The Star of Turkey

Galatasaray **Sportif Sınai ve Ticari Yatırımlar A.Ş.**
Annual Report 2002 / Year Ended May 31, 2002

GALATASARAY

2000 UEFA CUP WINNER/SUPE


ER CUP WINNER

"... It seems your game is very similar to our war games. Your task also requires knowledge of strategy and skills for commandment."

Kemal Atatürk

(Talking to Gündüz Kılıç on football)

contents

Financial Highlights

(TL billions)	May 31, 2002	May 31, 2001
Current Assets	38,341	34,291
Liquid Assets and Marketable Securities	28,208	9,644
Fixed Assets	144	126
Short-Term Liabilities	1,531	1,941
Long-Term Liabilities	610	3
Capital	2,035	1,150
Networth	36,953	32,475
Total Assets	38,485	34,418
Net Sales	36,442	36,087
Net Profit	34,500	29,914

Football, already the most popular sport in Turkey, has attracted increased interest after Galatasaray's and the national team's achievements in international competitions.

Galatasaray

A Specialty Marketing Management Company

Galatasaray Sportif Industrial and Commercial Investments, Inc., or simply Galatasaray Sportif, was established in November 1997 as a specialty media marketing company to manage Galatasaray Sports Club's brand marketing operations related to the professional football team in line with the Club's strategy to separate management of the football team and its commercial operations.

Between 1996 and 2000, the Galatasaray football team had a very impressive performance by winning the Turkish Super League Cup five years consecutively and the Turkish Cup twice. The most important international victory came in the year 2000 when Galatasaray became the first Turkish team to win the UEFA Cup and the UEFA Super Cup - clearly solidifying its status as the best-known Turkish football team globally.

However, these football success stories did not reflect on either the revenue or the profit generated by the commercial activities. The growing competitiveness of the sports business worldwide and the changing landscape of media and entertainment industry, forced the Club to transform its commercial activities into a professionally managed business. As a first step, two private equity funds sponsored by American International Group, AIG Blue Voyage Fund and AIG Global Sports and Entertainment Fund (AIG Funds), became associated with the Company in 2000. Subsequently, Galatasaray Sportif was reorganized with a revised strategy developed in cooperation with the AIG Funds, to maximize its commercial revenue from various marketing and advertising activities.

This revised strategy was based on four pillars:

(i) The transfer of all media, advertising image and marketing rights relating to the Club's football team to Galatasaray Sportif;
(ii) An investment by the AIG Funds to Galatasaray Sportif to provide liquid capital to the Club to further strengthen its operations,
(iii) The formation of a professional management team within Galatasaray Sportif aided by AIG Funds and an international sports marketing company and segregating Galatasaray Sportif's operations as an independently managed specialty media marketing company, and
(iv) The exploitation of Galatasaray Sportif's rights to develop a progressively growing operational and hence financial performance.

Therefore, in November 2000, the Club transferred all of the Professional Football Team's media, advertising, image and marketing activities to Galatasaray Sportif.

To date, the first three objectives of this strategy have been achieved. Since November 2000, the Company has generated revenue from a diversified portfolio of commercial rights, including such items as media rights, merchandising, sponsorships and advertising. Moreover, AIG Funds became minority shareholders in Galatasaray Sportif and have been a driving force behind the Company's adherence to internationally accepted corporate governance principles.

As part of the process of being a professionally-run organization, in August 2001, Galatasaray Sportif signed a management agreement with UFA SPORTS GmbH, whereby UFA SPORTS became exclusively responsible for all sales and marketing activities of the Company until the end of the 2004/05 season. With the merger of UFA SPORTS with Sport + and Groupe Jean-Claude Darmon in December 2001, the Company's management partner became SPORTFIVE, now one of the leading sports marketing companies in the world.

The principal activity of Galatasaray Sportif is to operate all commercial activities in relation to the Galatasaray Professional Football Team, which include primarily media, marketing, licensing and advertising activities but exclude the collection of gate receipts. Company revenue is based on medium-term contractual agreements and costs consisting of personnel expenses, licensing and leasing fees paid to the Club and the management fee paid to SPORTFIVE.

The principal activity of Galatasaray Sportif is to operate all commercial activities in relation to the Galatasaray Professional Football Team, which include primarily media, marketing, licensing and advertising activities but exclude the collection of gate receipts.

The particular focus of Galatasaray Sportif is not to be a football club management company, but rather a "specialty media marketing company" managing rights of the only truly global brand of Turkey, which is associated with the Galatasaray Sports Club and the 500-year old Galatasaray Community. Hence, in contrast to listed football clubs operating in the arena of European football, Galatasaray Sportif as a marketing company is not engaged in:

(i) The trading of players, which generates unpredictable income and may result in loss to investors,

Sportif

(ii) Football activities such as recruitment, compensation and management of players, or
(iii) Management of the stadium.

This business model allows the Company to have a more steady and predictable cash flow, since it is less sensitive to the sportive performance of the football team compared with other similar companies, but rather focus on maximizing the exploitation of the Galatasaray brand name, the widely recognized and leading brand of Turkey.

The strength of the Galatasaray brand has also been demonstrated through independent research. According to a brand asset valuator survey conducted by Young & Rubicam in 2000, Galatasaray was ranked as the fourth most valuable brand, with a strong potential to increase its brand value.

Another very important asset of the Company is its captive loyal fan base accounting for 35.9% of the football supporters or 14 million adults in Turkey, according to a survey conducted by Strateji Mori in 2001. Galatasaray's success both in the Turkish Super League and international competitions in the 1990s has already insured that a larger portion of the younger generation has joined Galatasaray's fan base.

Galatasaray is not only a household name in Turkey, but has also gained international recognition as a result of its success in European Football Competitions and has captured the hearts of non-supporters. According to a survey conducted by SPORTFIVE in 2002, in Germany, Italy, England, Spain and France representing a base of 170 million people interested in football, 61% readily recognized the name of Galatasaray, well ahead of reputable European teams such as Leeds, Bordeaux, Hertha Berlin, etc. Also 13% of the people surveyed stated that they have a clear image of Galatasaray and 11% stated that they liked the team, which translates into 18.7 million people, not including Turkey.

The recent sporting success of Galatasaray also made it the most valuable media content in Turkey. Of the top 25 rated TV programs in 2001, 11 were football matches - 10 of which were Galatasaray matches.

Equipped with the marketing rights of the most valuable brand in Turkey and dynamic professional management with a focus on maximizing the commercial potential of the Galatasaray brand, the Company is best positioned to take a larger share of the fast growing media marketing industry.

Powers behind the “Galatasaray” brand name

History and Overview

Established in 1905 by a group of students from Galatasaray High School, the Club has become the leading sports club in Turkey based on the number of its supporters and international successes. However, the roots of the Club go back to 1481 when the school was established as the “School of the Sultans”. Since then, Galatasaray has been the pioneer of not only Turkish sports but also has contributed significantly to the Turkish educational system. The graduates of Galatasaray High School and now the Galatasaray University have always been on the forefront of the Turkish political and economic scene; they have also held leading positions in the business world. The distinguished Galatasaray Community provides a unique resource for the Club and the Company.

The Club is actively involved in 12 different branches of sports with a total of 764 athletes including; professional and amateur football, basketball, volleyball, athletics, swimming, water polo, rowing, sailing, judo, table tennis, bridge and equestrian events, but it is football that has brought the Club the most recognition.

Galatasaray Sports Club is a non-commercial association, where day-to-day operations are overseen by a Board of Directors that has been chosen by and from among the General Assembly of the Club. At the end of 2001, the Club had approximately 8,000 members and over 100 supporter organizations.

The Club was awarded the ISO 9002 Certificate in 1998, becoming the first sports club in Turkey and the third sports club in Europe to have been granted such a certificate. The revenue sources of the Club include the sale of seasonal tickets and gate receipts from Ali Sami Yen Stadium, media and advertising rights from sports branches other than football, Company’s dividends, trading of football players and athletes, membership fees, revenue from social facilities and other contributions. The total revenue of the Club was US$ 55.6 million in 2000 and US$ 62.2 million in 2001. The Club ranked 30th in Deloitte & Touche / Football Business International’s “Football Rich List” for the 1999/00 season.

The Club owns 63% of Galatasaray Sportif shares and is represented by six members on the Board of Directors.

The Professional Football Team

Since its foundation, football has been the principal sports activity of the Club. Galatasaray is one of the most successful professional football teams in both Turkey and Europe and the winner of numerous championships. The Team's previous trainers, such as Jupp Derwall, Mustafa Denizli, Siggi Held, Graemme Souness, Mircea Lucescu and Fatih Terim have all greatly contributed to the success of Galatasaray.

In the 1999/00 season, Galatasaray became the first ever Turkish football team to win the UEFA Cup. The Team consequently went on to win the UEFA Super Cup, after having won the Turkish Super League Cup for the fourth time in a row. The strong success of Galatasaray was recognized internationally as the Team climbed to the top of the rankings by International Federation of Football History and Statistics (IFFHS) in January 2001. Currently, the Club ranks sixteenth according to the IFFHS.

Galatasaray is the only Turkish football team and one of five European teams to compete in the Champions League for the seventh time since the initiation of the league in the 1992/93 season. Complementing its triumphs in European competitions, Galatasaray was the dominating team in the Turkish Super League and the Turkish Cup games in the last decade. These achievements in the last ten years and the total number of championships since the initiation of the respective competitions are presented in the table below:

Number of Championships by Galatasaray Football Team

Competition	Total Number of Championships	Championships in the Last Decade
Turkish League	**15**	**7**
Turkish Cup	**13**	**4**
Atatürk Cup	**10**	**4**
UEFA Cup	**1**	**1**
Super Cup	**1**	**1**
Total	**40**	**17**

Source: Turkish Football Federation

These results outdistance the success of the Team's closest competitors.

The Fan Base

Football, already the most popular sport in Turkey, has attracted increased interest after Galatasaray's and the national team's achievements in international competitions. Galatasaray is the most successful football team in Turkey and is rapidly ascending in European rankings, attracting a widespread fan base from all over Europe.

There are about 38 million adult football fans in Turkey, 60% of whom actively follow the competitions through the media. A recent survey in 2001 revealed that 79.6% of the total population in Turkey were football team supporters. Among these fans 35.9% (14 million people) were Galatasaray fans making it the football team with the highest number of supporters in Turkey. In the survey, 6.3% of supporters declared that they had made donations to their teams and 70.8% watched the matches on the TV at home. Coffee shops and bars (19.9%) and the stadium (4.7%) were other places where matches were viewed.

These figures evidence the presence of vast commercial opportunities for Galatasaray Sportif in a country where football is the most favored sporting activity. In addition to Turkey, there is also a significant fan base in the Turkic Republics and in European countries with sizeable Turkish populations such as Germany, Belgium, Switzerland and the Netherlands.

Another indicator of the strong support for Galatasaray is the number of hits its web site is attracting. The official web site of the Club (Galatasaray.org) is visited by approximately 11,000 visitors every day who spend an average of nine minutes viewing the site. The average number of pages viewed in a day is close to 49,000.

Message from the Board of Directors

As we complete another successful year for the Company, we are full of mixed emotions. Our country did not have a 'season' as successful as ours. Even though we experienced economic difficulties last year, each of Galatasaray Sportif's business units recorded considerable success. Our strong brand, Galatasaray, was further strengthened and recognized with the success of the Professional Football Team both in UEFA Champions League competitions as well as its 15th championship in the Turkish Super League, which gave us the third star. The great success of the National Team in the World Championship also contributed positively to the love of football in Turkey. We continue to have the strongest fan base around our brand name; more than one-third of all football fans in Turkey are Galatasaray supporters.

The IMF-supported economic program, in effect since the beginning of 2000, aimed at reducing inflation to one-digit figures by the end of 2002. It, therefore, controlled the money supply in markets and allowed for no extra liquidity. Growing concerns over FX rates accumulated until February 2001 when a major crisis broke. At that time, it was obvious that the program was no longer sustainable and the government declared an end to the currency pegging system in favor of a floating FX system. As a result, Turkey saw a major devaluation of its currency bringing almost all markets, financial and commodity, to a complete halt.

During the summer months of 2001, the optimism that had started to return was dashed to the ground when history's most brutal terrorist attacks hit the USA. Strangely enough, these attacks placed Turkey in a vitally important position - in the middle of the world's geo-political map. The IMF and the United States extended additional economic support to Turkey, helping to resist concerns over a possible default in the domestic debt.

As we entered 2002, expectations for an improved economy again have risen with a relatively consistent coalition government, which acted rather firmly with regard to economic matters, despite differing political views. As capital markets stabilize and banks strengthen their capital bases, economic growth will resume after a long cessation. This will mean an increase in our stock price and consequently an increase in our market cap.

We have some unique characteristics that give our Company strong competitive power that no other publicly-traded company or similar specialty marketing management company in the world possesses. Our major competitive strengths are; the strong Galatasaray brand name, a unique revenue model with lower earnings volatility, professional sports marketing management, cash generating business, corporate tax exemption and strong ratings for Galatasaray's media content. We also possess a strong revenue stream independent of the success of the football team and Club activities.

As we look toward a new commercial year, we expect to achieve further growth in our business and post even better results as the economy improves. Our Company's strengths are obvious and we have every intention of exploiting these strengths to their fullest to benefit our shareholders while also maximizing sponsor satisfaction in their association with the Galatasaray brand name.

As the Board of Directors, we would like to express our gratitude to the senior management, our employees and our sponsors who relentlessly try to turn opportunities into positive economic results and - last but certainly not least - to all of our Galatasaray supporters and investors.

Özhan Canaydın
Chairman


GALATASARAY
LISESI

"Our goal is to play collectively like the English, to own a name and colors and beat foreign teams."

Ali Sami Yen, Founder

We have exclusive rights to sponsorship revenue derived from the football team and the Galatasaray brand. The wide Galatasaray community and the fan base in Turkey and abroad attract an increasing number of high profile sponsors seeking an association with the brand.

Management Statement

The new strategy of Galatasaray Sportif has started to produce benefits in spite of all the difficulties the Turkish economy faced this past year. Previously, Galatasaray's great success in football could not be converted into revenue or profit. Following the implementation of a set of new strategies, developed in cooperation with AIG Funds;

- The Club transferred all media, advertising image and marketing rights relating to the Professional Football Team to Galatasaray Sportif,
- AIG Funds became minority shareholders in Galatasaray Sportif and provided capital to the Club to further strengthen its operations,
- A professional management team within Galatasaray Sportif was formed with the aid of AIG Funds and SPORTFIVE, and
- Galatasaray Sportif's rights to develop a progressively growing financial performance were better exploited.

To date, all of these objectives under the new strategy have been fully achieved. Since November 2000, the Company has generated revenue from a diversified portfolio of commercial rights, including such items as media rights, merchandising, sponsorships, advertising and a portion of the football team's performance fees from international competitions. The involvement of AIG Funds has been the driving force behind Galatasaray Sportif's transformation into a more commercial, professional and institutional organization.

Our commitment to create a truly-independently managed, institutional specialty media marketing company continued throughout the year. In August 2001, we signed a management agreement with SPORTFIVE (former UFA SPORTS) to manage the media, advertising image and marketing rights whereby SPORTFIVE became exclusively responsible for all sales and marketing activities of Galatasaray Sportif until the end of the 2004/05 season. SPORTFIVE has brought international expertise in sports marketing to our strong brand name with a focus on maximizing sponsors' benefits and satisfaction while capitalizing on the strength of the brand to increase the revenue of our Company.

Another major development this year was the Initial Public Offering of Galatasaray Sportif, which fulfilled several of our objectives. In an effort to utilize the capital markets to further solidify the financial structure of the Club and also take one more step toward becoming a transparent institutional organization, the Club sold 16% of its shares in February 2002. As a result of this successful offering, we added very reputable international institutional investors to our shareholder base, which showed an incredible interest in the unique company model that we have managed to successfully implement. International investors purchased 65% of the shares sold in the IPO. We have also managed to provide another platform for the Galatasaray Community and our supporters to participate in the future of Galatasaray by buying shares in Galatasaray Sportif and becoming a shareholder in this highly profitable company.

We have exclusive rights to sponsorship revenue derived from the football team and the Galatasaray brand. The wide Galatasaray community and the fan base in Turkey and abroad attract an increasing number of high profile sponsors seeking an association with the brand. With SPORTFIVE's unmatched experience and know-how, we have already added many notable international names to our sponsors list. We strive to expand this list of sponsors through innovative schemes in the near future.

We come from a deeply-rooted tradition of sportsmanship. This means 'fair play' in all of our business dealings. We adhere to a prudent, yet dynamic management style and are geared toward results. At the end of the fiscal year (May 31, 2002), our financial statements prepared and independently audited according to the IAS, show assets totaling TL 38,484 billion with TL 36,953 billion in shareholders' equity. Our profit after tax was TL 34,500 billion out of a net sales revenue of TL 36,442 billion.

As the managers of Turkey's most reputable and best known brand, we would like to thank our shareholders who have continued to support us during this difficult year in a way very similar to how they support their team; with determination and exuberance.

Ebru Köksal
General Manager

Bernd Schauz
Managing Director

Review of Operations

New Strategy

Galatasaray Sportif's primary strategy is to maximize the monetary value of its media advertising image and marketing rights. The Company has the potential to further develop its revenue base mainly because;

(i) The rights that belong to the Company were underutilized due to the lack of a strong and focused marketing team before the formation of the new management and the underdeveloped nature of sports sponsorship concept in Turkey;

(ii) Despite the existence of a sizeable Turkic and Turkish-speaking population in Europe, Central Asia and the Caucasus, these are markets whose potential has yet to be exploited;

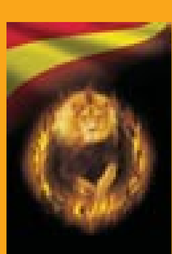
(iii) The recent success of the Turkish National Team in the World Cup further increases the existing popularity of football in Turkey as the most favorite entertainment source.

Prior to the reorganization of the Company, the maximum potential of the strong Galatasaray brand remained untapped due to a lack of professional and technical expertise in brand management. The new strategy involves an international sports marketing company, which assumed the exclusive management of the sales and marketing operations of Galatasaray Sportif. After reviewing several different alternatives, UFA SPORTS, which was then merged with Sport + and Groupe Jean-Claude Darmon to become SPORTFIVE, one of the largest sports management companies in the world, was appointed as an integral part of the Company's management team in August 2001. While the financial merits of the Galatasaray / SPORTFIVE partnership will become much more evident in the coming seasons, SPORTFIVE has already been instrumental in the development and implementation of a strategy to reach Galatasaray Sportif's goal of maximizing the economic value of its media advertising image and marketing rights while increasing sponsors' satisfaction of the association with the brand name.

Effective packaging and bundling of rights

Previously, the Company sold its rights (i.e. advertising rights, sponsorship rights, etc.) for the most part, separate from each other, enabling advertisers and sponsors to 'cherry pick' the rights they desired. In this structure, some of the rights remained unexploited, while the Company could not control its marketing activities and had less influence on the positioning of the Galatasaray brand. The new SPORTFIVE approach professes just the opposite - a package deal where the Company proactively bundles and markets all of its rights.

operations



Galatasaray Sportif's primary strategy is to maximize the monetary value of its media advertising image and marketing rights.

Through SPORTFIVE's expertise, Galatasaray Sportif is providing alternative attractive marketing packages to sponsors with different budgets and communication targets. In addition, this process is enabling the differentiation of sponsor categories and leads to the formulation of a sponsorship pyramid consisting of a main sponsor, technical sponsor, exclusive partners, official partners and suppliers and regional partners. At the same time, since all rights are exploited through such sponsorship packages, the Company is able to optimize its sales and sponsors' utilization of the brand image.

Emphasis on sponsor satisfaction and long-term relationships

As the Company did not have a professional marketing team prior to SPORTFIVE, sponsor relationships have not been effectively developed. Existing and potential sponsors were only contacted prior to the termination of contracts. With the implementation of the SPORTFIVE approach, Galatasaray Sportif is aiming to attain constant and consistent sponsor satisfaction in order to establish long-lasting partnerships rather than one-shot advertising deals. In constant communication with its sponsors, Galatasaray Sportif undertakes contractual obligations and aims to fully deliver them. In addition, the Company is a steady source of additional ideas to its sponsors helping them to maximize revenue potential from each such sponsorship. At the same time, the Company is constantly searching the market for alternative sponsors rather than waiting for the termination of existing contracts.

Exploiting the value of the Galatasaray brand globally

Galatasaray Sportif aims to leverage the success of the football team to build a powerful global brand. Its recent achievements in domestic and international competitions have expanded the number of the Club's fans and further improved the global visibility of the Galatasaray brand. In Central Asia and Europe with sizeable Turkic and Turkish-speaking populations such as Germany, Belgium, Switzerland and the Netherlands, there are many devoted Galatasaray fans. With SPORTFIVE, the Company aims to exploit the currently untapped potential of Galatasaray in other markets, with specific emphasis on generating new business from media and merchandising rights.

Enhancing communication channels with the Galatasaray Community and the fan base

The Company is launching several new projects to provide better access to the Galatasaray Community and the captive loyal fan base in Turkey and abroad. As a first step, Galatasaray Magazine was launched in June 2002 and has been met with significant demand and has become the most widely circulated magazine with over 50,000 copies sold. Another important

media for communication with the supporters has been Galatasaray.org, the official web site of the Galatasaray Community. Approximately 340,000 visitors visit the site every month. Re-launch of the official Internet site with significant added features is also a priority project for the Company, which will further strengthen its links with the Galatasaray Community and the fan base.

Increasing licensing revenue from merchandising and name rights

Galatasaray Sportif, through its licensees, is establishing main product categories for selected target groups at different price levels and is working to ensure that new products are launched and marketed by licensee companies on a regular basis. Additionally, the Company launched a campaign against counterfeit products jointly with the other major sports clubs in Turkey aiming to reduce the share of these pirated products in Galatasaray branded merchandise. Galatasaray Sportif's strategy is to continue to fight against counterfeit products by providing better value propositions to the target market through enhanced distribution channels and customer information and also when and where necessary, asserting the Company's legal rights in full.

Use of the Ali Sami Yen Stadium as the outlet for launching the Galatasaray image

In the past, Galatasaray Sportif used to outsource the sale of its perimeter and in-field advertising rights at the Ali Sami Yen Stadium, the official football stadium of the Club, limiting control over this area in and around the stadium. This situation, most importantly, made it difficult to implement certain Company sponsorship concepts and maintain the exclusivity of the sponsors. In addition, there were many areas of the stadium that could have been exploited further for additional revenue. With the new SPORTFIVE approach, the Company is actively managing all advertising and sponsorship rights to the Ali Sami Yen Stadium. The sponsors in the sponsorship pyramid will be represented in an exclusive way at the stadium; thus the Galatasaray brand will be more actively controlled, creating an environment that will facilitate optimized, disciplined and focused customer-oriented marketing.

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Competitive Strengths

Strong brand name

The Galatasaray brand is the strongest national brand in terms of recognition and vitality in Turkey according to the latest "Brand Asset Valuator" survey conducted between July and October 2000. This survey, covering 500 leading national and international brands in Turkey, was conducted by Young & Rubicam, a global marketing and communication firm. The strength of the brand stems from the heritage and history of Galatasaray with roots back to the establishment of the distinguished Galatasaray School in the 15th century. The Club was also among the first to participate in Turkish football beginning in 1905. The legacy of Galatasaray has been further enhanced by the recent domestic and international sportive successes of the football team. The many championships and cups won have attracted a significant number of supporters and have positioned Galatasaray as the leading sports club in Turkey.

Unique revenue model with lower earnings volatility

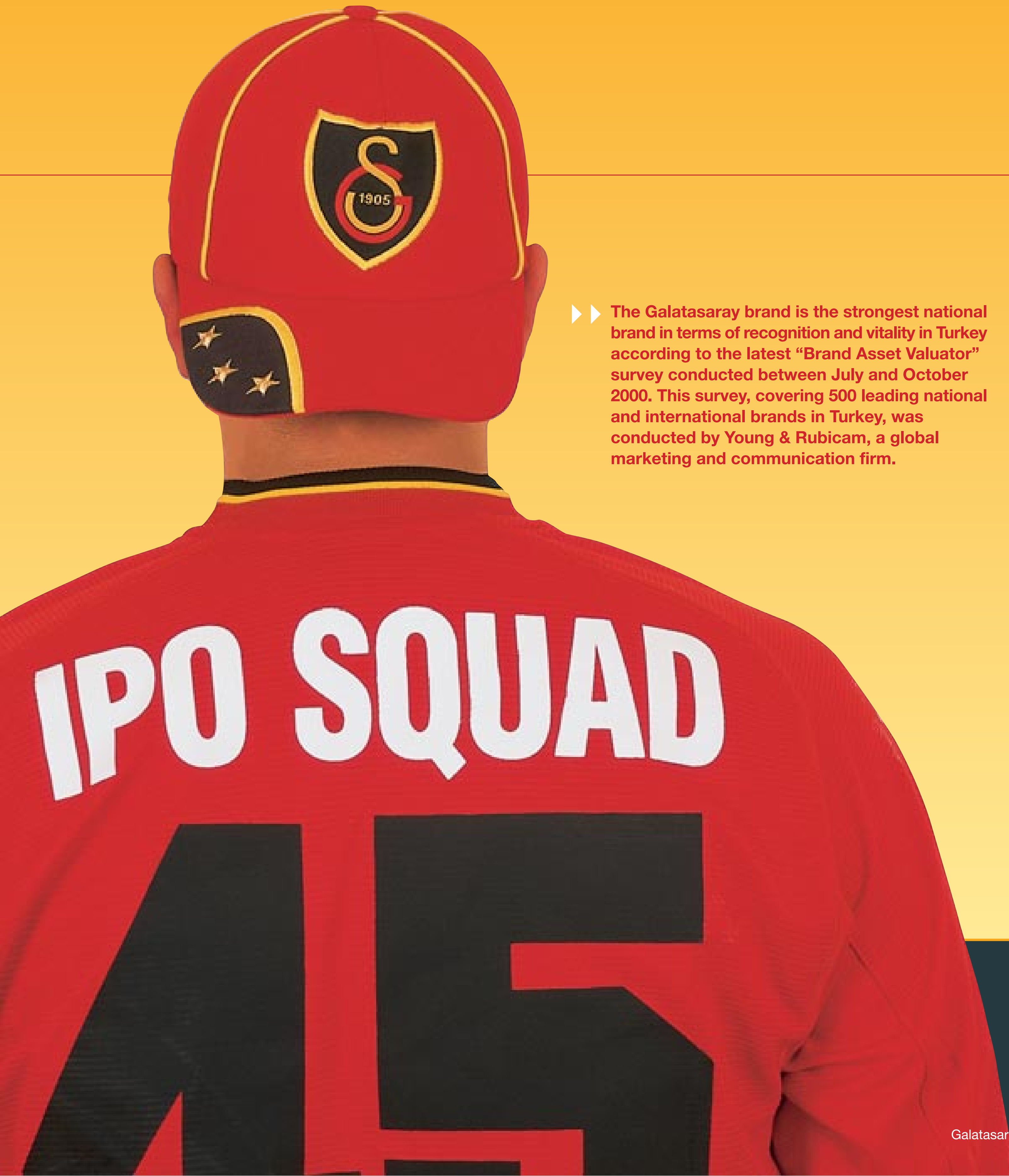
The majority of Galatasaray Sportif's revenue flow is made up of media and advertising interests, whereas the revenue of its European peers includes trading of players and gate receipts, which are vulnerable to the performance of the football team and create uncertain trading income and loss. In addition, Galatasaray Sportif's costs are much less than that of its European peers, as it does not include the compensation of football players and technical personnel. The Company's flow of revenue is therefore more predictable and consistent. The revenue is based on medium and long-term contractual agreements, which by nature are less sensitive to the sportive performance of the football team, as opposed to gate receipts, transfer revenue and compensation related to the Team.

Professional sports marketing management

In August 2001, Galatasaray Sportif agreed to outsource its sales and marketing management operations to UFA SPORTS. After UFA SPORTS' merger with Groupe Jean-Claude Darmon and Sport + on December 18, 2001, the new company, SPORTFIVE, has become one of the largest sports marketing agencies in the world with offices in Germany, England, France, Italy, Brazil, Poland and Malaysia and recently in Turkey. Its post-merger client portfolio of football clubs and companies includes numerous names from across the globe where football is a popular sport. Galatasaray Sportif believes that SPORTFIVE, with its expertise in sports management and its international contacts, is ensuring that the Company leverages the strength of the brand to maximize its revenue potential not only in Turkey, but also worldwide.

Cash generating business and attractive dividend flow

The nature of Galatasaray Sportif's business is structured such that it generates a strong cash flow, given its revenue and its low cost base. Furthermore, the Company's operations do not require any significant amount of working capital or investments. The Company generates significant cash profits, which have historically been distributed as dividends.



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Corporate tax exemption

In accordance with Article 7/8 of Turkish Corporation Tax Law, joint stock companies engaged exclusively in training and sports activities are exempt from corporate tax liability, as long as they are engaged in such activities. This tax would otherwise be levied at a rate of 33% on taxable income. The Ministry of Finance confirmed, in its letter dated October 8, 2000, No. 42539, that companies involved only in training and sports activities including stadium and rent income, copyright income, income from radio and television broadcasting, income from jersey and stadium advertisement and sponsorship income would qualify for the corporate tax exemption.

Through the lease agreement signed between Galatasaray Sportif and the Club, the Company is engaged in sports and training activities and other activities that are deemed components of the sports and training activities. Thus, Galatasaray Sportif does not pay any corporation taxes on its earnings, while investors receive their dividends in Turkey net of withholding tax of 5.5% on distributed dividends.

Strength of shareholders

The Galatasaray Club owns 63% of Galatasaray Sportif's shares. The Club's association with the 500-year old Galatasaray Community, including the Galatasaray High School and the Galatasaray University, two distinguished educational institutions, ensures a continuous influx of new supporters and target audience and customers for brand name-associated media exposure and merchandising. In addition, the Club's highly reputable and respected members from the business community and politics enhance the Club's influence in Turkish society.

AIG Blue Voyage Fund and AIG Global Sports and Entertainment Fund, two private equity funds sponsored by American International Group Inc., one of the world's largest insurance and financial service organizations with year-end 2001 assets of approximately US$ 492 billion and a market capitalization of approximately US$ 207 billion, hold an aggregate stake of 21.05% in Galatasaray Sportif. The expertise of the managers of AIG Funds in financial management and the active approach in the strategic management of the Company contribute to the further institutionalization, improved corporate governance and the financial discipline and transparency of Galatasaray Sportif.

Strong ratings for Galatasaray's media content

A large and growing number of fans have increased media and sponsorship interest. Today, football games are the top rated programs in the Turkish television market. Of the most popular 25 programs in 2001, based on television ratings, 11 were football match broadcasts, of which 10 were Galatasaray's games. Therefore, the Company is well positioned to benefit from opportunities arising from developments in the Turkish media sector, due to its position as a primary content provider for the media industry. Such ratings have been built over time due especially to the success of the football team.

According to the 'Soccer Fans Survey' conducted in May 2001 by Strateji Mori, an affiliate of Mori & Iris network, 35.9% of the interviewees supported Galatasaray, while the nearest team was supported by 31.6%. The survey also revealed that Galatasaray was a strong brand among men and women equally. For other football teams, the fans were mainly men. There were no perception differences toward Galatasaray among diverse socio-economic groups and men of different ages. For competitors, perceptions varied at different social and age groups.


1905

In effect since November 1, 2000, Galatasaray Sportif has exclusive rights to the proceeds from media revenue relating to domestic and international competitions associated with the football team.

Attractiveness of the Ali Sami Yen Stadium as a Media Platform

The Company generates advertising and sponsorship revenue from the Ali Sami Yen Stadium, which is located in Mecidiyeköy, a central business district of Istanbul with significant pedestrian and vehicle traffic. The Ali Sami Yen Stadium provides an important outlet for Galatasaray Sportif to launch its sponsorship and advertising-related activities.

Lean organizational structure

The Company has a lean organizational structure while it leverages an extensive network of resources and professionals to effectively manage its operations. The financial and administrative tasks are performed in-house and all sales and marketing activities associated with the media, advertising image and marketing rights of the Company are coordinated and handled by SPORTFIVE.

The management reports to the Board of Directors, consisting of members appointed by the Club and AIG Funds, which provide strategic support to the management team actively when necessary. As of May 31, 2002, the Company had a total of five employees while SPORTFIVE has appointed a full-time Managing Director and a team of four professionals to support Galatasaray Sportif's management team.

Breakdown of Revenue *

	12 Months ending on May 31, 2002		12 Months ending on May 31, 2001	
Sources of Revenueı	**TL billions**	**US$ millions**	**TL billions**	**US$ million**
Media Rights	19,820	14.0	17,479	12.4
Sponsorship Rights	4,932	3.5	7,264	5.1
Advertising Rights	5,107	3.6	1,565	1.1
Licensing and Merchandising Rights	1,114	0.8	726	0.5
Other Performance Related Rights	5,470	3.9	8,714	6.2
Total	**36,442**	**25.8**	**35,749**	**25.3**

(*) Turkish lira amounts have been adjusted in accordance with IAS 29 (financial reporting in hyper-inflationary economies) to reflect the effects of changes in the WPI. US dollar amounts have been included solely for information purposes and translated from Turkish lira using the Central Bank exchange rate applicable on May 31, 2002.

Financial Strengths

Current sources of revenue

The Company generates revenue mainly from five different sources:

(i) Media rights
(ii) Sponsorships
(iii) Advertising
(iv) Royalties from licensing and merchandising
(v) Other performance related revenue

Media and advertising rights and sponsorships are the principal sources of revenue.

Media revenue

In effect since November 1, 2000, Galatasaray Sportif has exclusive rights to the proceeds from media revenue relating to domestic and international competitions associated with the football team. Media revenue includes revenue from television and other media broadcasting rights. These are currently derived from the Turkish Super League, UEFA Champions League competitions, UEFA Competitions, Turkish Cup games and other friendly games.

Revenue from Turkish Super League broadcasting

The Turkish Super League broadcasting rights are granted by the Turkish Football Federation as a whole according to a pool system that has been in effect since the 1996/97 season. The Federation acts as the sole agent of the participating clubs in the Turkish Super League vis-à-vis media firms, which are willing to broadcast Turkish Super League matches. The Federation negotiates on behalf of all the participating clubs, grants the broadcasting rights and collects revenue in relation to broadcasting rights in the pool system that are then allocated to each participating club based on certain criteria.

For the 2001/02 season, Galatasaray Sportif received a total of US$ 11.0 million of Super League broadcasting revenue compared with US$ 10.3 million in the previous year.

Revenue from the Champions League market pool

Television broadcasting and advertising rights of Champions League games are tendered by UEFA via Team Marketing until the end of the 2002/03 season. The television broadcasting rights are awarded to a single media firm in each country. Team Marketing is the exclusive agent acting on behalf of UEFA with regard to the media and advertising firms. UEFA is party to all contracts with media firms and collects the revenue from these contracts. The revenue is then distributed to the clubs' associations in each country in accordance with the distribution criteria determined by UEFA. The distribution criteria depend on the performance of the participating teams as well as the UEFA ranking of the countries of the competing teams.

The Galatasaray football team is one of five teams to participate in the Champions League for the seventh time in the 2001/02 season. For the 2001/02 season, Galatasaray Sportif received a total of US$ 2.3 million of broadcasting revenue from UEFA compared with US$ 1.1 million in the previous year.

Revenue from other cup competitions and friendly games

Under an agency agreement between Galatasaray Sportif and KAS Management in 2001, KAS Management acts as the Company's exclusive agent for negotiating television, radio, Internet and other media broadcasting rights in connection with the home matches of UEFA Cup competition (except for the final, for which the broadcasting rights are owned by UEFA), Champions League qualifying matches, Turkish Cup games and five friendly games per season until the end of the 2004/05 season.

KAS Management is the local partner of SPORTFIVE for sports television broadcasting since 1995 and works with 12 Turkish teams to market their television broadcasting rights internationally. KAS Management and its parent company SAR-AN International, together with their international partner SPORTFIVE, market the respective matches either on a match-by-match basis or on a seasonal basis to the respective media firms separately.

The revenue from other cup competitions and friendly games as well as radio broadcasting rights in 2001/02 were US$ 0.8 million compared with US$ 0.9 million last year.

Advertising revenue

Galatasaray Sportif receives advertising revenue mainly from the advertising spaces inside and outside of the Ali Sami Yen Stadium and the Florya Training Center in Istanbul. The perimeter advertising boards at sidelines and behind the goals, the corner displays, television interview panels, television speaker rooms, players benches and exit tunnels are all utilized as advertising areas for additional sources of income.

The Company granted the rights for in-field stadium advertising to Kamera for the 2001/02 season covering the Turkish Super League matches for a total fixed fee of US$ 1.05 million. The other advertising spaces were marketed by Galatasaray Sportif and raised US$ 2.6 million for the 2001/02 season. Following the expiration of this agreement on May 31, 2002, the Company has started marketing the in-field advertising rights with SPORTFIVE as an integral part of comprehensive and exclusive marketing packages. The management is thus following a new unified marketing approach and a focused, structured and active selling strategy, which involves the ultimate control of the Galatasaray brand at the Ali Sami Yen Stadium and other related facilities.

In the 2001/02 season, Galatasaray Sportif realized a total of US$ 3.6 million from advertising revenue compared with US$ 1.1 million in 2000/01.

Sponsorship revenue

The Company has exclusive rights to the proceeds of sponsorship revenue derived from the football team and the Galatasaray brand. The Team's exposure to large audience and the wide Galatasaray Community and the fan base in Turkey and abroad attract an increasing number of high profile sponsors seeking an association with the brand. In the 2001/02 season, the Company had two major sponsors: Aria (İş-Tim) the main sponsor (jersey sponsor) and Lotto (Linteks) the technical sponsor (kit supply). With SPORTFIVE's expertise, the Company has already added international names such as Umbro, Powerade (Coca-Cola) and Carlsberg (Bimpaş) to its sponsors list and is continuing to increase its number of sponsors through exclusive, official and regional/local sponsorship packages.

(i) Jersey sponsorship

The jersey sponsorship is a major source of income for the Company. İş-Tim is the current jersey sponsor with Aria brand logo displayed on the players' jerseys, kits and apparel as well as at prominent locations in the Ali Sami Yen Stadium and at the Florya Training Center until the end of the 2002/03 season. Under the terms of the agreement with İş-Tim, Galatasaray Sportif received US$ 3.0 million in the 2001/02 season, plus a bonus payment of US$ 150,000 for winning the championship in the Turkish Super League. In addition to this, Aria is buying stadium advertising spaces, which creates additional revenue for the Company.

(ii) Kit supply

Another source of additional income for Galatasaray Sportif is the kit supply agreement. Linteks, the exclusive licensee and distributor of Lotto brand products in Turkey, supplied all of the Galatasaray professional and amateur football teams' kit supply requirements for the 2001/02 season and also paid the Company a royalty of US$ 1.50 per jersey and 20% of the wholesale price of other replica products. Manufacturing facilities based in Turkey allowed Linteks to supply the products at much lower prices than manufacturers from abroad, thus allowing them to make more sales, increase royalty income and fight against counterfeit products more effectively. As a result, a total of 73,000 replica shirts were sold as of May 31, 2002, compared to approximately 25,000 replica shirts sold during the previous financial year.

In addition to Linteks' distribution system, Element, a licensee of the Company, managed the distribution of replica and other products throughout Turkey as well as retail distribution on GSMegastore.com and via two GSMegastore locations in and around the Ali Sami Yen Stadium.

In May 2002, with the help of SPORTFIVE, Galatasaray Sportif signed a new exclusive technical sponsorship agreement with world renowned Umbro for a two-year period.

Royalties from merchandising Licenses

Galatasaray Sportif is the sole beneficiary of all licensing and name rights revenue associated with the Galatasaray brand. The Company currently generates such revenue from granting licenses for the sale of various items (including brochures, posters, activity books, toys, games, computer games, balls, records, audio tapes and CDs, videos, fabrics, apparel, food, drinks and similar goods) embodying the Club's name, image, emblem or logo. Therefore, the Company grants licensing rights to companies to manufacture and sell these items in return for royalties, mostly including minimum guarantee payments.

Galatasaray Sportif realized US$ 0.8 from licensing revenue in the financial year ending May 31, 2002, as compared to US$ 0.5 million the previous financial year.

Galatasaray's licensed products are principally sold through the manufacturers' own distribution and sales channels and distributors assigned by the Company. Additional channels for replica and other products are department stores, sports equipment stores, the Internet and corner stores in hypermarkets like Carrefour and Gima, two of the large supermarket chains in Turkey.

In the 2001/02 season, Element was the primary licensed distributor for Galatasaray Sportif with regard to the sale of merchandised products through department stores, retail outlets, corner stores, catalogues and e-commerce. Element selected the points of sale, organized the distribution system and in return, paid a royalty fee to the Company on its profit. Element's royalty fee varied according to its involvement in the production process and inventory management. Element also managed the GSMegastore retail shops as well as GSMegastore.com, the Company's official e-commerce site. GSMegastore.com has registered users and is visited by approximately 1.8 million visitors every month.

For the 2002/03 season, the Company, together with its licensees, is in the process of designing a new merchandising strategy with better focus on product segmentation and significantly enhanced distribution system, involving increased emphasis on own retail outlets. As part of the new approach, the e-commerce business will be considered as part of the overall Internet activities and managed under one roof.

Other performance-related Income

UEFA distributes a portion of its revenue pool to the clubs based on their performances. From the performance fees, each of the 32 clubs involved in the first group stage receives a starting bonus. The amount depends on the season's marketing revenue, which was CHF 2.5 million for both the 2001/02 and 2000/01 seasons. In addition, a fixed bonus of CHF 500,000 per match is awarded in the first and second group stages. On top of this, CHF 500,000 and CHF 250,000 performance fees are awarded for each win and each draw, respectively, in every match.

Under the license agreement signed between the Club and the Company, Galatasaray Sportif is entitled to 60% of the starting bonus and first stage match bonus of the Champions League starting from the 2001/02 football season until November 1, 2030. Additionally, in the same period, the Company will receive 50% of the total net proceeds of any other performance related revenue derived from the UEFA Champions League and 50% of the total net proceeds derived from all internationally organized football competitions by international organizations, including FIFA and UEFA, excluding the UEFA Champions League.

Galatasaray Sportif received US$ 3.9 million in performance fees in the financial year ending on May 31, 2002, as compared to US$ 6.2 million in the previous financial year.

For the 2002/03 season, Galatasaray, as the Champion of the Turkish Super League, has qualified for a direct participation with guaranteed income of approximately US$ 2 million for the first round.

Management's Assessment
of Operational Results for the Financial Year Ending on May 31, 2002

Revenue

The Company's revenue for the twelve-month period ending on May 31, 2002, totaled TL 36,442 billion (approximately US$ 25.8 million). This revenue was derived primarily from media and advertising, sponsorships, licensing from merchandising and other performance related income.

Media revenue for the twelve-month period ending on May 31, 2002, was TL 19,820 billion (approximately US$ 14.0 million). This revenue was derived from the following: Turkish Super League broadcasting, Champions League market pool, other cup competitions and friendly games, supplementary broadcasting and advertising proceeds.

Turkish Super League broadcasting revenue amounted to TL 15,474 billion (approximately US$ 11.0 million) and accounted for 42.5% of the total; it was derived from the Federation's allocation based on the Pool System from Digitürk's contracted revenue. Champions League market pool revenue came from broadcasting and advertising rights of the Champions League games tendered by UEFA. This revenue amounted to TL 3,278 billion (approximately US$ 2.3 million) and accounted for 9.0% of the total. Proceeds from other competitions and friendly games came from television, radio and other media broadcasting rights in connection with home matches and deemed home matches of Champions League qualifying matches, Turkish Cup games and friendly games. From these sources, 3.0% or a total revenue or TL 1,067 billion (approximately US$ 0.8 million) was earned.

Sponsorship revenue was TL 4,932 billion (approximately US$ 3.5 million) for the twelve-month period ending on May 31, 2002. Sponsorship earnings are sourced from jersey sponsorship revenue, all coming from İş-Tim, a GSM operator in the Turkish market with the Aria brand and accounting for 13.5% of the total revenue. The Company did not receive any down payments for the kit supply since the Football Team's kit requirements were supplied free-of-charge.

Advertising revenue, primarily derived from the advertising space both in and out of Ali Sami Yen Stadium and the Metin Oktay Facilities in Florya (Florya Training Center), totaled TL 5,106 billion (approximately US$ 3.6 million) and made up 14.0% of the revenue.

Licensing revenue from merchandising was TL 1,114 billion (approximately US$ 0.8 million) for the twelve-month period ending on May 31, 2002. The licensing revenue from merchandising comes from royalty payments on the sale of merchandising products and minimum guaranteed fees.

Performance bonus revenue comes from international competitions organized by UEFA and totaled TL 5,470 billion (approximately US$ 3.9 million) for the twelve-month period ending on May 31, 2002, and accounted for 15.0% of the total. The Company received 60% of the starting bonus, the match bonus and the performance bonus in the first stage and 30% of the match bonus and performance bonus in the second stage.

Football Team lease payment

The Company leased the Football Team, including all the players, coaches and other technical and support staff under the Football Team Lease Agreement on November 1, 2000, for 30 years. In addition, the Company and the Club revised the Football Team Lease Agreement on June 1, 2001, to determine the lease payments. The Company agreed to pay to the Club 30% of the starting bonus and 30% of the match bonus in the first group stage of the Champions League as lease payment. Accordingly, the Company paid TL 2,193 billion (approximately US$ 1.6 million) as the lease payment for the twelve-month period ending on May 31, 2002.

Sales and marketing expenses

The Company's sales and marketing expenses is made up primarily of the management fee to SPORTFIVE (formerly UFA SPORTS), commissions to KAS Management and the commissions paid to other sales and marketing agencies. The Company's sales and marketing expenses were TL 857 billion (approximately US$ 0.6 million) for the twelve-month period ending on May 31, 2002. On August 24, 2001, the Club and the Company granted UFA SPORTS exclusive rights to manage all advertising image and marketing rights associated with the Football Team, excluding all the rights specified in the KAS Management Agency Agreement until the end of the 2004/05 season. Accordingly, the SPORTFIVE management fee was TL 541 billion (approximately US$ 0.4 million) for the period from the appointment date of SPORTFIVE to May 31, 2002. KAS Management's fee was TL 316 billion (approximately US$ 0.2 million) for the twelve-month period ending on May 31, 2002.

Administrative expenses

The Company's administrative expenses principally covered salaries paid to the employees and related costs. The administrative expenses also included a provision for severance pay liability, rent and costs associated with office supplies. The Company's administrative expenses totaled TL 1,028 billion (approximately US$ 0.7 million) for the twelve-month period ending on May 31, 2002. Administrative expense as a percentage of revenue was 2.8% for the period.

Net other income

The Company's net other income was made up of other income less bad debt expenses. Other income totaled TL 4,115 billion (approximately US$ 2.9 million) for the twelve-month period ending on May 31, 2002. This other income was comprised of a compensation fee received from Fédération Internationale des Associations de Football (FIFA) and a penalty fee. The Football Team qualified for the 2001 FIFA Club World Championship, however the competition was cancelled due to the failure of the commercial partner of FIFA. The FIFA Executive Committee decided to award a compensation of US$ 750,000 to each of the teams that had qualified for the competition. During the twelve-month period ending on May 31, 2002, the Company also received a penalty fee income of TL 3,888 billion (approximately US$ 2.8 million) due to a contract settlement with a third party. Bad debt expense was TL 1,069 billion (approximately US$ 0.8 million), representing a provision made for the receivables from Mavi Reklamcılık in the twelve-month period ending on May 31, 2002, following the early termination of the agreement by Mavi Reklamcılık.

Operating profit

As a result of the above, the Company's operating profit was TL 36,479 billion (approximately US$ 25.8 million) for the twelve-month period ending on May 31, 2002.

Net foreign exchange gain / (loss)

The Company's revenue and receivables were principally denominated in Swiss francs and US dollars. In addition, the Company deposited a significant portion of its net cash inflow in US dollars. Therefore, as a result of the depreciation of the Turkish lira against foreign currencies, the Company recorded net foreign exchange gains of TL 3,776 billion (US$ 2.7 million) for the twelve-month period ending on May 31, 2002.

Net interest income / (expense)

The Company's interest income for twelve-months ending on May 31, 2002, was due to US dollar denominated deposit accounts and loans to the Club. The Company's net interest income was TL 1,011 billion (approximately US$ 0.7 million) for the twelve-month period ending on May 31, 2002.

Gain / (Loss) on net monetary position

Gain/(Loss) on net monetary position reflects the gain or loss of purchasing power associated with holding net monetary assets in a hyperinflationary environment. The extent of this gain or loss is dependent on the size of the

Operating profit for the twelve months prior to May 31, 2002, was TL 36,479 billion (appoximately US$ 25.8 million).

net monetary position (monetary assets, including cash, cash equivalents and accounts receivable, less monetary liabilities, including bank debt and accounts payable) and the inflation rate during the period. The Company had a net positive monetary position during the period and incurred a net monetary loss of TL 6,645 billion (approximately US$ 4.7 million) for the twelve-month period ending on May 31, 2002.

Taxation on income

In accordance with the Turkish Corporation Tax Law, companies engaged solely in training and sports activities are exempt from corporate tax liability. The main shareholder of the Company, the Club, leased the Football Team to the Company and the Company, by performing only sports and training activities related to football, is exempt from Corporation Tax. Accordingly, the Company had no corporation tax liability for the twelve-month period ending on May 31, 2002.

Liquidity and capital resources

The Company depends principally on its net cash balance and the ongoing receipt of revenue for the payment of its costs and other cash outflow.

The Company had cash and cash equivalents of TL 24,309 billion (approximately US$ 17.2 million) as of May 31, 2002. The Company has made certain agreements with its principal shareholders, requiring that a significant proportion (50% following the IPO) of its net monthly cash inflow be transferred to restricted accounts on a monthly basis. Of total cash and cash equivalents, TL 7,526 billion (approximately US$ 5.3 million) was included in such restricted accounts on May 31, 2002. The Company does not have access to the restricted balances for day-to-day payments and may only access these funds in certain limited circumstances, for example to meet approved dividend payments or for other purposes with / without the approval of each of the principal shareholders.

The Company's capital resources are comprised almost entirely of shareholders' funds. As of May 31, 2002, total shareholders' funds were TL 36,953 billion (approximately US$ 26.2 million) and made up of paid-in capital of TL 3,734 billion (approximately US$ 2.6 million) and retained earnings of TL 33,219 billion (approximately US$ 23.5 million).

The net working capital of the Company comprises trade receivables, receivables from and loans to related parties and other current assets, less current and non-current liabilities other than bank borrowings. Net working capital of TL 12,500 billion (approximately US$ 8.8 million) includes trade receivables of TL 3,899 billion (approximately US$ 2.8 million) and loans to related parties of TL 4,181 billion (approximately US$ 3.0 million) as of May 31, 2002.

Net cash provided by operating activities in the twelve months prior to May 31, 2002, was TL 30,146 billion (approximately US$ 21.3 million), compared with operating profit for the same period of TL 36,479 billion (approximately US$ 25.8 million). The difference mainly reflects the non-receipt of revenue earned in the period and other timing differences between the recognition of revenue and costs and the related receipts and payments. Net cash outflow from investing activities for that period was made up of interest received and amounted to TL 1,127 billion (approximately US$ 0.8 million) plus payments for capital purchases of TL 38 billion (approximately US$ 27,000). Net cash outflow relating to financing activities for the same period was primarily made up of cash dividends declared and paid, amounting to TL 11,151 billion (approximately US$ 7.9 million).

Cooperation with SPORTFIVE (formerly UFA SPORTS)

SPORTFIVE

The high profile of Galatasaray provides a strong platform for the Company to fully exploit its current activities and to introduce a whole new range of activities. In developing these activities, the Company decided to utilize the expertise of SPORTFIVE, which manages all sales and marketing activities in relation to media advertising image and marketing rights of the Galatasaray Football Team until June 30, 2005.

SPORTFIVE has become one of the largest sports marketing companies in the world following its merger with Groupe Jean-Claude Darmon and Sport + on December 18, 2001. It has offices located in France, Germany, England, Italy, Spain, Brazil, Poland, Malaysia and Turkey. Its post-merger client portfolio of football clubs includes Bayer Leverkusen, Borussia Dortmund, FC Nürnberg, Hamburger SV, Hertha BSC Berlin, Hannover 96 and Arminia Bielefeld of Germany, AC Milan, AC Parma, Bologna, Fiorentina, Internazionale FC, Juventus, SSC Napoli and SS Lazio of Italy, Monaco, Auxerre, Bastia, Bordeaux, Guingamp, Lens, Lille, Lyon, Nantes, Paris SG, St. Etienne and Troyes of France and Vasco da Gama of Brazil to name a few. SPORTFIVE is actively involved in the trading of television broadcasting rights with more than 40 football associations and 320 football clubs and is also involved in marketing activities in other sports such as basketball, handball, boxing, tennis, ski jumping and rugby.

The international activities of SPORTFIVE include ticketing, merchandising, marketing of media rights, advertising, event creation, hospitality services, sponsorships, brand management, public relations, monitoring and market research. In addition, it provides services in management and marketing for the Internet sites of its partner clubs and consultation on the construction and commercial utilization of stadiums.

SPORTFIVE has implemented a new, active sales and marketing approach at Galatasaray Sportif starting with the 2002/03 season. All rights are sold and all marketing and brand activities are controlled centrally. The marketing approach includes the creation of premium marketing packages, thus avoiding 'cherry picking' by advertisers and/or sponsors and the differentiation of sponsor categories (from local/regional to international/global), offering sponsors alternative structures with regard to price and performance.

SPORTFIVE has implemented a sponsors' pyramid adding a strong group of national and international partners, 'Exclusive Partners' that acquire premium packages composed of a comprehensive portfolio of advertising rights in addition to the main (jersey) sponsor and the technical (kit supply) sponsor. These rights include branch exclusivity and allow the partner to use the strong Galatasaray brand as a communication vehicle throughout all kinds of media. The next category of sponsors are 'Official Partners' which are brought together from among local and regional 'Partners' and 'Suppliers' with communication focused more toward the region or the city and thus require a different portfolio of communication tools.

SPORTFIVE's strategy also includes the improvement of advertising and sponsorship displays at the Ali Sami Yen Stadium and the introduction of new services (e.g. hospitality and Business-to-Business activities) and products (e.g. digital perimeters, virtual advertising). Under merchandising activities, SPORTFIVE determines the main product categories in terms of selected target groups, different price levels and special occasions. It also focuses on the enlargement of the distribution channels both in Turkey and internationally, on the building of new markets outside Turkey and on the prevention of the illegal distribution of counterfeit products. In addition, and in line with its overall sales strategy, SPORTFIVE actively interacts with prominent international firms that deal with licensed products as well as newcomers and strengthens the portfolio of Galatasaray branded products.

SPORTFIVE's expertise in the field has not only improved the utilization of resources in the domestic market but has also helped the Club and the Company reach the international fan base more effectively. For instance, SPORTFIVE's operations in Germany are helping the Company to establish a presence in a market where a significant number of the Galatasaray supporters and audience of Galatasaray brand-related media reside.

The SPORTFIVE Marketing Management Agreement is valid until June 30, 2005. The terms of the agreement between Galatasaray Sportif and SPORTFIVE include the payment of a flat commission to SPORTFIVE and after a certain revenue benchmark has been achieved, the payment of additional commissions based on the net revenue collected by the Company.

the management

Organizational Structure

Galatasaray Sportif is managed by the Board of Directors with eight members including the Chairman and the Vice Chairman. In accordance with the Articles of Association, the Board of Directors is responsible for all strategic decisions, approval of the budget, issue of debt securities or equities, mergers, acquisitions and divesture of assets.

Board of Directors

The members of the Board are nominated for a period of two years and may be re-elected. Of the eight members of the Board, six members are elected from among candidates appointed by the holders of Class A Shares, one member is elected from among the candidates appointed by the holders of Class C Shares and one member is elected from among candidates appointed by the holders of Class D Shares.

Özhan Canaydın

Born in Bursa in 1943, Mr. Canaydın is a graduate of Galatasaray High School and was an active basketball player between 1958-1964 and served as a member of the Young National Team in the European Youth Basketball Championships in 1962. He was a player in the Junior and A teams of Galatasaray. Following in his father's footsteps, Mr. Canaydın began working in the textile industry in 1963 and rapidly made investments in the areas of weaving, dyeing, ready-to-wear clothing and knitted articles. In 1984, business partnerships were established with some well known Italian companies. Presently, export-oriented production for Kappa, Nike, Next, Lacoste, Fila, Adidas and Mavi Jeans brands is ongoing at his Bursa plant.

Şükrü Ergün

Born in Istanbul in 1958, Mr. Ergün is a graduate of Galatasaray High School and Bosphorus University. He holds a specialist degree in Shipping Line Administration from the Norwegian Maritime Academy. Between 1974 and 1977, Mr. Ergün actively participated in Galatasaray Sports Club Athletics Team. Currently, he serves as an executive member of the Board of Jotun Dyeing Industry and Trade Inc., which he established using capital from Norway. Serving as a member of the Board at the Turkish Marine Training Foundation and the Association of Sea Clear, Mr. Ergün has also served one term as a member of the Board at the Turkish Athletics Federation. Mr. Ergün is the founding chairman of the Turkish-Norwegian Chamber of Commerce and is fluent in English and French.

Ateş Ünal Erzen

Born in Istanbul in 1944, Mr. Erzen is a graduate of Galatasaray High School and Neuchatel University, Faculty of Law and Economic Sciences, in Switzerland. Between 1973-1987, he served as manager for advertising, marketing and sales at Renault-Mais. In 1988, he was appointed the general manager of Renault where he served until June 1995. Ateş Ünal Erzen served as an executive member of the Board for Sabah and Akşam Newspapers and as a member of the Board of Oyak-Renault, Elf-Selyak, Adana Çimento, Best TV, Best FM, Hema Group of Companies and the Turkish-French Chamber of Commerce. He currently is a member of the Galatasaray Sports Club and the Galatasaray Society. He served as vice-chairman for the Galatasaray Education Foundation for ten years and as a Board member at Galatasaray Sports Club between 1994-2000.

Paolo Zapparoli

Born in 1966, Mr. Zapparoli has been a member and vice-chairman of the Board since January 2001. He has worked at the Boston Consulting Group in New York where he focused on pharmaceuticals, high technology and consumer goods companies. He is currently the chief executive officer of AIG Blue Voyage Advisors Ltd. Prior to joining AIG companies in 1999, Mr. Zapparoli formed and managed Bain, Cuneo e Associati's management consulting operations in Turkey and was responsible for developing and managing consulting projects for private Turkish companies. Mr. Zapparoli holds a degree in engineering from Politecnico Di Milano, an M.S. in Digital Signal Processing and an M.B.A. from the Harvard Business School.

Ahmet Raif Ünüvar

Born in Kangal in 1964, Mr. Ünüvar is a graduate of Galatasaray High School and the Faculty of Electrical Engineering at the Middle East Technical University where he specialized in operations research, advanced mathematics and simulation. Mr. Ünüvar has done research on banking and finance and is currently serving as a member of the Board and the general manager of Bender Securities Inc., which he established in 1994 and 4% of the Company was purchased by Deutsche Bank A.G. in 2000. Prior to establishing his own company, he was active in investment banking and participated in several company evaluation and feasibility studies for mainly privatization projects and offered advisory services to foreign investors for company mergers and acquisitions in Turkey. Mr. Ünüvar is fluent in both English and French.

Bikem Ardakoç

Born in 1969 in Istanbul, Mrs. Ardakoç is a graduate of Galatasaray High School and of Istanbul University, Department of Economics in English. Holding an MBA degree in Finance from San Diego National University, Mrs. Ardakoç served as manager for portfolio management, project finance, IPOs and mergers at various banks for nine years. She serves as officer in charge of project financing at Marsh McLennan Insurance Company since early 2002. During 1980-1989, she played as a member of basketball team of Galatasaray High School, Istanbul University S.B.K and Galatasaray Sports Club. Mrs. Ardakoç also served as a Board member under the chairmanship of Faruk Süren during 1999-2000 and Mehmet Cansun during 2000-2001 and is fluent in English and French.

Temel Aksoy

Born in Istanbul in 1956, Mr. Aksoy is a graduate of Galatasaray High School and the Universite De Nanterre, Faculty of Economics. Holding an MBA degree from Bosphorus University, Mr. Aksoy worked as an assistant to Professor Gülten Kazgan at Istanbul University, Faculty of Economics, from 1982 to 1984. He served as the general manager of Piar-Gallup from 1984-1994 and established his own company in 1994. Currently serving as chairman of the NFO Research Company, an American company, Mr. Aksoy is fluent in English and French.

Geoffrey Lee Hamlin

Born in 1961, Mr. Hamlin has been a member of the Board since January 2001 and is currently managing partner of AIG GSEF. In 1999, Mr. Hamlin was a strategic advisor to Wasserstein Perella Emerging Markets where he focused his attention on private equity investments. Prior to joining Wasserstein, Mr. Hamlin served as associate general counsel of the COMSAT Corporation, an international communications company. Mr. Hamlin also practiced law at Gottlieb, Steen & Hamilton, where he specialized in international transactions and joint ventures. Mr. Hamlin received a B.A. from Tufts University and a J.D. from the University of Texas School of Law.

Senior Management

Ebru Köksal
General Manager

Ms. Köksal has served as the Chief Financial Officer of Galatasaray Sportif since January 2001, and also as Managing Director since November 2001. Before her assignment to the Company, Ms. Köksal served as the Vice President of AIG Blue Voyage Advisors Ltd. and as the General Manager of Citicorp Securities in Istanbul. She also spent two years as an analyst at the Corporate Finance Department of Morgan Stanley Inc. in New York. Ms. Köksal holds a dual B.A. degree in Economics and International Relations with a specialization in International Policy and Foreign Diplomacy from Brown University. She speaks Turkish and English.

Bernd Schauz
Managing Director, SPORTFIVE (formerly UFA SPORTS)

Mr. Schauz has been responsible for all sales and marketing activities of Galatasaray Sportif as a representative of SPORTFIVE since October 2001. Mr. Schauz is also the Managing Director of SPORTFIVE's Turkish subsidiary based in Istanbul. Prior to joining the Istanbul branch in October 2001, he served as the marketing director of UFA SPORTS' Italian branch, dealing with clubs such as Sampdoria, Juventus, Milan, Inter, Lazio etc., and as the Project Manager at the UFA SPORTS headquarters in Hamburg, responsible for the construction of Hamburg's AOL-Arena. Mr. Schauz holds a degree in Sports and Economics from Bayreuth University. He speaks German, English, Italian and Spanish.

GALATASARAY SPORTİF SINAİ VE TİCARİ YATIRIMLAR A.Ş.

FINANCIAL STATEMENTS AS AT MAY 31 2002
TOGETHER WITH AUDITOR'S REPORT

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AUDITOR'S REPORT

To the Board of Directors of
Galatasaray Sportif Sınai ve Ticari Yatırımlar A.Ş.

1. We have audited the accompanying balance sheets of Galatasaray Sportif Sınai ve Ticari Yatırımlar A.Ş. ("the Company") as at 31 May 2002 and the related income and cash flow statements for the year then ended all expressed in the equivalent purchasing power of the Turkish lira as of 31 May 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the financial statements present fairly, in all material respects, the financial position of Galatasaray Sportif Sınai ve Ticari Yatırımlar A.Ş. as at May 31, 2002, and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

   Without qualifying our opinion, we would like to draw your attention to the following matters:

4. As disclosed in Note 5 to the financial statements, subsequent to May 31, 2002, the Company has signed an agreement to reschedule its overdue trade receivables amounting to TL 3,042,730 million. Accordingly no provision is recorded in these financial statements as at May 31, 2002. Subject to compliance with the terms of this new agreement the collection of these trade receivables is rescheduled through installments up until March 2003.

5. American Dollar ("US$") amounts presented in the accompanying financial statements have been included solely for the convenience of the reader and are translated from Turkish lira ("TL"), as a matter of arithmetic computation only, at the official TL exchange rate ("Official Exchange Rate") for purchases of US$ announced by the Central Bank of the Republic of Turkey on May 31, 2002 of TL 1,412,893 = 1 US$ and therefore do not form part of these financial statements prepared in accordance with International Accounting Standards. Such translations should not be construed as a representation that the TL amounts have been or could be converted into US$ at this or any other rate.

Başaran Nas Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers

T Gül

Talar Gül, SMMM

Istanbul, July 12 2002

GALATASARAY SPORTİF SINAİ VE TİCARi YATIRIMLAR A.Ş.
BALANCE SHEETS
AS AT MAY 31, 2002 AND MAY 31, 2001

(Amounts expressed in millions of Turkish Lira ("TL") in terms of the purchasing power of the TL at May 31, 2002.)

	Notes	May 31 2002* USD '000	May 31 2002	May 31 2001
ASSETS				
Current assets				
Cash and cash equivalents	4	17,205	24,308,741	6,822,115
Trade receivables	5	2,760	3,899,026	2,821,884
Receivables from related parties	12	578	816,661	1,851,236
Loans to related parties		2,959	4,180,777	21,129,633
Other current assets	6	3,634	5,135,375	1,666,456
Total current assets		27,136	38,340,580	34,291,324
Non-current assets				
Equipment, furniture and fixture-net	7	102	143,597	125,840
Intangible assets-net	8	1	786	912
Total non-current assets		103	144,383	126,752
Total assets		27,239	38,484,963	34,418,076

** US dollars amounts presented above are translated from Turkish lira ("TL") for convenience purpose only, at the official TL exchange rate announced by the Central Bank of Turkey at May 31, 2002 and therefore do not form a part of these financial statements prepared in accordance with International Accounting Standards ("IAS") (see Note 2).*

The financial statements as at and for the years ended May 31, 2002 and May 31, 2001 have been approved for issue by the Board of Directors on July 12, 2002 and signed on its behalf by Ebru Köksal, the Managing Director of the Company.

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

GALATASARAY SPORTİF SINAİ VE TİCARİ YATIRIMLAR A.Ş.
BALANCE SHEETS
AS AT MAY 31, 2002 AND MAY 31, 2001

(Amounts expressed in millions of Turkish Lira ("TL") in terms of the purchasing power of the TL at May 31, 2002.)

	Notes	May 31 2002* USD '000	May 31 2002	May 31 2001
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade payables		307	433,429	31,752
Bank borrowings	9	-	-	351,531
Deferred revenue	11	272	384,334	1,502,196
Other current liabilities	10	505	713,547	55,031
Total current liabilities		1,084	1,531,130	1,940,510
Non-current liabilities				
Employment termination obligations	14	1	610	3,023
Total non-current liabilities		1	610	3,023
Total liabilities		1,085	1,531,740	1,943,533
Shareholders' equity				
Share capital	15	1,440	2,035,000	1,150,000
Adjustment to share capital	15	1,202	1,698,885	1,638,654
Total paid-in capital		2,642	3,733,885	2,788,654
Retained earnings		23,512	33,219,338	29,685,889
Total shareholders' equity		26,154	36,953,223	32,474,543
Total liabilities and shareholders' equity		27,239	38,484,963	34,418,076
Contingent assets and contingent liabilities	19			

** US dollars amounts presented above are translated from Turkish lira ("TL") for convenience purpose only, at the official TL exchange rate announced by the Central Bank of Turkey at May 31, 2002 and therefore do not form a part of these financial statements prepared in accordance with International Accounting Standards ("IAS") (see Note 2).*

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

GALATASARAY SPORTİF SINAİ VE TİCARİ YATIRIMLAR A.Ş.
INCOME STATEMENTS
FOR THE YEARS ENDED MAY 31, 2002 AND MAY 31, 2001

(Amounts expressed in millions of Turkish Lira ("TL") in terms of the purchasing power of the TL at May 31, 2002.)

	Notes	May 31 2002* USD '000	May 31 2002	May 31 2001
Revenues				
Exploitation of Galatasaray marketing rights	18	25,793	36,442,107	35,749,097
Former merchandising activities		-	-	338,220
Total revenues		25,793	36,442,107	36,087,317
Professional football team rental fee		(1,552)	(2,193,261)	(4,969,480)
Cost of trade goods sold		-	-	(239,256)
Sales and marketing expenses		(607)	(857,385)	(39,894)
Administrative expenses		(728)	(1,027,966)	(1,032,664)
Other income / (expense) - net	19	2,913	4,115,455	(1,666,030)
Profit from operating activities		25,819	36,478,950	28,139,993
Interest expense		(715)	(1,010,816)	(10,129)
Foreign exchange gain / (losses) - net		2,673	3,776,262	7,678,006
Interest income		1,345,	1,900,238	99,436
Gain / (loss) on net monetary position		(4,703)	(6,644,727)	(6,040,381)
Income before income taxes		24,419	34,499,907	29,866,924
Taxation on income	13	-	-	46,775
Net income		24,419	34,499,907	29,913,700
Weighted average number of shares with a face value of TL 1,000			1,458,777,473	1,149,318,758
Basic and diluted earnings per share in TL			23,650	26,027

** US dollars amounts presented above are translated from Turkish lira ("TL") for convenience purpose only, at the official TL exchange rate announced by the Central Bank of Turkey at May 31, 2002 and therefore do not form a part of these financial statements prepared in accordance with International Accounting Standards ("IAS") (see Note 2).*

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

GALATASARAY SPORTİF SINAİ VE TİCARİ YATIRIMLAR A.Ş.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED MAY 31, 2002 AND MAY 31, 2001

(Amounts expressed in millions of Turkish Lira ("TL") in terms of the purchasing power of the TL at May 31, 2002.)

	Paid-in capital			
	Share capital	Adjustment to share capital	Retained earnings/ (Accumulated deficit)	Total
Balance at June 1, 2000	100,000	444,428	(227,811)	316,617
Capital increase	1,050,000	1,194,226	-	2,244,226
Net income for the year	-	-	29,913,700	29,913,700
Balance at May 31, 2001	1,150,000	1,638,654	29,685,889	32,474,543
Effect of adopting IAS 39 at June 1, 2001	-	-	(219,742)	(219,742)
Capital increase	885,000	60,231	(945,231)	-
Dividends				
- distributed in cash	-	-	(11,151,401)	(11,151,401)
- netted off loan to related parties	-	-	(18,650,084)	(18,650,084)
Net income for the year	-	-	34,499,907	34,499,907
Balance at May 31, 2002	2,035,000	1,698,885	33,219,338	36,953,223

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

GALATASARAY SPORTİF SINAİ VE TİCARİ YATIRIMLAR A.Ş.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2002 AND MAY 31, 2001

(Amounts expressed in millions of Turkish Lira ("TL") in terms of the purchasing power of the TL at May 31, 2002.)

	Note	May 31 2002	May 31 2001
Operating activities			
Cash generated from operations	16	28,821,262	4,628,132
Interest income		(1,900,238)	(97,139)
Interest expense		1,010,816	10,130
Taxes paid		-	(8,338)
Inflation effect on non-operating activities		2,214,274	813,206
Net cash provided / (used) by operating activities		30,146,114	5,345,991
Investing activities			
Purchase of equipment, furniture and fixtures	7	(37,561)	(21,617)
Interest received		1,126,577	77,396
Net cash provided / (used) by investing activities		1,089,016	55,779
Financing activities			
Proceeds from borrowings			
Repayments of borrowings		(351,531)	(85,120)
Interest paid		(30,310)	(10,130)
Increase in share capital		-	2,244,226
Inflation effect on financing activities		-	9,986
Dividends paid		(11,151,401)	
Net cash provided / (used) by financial activities		(11,533,242)	2,158,962
Net increase in cash and cash equivalents		19,701,888	7,560,732
Inflation effect on cash and cash equivalents		(2,215,262)	(822,445)
Cash and cash equivalents at the beginning of the period	4	6,822,115	83,828
Cash and cash equivalents at the end of the period	4	24,308,741	6,822,115

At May 31, 2002, TL 7,626,753 million (May 31 2001: TL 4,314,699 million) of the cash and cash equivalents balance is held in an escrow account and it is not available for use by the Company (Note 4).

The accompanying notes form an integral part of these financial statements

NOTE 1- ORGANIZATION AND NATURE OF OPERATIONS

Galatasaray Sportif Sınai ve Ticari Yatırımlar A.Ş. ("the Company") was established as a corporation in Istanbul on November 26, 1997 by registering in the Trade Registry Gazette, for the purpose of involvement in commercial, industrial and investment activities in all sports branches. The Company started its activities on January 1, 1998. On September 19, 2000, 21.05% of the shares of the Company were sold to AIG Blue Voyage Fund L.P. and AIG Global Sports & Entertainment Fund L.P. (collectively called "AIG"). The revenues generated by the Company until November 1, 2000 were only derived from merchandising goods, mainly sweatshirts, ties, flags and watches.

The Board of Directors of the main shareholder of the Company, Galatasaray Spor Kulübü ("the Club") approved the assignment of the rights to exploit the Club's professional football team with respect to the media advertising image and marketing rights (defined as "Marketing Rights") to the Company, effective from November 1, 2000. In accordance with this decision, the previous commercial activities of the Company ended as at the same date and the Company started generating revenues only from the Marketing Rights of the professional football team.

Under the License Agreement dated November 1, 2000 and subsequent amendments entered into between the Company and the Club, the Company holds for a period of 30 years (i) the overall Galatasaray media advertising image and marketing rights associated with the football team (ii) a portion of certain performance based revenues of the Club in relation to international competitions after deducting up to a certain percentage related to the professional football team bonuses, and (iii) the exclusive commercial rights for the Galatasaray Trademarks pursuant to the sub-license agreement it has entered into with the Club. Galatasaray Trademarks are owned by Galatasaray Pazarlama A.Ş. which granted all exclusive licensing rights of these trademarks to the Club pursuant to the Trademark Transfer Agreement and an Addendum Agreement to the Trademark Transfer Agreement.

In return for the Galatasaray Trademarks and Galatasaray Marketing Rights provided to the Company under the Licence Agreement and its amendments, the Company is required to pay to the Club for the period beginning June 1, 2005, a yearly license fee, equal to 1% of the Company's revenues. The license fee is required not to be less than US$ 200,000 per annum.

While the Club has certain rights under the License Agreement in the event of defaults by the Company, the Club cannot terminate the Licence Agreement so long as the Club owns more than 10% of the Company or AIG owns more than 2% of the Company.

Pursuant to the Assignment Agreement executed at the same date of the License Agreement, the Club has assigned to the Company all of the Club's outstanding contracts relating to the media advertising image and marketing rights associated with the football team entered into with third parties. To the extent the assignment of any such contracts to the Company is not possible from a legal stand point, the Club has assigned to the Company all revenues and receivables to which the Club is entitled under such contracts.

Pursuant to the Assignment Agreement dated November 1, 2000, media, advertising, image, marketing and similar revenues for the 2000-2001 football season in relation to the assigned contracts were allocated between the Company and the Club on a 7/12 and 5/12 basis respectively, reflecting the commencement of the Company's new activities as of November 1, 2000.

The Company also leased the professional football team of the Club, including all the players, coaches and other technical and support staff with a Soccer Team Lease Agreement on 1 November 2000 for 30 years. On May 31, 2001, the Company made a payment of US$ 2,440,000 to the Club for the lease of the professional football team based on the performance of the team in international competitions during the 2000 - 2001 football season. Additionally, according to the amendment made to the lease agreement on June 1, 2001, the Company agreed to pay the Club 30% of the starting bonus and match bonus received from Union des Associations Europeennes de Football (''UEFA'') in the first stage of the Champions League for the period starting from June 1, 2001 through the term of the Soccer Lease Agreement. Starting from 1 June 2005 and throughout the License Agreement, the Company will also pay the Club a yearly total gross fee of 1.5% of the Company's revenues as a lease payment. The lease payment will not be less than US$ 300,000 per annum. Despite the rights granted by the Lease Agreement, it is not the intention of either the Company or the Club that the Company will manage the professional football team and related sporting activities on a daily basis. The Soccer Team Lease Agreement and the License Agreement bind the Club to act in a manner consistent with maximizing the revenues of the Company.

The Company operates in a single business segment as described above. No geographical segment information is provided since the Company only operates in Turkey.

The address of the registered office the Company is as follows:

Hasnun Galip Sokak No:7
Beyoğlu, 80070
Istanbul

(Amounts expressed in millions of Turkish Lira ("TL") in terms of the purchasing power of the TL at May 31, 2002.)

NOTE 2- BASIS OF PRESENTATION OF FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF INFLATION

The Company maintains its books of account and prepares its statutory financial statements ("Statutory Financial Statements") in Turkish lira in accordance with the Turkish Commercial Code (the "TCC"), Turkish Capital Markets Board (the "CMB'') and Tax legislation. The accompanying financial statements are prepared in accordance with and comply with International Accounting Standards ("IAS"). The accompanying financial statements are based on the statutory records, which are maintained under the historical cost convention, with adjustments and reclassifications including restatement for changes in the general purchasing power of the Turkish lira.

Reporting periods

In order to time the financial year to suit the seasonal football activities, as of January 1, 2000, the Company applied to the Ministry of Finance in September 1999 to change its fiscal year-end from December 31 to May 31. In December 2000, the Company reapplied to the Ministry of Finance to register the fiscal year-end change effective from May 31, 2001. Therefore, the last fiscal year-end of the Company before May 31, 2001 was December 31, 2000 and the fiscal year ended May 31, 2001 relates only to a five-month period. On the other hand, in order to reflect the result of its operations during each football season in a single set of financial statements, the Company prepared its financial statements for the twelve month period ended May 31, 2001.

Adoption of IAS 39

The Company adopted IAS 39, Financial Instruments: Recognition and Measurement, on June 1, 2001 prospectively as IAS 39 is effective for the periods beginning on or after January 1, 2001. The financial effects of adopting IAS 39 are reported in the statement of changes in shareholders' equity as an adjustment to the opening retained earnings at 1 June 2001. Further information is disclosed in accounting policies for originated loans and provision for loan impairment in related notes.

US$ convenience translation

American Dollar ("US$") amounts presented in the accompanying financial statements have been included solely for the convenience of the reader and are translated from Turkish lira ("TL"), as a matter of arithmetic computation only, at the official TL exchange rate ("Official Exchange Rate") for purchases of US$ announced by the Central Bank of the Republic of Turkey on May 31, 2002 of TL 1,412,893 = 1 US$ and therefore do not form part of these financial statements prepared in accordance with International Accounting Standards. Such translations should not be construed as a representation that the TL amounts have been or could be converted into US$ at this or any other rate.

Restatement for the effects of inflation

The restatement for the changes in the general purchasing power of the Turkish lira as of May 31, 2002 is based on IAS 29, Financial Reporting in Hyperinflationary Economies. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that 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 restatement was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Such indices and conversion factors used to restate the accompanying financial statements as of May 31, 2002 and May 31, 2001 are given below:

Dates	Index	Conversion factors	Cumulative three-year inflation rates
May 31 2002	5,508	1.000	275%
May 31 2001	3,690	1.493	276%

The main procedures for the above-mentioned restatement are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are restated in terms of the measuring unit current at the balance sheet date, and the corresponding figures for previous periods are restated in the same terms.

- Monetary assets and liabilities, which are carried at amounts current at the balance sheet date, are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.

- Non-monetary assets and liabilities, which are not carried at amounts current at the balance sheet date and components of shareholders' equity, are restated by applying the relevant conversion factors. Additions to property, plant and equipment in the year of acquisition are restated using the relevant conversion factors.

- Comparative financial statements are restated using general inflation indices at the currency purchasing power at the latest balance sheet date.

- All items in the statements of income are restated by applying the relevant (monthly, yearly average, year-end) conversion factors.

- The effect of inflation on the Company's net monetary position is included in the statements of income as gain or loss on the net monetary position.

NOTE 3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Related parties

For the purpose of the accompanying financial statements, major shareholders, directors and key management personnel together with their close family members and enterprises controlled by them are considered, and referred to, as related parties. A number of transactions are entered into with related parties in the normal course of business (Note 12).

Inventory valuation

Inventories were stated at the lower of cost or net realisable value. Cost elements included in inventories comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the moving weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. The Company does not have any inventory as of May 31, 2002 and May 31, 2001.

Equipment, furniture and fixture and related depreciation

The Company has no property or plant. Equipment, furniture and fixtures are carried at cost less accumulated depreciation, in each case restated to the equivalent purchasing power at May 31, 2002. Depreciation is provided on the restated amounts for equipment, furniture and fixtures on a straight-line basis. The depreciation periods for equipment, furniture and fixtures, which approximate the economic useful lives of such assets, are as follows:

	Years
Machinery and equipment	10
Furniture and fixtures	10

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gain or losses on disposals or on impairments of equipment, furniture and fixtures with respect to their restated amounts are included in the related income and expense accounts, as appropriate. However, no disposal of assets or impairment was recognized in the periods (Note 7).

Intangible assets

Intangible assets consist principally of accounting software. They are recorded at acquisition cost and amortized on a straight-line basis over their useful lives determined by the Company management's best estimates for a period of 10 years from the date of acquisition.

The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary. Gain or losses on disposals or on impairments of intangible assets with respect to their restated amounts are included in the related income and expense accounts, as appropriate.

Employment termination obligations

Employment termination obligations represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with Turkish Labour Law (Note 14).

(Amounts expressed in millions of Turkish Lira ("TL") in terms of the purchasing power of the TL at May 31, 2002.)

Foreign currency transactions and translation

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

Revenue recognition

Revenues generated by the Company are mainly broadcasting rights relating to the Football Team's Turkish Superleague matches, Turkish Cup matches, Friendly matches, Champions League matches, UEFA Cup matches, sponsorship rights relating to jerseys for the players and kit supply, advertising rights at the stadium and training field and name rights.

Revenues arising from the broadcasting rights relating to the professional Football Team's Turkish Superleague matches, Turkish Cup matches, Friendly matches and UEFA Cup matches are recognized when the services or deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company, at the fair value of the consideration received or receivable, restated to the equivalent purchasing power at May 31, 2002. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income.

UEFA revenues from matches in the Champions League comprise a starting bonus, match bonuses, performance bonus and TV marketing income ("market pool"). Pursuant to the agreement between the Company and the Club, the percentages of the revenue assigned to the Company by the Club are as follows:

	Recognition criteria	Percentage of the revenue to which the Company is entitled
Starting bonus	At the time the professional football team is qualified through playing the qualifying games for the first stage of the Champions League.	100% in 2000 - 2001 and 60% thereafter
Match bonus - first stage	On match basis (1)	100% in 2000 - 2001 and 60% thereafter
Match bonus - second stage	On match basis (1)	50% of net proceeds (2)
Performance bonus		
- first stage	On match basis (1)	50% of net proceeds (2)
- second stage	On match basis (1)	50% of net proceeds (2)
- quarter final	On match basis (1)	50% of net proceeds (2)
- semi-final	On match basis (1)	50% of net proceeds (2)
- final	On match basis (1)	50% of net proceeds (2)
Market pool	When the amount of TV market share is reliably measured and notified by UEFA, which is normally later than the Service is provided.	100%

(1) When earned as a result of playing each match.
(2) Net proceeds is calculated based on the total gross proceeds minus the lesser of the bonuses granted to team or 40% of gross proceeds.

Revenue from sponsorship rights relating to jerseys for the players and kit supply and for advertising rights at the stadium, training field advertisements and name rights are recognized on an accrual basis at the time services, deliveries or acceptances are made, at the invoiced values, restated to the equivalent purchasing power at May 31, 2002.

Deferred income taxes

The Company is exempt from corporation tax as it has only been performing sports and training activities related to professional football since November 1, 2000. However, deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements prior to November 1, 2000 as the Company was not exempt from corporate tax during this period. The principal temporary differences arise from the restatement of equipment, furniture and fixtures, intangible assets and inventories at May 31, 2000. The deferred tax asset and liability at November 1, 2000 is reversed and accordingly charged or credited to the income statement for the year ended May 31, 2001.

Trade receivables

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

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

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

Borrowings

Borrowings are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. Any proceeds and the redemption value is recognized in the income statement over the period of the borrowings. Borrowing costs, if any, are not capitalized as part of qualifying assets, but expensed as incurred.

Loans originated by the Company and provisions for loan impairment

Loans originated by the Company by providing money directly to a borrower, other than those that are originated with the intent to be sold immediately or in the short term, are classified as loans originated by the Company. All loans are recognized when cash is advanced to the borrowers and measured at amortized cost.

Interest-free loans originated by the Company are initially recognized at the fair value of the consideration given to obtain the right to a payment of the principal interest-free amount. The fair value of that right is the present value of the future payment of the principal amount discounted using the market rate of interest for a similar loan in the market. The difference between the principal amount and its fair value is charged to the income statement as interest expense at the date of recognition. The loan is then measured at amortized cost using the effective interest method and interest income is therefore recognized on a time proportion basis that takes into account the effective yield on the loan.

When the loan is originated by the Company by providing money directly to a bank, the loan is secured with marketable securities, Turkish government bonds and treasury bills, acquired under reverse repurchase agreements with banks with a predetermined sale price at fixed future dates and is stated at amortized cost. The accrued interest represents the apportionment to the current period of the difference between future sale prices and the amount provided by the Company. Such originated loans where original maturity at the time the money is directly transferred to the bank is less than three months, are considered and classified as cash equivalents for the purposes of cash flow statements.

Loans originated by the Company that have a fixed maturity are measured at amortized cost using the effective interest rate method.

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the bad and doubtful debt expense.

Embedded derivatives - Held for trading assets or liabilities

Derivative instruments embedded in purchase or sales contract that requires payments denominated in (i) a currency other than the currency of the primary economic environment in which any substantial party to that contract operates or (ii) the currency other than the currency in which the price of the related good or service that is acquired or delivered is routinely denominated in international commerce are treated as embedded foreign currency forward contracts.

The currency of the primary economic environment in which any substantial party to that contract operates refers to the currencies used in measuring the items of the financial statements of any substantial party to the contract (measurement currency) or the currencies of the countries in which any substantial party to the contract operates. The currency in which the price of the related good or service that is acquired or delivered is routinely denominated in international commerce refers to a currency that is used for similar transactions all around the world, not just in one local area.

Embedded derivatives in such purchase and sales contracts in respect of which cash flows are virtually certain, are separated from the host contract and accounted for separately as the derivative's economics are not "clearly and closely related" to those of the host. Such embedded derivatives are classified as held for trading assets or liabilities and measured at fair value. The change in the fair value of embedded derivatives is included in net profit or loss for the period in which it arises unless it is designated as a hedging instrument in a cash flow hedge. As at May 31, 2002 and May 31, 2001, there were no outstanding embedded derivatives in such contracts.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, bank deposits and loans originated by the Company by providing money directly to a bank under reverse repurchase agreements with a predetermined sale price at fixed future dates of less than three months.

Share capital and dividends

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

Provisions

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

Financial instruments

Currency risk

The Company is exposed to the foreign exchange risk arising from various exposures primarily with respect to US dollar and Swiss francs through the impact of rate changes on the translation to Turkish lira of foreign currency denominated loans and receivables originated by the Company.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has concentration of credit risk as some of the loans and receivables originated by the Company are due from the Club, the main shareholders of the Company. The settlement of these loans and receivables are negotiated between the Club and its shareholders pursuant to Settlement Agreement which provides an offsetting mechanism through the payments of dividends which are pledged to the Company in the amount of US$10 million each year for years ending May 31, 2002, May 31, 2003 and May 31, 2004.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The interest bearing financial assets have a fixed interest rate and future cash flows associated with these financial instruments will not fluctuate in amount. Therefore the Company is exposed to fair value risk.

Fair value of financial instruments

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

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

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

Monetary assets

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

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

The carrying values of trade receivables and loans originated by the Company are estimated to be their fair values due to their short-term nature.

Monetary liabilities

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

NOTE 4- CASH AND CASH EQUIVALENTS

	May 31 2002	May 31 2001
Cash in hand	14,721	776
Banks - demand deposits	800,163	24
Cheques received	4,056	-
AIG Escrow account	4,707,567	-
Club Escrow account	2,819,185	-
Citibank - "Deposit account"	-	4,314,699
Loans to banks	15,963,049	2,506,626
	24,308,741	6,822,115

Loans to banks consist of US$ loans amounting to US$ 10,950,950 (May 31, 2001: US$ 1,450,000). These are all short-term with periods of less than three months. Interest rates of TL and US$ loans to banks are 41 - 43% and 2.00 - 2.75% (May 31, 2001: 8.75%) respectively.

On November 1, 2000, the Company, the Club and AIG executed an agreement ("Deposit Agreement") pursuant to which the Company is required to deposit 50% of the total monthly cash flow of the Company in a US$ deposit account at the London branch of Citibank N.A. ("Deposit Agent").

The funds in the deposit account are accessible only upon a formal declaration of dividends, or for payment to AIG upon a court order or arbitration award in favour of AIG for the exercise of its penalty rights (Note 15) or upon the joint instruction of AIG and the Club. Therefore as at May 31, 2001 TL 4,314,699 million (US$ 2,500,624) included in the Citibank - London Deposit Account is restricted for the use of the Company.

(Amounts expressed in millions of Turkish Lira ("TL") in terms of the purchasing power of the TL at May 31, 2002.)

The Club, the Company and AIG made and executed on June 29, 2001 a Settlement Agreement (Note 12) which amends the Deposit Agreement as follows:

The amount to be deposited is increased from 50% to 80% of the Company's total monthly cash flow and such amount is required to be allocated into two sub-accounts, namely the Club Escrow Account and the AIG Escrow Account, in accordance with the ratios specified in the Settlement Agreement.

In accordance with the release mechanism in the Settlement Agreement and its amendments, the AIG Escrow Account is to be released to AIG at first demand by AIG. The Club Escrow Account is to be released to the Club upon either (a) the resolution of the Board of the Company and the resolution by the General Assembly of the Company for the release of the yearly dividends to the Club, upon receipt of a copy of such General Assembly resolution indicating such distribution of dividends and the amount of dividend pertaining to the Club, and/or (b) a court order, judgement, decree or arbitration award by an arbitration committee to determine whether to release such Deposit Account and Club Escrow Account to the respective shareholders, and/or (c) a joint instruction of the parties.

Following the IPO, the Company and its shareholders (The Club and AIG) signed the Amendment to Deposit agreement; the amount to be deposited is decreased from 80% to 50% of the Company's total monthly cash flows, the Club Escrow Account is cancelled and AIG retains its first right of demand on the accumulated amount in the AIG Escrow Account, except that AIG has agreed to reserve up to 16% of the amount in the Deposit Account and the AIG Escrow Account in favour of public shareholders. As at July 9, 2002, the Company has deposited the amount of US$ 4,900,000 that should have been deposited for the March - May 2002 period.

As at May 31, 2002, TL 2,819,186 million (US$: 1,995,329) deposited in the Club Escrow Account and TL 4,707,567 million (US$ 3,331,864) deposited in the AIG Escrow Account are restricted for use by the Company as described above.

NOTE 5- TRADE RECEIVABLES

	May 31 2002	May 31 2001
Domestic customers	5,666,592	4,358,600
Foreign customers	49,299	-
Other	93	-
	5,715,984	4,358,600
Less:		
Provision for doubtful receivables	(1,816,958)	(1,536,716)
	3,899,026	2,821,884

With an agreement signed subsequent to May 31, 2002, the Company has rescheduled and collateralized its overdue trade receivables of TL 3,042,730 million arising from various advertising and sponsorship agreements. Accordingly no provision is recorded in these financial statements as at May 31, 2002. Subject to compliance with the terms of this agreement, the said receivables are to be collected in eight installments up until March 2003.

NOTE 6- OTHER CURRENT ASSETS

	May 31 2002	May 31 2001
Accrued revenues	5,122,358	1,654,299
Due from personnel	4,304	2,613
Advances paid	7,789	446
Prepaid expenses	617	159
Other	307	8,939
	5,135,375	1,666,456

Accrued revenues at May 31, 2002 consist of the income accrued on the Turkish Superleague broadcasting rights of TL 2,885,426 million (May 31 2001: TL 1,407,494 million), and UEFA market pool and additional participation fee of TL 2,236,932 million (May 31 2001: Nil).

NOTE 7- EQUIPMENT, FURNITURE AND FIXTURES

	June 1 2001	Additions	May 31 2002
Restated cost:			
Machinery and equipment	886	-	886
Office equipment	172,937	37,562	210,499
	173,824	37,562	211,385
Accumulated depreciation:			
Machinery and equipment	(266)	(88)	(354)
Office equipment	(47,718)	(19,716)	(67,434)
	(47,984)	(19,804)	(67,788)
Net book value:			
Machinery and equipment	620		532
Office equipment	125,220		143,065
	125,840		143,597

NOTE 8- INTANGIBLE ASSETS

	Restated cost	Accumulated amortization	Net book value
May 31 2001	1,255	(344)	911
Additions	-	(125)	(125)
May 31 2002	1,255	(469)	786

Intangible assets mainly comprise accounting software.

NOTE 9- BANK BORROWINGS

Bank	Amount in foreign currency	May 31 2001 TL	Maturity	Interest rate
HSBC	-	351,531	1 June 2001	71%
		351,531		

The bank borrowings balance is nil as of May 31 2002.

NOTE 10- OTHER CURRENT LIABILITIES

	May 31 2002	May 31 2001
VAT and miscellaneous taxes	635,271	23,618
Accrued costs	78,276	27,590
Advances received	-	2,815
Other payables	-	1,008
	713,547	55,031

Accrued costs at May 31, 2002 consist of various marketing costs of TL 73,343 million and other expense accruals of 4,933 million.

(Amounts expressed in millions of Turkish Lira ("TL") in terms of the purchasing power of the TL at May 31, 2002.)

NOTE 11- DEFERRED REVENUE

	May 31 2002	May 31 2001
Advertising revenue	105,789	1,310,863
Name right revenue	278,545	196,333
	384,334	1,502,196

NOTE 12- TRANSACTIONS AND BALANCES WITH RELATED PARTIES AND SHAREHOLDERS

Revenues from the Turkish Superleague broadcasting rights as well as revenues from UEFA are collected by the Company through the Turkish Football Federation ("TFF"), which recognizes the Company as the primary single recipient of such revenues. However, since the sporting license issued by the TFF is held by the Club, TFF deals with the Club on the accounting front and the Company in return issues the invoices to the Club for the Turkish Superleague broadcasting and UEFA revenues. Regardless of whether the broadcaster or UEFA has fulfilled their payment obligations to the Company through TFF, the amounts are recorded as receivable from the Club at the time when they become due from the local broadcasting company and UEFA based on their payment schedules.

Galatasaray Spor Kulübü, the main shareholder of the Company, and Kamera Spor (owned by close family members of the Chairman of the Board of Directors prior to May 2002 and therefore is not a related party as at May 31, 2002. However, transactions with Kamera Spor during the period in which it is considered as a related party are disclosed in the note) are considered, and referred to, as related parties.

Amounts due from and due to related parties as at May 31, 2002 and 2001 and a summary of the major transactions with related parties during the year ended May 31, 2002 and 2001 are as follows:

	May 31 2002	May 31 2001
Due from trading activities:		
Galatasaray Spor Kulübü	816,661	1,771,807
Kamera Spor	-	79,429
	816,661	1,851,236
Loans to related parties:		
Galatasaray Spor Kulübü	4,180,777	21,129,633

Total due from the Club regarding trading activities includes receivables which have not yet been collected from the Turkish Football Federation for Superleague broadcasting revenues of TL 816,661 as at May 31, 2002 and UEFA Champions League revenues of TL 1,771,807 as at May 31, 2001.

On June 29, 2001, the Company and its shareholders (The Club and AIG) made and executed a Settlement Agreement whose purpose was to ensure the transfer of the proceeds of the Assignment Agreement relating to the period between November 1, 2000 and May 31, 2001, which had not been collected by the Company mainly due to the third party pledges on certain rights assigned to the Company under the Assignment Agreement and License Agreement. According to the Settlement Agreement and its amendments the Club agreed to net-off the Club's share of the Company's dividends up to US$ 10,000,000 against its outstanding payables to the Company relating to the period starting from May 31, 2001 to May 31, 2004. The agreement provided a mechanism for this to be carried out.

The effective interest rates of TL and US dollar loans to the Club are between 51.00 - 99.80% and 7.30 - 10.00% respectively.

The Company can make advance dividend payments according to the articles of incorporation change that is to be recommended at the General Assembly meeting subject to permission of the Ministry of Commerce. The scope of authority to make advance dividend payments is limited to the period for which permission is ranted to the Board of Directors by the General Assembly. Unless the prior year's dividend advances are fully netted-off, no additional advance dividend payments can be made. As at May 31, 2002 the loans to related parties balance includes advance dividend payments of TL 2,543,207 million (US$ 1,800,000).

As explained in Note 1, the Company made and executed several agreements with its shareholders (The Club and AIG) such as a Licensing Agreement, Assignment Agreement, Settlement Agreement and Soccer Lease Agreement. The terms of the transactions entered into with the main related parties are determined in these agreements and they are negotiated between the Company and these shareholders.

Major sales to and revenues from the related parties, net of sales discounts and returns, for the periods ended May 31, 2002 and May 31, 2001 were as follows:

	May 31 2002	May 31 2001
The Club:		
Commission income	-	244,657
Trade good sales	-	138,422
Interest income	1,115,108	68,749
Professional football team rental fee	(1,716,969)	(4,969,480)
Interest expense	(693,816)	-
	(1,295,677)	(4,517,652)
Kamera Spor:		
Advertisement income	1,751,630	1,138,241

The Company's allocation of revenues derived from contracts and revenues assigned by the Club on November 1, 2000 (Note 1) was TL 24,747,985 million for the year ended May 31, 2001.

	May 31 2002	May 31 2001
Remuneration and fringe benefits to key management personnel	287,816	94,607

NOTE 13- TAXES ON INCOME

Effective from January 1, 1999, corporation tax is payable at a rate of 33% including fund levy on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances.

Dividends paid by the Company are subject to a withholding tax calculated on the gross dividend to be paid at the rate of 16.5% for private companies and 5.5% for public (listed) companies, including fund levy. An increase in capital using distributable profit or by issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Under the Turkish taxation system, losses can be carried forward to offset against future taxable income for up to five years. 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 examine tax returns and the related accounting records on which they are based, and may issue re-assessments based on their findings.

(Amounts expressed in millions of Turkish Lira ("TL") in terms of the purchasing power of the TL at May 31, 2002.)

The taxation on income expressed in terms of the purchasing power of the Turkish lira at May 31, 2002 is summarized as follows:

	May 31 2002	May 31 2001
Provision for taxes as per accompanying statements of income as expressed in terms of the purchasing power of TL at May 31, 2002:		
- current	-	(6,467)
- deferred	-	53,242
	-	46,755

Under the Turkish Corporation Tax Law, companies engaging exclusively in sports and training activities are exempt from corporation tax. According to the advance ruling of the Ministry of Finance revenues from related activities such as copyright income, income from television and radio broadcasting income from Jersey and stadium advertisement and sponsorship income and deemed as components of sports and training activities. Through the Soccer Lease Agreement signed between the Club and the Company, the Company is engaged in sports and training activities and other activities that are deemed as a component of the sports and training activities. Therefore, the Company is exempt from the aforementioned corporation tax. Although the Company is exempt from corporation tax, withholding tax at the rate of 16.5% for private companies and 5.5% for listed companies calculated on the gross dividend to be paid is applicable as explained above.

While the Company's operations for the last two months of 2000 included only sports and training activities related to professional football, operations in the first ten months of 2000 included revenues from activities that do not fall within the scope of the aforementioned tax exemption. The taxes provided for the fiscal year December 31, 2000 relates to trading activities performed by the Company during the first ten months of the year 2000. The current tax legislation does not clarify whether the exemption can be applied for part of a year. Although the tax position taken by the Company is supported by the fact that all operations outside the scope of sports and training activities have been abandoned and the non-qualifying revenues from the beginning of the year have been transferred over to the Club, this does not fully eliminate the risk that the application of the exemption in the 2000 calendar year could be questioned. In these financial statements the Company did not provide corporate taxes on historical revenues amounting to TL 2,216,343 million generated by these activities during the period November 1, 2000 - December 31, 2000. If corporation tax had been provided the estimated historical tax liability as at December 31, 2000 would be higher by TL 731,393 million. The related tax exposure of the Company as at May 31, 2002 and May 31, 2001 is estimated as TL 1,961,497 million and TL 1,300,000 million respectively. The Club committed to indemnify any loss to the Company which might arise from a tax claim related to the fiscal year ended December 31, 2000.

As a result of the above-mentioned decision, no deferred tax liability has been provided in the accompanying financial statements since 1 November 2000.

NOTE 14- EMPLOYMENT TERMINATION OBLIGATIONS

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on September 8, 1999 there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TL 1,103,540,000 (May 31 2001: TL 730,700,000) for each year of service at May 31, 2002. IAS requires accounting for such termination benefits as post - employment benefits.

The defined obligation has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees under the projected unit credit method.

The following actuarial assumptions were used in the calculation of the total liability:

	May 31 2002	May 31 2001
Discount rate	7%	7%
Turnover rate to estimate the probability of retirement	90%	100%

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

The Company does not provide any other employee benefit than the termination benefits described above.

Movements of the provision for employment termination benefits during the periods are as follows:

May 31 2001	3,023
Charge for the period	-
Disposals	(1,415)
Monetary gain	(998)
May 31 2002	610

The number of personnel as at May 31, 2002 is 5 (May 31 2001: 7).

Wages and salaries paid for the year ended May 31, 2002 amount to TL 433,491 million (May 31, 2001: TL 159,082 million).

NOTE 15- SHARE CAPITAL

Shares are divided into four categories as Class A, Class B, Class C and Class D. As explained in article 14/3 of the Articles of Association, Class A shareholders have the right to determine the six members of the Board of Directors and one of the two statutory auditors of the Company and Class C and D shareholders both have the right to determine one member of the eight members of the Board of Directors. Class D shareholders also have the right to nominate one of the two statutory auditors of the Company. In addition AIG consent is required for any decision not to distribute the maximum amount of dividends. No such privilege exists for Class B shareholders.

The Company's share capital consists of the following amounts and par values:

		May 31 2002	
Type of share	Par value	Quantity	Amount
Class A	1,000	508,750,000	508,750
Class B	1,000	1,526,249,998	1,526,250
Class C	1,000	1	-
Class D	1,000	1	-
Total		2,035,000,000	2,035,000

		May 31 2001	
Type of share	Par value	Quantity	Amount
Class A	1,000	287,500,000	287,500
Class B	1,000	862,499,998	862,498
Class C	1,000	1	1
Class D	1,000	1	1
Total		1,150,000,000	1,150,000

(Amounts expressed in millions of Turkish Lira ("TL") in terms of the purchasing power of the TL at May 31, 2002.)

AIG (sole holder of Class C and D shares) has certain penalty rights against the Club (sole holder of Class A shares) and the Company with respect to material breaches of existing provisions in its agreements with the Club and/or the Company. These penalty rights give AIG the right to collect from the Club, or, to the extent that it is responsible, from the Company, a penalty amount which is determined in accordance with the Shareholders' Agreement.

The shareholding structure of the Company as at May 31, 2002 and May 31, 2001 is as follows:

	May 31 2002		May 31 2001	
	TL	Share (%)	TL	Share (%)
Galatasaray Spor Kulübü	1,280,576	62.93	907,492	78.91
Public Quotation	325,600	16.00	-	-
AIG Blue Voyage Fund, L.P.	257,053	12.63	145,263	12.63
AIG Global Sports & Entertainment L.P.	171,368	8.42	96,842	8.42
Other	403	0.02	403	0.04
	2,035,000	100.00	1,150,000	100.00

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

On November 6, 2000, the Company increased its authorized and issued share capital from TL 100,000 million to TL 1,150,000 million via 21 for 2 rights issued at par in cash. The number of Founders' shares and ordinary shares increased at November 6, 2000 as a result of a share split. Before the split, the Company's shares consisted of the following:

Founders' shares (Class A shares) made up of one share with a nominal value of TL 50,000,000,000 and 50 shares with a nominal value of TL 100,000,000. Ordinary shares made up of 275 shares with a nominal value of TL 100,000,000, 300 shares with a nominal value of TL 500,000,000, 200 shares each with a nominal value of TL 10,000,000 and 100 shares with a nominal value of TL 5,000,000.

After the split, the Company's shares consisted of the following:

287,500,000 Founders' shares with a nominal value of TL 1,000 and 862,500,000 ordinary shares with a nominal value of TL 1,000. Each type of share with a nominal value of TL 1,000 has the same right in dividend distributed.

On January 24, 2002 the Company increased its authorized and issued share capital from TL 1,150,000 million to TL 2,035,000 million from the extraordinary reserves. Since the capital increase the Company's shares consist of the following:

508,750,000 Founder's shares with a nominal value of TL 1,000 and 1,526,250,000 ordinary shares with a nominal value of TL 1,000.

NOTE 16- CASH GENERATED FROM OPERATIONS

	May 31 2002	May 31 2001
Net income	34,499,907	29,913,700
Adjustments for:		
Taxation on income	-	(46,774)
Depreciation	19,804	15,853
Amortisation	126	125
Fair value loss		
	34,519,837	29,882,904
Changes in reserves and provisions		
Changes in provision for employment termination obligations	(1,425)	1,298
	(1,425)	1,298
Changes in working capital		
Trade receivables	(1,363,832)	(2,686,652)
Loan to related parties	(1,811,125)	(21,136,101)
Receivables from related parties	1,034,575	(1,373,542)
Inventories	-	88,456
Trade payables	401,497	(30,504)
Due to related parties	-	
Deferred revenue	(1,117,862)	1,502,196
Other current assets/liabilities-net	(2,810,403)	(1,621,505)
	(5,697,150)	(25,257,652)
Changes in other non-current assets and liabilities		
Other non-current assets	-	1,582
Other non-current liabilities	-	-
	-	1,582
Cash generated from operations	28,821,262	4,628,132

NOTE 17- EARNINGS PER SHARE

Earnings per share for each class of shares disclosed in the accompanying statements of income are determined by dividing net profit by the weighted average number of shares in existence during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings and statutory revaluation surplus. The Company does not have any statutory revaluation surplus and there were no bonus shares issued during the period from January 1, 1999 to May 31, 2002. However, the Company increased its share capital from the extra ordinary reserves by issuing new ordinary shares on January 24, 2002 (Note 15). The issue of new ordinary shares gives rise to a bonus element as the issue does not result in a proportionate change in the resources which is the fair value of the issued ordinary shares at the date of issue.

The weighted average number of ordinary shares outstanding during the period and for all periods presented is adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in resources.

There was no difference between basic and diluted earnings per share for any class of shares for any of these years.

(Amounts expressed in millions of Turkish Lira ("TL") in terms of the purchasing power of the TL at May 31, 2002.)

NOTE 18- REVENUES

	May 31 2002	May 31 2001
Domestic Broadcasting Rights	16,541,951	15,925,551
UEFA Market Pool	3,277,722	1,553,756
UEFA Match Bonus and Performance	5,469,840	8,713,697
Sponsorship	4,932,074	7,264,393
Advertising	5,106,916	1,565,295
Name Rights and Other	1,113,604	726,405
	36,442,107	35,749,097

NOTE 19- OTHER INCOME/(EXPENSE) - NET

	May 31 2002	May 31 2001
Bad debt expense	(1,068,038)	(1,760,727)
Other income	5,402,393	454,750
Other expense	(218,900)	(360,053)
	4,115,455	(1,666,030)

The Club's professional football team was qualified for the 2001 edition of the FIFA Club World Championship (''Championship''). However, the Championship was cancelled due to the commercial partner of FIFA and therefore the FIFA Executive Committee decided to give a compensation fee to each of the teams qualified for the Championship. The Committee also decided that the clubs that qualified for the competition in 2001 should automatically qualify for the 2003 championship. Accordingly, other income for the year ended May 31, 2002 includes the above mentioned compensation amounting to TL 1,407,798 and another compensation fee of TL 3,888,259.

NOTE 20 - CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There is one major lawsuit pending against the Company and the Club, which was filed by Ata Yatırım Menkul Kıymetler A.Ş. ("Ata Yatırım"), a brokerage firm in Turkey, arising from the alleged violation of the advisory agreement of April 18, 2000 between the Club, the Company, and Ata Yatırım. According to the discovery proceedings of independent experts assigned by the court the total amount of the contingent liability may approximate to TL 1,256,000 million. The Company objected to the evaluation made by the experts and filed a request for the assignment of other experts. The hearings on this legal action are in progress. The Company did not provide a provision for the lawsuit in these financial statements as the ultimate outcome of the matter cannot presently be determined. At November 17, 2000, Galatasaray Spor Kulübü, the main shareholder of the Company, submitted a declaration with its commitment that they will accept and pay all the liability which may occur as a result of the legal case.

NOTE 21- RETAINED EARNINGS AND LEGAL RESERVES

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

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

Dividend distributions are made by the Company in Turkish lira in accordance with its Articles of Association, after deducting taxes and setting aside the legal reserves as discussed above.

Composition of prior periods earnings (per Statutory Financial Statements of the Company) is as follows (not adjusted for inflation):

	May 31 2002	May 31 2001
Legal reserves	230,000	-
Undistributed general reserve	32,572,827	22,333,274
	32,802,827	22,333,274

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