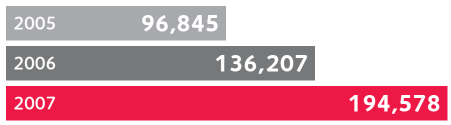
EKSPO FAKTORING
ANNUAL REPORT 2007

EKSPO
Faktoring A.Ş.

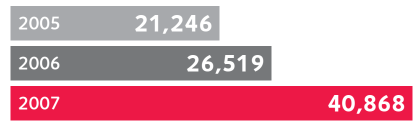
“**Our mission** is to closely follow-up the developments in the world to be able to facilitate the adoption of the contemporary financing and service technique of factoring across Turkey, thus generating dynamic solutions to meet the financing needs of our clients. We will then be able to continue providing services that will result with the highest levels of client satisfaction. **Our vision** is to see our total assets grow to US$ 1 billion, and to become one of the five largest factoring companies within the sector in five years. **Our Strategic Goals** are to operate in a client-oriented manner, to be innovative and to achieve quality, speed and consistency in service, to become the leader in the sector and to increase our competitive power thereby achieving stable and profitable growth. We aim to become a company that is operating on an international scale, contributing to the Turkish economy, acting as a pioneer in the development of the sector, and also a company known for its employees who are proud to be part of the organization.”

FINANCIAL HIGHLIGHTS

Total Assets *(US$ thousand)*



Total Shareholders' Equity *(US$ thousand)*



Financial Highlights

	2005	2006	2007
	(US$ thousand)	*(US$ thousand)*	*(US$ thousand)*
Total Assets	96,845	136,207	194,578
Total Shareholders' Equity	21,246	26,519	40,868
Paid-in Capital	13,042	17,984	27,904
Net Working Capital	19,806	24,975	39,143
Factoring Receivables	91,116	134,186	192,446
Factoring Payables	23,476	47,070	87,410
Net Advances to Clients	67,640	87,116	105,036
Bank Borrowings	51,014	61,582	65,208
Total Income	20,074	20,894	25,994
Factoring Income	20,069	20,872	25,558
Net Profit	6,209	7,004	9,438

Ratings of Ekspo Faktoring

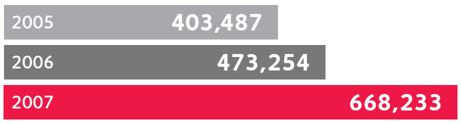
Fitch Ratings

BBB+

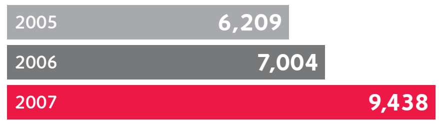
Moody's

Baa1.tr

Factoring Turnover *(US$ thousand)*



Net Profit *(US$ thousand)*



Financial Ratios *(%)*

	2005	2006	2007
Current Ratio	1.26	1.23	1.26
Liquidity Ratio	1.26	1.23	1.26
Net Working Capital / Total Assets	20	18	20
Liquid Assets / Total Assets	98	99	99
Debt / Assets (Financial Leverage)	78	81	79
Equity / Debt	28	24	27
Bank Borrowings / Total Assets	53	45	34
Interest Coverage Ratio (Times)	2.44	1.99	2.43
Average Collection Period (Days)	107	92	80
Total Expenses / Turnover	3	2	2
Gross Profit Margin	31	28	31
Net Profit Margin	14	12	12
Return on Equity	49	39	36

Factoring Turnover *(US$ million)*

	2005	2006	2007
Total Turnover	403	473	668
Domestic	326	394	551
International	77	79	117
Export	71	73	113
Import	6	6	4

"Our highly-qualified human resources, contemporary business approach and corporate culture are the primary qualities that differentiate us from our competitors. The Company is staffed with an exceptionally well-equipped group of employees, each one with prior banking experience."

OVERVIEW OF 2007

"Ekspo Faktoring has a 3.3% market share in the sector with an annual turnover of US$ 670 million. As of year-end 2007, the Company's assets reached nearly US$ 195 million, with a 20% increase over the previous year. We managed to raise our number of clients from 426 at the beginning of 2007 to 550 at the end of the year."

How do you assess the global macroeconomic developments in 2007?

Growing uninterruptedly since 2002, the global economy entered a turbulent period in the second half of 2007 due to the mortgage loans-induced financial crisis that emerged in the U.S. Deepening especially in July and August as a result of the reluctance of large financial institutions to lend to each other, the liquidity crisis was overcome only after the extensive intervention of the U.S. and European central banks. However, after remarkable rates of growth throughout the world in the last six years, especially the developed economies experienced a significant slowdown due primarily to the impacts of the financial crisis.

Despite the repeated interest rate cuts and liquidity boosts by the Federal Reserve, the impact of the crisis on the financial markets is still lingering. Larger than expected losses and write-downs by the international financial institutions increased doubts about the depth and length of the crisis.

On the other hand, large price increases in the energy, food and commodity markets hampered growth prospects. The U.S. dollar lost value while the world economy in general entered a period of slowdown. The slowdown was felt most acutely in the U.S., while European countries, the UK and Japan were also adversely impacted. After growing 2.2% in 2007, the U.S. economy is predicted to grow 0.8% in 2008 and 0.6% in 2009. On the other hand, China is expected to grow 10.9% in 2008 and 10.2% in 2009, after registering 11.9% growth in 2007.

How did the developments in 2007 affect the developing countries?

Despite the financial turmoil in the developed countries, emerging market economies, where mortgage finance is not widespread, have not been impacted much by this turmoil so far. Net capital inflows, which have been flowing into the emerging economies since 2002 due to the favorable environment created by the global liquidity conditions have reached historically high levels and maintained their high levels in 2007. Consequently, strong economic growth trend in the emerging markets led by China, Russia and India continued, albeit at a slower rate.

However, increasing fragilities and reduced risk appetite in the developed financial markets led to the strengthening expectations of tighter global liquidity conditions. Therefore, in 2008, economies that need capital inflows to finance their current account deficits, such as Turkey, will need to closely monitor international developments. The banks that incurred heavy losses due to the financial crisis will have to raise capital or shrink their balance sheets in order to meet the capital adequacy standards. As a result, the emerging economies that have not been impacted by the crisis so far may have to incur additional costs to roll over their debt in the upcoming period, as the terms of their existing loans expire.

What is your assessment of the performance of the Turkish economy in 2007?

Thanks to the economic program and the lack of widespread use of mortgage loans, Turkey weathered this turbulent period in 2007 without experiencing a crisis.

In line with the strong global growth trend of the previous years, the Turkish economy experienced 23 quarters of uninterrupted economic growth. Despite the election process, the political and economic turmoil, Turkey continued to grow in 2007, albeit at a slower rate. The economy grew 5% in 2007.

Despite the continued tight monetary policy in general, the ratio of budget deficit to Gross National Product rose from 0.6% to 2.2% as a result of the impact of the election process on fiscal discipline. Consequently, the inflation rate for the year was 8.39%, significantly above the target. Despite these adverse economic developments, foreign direct investment reached US$ 22 billion. Turkish financial markets were not impacted by the crisis thanks primarily to the strong balance sheets of the banks, the strongest in their history. A significant share of the foreign investments in 2007 was financed by the Turkish banks.

What is your assessment of the developments in Turkey's foreign trade?

In 2007, the contribution of private sector consumption and investment expenditures to growth decreased, whereas the contribution of net exports increased. In line with the export-oriented strategies, significant growth in exports has been registered in the last years. Strong performance of the export sector continued in 2007 and exports reached US$ 107 billion with a 25.3% increase. Imports, on the other hand, reached US$ 170 billion with a 21.8% increase. The significant increase in the foreign trade volume of the last few years is an indication that the Turkish economy made a major advance in integrating with the world economy. However, more than US$ 60 billion trade deficit and the high level of the current account deficit at 5.8% of GNP signal danger ahead.

Under these circumstances, what should the expectations be for 2008?

In the light of these observations, it would be the right approach to expect the upcoming period to be fraught with difficulties. The problems in the financial markets of the developed countries will partially limit the liquidity in the emerging markets. Developments in the first few months of 2008 confirm these expectations. On the other hand, the local elections to be held in 2009 are likely to cause some deviations from the current economic policies. Such developments would lead to a decrease in primary surplus. It is impossible to forecast the magnitude of the impact of the increase in oil prices, which is currently trading above US$ 110, gold and other commodity prices on inflation right now. However, we know that a US$ 1 increase in the price of oil leads to a US$ 350 million increase in the current deficit. Taking into account all these potential developments, it would be realistic to expect an upward revision in inflation forecasts and higher interest rates.

What is your assessment of 2007 in terms of the factoring sector?

The factoring sector had a great year in 2007, with 32% growth. As you know, the authority to regulate the factoring sector was transferred to the Banking Regulation and Supervision Agency (BRSA) in 2006. BRSA issued a series of communiqués, decrees and regulations to regulate the sector and asked all companies to comply with them. This process that began in 2006 brought order and dynamism to the sector. The factoring sector is currently undergoing a major restructuring process. These restructuring efforts will also continue in the upcoming period. The transformation that the sector is going through is very valuable and meaningful in the long run in terms of the much more respected standing it will give the factoring companies in the financial markets.

The share of the factoring sector in the overall economy is very small in Turkey compared to the developed economies. The small and medium size enterprises (SMEs) which dominate the structure of the Turkish economy and the rapid growth in Turkey's foreign trade volume promise rapid growth prospects for the factoring sector in the coming period.

How do you think the developments in the banking sector and the transition to Basel II will impact the factoring sector?

Adoption of the Basel II criteria in the Turkish banking sector will be completed in 2009. This means a brand-new era will begin in terms of banking practices. The requirements of the new era and the bureaucracy it will create will not meet the expectations of the SMEs, which are used to traditional banking practices in Turkey. Under these circumstances, SMEs will turn towards non-bank financial products. In brief, the Basel II process will create new opportunities for the factoring sector.

"Ekspo Faktoring is a member of the Factoring Association of Turkey, which played a major role in the development of factoring in Turkey. The Company also joined Factors Chain International (FCI), the largest factoring services network in the world, in 2004. Undoubtedly, this is a job for teamwork; behind the success of Ekspo Faktoring is a specialized and experienced staff comprised of the best employees in the sector. I would like to take this opportunity to thank our employees, together with whom we accomplished much in 2007."

What is your assessment of Ekspo Faktoring's performance during 2007?

Ekspo Faktoring has a 3.3% market share in the sector with an annual turnover of US$ 670 million. As of year-end 2007, the Company's assets reached nearly US$ 195 million with a 20% increase over the previous year. We managed to raise our number of clients from 426 at the beginning of 2007 to 550 at the end of the year. According to the rankings among members of the Factoring Association of Turkey, Ekspo Faktoring was in seventh place as of 2007. More than YTL 50 million shareholders' equity and nearly US$ 200 million funding resources of the Company is an assurance not just for today, but also for the near future that is expected to be laden with difficulties. The Company has a rapid and stable growth potential thanks to the strong domestic and international relations we have established.

We consider the credit ratings assigned by both Fitch Ratings and Moody's in 2007 to be very important in terms of the Company's reputation in international financial circles. The fact that the Company is one of the two firms in the sector that were assessed by a rating agency is a clear indication of Ekspo Faktoring's sensitivity to corporate governance.

Ekspo Faktoring is a member of the Factoring Association of Turkey, which played a major role in the development of factoring in Turkey. The Company also joined Factors Chain International (FCI), the largest factoring services network in the world, in 2004. Undoubtedly, this is a job for teamwork; behind the success of Ekspo Faktoring is a specialized and experienced staff comprised of the best employees in the sector. I would like to take this opportunity to thank our employees, together with whom we accomplished so much in 2007.

Since the day the Company was founded, we have considered our clients to be solution partners of a relationship based on mutual trust. We see their work as a multi-faceted project while meeting their needs. We have not just limited ourselves to finding solutions to our clients' current problems, but we also tried to identify their potential needs. Thanks to this approach, we were able to establish long-term and permanent relationships with our clients. Ekspo Faktoring is proud to be the company with the highest client loyalty in the sector.

What are the goals you set for the future?

In the first half of 2008 we will apply to the BRSA in order to raise our paid-in capital to YTL 40 million. It is important to remember that capital is the weapon a financial institution will use in case of a slowdown. In line with our growth targets, we have a radical restructuring process on our agenda. We will launch branches for more effective risk management. Within two years, we will open branches in various regions of Turkey. We regularly raise our capital and will continue to do so in 2008. On the other hand, we are undertaking efforts to diversify our funding resources. Towards this objective, we focused on promoting the Company in the international financial circles more effectively. We will evaluate euro-denominated bond issuance, YTL-denominated bond issuance, securing syndicated loans and public offering options for the coming period. As a result of all these efforts, we are targeting US$ 1 billion in assets and becoming one of the five largest factoring companies in the sector. As Ekspo Faktoring A.Ş., we will continue along our stable growth path as we have done in the past.

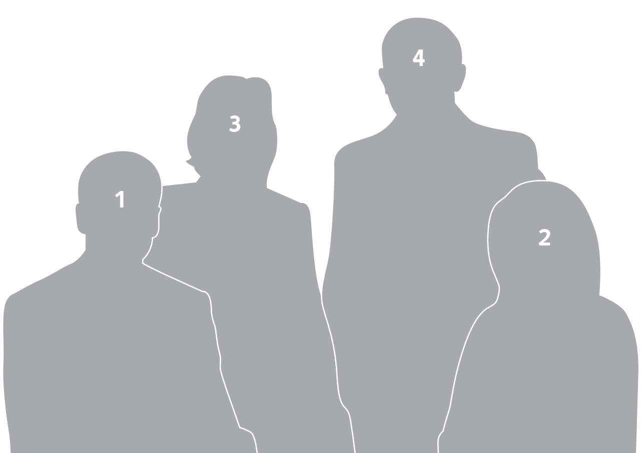
BOARD OF DIRECTORS

1 Murat Tümay
Chairman of the Board

2 Zeynep Akçakayalıoğlu
Board Member

3 Betül Akan
Board Member

4 Erhan Meral
Board Member



SENIOR MANAGEMENT

Murat Tümay
General Manager

Betül Akan
Assistant General Manager
in Charge of Marketing and Client Relations

Erhan Meral
Head of the Financial and Administrative
Affairs Group

“The Company ranks seventh among the members of the Factoring Association of Turkey. Another competitive edge of our Company is that we offer all products under a single umbrella. We work with a client satisfaction-based, solution-oriented approach. We identify the needs of our clients with a proactive approach and develop products accordingly.”

FINANCIAL ADVANTAGES OF EKSPO FAKTORING

"Partners of Ekspo Faktoring raise the free capital of the Company by more than the rate of inflation every year. This is the commitment of the shareholders to the Company as well as the assurance for creating a solid equity and capital structure. As of year-end 2007, the Company's total shareholders' equity reached YTL 47.6 million, YTL 46.3 million of which is free capital. In 2007, we raised our paid-in capital by YTL 7.5 million to YTL 32.5 million. We will continue our solid equity policy in the future as well. We will raise our paid-in capital to YTL 40 million."

Product and Service Diversity

We know that Ekspo Faktoring is ambitious in the field of product development. This is one of your Company's important competitive edges. Would you tell us about your corporate approach in this area?

First of all, the successful performance of Ekspo Faktoring since its inception, with its close monitoring of client expectations and developing products and services that meet their needs should be explained. Our efforts are centered on client satisfaction in order to transform our accomplishments into a long-term and permanent identity. In addition to diversifying and raising our product and service quality, we continuously make investments in human resources and information technology infrastructure in order to enhance efficiency. We are the company that offered many products for the first time in the market. We will continue to provide the sector with innovations within the limits set by legislation.

Would you tell us about the products and services you offer your clients?

In terms of international transactions, we offer a wide variety of products and services to our clients such as Non-Recourse Export Factoring, Export Factoring with Recourse, Export Letter of Credit Assignment, Assignment of Export Receivables backed by Accepted Draft, and Import Factoring.

In terms of domestic transactions, we offer various factoring products and services such as Undisclosed Receivable Assignment, Disclosed Receivable Assignment, and Assignment of Collateralized Receivables.

The Company also provides services including consulting services on market and sector analyses, project finance support, issuance of letters of credit abroad and procuring external guarantees.

Solid Equity Structure

Having a strong capital structure is very important for all companies, especially for financial firms. We know that Ekspo Faktoring stands out in the sector with its solid equity structure as well. What is your company policy in this matter?

Partners of Ekspo Faktoring raise the free capital of the Company more than the rate of inflation every year. This is the commitment of the shareholders to the Company as well as the assurance for creating a solid equity and capital structure. As of year-end 2007, the Company's total shareholders' equity reached YTL 47.6 million, YTL 46.3 million of which is free capital. In 2007, we raised our paid-in capital by YTL 7.5 million to YTL 32.5 million. We will continue our solid equity policy in the future as well. We will raise our paid-in capital to YTL 40 million.

Ekspo Faktoring finances a portion of every transaction in its portfolio with its equity. Consequently, it is considered a reliable business partner and a good risk manager by the correspondents, financiers and credit rating agencies it collaborates with.



Solid Financial Results

What is your assessment of your financial results as of year-end 2007?

We achieved a US$ 670 million factoring transaction volume and thus managed to maintain our effective market position in the sector in 2007. As of year-end 2007, the Company's assets reached almost US$ 195 million with a 20% increase over the previous year. A significant portion of the increase in assets is due to company receivables acquired for collection. Our net factoring receivables were kept at a constant level considering the potential impacts on the markets of the global liquidity crunch during the year. Almost all of our income is factoring income. Ekspo Faktoring gives priority to profitability and achieves this primarily through factoring activities. The Company has no short position and all of our profits were derived from net interest income. The Company does not have maturity risk, liquidity risk or exchange rate risk exposure. Ekspo Faktoring has the lowest debt ratio in the sector.

We managed to raise our number of clients from 426 at the beginning of 2007 to 550 at the end of the year. The Company further reinforced its position among the leading factoring companies in Turkey in 2007. Ekspo Faktoring ranks seventh among the members of the Factoring Association of Turkey with a 3.3% market share.

What are your practices regarding risk management, which is accepted as an inseparable part of financial performance today?

The risk-rating system we have developed internally within the Company assures proper and correct credit decisions. In order to make our risk-rating system even more efficient, we are receiving consulting services from the world's leading rating agencies. Ekspo Faktoring's available bank limits of almost US$ 200 million are large enough to finance the Company's growth. The Company's free capital ratio is 25%, which is significantly above the sector average and an important indicator of Ekspo Faktoring's financial strength.

As the Company management, we work with a 100% reserve ratio for the potentially problematic receivables. Total provisions we have made so far for non-performing loans are 1.1% of our assets. The total amount of finalized collections that we have worked on during 2007, but will conclude in 2008, is nearly YTL 1 million and they will be included in the balance sheet once they are reflected in the books.

Pursuant to a BRSA regulation, the maximum amount of receivables of a factoring company is limited to 30 times its capital. This multiple is the limit used by many factoring companies. However, Ekspo Faktoring operates with a very low debt-to-equity ratio. The Company's debt is only three times its capital. 99% of our receivables are "with recourse". Our management limited the Company's maximum exposure to any sector by 30%. The Company pays special attention that the share of a single debtor in the receivables assigned by a client does not exceed 10% of that client's total risk.

CREDIT RATINGS OF EKSPO FAKTORING

You are one of the two companies that have been assigned a credit rating in the sector. What is your assessment of the ratings you were assigned by Moody's and Fitch?

As one of the leading companies in the sector with its solid capital structure, innovative approach, correct strategies and professional management, Ekspo Faktoring believes that the ratings assigned by the independent rating agencies are extremely important.

Fitch Ratings: BBB+ (tur)

As a first in its sector, the Company was assigned a local credit rating of BBB (tur) by the international rating agency Fitch Ratings in 2006. Our credit rating was revised to BBB+ (tur) by Fitch Ratings in 2007. Fitch Ratings confirmed that the rating it has assigned is a result of the selective credit portfolio, successful and professional management and high level of capital of Ekspo Faktoring.

Moody's: Baa1.tr

The international rating agency Moody's assessed the Turkish factoring sector for the first time and assigned the Company a long-term foreign currency and Turkish lira credit rating of Ba3 with a "stable" outlook. In addition, Moody's assigned Ekspo Faktoring a national credit rating of Baa1.tr.

Moody's announced that the rating it assigned is a result of the Company's profitable operation, high level of capital, asset quality and strong market position in the factoring sector. These indicators are a symbol of the transparency and commitment to corporate governance of Ekspo Faktoring, which is among the largest companies in its sector with total assets of US$ 195 million.

MARKET POSITION OF EKSPO FAKTORING

"The primary strength of Ekspo Faktoring A.Ş. is its know-how, funding structure and human resources to determine the needs of its clients in advance and develop the right financing models. With the value this strength adds to the Company, our goal is to include in our client portfolio domestic and foreign companies in various sectors that need effective and quick financial solutions."

How do you see the market position of Ekspo Faktoring in the Turkish factoring sector?

Our biggest assurance in this respect is our human resources. Our staff is comprised of competent and productive employees who held important positions in Turkey's leading banks and have the ability to be always on the same page with the clients. The dedicated and teamwork-oriented performance of this staff is the primary factor leading the Company to rise above the competition in the sector. The Company ranks seventh among the members of the Factoring Association of Turkey. Another competitive edge of our Company is that we offer all products under a single umbrella. We work with a client satisfaction-based, solution-oriented approach. We identify the needs of our clients with a proactive approach and develop products accordingly.

We know that Ekspo Faktoring is very successful in reaching funding resources. What headway did you make in this area in 2007?

We really have a distinguished position in the sector in terms of access to international funding resources. Last year, we provided a single producer with EUR 2 million pre-financing and EUR 15 million post-financing resources. This transaction is an unprecedented practice introduced to the sector by Ekspo Faktoring; there is nothing else like this. The Company has financing power reaching US$ 200 million from many banks in Turkey and abroad. Many banks established new limits with the Company last year.

The Company's credit ratings must be an important factor as well in your accomplishments in international relations.

As you know, Ekspo Faktoring was rated by Fitch Ratings. Subsequently, we were also rated by Moody's in 2007. Ekspo Faktoring is the only company in the Turkish factoring sector rated by Moody's. Naturally, this development and the favorable rating results further reinforced the Company's relationships within the international finance circles. The Company's ratings are identical to the ratings assigned to the leading companies in Turkey.

Which sectors are you primarily involved with?

The sectors we are most involved with are international contracting, tourism, textile and automotive. When we undertake financing efforts towards a sector, we first research that sector in detail, determine its needs and carry out conscientious efforts to get to know our clients as best as we can. We provide the financing only when, as a result of these efforts, we are convinced that we have reached the point where we are on the same page as the client.

Ekspo Faktoring is undergoing a significant restructuring in the corporate governance area. Would you share with us the steps being taken?

In 2007, we took radical and permanent steps for the internalization and adoption of the corporate governance approach by all units of the Company. We formed various committees to enhance communications within the Company. We see these committees, which hold meetings and expend efforts in the areas of information technologies, asset quality, human resources and capital, as the pioneers of the Company's transformation and restructuring process in corporate governance. In addition to enhancing communication between the units, we managed to make every unit operate more effectively thanks to these committees. For

example, thanks to the efforts of the capital committee, we are now able to provide our shareholders with information on the Company's activities in a much faster, more up-to-date and effective manner.

What are your predictions for 2008 and beyond?

As you know, the mortgage crisis that initially began in the U.S. in the second half of 2007 and the resulting liquidity crunch set the agenda for the international financial markets last year. In 2007, countries like Turkey, which do not have developed and widespread mortgage practices, were not significantly impacted by the liquidity problems that shook the financial markets. However, indicators increasingly point to a continuation and worsening of the impacts of the crisis in 2008. Under these circumstances, countries that depend heavily on foreign direct investments in financing their current deficits, such as Turkey, need to be prepared and cautious. Oil prices rose due primarily to higher demand from China and closed 2007 above US$ 100 per barrel. While some experts believe the trend has already run its course, some analysts are publishing reports predicting that price of oil will settle between US$ 150 to US$ 200. The impact of each US$ 1 increase in oil price on Turkey's current deficit is US$ 350 million. When making predictions, we need to take the effects of this situation on inflation into account as well.

What are the Company's goals for the upcoming years?

The primary strength of Ekspo Faktoring A.Ş. is its know-how, funding structure and human resources to determine the needs of its clients in advance and develop the right financing models. With the value this strength adds to the Company, our goal is to include in our client portfolio domestic and foreign companies in various sectors that need effective and quick financial solutions.

What are the corporate policies you use to accomplish your goals?

Ekspo Faktoring A.Ş. sees its clients as long-term, permanent business partners. It is the Company's main responsibility to meet their resource and liquidity requirements, and to support their enterprises via the inexpensive and continuous funding flow we secure from domestic and overseas financial institutions. With the contributions of our solid equity and the high credit ratings we were assigned by the international rating agencies, we will continue to create low-cost funding resources quickly for our clients in 2008 as well.

Two-factor export-factoring service has an important place among the services provided by Ekspo Faktoring A.Ş. to its clients. In addition to this, we are working on projects to launch domestic receivables insurance service in 2008. In order to finalize these projects as soon as possible, we have been working in cooperation with the world's leading financial companies.

We are working on new scoring models. As part of these efforts, in addition to properly assessing the financial structures of our clients, we are also supporting them in receivable analyses. In the upcoming period, we will begin using a rating model that was developed by one of the world's most respected rating agencies and is adopted by the leading financial institutions, such as Citibank, in the Company's Risk Department.

Products such as contract financing, pre-sale financing and supply chain financing that we have been developing and offering to our clients one after the other since 2006 have been increasing their shares in total factoring services rapidly in terms of both revenue and placement. The successful performance we have achieved in new products is increasing our penetration day by day in sectors that have important shares in the Turkish economy such as tourism, contracting, automotive and retail trade.

Selectiveness and the High Quality of the Client Portfolio

What are the criteria you take into consideration when forming your client portfolio? How is this reflected in the Company's asset quality?

Ekspo Faktoring works with a very distinguished client base. Sustainable client relations are very important for the Company. The "client retention ratio" of the Company, which shows client continuity, is 48%. We set out with the fact that every business relationship is an investment for the parties; we constantly monitor portfolio efficiency and strive to achieve the maximum value-added for our clients. Our Asset Quality Committee meets weekly to assess client risks one by one and evaluates every client in terms of risk, sector, concentration, morality and location.

In 2007, Ekspo Faktoring;

Increased its number of clients by 29%.

Grew its total factoring transaction volume by 42%.

Raised its market share to 3.3%.

Achieved a ratio of provisions to total placements of 1.1% with collections.

Increased its shareholders' equity to YTL 47.6 million.

“We foresee that the instruments which the sector will offer to its clients in the upcoming period for both domestic and international transactions include back to back factoring, financing against commodity surety and financing against warehouse receipt practices.”

ECONOMIC DEVELOPMENTS AND FACTORING IN TURKEY

"Factoring turnover increased from US$ 100 million in 1990 to over US$ 10 billion in 2004 and reached US$ 28.7 billion as of year-end 2007. 13.7% of this turnover, or US$ 3.9 billion, resulted from international transactions. Export transactions constitute 97% of this international turnover, whereas import transactions make up the remaining 3%."

When did factoring transactions begin in Turkey and what was its course of evolution?

Turkish financial markets were introduced to factoring in the early 1990s; the first legislation for the sector was made in 1994 and the sector gained momentum and grew rapidly afterwards with the establishment of new companies.

Factoring turnover increased from US$ 100 million in 1990 to over US$ 10 billion in 2004 and reached US$ 28.7 billion as of year-end 2007. 13.7% of this turnover, or US$ 3.9 billion, resulted from international transactions. Export transactions constitute 97% of this international turnover whereas import transactions make up the remaining 3%.

What is your assessment of the position of the Turkish factoring sector today within the global market?

The Turkish factoring sector rose from 17th place in 2005 to 16th place in 2006 and 15th place in 2007 in the world ranking.

The share of Turkey in the world's total factoring turnover reached 1.5% in 2007, from 1.3% in 2006. The Turkish factoring sector registered 45.4% growth in US$ terms. This is almost twice the worldwide average growth rate.

What is your assessment of the changes in the macro indicators that impacted the Turkish factoring sector in 2007?

As in the previous years, the driving forces behind the development of the Turkish economy, which grew 4.5% in 2007, were private sector consumption and investment expenditures.

Exports rose 26% in 2007 to US$ 107.1 billion, whereas imports increased 24% to US$ 169.9 billion. The primary factor behind the rise in imports was the high prices of oil and other commodities. Due to the rise in commodity prices, many companies fully utilized their bank limits. Another factor decreasing the bank limits was the letters of guarantee that some exporting companies submitted to the customs in order to import duty-free. The companies that had difficulty in raising their bank limits preferred to solve their short-term funding needs via factoring.

On the other hand, as in previous years, usage of imported inputs continued at an increasing rate. Its share in total exports is 56.4%, which is the highest ratio among the European Union countries. The largest export item is land transportation vehicles and their components and parts with US$ 15.9 billion. Russia has the highest share in imports with US$ 2.5 billion.

At the end of 2007, the inflation rate was 5.94% in the producer price index (PPI) and 8.39% in the consumer price index (CPI). High food prices, vibrant domestic demand and high input costs are the primary reasons for the increase in inflation during 2007.

The Central Bank of Turkey cut its interest rates gradually from 17.50% to 15.25% during the year, after holding them stable for 14 months.

The Turkish lira gained value against the euro and the US dollar in 2007. The US dollar dropped 17% to YTL 1.16 at the end of 2007 from YTL 1.41 at year-end 2006. The euro lost 8% against the Turkish lira in 2007 and closed the year at YTL 1.71.

What are your expectations regarding the future of the sector?

Factoring has a great growth potential in Turkey. The SMEs today are not sufficiently informed about the advantages of factoring. As our efforts in this field bear fruit, we expect SMEs to use factoring at increasing rates in the years ahead.

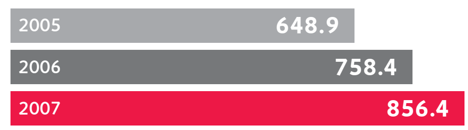
Another important development in the sector is that, pursuant to the new Banking Law, regulation and supervision of the factoring sector was transferred to the Banking Regulation and Supervision Agency (BRSA). The new regulations will clear the way for factoring and will help in making factoring a much more widely-used financial service. The new regulations will also play an important role in strengthening the sector's financial structure.

The launch of credit insurance, which already exists in the EU, in Turkey is very important for the growth of the sector in the future. If this problem is resolved, factoring companies will be able to offer guaranteed domestic factoring services, as in the EU countries.

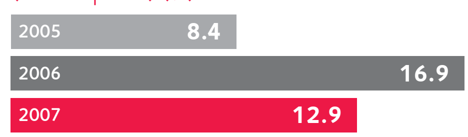
Once Basel II criteria are adopted in Turkey, firms that cannot access the banking system easily will turn to factoring on a larger scale. We also expect larger firms to employ factoring for establishing limits to be used for purchasing goods.

We foresee that the instruments which the sector will offer to its clients in the upcoming period for both domestic and international transactions include back to back factoring, financing against commodity surety and financing against warehouse receipt practices.

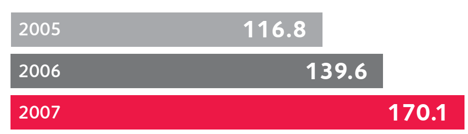
GNP
(In fixed prices) (YTL million)



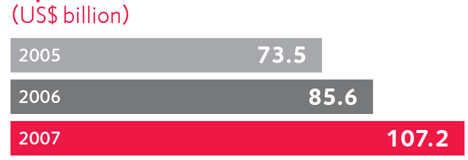
GNP Growth Rate
(In fixed prices) (%)



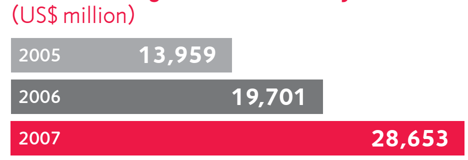
Imports
(US$ billion)



Exports
(US$ billion)



Total Factoring Turnover in Turkey
(US$ million)



WORLD FACTORING SECTOR IN 2007

"Turkish factoring sector rose from 17th place in 2005 to 16th place in 2006 and 15th place in 2007 in the world ranking."

"Turkey's share in the world's total factoring turnover reached 1.5% in 2007, up from 1.3% in 2006. The Turkish factoring sector registered 45.4% growth in US$ terms. This is almost twice the average growth rate worldwide."

How was 2007 in terms of the global factoring market?

According to the data released by Factors Chain International (FCI), the global factoring market registered 26.7% growth last year. Total world factoring turnover rose from US$ 1.5 trillion in 2006 to US$ 1.9 trillion at the end of 2007. Except for the slowdown in 2005, the factoring market has grown by more than 20% every year since 2002. The dynamism of the world trade volume played a major role in this trend.

How is the overall turnover distributed?

First, we see that share of international transactions grow each year with the growth in international trade. In 2006, domestic transactions constituted 90.9% of the world's total transaction volume, whereas 9.1% accounted for the rest. In 2007, these figures were 88.8% and 11.2%, respectively. We also observe a change in terms of the breakdown of the overall turnover by country. As of year-end 2007, the European countries have the majority of the world factoring market with a 71.6% share. Looking at the last three years' developments, we see that the European countries are increasing their share of the market by 0.5% to 1% each year.

Factoring Market in the World and in Turkey (US$ million)

Year	World	FCI Members	Turkey International	Turkey Total
1990	244,327	98,938	90	100
1991	266,370	104,537	128	183
1992	264,309	106,907	168	454
1993	260,844	110,908	270	970
1994	294,926	130,166	220	870
1995	296,139	161,802	300	958
1996	359,081	170,236	450	1,769
1997	451,869	191,410	550	3,582
1998	536,395	219,656	750	4,750
1999	558,574	245,354	748	5,266
2000	580,172	277,122	921	5,943
2001	617,108	281,612	990	3,552
2002	760,423	350,190	1,260	4,476
2003	950,490	464,019	1,413	6,663
2004	1,161,290	591,209	2,093	10,733
2005	1,199,525	681,842	2,352	13,959
2006	1,497,260	882,388	3,485	19,701
2007	1,896,726	1,106,438	3,935	28,653

2007 Turnover Breakdown (US$ million)

	Domestic	International	Total
Europe	1,213,864	143,579	1,357,444
America	204,587	14,733	219,320
Africa	15,191	438	15,629
Asia	200,770	54,243	255,014
Australia	49,158	161	49,319
Total	**1,683,570**	**213,154**	**1,896,726**
Turkey	**24,718**	**3,935**	**28,653**

Source: FCI

FINANCIAL AND OPERATIONAL RESULTS

"Ekspo Faktoring has had solid equity since its establishment. Our solid equity structure instills confidence in our clients and creditors. Ekspo Faktoring has been considered a company of trust in the sector since the day it commenced operations in 2000. Trust is very important in our business. Clients entrust us with their most valuable assets, their receivables, for collection. Ekspo Faktoring is a financial institution that has gained the confidence of companies and banks with its know-how and equity."

REVIEW OF 2007 OPERATIONS

What were your financial and operational goals for 2007? To what extent did you accomplish those goals?

As Ekspo Faktoring, our goal is to provide high-quality factoring services and increase our share in Turkey's rapidly-growing domestic and foreign trade volume. While pursuing this, our priority is to provide funding to sectors that produce economic value and create employment. In 2007, the Company continued to march towards its goals with proper, strong and solid steps. Our total factoring transaction volume in 2007 exceeded US$ 668 million. This turnover level represents a 42% increase on the 2006 revenue of US$ 473.3 million.

An Institution of Trust...

What are the primary factors behind the successful results you have achieved in 2007?

First and foremost, our solid equity structure. Ekspo Faktoring has always had solid equity since the day it was established. Our solid equity structure instills confidence in our clients and creditors. Ekspo Faktoring has been considered a company of trust in the sector since the day it commenced operations in 2000. Trust is very important in our business. Clients entrust us with their most valuable assets, their receivables, for collection. Ekspo Faktoring is a financial institution that has gained the confidence of companies and banks with its know-how and equity.

The Company stands out in the sector with its high level of free capital as well. As of year-end 2007, Ekspo Faktoring's total shareholders' equity reached YTL 47.6 million, YTL 46.3 million of which is free capital. We are determined to continue our solid equity policy without any deviation. As a step in this direction, we raised our paid-in capital by YTL 7.5 million in 2007 to YTL 32.5 million; and we will raise it further to YTL 40 million in 2008.

Strong capital structure is one of the factors that directly impact financial results. What was your policy regarding this in 2007?

The global crisis that emerged in the second half of 2007 showed that companies today need to focus on liquidity more than ever. BRSA also recommended that the banks retain the earnings they will accrue throughout 2007. The liquidity crunch is expected to be felt much more acutely in the period ahead. The Company raised its paid-in capital from YTL 25 million to YTL 32.5 million during 2007. The management decided to continue on this path in 2008 as well. Our shareholders' equity reached nearly YTL 50 million. Pursuant to the principle adopted by the Board of Directors, Ekspo Faktoring is raising its capital rather than distributing its profits, thus continuously adding to its equity and fortifying its financial structure.

On its Way to Full FCI Membership...

How is Ekspo Faktoring's Factors Chain International membership impacting your international relations?

With its solid correspondent network and ever-growing funding resources, Ekspo Faktoring aims to increase its foreign trade volume.

With this perspective, the Company became a member of FCI, the world's largest factoring service network, in 2004. Thanks to our FCI membership, we are using the correspondent factoring company network throughout the world effectively for the international transactions of our clients. Thus, we manage to increase client satisfaction further by providing a fast, reliable and low-cost service. The rapid growth in our international transaction volume after we joined the FCI is a result of this accomplishment.

Research was conducted last year among FCI members regarding service quality. As part of this research, Ekspo Faktoring was evaluated by all correspondent factoring companies it works with and it managed to get the highest grade, 4.19 out of 5. This once again proved that Ekspo Faktoring offers the experience it accumulates in the sector back to the sector with higher service quality.

The Company's strengthening relationships with the correspondent factoring companies bring new funding resources with it. These relatively lower-cost funding resources further reinforce our competitive edge in the market.

Having joined FCI as an associate member in 2004, Ekspo Faktoring's goal for 2008 is full membership.

A GLANCE AT THE FUTURE

What are your plans for the future? How do you see your company's market position and domestic and international relations in the future?

As it has done so far to date, Ekspo Faktoring A.Ş. will continue its stable growth. Our vision is to grow our total assets to US$ 1 billion and become one of the five largest factoring companies in the sector within five years. We regularly raise our capital to reach this goal.

The restructuring efforts necessitated by our growth targets are also on our agenda. We see it necessary to launch branches for more effective risk management. We are planning to open branches in various regions of Turkey within two years. We focused on promoting the Company in the international financial circles more effectively in order to find new funding resources required by the growth process. As part of these efforts, euro-denominated bond issuance, YTL-denominated bond issuance, securing syndicated loans and public offering options are on the Company's agenda.

Regarding our international transactions, we plan to improve our relationships with our correspondents and conduct frequent correspondent visits. We managed to double the funding limits we secured from these correspondents last year. Consequently, transactions realized through this channel became self-funding; as a result, we were able to channel our alternative resources towards other ventures.

In 2008, we aim to increase the guaranteed factoring turnover in import transactions. Our plans for 2008 also include the addition of pre-shipment guarantee and back to back factoring to our existing line of products and services.

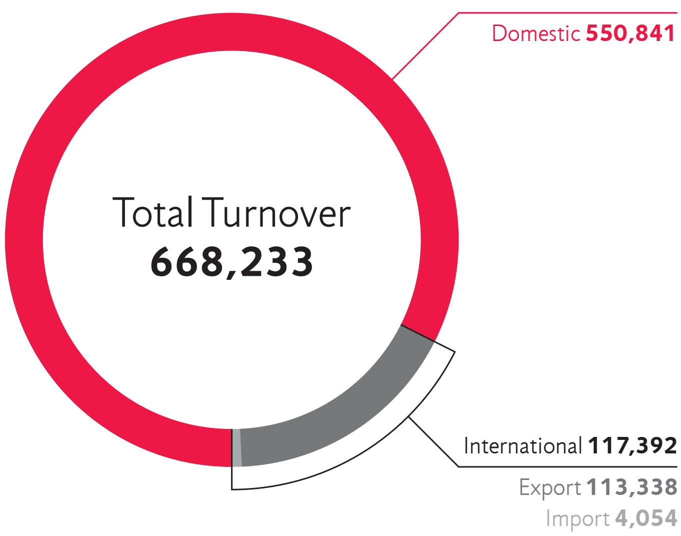
“Ekspo Faktoring provides domestic and international factoring services. As of year-end 2007, domestic factoring services constitute 82% of our turnover and international factoring services account for the remaining 18%. 97% of our international transactions are export factoring transactions.”

"Within the scope of import factoring, Ekspo Faktoring provides payment guarantees to its FCI-member correspondents on behalf of its importer clients. Despite the absence of credit insurance in Turkey as of today, Ekspo Faktoring is able to execute import factoring transactions successfully thanks to its vast domestic market experience and knowledge. In addition to import factoring transactions with two factors, Ekspo Faktoring converts cash-against-goods import transactions into term transactions under its guarantee by avalising the drafts drawn on the importers by exporters."

Would you give us some information about the products and services you offer your clients and the breakdown of your overall business volume by these?

Ekspo Faktoring provides domestic and international factoring services. As of year-end 2007, domestic factoring services constitute 82% of our turnover and international factoring services account for the remaining 18%. 97% of our international transactions are export factoring transactions.

Breakdown of Ekspo Faktoring's Transactions in 2007
(US$ million)



INTERNATIONAL FACTORING TRANSACTIONS

What are the products you offer to your clients in international factoring transactions?

We offer various products for the financing of exports and imports. We can group them as follows:

Non-recourse export factoring

In non-recourse export factoring for export transactions on a cash-against-goods basis, Ekspo Faktoring requires guarantee from an overseas correspondent in favor of the buyer to secure payment. This product operates within the scope of the limit and guarantee determined by the correspondent. In the event the buyer fails to make payment, advances paid to the exporter by Ekspo Faktoring are on a non-recourse basis. The share of non-recourse export factoring transactions constituted 5% of the Company's overall turnover in 2007.

Export factoring with recourse

In export factoring with recourse for cash-against-goods and cash-against-documents export transactions, Ekspo Faktoring pays a maximum of 80% of the invoice to the exporter upon shipment. This product does not contain any guarantees. If the debtors do not pay the invoice amount upon maturity, the exporter is requested to refund the advance payments. The share of export factoring with recourse transactions constituted 11% of the Company's overall turnover in 2007.

Assignment of receivables under export letters of credit

Where a term export transaction is covered by a Letter of Credit (L/C), Ekspo Faktoring pays the exporter up to 85% of the amount specified in the letter of credit against the assignment of export receivables. Depending upon the type of L/C, the transaction may either be with or without recourse. The share of such transactions constituted 11% of the Company's overall turnover in 2007.

Assignment of export receivables under accepted drafts (forfaiting)

In export transactions backed by accepted drafts, Ekspo Faktoring pays its exporting clients up to 85% of the draft accepted by the importer or guaranteed by the importer's bank. The transaction may be on a recourse or non-recourse basis depending on the creditworthiness of the debtor company or the guarantor.

Import factoring

Within the scope of import factoring, Ekspo Faktoring provides payment guarantees to its FCI-member correspondents on behalf of its importer clients. Despite the absence of credit insurance in Turkey as of today, Ekspo Faktoring is able to execute import factoring transactions successfully thanks to its vast domestic market experience and knowledge. In addition to import factoring transactions with two factors, Ekspo Faktoring converts cash-against-goods import transactions into term transactions under its guarantee by avalising the drafts drawn on the importers by exporters. The exporter can then opt to receive payment in cash by having these drafts discounted by one of Ekspo Faktoring's foreign correspondents.

Direct factoring

Ekspo Faktoring provides overseas sellers (exporters) with a guarantee without the need for an intermediary correspondent by directly assuming the buyer's risk. Known as direct factoring, this transaction is made possible by Ekspo Faktoring's strong financial standing and its creditworthiness, as well as the fact that it is accepted in financial circles as a bank.

DOMESTIC FACTORING TRANSACTIONS

What are the products you offer your clients in international factoring transactions?

Disclosed factoring

In disclosed factoring transactions, Ekspo Faktoring pays the sellers up to 80% of their invoice receivables against the assignment of the receivables arising from open-account sales on credit to domestic clients. Depending on the creditworthiness of the buyer, the transaction may be on a recourse or non-recourse basis.

Undisclosed factoring

In undisclosed factoring transactions, Ekspo Faktoring offers sellers an advance payments up to 75% of the invoice amounts against assignment of the open-account receivables arising from sales on credit to domestic clients. In these transactions, the seller also can collect the receivables; thus, if they are unpaid, the factor has the right of recourse to the seller.

Assignment of collateralized receivables

In the case of sales on credit by companies to domestic clients against postdated checks and notes, where these are accompanied by invoices, Ekspo Faktoring provides financing on a revolving basis, either by discounting the checks and notes or by making an advance payment of up to 80% of the assigned receivables represented by these checks and notes. Depending on the creditworthiness of the check and note drawers, these transactions may be on a recourse or non-recourse basis.

"The Internal Audit and Financial Control functions are undertaken by specialists in the field and internal audit is carried out according to generally-accepted audit standards. Auditing encompasses not only accounting records but all aspects of transactions, including internal and external correspondence and client relations."

INTERNAL AUDIT AND FINANCIAL CONTROL

What is your structuring regarding internal audit and financial control?

The audit process at the Company is conducted at three levels: Internal Audit and Financial Control, Tax Audit and Independent External Audit. Since the factoring industry has been placed under the supervision of the Banking Regulation and Supervision Agency, these audit procedures that the Company meticulously conducts have taken on greater significance. The Internal Audit and Financial Control functions are undertaken by specialists in the field and the internal audit is carried out according to generally-accepted audit standards. Auditing encompasses not only accounting records, but all aspects of transactions, including internal and external correspondence and client relations. Account reconciliation is carried out monthly with all clients, suppliers, correspondents and other financial institutions.

Ekspo Faktoring's Internal Audit and Financial Control Department conducts document controls for all domestic and international transactions of the clients, contributing to the effort to detect problems before they occur. The Internal Audit and Financial Control Department also reviews quotations generated by the Marketing Department before they are submitted to clients, as well as all transactions executed daily by the Operations Department and the Treasury Department. In addition, the Internal Audit and Financial Control Department reviews and approves all statements and invoices to be sent to clients at the end of each month; examines financial statements and reports, as well as tax statements; conducts physical and system reconciliation of the securities in the portfolio and with the banks; and undertakes the cash count.

The Internal Audit and Financial Control Department generates the Non-Bank Financial Institutions Oversight System reports, which are prepared for and submitted to the Banking Regulation and Supervision Agency every quarter. It is also the Department's responsibility to ensure that these reports are submitted through the data transfer system, and confirmation is received that they are transferred to the database; to conduct macro and microeconomic research; and to formulate annual budget estimates, prepare and report on the budget, and submit it to the Board of Directors. Actual operational results are compared against budget estimates at the end of each month and deviations are calculated. Being close to 100% on target is evidence of the realistic budget alignment at Ekspo Faktoring.

Flexibility and Speed in Service

Flexibility and speed are very important in the financial sector. What is the basis for the Company's competitive edge in this area?

Ekspo Faktoring is guided by its client-oriented and innovative service approach in this area. We constantly undertake efforts to increase quality and speed in our products and services and gain flexibility; we compare our activities with those of similar companies and strive to always be better than the competition. We do not limit our competition with just domestic companies; sometimes we compare ourselves to the world's leading companies such as CIT.

Ekspo Faktoring effectively utilizes alternative service channels as well in order to reach its clients. Through our virtual branch Ekspo Online, we make it easy for our clients to reach Ekspo Faktoring from their offices online and check their accounts. We offer clients priority services such as special account statements and develop applications that enhance the speed and quality of the transactions.

How do you think your competitive edge in this area impacts the Company's performance?

Speed and flexibility are very important in financial products and services. However, bureaucratic practices became increasingly prevalent in the Turkish banking sector in recent years; but the non-financial sector needs the traditional banking approach. As Ekspo Faktoring, we monitor contemporary developments while striving to provide our clients with the flexibility they seek in our services. During the first three months of 2008, we provided our clients with US$ 50 million in new credit opportunities. We aim to raise this figure to US$ 100 million by the end of the year. We are conducting more client calls in an intense effort to accomplish this goal.

Trust of International Financial Markets As a Result of High Credit Ratings...

What is your assessment of the Company's relationships with domestic and international financial institutions?

Ekspo Faktoring developed long-term and permanent relationships based on mutual trust with both domestic and international banks and financial institutions. As a result, the Company has a solid funding capability.

We are very meticulous while choosing the financial institutions we work with. From the beginning we thoroughly assess whether they are large enough to meet the needs of a company of Ekspo Faktoring's size.

Despite the crisis in the global financial markets that resulted from the problems in the U.S. mortgage market, the Company was able to create funding resources at the best possible interest rates and terms thanks to our strong relationships. As of year-end 2007, our available limits at the banks reached nearly US$ 200 million.

The Company does not have any liquidity, interest rate or exchange rate risk exposure. Thanks to its extremely high collection capability, Ekspo Faktoring has ample liquidity to meet all of its liabilities in a short period of time through collections.

Ekspo Faktoring further reinforced its trustworthy and respected standing in the financial markets in 2007 thanks to the favorable term structure of its balance sheet and the high credit ratings it was assigned by independent rating agencies, as well as its brand value.

Budget Discipline

Your company places great importance on budget discipline as a reflection its corporate governance approach. What are the factors that ensure this discipline at Ekspo Faktoring?

We believe that every company needs to have a strategy. In order to continue our growth process within a certain plan, we place great importance on budget discipline. We prepare the budget meticulously at the beginning of the year and we show the same rigor and sensitivity to abide by the budget through the end of the year. We determine every step and decision we will take during the year based on the decisions we have made at the beginning of the year. Although we keep an open mind about revising our decisions based on sector dynamics, we determine the outline at the beginning of the year. Decisions regarding whether to expand the company that year, which areas we will pursue growth in, and what efforts to undertake on a client level are based on the determinations we make after holding meetings with our banks and clients. We analyze deviations from the budget at the Board of Directors meetings and we revise the budget only when absolutely necessary. We make the budget assessments regarding the placements at the Credit Committee and conduct deviation analyses after soliciting the opinions of the Marketing and Risk Assessment departments as well.

"The Company's number of active clients reached 550 in 2007 with a 29% increase. This development shows Ekspo Faktoring's success in acquiring new clients, strengthening market position and rapidly-growing brand recognition. Looking at the company performance from the perspective of client continuity, we see that the share of clients that have been working with the Company for at least three years constitutes 48% of the Company's client portfolio. This ratio is significantly above the sector average and demonstrates Ekspo Faktoring's success in achieving client loyalty."

DOMESTIC TRANSACTIONS

What is your assessment of the Company's domestic transactions in 2007?

Our domestic factoring volume increased 40% in 2007 to EUR 422 million from EUR 301 million in 2006. This increase in our turnover despite the global liquidity crunch and the multiple uncertainties that prevailed in Turkey is a result of Ekspo Faktoring's solid financial structure as well as the lasting relationships we established both domestically and abroad.

The primary factor behind the revenue growth is the short turnaround in collections and the receivables we take over for collection only. We added new clients from brand-new sectors to our portfolio and thus managed to diversify our risk. Thanks to our client-oriented business approach, we developed long-term relationships with the clients in our portfolio. We developed products applicable to the sector and according to the needs of our clients. For example, we lowered the costs of exporting firms by providing funding indexed to exchange rates.

All of our domestic factoring transactions in 2006 were on a recourse basis. Domestically in 2007, we realized EUR 352 million in transactions with recourse, EUR 28 million in collection-only transactions and EUR 42 million in transactions involving discounting of drafts.

Stronger and Permanent Client Relations...

We know that you specifically focus on improving your client relations. What is your assessment of the Company's performance in 2007 in this respect?

We approach our client relations as a basis for investment and a solution partnership for both sides. Our goal is to develop long-term and sustainable client relations. With this perspective, we are striving to offer each of our clients solutions tailored to individual needs. Adopting the principle of standing by its clients under all market and sector conditions, the Company builds its client relations on transparency, respect and mutual efficiency. We pay special attention to having close relationships with our clients, which enables us to monitor our risk closely.

In 2007, we continued our marketing initiatives aimed at reaching more clients and managed to grow our client portfolio and transaction volume.

The Company's number of active clients reached 550 in 2007 with a 29% increase. This development shows Ekspo Faktoring's success in acquiring new clients, strengthening market position and rapidly-growing brand recognition. Looking at the company performance from the perspective of client continuity, we see that share of clients that have been working with the Company for at least three years constitutes 48% of the Company's client portfolio. This ratio is significantly above the sector average and demonstrates Ekspo Faktoring's success in achieving client loyalty.

Factoring not Only Means Financing, But Also Means Assurance.

What difference do you think you make in the sector with Ekspo Faktoring's business conduct? How does this difference impact your accomplishments in achieving client loyalty?

For us, factoring is not limited to financing functions; it also means assurance. Considering factoring service as a whole, the Company offers guarantee and collection services as well as providing financing. We offer liquidity and security to our clients in the same package. Under these circumstances, factoring becomes a long-term relationship based on trust between the Company and the client. In the upcoming period, we will further develop our guarantee services by procuring policies from world-renowned insurance companies.

We are determined to offer our wide range of factoring services with a client-oriented approach and reach more clients. We undertake effective marketing initiatives to identify potential clients. As part of these initiatives and in all areas of factoring, we will continue to meet client demands with our expert and fully-authorized staff and advanced technology infrastructure in a fast manner unburdened by formalities.

INTERNATIONAL ACTIVITIES

With what kind of services do you contribute to your clients' international transactions?

We serve our exporter clients with guaranteed factoring services, with or without advanced payment. Guaranteeing the receivables of export factoring clients through factoring correspondents allows companies to enter new markets much more easily. This also helps us enhance client satisfaction. In addition to the guarantee function, we offer transactions with the advance payment function as well. Thanks to this service, our clients have access to export financing with low-cost funding opportunities Ekspo Faktoring secures from international sources.

What is your assessment of 2007 in terms of international activities?

In 2007, Ekspo Faktoring reached a total foreign trade volume of US$ 117 million, US$ 113 million in export and US$ 4 million in import transactions.

We managed to increase our export transactions significantly in 2007 over the previous year. We grew our total export volume by 38.5% to EUR 77.6 million, from EUR 56 million in 2006. EUR 22.7 million of this amount is export factoring with two factors. Accomplishing cost reductions by procuring the financing and guarantee services from the same source, the Company nearly tripled its correspondent-guaranteed export transactions in 2007 with respect to the previous year. We increased our direct export transactions from EUR 48 million to EUR 55 million. Thus, we realized EUR 23 million in export factoring via correspondents and EUR 55 million directly.

Our guaranteed factoring volume realized through Factors Chain International (FCI) rose from EUR 4.8 million to EUR 22.7 million. Thus, we managed to rise to 12th place among 19 companies in Turkey that are FCI members, a jump of seven spots. In addition to the Company's exceptional performance in reaching low-cost funding resources, the specialized and experienced staff of Ekspo Faktoring played a major role in this accomplishment.

In 2007, we realized US$ 4 million in direct import factoring. Our goal regarding international transactions for 2008 is to concentrate our efforts on import factoring with two factors and become a full member of FCI.

"Thanks to our superior technological infrastructure and proper business processes, we continuously monitor the risk we bear and generate reports that inform the management levels on strategic and daily decisions. The extensive database covering existing and potential clients is being enriched in terms of content, information quality and scope."

RISK MANAGEMENT

How is risk management monitored at the Company?

Ekspo Faktoring employs the most advanced methods of risk management in its sector. We see effective risk management as a primary element of healthy growth. We constantly monitor the risks in the Company's portfolio in the light of various parameters. We develop probability scenarios using various models and manage the placement policy with a dynamic and proactive approach. We are currently expanding efforts to adapt new risk rating systems into the Company in order to monitor risks more closely. As part of these efforts, we are using consulting services from the world's leading risk rating agencies. We will finalize these efforts as soon as possible.

The Risk Committee meets regularly to monitor risks closely. At these meetings, the financial standing of the applying companies is examined in great detail using intelligence on sector conditions, client quality and overall market conditions.

Acting very cautiously in order to ensure high asset quality, Ekspo Faktoring staffed its Risk Assessment Department with experienced bankers who are knowledgeable in the financial analysis methods and techniques used in global banking. Financial analysis and market intelligence personnel in this Department regularly participate in training courses offered by professional training institutions on credit, financial analysis and market intelligence to refresh their knowledge and learn new techniques. Analyses and methods used in credit line decisions are based on the most sophisticated banking systems available. A risk-rating system developed by Ekspo Faktoring's experienced risk managers and executive staff is used to measure client risk. This system facilitates an objective assessment of the credibility of new clients applying for initial credit lines or of existing clients who request additional lines of credit. Such decisions are also analyzed based on balance sheet, intelligence and security at the weekly Asset Quality meetings.

How often does your Risk Committee meet?

We evaluate client requests within two days and present them to the Risk Committee, which meets twice a week. For matters that require more urgent attention, additional committee meetings are held.

What do you pay attention to before risking your capital on a firm?

The liguidity of the company is the most important criterion for Ekspo Faktoring. This is followed by various other criteria such as the company's capital, sector, sector experience of its managers and partners, and its year of inception.

The Company is known for its conservative risk management among clients and financial institutions. Would you explain this further?

We classify exposures by sector and group limits. In addition, we ensure that the risk does not exceed 10% of Ekspo's shareholders' equity. Under some exceptional circumstances, we raise this limit to a maximum of 25% pursuant to a management resolution.

What kind of a risk monitoring and reporting system do you have?

In monitoring risks, the Company's capability to rapidly reach all kinds of information thanks to its technical infrastructure and extensive resources provides a significant advantage.

The Risk Committee meets twice a week on a regular basis to make credit line allocations. Limit Assessment Reports created for each company as a result of financial analyses and intelligence efforts are examined at these meetings. The Limit Assessment Report comprises of a company's strengths and weaknesses, the opportunities presented and the threats it is confronted with based on SWOT analysis. Decisions are made on the limit proposals presented to the Risk Committee as a result of all of these evaluations.

Thanks to our superior technological infrastructure and proper business processes, we continuously monitor the risk we bear and generate reports that inform the management levels for strategic and daily decisions. The extensive database covering existing and potential clients is being enriched daily in terms of content, information quality and scope. Fed continuously with updated information, this database is used not only for limit allocation decisions, but also for devising and implementing marketing strategies. In addition to the export and domestic factoring clients' information, the database contains detailed and complimentary information such as information prepared by correspondents, payment patterns and check drawing performances.

Within the scope of the information bank, in addition to company data, sector information is collected, analyzed and sector limits are determined accordingly. Ekspo Faktoring develops analysis compliant with Basel II criteria to measure market risks; the Company's YTL and foreign currency positions are monitored and reported to the relevant unit and the senior management.

How are your accomplishments reflected in your credit portfolio?

Ekspo Faktoring has a healthy and efficient credit portfolio. The Company's non-performing loans are approximately 1.1% of its total assets. Reflecting one of the lowest non-performing loans ratios in the sector, this situation also clearly demonstrates how successful Ekspo Faktoring is in risk management. Companies tend to work with institutions that have the strength to support them during their difficult times. We believe that the Company instills trust in this respect as well.

To ensure an even distribution of risk, concentration in any one sector is avoided. In accordance with a decision by the Board of Directors, we take great care to not assume risk of over 30% of total placements in a single sector. Also, we make sensitive measurements in determining debtor limits and stand firm in avoiding limit violations.

CORPORATE GOVERNANCE

"We demonstrate the importance we attach to our employees' training by our systematic and extensive training programs. Training initiatives at Ekspo Faktoring are institutionalized under the Ekspo Academy name. Training sessions are designed for and presented to employees at certain intervals at the Company by experts who are experienced in the financial sector and follow banking practices closely. Organized to enhance the personal and professional development of personnel, these training sessions also increase the value added for the Company by the employees."

HUMAN RESOURCES

Would you give us information on your human resources profile and practices for 2007?

The primary factor in the Company's achievements in the sector is our expert, competent and well-equipped human resources. Ekspo Faktoring's main staff is comprised fully of experienced bankers. This gives us a significant competitive edge, as well as respectability in the sector, directly contributing to our success.

As of year-end 2007, the Company had 34 employees. The Company employs contemporary practices in all of its human resources practices including personnel selection, allocation of duties, training and determination of employment terms and conditions.

Ekspo Faktoring stands out in regard to the importance it gives to its employees' training as well. Would you please tell us about the Management Trainee Program of Ekspo Academy?

We demonstrate the importance we attach to our employees' training by our systematic and extensive training programs. Training initiatives at Ekspo Faktoring are institutionalized under the Ekspo Academy name. Training sessions are designed for and presented to employees at certain intervals at the Company by experts who are experienced in the financial sector and follow banking practices closely. Organized to enhance the personal and professional development of personnel, these training sessions also increase the value added for the Company by the employees.

What are your goals for 2008?

We are targeting recruitment of new employees in line with our plans to open branches in 2008. We are also putting new and more concentrated training programs on our agenda based on these new goals.

Corporate Governance

We know that you meticulously focus on a corporate governance approach. What are the primary factors that differentiate the Company from your competitors?

Ekspo Faktoring places great importance on corporate governance and behaves according to clearly-defined corporate governance practices. Seeing corporate governance as the basis for disciplined risk management, the Company operates in a structure as strong as a bank's, with a controlled growth strategy and in an attempt to provide its clients with the best. Due to this perspective, following its assessment by Fitch Ratings for the second time in June 2007, the Company was also assessed by Moody's in September. Ekspo is the first factoring company to be assessed by Moody's. In addition, Ekspo Faktoring is audited by two separate audit companies every year and we change these companies every five years.

Know-how and Expertise

How do you ensure high quality in human resources? How is this quality reflected in your activities?

We select new recruits from among experienced bankers and look for qualities such as expertise, university degree and foreign language skills. We are continually strengthening our staff. These training sessions, either on financial techniques or within a cultural content, are organized in the Company as well as outside the Company, and always taught by experts in the field.



Full Transparency

We know that transparency is one of the Company's core values. What are your tangible practices in this area?

As you know, BRSA suggested that all financial institutions regularly report their balance sheets online in order to instill openness and transparency to the sector. At every quarter of the seven years we have been in existence, we have been disclosing our balance sheets to the public and posting them online. Although we are not a public company, we fully implement all audit and control processes and meet all requirements of BRSA regulations.

High Credibility at International Markets

You have strong international relations. How have you accomplished that?

Ekspo Faktoring has high credibility in international markets as well. We are working with our correspondents through the relationships we developed over many years, from the inception of the Company. In addition to the long-term and permanent cooperation we established with factoring correspondents, we have also formed deep-rooted relationships with foreign banks. Having been assigned a long-term national credit rating of BBB+ (tur) by Fitch Ratings in June 2007 and a rating of Baa1.tr by Moody's in September 2007 further strengthened the high credibility we have established in the international markets.

Capability to Use Technology

You also have a competitive edge in technology in the sector. How do you reflect your use of technology in your services and what kind of advantages does this give you?

Ekspo Faktoring has a plain organizational structure compared to its competitors in the sector. When combined with the competence in using technology, this structure which gives us speed, effectiveness and flexibility provides the Company with a significant competitive edge. Ekspo Faktoring is the most effective user of the internet in the sector in providing services. With our online branch, we are able to provide service to our clients in their own offices.

INFORMATION TECHNOLOGIES

What are the Company's information technology practices?

Focused on providing its clients with effective and fast service, Ekspo Faktoring is a leader among factoring companies with intense and successful use of technology in the service process. As opposed to our plain organizational structure, we have an information technology infrastructure comprised of the latest and most extensive hardware and software in the sector. All of our computer systems were reprogrammed to comply with the Uniform Chart of Accounts. Thanks to this infrastructure, our professional staff can devote all of their time in marketing activities and providing clients a multi-faceted service.

Meeting its information technology requirements through outsourcing, the Company inaugurated its Disaster Recovery Center in Ankara in 2006. In 2007, hardware and software development initiatives of this center were undertaken.

What are the services that Ekspo Online offers clients?

The Company uses a factoring software package produced by a specialist financial software development company. Providing integration between marketing, client services and accounting, this software allows the clients to execute their query transactions on Ekspo Online and view their accounts instantaneously.

The Ekspo Online factoring branch can be reached at the **www.ekspofaktoring.com** corporate website, which allows clients to view their checks in collection, account statements, risk balances and other information online. Our check viewing service, a first in the Turkish factoring sector, was launched in 2005. Thanks to this service, both clients and Ekspo Faktoring can view the checks in the collection stage on a computer monitor and both sides are provided with more effective control.

How prevalent is the use of Ekspo Online among clients?

Offering factoring services at its clients' offices with the most advanced security infrastructure, Ekspo Online is being used by an increasing number of companies thanks to its many features and client-friendly plain structure. The number of Ekspo Online users increased 27% in 2007.

In order to preserve the contemporary nature and client-friendly identity of Ekspo Online, the Company constantly undertakes development and improvement projects and expends efforts to identify client opinions and demands in this respect.

Ekspo Faktoring's Human Resources Policy

serves the establishment in

training and continuity of a staff that is specialized in its business,

that has adopted the client-oriented service approach,

and that produces value-added services for its Company, clients and sector.

Ekspo Faktoring Anonim Şirketi
Financial Statements
31 December 2007
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi
29 February 2008

This report includes 1 page of independent auditors' report and 27 pages of financial statements together with its explanatory notes.

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KPMG

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Yapı Kredi Plaza C Blok Kat 17
Büyükdere Caddesi
Levent 34330 İstanbul

Telephone +90 (212) 317 74 00
Fax +90 (212) 317 73 00
Internet www.kpmg.com.tr

Independent Auditors' Report

To the Board of Directors of
Ekspo Faktoring Anonim Şirketi

Report on the financial statements

We have audited the accompanying financial statements of Ekspo Faktoring Anonim Şirketi ("the Company"), which comprise the balance sheet as at 31 December 2007, and the income statement, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles 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 opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the the Company as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

29 February 2008
İstanbul, Turkey

KPMG Akis Bağımsız Denetim ve SMMM AŞ

Ekspo Faktoring Anonim Şirketi
Income Statement
For the Year Ended 31 December 2007
(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
Factoring interest income		26,996,225	25,654,071
Factoring commission income, net		6,049,834	4,647,477
Income from factoring operations, net		**33,046,059**	**30,301,548**
Interest expense on bank borrowings		(11,812,486)	(11,955,330)
Foreign exchange gains/(losses), net		517,162	(883,264)
Recoveries of/(provision for) impaired factoring receivables	8	(881,645)	465,756
Income after interest expense, foreign exchange losses and recoveries of/(provision for) impaired factoring receivables		**20,869,090**	**17,928,710**
Other operating income		47,739	32,086
Operating profit		**20,916,829**	**17,960,796**
Salaries and employee benefits		(3,921,653)	(3,432,545)
Administrative expenses	5	(1,389,416)	(1,514,172)
Depreciation and amortisation expenses	10, 11, 12	(322,099)	(280,301)
Operating expenses		**(5,633,168)**	**(5,227,018)**
Profit before income taxes		**15,283,661**	**12,733,778**
Income tax expense	6	(3,079,436)	(2,565,254)
Net profit for the year		**12,204,225**	**10,168,524**

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

Ekspo Faktoring Anonim Şirketi
Balance Sheet
As at 31 December 2007
(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

	Notes	31 December 2007	31 December 2006
Assets			
Cash and cash equivalents	7	253,045	506,288
Factoring receivables	8	224,141,545	188,612,058
Other assets	9	127,687	105,567
Investment property	10	774,899	791,534
Property and equipment	11	1,314,040	1,416,642
Intangible assets	12	14,321	20,929
Total assets		**226,625,537**	**191,453,018**
Equity			
Share capital	17	32,500,000	25,000,000
Adjustment to share capital	17	279,326	279,326
Total share capital		32,779,326	25,279,326
Retained earnings	17	2,615,494	1,826,731
Net profit for the year		12,204,225	10,168,524
Total shareholders' equity		**47,599,045**	**37,274,581**
Liabilities			
Bank borrowings	13	75,947,810	86,559,598
Factoring payables	14	101,806,486	66,162,319
Other liabilities	15	527,054	563,688
Income taxes payable	6	601,706	786,679
Deferred tax liabilities	6	49,201	45,860
Reserve for employee severance payments	16	94,235	60,293
Total liabilities		**179,026,492**	**154,178,437**
Total equity and liabilities		**226,625,537**	**191,453,018**
Commitments and contingencies	**19**		

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

Ekspo Faktoring Anonim Şirketi
Statement of Cash Flows
For the Year Ended 31 December 2007

(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
Cash Flows From Operating Activities:			
Net profit for the year		12,204,225	10,168,524
Components of net profit not generating or using cash			
Depreciation	10, 11	315,491	275,410
Amortisation	12	6,608	4,891
Provision for employee severance payments	16	58,447	48
Changes in unearned factoring interest income	8	(217,557)	(105,539)
Changes in factoring interest income accruals		(221,648)	(92,754)
Provision for deferred and income taxes	6	3,079,436	2,565,254
Provision for bad and doubtful factoring receivables	8	1,018,820	333,046
Interest expense/income accrual		(506,784)	478,269
Changes in operating assets and liabilities			
Factoring receivables, payables		(602,110)	(32,490,587)
Other assets		(22,120)	(46,383)
Other liabilities		(823,313)	(807,404)
Employee severance paid	16	(24,505)	(11,861)
Taxes paid	6	(2,474,389)	(1,776,007)
Proceeds from recoveries of bad and doubtful factoring receivables	8	137,175	665,534
Net cash provided by/(used in) operating activities		**11,927,776**	**(20,839,559)**
Investing Activities:			
Acquisition of property and equipment	11	(196,254)	(493,011)
Acquisition of intangible assets	12	-	(11,172)
Net cash used in investing activities		**(196,254)**	**(504,183)**
Financing Activities:			
Bank borrowings		(10,105,004)	17,630,381
Dividends paid		(1,879,761)	(1,402,313)
Net cash provided by/(used in) financing activities		**(11,984,765)**	**16,228,068**
Net decrease in cash and cash equivalents		**(253,243)**	**(5,115,674)**
Cash and cash equivalents at 1 January		**506,288**	**5,621,962**
Cash and cash equivalents at 31 December	**7**	**253,045**	**506,288**

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

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As of and for the Year Ended 31 December 2007
(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

Notes to the financial statements

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Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As of and for the Year Ended 31 December 2007
(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

1 Reporting entity

Ekspo Faktoring Anonim Şirketi ("the Company") was incorporated in Turkey to provide factoring services to industrial and commercial firms and registered to Turkish Trade Registry Gazette on 2 June 2000.

The Company operates in both domestic market and in international markets and factors its without recourse type transactions via its correspondent factoring companies abroad. The Company provides domestic, import and export factoring services to industrial and commercial enterprises in Turkey through its head office in Istanbul.

The Company's head office is located at Ayazağa Mahallesi Meydan Sokak Büyükdere Asfaltı Mevkii Spring Giz Plaza B Blok Şişli-İstanbul/Türkiye.

The Company has 34 employees as at 31 December 2007 (2006: 32 employees).

2 Basis of preparation

(a) Statement of compliance

The Company maintains its books of accounts and prepares its statutory financial statements in New Turkish Lira ("YTL") in accordance with the Turkish Uniform Chart of Accounts, the Turkish Commercial Code and Tax Legislation. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in YTL, which is the Company's functional currency. All financial information presented in YTL is rounded to the nearest digit.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4 – fair value measurement of financial instruments
- Note 6 – taxation
- Note 16 –reserve for employee severance payments
- Note 19 –commitments and contingencies

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As of and for the Year Ended 31 December 2007
(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Accounting in hyperinflationary economies

International Accounting Standard ("IAS") 29, which deals with the effects of inflation in the financial statements, requires that financial statements prepared in the currency of a hyperinflationary economy to be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%.

The cumulative three-year inflation rate in Turkey has been 35.61% at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by Turkish Statistical Institute. This, together with the sustained positive trend in the quantitative factors such as financial and economical stabilization, decrease in the interest rates and the appreciation of YTL against the US Dollars ("USD"), have been taken into consideration to categorize Turkey as a non-hyperinflationary economy under IAS 29 effective from 1 January 2006. Therefore, IAS 29 has not been applied to the financial statements as of and for the years ended 31 December 2007 and 2006.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into YTL at the exchange rates ruling at balance sheet date with the resulting exchange differences recognized in the income statement as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the income statement as realized during the course of the year.

(c) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise factoring receivables, other assets, cash and cash equivalents, bank borrowings, factoring payables and other liabilities.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits, which are measured at cost.

Accounting for financial income and expenses is discussed in note 3(l).

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As of and for the Year Ended 31 December 2007
(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

Factoring receivables and other assets

Factoring receivables are measured at amortised cost less specific allowances for uncollectability and unearned interest income. Specific allowances are made against the carrying amount of factoring receivables and that are identified as being impaired based on regular reviews of outstanding balances to reduce factoring receivables to their recoverable amounts. When a factoring receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, receivable is written off immediately. Subsequent to initial recognition, other assets are measured at cost due to their short term nature.

Bank borrowings

Bank borrowings are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, bank borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings.

Other

Other assets and liabilities are measured at cost.

(ii) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity.

Share capital increases pro-rata to existing shareholders are accounted for at par value as approved at the annual meeting of shareholders.

(d) Investment property

Investment property includes a flat owned by the Company which is property held either to earn rental income or for capital appreciation or for both. Investment property accounted using the cost model, less accumulated depreciation, and impairment losses. Depreciation is recognised in the income statement on a straight-line basis over 50 years. The fair value of the investment property is approximated to the net book value of the related property.

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment acquired before 1 January 2006 are measured at cost restated for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29 less accumulated depreciation and impairment losses. Property and equipment acquired after 31 December 2005 are measured at cost, less accumulated depreciation, and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Furniture and fixtures	5 years
Motor vehicles	5 years

Leasehold improvements are amortized over the periods of the respective leases on a straight-line basis.

(f) Intangible assets

Intangible assets represent computer software licenses and rights. Intangible assets acquired before 1 January 2006 are measured at cost restated for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, less accumulated amortization, and impairment losses. Intangible assets acquired after 31 December 2005 are measured at cost, less accumulated amortisation, and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

(g) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognized in the income statement to the extent that the impairment loss in respect of a financial asset was not recognized in the previous year.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As of and for the Year Ended 31 December 2007
(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

(ii) Non-financial assets

The carrying amounts of the non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Employee benefits

(i) Reserve for employee severance payments

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognized in the accompanying financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Company that may arise from the retirement of the employees.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(i) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) Offsetting

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

(k) Related parties

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties.

(l) Revenue and cost recognition

(i) Factoring interest and commission income

Factoring interest and commission income is recognized on the accrual basis.

(ii) Factoring commission expense

Factoring commission charges are recognized on the accrual basis.

(iii) Other income and expenses

Other income and expenses are recognized on the accrual basis.

(iv) Financial income/(expenses)

Financial income includes foreign exchange gains.

Financial expenses include interest expense on borrowings calculated using the effective interest rate method, foreign exchange losses and other financial expenses.

(m) Income tax

Taxes on income comprise current tax and the change in the deferred taxes. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the balance sheet liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities and assets are recognized when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Company. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Currently enacted tax rates are used to determine deferred taxes on income.

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4 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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.

The estimated fair values of financial instruments have been determined using available market information by the Company, and where it exists, appropriate valuation methodologies. However, judgement is necessary required to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances. Management has estimated that the fair value of certain balance sheet instruments is not materially different than their recorded values due to their short nature. These balance sheet instruments include cash and cash equivalents, factoring receivables, factoring payables, bank borrowings and overdrafts, other assets and other liabilities.

As at 31 December, the carrying amounts and fair values of financial instruments are as follows:

	2007		2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	253,045	253,045	506,288	506,288
Factoring receivables	224,141,545	224,141,545	188,612,058	188,612,058
Other assets	127,687	127,687	105,567	105,567
Financial liabilities				
Bank borrowings	75,947,810	75,947,810	86,559,598	86,559,598
Factoring payables	101,806,486	101,806,486	66,162,319	66,162,319
Other liabilities	527,054	527,054	563,688	563,688

5 Administrative expenses

For the years ended 31 December, administrative expenses comprised the following:

	2007	2006
Rental expenses	256,341	286,893
Consulting fees	239,411	253,890
Travel expenses	193,872	147,190
Promotion fees	97,968	187,836
Communication expenses	95,513	64,420
Vehicle expenses	70,162	55,976
IT related expenses	55,943	51,153
Repair and maintenance expenses	37,598	23,684
Taxes and duties other than on income	32,954	31,880
Subscription fees	32,636	30,680
Utilities	24,065	24,813
Stationary expenses	22,204	21,762
Others	230,749	333,995
Total	**1,389,416**	**1,514,172**

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6 Taxation

At 31 December 2007, corporate income tax is levied at the rate of 20% (31 December 2006: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. There is also a withholding tax levied at a certain rate on the dividends paid and is accrued only at the time of such payments. Some of the deduction rates included in the 15th and 30th articles of the Law no. 5520 on the Corporate Tax, have been redefined according to the cabinet decision numbered 2006/10731, which has been announced at Trade Registry Gazette of 23 July 2006-26237. In this context, withholding tax rate on dividend payments which are made to the companies except those which are settled in Turkey or generate income in Turkey via a business or a regular agent was increased to 15% from 10%.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting 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.

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes. The reported income tax expense for the years ended 31 December are different than the amounts computed by applying the statutory tax rate to profits before income taxes as shown in the following reconciliation:

	2007		2006	
	Amount	%	Amount	%
Reported profit before income taxes	15,283,661		12,733,778	
Taxes on reported profit per statutory tax rate	(3,056,732)	20.00	(2,546,756)	20.00
Permanent differences:				
Non-deductible expenses	(22,704)	0.14	(32,928)	0.26
Effect of change in tax rate	-	-	14,430	(0.11)
Income tax expense	**(3,079,436)**	**20.14**	**(2,565,254)**	**20.15**

The income tax expense for the years ended 31 December comprised the following items:

	2007	2006
Current corporation and income taxes	3,076,095	2,562,686
Deferred taxes on taxable temporary differences	3,341	2,568
Taxation charge	**3,079,436**	**2,565,254**

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In accordance with the related regulation for prepaid taxes on income, advance payments during the year are being deducted from the final tax liability computed over current year operations. Accordingly, the income tax expense is not equal to the final tax liability appearing on the balance sheet.

The taxes payable on income at 31 December comprised the following:

	2007	2006
Taxes on income	3,076,095	2,562,686
Less: Corporation taxes paid in advance	(2,474,389)	(1,776,007)
Income taxes payable	**601,706**	**786,679**

Deferred income tax is provided, using the balance sheet liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the initial recognition of assets and liabilities which effect neither accounting nor taxable profit.

Deferred tax assets (DTA) and deferred tax liabilities (DTL) at 31 December were attributable to the items detailed in the table below:

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Bad and doubtful factoring receivables	1,558	-	13,094	-
Reserve for employee severance payments	18,847	-	12,059	-
Property and equipment, and intangible assets	-	69,499	-	68,840
Bank borrowings	-	107	-	2,173
Total DTA and DTL	**20,405**	**69,606**	**25,153**	**71,013**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts at 31 December, determined after appropriate offsetting, are shown in the balance sheet:

	2007			2006		
	Gross	Offsetting	Net	Gross	Offsetting	Net
DTA	20,405	(20,405)	-	25,153	(25,153)	-
DTL	(69,606)	20,405	(49,201)	(71,013)	25,153	(45,860)
DTL, net	**(49,201)**	**-**	**(49,201)**	**(45,860)**	**-**	**(45,860)**

7 Cash and cash equivalents

At 31 December 2007 and 2006, cash and cash equivalents comprised demand deposits at banks. As at 31 December 2007 and 2006, there is no restriction on cash at banks.

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8 Factoring receivables

At 31 December, factoring receivables comprised the following:

	2007	2006
Domestic factoring receivables	205,618,487	177,256,071
Export and import factoring receivables	19,766,945	12,817,431
Bad and doubtful factoring receivables	2,561,912	1,680,267
Factoring receivables, gross	227,947,344	191,753,769
Unearned factoring interest income	(1,243,887)	(1,461,444)
Allowance for bad and doubtful factoring receivables	(2,561,912)	(1,680,267)
Factoring receivables	**224,141,545**	**188,612,058**

At 31 December, factoring receivables by their current and non-current portions were as follows:

	2007	2006
Short-term factoring receivables	224,124,272	188,612,058
Long-term factoring receivables	17,273	-
	224,141,545	**188,612,058**

The Company has obtained the following collaterals for its receivables at 31 December:

	2007	2006
Customer notes and cheques obtained as collateral	219,365,553	166,298,319
Mortgages	2,076,120	2,901,500
Total	**221,441,673**	**169,199,819**

Movements in the allowance for bad and doubtful factoring receivables during the years ended 31 December was as follows:

	2007	2006
Balance at the beginning of the year	1,680,267	2,146,023
Allowance for the year	1,018,820	333,046
Recoveries of amounts previously provided	(137,175)	(665,534)
Written-off during the year*	-	(133,268)
Balance at the end of the year	**2,561,912**	**1,680,267**

* During 2006, the Company has legally ceased from a portion of the factoring receivable from a customer and have written off that amount.

9 Other assets

At 31 December, other assets comprised the following:

	2007	2006
Prepaid expenses	125,940	104,865
Others	1,747	702
	127,687	**105,567**

Prepaid expenses are related to the prepaid subscription, Banking Regulation and Supervisory Agency ("BRSA") participation fee and, health and vehicle insurance expenses that will be expensed in the subsequent months.

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10 Investment property

Movement of investment property and related accumulated depreciation during the year ended 31 December 2007 was as follows:

	1 January 2007	Additions	Disposals	31 December 2007
Cost				
Buildings	831,731	-	-	831,731

	1 January 2007	Current year charge	Disposals	31 December 2007
Less: Accumulated depreciation				
Buildings	40,197	16,635	-	56,832
Net carrying value	**791,534**			**774,899**

Movement of investment property and related accumulated depreciation during the year ended 31 December 2006 was as follows:

	1 January 2006	Additions	Disposals	31 December 2006
Cost				
Buildings	831,731	-	-	831,731

	1 January 2006	Current year charge	Disposals	31 December 2006
Less: Accumulated depreciation				
Buildings	23,562	16,635	-	40,197
Net carrying value	**808,169**			**791,534**

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11 Property and equipment

Movement of property and equipment and related accumulated depreciation during the year ended 31 December 2007 was as follows:

	1 January 2007	Additions	Disposals	31 December 2007
Cost				
Motor vehicles	1,039,135	-	-	1,039,135
Furniture and fixtures	428,117	31,394	-	459,511
Leasehold improvements	224,055	97,700	-	321,755
Others	625,528	67,160	-	692,688
Total cost	**2,316,835**	**196,254**	**-**	**2,513,089**

	1 January 2007	Current year charge	Disposals	31 December 2007
Less: Accumulated depreciation				
Motor vehicles	609,069	175,684	-	784,753
Furniture and fixtures	215,334	70,223	-	285,557
Leasehold improvements	75,790	52,949	-	128,739
Total accumulated depreciation	900,193	298,856	-	1,199,049
Net carrying value	**1,416,642**			**1,314,040**

Others comprise paintings and other decorative items which are not depreciated.

Movement of property and equipment and related accumulated depreciation during the year ended 31 December 2006 was as follows:

	1 January 2007	Additions	Disposals	31 December 2007
Cost				
Motor vehicles	893,093	146,042	-	1,039,135
Furniture and fixtures	320,003	108,113	-	428,117
Leasehold improvements	224,055	-	-	224,055
Others	386,672	238,856	-	625,528
Total cost	**1,823,823**	**493,011**	**-**	**2,316,835**

	1 January 2007	Current year charge	Disposals	31 December 2007
Less: Accumulated depreciation				
Motor vehicles	460,155	148,914	-	609,069
Furniture and fixtures	150,285	65,049	-	215,334
Leasehold improvements	30,978	44,812	-	75,790
Total accumulated depreciation	641,418	258,775	-	900,193
Net carrying value	**1,182,405**			**1,416,642**

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12 Intangible assets

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2007 was as follows:

	1 January 2007	Additions	Disposals	31 December 2007
Cost				
Rights	101,093	-	-	101,093

	1 January 2007	Current year charge	Disposals	31 December 2007
Less: Accumulated amortisation				
Rights	80,164	6,608	-	86,772
Net carrying value	**20,929**			**14,321**

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2006 was as follows:

	1 January 2007	Additions	Disposals	31 December 2007
Cost				
Rights	89,921	11,172	-	101,093

	1 January 2007	Current year charge	Disposals	31 December 2007
Less: Accumulated amortisation				
Rights	75,273	4,891	-	80,164
Net carrying value	**14,648**			**20,929**

13 Bank borrowings and overdrafts

At 31 December, secured bank borrowings and overdrafts comprised the following:

	2007				2006			
			YTL amount				YTL amount	
	Original Amount	Nominal Interest Rate (%)*	Up to 1 year	1 year and over	Original Amount	Nominal Interest Rate (%)*	Up to 1 year	1 year And over
YTL	58,735,443	17.13	58,735,443	-	72,513,956	21.14	72,513,956	-
USD	3,947,387	7.88	4,597,522	-	3,659,771	8.45	5,144,174	-
Euro	5,130,251	5.82	8,773,755	-	4,611,762	5.87	6,685,999	1,852,678
Other	1,651,442	-	3,841,090	-	131,594	-	362,791	-
Total			**75,947,810**	**-**			**84,706,920**	**1,852,678**

* These rates represent the average nominal interest rates of outstanding borrowings with fixed and floating rates at 31 December 2007 and 2006.

At 31 December 2007, secured bank borrowings and overdrafts included bank overdrafts amounting to YTL 8,167,348. Bank overdrafts result from the time lag between the collections from and payments to the correspondent factoring firms. Export customers factor their export receivables to the Company and in return receive collection service from the Company. Since collection is realized in foreign currency denominated terms, the correspondent factoring firms transfer those funds to the Company's accounts at the intermediary banks. As the Company's correspondent factoring firm approves and collects the amount of factored receivables, the related cash is transferred to Company's account at the intermediary bank.

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14 Factoring payables

As at 31 December, factoring payables comprised the following:

	2007	2006
Domestic factoring payables	91,500,099	58,669,700
Foreign factoring payables	10,306,387	7,492,619
Total	**101,806,486**	**66,162,319**

15 Other liabilities

At 31 December, other liabilities comprised the following:

	2007	2006
Taxes and duties other than on income	385,065	421,684
Trade payables to vendors	107,256	107,160
Social security payables	33,633	34,844
Payable to personnel	1,100	-
Total	**527,054**	**563,688**

16 Reserve for employee severance payments

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of YTL 2,030.19 at 31 December 2007 (31 December 2006: YTL 1,857.43) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

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

International Accounting Standard No 19 ("IAS 19") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees. Accordingly, the following actuarial assumptions were used in the calculation of the following liability at 31 December:

	2007	2006
Expected inflation rate	5%	5%
Expected rate of salary/limit increase	11%	11%
Turnover rate to estimate the probability of retirement	15%	17%

For the years ended 31 December, movements in the reserve for employee severance payments were as follows:

	2007	2006
Balance at the beginning of the year	60,293	72,106
Paid during the year	(24,505)	(11,861)
Increase during the year	58,447	48
Balance at the end of the year	**94,235**	**60,293**

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17 Equity

For the years ended 31 December, movements in equity were as follows:

	Nominal paid-in share capital	Adjustment to share capital	Retained earnings	Net profit for the year	Total equity
Balances at 31 December 2005	**17,500,000**	**279,326**	**2,383,439**	**8,345,605**	**28,508,370**
Transfers	-	-	8,345,605	(8,345,605)	-
Share capital increase	7,500,000	-	(7,500,000)	-	-
Dividend paid	-	-	(1,402,313)	-	(1,402,313)
Net profit for the year	-	-	-	10,168,524	10,168,524
Balances at 31 December 2006	**25,000,000**	**279,326**	**1,826,731**	**10,168,524**	**37,274,581**
Transfers	-	-	10,168,524	(10,168,524)	-
Share capital increase	7,500,000	-	(7,500,000)	-	-
Dividend paid	-	-	(1,879,761)	-	(1,879,761)
Net profit for the year	-	-	-	12,204,225	12,204,225
Balances at 31 December 2007	**32,500,000**	**279,326**	**2,615,494**	**12,204,225**	**47,599,045**

17.1 Paid-in capital

At 31 December 2007, the Company's nominal value of authorized and paid-in share capital amounts to YTL 32,500,000 (31 December 2006: YTL 25,000,000) comprising 32.500.000 (31 December 2006: 25.000.000) registered shares of par value of 1 YTL each. Adjustment to share capital represents the restatement effect of the contributions to share capital equivalent to purchasing power of YTL at 31 December 2005.

At 31 December, the composition of the authorized and paid-in share capital was as follows:

	2007		2006	
	Share (%)	YTL	Share (%)	YTL
M. Semra Tümay	45%	14,625,000	45%	11,250,000
M. Gürbüz Tümay	25%	8,125,000	25%	6,250,000
Murat Tümay	15%	4,875,000	15%	3,750,000
Zeynep Ş. Akçakayalıoğlu	14%	4,550,000	14%	3,500,000
Other	1%	325,000	1%	250,000
Share capital	**100%**	**32,500,000**	**100%**	**25,000,000**
Adjustment to share capital		279,326		279,326
Total paid-in share capital		**32,779,326**		**25,279,326**

The Company decided to increase its paid in share capital from YTL 17,500,000 to YTL 25,000,000, with the Board of Directors' minute dated 16 June 2006. The paid-in capital increase is funded by retained earnings. The paid-in capital increase has been announced on Trade Registry Gazette dated 25 July 2006.

The Company decided to increase its paid in share capital from YTL 25,000,000 to YTL 32,500,000, with the Board of Directors' minute dated 12 November 2007. The paid-in capital increase is funded by retained earnings. The paid-in capital increase has been announced on Trade Registry Gazette dated 19 December 2007.

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17.2 Legal Reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying financial statements, the total of the legal reserves is YTL 2,428,024 (historical) at 31 December 2007 (31 December 2006: YTL 1,851,489 historical).

18 Risk management disclosures

Counter party credit risk:

The Company is subject to credit risk through its factoring operations. The Company requires a certain amount of collateral in respect of its financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers.

At 31 December 2007, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

At 31 December, the breakdown of the factoring receivables by industrial groups is as follows:

	2007	%	2006	%
Textiles	62,455,094	28	64,882,548	34
Metal and machinery	33,525,137	15	26,028,464	14
Tourism	29,619,533	13	9,619,215	5
Media and advertising	16,957,640	8	13,580,068	7
Finance	12,638,382	6	-	-
Construction	12,317,359	5	15,088,965	8
Automotive	10,459,292	5	1,131,672	1
Chemicals and pharmaceuticals	10,342,808	5	25,274,016	13
Manufacturing	10,094,889	4	3,583,629	2
Food and beverage	8,824,676	4	9,430,603	5
Iron, steel, coal and petrol	7,918,542	4	2,640,569	1
Retail	892,513	-	10,750,887	6
Others	8,095,680	3	6,601,422	4
	224,141,545	100	188,612,058	100

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Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or are re-priced at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company's business strategies.

The tables below summarize average effective interest rates by major currencies for monetary financial instruments at 31 December:

	2007			2006		
	USD (%)	EUR (%)	YTL (%)	USD (%)	EUR (%)	YTL (%)
Assets						
Factoring receivables	8.80	7.31	24.41	9.19	8.78	28.06
Liabilities						
Bank borrowings	7.81	5.78	17.11	8.45	5.87	21.14

Interest rate profile:

At 31 December, the interest rate profile of the interest-bearing financial instruments was as follows:

	Carrying Amount	
Fixed rate instruments	**2007**	**2006**
Factoring receivables	130,723,091	78,816,278
Factoring payables	59,375,242	27,647,584
Bank borrowings	53,707,581	67,929,823
Variable rate instruments		
Factoring receivables	93,418,454	109,795,780
Factoring payables	42,431,244	38,514,735
Bank borrowings	22,240,229	18,629,775

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Fair value sensitivity analysis for fixed rate instruments:

At 31 December 2007, a change of 100 basis points in interest rates would have increased or decreased equity by YTL 179 thousand (31 December 2006: YTL 160 thousand).

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at 31 December would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or (loss)	
	100 bp increase	100 bp decrease
2007		
Variable rate instruments	287,894	(287,894)
2006		
Variable rate instruments	526,635	(526,635)

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Foreign currency risk

The Company is exposed to currency risk through transactions (such as factoring operations and bank borrowings) in foreign currencies. As the currency in which the Company presents its financial statements is YTL, the financial statements are affected by movements in the exchange rates against YTL.

At 31 December, the currency risk exposures of the Company were as follows (YTL equivalents):

	2007			
	USD	Euro	Other Currencies	YTL Total
Foreign currency monetary assets				
Cash and cash equivalents	13,845	4,202	1,246	19,293
Factoring receivables	3,808,224	19,540,066	7,772,849	31,121,139
Total foreign currency monetary assets	3,822,069	19,544,268	7,774,095	31,140,432
Foreign currency monetary liabilities				
Bank borrowings	4,597,522	8,773,755	3,841,090	17,212,367
Factoring payables	638,670	9,109,056	3,841,345	13,589,071
Total foreign currency monetary liabilities	5,236,192	17,882,811	7,682,435	30,801,438
Net position	**(1,414,123)**	**1,661,457**	**91,660**	**338,994**

	2006			
	USD	Euro	Other Currencies	YTL Total
Foreign currency monetary assets				
Cash and cash equivalents	16,509	22,363	922	39,794
Factoring receivables	11,731,890	12,244,199	2,300,026	26,276,115
Total foreign currency monetary assets	11,748,399	12,266,562	2,300,948	26,315,909
Foreign currency monetary liabilities				
Bank borrowings	5,144,174	8,538,677	362,791	14,045,642
Factoring payables	7,356,822	3,875,297	1,919,061	13,151,180
Total foreign currency monetary liabilities	12,500,996	12,413,974	2,281,852	27,196,822
Net position	**(752,597)**	**(147,412)**	**19,096**	**(880,913)**

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Liquidity risk

Liquidity risk arises in the general funding of the Company's activities. It includes both risk of being unable to fund assets at appropriate maturities and rates and risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Company has access to funding sources from banks. The Company continuously assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Company strategy.

The following tables provide an analysis of monetary assets and monetary liabilities of the Company into relevant maturity holdings based on the remaining periods to repayment:

			31 December 2007		
Monetary Assets	**Up to 1 Month**	**1 to 3 Months**	**3 to 12 Months**	**Over 1 year**	**Total**
New Turkish Lira:					
Cash and cash equivalents	233,752	-	-	-	233,752
Factoring receivables	64,465,656	86,234,457	42,305,418	14,875	193,020,406
Other assets	127,687	-	-	-	127,687
Total YTL monetary assets	64,827,095	86,234,457	42,305,418	14,875	193,381,845
Foreign Currencies:					
Cash and cash equivalents	19,293	-	-	-	19,293
Factoring receivables	10,393,951	13,903,787	6,821,003	2,398	31,121,139
Total foreign currency monetary assets	10,413,244	13,903,787	6,821,003	2,398	31,140,432
Total monetary assets	**75,240,339**	**100,138,244**	**49,126,421**	**17,273**	**224,522,277**

			31 December 2007		
Monetary Liabilities	**Up to 1 Month**	**1 to 3 Months**	**3 to 12 Months**	**Over 1 year**	**Total**
New Turkish Lira:					
Bank borrowings	49,475,443	9,260,000	-	-	58,735,443
Factoring payables	29,463,172	39,412,314	19,335,130	6,799	88,217,415
Other liabilities	527,054	-	-	-	527,054
Income taxes payable	-	601,706	-	-	601,706
Deferred tax liabilities	-	-	-	49,201	49,201
Reserve for employee severance payments	-	-	-	94,235	94,235
Total YTL monetary liabilities	79,465,669	49,274,020	19,335,130	150,235	148,225,054
Foreign Currencies:					
Bank borrowings	2,937,314	12,980,230	1,294,823	-	17,212,367
Factoring payables	4,538,527	6,071,100	2,978,397	1,047	13,589,071
Total foreign currency monetary liabilities	7,475,841	19,051,330	4,273,220	1,047	30,801,438
Total monetary liabilities	**86,941,510**	**68,325,350**	**23,608,350**	**151,282**	**179,026,492**

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			31 December 2006		
Monetary Assets	**Up to 1 Month**	**1 to 3 Months**	**3 to 12 Months**	**Over 1 year**	**Total**
New Turkish Lira:					
Cash and cash equivalents	466,494	-	-	-	466,494
Factoring receivables	61,905,837	60,529,985	39,900,121	-	162,335,943
Other assets	105,567	-	-	-	105,567
Total YTL monetary assets	62,477,898	60,529,985	39,900,121	-	162,908,004
Foreign Currencies:					
Cash and cash equivalents	39,794	-	-	-	39,794
Factoring receivables	10,020,239	9,797,540	6,458,336	-	26,276,115
Total foreign currency monetary assets	10,060,033	9,797,540	6,458,336	-	26,315,909
Total monetary assets	**72,537,931**	**70,327,525**	**46,358,457**	**-**	**189,223,913**

			31 December 2007		
Monetary Liabilities	**Up to 1 Month**	**1 to 3 Months**	**3 to 12 Months**	**Over 1 year**	**Total**
New Turkish Lira:					
Bank borrowings and overdrafts	44,788,973	25,211,985	2,512,998	-	72,513,956
Factoring payables	20,215,479	19,766,192	13,029,468	-	53,011,139
Other liabilities	563,688	-	-	-	563,688
Income taxes payable	-	-	786,679	-	786,679
Deferred tax liabilities	-	-	-	45,860	45,860
Reserve for employee severance payments	-	-	-	60,293	60,293
Total YTL monetary liabilities	65,568,140	44,978,177	16,329,145	106,153	126,981,615
Foreign Currencies:					
Bank borrowings and overdrafts	2,437,938	8,187,791	1,567,235	1,852,678	14,045,642
Factoring payables	5,015,123	4,903,663	3,232,394	-	13,151,180
Total foreign currency monetary liabilities	7,453,061	13,091,454	4,799,629	1,852,678	27,196,822
Total monetary liabilities	**73,021,201**	**58,069,631**	**21,128,774**	**1,958,831**	**154,178,437**

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19 Commitments and contingencies

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items at 31 December:

Letters of guarantee	2007	2006
Given to legal courts	350,200	90,517
Given to others	560	560
Total	350,760	91,077

At 31 December 2007, the Company has given cheques and notes amounting to YTL 87,107,445 (31 December 2006: YTL 113,299,431) as collateral against the bank borrowings.

20 Related party disclosures

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and their investments are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business. These transactions were carried out on an arms-length basis during the normal course of business.

	31 December 2007	31 December 2006
Other liabilities		
Aktif İnşaat Sanayi ve Ticaret Ltd. Şti.	-	43,498
M. Gürbüz Tümay	-	1,437
	-	44,935
General administrative expenses		
M. Semra Tümay (rent expense)	244,454	275,851
	244,454	275,851

Total benefit of key management for the years ended 31 December 2007 and 2006 amounted to YTL 1,286,381 and YTL 1,361,492, respectively.

21 Subsequent events

None.

Ekspo Faktoring A.Ş.
Meydan Sokak, Spring Giz Plaza
B Blok, Kat: 2 Maslak 34398, Istanbul, Turkey
Tel: (+90 212) 276 39 59 Fax: (+90 212) 276 39 80
e-mail: ekspofaktoring@ekspofaktoring.com

EKSPO
Faktoring A.Ş.

www.ekspofaktoring.com