
GBP	-	44,802
Other	267	452
Total	**175,188**	**648,826**

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	2007	2006
Currency swap purchases		
EUR	1,711,827	1,321,808
GBP	505,556	272,880
YTL	72,669	-
USD	72,440	1,462,974
CHF	27,810	34,981
Other	103,940	98,903
Total	**2,494,242**	**3,191,546**
Currency swap sales		
USD	1,605,084	1,867,542
EUR	759,084	1,291,726
YTL	75,165	1,000
JPY	23,008	-
GBP	21,062	20,268
Other	6,023	187
Total	**2,489,426**	**3,180,723**
Interest rate swap purchases		
YTL	1,965,000	1,050,000
USD	1,321,642	237,408
EUR	1,001,478	1,095,943
CHF	1,450	-
GBP	-	427,320
Total	**4,289,570**	**2,810,671**
Interest rate swap sales		
YTL	1,965,000	1,050,000
USD	1,321,717	237,408
EUR	1,001,394	1,095,943
CHF	1,457	-
GBP	-	427,320
Total	**4,289,568**	**2,810,671**

	2007	2006
Spot purchases	210,947	142,977
Spot sales	211,081	143,136
Money options purchases	388,882	162,718
Money options sales	392,841	162,579

	2007	2006
Futures purchases	27,577	37,951
Futures sales	26,104	36,062

The maturity analysis of the off-balance sheet assets in the Banking segment at 31 December 2007 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees	399,820	3,016,059	3,415,879
Letters of credits	707,006	368,042	1,075,048
Foreign currency acceptance credits	40,563	6,294	46,857
Total	**1,147,389**	**3,390,395**	**4,537,784**

NOTE 32-BUSINESS COMBINATIONS

The business combinations between 1 January-31 December 2007 are as follows:

Enerjisa acquired Ere Holding A.Ş. and its subsidiaries (Ere Elektrik ve Ere HES) in consideration of YTL 97,321 on 25 May 2007. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Property plant and equipment, net	142,012
Finance lease receivables	4,373
Other current assets/non-current assets	1,779
Financial liabilities	(32,289)
Deferred income tax liabilities	(16,450)
Other liabilities	(1,802)
Minority interest	(302)
Total net assets	97,321
Less: cost of acquisition	97,321

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Akçansa, a joint venture of the Holding, acquired Ladik cement plant from Türkerler İnşaat Turizm Ticaret ve Sanayi A.Ş. in consideration of YTL 225,769 on 1 May 2007. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Inventories	10,129
Property plant and equipment, net	65,263
Intangible assets, net	20,456
Other current assets/non-current assets	22
Provisions	(553)
Deferred income tax liabilities	(84)
Total net assets	95,233
Less: cost of acquisition	225,769
Goodwill	130,536
Goodwill attributable to the consolidated financial statements resulting from the acquisition completed by the joint venture	**48,142**

The Holding acquired 41.09% of shares of Oysa Çimento in consideration of YTL 45,294 on 30 April 2007. Oysa Çimento is consolidated as a subsidiary of the Holding effective from 30 April 2007 and merged with Çimsa, another subsidiary of the Holding, on 31 October 2007. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Trade receivable	8,605
Inventories	3,317
Other current assets/non-current assets	286
Property plant and equipment, net	5,638
Intangible assets, net	42
Deferred income tax assets	39
Financial liabilities	(1,187)
Trade payables	(2,654)
Other liabilities	(6,883)
Total net assets	7,203
Less: cost of acquisition	45,294
Goodwill	**38,091**

Business combination that occurred in the period between 1 January-31 December 2007 have been initially accounted by the Group on a provisional basis as foreseen in the context of IFRS 3. The Group will complete the final purchase price allocation relating to these business combinations within the twelve month period following the acquisition dates.

The business combinations between 1 January-31 December 2006 are as follows:

Enerjisa, a subsidiary of the Holding, acquired 99.97% of shares of Tufanbeyli Elektrik Üretim A.Ş. ("Tufanbeyli Elektrik") from Park Holding A.Ş. in consideration of YTL 3.986 on 2 June 2006. Tufanbeyli has generated a net income of YTL 1,322 as of 31 December 2006 following this acquisition. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the acquisition costs are as follows:

Property plant and equipment, net	711
Other assets	3,333
Other liabilities	(27)
Minority interest in net assets as of acquisition date	(31)
Total net assets	3,986
Less: cost of acquisition	(3,986)

Kordsa Global acquired 99.5% of shares of Kordsa Qingdao Nylon Enterprise in consideration of YTL 12,082 on 29 December 2006. The excess of interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost amounted to YTL 3,465 and was credited to other operating income. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the acquisition costs are as follows:

Trade receivables	4,218
Inventories	3,858
Property plant and equipment and intangible assets, net	10,675
Trade payables	(1,819)
Other liabilities	(1,306)
Minority interest	(80)
Total net assets	15,546
Less: cost of acquisition	(12,082)
Excess recognised in statement of income	**3,464**

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Kordsa Global acquired 51.29% of shares of Branta Mulia Group in consideration of YTL 49,425 on 22 December 2006. The parent Branta Mulia, owns 70% of its subsidiary Branta Mulia Teijin and 64.19% of Thai Branta Mulia and prepares consolidated financial statements. The excess of interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost amounted to YTL 3,025 is recognized as goodwill in balance sheet (Note 17). The fair values of identifiable assets, liabilities and contingent liabilities acquired and the acquisition costs are as follows:

Marketable securities	10,313
Trade receivables	34,707
Inventories	54,336
Property plant and equipment, net	125,833
Intangible assets, net	659
Other assets	7,031
Financial liabilities	(42,501)
Trade payables	(21,937)
Deferred income tax liabilities	(17,394)
Other liabilities	(5,917)
Minority interest	(98,730)
Total net assets	46,400
Less: cost of acquisition	(49,425)
Goodwill	**3,025**

Teknosa acquired 51% of shares of S.C. Primex S.A that operates in retailing technology electronics hardware through its stores in Romania in consideration of YTL 6,182 on 11 December 2006. The excess of interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost amounted to YTL 5,454 is recognized as goodwill in balance sheet (Note 17). The fair values of identifiable assets, liabilities and contingent liabilities acquired and the acquisition costs are as follows:

Trade receivables	10,516
Inventories	12,174
Property plant and equipment, net	1,432
Intangible assets, net	3,474
Deferred income tax asset	72
Financial liabilities	(10,012)
Trade payables	(16,201)
Other liabilities	(401)
Minority interest	(517)
Total net assets	537
Less: cost of acquisition	(5,991)
Goodwill	**5,454**

NOTE 33-SEGMENT REPORTING

a) External revenues:	2007	2006
Finance	10,859,705	8,761,165
Tire and tire reinforcements	1,545,296	1,332,243
Automotive	1,911,787	1,674,809
Textile (*)	1,082,019	425,172
Chemicals	-	1,469,255
Cement	822,492	692,694
Retail	1,965,133	1,646,063
Energy	143,733	160,854
Food and beverage	424,111	442,123
Other	586,271	343,595
Total	**19,340,547**	**16,947,973**

(*) Advansa was reported in the chemicals segment at 31 December 2006. Following the discontinuing of pet, pet reform and pta business in 2006, the results of Advansa have been reported in the textile business segment. The revenues of Advansa in the textile segment in the year ended 31 December 2007 was YTL 591,312.

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b) Segment assets:	2007	2006
Tire and tire reinforcements	1,182,049	1,368,672
Automotive	762,455	744,724
Textile (*)	1,175,351	515,786
Chemicals	-	866,315
Cement	1,141,622	854,001
Retail	908,018	840,764
Food and beverage	314,725	278,427
Energy	550,632	669,796
Finance	72,893,936	60,785,410
Banking	71,777,679	60,119,283
Insurance	1,116,257	666,127
Other	819,496	770,735
Segment assets (**)	**79,748,284**	**67,694,630**
Investment in associated companies	179,390	181,814
Other	179,390	181,814
Unallocated assets	318,170	418,228
Less: intercompany eliminations and reclassifications	(915,664)	(1,078,222)
Total assets per consolidated financial statements	**79,330,180**	**67,216,450**

(*) At 31 December 2007, YTL 636,937 of the segment assets relates to Advansa.

(**) Segment assets mainly comprise of operating assets.

c) Segment liabilities:	2007	2006
Tire and tire reinforcements	242,291	233,655
Automotive	241,337	244,411
Textile (*)	203,048	65,617
Chemicals	-	168,199
Cement	129,439	97,460
Retail	471,472	431,054
Food and beverage	311,819	129,609
Energy	60,883	37,474
Finance	61,610,460	53,162,580
Banking	60,956,732	52,814,277
Insurance	653,728	348,303
Other	202,770	254,495
Segment liabilities (**)	**63,473,519**	**54,824,554**
Unallocated liabilities	1,014,620	1,571,007
Less: intercompany eliminations and reclassifications	(1,198,539)	(1,030,496)
Total liabilities per consolidated financial statements	**63,289,600**	**55,365,065**

(*) At 31 December 2007, segment liabilities of YTL 116,841 relates to Advansa.

(**) Segment liabilities comprise of operating liabilities and exclude items such as taxation and certain corporate borrowings.

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d) Segmental analysis for the year ended 2007

									Finance					
	Tire and tire re inforcements	Automotive	Textile	Chemicals	Cement	Retail	Food and beverage	Energy	Banking	Insurance	Total finance	Other	Inter segment elimination	Total
External revenues	1,545,296	1,911,787	1,082,019	-	822,492	1,965,133	424,111	143,733	10,003,561	856,144	10,859,705	586,271	-	19,340,547
Inter segment revenues	5,617	562	12,341	-	286	2,722	7,621	139,586	69,621	1,159	70,780	17,004	(256,519)	-
Intra segment revenues	37,119	-	2,309	-	227	2,178	-	-	-	250	250	1,136,969	(1,179,052)	-
Combined revenues	1,588,032	1,912,349	1,096,669	-	823,005	1,970,033	431,732	283,319	10,073,182	857,553	10,930,735	1,740,244	(1,435,571)	19,340,547
External revenues	1,545,296	1,911,787	1,082,019	-	822,492	1,965,133	424,111	143,733	10,003,561	856,144	10,859,705	586,271	-	19,340,547
Inter segment revenues	5,617	562	12,341	-	286	2,722	7,621	139,586	69,621	1,159	70,780	17,004	(256,519)	-
Consolidated revenue	1,550,913	1,912,349	1,094,360	-	822,778	1,967,855	431,732	283,319	10,073,182	857,303	10,930,485	603,275	(256,519)	19,340,547
Cost of sales (*)	(1,341,464)	(1,607,886)	(942,742)	-	(532,630)	(1,562,085)	(355,646)	(276,602)	(6,141,940)	(777,350)	(6,919,290)	(505,517)	284,103	(13,759,759)
General administrative expenses	(69,333)	(31,000)	(51,649)	-	(35,675)	(202,890)	(13,735)	(12,495)	(1,763,754)	(96,098)	(1,859,852)	(51,566)	25,420	(2,302,775)
Sales, marketing and distribution expenses	(71,488)	(171,004)	(89,532)	-	(9,270)	(187,971)	(64,977)	-	-	-	-	(40,915)	4,413	(630,744)
Research and development expenses	(7,228)	(1,646)	(15,400)	-	(16)	-	(271)	-	-	-	-	(118)	75	(24,604)
Inter segment adjustment	-	(495)	-	-	(100)	-	(3)	-	16,949	2,309	19,258	2,525	(19,258)	1,927
Operating result	61,400	100,318	(4,963)	-	245,087	14,909	(2,900)	(5,778)	2,184,437	(13,836)	2,170,601	7,684	38,234	2,624,592
Other unallocated operating expenses													(54,831)	
Net operating result														2,569,761
Other income/ (expense)-net	5,804	(13,880)	(30,925)	-	(5,322)	(16,185)	(27,444)	(5,087)	(2,942)	143,068	140,126	79,475	-	126,562
Segment result	67,204	86,438	(35,888)	-	239,765	(1,276)	(30,344)	(10,865)	2,181,495	129,232	2,310,727	87,159	38,234	2,696,323

(*) In the banking segment cost of sales includes interest expenses, fee and commission expenses, provision for loan losses and other operating income. In the insurance segment cost of sales includes premium ceded to reinsurance.

Segmental analysis for the year ended 2006

	Tire and tire re inforcements	Automotive	Textile	Chemicals	Cement	Retail	Food and beverage	Energy	Finance: Banking	Finance: Insurance	Finance: Total finance	Other	Inter segment elimination	Total
External revenues	1,332,243	1,674,809	425,172	1,469,255	692,694	1,646,063	442,123	160,854	8,032,847	728,318	8,761,165	343,595	-	16,947,973
Inter segment revenues	5,561	2,450	272	21,618	58	5,527	9,645	155,612	52,978	1,215	54,193	18,627	(273,563)	-
Intra segment revenues	40,679	5	1,130	2	4,363	7,892	-	-	-	1,897	1,897	1,418,515	(1,474,483)	-
Combined revenues	1,378,483	1,677,264	426,574	1,490,875	697,115	1,659,482	451,768	316,466	8,085,825	731,430	8,817,255	1,780,737	(1,748,046)	16,947,973
External revenues	1,332,243	1,674,809	425,172	1,469,255	692,694	1,646,063	442,123	160,854	8,032,847	728,318	8,761,165	343,595	-	16,947,973
Inter segment revenues	5,561	2,450	272	21,618	58	5,527	9,645	155,612	52,978	1,215	54,193	18,627	(273,563)	-
Consolidated revenue	1,337,804	1,677,259	425,444	1,490,873	692,752	1,651,590	451,768	316,466	8,085,825	729,533	8,815,358	362,222	(273,563)	16,947,973
Cost of sales	(1,092,329)	(1,422,693)	(305,436)	(1,353,747)	(407,357)	(1,309,613)	(393,949)	(330,674)	(4,707,935)	(674,026)	(5,381,961)	(281,563)	295,498	(11,983,824)
General administrative expenses	(66,992)	(23,679)	(28,665)	(38,565)	(30,982)	(185,694)	(19,611)	(5,025)	(1,612,632)	(79,713)	(1,692,345)	(38,076)	17,383	(2,112,251)
Sales, marketing and distribution expenses	(63,781)	(136,025)	(33,500)	(106,815)	(7,624)	(128,930)	(77,044)	-	-	-		(40,738)	17,842	(576,615)
Research and development expenses	(5,877)	(8,393)	(10,160)	(9,011)	-	-	(408)	-	-	-		-	78	(33,771)
Inter segment adjustment	-	(463)	91	-	(2)	(72)	714	-	11,783	804	12,587	2,740	(12,630)	2,965
Operating result	108,825	86,006	47,774	(17,265)	246,787	27,281	(38,530)	(19,233)	1,777,041	(23,402)	1,753,639	4,585	44,608	2,244,477
Other unallocated operating expenses														(52,546)
Net operating result														2,191,931
Other income/ (expense)-net	10,666	(7,612)	(4,970)	(177,281)	(20,667)	(14,342)	(7,293)	(9,833)	93,813	20,873	114,686	(32,699)	-	(149,345)
Segment result	119,491	78,394	42,804	(194,546)	226,120	12,939	(45,823)	(29,066)	1,870,854	(2,529)	1,868,325	(28,114)	44,608	2,042,586

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e) Operating results

i) Banking

	2006	2005
Interest on loans	5,182,162	3,979,600
Interest on investment and trading securities	3,028,796	2,493,401
Fee and commission income	1,301,145	1,099,851
Interest from other banks	336,114	268,715
Net trading gain on securities	43,825	143,156
Other interest income	111,519	48,124
Total operating revenues	10,003,561	8,032,847
Less: fee and commission income and net trading gains on securities	(1,344,970)	(1,243,007)
Total interest income	8,658,591	6,789,840
Interest expense	(5,310,963)	(4,121,821)
Interest income-net	3,347,628	2,668,019
Operating costs		
Interest expense	(5,310,963)	(4,121,821)
Foreign exchange trading gain-net	96,620	(29,493)
Operating expense	(1,763,754)	(1,612,632)
Commission expense	(256,153)	(236,720)
Provision for loan losses	(584,874)	(255,140)
Total operating costs	(7,819,124)	(6,255,806)
Add: interest expense	5,310,963	4,121,821
Add: fee and commission income and net trading gain on securities	1,344,970	1,243,007
Operating result	**2,184,437**	**1,777,041**

ii) Insurance

	2007	2006
Gross premiums written	856,144	728,318
Outward reinsurance premiums	(335,325)	(321,530)
Change in the provision for unearned premiums, net of reinsurance	(59,605)	(47,684)
Earned premiums, net of reinsurance	461,214	359,104
Claims paid	(511,255)	(472,267)
Claims paid-reinsures' share	233,276	227,932
Change in the provision for claims	(46,029)	(27,120)
Claims incurred, net of reinsurance	(324,008)	(271,455)
Change in life assurance provision	2,736	11,172
Commission expense-net	(57,680)	(42,510)
Technical income	82,262	56,311
General administrative expenses	(96,098)	(79,713)
Operating result	**(13,836)**	**(23,402)**

iii) Non-financial products

Net sales	8,480,842	8,186,808
Cost of sales	(6,928,580)	(6,665,678)
Gross profit	1,552,262	1,521,130
Operating expenses	(1,153,102)	(1,082,838)
Operating profit	**399,160**	**438,292**

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f) Interests in Joint Ventures

Aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities and income and expense items related to Joint Ventures which are proportionally consolidated in the consolidated financial statements as expressed in Note 3, are as follows on a combined basis:

	2007	2006
Balance sheet		
Current assets	645,219	456,421
Non-current assets	1,765,564	951,423
Total assets	**2,410,783**	**1,407,844**
Current liabilities	553,469	422,396
Non-current liabilities	520,811	50,143
Total liabilities	1,074,280	472,539
Minority interests	4,701	4,435
Shareholders' equity	1,331,802	930,870
Total liabilities, minority interests and shareholders' equity	**2,410,783**	**1,407,844**

Income statement	**2007**	**2006**
Operating profit	114,185	124,871
Financial income/(expense)- net	23,232	6,235
Income before taxation on income and outside interests	137,417	131,106
Taxation on income	(31,673)	(57,412)
Income before outside interests	105,744	73,694
Outside interests	(509)	(292)
Net income for the period	**105,235**	**73,402**

g) Depreciation and amortisation charge and capital expenditures:

1 January-31 December 2007

	Finance		Tire and tire					Food and				
	Banking	Insurance	enforcements	Automotive	Textile	Chemicals	Cement	beverage	Energy	Retail	Other	Total
Depreciation and amortisation	107,074	4,330	76,912	15,908	64,398	-	56,529	13,201	29,975	35,392	30,506	434,225
Goodwill impairment	-	-	-	-	-	-	-	-	-	4,891	-	4,891
Impairment of property, plant and equipment	-	-	16,802	-	28,933	-	-	407	-	1,236	88	47,466
Impairment of investment properties	-	-	-	-	-	-	-	-	-	-	4,061	4,061
Impairment of subsidiary	-	-	-	-	-	-	-	20,311	-	-	-	20,311
Capital expenditure	125,690	7,428	65,346	76,098	68,983	-	182,210	21,784	298,478	80,238	43,006	969,261

1 January-31 December 2006

	Finance		Tire and tire					Food and				
	Banking	Insurance	enforcements	Automotive	Textile	Chemicals	Cement	beverage	Energy	Retail	Other	Total
Depreciation and amortisation	107,235	4,480	81,080	12,747	36,892	73,232	54,500	13,941	32,800	32,175	25,951	475,033
Negative goodwill income	-	-	(3,464)	-	-	-	-	-	-	-	-	(3,464)
Goodwill impairment	-	-	-	-	-	10,691	-	-	-	-	-	10,691
Impairment of property, plant and equipment	-	-	1,736	-	-	129,975	-	3,570	-	-	-	135,281
Impairment of investment properties	-	-	-	-	-	-	-	-	-	-	6,303	6,303
Capital expenditure	176,337	4,627	66,790	39,054	20,811	129,919	112,290	45,101	155,551	56,551	10,209	817,240

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NOTE 34-SUBSEQUENT EVENTS

1. All legal procedures of the share purchase agreement signed between Holding and MGS Marmara Gıda Sanayi ve Ticaret. A.Ş on 14 August 2007 to sell the 99.65% share of Holding in Gıdasa has been completed on 3 March 2008. The details of this transaction and its effects on the consolidated financial statements are explained in Note 35.

2. Holding signed a share purchase agreement with Wavin B.V registered in Netherlands on 21 November 2007 to sell its 51.23% share in Pilsa Plastik Sanayi A.Ş. Sale transaction was completed on 10 January 2008 and the consideration of USD 41 million, was collected in cash. The details of this transaction and its effects on the consolidated financial statements are explained in Note 35.

3. Holding signed a letter of intent to sell its 49.99% share in Beksa Çelik Kord Sanayi ve Ticaret A.Ş to NV Bekaert SA on 18 February 2008. The transfer of the shares will be realized after the grant of necessary permissions. The details of this transaction and its effects on the consolidated financial statements are discussed in Note 35.

4. Holding contributed to the capital increase of Teknosa through the use of pre-emptive rights amounting to YTL 18,959 and the effective rate of interest of the Group in Teknosa increased to 69.17% from 51.91%.

5. On 28 January 2008, Carrefoursa has sold the under construction Merter Shopping Center Project to MultiTurkmall GYO Yatırım İnşaat ve Ticaret A.Ş. and Apollo Real Estate business venture in exchange for YTL 464.3 million and recognised a gain of property sale amounting to YTL 288.9 million (the Group's share is YTL 112 million).

6. Akbank has filed lawsuits against the Turkish Ministry of Finance ("Ministry") with a claim to correct the taxation errors on corporate tax amounting to YTL 754,3 million that was accrued and paid as the result of taxation errors in 2001, 2002 and 2003. The lawsuits that belongs to 2001 and 2002 amounting to YTL 686,4 million receivable has been redounded to Akbank's advantage and with the decision of Boğaziçi Corporate Tax Office, the receivable of YTL 270 million from the lawsuits can be offset against various tax debts to Akbank, the amount became collectible, and its is recognized as income in Akbank's financial statements, the negotiations about the remaining part of these receivables has continued by Turkish Ministry of Finance as of 31 December 2007.

   As a result of the assessment of whole legal and administrative process Akbank board of Directors has agreed upon with the T.R. Ministry of Finance, in scope of the article 3 of the "Act on collection of some public receivables through settlement" published in the Official Gazette No.26800 dated 27 February 2008. According the settlement, in line with article 4 of the Banking Law No.4389, Akbank accepted that legal and other reserves, and 65% of the YTL 2,306 million related to the capital decrease are considered as prior period loss in determination of the income for 2001, the corporate tax base for the following periods is adjusted considering the loss amount calculated and disclaimed from all lawsuits relevant to the issue. The total amount of receivables of Akbank from Ministry of Finance related to those lawsuits is calculated as YTL 494.7 million. The remaining amount amounting to YTL 224,7 million after deducting the amount of YTL 270 million, which was accepted by the Ministry of Finance to be offset against various tax debts of Akbank, will be recorded as income in the financial statements of 2008.

NOTE 35-DISCONTINUED OPERATIONS

The Holding signed an agreement with MGS Marmara Gıda Sanayi ve Ticaret A.Ş on 14 August 2007 to sell its 99.65% share in Gıdasa.

An impairment loss for YTL 20.311 is calculated as the excess of Gıdasa's carrying amount included in the consolidated financial statements at 31 December 2007 over the sales price of YTL 2,1 million. The impairment loss is included in other operating expenses in the consolidated financial statements (Note 38).

The summary income statement of Gıdasa for the year ended 31 December 2007 is as follows:

	2007
Revenues	431,732
Expenses	(474,889)
Loss before income taxes	(43,157)
Income taxes	(25,270)
Loss for the period	(68,427)

At 31 December 2007 the balances of assets and liabilities to be disposed as a result of sales agreement are as follows:

	2007
Assets	**288,671**
Cash and cash equivalents	1,597
Trade receivables (net)	59,343
Inventories (net)	56,012
Other current assets	23,911
Property, plant and equipment (net)	140,272
Intangible assets (net)	7,440
Financial assets	96
Liabilities	**286,141**
Financial liabilities	165,508
Trade payables (net)	69,315
Other liabilities	23,556
Provision for employment termination benefit	3,488
Provision for discontinued operations	20,227
Deferred income tax liability	4,047
Net assets	**2,530**

The Holding signed an agreement with Wavin B.V. located in Netherland on 21 November 2007 to sell its 51.23% share in Pilsa. Sale transaction was completed on 10 January 2008, in consideration of USD 41,000,000 and collection was received. There is no impairment loss which may occur as a result of this transaction.

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The summary income statement of Pilsa for the year ended 31 December 2007 is as follows:

	2007
Revenues	148,361
Expenses	(129,427)
Income before income taxes	18,934
Income taxes	(1,619)
Loss for the period	17,315

At 31 December 2007 the balances of assets and liabilities to be disposed as a result of sale transaction are as follows:

	2007
Assets	**134,494**
Cash and cash equivalents	36,562
Trade receivables (net)	43,493
Inventories (net)	20,785
Property plant and equipment (net)	31,621
Deferred income tax asset	560
Other assets	1,473
Liabilities	**46,570**
Financial liabilities	14,318
Trade payables (net)	12,999
Other liabilities	17,172
Deferred income tax liability	2,081
Net assets	**87,924**

The Holding signed a letter of intent with NV Bekaert SA on 18 February 2008 to sell its 49.99% share in Beksa. Sale transaction will be completed after the approve of the regulatory authorities. There is no impairment loss which may occur as a result of this transaction.

The summary income statement of Beksa for the year ended 31 December 2007 is as follows:

	2007
Revenues	56,862
Expenses	(59,762)
Loss before income taxes	(2,900)
Income taxes	831
Loss for the period	(2,069)

At 31 December 2007 the balances of assets and liabilities to be disposed as a result of sale transaction are as follows:

	2007
Assets	**68,019**
Cash and cash equivalents	4,793
Trade receivables (net)	10,469
Inventories (net)	10,718
Property, plant and equipment (net)	40,231
Other assets	816
Deferred income tax asset	992
Liabilities	**23,351**
Financial liabilities	17,142
Trade payables (net)	4,123
Other liabilities	2,034
Deferred income tax liability	52
Net assets	**44,668**

On 27 September 2007,after transfer of all assets and liabilities regarding banking activities of Sabank to London branch of Akbank NV, the Group finalised liquidation of Sabank. In addition to liquidation loss, amounting to YTL 23,639,currency translation reserve in the shareholders' equity of Sabank ,amounting to YTL 99,144 recycled to the income statement.

The summary of income statement and assets and liabilities of Sabank as of liquidation date is as follows;

	2007
Revenues	14,702
Expenses	(14,905)
Loss before income taxes	(203)
Income taxes	(1,931)
Loss for the period	(2,134)

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	2007
Assets	**299,033**
Cash and cash equivalents	238,260
Loans and advances to customers	60,033
Other assets	740
Liabilities	**54,609**
Deposits	44,860
Other liabilities	9,749
Net assets	**244,424**

Carrefoursa, a joint venture of the Holding, classified Merter Mall Project, pieces of lands in Mersin, İzmit, Bursa and Ankara and Bayrampaşa Hypermarket and Mall as non- current assets to be held for sale in the balance sheet as of 31 December 2007. Carrying amount of these assets in the consolidated balance sheet of the Group as of 31 December 2007 is YTL 114,402. The Group made provision, amounting to YTL 21,538 for the possible loss as a result of sales of Bayrampaşa Hypermarket and Mall and other pieces in the financial statements.

NOTE 36-OPERATING INCOME

	2007	2006
Finance	10,859,705	8,761,165
Non-finance	8,480,842	8,186,808
Total	**19,340,547**	**16,947,973**

NOTE 37-OPERATING EXPENSES

	2007	2006
General and administrative expenses	2,357,606	2,164,797
Marketing, selling and distribution expenses	630,744	576,615
Research and development expenses	24,604	33,771
Total	**3,012,954**	**2,775,183**

NOTE 38-OTHER INCOME/EXPENSES AND GAINS/LOSSES

Other income:

	2007	2006
Foreign exchange gains	384,089	276,494
Gain on sale of AkEmeklilik shares	127,914	-
Gain on sale of Enerjisa shares	83,596	-
Interest income	80,069	74,025
Fixed asset sales income-net	15,245	16,002
Insurance indemnity income	10,234	-
Negative goodwill income	-	3,464
Gain on sale of associate	-	52,975
Other	19,221	22,395
Total	**720,368**	**445,355**

Other expenses:

	2007	2006
Impairment of property, plant and equipment and intangible assets	(47,466)	(135,281)
Liquidation of subsidiary	(23,639)	-
Impairment of subsidiary	(20,311)	-
Carrefoursa provision expense	(16,294)	-
Impairment losses on goodwill	(4,891)	-
Impairment losses on investment property	(4,061)	(6,303)
Loss on sale of subsidiary	-	44,867
Restructuring and other provision expenses	-	35,162
Goodwill write-off (Note 17)	-	13,040
Total	**(116,662)**	**(234,653)**

NOTE 39-FINANCIAL EXPENSES

	2007	2006
Foreign exchange losses	466,368	302,009
Interest expense	91,852	73,435
Other financial expenses	48,841	46,006
	607,061	**421,450**

Financial expenses relate to segments other than banking.

NOTE 40-GAIN/LOSS ON NET MONETARY POSITION

Gain/loss on net monetary position is calculated as the difference between the assets and liabilities as a result of the restatement of the non-monetary assets and liabilities and income statement for the changes in the general purchasing power. However, since inflation adjustment is not made for the periods beginning on or after 1 January 2006, there is no gain/loss on net monetary position for the year ended 31 December 2007 (2006: None).

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NOTE 41-TAXES ON INCOME

Total taxes payable for the year ended 31 December 2007 and 2006 were reconciled to current year tax charge as follows:

	2007	2006
Corporation and income taxes currently payable	693,925	379,892
Changes in consolidation scope	1,952	-
Tax charge to equity relating to financial assets fair value reserve	(58,699)	93,295
Translation gain	212	(395)
Current year tax charge	637,390	472,792
Tax adjustment to previous years	(270,001)	-
Deferred taxation	6,689	133,801
Taxation on income	**374,078**	**606,593**

The reconciliation of the current year tax charge is as follows:

	2007	2006
Statutory income before taxation	3,702,872	2,941,454
Disallowable expenses	608,344	180,383
Dividend income	(631,005)	(578,342)
Investment sales income	(9,562)	(45,110)
Investment allowances	(33,967)	(18,192)
Carry forward tax losses	(6,473)	(18,214)
Other exempt income	(221,535)	(681,771)
Corporation tax base	3,408,674	1,780,208
Withholding tax base	33,967	18,192
Effective tax charge 20.02% (2006: 21.2%)	688,417	377,394
Withholding tax charge over investment allowance including fund 16.2% (2006: 13.7%)	5,508	2,498
Tax charge to equity relating to financial assets fair value reserve	(58,699)	93,295
Changes in consolidation scope	1,952	-
Effective tax charge including fund	637,178	473,187
Foreign currency translation difference	212	(395)
Current income tax	**637,390**	**472,792**

NOTE 42-EARNINGS PER SHARE

Earnings per share for each class of share disclosed in these consolidated statements of income is determined by dividing the net income after translation adjustment attributable to that class of share by the weighted average number of shares of that class that have been outstanding during the year.

	2007	2006
Earnings per share in full YTL		
- ordinary share ('000)	5.22	2.66
Weighted average number of shares with YTL 1.000 face value each		
- ordinary shares	180,000,000,000	180,000,000,000

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation surplus calculated before 1 January 2004. 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 retroactive effect for the period in which they were issued and for each earlier year. When the number of ordinary shares outstanding increases as a result of bonus shares after the balance sheet date but before the issue of financial statements, the earnings per share calculation is based on the new number of shares. No bonus shares were issued during the period 1 January-31 December 2007.

The earnings attributable to each class of shares for each period are as follows:

	Vaksa share	Ordinary shares	Total
1 January-31 December 2007	29,085	940,402	969,487
1 January-31 December 2006	14,821	479,228	494,049

There were no differences between the basic and diluted earnings per share for any class of shares for any of these periods.

(*) During the year ended 31 December 2006 the Holding purchased the 189 usufruct shares that were issued in accordance with the 13th article of the Article of Association of Sabancı Holding which entitles its holders to a 3% dividend from the distributable net income without any voting rights for YTL 1,425 each.

(**) During the year ended 31 December 2007, Pilsa and Kordsa purchased usufruct shares for YTL 6,557 and YTL 14,532, respectively.

NOTE 43-STATEMENTS OF CASH FLOW

The statement of cash flow is disclosed together with the consolidated financial statements.

NOTE 44-DERIVATIVE FINANCIAL INSTRUMENTS

2007

	Fair values	
Derivatives held for trading	**Assets**	**Liabilities**
Foreign exchange derivatives		
Currency forwards	35,154	13,414
Currency swaps	25,625	18,445
Total over-the-counter derivatives	**60,779**	**31,859**
Interest rate derivatives		
Interest rate swaps	20,503	73,732
Total derivatives held for trading	**81,282**	**105,591**

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2006

	Fair values	
Derivatives held for trading	**Assets**	**Liabilities**
Foreign exchange derivatives		
Currency forwards	38,378	31,953
Currency swaps	30,466	27,689
Total over-the-counter derivatives	**68,844**	**59,642**
Interest rate derivatives		
Interest rate swaps	22,161	14,699
Total derivatives held for trading	**91,005**	**74,341**

NOTE 45-LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers

	2007	2006
Consumer loans and credit cards receivables	12,549,666	9,276,592
Small-scale enterprises	3,350,936	2,626,856
Financial institutions	3,058,770	2,357,662
Project finance loans	2,434,204	1,081,944
Construction	2,053,527	873,159
Other manufacturing industries	1,992,545	1,762,062
Mining	1,391,498	1,036,464
Food and beverage, wholesale and retail	1,358,464	874,714
Chemicals	1,102,932	913,029
Agriculture and forestry	760,626	519,469
Automotive	642,714	469,038
Electronics	581,826	223,954
Textile	573,772	666,419
Health care and social services	449,819	600,554
Telecommunication	355,305	475,458
Tourism	196,671	335,144
Other	6,406,147	5,485,724
Sub-total	39,259,422	29,578,242
Non-performing loans	1,007,628	593,571
Total loans and advances to customers	40,267,050	30,171,813
Allowance for loan losses	(1,301,253)	(787,107)
Net loans and advances to customers	**38,965,797**	**29,384,706**

Effective interest rates of USD, EUR and YTL denominated loans and advances to customers are 6.49% p.a. (2006: 7.10% p.a.), 5.90% p.a. (2006: 5.06% p.a.) and 21.13% p.a. (2006: 22.23% p.a.), respectively.

The movements in loan loss provision as of 31 December 2007 are as follows:

	Corporate	Commercial	Credit Card	Total
Balance at 1 January	357,092	106,796	323,219	787,107
Gross provisions	471,827	198,317	267,697	937,841
Recoveries	(116,721)	(63,993)	(173,319)	(354,033)
Written-off	(20,610)	(7,174)	(41,499)	(69,283)
Foreign exchange gains/(losses)	(379)	-	-	(379)
31 December 2007	**691,209**	**233,946**	**376,098**	**1,301,253**

The movements in loan loss provision as of 31 December 2006 are as follows:

	Corporate	Commercial	Credit Card	Total
Balance at 1 January	184,231	105,591	247,247	537,069
Gross provisions	246,197	45,515	227,409	519,121
Recoveries	(69,552)	(42,342)	(109,603)	(221,497)
Written-off	(5,092)	(1,968)	(41,834)	(48,894)
Foreign exchange gains/(losses)	1,308	-	-	1,308
31 December 2006	**357,092**	**106,796**	**323,219**	**787,107**

The maturity schedule of loans and advances to customers at 31 December 2007 and 2006 are summarised below:

	2007	2006
Up to 3 months	15,226,822	12,810,313
3 to 12 months	10,228,672	7,271,219
Current	25,455,494	20,081,532
1 to 5 year	10,981,329	7,460,858
Over 5 year	2,528,974	1,842,316
Non-current	13,510,303	9,303,174
Total	**38,965,797**	**29,384,706**

The aging analysis of loans and advances past due but not impaired related to banking segment as of 31 December 2007 and 2006 are as follows:

	Corporate	Commercial	Credit Card	Total
Up to 1 month	460,938	519,698	240,286	1,220,922
1 to 2 months	167,522	231,686	84,419	483,627
2 to 3 months	96,593	87,311	25,305	209,209
2007	**725,053**	**838,695**	**350,010**	**1,913,758**

	Corporate	Commercial	Credit Card	Total
Up to 1 month	370,630	157,401	124,524	652,555
1 to 2 months	83,680	108,846	68,857	261,383
2 to 3 months	61,021	62,097	18,183	141,301
2006	**515,331**	**328,344**	**211,564**	**1,055,239**

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The repricing schedule of loans and advances to customers at 31 December 2007 and 2006 is summarised below:

	2007	2006
Up to 3 months	20,121,877	16,355,780
3 to 12 months	12,285,621	8,443,811
1 to 5 year	5,816,734	4,012,694
Over 5 year	741,565	572,421
Total	**38,965,797**	**29,384,706**

NOTE 46-BANKING CUSTOMER DEPOSITS

	2007			2006		
	Demand	Time	Total	Demand	Time	Total
Savings deposits	3,307,696	26,768,405	30,076,101	3,081,287	23,148,391	26,229,678
Commercial deposits	2,778,315	5,615,589	8,393,904	2,312,597	3,469,964	5,782,561
Bank deposits	153,252	1,786,712	1,939,964	102,583	1,640,764	1,743,347
Funds deposited under repo transactions	-	4,780,933	4,780,933	-	5,224,820	5,224,820
Other	952,182	1,326,385	2,278,567	688,408	860,305	1,548,713
Total	**7,191,445**	**40,278,024**	**47,469,469**	**6,184,875**	**34,344,244**	**40,529,119**

Effective interest rates of USD, EUR and YTL denominated customer deposits are 3.86% p.a. (2006: 5.50% p.a.), 3.40% p.a. (2006: 3.53% p.a.) and 14.97% p.a. (2006: 18.98% p.a.), respectively.

As at 31 December 2007 and 2006, the contractual maturity date and contractual repricing schedules based on the remaining period of banking customer deposits are as follows:

	2007	2006
Demand	7,191,445	6,184,875
Up to three months	37,527,274	32,100,786
Between 3 and 12 months	2,179,855	1,983,517
Between 1 and 5 years	398,258	259,941
Over 5 years	172,637	-
Total	**47,469,469**	**40,529,119**

NOTE 47-MUTUAL FUNDS

At 31 December 2007, the Group manages 18 (2006: 16) mutual funds ("Funds") which were established under Capital Markets Board Regulations. At 31 December 2007, the Funds' investment portfolio includes government bonds, treasury bills and share certificates of YTL 4,548,184 (2006: YTL 3,262,882). In accordance with the Funds' statute, the Group purchases and sells marketable securities for the Funds, markets their participation certificates, provides other services and charges management fees ranging from 0,00275%-0,01375%. At 31 December 2007, management fees and commissions earned by the Group amounted to YTL 117,748 (2006: YTL 115,390).

NOTE 48-DISCLOSURE OF OTHER MATTERS

None (2006: None).

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