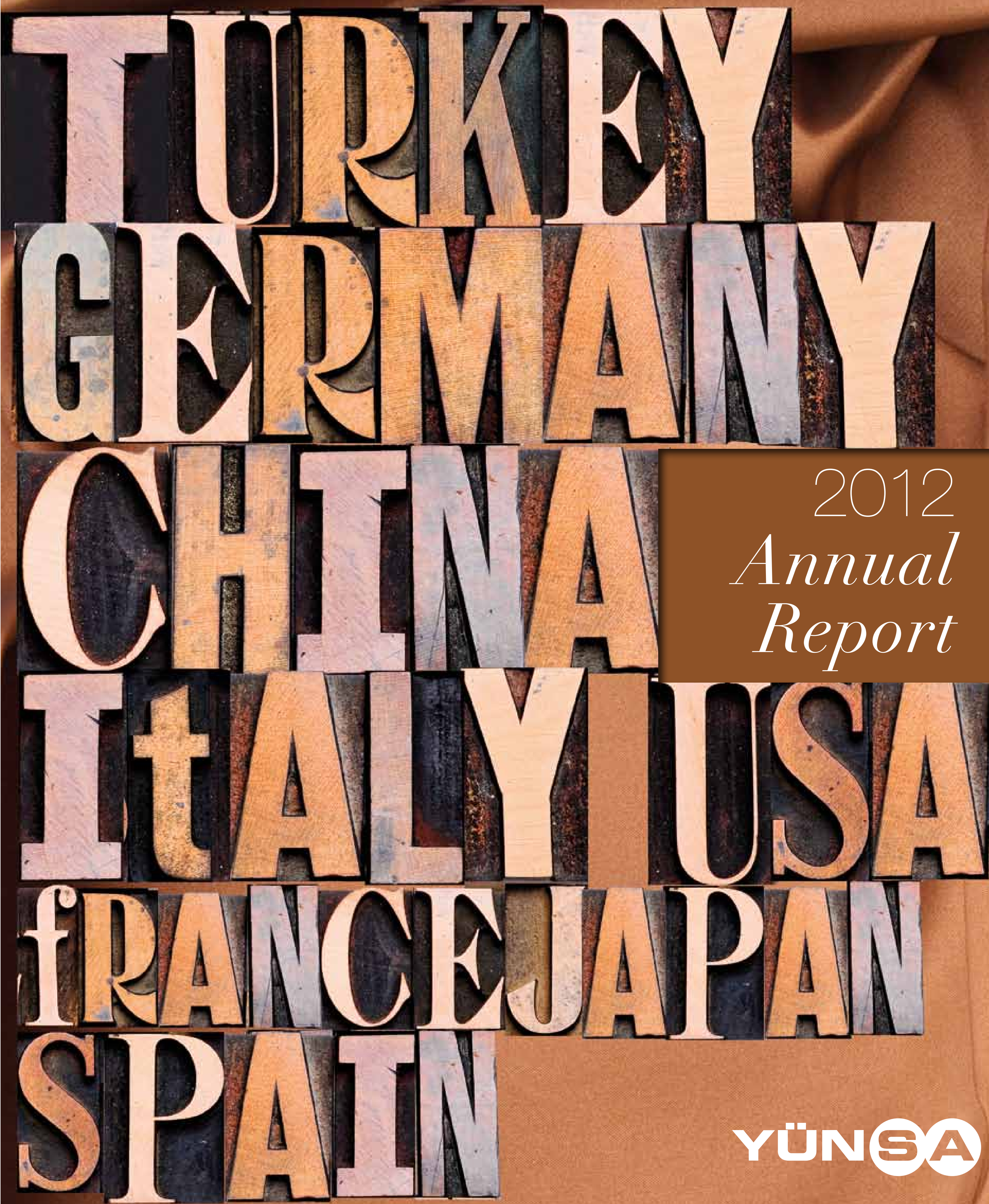


2012 Annual Report

YÜNSA

Exporting to more than 50 countries worldwide

AUSTRALIA AUSTRIA BELGIUM BOSNIA BRAZIL
BULGARIA CANADA CHINA CROATIA CZECH REPUBLIC
DENMARK DUBAI EGYPT ENGLAND ESTONIA
MOROCCO FINLAND FRANCE GERMANY HOLLAND
HONG KONG HUNGARY INDIA INDONESIA IRAN
IRELAND ISRAEL ITALY JAPAN KOREA LEBANON
LITHUANIA MALTA NORWAY POLAND PORTUGAL
ROMANIA RUSSIA SCANDINAVIA SERBIA SLOVAKIA
SOUTH AFRICA SPAIN SWEDEN SWITZERLAND
THAILAND TUNISIA U.A.E. UKRAINE USA

If you believe in yourself, you will be successful but if you earn the confidence of the world, you will be a brand!

Since the very beginning of our journey in the fashion world, we have been interweaving our fabrics with the complete trust of our consumer with our unmatched quality as well as of our business partners with our increasingly growing brand profile. With our glamorous fabrics, we are a part of lives of millions of people across more than fifty countries and we continue to learn novelties from the lives we touch and treat our fabrics with the different cultural textures. Today, while enjoying the title of the biggest fabric manufacturer of the Europe, we know the trust placed in us by the globe and we continue in undersigning new successes with our ever-increasing rate of hardworking.

Contents

Agenda

AGENDA OF ORDINARY GENERAL ASSEMBLY MEETING ON MARCH 26, 2013

1. Opening and election of Chairman's Panel.
2. Authorization of Chairman to sign minutes of General Assembly.
3. Presentation and Discussion of Board of Directors' Annual Report and Auditors' Report and Independent Auditors' Report, for the year 2012.
4. Informing General Assembly about the donations and aids provided in 2012.
5. Determination of donation limit to be provided by Company for the year 2013.
6. Informing General Assembly about transactions with affiliates in 2012.
7. Informing the General Assembly about letter of guarantees, pledges and mortgages given by Yünsa to third parties, earned incomes and interests for the year 2012.
8. Informing General Assembly about the transactions prescribed in Guideline No 1.3.7 of Capital Market Board's Corporate Governance Guidelines.
9. Presentation, discussion and approval of Balance Sheet and Profit/Loss Statement for the year 2012.
10. Release of Members of Board of Directors and Members of Auditors' Board of their activities in 2012.
11. Discussion and Resolution on the profit disposal method for the year 2012 by Board of Directors and on the proposal about determining the rates of profit distribution and earning shares.
12. Approval of General Assembly on re-appointment of Members of Board of Directors to comply with Article 25 of the Law No 6103 during the year.
13. Election of the Auditor.
14. Approval of Internal Directive about Working Principles and Procedures of General Assembly prepared by Board of Directors.
15. Approval of amending the Articles of Association of the Company under the amendment draft pursuant to the permits to be obtained from Capital Market Board and Republic of Turkey. Ministry of Customs and Trade for compliance with Turkish Code of Commerce and Code of Capital Market.
16. Authorization of Chairman and Board Members to conduct in the transactions listed in Articles 395 and 396 of Turkish Code of Commerce.

Amendment Proposal for the Articles of Association of YÜNSA Yünlü Sanayi ve Ticaret Anonim Şirketi

OLD TEXT

ESTABLISHMENT:
Article 1- A joint-stock company is hereby founded by and between the founders, whose name/surnames, nationalities and full residential addresses are given below, in accordance with the provisions of Turkish Commercial Code pertaining to the Instant Establishment of joint-stock companies.

1- Hacı Ömer Sabancı Holding Anonim Şirketi of Turkish Nationality located at Karşıyaka – Adana,
2- Akbank T.A.Ş of Turkish Nationality located at Fındıklı – Istanbul
3- Teksa Tekstil Ticaret Sanayi A.Ş. of Turkish Nationality located at Tarsus Yolu – Adana
4- Turan Sümbül of Turkish Nationality resident at Çakmakçılar No : 78 Sultanhamam – Istanbul
5- Ümit Manifatura, Mehmet Sayıner ve Bekir Çubukçu Kollektif Şirketi of Turkish Nationality located at Aşirefendi Cad. Gürün Han. Kat : 1 No : 117 – Istanbul

TRADE NAME:
Article 2- Trade Name of the Company is "Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi".

NEW TEXT

ESTABLISHMENT:
Article 1- A joint-stock company is hereby founded by and between the founders, whose name/surnames, nationalities and full residential addresses are given below, in accordance with the provisions of Turkish Commercial Code pertaining to the Instant Establishment of joint-stock companies.

1- Hacı Ömer Sabancı Holding Anonim Şirketi of Turkish Nationality located at Karşıyaka – Adana,
2- Akbank T.A.Ş of Turkish Nationality located at Fındıklı – Istanbul
3- Teksa Tekstil Ticaret Sanayi A.Ş. of Turkish Nationality located at Tarsus Yolu – Adana
4- Turan Sümbül of Turkish Nationality resident at Çakmakçılar No : 78 Sultanhamam – Istanbul
5- Ümit Manifatura, Mehmet Sayıner ve Bekir Çubukçu Kollektif Şirketi of Turkish Nationality located at Aşirefendi Cad. Gürün Han. Kat : 1 No : 117 – Istanbul

TRADE NAME:
Article 2- Trade Name of the Company is "Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi".

Joint Company with above trade name shall be referred as "Company" in the following articles.

OLD TEXT

OBJECTS & BUSINESS LINE:
Article 3-
D - COMMERCIAL ACTIVITIES:

a) To carry out production and purchase from domestic market, import, export and inland trade of the products within the framework of its business line,

b) To purchase and import spare parts and materials of machinery within the framework of its business line as well as related raw and chemical materials,

c) To acquire permits, franchises, licenses and patents within the framework of its business line and to transfer part or all of the same to others and take over any of them owned by others and to execute technical knowledge (know-how) agreements,

d) To provide representative, broker and agency services within the framework of its business line,

e) To execute short-, medium- and long term loan agreements both at home and foreign markets, to obtain aval- and surety-based credits to if and when necessary, establish mortgages and commercial pledges on Company's movable and immovable properties and to acquire and release the commercial pledges to be provided by others in favor of the company,

f) To acquire, operate, hire, hire out, buy and sell all kinds of movable and immovable properties and intangible rights within the framework of its business line and to establish, register and when necessary release mortgages in favor of Company on movable and immovable properties of others and to acquire any kind of rights thereon;

g) To carry out and execute all kinds of financial, commercial and administrative dispositions and activities for achieving its business goals and to set up companies and to acquire equity stake in existing companies.

h) To act as a representative or agency of insurance companies provided that it does not have the authority to issue and collect policies and premiums.

i) To donate universities, foundations, non-governmental organizations and similar real and legal entities, provided that it will not result in enforcement of the last sub-paragraph of Article 15 of Code of Capital Market as well as upon informing shareholders of donations in General Assembly and making the necessary material event disclosure,

j) Provisions of Capital Market Legislations are applicable in establishment of warranty, surety, pledge or lien right including mortgage in favor of his name or third parties.

In addition to foregoing transactions, should the Company wishes in the future, it may deal with and engage in other useful or necessary fields of activities which will be laid before the General Assembly by the proposal of the Board of Directors and the Company may deal with and engage in such fields of activities after getting such approval.

It is essential that this kind of resolution shall be approved by the Ministry of Commerce and Industry and Capital Market Board to be able to implement it, as it involves an amendment to Articles of Association of the Company.

NEW TEXT

OBJECTS & BUSINESS LINE:
Article 3-
D - COMMERCIAL ACTIVITIES:

a) To carry out production and purchase from domestic market, import, export and inland trade of the products within the framework of its business line,

b) To purchase and import spare parts and materials of machinery within the framework of its business line as well as related raw and chemical materials,

c) To acquire permits, franchises, licenses and patents within the framework of its business line and to transfer part or all of the same to others and take over any of them owned by others and to execute technical knowledge (know-how) agreements,

d) To provide representative, broker and agency services within the framework of its business line,

e) To execute short-, medium- and long term loan agreements both at home and foreign markets, to obtain aval- and surety-based credits to if and when necessary, establish mortgages and commercial pledges on Company's movable and immovable properties and to acquire and release the commercial pledges to be provided by others in favor of the company,

f) To acquire, operate, hire, hire out, buy and sell all kinds of movable and immovable properties and intangible rights within the framework of its business line and to establish, register and when necessary release mortgages in favor of Company on movable and immovable properties of others and to acquire any kind of rights thereon;

g) To carry out and execute all kinds of financial, commercial and administrative dispositions and activities for achieving its business goals and to set up companies and to acquire equity stake in existing companies.

h) To act as a representative or agency of insurance companies provided that it does not have the authority to issue and collect policies and premiums.

i) To provide support, aid and donations to non-governmental foundations, associations, educational institutions, universities and other real and legal entities under the framework of Capital Market Legislation and to be a member of foundations and associations,

j) Provisions of Capital Market Legislations are applicable in establishment of warranty, surety, pledge or lien right including mortgage in favor of his name or third parties.

In addition to foregoing transactions, should the Company wishes in the future, it may deal with and engage in other useful or necessary fields of activities which will be laid before the General Assembly by the proposal of the Board of Directors and the Company may deal with and engage in such fields of activities after getting such approval.

Should the company amends his objective and business lines, he is required to acquire necessary permits from Ministry of Customs and Commerce and Capital Market Board.

OLD TEXT

HEAD OFFICE AND BRANCHES:

Article 4- The head office of company is located in Istanbul. Its Address is Sabancı Center Kule 2 Kat:11-12 4.Levent 80745 – Istanbul. In case of address change, new address shall be registered in Trade Registry and promulgated in Turkey Trade Registry Gazette and furthermore notified to Ministry of Industry and Trade and Capital Market Board. The notification served to registered and promulgated address shall be deemed to be made to Company after moving from the registered and promulgated address into new address which is not registered within the legal period, this failure shall be deemed as termination reason for the company.

The company may open branches, bureaus, agencies and correspondent offices both at home and abroad provided that necessary formalities and procedures are duly complied with.

CAPITAL :

Article 6- Company accepted the registered capital system according to provisions of Law No 2499 and began to implement this system with permission No 289 dated May 3, 1990 of CMB.

The capital of the company is TRY 35.000.000 (Thirty five million) divided into 3.500.000.000 (Three billion five hundred million) shares of stock, each with a par value of 1 Kr (1 Kurush) - all of shares of stock of bearer character.

The permission of registered capital ceiling given by Capital Market Board is valid for 5 years between the years 2011 and 2015. Even if permitted registered capital ceiling would have not been reached at the end of 2015, in order for a decision on capital increase to be able to be taken by Board of Directors, Board of Directors must be empowered by General Assembly on a new period for the ceiling permitted before or a new ceiling after obtaining the permission of Capital Market Board. Should such an empowerment cannot be obtained, company shall be deemed to be removed from registered capital system.

The issued capital of the company is TRY 29.160.000. (Twenty nine million one hundred sixty thousand) divided into 2.916.000.000 (two billion nine hundred sixteen million) shares of stock, each with a par value of 1 Kr (1 Kurush).

Of this capital, TRY 1.093.450 is paid in cash, TRY 26.707.590,07 from fixed asset value increase fund, TRY 3.960,74 from affiliates value increase fund, TRY 1.154.999,19 from cost increase fund and shares of stock issued for these amounts are distributed to company shareholders free of charge. The remaining TRY 200.000 is paid from profit share of the year 1995 added in the capital pursuant to Decision of General Assembly dated March 29, 1996.

Share amounts corresponding to subscribed capital in cash are paid in advance and fully during the subscription.

Board of Directors is authorized to increase the capital issued by bearer share certificates up to the registered capital ceiling at such times he deems necessary between the years 2011 and 2015 in accordance with provisions of Code of Capital Market.

Board of Directors cannot exercise limitations on new share acquisition by shareholders.

While the par value of the shares was TRY 1.000-, they are changed as 1 New Kurush pursuant to Law No 5274 about Amendment of Turkish Commercial Code, then as 1 Kurush due to the deletion of the word "New" from New Turkish Lira and New Kurush with the Council of Ministers' Decision No 2007/11963 dated April 4, 2007, became effective on January 1, 2009. Because of this amendment, total number of share certificates is decreased and share certificate with par value 1 (New) Kurush is given for 10 share certificates with a value of TRY 1,000. Any right related with the shares arising due to the mentioned change rests with shareholders.

Expression of "Turkish Lira" herein is the expressions as amended by aforementioned Council of Ministers' Decision.

Shares representing the capital are monitored on records within the framework of registration principles.

NEW TEXT

HEAD OFFICE AND BRANCHES:

Article 4- The head office of company is located in Istanbul. Its Address is Sabancı Center Kule 2 4.Levent 34330 – Istanbul. In case of address change, new address shall be registered in Trade Registry and promulgated in Turkey Trade Registry Gazette and furthermore notified to Ministry of Customs and Trade and Capital Market Board. The notification served to registered and promulgated address shall be deemed to be made to Company after moving from the registered and promulgated address into new address which is not registered within the legal period, this failure shall be deemed as termination reason for the company.

The company may open branches, bureaus, agencies and correspondent offices both at home and abroad provided that necessary formalities and procedures are duly complied with.

CAPITAL :

Article 6- Company accepted the registered capital system according to provisions of Law No 2499 and began to implement this system with permission No 289 dated May 3, 1990 of CMB.

The capital of the company is TRY 35.000.000 (Thirty five million) divided into 3.500.000.000 (Three billion five hundred million) shares of stock, each with a par value of 1 Kr (1 Kurush) - all of shares of stock of bearer character.

The permission of registered capital ceiling given by Capital Market Board is valid for 5 years between the years 2011 and 2015. Even if permitted registered capital ceiling would have not been reached at the end of 2015, in order for a decision on capital increase to be able to be taken by Board of Directors, Board of Directors must be empowered by General Assembly on a new period for the ceiling permitted before or a new ceiling after obtaining the permission of Capital Market Board. Should such an empowerment cannot be obtained, company shall be deemed to be removed from registered capital system.

The issued capital of the company is TRY 29.160.000. (Twenty nine million one hundred sixty thousand) divided into 2.916.000.000 (two billion nine hundred sixteen million) shares of stock, each with a par value of 1 Kr (1 Kurush).

Share amounts corresponding to subscribed capital in cash are paid in advance and fully during the subscription.

Board of Directors is authorized to increase the capital issued by bearer share certificates up to the registered capital ceiling at such times he deems necessary between the years 2011 and 2015 in accordance with provisions of Code of Capital Market.

Board of Directors cannot exercise limitations on new share acquisition by shareholders.

Shares representing the capital are monitored on records within the framework of registration principles.

OLD TEXT

CAPITAL INCREASE AND DECREASE:

Article 7- As a requirement of the system, capital increase shall be decided by Company's Administration Board, provided that registered capital ceiling is complied with and pursuant to provisions of Turkish Commercial Code and Capital Market Board.

Without complete exploitation of the registered capital ceiling, he may apply Capital Market Board for re-determination of the ceiling.

Provisions of Turkish Commercial Code and other applicable legislations shall be applicable with respect to company capital decrease.

SALE OF BEARER SHARE CERTIFICATES

Article 8- Shareholders, who are willing to, are entrusted with the freedom of partial or complete sale of their bearer share certificates. Provisions of Turkish Code of Commerce shall be applicable with respect to said transactions herein.

ADMINISTRATION BOARD:

Article 9- Company shall be administered and represented by a Administration Board consisting of six members who will be elected by General Assembly among the shareholders in accordance with provisions of Turkish Code of Commerce.

OFFICE TERM OF THE ADMINISTRATION BOARD:

Article 10- Members of Administration Board shall be elected for a period of 1 to 3 year(s). Any member whose office term has expired may be re-elected.

General Assembly may replace Members of Administration Board at any time at its discretion.

MEETINGS OF BOARD OF DIRECTORS:

Article 11- The Board of Directors shall meet whenever required by the business and operations of the Company, provided that it be held at least 6 times during a year.

In the event of a Board Member who represents a shareholder with a legal entity character, such person shall be regarded to have resigned if the Board of Directors has been kept informed of the fact such person has severed relation with such legal entity.

A member who fails to attend a Board meeting for three consecutive monthly meetings shall be regarded to have resigned.

PROVISIONS AS TO THE ADMINISTRATION BOARD:

Article 12- Provisions of Turkish Commercial Code shall be applicable with respect to rights, obligations, liabilities and responsibilities of the Administration Board and meeting method and quorum and to withdrawal, death or incapacity of members and to their remuneration as well as to other matters relating to the Administration Board.

The Administration Board shall be authorized and empowered to pass all resolutions for all matters, including mortgaging of immovable properties other than those which are exclusively assigned to jurisdiction of General Assembly in Turkish Commercial Code as well as in the present Articles of Association.

DISTRIBUTION OF DUTIES IN THE ADMINISTRATION BOARD:

Article 13- The Administration Board shall elect, among its members, a Chairman and, to substitute him in his absence Deputy Chairman, as well as a Managing Member, at their first meeting after every ordinary General Assembly. The remuneration of the managing member shall be fixed by Administration Board. The Administration Board may delegate part of its powers to a managing director to be selected among its members.

AUTHORIZED SIGNATORIES:

Article 14- The Company shall be administered and represented towards outsiders by the Administration Board. In order that any documents issued for and on behalf of the Company and any contracts executed for and on behalf of the Company might be valid and binding on the Company, it is essential that these shall have been signed by two authorized signatories of the Company under the Company's trade name.

Authorized signatories of the Company and their respective signatory- powers shall be determined by virtue of a resolution of the Administration Board.

NEW TEXT

CAPITAL INCREASE AND DECREASE:

Article 7- As a requirement of the system, capital increase shall be decided by Company's Board of Directors, provided that registered capital ceiling is complied with and pursuant to provisions of Turkish Commercial Code and Capital Market Board.

Without complete exploitation of the registered capital ceiling, he may apply Capital Market Board for re-determination of the ceiling.

Mandatory provisions of Turkish Commercial Code and Code of Capital Market shall be appliable with respect to company capital decrease.

SALE OF BEARER SHARE CERTIFICATES

Article 8- This article is repealed.

BOARD OF DIRECTORS:

Article 9- Company shall be administered and represented by a Board of Directors consisting of six members who will be elected by General Assembly among the shareholders in accordance with provisions of Turkish Code of Commerce.

OFFICE TERM OF THE ADMINISTRATION BOARD:

Article 10- Members of Board of Directors shall be elected for maximum 3 years. Any member whose office term has expired may be re-elected.

General Assembly may replace the Board Members at any time at its discretion.

MEETINGS OF BOARD OF DIRECTORS:

Article 11- The Board of Directors shall meet whenever required by the business and operations of the Company, provided that it be held at least 4 times during a year.

A member who fails to attend a Board meeting for three consecutive monthly meetings shall be regarded to have resigned.

Unless a discussion is requested by one of the members, decisions of Board of Directors may be given after written consents of, at least, the majority of total number of members is given to the written proposal on particular matter of one of the members pursuant to Article 390(4) of Turkish Commercial Code.

PROVISIONS AS TO THE ADMINISTRATION BOARD:

Article 12- Provisions of Turkish Commercial Code shall be applicable with respect to rights, obligations, liabilities and responsibilities of the Board of Directors and meeting method and quorum and to withdrawal, death or incapacity of members and to their remuneration as well as to other matters relating to the Board of Directors.

The Board of Directors shall be authorized and empowered to pass all resolutions for all matters, including mortgaging of immovable properties other than those which are exclusively assigned to jurisdiction of General Assembly in Turkish Commercial Code as well as in the present Articles of Association.

DISTRIBUTION OF DUTIES IN BOARD OF DIRECTORS:

Article 13- The Board of Directors shall elect, among its members, a Chairman and, to substitute him in his absence Deputy Chairman, as well as aManaging Member, at their first meeting after every ordinary General Assembly. The remuneration of the managing member shall be fixed by Board of Directors.

Pursuant to Article 367 of Turkish Commercial Code or through an internal directive, part or complete of management operations may be delegated to Managing Member of the Board or "Management". "Management" means the team consisting of General Manager, his deputies, managers, their assistants and persons with similar titles other than the Members of Board of Directors.

Duties and Authorities which cannot be delegated according to Article 375 and other articles of Turkish Commercial Code shall be reserved.

AUTHORIZED SIGNATORIES:

Article 14- The Company shall be administered and represented towards outsiders by the Board of Directors. In order that any documents issued for and on behalf of the Company and any contracts executed for and on behalf of the Company might be valid and binding on the Company, it is essential that these shall have been signed by two authorized signatories of the Company under the Company's trade name.

Authorized signatories of the Company and their respective signatory-powers shall be determined by virtue of a resolution of the Board of Directors.

Pursuant to Article 370(2) of Turkish Commercial Code, Board of Directors may delegate the representation authority to Board members and/or Managing Member and/or managers not being a Board Member.

OLD TEXT

AUDITORS:
Article 15- General Assembly shall elect maximum three auditors for a period of 3 years, at a maximum, among shareholders or outsiders, and shall determine their monthly remuneration.

The following person is hereby appointed as the first auditor for a period of one accounting period:
Sebahattin Bringen
(Turkish National, resident at Levent Fulya Sok. No.: 4)

DUTIES AND RESPONSIBILITIES OF AUDITORS:
Article 16- Provisions of Turkish Commercial Code shall be applicable with respect do duties, obligations and liabilities of auditors, as well as other auditor-related matters.

GENERAL ASSEMBLY:
Article 17- General Assembly shall be held ordinarily and extraordinarily. Ordinary General Assembly shall be held at least annually and within the three (3) months following the close of accounting period of Company. At such meetings, matters set out in Article 369 of Turkish Commercial Code shall be discussed and decided.

Extraordinary General Assemblies shall be held whenever required by the business of the Company in accordance with the provisions set forth in Code, as well as in the present Articles of Association, to pass appropriate resolutions.

PLACE OF MEETING:
Article 18- General Assemblies shall be held at head office of the Company or at any other place of the city where its head office, branches or industrial facilities are located or elsewhere, provided that this decided by a resolution of the Board of Directors to that effect or in the address of industrial plant at Organize Sanayi Bölgesi Çerkezköy Tavukçu yolu mevkii Çerkezköy/TEKİRDAĞ.

CHAIRMAN, CLERK, VOTE COLLECTORS, ATTENDEES' LIST:
Article 19- General Assembly meetings shall be chaired by the Chairman of the Administration Board or by Deputy Chairman in his absence or by any person designated at Administration Board to this end.
Two biggest shareholders present at the General Assembly shall serve as Vote Collectors. If such shareholders refuse to do this, procedure shall be applied until accepted by two shareholders.

Clerk of the General Assembly shall be elected among shareholders or outsiders by persons authorized to collect votes.

A List of Attendees shall be drawn up to substantiate the names, addresses, shares and voting numbers of shareholders present at the General Assembly, either in principal or by Proxy, and such list shall be signed by present shareholders and so attached to the minutes of general meeting for presentation to whom it may concern when so demanded.

SUPERINTENDENT:
Article 20- It is essential that both Ordinary and Extraordinary General Assembly shall be attended by a Superintendent from the Ministry of Commerce. Any resolutions passed at a General Assembly held in the absence of such Superintendent.

QUORUM FOR MEETING:
Article 21- Provisions of Turkish Commercial Code shall be applicable with respect to quorums for holding General Assembly and for passing resolutions thereat.

VOTING RIGHT
Article 22- In the general assembly meetings shareholders has one voting right as per share they own.

NEW TEXT

AUDITOR:
Article 15- Company shall be audited by auditors, who are eligible according to the provisions of Turkish Commercial Code, selected by General Manager for each year.

Auditor shall be disclosed in Turkish Commercial Registry Journal and company's website. Auditor shall be released from his office according to provisions of Turkish Commercial Code. Article 399(2) of Turkish Commercial Code is reserved.

Relevant Articles of Turkish Commercial Code and Capital Market Legislations shall be applicable with respect to auditing company and the other matters prescribed by the legislation.

The remunerations to be paid to Auditors shall be determined with a contract to be executed with the auditor every year.

DUTIES AND RESPONSIBILITIES OF AUDITOR:
Article 16- Provisions of Turkish Commercial Code and Capital Market Board shall be applicable with respect do duties, obligations and liabilities of auditors, as well as other auditor-related matters.

GENERAL ASSEMBLY:
Article 17- General Assemblies of the Company shall be held ordinarily and extraordinarily. Ordinary General Assembly shall be held at least annually and within the three (3) months following the close of accounting period of Company. At such meetings, matters set out in Article 409 of Turkish Commercial Code shall be discussed and decided.

Extraordinary General Assemblies shall be held whenever required by the business of the Company in accordance with the provisions set forth in Code, as well as in the present Articles of Association, to pass appropriate resolutions.

PLACE OF MEETING:
Article 18- General Assemblies shall be held at head office of the Company or at any other place of the city where its head office, branches or industrial facilities are located or elsewhere, provided that this decided by a resolution of the Board of Directors to that effect.

PANEL OF GENERAL ASSEMBLY
Article 19- General Assembly meetings shall be chaired by the Chairman of the Board of Directors or by Deputy Chairman in his absence or by any person designated at Board of Directors to this end.

Chairman forms the panel by assigning Clerk and, at his discretion, vote collector.

REPRESENTATIVE OF MINISTRY
Article 20- It is essential that both Ordinary and Extraordinary General Assembly shall be attended by a Representative of Ministry from the Ministry of Commerce. Any resolutions passed at a General Assembly held in the absence of such Representative of Ministry.

QUORUM FOR MEETING:
Article 21- Provisions of Turkish Commercial Code and Code of Capital Market shall be applicable with respect to quorums for holding General Assembly and for passing resolutions thereat.

VOTING RIGHT
Article 22- In the general assembly meetings shareholders has one voting right as per share they own.

Shareholders exercise their voting rights on pro-rata basis to total nominal values of their shares pursuant to Article 434 of Turkish Commercial Code.

OLD TEXT

REPRESENTATION BY PROXY:
Article 23- At General Assembly Meetings, shareholders may get themselves represented by proxy that they would be appointed among the shareholders or outsiders in accordance with the provisions of Capital Market Board concerning the voting by proxy.

VOTING METHOD:
Article 24- At General Assembly Meetings, votes shall be exercised by show of hands. However, voting by ballot must be followed if demanded by shareholders representing one/tenth of the share capital at the meeting.

AMENDMENTS TO ARTICLES OF ASSOCIATION:
Article 25- Consummation and enforcement of all amendments to the present Articles of Association is subject to permission of Ministry of Industry and Commerce and Capital Market Board. Any amendments shall take effect only after they have been duly certified and registered with the Trade Registry and then promulgated by theTrade Registry.

ANNOUNCEMENTS:
Article 26- Any announcements which are relating to the Company and which are required to be promulgated in Turkish Trade Registry Gazette shall be so promulgated. Other announcements shall be made in a daily newspaper circulated in city of Istanbul.
Any announcement which is required by Code of Capital Market shall be executed under the communiqués published by Capital Market Board as well as Code of Capital Market.

SUBMISSIONS TO MINISTRY AND CAPİTAL MARKET BOARD:
Article 27- Financial Statements and Reports, issues of which are stipulated by Capital Market Board as well as Independent Auditor's Report in case of independent audit shall be submitted to Capital Market Board and publicly disclosed under the rules and procedures set forth by Capital Market Board.

Sufficient copies of each of the Report of Board of Directors and Auditors' Report and the Balance Sheet, Profit/Loss Statements, Minutes of the General Assembly as well as a roster showing the names and shareholding percentages of the shareholders present at the General Assembly shall be submitted to competent authorities within such periods as stipulated in the relevant legislation.

ANNUAL ACCOUNTS:
Article 29- Accounting year of the company shall be calendar year. However, its initial accounting period shall begin on the final establishment date and shall close on the last day of December of that year.

NEW TEXT

REPRESENTATION BY PROXY:
Article 23- At General Assembly Meetings, absent shareholders may get themselves represented by proxy in accordance with the provisions of Turkish Commercial Code and Capital Market Board concerning the voting by proxy.

VOTING METHOD:
Article 24- At the General Assembly meeting, votes shall be exercised by open and show of hands and/or via electronic environment.

However, voting by ballot must be followed if demanded by shareholders representing one/tenth of the share capital at the meeting.

Shareholders may attend in General Assembly meetings via electronic environment pursuant to Article 1527 of Turkish Commercial Code. Company may setup an electronic general assembly system which will enable Shareholders to attend in the General Assembly meetings, to communicate their opinions, to furnish suggestions and exercise their voting rights or may purchase service of systems set up for such purposes pursuant to the provisions of Regulation on General Assembly meetings of Joint-Stock Companies to be held via Electronic Environment. Pursuant to present article of Articles of Association, at all general assembly meetings, shareholders and their proxies shall be allowed to exercise their rights provided in the provisions of said Regulation over such a system set up.

AMENDMENTS TO ARTICLES OF ASSOCIATION:
Article 25- In order that any amendment to the Articles of Association to be valid and enforceable, it is essential that said amendment is first executed, registered and promulgated in accordance with the present Articles of Association as well as provisions of Turkish Commercial Code and Code of Capital Market.

ANNOUNCEMENTS:
Article 26- Announcements about Company and required by the law shall be promulgated in Turkish Trade Registry Gazette and Company's website in Public Disclosure Platform; those announcement which are only required to be promulgated in website shall be so promulgated in the company's website.

Announcements about invitation of General Assembly to meet must be promulgated at least 3 weeks before the meeting date, excluding announcement and meeting dates.

Article 474 of Turkish Commercial Code shall be applicable with respect to decrease in issued capital and Articles 532 and 541 of Turkish Commercial Code with respect to termination and liquidation of the company.

Relevant provisions of the legislation shall be applicable with respect to the announcement to be made pursuant to Capital Market Legislation.

SUBMISSON OF ANNUAL REPORT OF BOARD OF DIRECTORS AND AUDITOR'S REPORT AND YEAR-END FINANCIAL STATEMENT TO COMPETENT AUTHORITIES:
Article 27- Sufficient number of copies of financial statements, reports of Board of Directors, independent auditor's report, minute of general assembly and list of attendees as prepared in accordance with arrangements determined by Capital Market Board under the Turkish Accounting Standards shall be submitted to competent authorities and publicly disclosed within such period as set forth in legislation.

ACTIVITY PERIOD:
Article 29- Activity Period of the company shall be calendar year.

OLD TEXT

PROFIT DISTRIBUTION:
Article 30- Company's net profit shall be calculated on the basis of annual balance sheet by deducting the amounts which must be paid and reserved by the company such as managerial overheads and various amortizations and the taxes mandatory to be paid by legal personality of the company as well as, if any, losses of previous years from the revenues earned at the end of account year and distributed as follows;
a) 5% shall be set aside as reserve fund.
b) From outstanding amount after deducting item (a) above, first dividend shall be set aside at the rate and amount stipulated by Capital Market Board.
c) The outstanding amount after deducting amounts stated in (a), (b) items from the net profit may partially or completely be distributed as second dividend or extraordinary reserve fund by General Assembly at its discretion.
d) 10% of the outstanding amount after deducting %5 of paid capital from the part decided to be allotted to shareholders and parties who have a stake in profit shall be added to 2nd legal reserve fund as provided for in Sub-paragraph 3 of Paragraph 2 of Section 466 of the Turkish Commercial Code.
e) Unless legally mandatory reserve funds are set aside and unless first dividend determined for the shareholders in the Articles of Association is distributed in cash and/or share certificate, no decisions can be made to the effect that setting aside other reserve funds, carrying-over profit to the following year, profit distribution to privileged shareholders, holders of participation, founder and ordinary dividend share coupons, Board Members and officers, servants and workers, foundations established for various objectives and similar legal and/or real persons during the dividend distribution.
f) Dividend is distributed equally across all current shares as of account period, regardless of their issue and acquisition dates.

DATE OF PROFIT DISTRIBUTION :
Article 31- Date and method of the annual distribution of profit shall be decided at General Assembly upon proposal of the Administration Board by taking the Communiqués of Capital Market Board into consideration.

RESERVE FUNDS:
Article 32- No reserve fund is set aside when ordinary reserve fund set aside by company reaches one fifth of the company capital. However, if legal reserve funds fall below such rate inany way then it shall be continued to be set aside in the subsequent years until such rate is reached again, thereby making up for the shortage.

TERMINATION AND DISSOLUTION
Article 33- Company may be dissolved for reasons laid down in Turkish Commercial Code or by virtue of a court decision made to that effect or may be terminated by virtue of a resolution passed at its General Assembly to that effect in observation of statutory requirements. In the event of termination or dissolution, Company's winding-up process shall be executed in accordance with the provisions of Turkish Commercial Code.

ARBITRATOR AND COMPETENT COURT:
Article 34- Any disputes which might arise out of the Company and its shareholders in connection with Company's activities and affairs, including winding-up process, or among shareholders only in connection with Company's affairs shall be settled and resolved by way of arbitration. In the event of referral to court proceedings, courts at head office territory shall have jurisdiction over such disputes.

NEW TEXT

PROFIT DISTRIBUTION:
Article 30- Company's net profit shall be calculated on the basis of annual balance sheet by deducting the amounts which must be paid and reserved by the company such as managerial overheads and various amortizations and the taxes mandatory to be paid by legal personality of the company as well as, if any, losses of previous years from the revenues earned at the end of account year and distributed as follows;
a) 5% shall be set aside as reserve fund.
b) From the outstanding amount after deducting item (a) above, or the amount to be calculated by adding the amount donations, if any, during the year, first dividend shall be set aside at the rate and amount stipulated by Capital Market Board.
c) The outstanding amount after deducting amounts stated in (a), (b) items from the net profit may partially or completely be distributed as second dividend or reserve fund by General Assembly at its discretion.
d) 10% of the outstanding amount after deducting %5 of paid capital from the part decided to be allotted to shareholders and parties who have a stake in profit shall be added to 2nd legal reserve fund as provided for in Article 519 of the Turkish Commercial Code,
e) Unless legally mandatory reserve funds are set aside and unless first dividend determined for the shareholders in the Articles of Association is distributed in cash and/or share certificate, no decisions can be made to the effect that setting aside other reserve funds, carrying-over profit to the following year, profit distribution to privileged shareholders, holders of participation, founder and ordinary dividend share coupons, Board Members and officers, servants and workers, foundations established for various objectives and similar legal and/or real persons during the dividend distribution.
f) Dividend is distributed equally across all current shares as of distribution date, regardless of their issue and acquisition dates.

DATE OF PROFIT DISTRIBUTION :
Article 31- Date and method of the annual distribution of profit shall be decided at General Assembly upon proposal of the Board of Directors by taking the Communiqués of Capital Market Board into consideration.

RESERVE FUNDS:
Article 32- This article is repealed.

TERMINATION AND DISSOLUTION
Article 33- Company may be dissolved for reasons laid down in Turkish Commercial Code or may be terminated by virtue of a resolution passed at its General Assembly to that effect in observation of statutory requirements. In the event of termination or dissolution, Company's winding-up process shall be executed in accordance with the provisions of Turkish Commercial Code.

DISPUTE RESOLUTION AUTHORITY
Article 34- Any dispute which might arise out of the Company and shareholders during the term of company or its dissolution shall be settled and resolved by the courts and enforcement offices in the place where Company Head Office is located.

OLD TEXT

SUBMISSION OF ARTICLES OF ASSOCIATION TO MINISTRY:
Article 35- Company shall print and circulate this Articles of Association to shareholders as well as shall submit 1 copy to Capital Market Board and 10 copies to Ministry of Industry and Commerce.

CORPORATE GOVERNANCE PRINCIPLES:
Article 36- Corporate Governance Principles, of which application is mandated by Capital Market Board, shall be complied with. The transactions carried out and decisions of Administration Board in violation of mandatory principles shall be invalid and deemed to be a violation of Articles of Association.

Regulations on Corporate Governance by Capital Market Board shall be complied with respect to the transactions which are important in terms of application of Corporate Governance Principles and any kind of transactions of company with affiliated parties and transactions containing provision of warranty, lien and mortgage in favor of third parties.

The number and qualifications of the independent members to take charge in the administration board are determined according to the regulations of Capital Market Board related with the corporate governance.

STATUTORY PROVISIONS:
Article 37- The provisions of Turkish Commercial Code and Code of Capital Market as well as other legislations shall be applicable to any matter not contained in the present Articles of Association.

NEW TEXT

SUBMISSION OF ARTICLES OF ASSOCIATION TO MINISTRY:
Article 35- This article is repealed.

CORPORATE GOVERNANCE PRINCIPLES:
Article 36- Corporate Governance Principles, of which application is mandated by Capital Market Board, shall be complied with. The transactions carried out and decisions of Board of Directors in violation of mandatory principles shall be invalid and deemed to be a violation of Articles of Association.

Regulations on Corporate Governance by Capital Market Board shall be complied with respect to the transactions which are important in terms of application of Corporate Governance Principles and any kind of transactions of company with affiliated parties and transactions containing provision of warranty, lien and mortgage in favor of third parties.
The number and qualifications of the independent members to take charge in the Board of Directors are determined according to the regulations of Capital Market Board related with the corporate governance.

STATUTORY PROVISIONS:
Article 37- The provisions of Turkish Commercial Code and Code of Capital Market as well as other legislations shall be applicable to any matter not contained in the present Articles of Association.

"No matter how high the mount is, the road climbs over it."

Turkish Proverb

YÜNSA

Letter from the Chairman

"At the onset of our journey in fashion world, our aim was to become a world-brand... After long years of decisive progresses we have made towards our objective and overcoming formidable obstacles, we now feel the pride of ripening the fruits of our successes achieved by our relentless efforts and capabilities which have surmounted all the difficulties."

Dear Stakeholders,

The year that we left behind witnessed an economic slowdown globally, comparing the growth rate of 2011. Just as previous year, raw material prices, exchange rates and business volumes continued their fluctuations. The economic recession, due to the banking system, public finance as well as inability to determine proper economic policies in the USA and Europe, constituted an impediment before growth of other developing economies.

The slowdown trend that staring as of the last quarter of 2011 in Turkish economy continued at an increasing rate during this year due to the shrinking local demand. However, improvements in foreign demand balance and public balance remedied with the tightened finance policies contributed in removal of vulnerabilities of the national economy.

While limited improvements in global growth and continuing domination of uncertainties are anticipated for the following period, we expect our national economy to have a recovery in local demand and therefore a mild improvement in the growth.

Against these pressing faces of shrinking local demand as well as recession in our markets, Yunsa, in 2012, increased its market share with its effective finance structure and production competences and reinforced its European leadership in the industry. Our priority in 2013 will be to maintain our market leadership with our business plan ready to manage the recession risk in Europe as well as to develop new competency and new market projects in line with our continuous improvement approach.

I, on behalf of our Board of Directors, thank and present my regards to our employees who raised the value added and claim of Yunsa in the industry with their committed efforts and our shareholders who always support us, our clients who place their confidence in us and all our stakeholders.

Mehmet Nurettin PEKARUN

"A thousand miles of a voyage starts with a footstep!"

Chinese Proverb

Board of Directors

> "Courage and strong initiative are keys to the success. The most three important factors behind our world-wide success of today we, as Yunsa, accomplished at this point of our long fashion journey are selection of right colleagues, preparedness to all difficulties and keeping going relentlessly."

Mehmet Nurettin PEKARUN
Chairman of the Board Of Directors
Mehmet Pekarun received his Industrial Engineering degree from Boğaziçi University and later obtained his MBA, with Finance and Strategy Specialization, from Purdue University. Mr. Pekarun started his career in 1993 at General Electric's (GE) Transportation Systems division in the USA. Between 1996 and 1999 he worked as a Finance Manager responsible for Turkey, Greece and Eastern Europe at GE's Healthcare division in Europe. Between 1999 and 2000 he worked as the General Manager of GE Lighting Turkey. Between 2000 and 2005, he moved to GE Healthcare's Europe, Middle East, and Africa headquarter, first working as General Manager, Business Development, and then as General Manager, Medical Accessories. Mr. Pekarun was appointed as the Chief Executive Officer of Kordsa Global on March 1, 2006, and as the President of Sabancı Holding's Tire, Reinforcement Materials and Automotive Strategic Business Unit on 20 September 2010. Tire, Reinforcement Materials and Automotive Strategic Business Unit was restructured as of March 1, 2011 and he is currently the President of Industry Strategic Business Unit.

Mehmet GÖÇMEN
Vice Chairman of the Board of Directors
Born in 1957, Mehmet Göçmen completed his post graduate degree in Industrial Engineering and Operational Research at Syracuse University in the USA after completing his BA Degree at METU Industrial Engineering and his High School education at Galatasaray High School. He began his professional career at Çelik Halat ve Tel San. A.Ş. in 1983. Mr. Göçmen later worked as General Manager at Lafarge Ekmel Beton A.Ş. and Business Development and Public Affairs Vice Chairman position at Lafarge Turkey between 1996 and 2002. Between June 2003 and July 2008, Mr. Göçmen served as General Manager at Akçansa and he was appointed as Executive Vice President of Human Resources of Sabancı Holding on August 1, 2008. In addition Mr. Göçmen has been appointed as The President of Cement Strategic Business Unit as of July 20, 2009. In 2010, he resigned from Executive Vice President of Human Resources position and he is currently the President of Cement Strategic Business Unit.

Mevlüt AYDEMİR
Member of the Board of Directors
Born in 1948, Mevlüt Aydemir graduated from İstanbul University, Faculty of Economics. He worked for the Ministry of Finance as a Public Accountant between 1972 and 1981. He has carried out various functions at Sabancı Holding since 1981 and served as a member of board of directors in the group companies. He has been a member of the Board of Directors of Sabancı Holding since May 2010.

Barış ORAN
Member of the Board of Directors
Graduated from Boğaziçi University Business Administration Department, Barış Oran has a MBA degree in University of Georgia. Began his career as an auditor in Price Waterhouse Coopers in 1995, Oran carried out functions in first audit and finance and treasury/capital markets in Sara Lee Corp. Chicago IL between the years 1998 and 2003. Between 2003 and 2006, he served as Senior Manager at Ernst and Young responsible for first Minneapolis, MN, then in Europe, Middle East, Africa and India Regions. In 2006, he began his career in Kordsa Global and served as Internal Control Director, Global Finance Director and CFO, respectively. In 2011, appointed as H.Ö. Sabancı Holding Finance Director, since 2012, Oran has been the Head of H.Ö. Sabancı Holding Planning, Reporting and Financing Department, Members of Brisa, Enerjisa Production, Teknosa and Temsa Board of Directors.

Hüsnü PAÇACIOĞLU
Member of the Board of Directors
Hüsnü Paçacıoğlu earned his BSc in Industry Management from Middle East Technical University (Ankara, Turkey) in 1963. Between 1964-1968 he served as the Investment Specialist in Karabük Iron and Steel Works Enterprises and as Public Relations and Ankara Region Manager, Public Sector Sales Director, Professional and Technical Services Manager and Deputy General Manager in charge of Marketing, Sales, Products and Services (in chronological order) at IBM Turk between 1968-1996. Mr. Hüsnü Paçacıoğlu took over the position of General Secretary in Sabancı University in 1996 and held this position until 2005. Between 2006 and 2011, he served as Vice President of Board of Trustees and General Manager of the Hacı Omer Sabancı Foundation (Sabancı Foundation). He is currently members of Sabancı Foundation Board of Trustee and Executive Board.

Paçacıoğlu is the founding member of Safranbolu Culture and Tourism Foundation, Hisar Education Foundation and member of Board of Trustees of Spastic Children Foundation of Turkey (TSÇV) and Chairman and CEO of TSÇV and member of Information Foundation of Turkey.

Mehmet KAHYA
Member of the Board of Directors
Received his double major BS, with Cum Laude in Chemical Engineering and Economics from Yale University (1973) Mehmet Kaya has MBA on Finance, Marketing and Operations Research, with honor, from Kellogg Graduate School of Management (1975). Began his career as Sasa Management Services Chief in Sabancı Holding (1975-1980), Mehmet Kaya founded and presided MKM Inernational (Netherland, 1980-84) and Sibernetik Systems (1984-1986). Again joined in 1986 as Vice President of Automotive Group, Mehmet Kaya served as Temsa Vice President and President (1986-90), Toyotosa Vice President (1990-94) as well as Member of Sabancı Holding Planning and Direction Council and Board Members of Temsa, Toyotasa, Susa and Sapeksa.

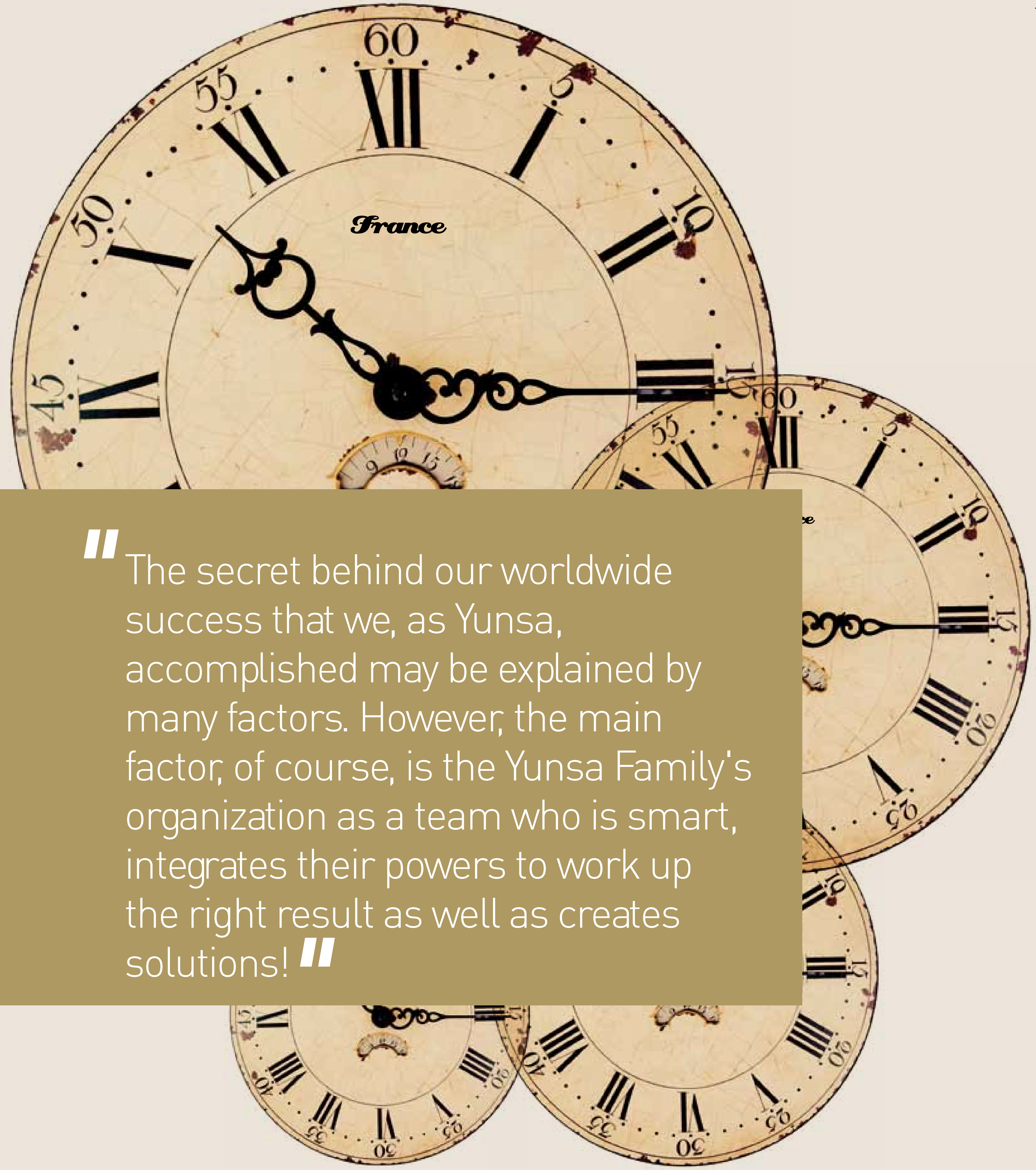
Mehmet Kahya served as Managing Member and Vice Chairman of CarnaudMetalbox between 1984-98 and then President of Uzel Machinery and Executive Board Member of Uzel Holding (1998-01), Vice President of DYO General Directorate and Paint Group (2001-02), Member of Executive Board of Sarten Packaging (2002-03), Vice Chairman of Gierlings Velpor (Portugal, 2003-05) and President of Assan Aluminum (2004-06).

He is currently providing services in the fields of strategies, restructuring, profitability cycle, growth, acquisition and merger projects in the KRONUS company founded by him as well as serves as independent member of Board of Members of Yaşar Holding, Altınyunus, DYO, Viking Kağıt, Çimsa, Sasa, Yünsa and as consultant in Board of Directors and Executive Boards of Viko, Kalibre Boru, Farplas and Avmmall.

"GREAT MINDS
THINK ALIKE."

French Proverb

Letter from the General Manager



"The secret behind our worldwide success that we, as Yunsa, accomplished may be explained by many factors. However, the main factor, of course, is the Yunsa Family's organization as a team who is smart, integrates their powers to work up the right result as well as creates solutions!"

Dear Our Stakeholders,

2012 was the year where speed became prominent for our company, for our industry as well as for our country. We see that we turned this recession period into an opportunity by managing our processes and human resources correctly to meet changing expectations of our customers in the year 2012 where we feel the effects of shrinking local demand as well as recession in European markets.

2012 was a year of slowdown for the global economy which is deepened by the economic problems such as serious sizes of public deficit, accelerating dynamics of borrowing, high rate of unemployment, lower increasing rate of employment, persistence of Middle East originated geopolitical risks and its spread across the world upon interaction between countries and regions. Vulnerable financial conditions in the Euro region, weak progress of the economy as well as decreasing level of confidence caused downward pressure on the export performance of Turkey in 2012. Despite of all these adverse impacts, 2012 was a year for Turkey where macroeconomic stability is preserved, concerns on current deficit is diminished and Turkey's credit rate is raised. Although growth rate is decreased comparing to previous years, when conditions across the world and particularly in Europe, as noted above, the year 2012 is evaluated for our country as a successful year.

Once we look into operations of our company in 2012, it is seen that our results are satisfactory in terms of both financial and organizational performance.

Aimed at efficiency and innovativeness across all the business processes, Yunsa continues to be the leader of the industry with its flexibility, design power, fast solutions tailored to customers, brand value as well as its R&D works. Running towards World leadership, Yunsa maintained also in 2012, its position as the largest player in the woolen and woolen-mixed fabrics export of Turkey as well as the largest woolen fabric manufacturer of Europe.

In an examination of our 2012 financial bottom lines, it is seen that our sales is realized as 13 million meters with a rise of 8%, our turnover as TRY 256 million with a rise of 19%, our operational profit as TRY 11,8 million and our net profit as TRY 7.4 million. In 2012, we invested in USD 5.3 million.

To evaluate our stock value performance in 2012, we see that Yunsa stocks has gained a value at rate of 45% in the recent twelve months.

In a general evaluation of 2012, in such a year of severely heightening competition as well as harder market conditions, sales figures realized above budget as well as increasing share in the sales to A/A+ top-end segment are the most important indicators of our success in the 2012.

Yunsa defended its market position with his rich design team, competency in serving different markets, customer-orientated fast solution offers, fast delivery as well as his rich product range. Of course, one of the priority areas of Yunsa was R&D works in 2012. With his R&D works, Yunsa is awarded with the prize of the best company collaborative with universities among the R&D centers in 2012.

The year 2013 will again be a year of growth for Yunsa. We aim at ripening in 2013 the first results of the TPM works launched in 2012. Thanks to TPM projects, we will sustain a production rise of 10%, namely capacity extension without new investment. Again to achieve more higher profitability especially thanks to the sales we target at A+ and woman fabric segments is also among our priority goals. Continuous improvement and sustainable profitable growth will also be among our priorities in 2013.

With the reputable identity of brand "Yunsa", stable operations we carried on as well as sustainable profitable growth, we continue in contributing value in all our stakeholders. Of course, the biggest share of this success belongs to the valuable members of the Yunsa family. I sincerely thank and present my regards to my colleagues for their committed and ever-increasing successful works; our shareholders who place confidence and support in our company as well as our all other stakeholders.

F. Cem ÇELİKOĞLU

Top Management

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

Semih UTKU
Chief Financial Officer
Born in 1962, Semih Utku graduated from University of Baltimore with a BS degree in Business Administration-Finance. He joined our company on 01.06.1999 and he has been working as the Chief Financial Officer since 01.01.2000.

Derya KINIK
Chief Technical Officer
Born in 1957, Derya Kınık graduated from Manchester University with BS and MS degrees in Textile Engineering. He joined our company on 01.04.1999 and he has been working as the Chief Technical Officer since 01.05.2000.

Bora BİRGİN
Chief Sales and Marketing Officer
Born in 1973. Bora Birgin graduated from University of Nottingham, Department of Industrial Economics. He received his master's degree at UMIST. He has been working for the company since 19.03.1998 and was appointed as the Chief Sales and Marketing Officer on 12.07.2010.

Muhammet EKEN
Production Director
Born in 1968. Muhammet Eken graduated from Istanbul Technical University, Textile Engineering with BS degree and received his master's degree at UMIST. He has been working for our company since 15.06.1995 and was appointed to his current position on 01.04.2011.

“Partnering is a start, continuing the partnership is a development, working together is the success.”

American Proverb

"We brought the right people together, just as right fibers meet the right hands. With the long years of relentless work, we created the most beautiful patterns of the world and laid the foundations of a world brand... Today thousands of people maintains this unique harmony under the umbrella of Yunsa and continues to add new levels of successes every passing day!"

Management

Muhterem BAHÇIVANOĞLU
Production Planning Manager
Born in 1958. Muhterem Bahçıvanoğlu graduated from the Istanbul University, Department of Economics. He has been working for our company since 03.10.1984 and was appointed to his current position on 01.03.1995.

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

Mehmet Kemal AKIN
Warping and Weaving Manager
Born in 1967. Mehmet Kemal Akın graduated from Ege University, Department of Textile Engineering. He has been working for our company since 01.10.1990 and was appointed to his current position on 10.11.2005.

Melik ERDİNÇ
Supply Manager
Born in 1970. Melik Erdinç graduated from Istanbul University, Business Administration Departmant and received his master's degree in Finance – Management at Fairleigh Dickinson University. He has been working for our company since 26.07.1999 and was appointed to his current position on 01.01.2003.

Serhat ÖDÜK
Marketing Manager
Born in 1977. Serhat Ödük graduated from Boğaziçi University, Department of Political Science and International Relations. He has been working for our company since 30.04.2007 and was appointed to his current position on 12.07.2010.

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

Murat YILDIRIM
Quality Control Manager
Born in 1968. Murat Yıldırım graduated from Uludağ University, Department of Textile Engineering. He has been working for our company since 19.07.1993 and was appointed to his current position on 01.05.2006.

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

Ali Ozan GÜLŞENİ
Finance Manager
Born in 1972. Ali Ozan Gülşeni graduated from Marmara University, Department of Business Administration. He has been working for our company since 15.10.2009 and was appointed to his current position on 01.03.2010.

Gülden DOĞAN
Marketing Manager
Born in 1969. Gülden Doğan graduated from İstanbul University, Department of Chemical Engineering. She has been working as the marketing manager for our company since 07.09.2010.

Engin SARIBÜYÜK
Spinning Mill Manager
Born in 1981. Engin Sarıbüyük graduated from Ege University, Department of Textile Engineering. He received his master's degree from Sabancı University. He has been working for our company since 27.12.2005 and was appointed to his current position on 01.04.2011.

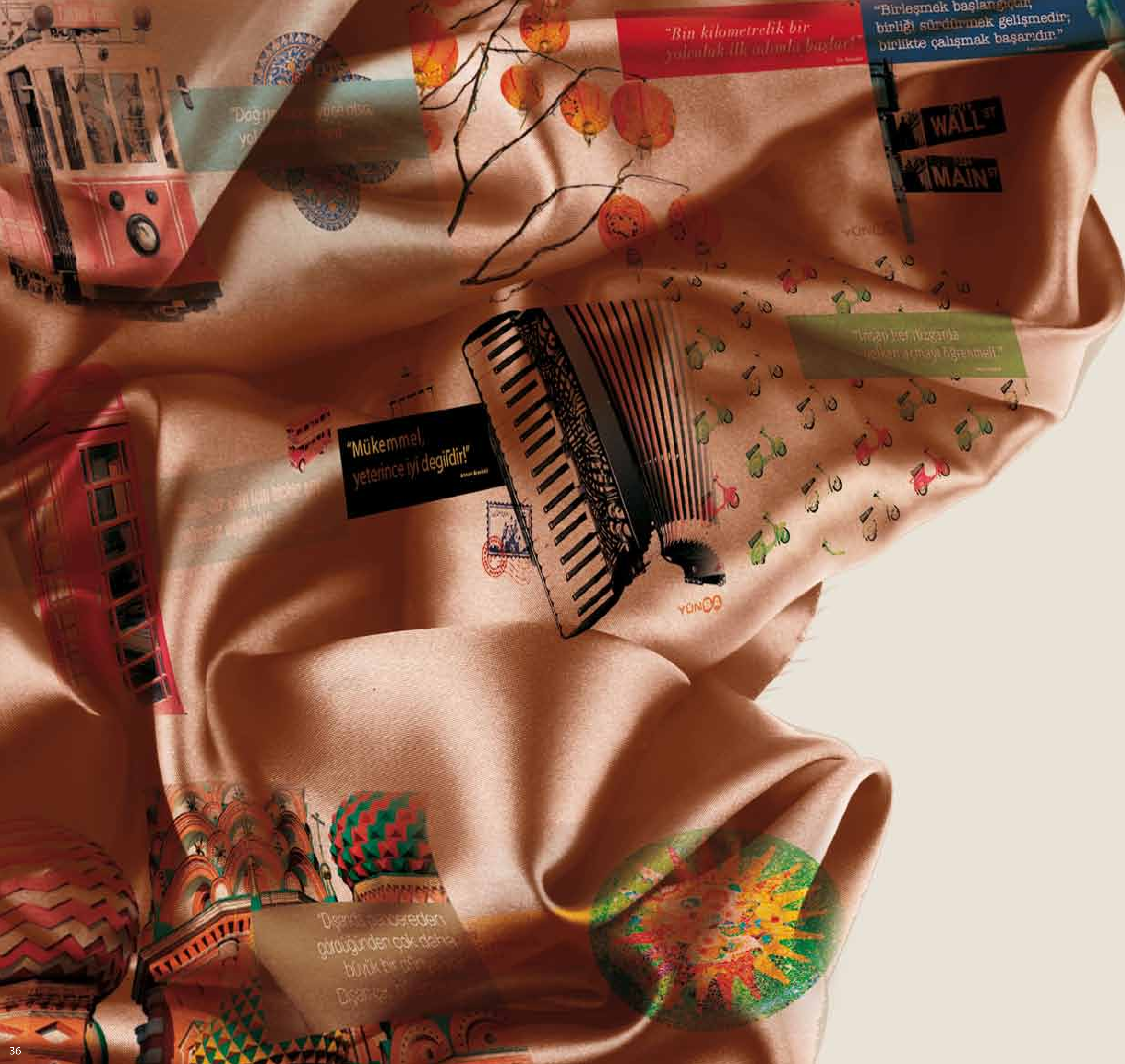
Orhun EK
Research and Development Manager
Born in 1971, Orhun Ek graduated from Ege University, Department of Textile Engineering. He received his master's degree in Textile from University of Philadelphia. He has been working for our company since 25.12.2012 with his current position.

Mission

To be a leader organization which creates value and is preferred for its pioneer and challenging approach in different areas of textile.

Vision

To grow by making a difference in textile products and services and be a global power.



A brand pushing the limits once more in 2012!

Combining the technology and design with fabrics he produces, among the leader fabric manufacturers of the fashion world, Yunsa, as a Turkish brand with hundred percent local capital, continues his works with the vision of being the World Leader in the woolen fabric manufacturing. The top woolen fabric manufacturer of Europe, Yunsa is among the top five companies in the world in the field.

Exporting to more than fifty countries, Yunsa has offices in Germany, United Kingdom and Italy and agencies in Germany, China, Czezh Republic, Finland, France, South Africa, Spain, Switzerland, Italy, Japan, Canada, Korea, Russia, Serbia, Slovakia and Tunisia. With the manufacturing plants in Çerkezköy, Yunsa has design offices in Biella-Italy and Turkey.

For Yunsa, 2012 was a year where the focus is on sustainable profitable growth as well as high efficiency. Carrying out his works in line with these focus areas, Yunsa in 2012 extended its active markets and continued its investments resulting in a successful year once more. Making the scene in the world-leading textile and fashion tradeshows in 2012 once more, Yunsa presented his collections developed in designed offices in Italy and Turkey to the appeal of world brand and gained considerable credits.

Developing its R&D projects with focus on continuous improvement and continuous development, Yunsa is reinforced his works in this area with the awards. Awarded with the University-Industry collaboration prize, Yunsa R&D Center rapidly continues his works to develop new projects. Since very beginning of his establishment, having focused on higher efficiency, better production, higher quality products and more select customer profile, with the vision to be the best in the industry, Yunsa will continue its works in 2013 to announce his leader position in the industry, the differences that he brought to the industry as well as his quality approach.

Exporting to more than 50 countries worldwide

Offices

England

Germany

Italy

Agencies

Canada, China, Czech Republic, Finland, France, Germany, Italy, Japan, Korea, Russia, Serbia, Slovakia, South Africa, Spain, Sweden, Tunisia

Plant

Çerkezköy

Design Offices

Biella, Italy

Turkey

“For a willing heart, nothing is impossible!”

English Proverb

YÜNSA

> "Today, we export fabrics to many countries across the world and we manufacture our products with ever-increasing quality. We owe this success to our team who makes efforts with endless ambition, reflects their spirit to every detail of the work and still hungry for new successes."

Yünsa Products

Menswear Fabrics

Ladieswear Fabrics

Upholstery Fabrics

Corporatewear Fabrics

Menswear Fabrics
Yünsa is playing a trend creator role by leading woolen & worsted fabric producer of menswear. We invest our knowledge & experience for supplying wide selection of fabric types considering continental diversities. Based on this idea, in each season two different collections are prepared for all customers by following key fashion terms of American & European trends.

Fabric compositions are as follows:

* 100 % Wool
* Wool/Cashmere
* Wool/Lycra
* Wool/Polyester
* Wool/Cotton
* Wool/Linen
* Wool/Silk Blends
* Other compositions

Ladieswear Fabrics
Yünsa is one of the leading companies in ladieswear area combining the technical know-how with creativity and innovation. Yünsa is dedicated to achieve high quality with an elegant and refined taste with her talented & experienced design team.

With the pride of presenting innovative ideas, trendy designs and a huge palet of fashion colors, creativity never slows down in Yünsa.

Some of our ladieswear fabric compositions are as follows:

* 100 % Wool
* Wool/Cashmere
* Wool/Lycra
* Wool/Poly/Lycra
* Cotton/Viscose
* Wool/Viscose/Lycra
* Viscose/Linen
* Other compositions

Upholstery Fabrics
Yünsa established Home & Office Furniture Fabrics division in 2003 after proving its success in the manufacturing of fabrics for menswear and ladieswear.

Its areas of expertise are as follows:

1- Home textile and office furniture
2- Projects (hospital, hotel, cinema, theatre, airport, restaurant etc.)
3- Transporters (bus, airplane, cruse ship, and car upholstery)

Fabric compositions are as follows:

* 100 % Wool
* Wool/Viscose
* Wool/Nylon
* Wool/Polyester
* Other compositions

Corporatewear Fabric
This young divison carries the experience of Yünsa in the production of woolen fabrics into separate pant and corporatewear fabric collection.

In order to serve its customers best, this division prepares custom made collections with added value fabrics for each geographical market it serves.

Fabric compositions are as follows:

* Wool/Poly
* Wool/Poly/Lycra
* 100% Wool
* Wool/Coolmax Blends
* Other compositions

Yünsa TCF division is serving its international clients high quality performance fabrics with an excellent service.

“Excellent, is not good enough!”

German Proverb

YÜNSA

Research & Development

"As everyone in Yunsa knows that, excellent is never enough. Aim is always to surpass the excellent. Therefore, for Yunsa, production with the state-of-the-art technological products and remaining always open to the innovations is a brand philosophy."

Yunsa does not only invest in upgrading its technological level but also in developing its innovation skill as well as creating a company-wide integrated and continuous innovation culture.

In today's world, where competition is increasingly accelerated, systematic organization of the technological and innovation works became important thus making it inevitable to develop highly value added innovative products to penetrate into new markets and earn new customers.

Incorporated in 2010 in order to create an open climate where innovation culture is settled down and to pioneer the industry to develop new technologies, Yunsa R&D Center aims at bring the projects into action which will develop innovative product, equipment and process, increase efficiency, lower the production costs.

Yunsa Think-Tank Center creates a sustainable, pioneering and creative environment by turning innovative ideas tailored to company targets into projects in collaboration with universities.

Yunsa R&D Center have collaborations with 15 universities under the scheme of University-Industry Collaboration (USI). In 2012, he is awarded with the prize of the best R&D Center collaborative with universities among the 129 R&D Centers in 1st Summit of University-Industry Collaboration organized by TR. Ministry of Science, Industry and Technology.

As of 2012, R&D Center currently conducts a total of 59 R&D Projects, 9 of which is government-supported and 2 of which is under evaluation and completed a total of 50 R&D projects, 6 of which is government-supported and successful results are achieved.

Yunsa, in 2012, benefited from incentives for income tax, stamp tax and Social Insurance contribution over the R&D Center personnel salaries under the Law No 5476 about Supporting the Research and Development Activities.

Also, incentives are obtained from The Scientific and Technological Research Council of Turkey (TUBITAK) as well as Ministry of Science, Industry and Technology for the projects conducted in R&D Center.

Further, supports are obtained from The General Secretariat of Istanbul Textile (ITKIB) and Apparel Exporters' Association and Turkish Textile Employer's Association (TUTSIS) under "Communiqué No 2006/4 about Branding of Turkish Products, Made in Turkish Image Positioning at Abroad and Supporting the Turquality®" and "Communiqué No 2009/5 about Supporting Foreign Tradeshow Attendances".

"Nature is beyond all what we learnet."

Spanish Proverb

Environmental Policy

> "While creating our products, we are fed with the magical harmony of the nature and we learn from nature to refresh ourselves continuously. Environmental polices we created for nature is only a humble "thank you" for what she bestowed upon us..."

Yünsa, in addition to its contribution to the country's economy and its wider employment opportunities, is also a brand that is sensitive to the environment, which is the world's most precious value. It shows its respect to the environment by the projects it develops, the standards it implements and its use of natural resources in the most efficient way.

CDP(Carbon Disclosure Project)

Yünsa has shown its awareness about climate change and announced greenhouse gas emissions publicly by CDP.

Yünsa, as the first firm in the textile sector, continued to disclosure in 2012 and was among 3 volunteered companies in Turkey and 4000 companies worldwide.

ISO 14001

Yünsa has been applying the ISO 14001 Environmental Management System since 2004. In this context, our impacts on the environment are evaluated and measures are being taken for the mitigation/elimination of these impacts.

Eko-Tex 100 Standard

Eco-Tex ® Standard 100 for textile products is a standard worldwide test and certification system at all stages of process for raw materials, intermediate, and final products. Yünsa, which wants to provide seamless services to its customers in terms of health, has also renewed its Eco-Tex ® 100 certificate in 2012. In our production processes, no chemicals that are prohibited are used and our suppliers are also being closely monitored in this regard.

Waste Separation

Entire waste that arises during our processes are separated and sent to the licensed disposal/recycle institutions.

Clean Manufacturing

In 2012, Yunsa devised the Clean Manufacturing Plan and commenced the operations under this plan. Under this scope, the best manufacturing methods are identified and applied, which will minimize damages on the environment. In this regard, R&D project is initiated to recycle waste water into the production after its treatment and related works continue.

Natural Resource Use

Various R&D projects have been started in order to optimize the use of natural resources and reduce the environmental impact.

Environmental Training

Under the title "Single Point Training" environmental awareness training is continued in 2012 with the target of increasing awareness of workers on this issue.

Revision

All environmental activities are monitored at the monthly Environmental Meetings with the participation of Assistant General Manager and necessary source is allocated. In the "Good Morning Quality Meetings" environmental issues are being reviewed on a daily basis and relevant actions are taken.

Awareness of Waste Companies

Waste companies are assessed in terms of ISO 9001, 14001 and other quality standards and environmental legislation in audits each year; areas for improvements are determined and companies are encouraged to take actions on deficiencies identified. These firms are provided with the trainings on environment and workplace safety and these trainings are audited as well as we contribute in their developments on these subjects.

Composting of Organic Waste

Zero Waste Project that started in 2011 was successful and first compost was obtained.

All waste from refectory was started to be composted, and a monthly total of 1 ton of waste recycled. These wastes are used to increase the productivity of soil and to obtain garden soil conditioner.

COIR Learning Platform Environmental Group

With the leadership of Yunsa and under the umbrella of Çerkezköy Organized Industrial Zone, as a first in Turkey, 10 large-scale companies collectively aim to increase the awareness of small and medium-sized companies about environmental issues. Firms outside the COIZ are also allowed to join this group and the group is currently extended to cover important firms located in close proximity.

“A person should learn how to sail against every wind”

Italian Proverb

Sales

> "A successful sales chart accomplished by forecasting tomorrow and ever-increasing growth rate by adapting to the conditions... Two of the most important building blocks of the Yunsa's success..."

The top wool fabric manufacturer of Europe, Yünsa achieved the growth rate of 19% and continued to increase its market share with its rich design team, competence in providing service to different markets in 2012 which was the year of decreasing demand in the industry and demonstrated once more its commitment to the target to be "The world-leader in wool fabric manufacturing".

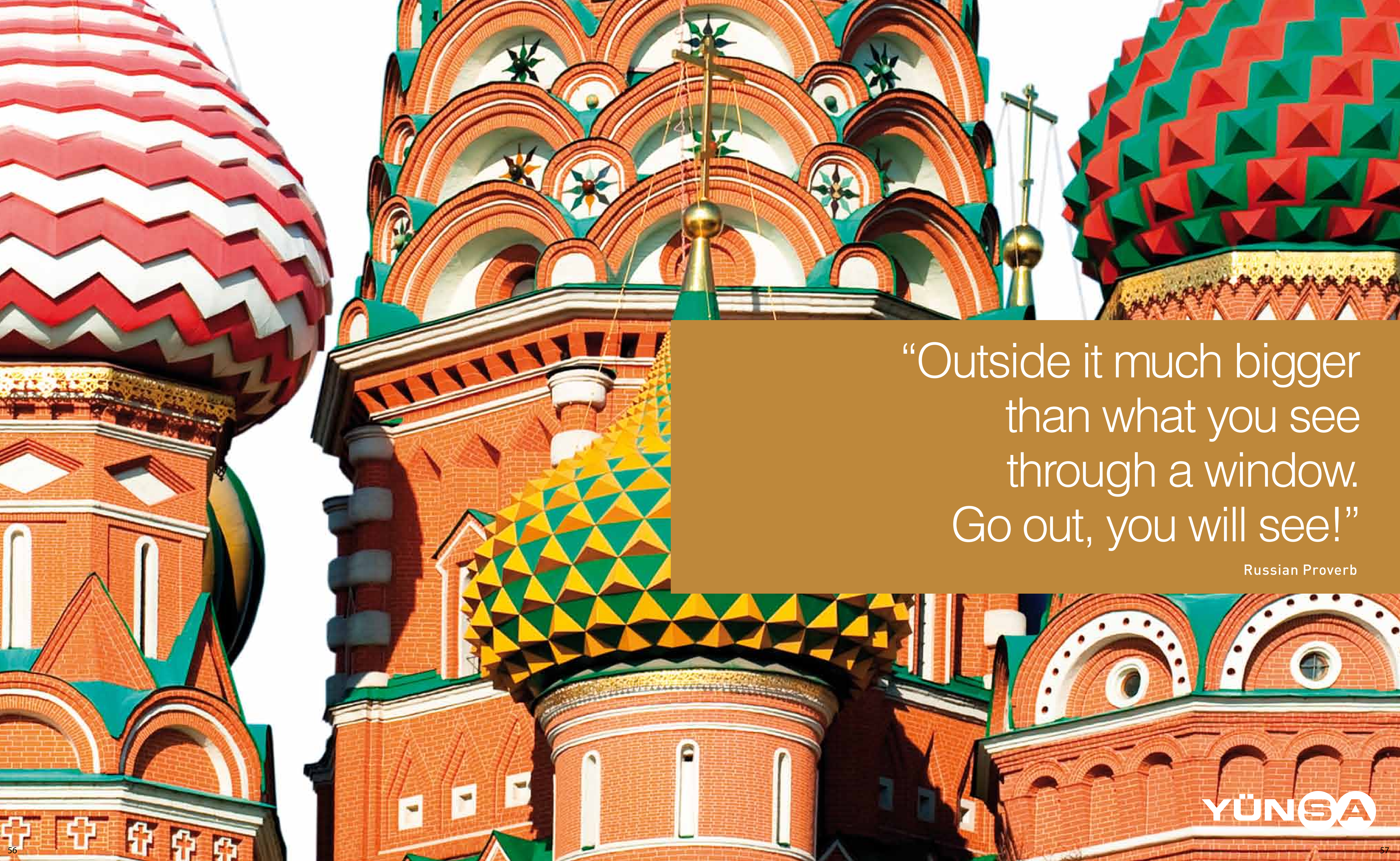
In today's global competition arena where customer is the market-driver, capabilities of high quality, fast manufacturing and fast delivery, in addition to affordable prices, are more important than ever before, Yunsa is distinguished among its competitors thanks to its right marketing strategies, creative and different product concepts as well as fast and agile structure.

With its strong global sales network, having business relations with its global customer base containing more than 400 companies and exporting to more than 50 countries, Yunsa have offices in Germany, United Kingdom and Italy and agencies and representatives in approximately 20 countries.

In parallel with its sustainable profitable growth strategy in 2012, having enriched its woman fabric collections and increased its market share in segment A+, Yunsa aims at maintaining its market leadership in 2013 with its fast delivery service and companion fabrics.

Our total turnover in 2012 is realized as TRY 255.642.497.

Our total fabric sales in 2012 is realized as 12.954 km and fabrics overseas sales is as 8.135 km.



“Outside it much bigger than what you see through a window. Go out, you will see!”

Russian Proverb

Activities

"At the very beginning of our establishment, we began to look at the fashion world from a different mind-set... At the end of our efforts of long years, we achieved to be the top woolen manufacturer of Europe. Today, while exporting to more than fifty countries, we work ever-increasing ambition and we know there are many countries which will enjoy our fabrics."

A. Investments

1.Developments in investments

In 2012, investments worth USD 321.242 were made for domestic and imported goods' subsidized investments in accordance with the Investment Subsidy Certificate number 95428C, dated 02.12.2011 and granted by Ministry of Economy, General Directorate of Incentives Implementation and Foreign Direct Investment and investments worth USD 2.091.070 were made for domestic and imported goods' subsidized investments in accordance with the Investment Subsidy Certificate number 102221, dated 03.08.2011.

Taking into consideration other unsubsidized investments, the company's investments reached approximately US$ 5,3 million on a US Dollar basis and TL 9,5 million on a Turkish Lira basis in 2012.

2.Investment Incentives

In 2012, the company benefited from the subsidies such as customs tax exemption and VAT exemption in accordance with its subsidy certificate.

B. Donations

Our company donated TRY 3.700 to various Turkish foundations and associations not-for-profit during 2012.

C. Activities regarding the production of goods and services

1. Capacity utilization and progress

In 2012, the capacity use of our production lines was as follows:

	2012	Annual change
Worsted yarn	98,6 %	(-) 0,9 %
Fabric	96,2 %	(+) 1,2 %

2. Improvements in finished-product production

		2012	Annual Change
Worsted yarn	(tons)	3.863	(+) 10,8 %
Fabric	(km)	15.180	(+) 13,8 %

3. Sales volumes of finished products

		2012	Annual Change
Fabric	(km)	12.954	(+) 7,9 %
Domestic market	(km)	4.819	(+) 6,4 %
Exports	(km)	8.135	(+) 8,8 %

Breakdown of net fabric sales in 2012:

		2012	Annual Change
Textile	(TL)	241.441.400	(+) 21 %
Ready- to- wear	(TL)	14.201.097	(+) 3 %

4. Base Ratios

	2010	2011	2012
I. Financial Structure Ratios			
Total Liabilities / Total Assets	0,65	0,67	0,66
Equity/ Total Assets	0,35	0,33	0,34
Borrowing Ratio	1,86	2,07	1,93
II. Liquidity Ratios			
Current Ratio	1,10	1,11	1,14
Acid-Test Ratio	0,60	0,53	0,62
III. Profitability Ratios			
Gross Profit Margin	0,24	0,27	0,20
Net Profit Margin	0,03	0,07	0,03
Earning Per Share	0,18	0,49	0,25

Risk Management and Internal Control Mechanism

Our company implements a company-wide Corporate Risk Management with the understanding that "risks also involve opportunities" in order to manage the risks in the most effective manner. Yunsa Corporate Risk Management is a planned, adaptable, consistent and ongoing process structured in the Company in order to identify and decide the measurements and strategies against, by defining, the factors creating threat and opportunity in achievement of company targets.

Company devised the Risk Management Policy which defines the risk management understanding, strategies, methods and approaches and role and responsibilities as well as creates a common language across the company. Under this policy, to better identify, measure and manage the risks, a Risk Management Unit is established in the company.

Risk Management Unit, within the framework of policies, standards and procedures approved by company management, determines main and critical risks of the company, works with risk managers to make recommendations in order to reduce, eliminate or transfer the risks involved, follows action plans of departments, realizes studies to determine the company's risk appetite and follows whether risks are managed within the framework of this appetite. Risk management unit continues these activities with full support, responsibility and active participation of the company's employees.

Corporate Governance Committee also performs the function of Committee for Earlier Diagnosis of the Risk. Corporate Governance Committee, in this frame, carries out works in order to diagnose earlier the risks which will jeopardize the existence, development and continuity of the Company and to apply the measurements necessary for the risks identified and to manage the risk and reviews the risk management systems at least annually.

Company houses an Internal Audit Unit for conducting audits, investigations and examinations in order to safeguard the rights and interests of the company, to develop suggestions against internal and external risks. Company Internal Audit Unit reports periodically and directly to the Audit Committee of the Company consisting of Independent Members of Board of Directors, due to the principle of independence. Internal audit mechanism is under the responsibility of top management and reviewed regularly by Internal Audit Unit of the Company.

The duties of the Internal Audit Unit are to check the reliability and accuracy of financial statements of the Company as well as affiliates, to ensure that operations are performed in compliance with laws and ethical rules adopted by the Company, to furnish assurances to minimize the current and potential risks to the reasonable levels by having them identified upon analyzing the processes with a view to increase the operational effectiveness and productivity.

Committees

Audit Committee

Audit Committee consists of two persons who do not have direct executive functions, are knowledgeable and experienced on financial matters as well as independent members of Board of Directors. The chairman of Audit Committee is Mehmet Kaya, Independent Member of Board of Directors, and member of Audit Committee is Hüsnü Paçacıoğlu, Independent Member of Board of Directors.

Chairman and Member of Audit Committee is appointed by Board of Directors. The reporting works of Audit Committee are executed by Internal Audit Unit of the Company. Reporter is designated by Chairman of Audit Committee. The necessary resources for Audit Committee to function and any kind of support are provided by Board of Directors.

The function of the Audit Committee is to inform Board of Directors of accounting system of the Company, financial reporting, public disclosure of financial data, functioning and effectiveness of the internal audit system and independent audit and support Company's works in compliance with laws and regulations, notably Legislation of Capital Market Board, principles of corporate management and ethical rules of the company and perform the function of supervision on the said issues.

Audit Committee submits Chairman of the Board its activities, determinations and suggestions it come up with in relation with the function and responsibility area.

Audit Committee convenes in Head Quarter of the Company or another place upon invitation of Chairman of Audit Committee at least quarterly totaling at least four meetings.

Committee may be called to extraordinary meeting by Chairman of the Board or Chairman of the Committee. It may hold meetings with a specific agenda with Auditor and managers.

Audit Committee convened four times in 2012, examined the audit reports, approved the audit schedule, submitted Board of Directors its reports on accuracy and authenticity of the financial statement to be publicly disclosed.

Corporate Management Committee

Corporate Management Committee consists of two persons who do not have direct executive functions, are knowledgeable and experienced on corporate management matters as well as charged in and independent members of Board of Directors.The Chairman of Corporate Management Committee, consisting of two persons, is Hüsnü Paçacıoğlu, Independent Member of the Board and its member is Barış Oran, Member of the Board.

The objective of the Corporate Management Committee is to furnish suggestions which will render Corporate Management Principles of the Company to be harmonized with internationally recognized as well as Capital Market Board-defined corporate management principles and provide advices to ensure materialization and implementation of these principles, to monitor the compliance of the Company to these principles and perform improvement activities on these matters.

Committee, furthermore, performs the functions of Nomination Committee, Committee of Earlier Risk Diagnosis as well as Remuneration Committee, as stipulated in Corporate Management Principles.

Committee observes and identifies if Corporate Management Principles are implemented in the company, if not, its justification, and interest conflicts arising due to the failure in complete compliance with these principles and advises Board of Directors about improvements in corporate management implementations.

Meeting agenda is determined by the Chairman of the Committee. Members and shareholders submit Chairman of Corporate Management Committee of the matters that they wish to be included in the agenda via reporters.

Meetings are convened in a place and date to be seen fit by the Chairman at least four times a year. At the beginning of each year, the annual meeting schedule of Corporate Management Committee is prepared by Chairman of the Committee and announced to all members. Management Committee documents and keeps records of all the works he performed and submits Board of Directors the reports containing all information about its works and meeting results. The persons who will be regarded as fit by Chairman may attend in meetings.

Any kind of resource and supports necessary for Committee to function are provided by the Board of Directors.

Policy of Remuneration for Board of Directors and Top Level Directors

This policy document defines the remuneration system and applications for our board members and top level directors having administrative responsibilities under the provisions of Capital Market Board.

A fixed remuneration, applicable for every Board Members is determined in the ordinary meeting of general assembly every year.

Remuneration is paid to executive board members under the policy determined for the top level directors as follows.

In remuneration of the independent members of Board of Directors, no remuneration plan can be used based on company performance.

Remuneration is paid to members of board of directors on pro-rata basis by taking their commission period from their appointment to release dates. The expenses of members of board of directors incurred by them due to their contributions in company (travel, phone, insurance etc. expenses) can be met by the company.

Remuneration of the top level directors consists of two components as fixed and performance payments.

Our remuneration policy is arranged and applied in line with the criteria such as remuneration and vested benefits, fairness, objectivity, promoting high performance, competitive, rewarding and motivating.

Main targets of our remuneration policy is to determine the remuneration by stressing on the business size, performance, work-contribution, knowledge/skill and competences, motivation of the employees by sustaining intra- and inter-company remuneration balance and competitiveness in the market and increasing the commitments and retention of workforce with suitable competence which will enable our company to reach our targets.

Job Family Model, we implemented in our company, defines the organizational roles, examples of basic responsibilities, performance indicators, knowledge/skill/experience and competences and our remuneration policy is based on an objective system founded on Job Family Model.

The aim of the Variable Salary management in our company is again to encourage our employees to perform outstandingly by awarding the success and to embed a target-focused performance culture in our company in order to support our employees in meeting the budget targets of our company and achieving business results over their targets.

To support the salary management with additional benefits, "vested benefits" are dealt with as an important part of total award management. Vested benefits we offer contain such principles as appropriateness to market conditions, competitiveness and fairness.

Other Issues Related With the Activities

During 2012, no lawsuits is filed against our Company, which may considerably impact the financial status and operations of the company.

Further, no administrative or judicial sanctions is imposed on our company and Members of Executive Board on the basis of acts in violation with legislative provisions during the term.

In the report dated March 1, 2013 issued by Board of Directors of our company, it is concluded that in all the actions performed by controlling shareholder of Yünsa Yünlü Sanayi ve Ticaret A.Ş as well as affiliates of controlling shareholder during 2012, every actions are dealt with a counter action according to conditions and circumstances known to us at the moment of action performed or measurement taken or avoided to be taken, and no measurement taken or avoided to be taken exists which would cause Company to incur damages, and in this regard no action or measurement exists which will require offsetting.

Profit Distribution Policy

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

Proposal for Profit Distribution

YÜNSA YÜNLÜ SANAYİ VE TİCARET A.Ş. PROFIT DISTRIBUTION TABLE FOR THE YEAR 2012 (TL)			
1. Paid-in/Issued Capital			**29.160.000,00 TL**
2. Total Legal Reserves (According to Legal Records)			**3.343.259,04 TL**
If there are priviliges for distribution of profits according to the articles of association, information on such privileges			-
		According to CMM	**According to Legal Records(LR)**
3.	Term Profit	7.426.765,00 TL	7.627.797,28 TL
4.	Taxes Payable (-)	0,00 TL	0,00 TL
5.	Net Term Profit (=)	7.426.765,00 TL	7.627.797,28 TL
6.	Losses of Previous Year (-)	0,00 TL	0,00 TL
7.	First Legal Reserves (-)	-381.389,86 TL	-381.389,86 TL
8.	NET DISTRIBUTABLE TERM PROFIT(=)	7.045.375,14 TL	7.246.407,42 TL
9.	Donations Made During the Year (+)	3.700,00 TL	
10.	Net Distributable Term Profit, With Donations Added, Over Which the First Dividend Will Be Calculated	7.049.075,14 TL	
11.	First Dividend to Shareholders	1.458.000,00 TL	
	-Cash	1.458.000,00 TL	
	-Free of Charge	0,00 TL	
	-Total	1.458.000,00 TL	
12.	Dividend Distributed to the Owners of the Privileged Shares	0,00 TL	
13.	Dividend Distributed to the Members of Board of Directors, Employees etc.	0,00 TL	
14.	Dividend to the Owners of Redeemed Shares	0,00 TL	
15.	Second Dividend to the Shareholders	5.073.840,00 TL	
16.	Second Legal Reserves	507.384,00 TL	
17.	Statutory Reserves	0,00 TL	0,00 TL
18.	Special Reserves	0,00 TL	0,00 TL
19.	EXTRAORDINARY RESERVES	6.151,14 TL	207.183,42 TL
20.	Other Resources Which Are Planned to Be Distributed		
	- Profit of the Previous Year		
	- Extraordinary Reserves		
	- Other Reserves, Distributable According to the Law and Articles of Association		

INFORMATION ON DIVIDEND DISTRIBUTION RATE				
DIVIDEND INFORMATION PER SHARE				
		Total Dividend Amount (TL)	Dividend Corresponding to Share With TL 1 Par Value	
			Amount (TL)	Rate (%)
Gross		6.531.840,00	0,2240	22,40
Net		5.552.064,00	0,1904	19,04
The Ratio of the Distributed Dividend to the Net Distributable Term Profit Including Donations				
Amount of the Dividends Distributed to Shareholders (TL)	Amount of the Dividends Distributed to Shareholders (TL)			
6.531.840,00	92,66			

The Board of Directors hereby submits and kindly requests the resolution for distribution of gross profit TL 7.426.765 (TL 7.426.765 of profit is calculated after TL 888.774 of the first legal reserves is allocated), based on the analysis of the financial statements which were prepared in compliance with International Financial Reporting Standards principles for the financial period of 01.01.2012 –31.12.2012 as follows; Gross amount of TL 6.531.840 shall be paid to shareholders representing TL 29.160.000 capital, in a proportion of 22,40% as a cash dividend, TL 0,2240 gross=net cash dividend shall be paid to full tax payers and TL 0,2240 gross, TL 0,1904 net cash dividend shall be paid to other shareholders, who are subject to 15%income tax witholding and the remaining amount TL 6.151 shall be reserved as extraordinary reserve fund.

Auditors' Report Summary

25.02.2013

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

Trade Name	: Yünsa Yünlü Sanayi ve Ticaret AŞ
Head Office	: İstanbul
Issued Capital	: 29.160.000 TL
Business Line	: Production of Worsted Line and Fabric
Auditors' names, duty periods and relations with the company	: Levent DEMİRAĞ, Tansel Barış GENÇ, Nur ŞENOL We are not shareholders of the company. We are not the personnel of the company. Our term of office is 3 years.
Number of board meetings attended and auditors' meeting held	: 6 board meetings were attended by the auditors and 6 Auditors' Meetings were held
Scope of examination conducted on the Company's records, documents, shareholder accounts and dates of examinations and related findings	: As a result of the controls realised at the end of 3rd, 6th, 9th and 12th months, nothing that is not in accordance with the Turkish Tax Legislation and Commercial Code, was found.
Number and findings of cash inventory conducted in accordance with subparagraph 3 of paragraph 1 of Article 353 of the Turkish Commercial Code	: It is found that the results of 4 cash inventories are in line with the records.
Dates and findings of audits in accordance with subparagraph 4 of paragraph 1 of Article 353 of Turkish Commercial Code	: Examinations conducted every last working day of each month revealed that existing documents are in line with the records.
Irregularities and complaints noted and measures take	: There are no complaints or irregularities.

We have examined the records and transactions of YÜNSA YÜNLÜ SANAYİ ve TİCARET A.Ş. for the period 01.01.2012 – 31.12.2012 in accordance with generally accepted accounting principles, the Turkish Commercial Code, the Articles of Association of the Company and other related regulations.

In our opinion, the accompanying balance sheet as of December 31, 2012 fairly represents the financial position of the company at this date and the income statement for the period 01.01.2012 – 31.12.2012 reflects the accurate results of operations.

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

AUDITORS' COMMITTEE

Levent DEMİRAĞ — Tansel Barış GENÇ — Nur ŞENOL

Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles
Company, in 2012, put special efforts to ensure compliance with the matters detailed below among regulations mandatory / non-mandatory to be in compliance with Corporate Governance Principles prescribed in Annex to "Communiqué Series: IV No: 56 on the Determination and Application of Corporate Governance Principles". Our company adopted as a principle to comply with the 4 principles of Corporate Governance based on Transparency, Fairness, Accountability and Responsibility. For this purpose, under the frame of Communiqué No: 56 Series: IV,

• Independent Members of the Board of Directors are elected,
• The amendments of Articles of Association are approved in General Assembly Meeting convened on April 18, 2012. General Assembly Information Document is issued in detail and published in the website of the company three weeks before the general assembly for information of shareholders and stakeholders.

Company simultaneously provides all investors and analysts of necessary information reliably, regularly and consistently in a timely manner.

The compliance with principles, with which must be complied, were ensured on the matters such as announcement of resume of nominees to membership of Board of Directors, public announcement of nominees to the independent memberships, determination and announcement of remuneration policy and announcement of actions related with affiliates establishment and organization of the Committees and relevant principles are implemented in the practice.

But for some principles, the full compliance could not yet be sustained due to the reasons such as difficulties experienced in the practice, ongoing discussions on compliance with some principles in the international platform and our country, some principles not fitting to the structure of our Company as well as of the market. The developments on the issue are closely monitored and our efforts towards to compliance are continuing.

In the following period we also will continue in putting necessary efforts for compliance to Principles by taking the developments in the legislations and practices.

SECTION I - SHAREHOLDERS
2. Shareholder Relations Unit
Company has a Shareholder Relations Unit for relations with the shareholders. This unit is coordinated by CFO Semih Utku. The executive officer of the unit is Aslıhan Ece İrtiş, Finance Manager (airtis@yunsa.com) and H. Şenay Akıncı Özertan (sozertan@yunsa.com), manager, is appointed as officer. You may contact with concerned persons at phone no 0212 385 87 00 and fax no 0212 282 50 68.
Shareholder Relations Unit is responsible for informing shareholders of activities, financial status and strategies of the company, except for such confidential information and trade secrets of shareholders and prospective investors, regularly in a manner not leading information asymmetry among shareholders, and for managing two-way interaction between shareholders and company managers.

Shareholder Relations Unit functions to maintain the relations with shareholders. Under the frame of these functions, in 2012, an average of one shareholder per month contacted us about requests to which the company responded promptly.

3. Shareholders' Exercise of Their Right to Obtain Information
For exercising by shareholders of their right to information, all information, except for trade secrets, is communicated to the shareholders and they are ensured to obtain first-hand information about the strategy and activities.

In 2012, the demands of shareholders for the information are responded by Shareholders Unit via telephone conversations, for this purpose, information which will be interest to the shareholders are published in the website by pursuing a mandatory announcement process.

The appointment of a special auditor has not been set as an individual right in our Company's Articles of Association. In 2012, no request has been received from shareholders in this regard.

4. General Assembly Meetings
In 2012, the Ordinary General Assembly meeting is convened on April 18, 2012. Shareholders representing 64.98% of the total shares attended in this meeting.

Invitation to the General Assembly Meeting is delivered by the Board of Directors according to provisions of Turkish Code of Commerce (TTK), Code of Capital Market and Company's Articles of Association. After decision of Board of Directors for convention of General Assembly, public announcement is made through KAP. Announcement of General Assembly meeting is published in our website at www.yunsa.com 21 days prior to General Assembly meeting date.

The necessary documents related with the agenda items are publicly announced before General Assembly meeting and all legal processes and legislations related with notifications are complied with. Under the frame of general assembly agenda items, annual activity report, financial statements, report of compliance to corporate governance, suggestions for profit distribution, independent audit report and legal auditor's report, amendment drafts including former and new versions of the text amended, if amendment is to be made in the Articles of Association are provided to the review of shareholders at the principal place of the business as well as in the website in an accessible manner. Furthermore, detailed explanations are provided for each agenda item in the information documentation related with the agenda items and in principles other information proposed for the General Assembly meetings are presented to the investors.

In our General Assembly meetings, agenda items are voted through raising hands and open voting method is used.

Our shareholders whose registry of shares are followed up in Central Registration Office may physically attend in general assembly in the meeting venue in person or via proxies or if they wish virtually through Electronic General Assembly system accessible via website of Central Registration Office in person or via their proxies in the general assembly meetings.

Shareholders may authorize their proxies through Electronic General Assembly System or with a notarized power of attorney, or power of attorneys annexed with signatory circulars attested by a notary public.

General Assembly Meeting to be convened physically may be attended by real person shareholders upon presentation of their ID Cards, by legal person shareholders upon ID cards of persons authorized to represent and bind the legal person together with their authorization documents, by proxies of real and legal persons upon their power of attorneys, by proxies who are authorized through Electronic General Assembly System upon their ID cards and signing the attendees list.

Our General Assembly meetings are convened in the principal place of business. Our Articles of Association, when necessary, allows for meetings to be convened in other places within the provincial territory where head quarter is located or in the place where industrial plant of the Company is located upon the decision of Board of Directors.

Meeting minutes are published and available in the websites at www.yunsa.com and www.kap.gov.tr. Furthermore, these minutes are available for review of our shareholders in the head quarter and provided upon request.

Information about donations and aids provided during the period are presented in a separate item of agenda in the General Assembly.

5. Voting Rights and Minority Rights
Articles of Association does not envisage privileged voting rights.

Our company places importance on the exercise of minority rights in accordance with provisions of Turkish Code of Commerce and Code of Capital Market and no criticism or complaint received in this regard in 2012.

6. Profit Share Right
The Profit Distribution Policy of our company is as follows:

Company every year distributes at least 50% of profits that can be distributable as profit in cash to the shareholders in accordance with Capital Market Legislations and other regulations. This Policy is reviewed every year by Board of Directors based on the national and global economic conditions, projects on the Company's agenda and its financial resources.

Activity Report of 2012 contained a separate section on the proposal for profit distribution which was communicated to shareholders and publicly announced in the company's website before the General Assembly.

During 2012, Company distributed dividends at an amount of TRY 1.199.934.

Company distributes the profits within the period as prescribed by the law. Company does not prescribe privileges in participation in profit distribution pursuant to provisions of Company's Articles of Association.

7. Transfer of Shares
Company's Articles of Association does not prescribe any provision which restricts the transfer of the shares.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Information Disclosure Policy
Company has a Disclosure Policy in place as prescribed by CMB's Corporate Governance Principles. The relevant policy is publicly disclosed via Company's website and KAP. Disclosure Policy prescribes which information will publicly be disclosed through which means and at what frequency and by whom. The announcement of the reports issued in line with International Financial Reporting Standards was made within the periods prescribed by Capital Market Board.

Vice General Manager- Financial Affairs is responsible for the implementation of the Disclosure Policy.

Financial Affairs, Vice General Manager is responsible for the announcement in special cases of the company. In 2012, 14 different special case announcements were made and since announcement was within its legal period, no sanctions were enforced.

Information to be publicly disclosed are announced in KAP and our company's website in timely, correctly, completely, comprehensible, interpretable and easily accessible manner.

On the other hand, a "list of persons who can access to internal information" is prepared to ensure that necessary care is exercised on the rules concerning use of the internal information and the staff appearing on the list signed and delivered a statement that they are aware of their obligations to protect and not to abuse such information, and care is being exercised on obtaining statements of each new persons included in the list.

9. Company's Website and Its Contents
Company has a corporate website in place. Its URL address is www.yunsa.com. Important information published in the website is also published in English.

In order to ensure comprehensive information relay to current and prospective investors as well as intermediaries, website contains a separate section as "investor relations". Information prescribed by CMB's Corporate Governance Principles is published in the website. The rules concerning the administration of the website are provided in our "Disclosure Policy".

Some of the headings published in the website are as follows:

- Details About Corporate Identity
- Vision and Mission
- Information About Members of Board of Directors and Top Level Management
- Company's Shareholding Composition
- CMB Special Case Announcements
- Company's Articles of Association
- Commercial registry information
- Financial information
- Meeting date, agenda, explanations about items of agenda of General Meeting
- General Assembly meeting minute and list of attendees
- Corporate Governance applications and harmonization report
- Profit distribution policy
- Information disclosure policy

10. Annual Report
Company activity report is prepared in accordance with legal arrangements to ensure public informed of company activities completely, accurately in a timely manner.

SECTION III - STAKEHOLDERS

11. Informing Stakeholders
Stakeholders are informed of Company-related facts through public disclosures made under the relevant legislation. Public disclosures are made by means of either press conferences or speeches through media. Detailed information disclosures in our General Assembly meetings as well as in our website, our comprehensive annual report, our press statements, our transparent disclosure policy and applications, furthermore, informs not only our shareholders but also all stakeholders.

Company's employees are also informed through meetings held on their specialization areas and on other related fields and through seminars and training programs as well as through information sent via e-mail. There is a portal for employees, which enables them to have access to any kind of required information and document. Stakeholders may submit the transactions in violation of legislation and Company's Ethics Rules to Head of Audit Department and Head of Ethics which will forward it to the Audit Committee via e-mail at etik@yunsa.com published in the company's website.

12. Participation of Stakeholders in Management
The employees participate in management through periodic company meetings (at least two times annually) such as the annual target setting and performance evaluation, quality, environmental, job security, self evaluation, communication, improvement and excellence meetings as well as various project groups and questionnaires for business life evaluation. Thanks to feedback mechanism, employees provide their feedbacks to management and their colleagues and the results are discussed in various management meetings and accordingly actions plans are devised for necessary changes.

With these approaches, they are driven to participate in and contribute to effective management of the Company.

Participation of shareholders in management is ensured through General Assembly meetings, periodical supplier meetings, questionnaires and participation of customers is through regular customer meetings and visits.

13. Human Resources Policy
Our Company's Human Resource is provided below and published in the website at, www.yunsa.com. Human Resources activities are coordinated by HR Manager Mr. Tamer Tok and it includes recruitment & qualified workforce attraction, performance management, career and succession management, personal & organizational development, salary & reward & fringe benefits management, labor relations & legislation, health & safety at work & environment, general services management processes.

Our Human Resources Policy
Aware of the fact that its most important asset to succeed in the changing future is its human resources, the company has the objective of maintaining a working environment where:
- The employees are proud to be a part of the company,
- The employees can manifest their creativity,
- There is an environment based on mutual trust and open communication,
- Successes are appreciated, and Individuals take responsibility to reach common objectives.

Therefore, the company recruits and hires its human resources, according to the principle of equal opportunity, from among individuals who have a good potential for development, are flexible and can make positive contributions to change. We offer trainings and development opportunities that contribute to our employees' personal and professional development, business efficiency and productivity. We use fair, systematic, comprehensible and measurable performance systems based on predefined criteria and corporate scorecard approach to evaluate the extent to which our employees reach their targets.

Job descriptions, performance management process and reward criteria for the company employees are defined and announced to all employees. Said documents are accessible via electronic document system.

The employees have not filed any complaints about discrimination in or before 2012.

14. Ethical Rules and Social Responsibility
Company executes its activities under the frame of SA Ethical Rules created by Sabancı Group. Business Ethics are publicly disclosed and published on the company's website. Employees are informed of rules via publication in the company's intranet portal, circulation of printed manuals to all employees as well as information courses on the issue. Furthermore, every year-end, employees update their knowledge about rules of business ethics via e-learning program and renew their commitment to rules business ethics by completing a "Business Ethics Compatibility Declaration".

In addition to its valuable contributions in the national economy as well as its extensive employment opportunities, Yunsa is also an environmentally-conscious brand, the most precious value of the earth. Company, on all occasions, shows his respect to the nature with the standards implemented and projects which save natural resources

Yunsa continued to demonstrate his consciousness about Climate Change in 2012 and publicly disclosed his greenhouse gas emissions through Carbon Disclosure Project (CDP).

As a first in the textile industry, Yunsa continued to report in 2012 and listed among 3 companies in Turkey and 4000 companies in the world, which voluntarily disclosed greenhouse gas emissions.

Yunsa have been applying ISO 14001 Environmental Management System since 2004. In this framework, Company evaluates its environmental impacts and takes measures to minimize or eliminate these impacts.

In 2012, Yunsa devised the Clean Manufacturing Plan and commenced the operations under this plan. Under this scope, the best manufacturing methods are identified and applied, which will minimize damages on the environment. In this regard, R&D project is initiated to recycle the waste water into the production after its treatment and related works continue. Eko-Text® 100 Standard is a worldwide standardized test and certification system addressed to all raw materials, derivate and final products across all stages of textile processing. Yunsa intends to supply healthy products and for this purpose, renewed his Eko-Tex® 100 certificate in 2012. No prohibited chemical is used in the production processes and we closely monitor our suppliers in this regard.

All manufacturing wastes are classified and delivered to the licensed disposal/recycling companies.

"Zero waste" project, launched in 2011 succeeded and first compost is produced. All organic waste from dining hall is composted which ensures monthly recovery of 1 ton organic waste into soil improver which are used to increase the productivity of garden soil.

Dust and gas emission measurements for factory chimneys are regularly checked by accredited institutions and reported to the Ministry of Environment and Urban Planning.

Our plant treats its waste waters in order to prevent the pollution of above- and underground waters. Also rain-water and reusable effluent is collected to be used for the irrigation of greenfield sites of our plant.

As an indication of the Company's respect to nature and social responsibility awareness, Yünsa planted saplings over an area of 25.000 m2 in İstanbul-Edirne highway Çerkezköy junction and an area of 2.500 m2 in Çerkezköy-Saray highway Büyükçavuşlu location under reforestation projects to contribute to a better future. Planting, watering and maintenance works of all forest area are carried out by Yünsa by the corporate volunteerism.

As part of his social responsibility, dividend contributions made to Hacı Ömer Sabancı Foundation and donations to schools, health centers, foundations and associations in Çerkezköy where our plant is, offering internship positions to approximately 60 students every year and hiring disabled individuals or ex-convicts are examples of social responsibility activities.

At Yünsa, periodic trainings are given to employees at all levels in order to increase environmental awareness, support environmental management and turn environmental management into a form of doing business. Within social responsibility dimension of environmental awareness, trainings are given to students in schools around Çerkezköy where our plant is located.

Every year, waste treatment plants are audited and evaluated according to ISO 9001, 1400, other quality standards and environmental legislation and accordingly areas to improve are determined and measurements are taken which will ensure them to take actions against their shortcomings. These firms are provided with the trainings on environment and workplace safety and these trainings are audited as well as we contribute in their developments on these subjects. All environmental activities are evaluated at monthly environment meetings and necessary investments are planned and resources are allocated. Our environmental effects are being reviewed and actions are taken on daily Good Morning Quality meetings in the field and monthly factory internal/external technical tours.

SECTION IV- BOARD OF DIRECTORS

15. The Structure and Composition of the Board of Directors
Company's Board of Directors observes the compliance of company's activities with legislation, Articles of Association, internal regulations and policies adopted and represents and manages the Company with his strategic decisions by considering the risk, growth and returns of the Company as well as observing our long-term interests.

Composition of our Board of Directors complies with the principles prescribed by the Capital Market Board. Chairman and General Manager positions are assigned to different persons. Members of the Board of Directors are as follows with the distinction of executive and non-executive as well as independent member:

Mehmet Nurettin PEKARUN
Chairman- (Executive)
Mehmet Pekarun received his Industrial Engineering degree from Boğaziçi University, and later obtained his MBA, with Finance and Strategy Specialization, from Purdue University. Mr. Pekarun started his career in 1993, at General Electric's (GE) Transportation Systems division in the USA. Between 1996 and 1999, he worked as a Finance Manager responsible for Turkey, Greece, and Eastern Europe at GE's Healthcare division in Europe. Between 1999 and 2000, he worked as the General Manager of GE Lighting Turkey. Between 2000 and 2005, he moved to GE Healthcare's Europe, Middle East, and Africa headquarter, first working as General Manager, Business Development, and then as General Manager, Medical Accessories. Mr. Pekarun was appointed as the Chief Executive Officer of Kordsa Global on March 1, 2006, and as the President of Sabancı Holding's Tire, Reinforcement Materials, and Automotive Strategic Business Unit on 20 September 2010. Tire, Reinforcement Materials, and Automotive Strategic Business was restructured as Industry Strategic Business Unit on March 1, 2011 and he is currently the President of Industry Strategic Business Unit.

Mehmet GÖÇMEN
Vice Chairman of the Board of Directors - (Executive)
Born in 1957, Mehmet Göçmen completed his post graduate degree in Industrial Engineering and Operational Research at Syracuse University in the USA after completing his BA Degree at ODTÜ Industrial Engineering and his High School education at Galatasaray High School. He began his professional career at Çelik Halat ve Tel San. AŞ in 1983. Mr. Göçmen later worked as General Manager at Lafarge Ekmel Beton A.Ş. and Business Development and Public Affairs Vice Chairman position at Lafarge Turkey between 1996 and 2002. Between June 2003 and July

2008, Mr. Göçmen served as General Manager at Akçansa and he was appointed as Executive Vice President of Human Resources of Sabanci Holding on August 1, 2008. In addition Mr. Göçmen has been appointed as The President of Cement Strategic Business Unit as of July 20, 2009. In 2010, he resigned from Executive Vice President of Human Resources position and he is currently the President of Cement Strategic Business Unit.

Mevlüt AYDEMİR
Board Member- (Non-executive)
Born in 1948, Mevlüt Aydemir graduated from İstanbul University, Faculty of Economics. He worked for the Ministry of Finance as a Public Accountant between 1972 and 1981. He has carried out various functions at Sabancı Holding since 1981, and served as a member of board of directors in the group companies. He has been a member of the Board of Directors of Sabancı Holding since May 2010.

Barış ORAN
Board Member - (Non-executive)
Graduated from Boğaziçi University Business Administration Department, Barış Oran has a MBA degree in University of Georgia. Began his career as an auditor in Price Waterhouse Coopers in 1995, Oran carried out functions in first audit and finance and treasury/capital markets in Sara Lee Corp. Chicago IL between the years 1998 and 2003. Between 2003 and 2006, he served as Senior Manager at Ernst and Young responsible for first Minneapolis, MN, then in Europe, Middle East, Africa and India Regions. In 2006, he began his career in Kordsa Global and served as Internal Control Director, Global Finance Director and CFO, respectively. In 2011, appointed as H.Ö. Sabancı Holding Finance Director, since 2012, Oran has been the Head of H.Ö. Sabancı Holding Planning, Reporting and Financing Department, Members of Brisa, Enerjisa Production, Teknosa and Temsa Board of Directors.

Hüsnü PAÇACIOĞLU
Board Member-(Independent)
Husnu Pacacioglu earned his BSc in Industry Management from Middle East Technical University (Ankara, Turkey) in 1963. Between 1964-1968 he served as the Investment Specialist in Karabuk Iron and Steel Works Enterprises and as Public Relations and Ankara Region Manager, Public Sector Sales Director, Professional and Technical Services Manager and Deputy General Manager in charge of Marketing, Sales, Products and Services (in chronological order) at IBM Turk between 1968-1996.

Mr. Husnu Pacacioglu took over the position of General Secretary in Sabanci University in 1996 and held this position until 2005.

Between 2006 and 2011, he served as Vice President of Board of Trustees and General Manager of the Haci Omer Sabanci Foundation (Sabanci Foundation). He is currently members of Sabancı Foundation Board of Trustee and Executive Board. Paçacıoğlu is the founding member of Safranbolu Culture and Tourism Foundation, Hisar Education Foundation and member of Board of Trustees of Spastic Children Foundation of Turkey (TSÇV) and Chairman and CEO of TSÇV and member of Information Foundation of Turkey.

Mehmet KAHYA
Board Member-(Independent)
Received his double major BS, with Cum Laude in Chemical Engineering and Economics from Yale University (1973) Mehmet Kaya has MBA on Finance, Marketing and Operations Research, with honor, from Kellogg Graduate School of Management (1975).

Began his career as Sasa Management Services Chief in Sabancı Holding (1975-1980), Mehmet Kaya founded and presided MKM Inernational (Netherland, 1980-84) and Sibernetik Systems (1984-1986). Again joined in 1986 as Vice President of Automotive Group, Mehmet Kaya served as Temsa Vice President and President (1986-90), Toyotosa Vice President (1990-94) as well as Member of Sabancı Holding Planning and Direction Council and Board Members of Temsa, Toyotasa, Susa and Sapeksa.

Mehmet Kahya served as Managing Member and Vice Chairman of CarnaudMetalbox between 1984-98 and then President of Uzel Machinery and Executive Board Member of Uzel Holding (1998-01), Vice President of DYO General Directorate and Paint Group (2001-02), Member of Executive Board of Sarten Packaging (2002-03), Vice Chairman of Gierlings Velpor (Portugal, 2003-05) and President of Assan Aluminum (2004-06).

He is currently providing services in the fields of strategies, restructuring, profitability cycle, growth, acquisition and merger projects in the KRONUS company founded by him as well as serves as independent member of Board of Members of Yaşar Holding, Altınyunus, DYO, Viking Kağıt, Çimsa, Sasa, Yünsa and as consultant in Board of Directors and Executive Boards of Viko, Kalibre Boru, Farplas and Avmmall.

Fahreddin Cem ÇELİKOĞLU
General Manager- (Executive)
Born in 1962, Cem Çelikoğlu graduated from METU Faculty of Administrative Sciences, Department of International Relations. He has been working in our Company since 17.12.1987 and appointed as General Manager of the Company on 01.12.2002.

The members of the Board of Directors have been permitted by the General Assembly to carry out all transactions set out by the Articles 334 and 335 of the Turkish Commercial Code.

Board Members are elected for 3 years by General Assembly on April 18, 2012.

With the report dated March 22, 2012 prepared and submitted by Audit Committee to Board of Directors, two independent members were nominated and their statements on fulfillment of the independency criteria were received and provided.

16. The Operating Principles of the Board of Directors
Board of Directors meets when the company's business and transactions necessitate it and executes its activities in a transparent, fair, accountable and responsible manner and in doing so, observes the long-term interests of the Company. Nevertheless, it must meet every two months according to provisions of Articles of Association.

In 2012, the Company's Board of Directors held a total of 24 meetings; 6 of these were held after obtaining one-on-one approvals and 18 after obtaining written approvals according to the provisions of the Turkish Commercial Code and the Articles of Association.

Operation principles of Board of Directors, meeting and decision quorums are executed on the basis of provisions of Company's Articles of Association. Every member has a one voting right in meetings of Board of Directors. The agenda of the meetings of Board of Directors are determined as a result of consultations among Chairman, current Board Members and General Manager. The duties of the Secretariat are carried out by the Office of the Deputy General Manager for Financial Affairs. The Secretariat is responsible for information sharing and communication about meeting agendas and for preparing the meeting minutes.

In 2012, there were no dissenting opinions concerning the decisions taken by the members of the Board of Directors.

17. The Number, Structure and Independence of the Committees Established by the Board of Directors
Board of Directors makes use of the committee works while executing his duties and responsibilities. The decisions held by committees as a result of their works are submitted as suggestions to Board of Directors and final decision is given by Board of Directors.
Committees;
Corporate Governance Committee monitors the compliance of Company with Corporate Governance Principles, gives remedial suggestions and observes the operations of Shareholder Relations Unit. Corporate Governance Committee, also, executes the functions of "Nomination Committee", "Earlier Risk Diagnosis" and "Remuneration Committee".

The Head of Corporate Governance Committee is Hüsnü Paçacıoğlu (Independent Board Member) and member is Barış Oran. Since Corporate Governance Committee is setup on April 19, 2012, it met for 2 times during the year and discussed the issues such as monitoring the corporate governance principles, earlier risk diagnosis and human resources.

Head of Audit Committee is Mehmet Kaya and member is Hüsnü Paçacıoğlu, who are also Independent Board Members. Audit Committee executes the duties envisaged by CMB legislations for the audit committee and held 4 meetings during the year. It audits company's accounting system, public disclosure of financial data, independent audit and the operation and effectiveness of internal control system of the company.

18. Risk Management and Internal Control Mechanism
Yunsa considers that "sustainable growth" is only possible once risks are effectively identified, measured and management, adopting the idea that every risk is also accompanied with opportunities.

Yunsa regards the risk as a concept which not only includes threats but also opportunities and in order to manage these risks in the most effective manner, corporate risk management is applied constantly and systematically. The risks facing the Company are monitored with Key Risk Indicators -KRI determined by Sabancı Holding and the Company. These indicators are constantly monitored and reported periodically. The actions required for managing the risks indicated by KRI are taken by the Company under coordination of Sabancı Holding.

To conduct better risk management, Yünsa established a risk management unit. Risk Management Unit, within the framework of policies, standards and procedures approved by company management, determines main and critical risks of the company, works with risk managers to make recommendations in order to reduce, eliminate or transfer the risks involved, follows action plans of departments, realizes studies to determine the company's risk appetite and follows whether risks are managed within the framework of this appetite. Risk management unit continues these activities with full support, responsibility and active participation of the company's employees.
By placing importance on the risk management, Yunsa constantly continued to create value for shareholders in 2012 and demonstrated a performance of sustainable growth.

Internal Control Mechanism is effectively executing his duties assigned by Board of Directors under the frame of current Bylaw of Audit Committee, with the support of Audit Committee.

19. Company's Strategic Objectives
The company's mission and vision were determined by the Board of Directors, and disclosed to the public on its website, www.yunsa.com.

Board of Directors sets the strategic objectives for three years in consultation with Top Management. It approves the annual budgets prepared under the frame of these strategic objectives.

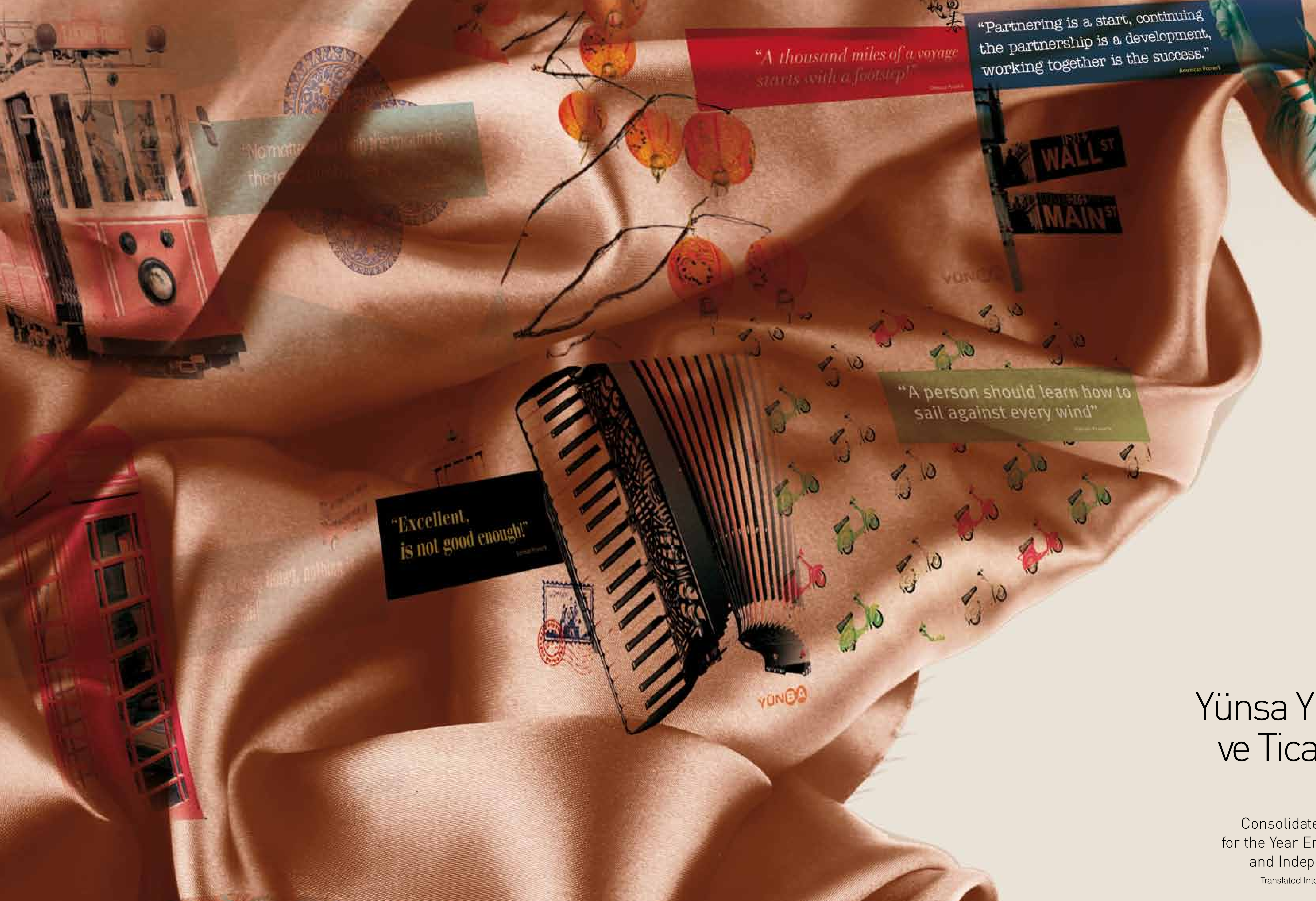
Board of Directors has exact knowledge about the implementation of the decisions taken through comparative presentations delivered by Top Management in the meetings. The presentations also communicate Board of Directors a comparison of same periods of past years in addition to budgeted and actual comparison of the current year.

20. Financial Rights
Form and conditions of any kind of rights, benefits and remunerations of the Members of Board of Directors are defined in the Articles of Association. General Assembly determines the remunerations and fees of the Chairman and Board Members.

The payments made to the top managers are disclosed to the public in our footnotes of Financial Statements.

The remuneration of independent board members does not make use of payment plans based on share stock options or company performance.

In 2012, Company has not lent money to any Board Member, and has not provided credit to them, and has not prolonged the terms of existing loans and credits, and has not improved borrowing conditions, and has not extended credit under the name of personal credit means through a third person or has not provided warranties such as guarantee in their favour.



Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

Consolidated Financial Statements
for the Year Ended 31 December 2012
and Independent Auditor's Report

Translated Into English from The Original Turkish Report

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

We have audited the accompanying financial statements of Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiaries (together "Group") which comprise the balance sheet as at 31 December 2012, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Yünsa Yünlü Sanayi ve Ticaret A.Ş. and its subsidiaries as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards published by the Capital Market Board.

İstanbul, 25 February 2013

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

Ömer Tanrıöver
Partner

	Notes	Current Period (Audited) 31 December 2012	Current Period (Audited) 31 December 2011
ASSETS			
Current Assets		**150.373.684**	**141.851.699**
Cash and Cash Equivalents	6	1.604.044	1.772.414
Trade Receivables	10	80.445.503	65.659.107
- Trade receivables from related parties	37	16.463	43.755
- Other trade receivables	10	80.429.040	65.615.352
Other Receivables	11	25.175	53.488
Inventories	13	60.836.142	67.131.272
Other Financial Assets	9	268.531	-
Other Current Assets	26	7.194.289	7.235.418
Non-Current Assets		**58.719.094**	**55.824.106**
Financial Investments	7	-	782.660
Property, Plant and Equipment	18	48.185.634	47.331.200
Intangible Assets	19	6.536.358	5.292.079
Deferred Tax Assets	35	3.984.145	2.406.658
Other Non-Current Assets	26	12.957	11.509
TOTAL ASSETS		**209.092.778**	**197.675.805**

The accompanying notes form an integral part of these financial statements.
(Convenience translation of the report and financial statements originally issued in Turkish)

	Notes	Current Period (Audited) 31 December 2012	Current Period (Audited) 31 December 2011
LIABILITIES			
Short Term Liabilities		**131.440.004**	**128.047.770**
Financial Borrowings	8	95.288.978	94.014.200
Trade Payables	10	29.827.042	27.107.799
- Trade Payables Due to Related Parties	37	72.676	1.060.513
- Other Trade Payables	10	29.754.366	26.047.286
Other Payables	11	524.162	1.520.229
Current Tax Liability	35	-	-
Provisions for Employee Benefits	24	1.294.824	1.135.273
Other Short Term Liabilities	26	4.504.998	4.270.269
Long Term Liabilities		**6.283.777**	**5.173.501**
Provisions for Employee Benefits	24	6.283.777	5.173.501
SHAREHOLDERS' EQUITY		**71.368.997**	**64.454.534**
Equity Attributable to Equity Holders of the Parent		**71.368.997**	**64.454.534**
Paid-in Capital	27	29.160.000	29.160.000
Inflation Adjustments to Share Capital		30.657.866	30.657.866
Premium In Excess of Par		92.957	92.957
Hedging Reserves		214.825	-
Currency Translation Reserves	27	(50.206)	-
Restricted Reserves Assorted from Profit	27	3.866.790	2.944.563
Accumulated Deficit	27	-	(12.672.610)
Net Profit for the Year		7.426.765	14.271.758
Non-Controlling Interests	**27**	**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**209.092.778**	**197.675.805**

The accompanying notes form an integral part of these financial statements.
(Convenience translation of the report and financial statements originally issued in Turkish)

Consolidated Statement of Income for The Year Ended 31 December 2012

(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

	Notes	Current Period (Audited) 1 January – 31 December 2012	Current Period (Audited) 1 January – 31 December 2011
CONTINUED OPERATIONS			
Sales Revenue (net)	28	255.642.497	214.079.338
Cost of Sales (-)	28	(204.502.370)	(157.225.246)
GROSS PROFIT		**51.140.127**	**56.854.092**
Marketing, Sales and Distribution Expenses (-)	29	(29.376.317)	(26.012.526)
General Administration Expenses (-)	29	(8.823.947)	(7.963.537)
Research and Development Expenses (-)	29	(1.252.258)	(832.548)
Other Operating Income	31	1.122.038	840.551
Other Operating Expenses (-)	31	(1.026.532)	(972.557)
OPERATING PROFIT		**11.783.111**	**21.913.475**
Finance Income	32	13.385.562	15.393.950
Finance Expense (-)	33	(19.373.101)	(23.462.157)
PROFIT BEFORE TAXATION FROM CONTINUED OPERATIONS		**5.795.572**	**13.845.268**
Tax Income From Continued Operations	35	**1.631.193**	**426.490**
- Current Tax Income/(Expenses)		-	-
- Deferred Tax Income		1.631.193	426.490
PROFIT FROM CONTINUED OPERATIONS		**7.426.765**	**14.271.758**

Consolidated Statement of Comprehensive Income for The Year Ended 31 December 2012

	Notes	Current Period (Audited) 1 January – 31 December 2012	Current Period (Audited) 1 January – 31 December 2011
PROFIT FOR THE YEAR		**7.426.765**	**14.271.758**
Other Comprehensive Income			
Changes in Hedging Reserves		268.531	-
Currency Translation Reserves		(50.206)	-
Income Tax Relating to Components of Other Comprehensive Income		(53.706)	-
OTHER COMPREHENSIVE INCOME (AFTER TAXATION)		**164.619**	-
TOTAL COMPREHENSIVE INCOME		**7.591.384**	**14.271.758**

Attributable to			
Non-controlling Interest		-	-
Equity Holders of the Parents		7.426.765	14.271.758
Earnings Per Share		**0,255**	**0,489**
Total Comprehensive Income Attributable to			
Non-controlling Interest		-	-
Equity Holders of the Parents		7.591.384	14.271.758

The accompanying notes form an integral part of these financial statements.
(Convenience translation of the report and financial statements originally issued in Turkish)

Consolidated Statement of Changes in Shareholders' Equity for The Year Ended 31 December 2012

(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

	Notes	Capital	Inflation Adjustments to Share Capital	Premium In Excess of Par	Restricted Reserves Assorted from Profit	Cash Flow Hedges/ Hedging Reserves	Foreign Currency Translation Reserve	Retained Earnings	Net Loss / Profit	Total Shareholders' Equity
1 January 2011	**27**	**29.160.000**	**30.657.866**	**92.957**	**2.944.563**	**-**	**-**	**(17.893.696)**	**5.221.086**	**50.182.776**
Transfers		-	-	-	-	-	-	5.221.086	(5.221.086)	-
Total Comprehensive Income		-	-	-	-	-	-	-	14.271.758	14.271.758
Changes in Hedging Reserves		-	-	-	-	(6.739.110)	-	-	-	(6.739.110)
Transfer of Hedge Reserves to Total Comprehensive Income/Loss for the Year		-	-	-	-	6.739.110	-	-	-	6.739.110
31 December 2011	**27**	**29.160.000**	**30.657.866**	**92.957**	**2.944.563**	**-**	**-**	**(12.672.610)**	**14.271.758**	**64.454.534**
1 January2012	**27**	**29.160.000**	**30.657.866**	**92.957**	**2.944.563**	**-**	-	**(12.672.610)**	**14.271.758**	**64.454.534**
Transfers		-	-	-	399.214	-	-	13.872.544	(14.271.758)	-
Dividend Payments		-	-	-	-	-	-	(1.199.934)	-	(1.199.934)
Effects of Changes of Consolidation Structure		-	-	-	523.013	-	-	-	-	523.013
Total Comprehensive Income		-	-	-	-	214.825	(50.206)	-	7.426.765	7.591.384
31 December 2012	**27**	**29.160.000**	**30.657.866**	**92.957**	**3.866.790**	**214.825**	**(50.206)**	**-**	**7.426.765**	**71.368.997**

The accompanying notes form an integral part of these financial statements.
(Convenience translation of the report and financial statements originally issued in Turkish)

	Notes	1 January - 31 December 2012	1 January - 31 December 2011
Cash flows from operating activities			
Net profit for the year	27	7.426.765	14.271.758
Adjustments to reconcile net income to net cash from operating activities			
Amortization and depreciation	18-19	9.572.270	6.847.436
Taxation	35	(1.631.193)	(426.490)
Provision for employment termination benefits	24	2.314.212	2.246.720
Provision for short term employee benefits	24	159.551	224.142
Interest income	32	(182.241)	(35.965)
Interest expenses	33	6.864.085	5.101.566
Gain on sale of fixed assets	31	(40.236)	-
Discount on receivables	10-37	(159.470)	387.375
Discount on payables	10-37	79.744	(239.426)
Changes in provision for impairment of inventory	13	9.314	(101.150)
Write off of fixed asset for closed down stores		-	16.227
Income accruals		(348.991)	(531.966)
Hedging reserves		214.825	-
Changes in currency translation reserves		(50.206)	-
Net cash before changes in operating assets and liabilities		**24.228.429**	**27.760.227**
Increase in trade receivables		(14.626.926)	(13.932.808)
Decrease / (increase) in inventories		6.285.816	(27.100.606)
Decrease / (increase) in other current assets		149.902	(2.945.481)
Decrease in other long-term assets	26	836.889	1.109
Increase in trade payables	10	2.639.499	12.713.552
(Decrease) / increase in other short term liabilities	11-26	(761.338)	2.814.434
Cash provided by / (used in) activities		**18.752.271**	**(689.573)**
Collection of prepaid taxes and funds		-	1.020.415
Taxes paid	35	(1.971)	(1.848)
Employment termination benefits paid	24	(1.203.936)	(1.549.432)
Net cash provided by / (used in) operating activities		**17.546.364**	**(1.220.438)**
Investing activities			
Purchase of property, plant and equipment	18	(8.979.407)	(12.994.491)
Purchase of intangible assets	19	(2.702.268)	(3.149.590)
Effects of changes consolidation structure		523.013	-
Proceeds from sale of property, plant and equipment		50.928	-
Interests received	32	182.241	35.965
Net cash used in investing activities		**(10.925.493)**	**(16.108.116)**
Financing activities			
Changes in borrowings		2.013.451	22.033.240
Dividend payments		(1.199.934)	-
Interests paid		(7.602.758)	(3.661.500)
Net cash (used in) / provided by financing activities		**(6.789.241)**	**18.371.740**
Net (decrease) / increase in cash and cash equivalents		(168.370)	1.043.186
Cash and cash equivalents at the beginning of the year	**6**	**1.772.414**	**729.228**
Cash and cash equivalents at the end of the year	**6**	**1.604.044**	**1.772.414**

The accompanying notes form an integral part of these financial statements.
(Convenience translation of the report and financial statements originally issued in Turkish)

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE COMPANY

Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("The Company") and its subsidiaries ("Group") are comprised of Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("The Company") and its 4 subsidiaries.

Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("The Company") was established on 21 June 1973. The main operation of the Company is production and marketing of woolly textile products. The main shareholder of the Company is Hacı Ömer Sabancı Holding A.Ş. The shares of the Company and its main shareholder are publicly traded on the İstanbul Stock Exchange Market (ISE).

The average number of employees working in the Company for the period ended 31 December 2012 is: 1.859 (2011 average number of employees: 1.709).

The Company's registered office address is:

Sabancı Center
Kule 2, 34330 4.Levent
İSTANBUL

The details of Yünsa Yünlü Sanayi ve Ticaret A.Ş.'s subsidiaries at 31 December 2012 are as follows:

	31 December 2012		31 December 2011 (*)		
Subsidiaries	**Share of direct ownership %**	**Share of indirect ownership %**	**Share of direct ownership %**	**Share of indirect ownership %**	**Core Business**
Yünsa Germany Gmbh	100	100	100	100	Marketing and Sales
Yünsa Italia SRL	100	100	100	100	Marketing and Sales
Yünsa UK Limited	100	100	100	100	Marketing and Sales
Yünsa Americas Inc.	100	100	100	100	Marketing and Sales

(*) These companies have not been consolidated on previous periods due to the impact on the insignificance effect on the Group's net profit, financial position and they have been presented as registered values.

Paid Dividend:
The Group has paid dividend which is the amount of TL 1.999.934. The gross value of paid dividend per share is TL 0,04 as of 31 December 2012. (31 December 2011: None).

Approval of Financial Statements:
The financial statements are authorized for issue by the Board of Directors as of 25 February 2013.

NOT 2 - BASIS OF THE FINANCIAL STATEMENTS

2.1 Basis of presentation

The Basis for Preparation of the Financial Statements and Significant Accounting Policies

The Company and its subsidiaries, which are registered in Turkey, maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles set out in the Turkish Commercial Code ("TCC") and tax regulation (collectively, "Turkish Practices").

The Capital Markets Board (CMB) Decree No XI-29 "Capital Markets Financial Reporting Standards" prescribes principles and standards regarding the preparation and presentation of financial statements. This Decree is applicable for periods beginning after 1 January 2008, and with its issuance, Decree No XI-25 "Capital Markets Accounting Standards" was annulled. Based on the Decree, companies are required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") as accepted by the European Union. However, IASs/ IFRSs will be applicable during the period in which the differences between the standards accepted by the European Union and the standards issued by International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"). In this respect, Turkish Accounting/ Financial Reporting Standards issued by TASB which do not contradict with the adopted standards will be used as a basis.

The accompanying financial statements and notes are presented in accordance with the required formats announced by the CMB as at 17 April 2008 and 9 February 2009. In this respect, certain reclassifications have been made to the prior financial statements.

Per decree no 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no: 1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association ("Board") has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board become effective. Therefore this situation, as of the reporting date, has no effect on the "Principles in Preparation of the Financial Statements" explained in this footnote.

The financial statements have been prepared according to the historical cost basis.

Functional Currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in Turkish Lira, which is the functional currency for the Company and the presentation currency of the financial statements.

The individual financial statements of each Group entity are presented its functional currency Euro and for the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Financial statements of each subsidiary of the Group are presented in the currency of the primary economic environment in which the entities operate (its functional currency). The results and financial position of the each subsidiary are expressed in Turkish Lira, which is the functional and presentation currency of the Group.

As of 31 December 2012 the functional currency of the Group's subsidiaries which is Euro and consolidated reporting currency is TL. Currency translation differences arising from the associates who were consolidated under equity method were recognized under the currency translation difference account in equity.

As of 31 December 2012, foreign currency rates declared by Central Bank of Turkey are 1 Euro = TL 2,3517. For the period between January 1, 2012 and December 31, 2012, average foreign currency rates declared by Central Bank of Republic of Turkey are 1 Euro = 2,3041.

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Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 and decree no 11/367 declared that companies operating in Turkey which prepares their financial statements in accordance with CMB Accounting Standards, effective 1 January 2005, will not be subject to the application of inflation accounting. Consequently, in the accompanying financial statements IAS 29 "Financial Reporting in Hyperinflationary Economies" was not applied.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests ("Non Controlling Interests") in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non Controlling Interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values as at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized if applicable. The results of subsidiaries acquired or disposed of during the year are included in the consolidated comprehensive income statement from the effective date of acquisition up to the effective date of disposal, as appropriate.

Goodwill arising on acquisitions is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

Changes in the share capital of the Group's subsidiaries:

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2.2 Comparative Information and Restatements of Prior Period Financial Statements

If the presentation or classification of the financial statements is changed, financial statements of the prior periods are also reclassified in order to maintain consistency with the current year's presentation in line with the related changes. The Group has not made any changes on the prior period's financial statements for conforming to the presentation of the current period's financial statements.

2.3 Offsetting

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

2.4 Changes in Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior year financial statements are restated. There is no change in accounting policies in the current year.

2.5 Changes and Errors in Accounting Estimates

If the changes in the accounting policies are related to one period they are applied in the current year; if they are related with the future period they are applied both in the current period and future periods. The Group did not have any changes in the accounting estimates in the current year. Significant accounting errors are applied retrospectively and prior period financial statements are rearranged.

2.6 Adoption of New and Revised International Financial Reporting Standards

(a) New and revised IFRSs affecting presentation and disclosure only

The following amendments to IFRSs have been applied in the current year and have affected the amounts reported in these consolidated financial statements.

New and revised IFRSs affecting the reported financial performance and/or financial position
None.

(b) Standards, not related to the Group's activities that are effective starting from 2012, changes and comments in current standards

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets
The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These amendments to IFRS 7 did not have a significant effect on the Group's disclosures. However, if the Group enters into

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Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The amendment is effective for annual periods beginning on or after 1 January 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. The Group does not have investment property. The amendment did not have any effect on the consolidated financial statements.

(c) New and Revised IFRSs in issue but not effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to IAS 1	Clarification of the Requirements for Comparative Information[2]
IFRS 9	Financial Instruments [5]
IFRS 10	Consolidated Financial Statements [3]
IFRS 11	Joint Arrangements[3]
IFRS 12	Disclosure of Interests in Other Entities [3]
IFRS 13	Fair Value Measurement[3]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities [3]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures [5]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide[3]
IAS 19 (as revised in 2011)	Employee Benefits [3]
IAS 27 (as revised in 2011)	Separate Financial Statements [3]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures [3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS [3]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine [3]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013 as part of the Annual Improvements to IFRSs 2009-2011 cycle issued in May 2012.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2014.
[5] Effective for annual periods beginning on or after 1 January 2015.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income are effective for the annual periods beginning on or after 1 July 2012. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to IFRSs 2009-2011 cycle issued in May 2012)

The amendments to IAS 1 as part of the Annual Improvements to IFRSs 2009-2011 cycle are effective for the annual periods beginning on or after 1 January 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Group management anticipates that the application of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below:

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time. The Group management anticipates that the application of these five standards may have a significant impact on amounts reported in the consolidated financial statements.

A detailed review will be performed by the Group management to quantify the impact on the application of IFRS 10.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Group management anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the Related Disclosures

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of ' currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Group management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application.

Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012

The Annual Improvements to IFRSs 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include:

• Amendments to IAS 16 Property, Plant and Equipment; and

• Amendments to IAS 32 Financial Instruments: Presentation.

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Group management does not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

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Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The Group management does not anticipate that the amendments to IAS 32 will have a significant effect on the Group's consolidated financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognized as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply IFRIC 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Group management anticipates that IFRIC 20 will have no effect to the Group's financial statements as the Group does not engage in such activities.

2.7 Summary of Significant Accounting Policies

Significant accounting policies used to prepare consolidated financial statements are summarized as below:

a) Revenue

Revenue is recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Company is probable. Net sales are calculated after the sales returns and sales discounts are deducted.

Revenue from sale of goods is recognized when all the following conditions are met:

- The Company transfers all the significant risks and rewards of ownership of the goods to the buyer,
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Retail sales are usually performed through cash or credit card. Recorded income is the gross amount which also comprises credit card commissions.

Basis of other revenue recognition;

Rent and Royalties: accrual basis
Interest income: using the effective interest method
Dividend income: when has the right to receive the payment.

b) Related Parties

For the purpose of these financial statements, shareholders, key management personnel and Board members, their families, their subsidiaries, affiliates and companies controlled by them are considered and referred to as related parties.

c) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

d) Financial Instruments

Financial assets
Investments are recognized and derecognized on a trade date where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Held-to-maturity investments
Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

Available-for-sale financial assets
Investments other than held-to-maturity debt securities and held for trading securities are classified as available-for-sale, and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

Impairment of financial assets
Financial assets, other than those at FVTPL, are reviewed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. Net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments and hedge accounting

The Group utilizes currency derivatives to hedge significant future transactions and cash flows The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

The Group does not use derivative financial instruments for speculative purposes. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the [statement of comprehensive income/ income statement] as the recognized hedged item. However, when the forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

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Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any. Depreciation is provided on property, plant and equipment using the straight-line method based on the estimated useful lives of the assets. Land is not depreciated since it has indefinite useful life.

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of assets concerned, are as follows:

	Years
Buildings and land improvements	10-25
Buildings	25-50
Machinery and equipment	4-12
Motor vehicles	5
Furniture and fixtures	3-10
Leasehold improvements	5

Gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

When it is probable that the carrying amount of an asset may not be recoverable, the asset is tested for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. For assessing impairment, assets are grouped at the lowest level of separate identifiable cash flows (cash generating units). Non-financial assets other than goodwill that are subject to impairment are reviewed at each reporting date for impairment.

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

f) Intangible Assets

Intangible assets comprise of rights acquired, information systems and computer software. They are recognized at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the date of acquisition. Where there is an indication of impairment, the carrying amount of an intangible asset is assessed and written down immediately to its recoverable amount.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- The intention to complete the intangible asset and use or sell it,
- The ability to use or sell the intangible asset,
- How the intangible asset will generate probable future economic benefits,
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

g) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recorded in the income statement in the period in which they are incurred.

h) Taxation

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
Tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax
Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

i) Employee Benefits

Retirement pay provision
Under the Turkish law and union agreements, lump sum payments are made to employees in retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No: 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit liability recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses. All actuarial gains and losses are reflected in the statement of income.

Profit-sharing and bonus plans
The group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

j) Foreign Currency Transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for the following:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings,
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks,

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translate into TL using exchange rates prevailing the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

k) Earnings per Share

Earnings per share presented in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are treated as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

l) Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized by deducting any accumulated profit in equity in the period in which they are approved and declared.

m) Provisions, Contingent Liabilities, Contingent Assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

n) Statement of Cash Flows

In statement of cash flow, consolidated cash flows for the period are classified and reported based on the operating, investment and finance activities.

Cash flows from operating activities reflect cash flows generated from the main operations of the Company (textile and ready-to-wear clothing sales).

Cash flows from investment activities represent cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Company.

Cash flows relating to finance activities comprise resources of financial activities and repayment schedule of such resources of the Company.

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Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

o) Subsequent Events

Subsequent events comprise any events occurred between the balance sheet date and the date of authorization even if they emerge subsequent to any profit disclosure.

The Company restates its financial statements, if any subsequent events arise.

p) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

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

r) Government Grants

Government incentives are not reflected in the financial statements; without the business fulfillment of the necessary conditions for obtaining that incentive which will and a reasonable assurance that they shall be obtained.

Government grants, intended to meet the costs of these incentives are reflected as an expense in profit or loss in a systematic manner throughout the periods. The government grants as a financing tool, rather than being accounted as a net off item profit or loss, should be associated with the statement of financial position (balance sheet) as unearned income, should be reflected in a systematic manner in profit or loss during the economic life of the related assets.

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

Government incentives given in order to meet expenses or losses previously realized and to provide emergency financial support without any cost in the future, are recognized in profit or loss when it becomes leviable.

The government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. The portion of government grants associated to previously capitalize intangible assets is deducted from the cost of the intangible asset, whereas the other government grants are recognized as income in the period which they are incurred.

s) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Employment benefits

Retirement benefit obligations' present value is determined through using certain assumptions under actuarial basis. These assumptions are also used in determining severance compensation's net expense and include the discount ratio. Any change in such assumptions affects the value of the registered retirement benefit obligation. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses. All actuarial gains and losses are accounted in the income statement.

At the end of each year, the Company determines the appropriate discount ratio. This ratio is used to calculate for the fulfillment of obligations for severance compensation's present value of estimated future cash outflows (Note 24).

Net realizable value of inventories

Inventories are stated at the lower of cost and net realizable value. Management has determined that the cost of inventories is higher than the realizable value as of the reporting date. The impairment calculation requires management to estimate the future cash flows expected to arise from the sale of inventories and the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Based on the estimate made by the management the cost of inventories was reduced by TL 176.743 TL (31 December 2011: 167.429 TL) and the expense was recorded to cost of sales (Note 13).

Impairment of property, plant and equipment and intangible assets

As of 31 December 2011, the Company's property, plant and equipment and intangible assets are tested for impairment. The recoverable amount is determined by value in use calculations. Principal estimates such as discount rate, growth rate, sale prices and direct costs during the period are taken into account in assessing the value in use. Discount rate reflects the effective market valuations concerning time value of money and risks specific to the asset. The Company uses weighted average cost of capital as the discount rate. Growth rate is determined in respect of the related sector growth estimates. Changes in sale prices and direct costs are based on past experience and future expectations. As the result of the evaluation performed as of 31 December 2012, the Company has not provided any additional impairment loss.

Deferred taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for IFRS purposes and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with IFRS and tax legislation. The Company's subsidiary has deferred tax assets resulting from unused deductible tax losses from future profits and deductible temporary differences. Full or a portion of the recoverable amount of deferred tax assets are estimated under the current circumstances. Future profit projections, current losses, maturities of unused losses and other tax assets and any possible tax planning strategies are taken into account in the assessment. As a result of the assessment, the Company has not recognized any of its deferred tax assets since it may not probable to recover the deferred tax assets.

Doubtful receivables

The Company makes provision for doubtful receivables for those which are overdue and possible to create collection problems in future, by considering the customers' payment ability and collaterals obtained to cover the receivables.

Amount of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered and possible uncollectible receivables in the future, the provision booked is amounting under note 10.

Recoverability of internally-generated intangible asset

The project continues to progress in a very satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the project. However, increased competitor activity has caused management to reconsider its assumptions regarding future market shares and anticipated margins on these products. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the asset will be recovered in full, even if returns are

reduced. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provision are measured at the Company's Management best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. (Note 22)

Fair values of derivative instruments and other financial instruments

The Group determines the fair values of its financial instruments without an active market using various market information for similar transactions, similar instruments with fair values and discounted cash flow analysis.

NOTE 3 - BUSINESS COMBINATIONS

None (2011: None).

NOTE 4 - AFFILIATES

None (2011: None).

NOTE 5 - SEGMENT REPORTING

The Company applies IFRS 8 as of 1 January 2009 and operating segments are determined based on the internal reports that are periodically reviewed by the Company's chief operating decision makers. The Company's chief operating decision makers are the General Manager and Board of Directors.

The Company's chief operating decision makers evaluate results and activities in terms of product diversification to make decisions about resources to be allocated to the segment and assess its performance. The Company's operating segments in terms of product diversification are classified as textile and ready-to-wear clothing.

As of 31 December 2012, TL 42.408.699 of the Company's revenue is obtained from a non-related Company customer (31 December 2011: TL 28.905.942) and such sales are presented under the textile segment.

The total of Company's internal external sales amounts to TL 107.180.631 and TL 148.461.866 (31 December 2011: TL 86.783.546 – internal sales, TL 127.295.792 – external sales).

The breakdown of the Company's external sales is detailed as below:

	1 January- 1 December 2012	**1 January- 31 December 2011**
Germany	34.576.371	33.966.246
Free Zone	20.443.465	15.177.274
Egypt	9.058.180	8.901.090
United Kingdom	8.465.838	6.983.357
France	7.274.006	8.366.105
China	6.669.685	2.707.036
Hong-Kong	5.923.868	5.926.892
Bulgaria	5.216.490	2.004.000
Lithuania	4.454.287	3.824.923
Romania	4.339.982	4.749.401
Spain	3.159.380	1.014.410
Switzerland	3.147.295	2.178.659
Jordan	2.972.939	3.253.810
Italy	2.820.304	2.202.653
Iran	2.651.606	2.870.784
U.S.A	2.156.853	2.580.727
Hungary	2.049.691	974.543
Canada	1.906.984	2.603.419
Russia	1.832.756	883.676
Slovakia	1.740.247	1.536.511
Portugal	1.532.915	1.813.233
Japan	1.526.571	1.098.038
U.A.E.	1.508.108	74.863
Other	13.034.045	11.604.142
Total	**148.461.866**	**127.295.792**

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a) External revenue	**31 December 2012**	**31 December 2011**
Textile	241.441.400	200.292.866
Ready-to-wear clothing	14.201.097	13.786.472
	255.642.497	**214.079.338**

b) Segment assets	**31 December 2012**	**31 December 2011**
Textile	199.263.563	189.979.442
Ready-to-wear clothing	9.829.215	7.696.363
Total segment assets	**209.092.778**	**197.675.805**

c) Segment liabilities	**31 December 2012**	**31 December 2011**
Textile	135.204.028	131.044.228
Ready-to-wear clothing	2.519.753	2.177.043
Total segment liabilities	**137.723.781**	**133.221.271**

d-1) Segment analysis from 1 January – 31 December 2012:

	Textile	Ready-to-wear clothing	Total
Sales revenue	241.441.400	14.201.097	255.642.497
Cost of sales	(196.133.652)	(8.368.718)	(204.502.370)
Gross profit	**45.307.748**	**5.832.379**	**51.140.127**
Marketing, sales, distribution expenses	(23.896.190)	(5.480.127)	(29.376.317)
General administration expenses	(8.329.465)	(494.482)	(8.823.947)
Research and development expenses	(1.252.258)	-	(1.252.258)
Other operating income/profit	1.098.804	23.234	1.122.038
Other operating expenses/losses	(833.619)	(192.913)	(1.026.532)
Segment results	**12.095.020**	**(311.909)**	**11.783.111**

d-2) Segment analysis from 1 January – 31 December 2011:

	Textile	Ready-to-wear clothing	Total
Sales revenue	200.292.866	13.786.472	214.079.338
Cost of sales	(150.026.263)	(7.198.983)	(157.225.246)
Gross profit	**50.266.603**	**6.587.489**	**56.854.092**
Marketing, sales, distribution expenses	(20.785.565)	(5.226.961)	(26.012.526)
General administration expenses	(7.392.369)	(571.168)	(7.963.537)
Research and development expenses	(832.548)	-	(832.548)
Other operating income/profit	749.293	91.258	840.551
Other operating expenses/losses	(806.674)	(165.883)	(972.557)
Segment results	**21.198.740**	**714.735**	**21.913.475**

e) Capital expenditures	31 December 2012	31 December 2011
Textile	12.010.369	15.761.361
Ready-to-wear clothing	154.871	382.719
	12.165.240	**16.144.080**

f-1) Non-cash expenses 1 January – 31 December 2012:

	Textile	Ready-to-wear clothing	Total
Depreciation and amortization	9.227.074	345.196	9.572.270
Provision for employee benefits	2.389.571	84.192	2.473.763
	11.616.645	**429.388**	**12.046.033**

f-2) Non-cash expenses 1 January – 31 December 2011:

	Textile	Ready-to-wear clothing	Total
Depreciation and amortization	6.510.825	336.611	6.847.436
Provision for employee benefits	2.457.694	13.168	2.470.862
	8.968.519	**349.779**	**9.318.298**

NOTE 6 – CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Banks		
- Demand deposits	1.191.145	1.751.783
- Blocked deposits	394.781	-
Other	18.118	20.631
	1.604.044	**1.772.414**

The nature and level of risks derived from cash and cash equivalents are disclosed in Note 38.

NOT 7 – FINANCIAL INVESTMENTS

None.

NOT 8 -FINANCIAL LIABILITIES

	31 December 2012		31 December 2011	
	Weighted average of annual effective interest rate %	TL	Weighted average of annual effective interest rate %	TL
Short-term bank loans				
TL	7,15	52.230.000	9,92	54.968.000
Euro	1,96	27.670.102	3,28	23.310.186
US Dollars	2,78	11.670.682	3,04	10.691.174
GBP	4,44	2.912.427	5,85	3.500.400
		94.483.211		**92.469.760**
Interest accrual		805.767		1.544.440
		95.288.978		**94.014.200**

The nature and level of risks derived from financial liabilities are disclosed in Note 38.

NOT 9 - OTHER FINANCIAL LIABILITIES

Derivative Financial Instruments	31 December 2012	31 December 2011
Derivative financial assets	268.531	-
	268.531	-

The Group has hedge its part of sales by forward foreign exchange contracts.

The nominal value of forward foreign exchange contracts is estimated to be EUR 32.000.000 and GBP 6.000.000. At 31 December 2012, the revaluation value of forward foreign exchange contracts is TL 268.531 and this amount has been showed under Other Financial Assets and Equity in Balance Sheet (2011: None).

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables	31 December 2012	31 December 2011
Trade receivables	68.850.514	50.916.298
Receivables from related parties (Note: 37)	16.801	44.444
Notes receivables	12.080.773	15.656.992
	80.948.088	**66.617.734**
Less: Non - accrued finance income (-)	(502.585)	(662.055)
Less: Allowance for doubtful trade receivables (-)	-	(296.572)
Trade receivables, net	**80.445.503**	**65.659.107**

Average maturity of trade receivables is generally less than 4 months (2011: Less than 4 months) and as of 31 December 2012, TL and foreign currency trade receivables are discounted by using annual 7,15 % and LIBOR rates, respectively.

The movement table of allowance for doubtful receivables is as follows:

	31 December 2012	31 December 2011
As of 1 January	296.572	296.572
Write off of doubtful receivables	(296.572)	-
	-	**296.572**

The nature and level of risks derived from trade receivables are disclosed in Note 38.

Short term trade payables	31 December 2012	31 December 2011
Due to foreign suppliers	13.004.449	13.428.719
Due to domestic suppliers	13.785.843	9.849.198
Business and service payables	3.262.240	3.141.127
Due to related parties (Note: 37)	73.967	1.067.956
	30.126.499	**27.487.000**
Less: Non - accrued finance expenses (-)	(299.457)	(379.201)
	29.827.042	**27.107.799**

As of 31 December 2012, average maturity of trade payables is within 1-3 months, and TL and foreign currency trade payables are discounted by using annual 7,15% and LIBOR rates, respectively.

The nature and level of risks derived from trade payables are disclosed in Note 38.

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

Other Receivables	**31 December 2012**	**31 December 2011**
Receivables from personnel	18.122	46.950
Other	7.053	6.538
	25.175	**53.488**

Other Payables	**31 December 2012**	**31 December 2011**
Order advances received	524.162	1.520.229
	524.162	**1.520.229**

NOTE 12 - RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (2011: None).

NOTE 13 - INVENTORIES

	31 December 2012	**31 December 2011**
Raw materials	6.077.978	10.601.518
Work in process	29.159.162	28.019.934
Finished goods	17.511.598	13.385.007
Trade goods	2.233.713	983.148
Goods in transit	4.722.649	13.049.945
Other inventory	1.307.785	1.259.149
Allowance for impairment on inventory (-)	(176.743)	(167.429)
	60.836.142	**67.131.272**

Market conditions and decrease in customer demands because an increase and obsolescence in inventories and this lead the market value of inventories exceeding the carrying amount. The movement of allowance of impairment is detailed as follows:

	2012	**2011**
1 January	(167.429)	(268.579)
Reversal for the year (Note 28)	(198.540)	-
Reversal of unnecessary provision (Note 28)	189.226	101.150
31 December	**(176.743)**	**(167.429)**

NOTE 14 - BIOLOGICAL ASSETS

None (2011: None).

NOTE 15 - RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS

None (2011: None).

NOT E16 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

None (2011: None).

NOTE 17 - INVESTMENT PROPERTIES

None (2011: None).

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2012	**Additions**	**Disposals**	**Transfers**	**31 December 2012**
Cost					
Land	482.197	-	-	-	482.197
Land improvements	6.641.049	15.900	-	-	6.656.949
Buildings	41.449.526	505.592	-	-	41.955.118
Machinery and equipment	164.347.739	6.361.597	(2.756.232)	4.271.545	172.224.649
Motor vehicles	117.069	76.478	(58.498)	-	135.049
Furniture and fixtures	4.359.201	388.845	(48.070)	8.989	4.708.965
Leasehold improvements	3.364.857	59.923	(2.038)	-	3.422.742
Construction in progress	2.885.353	1.571.072	-	(4.420.394)	36.031
	223.646.991	**8.979.407**	**(2.864.838)**	**(139.860)**	**229.621.700**
Accumulated Depreciation					
Land improvements	(5.668.856)	(121.270)	-	-	(5.790.126)
Buildings	(23.362.952)	(1.119.860)	-	-	(24.482.812)
Machinery and equipment	(140.654.864)	(6.266.297)	2.752.762	-	(144.168.399)
Motor vehicles	(111.311)	(13.131)	58.498	-	(65.944)
Furniture and fixtures	(3.940.817)	(184.536)	46.737	-	(4.078.616)
Leasehold improvements	(2.576.991)	(274.155)	977	-	(2.850.169)
	(176.315.791)	**(7.979.249)**	**2.858.974**	**-**	**(181.436.066)**
Net book value	**47.331.200**				**48.185.634**

TL 7.613.292 of the current period depreciation expense is added to the cost of sales, and TL 365.957 of the related amount is included to operating expenses. (31 December 2011: TL 6.101.026 of the current period depreciation expense is added to the cost of sales, and TL 157.461 of the related amount is included to operating expenses).

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

	1 January 2011	Additions	Disposals	Transfers	31 December 2011
Cost					
Land	482.197	-	-	-	482.197
Land improvements	6.489.191	151.858	-	-	6.641.049
Buildings	38.375.682	3.092.672	(18.828)	-	41.449.526
Machinery and equipment	156.931.615	6.255.484	(10.379)	1.171.019	164.347.739
Motor vehicles	111.277	5.792	-	-	117.069
Furniture and fixtures	4.164.846	200.725	(6.370)	-	4.359.201
Leasehold improvements	3.237.500	127.357	-	-	3.364.857
Construction in progress	2.688.151	3.160.603	-	(2.963.401)	2.885.353
	212.480.459	**12.994.491**	**(35.577)**	**(1.792.382)**	**223.646.991**

Accumulated Depreciation					
Land improvements	(5.549.615)	(119.241)	-	-	(5.668.856)
Buildings	(22.283.362)	(1.087.052)	7.462	-	(23.362.952)
Machinery and equipment	(136.072.265)	(4.587.347)	4.748	-	(140.654.864)
Motor vehicles	(111.235)	(76)	-	-	(111.311)
Furniture and fixtures	(3.774.890)	(173.067)	7.140	-	(3.940.817)
Leasehold improvements	(2.285.287)	(291.704)	-	-	(2.576.991)
	(170.076.654)	**(6.258.487)**	**19.350**	**-**	**(176.315.791)**
Net book value	**42.403.805**				**47.331.200**

NOTE 19 - INTANGIBLE ASSETS

	1 January 2012	Additions	Disposals	Transfers	31 December 2012
Cost					
Rights	334.534	30.503	-	-	365.037
Computer software	4.891.528	494.142	(936.405)	139.860	4.589.125
On goings R&D Projects	3.763.049	2.177.623	-		5.940.672
	8.989.111	**2.702.268**	**(936.405)**	**139.860**	**10.894.834**
Accumulated depreciation					
Rights	(281.212)	(17.535)	-	-	(298.747)
Computer software	(3.092.316)	(765.977)	931.577	-	(2.926.716)
R&D Projects	(323.504)	(809.509)	-	-	(1.133.013)
	(3.697.032)	**(1.593.021)**	**931.577**	**-**	**(4.358.476)**
Net book value	**5.292.079**				**6.536.358**

The amount of TL 1.553.463 accumulated depreciation has been classified to cost of goods sold and TL 39.558 classified to operating expenses. (31 December 2011: TL 369.358 and TL 219.591 have been classified to cost of goods sold and operating expenses).

	1 January 2011	Additions	Disposals	Transfers	31 December 2011
Cost					
Rights	287.678	46.856	-	-	334.534
Computer software	2.924.389	174.757	-	1.792.382	4.891.528
On goings R&D Projects	835.072	2.927.977	-	-	3.763.049
	4.047.139	**3.149.590**	**-**	**1.792.382**	**8.989.111**

Accumulated depreciation					
Rights	(265.675)	(15.537)	-	-	(281.212)
Computer software	(2.842.408)	(249.908)	-	-	(3.092.316)
R&D Projects	-	(323.504)	-	-	(323.504)
	(3.108.083)	**(588.949)**	**-**	**-**	**(3.697.032)**
Net book value	**939.056**				**5.292.079**

NOTE 20 - GOODWILL

None (2011: None).

NOTE 21 - GOVERNMENT GRANTS AND INCENTIVES

	31 December 2012	31 December 2011
R&D Incentive (*)	1.639.711	944.252
	1.639.711	**944.252**

(*) As of 25 October 2010, the Company has been granted with a R&D Center certificate upon the application filed to the Ministry of Industry and Trade, and income tax used over the amounts obtained under the Communiqué No: 5746 "Supporting of Research and Development Activities" and the employees of the R&D Center includes stamp tax fees.

Government grants, intended to meet the costs of these incentives are reflected as an expense in profit or loss in a systematic manner throughout the periods. The government grants as a financing tool, rather than being accounted as a net off item profit or loss, should be associated with the statement of financial position (balance sheet) as unearned income, should be reflected in a systematic manner in profit or loss during the economic life of the related assets.

NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities	31 December 2012	31 December 2011
Promissory notes and sureties received	6.841.770	3.996.162
Guarantee letters received	4.092.600	1.253.176
Mortgages received	390.050	130.050
	11.324.420	**5.379.388**

Guarantee letters received are advances taken from customers in relation to sales. The nature and level of risks derived from guarantee letters received are disclosed in Note 38. Company, additionally maintains insurance from the Türk Eximbank.

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi
Notes to The Consolidated Financial Statements for The Year Ended 31 December 2012
(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

As of 31 December 2012 and 2011, the details of the guarantees/pledges/mortgages ("GPM") are as follows:

	31 December 2012					31 December 2011				
	TL equivalent	TL	US Dollars	Euro	Other	TL equivalent	TL	US Dollars	Euro	Other
A. GPMs given on behalf of its own legal entity	35.116.949	34.840.138	94.868	45.796	-	6.779.540	6.572.925	94.868	11.220	-
Guarantees	35.116.949	34.840.138	94.868	45.796	-	6.779.540	6.572.925	94.868	11.220	-
Pledges	-	-	-	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-	-	-
B. GPMs given on behalf of its consolidated subsidiaries										
Guarantees			-	-	-	-	-	-	-	-
Pledges	-	-	-	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-	-	-
C. GPMs given to third parties as guarantees to perform ordinary course of operations										
Guarantees	-	-	-	-	-	-	-	-	-	-
Pledges	-	-	-	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-	-	-
D. Total of other GPMs given										
i. Total of GPMs given on behalf of the parent										
Guarantees	-	-	-	-	-	-	-	-	-	-
Pledges	-	-	-	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-	-	-
ii. Total of GPMs given on behalf of other group companies that are not included in B and C										
Guarantees	-	-	-	-	-	-	-	-	-	-
Pledges	-	-	-	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-	-	-
iii. Total of GPMs given to third parties that are not included in C										
Guarantees	-	-	-	-	-	-	-	-	-	-
Pledges	-	-	-	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-	-	-
Total GPM	**35.116.949**	**34.840.138**	**94.868**	**45.796**	**-**	**6.779.540**	**6.572.925**	**94.868**	**11.220**	**-**

As of 31 December 2012 the percentage of the other CPM`s given by the Company to the total equity is %0 (31 December 2011: %0)

Guarantee letters are given to various Customs Directorates. As of 31 December 2012 and 2011, the Company has no other given GPMs.

NOTE 23 - COMMITMENTS

The Group has export commitment amounting to USD 10.600.000 as of 31 December 2012 (2011: USD 7.500.000).

Lease Agreements:
The Group's current year operational lease commitment expenses are TL 3.420.552 (31 December 2011: TL 3.152.548).

The Company's operational lease commitments are as follows:

	31 December 2012	31 December 2011
Within 1 year	1.478.489	1.445.162
Within 1-5 years	2.641.966	3.076.296
	4.120.455	**4.521.458**

NOTE 24 - EMPLOYEE BENEFITS

	31 December 2012	31 December 2011
Short Term		
Unused vacation provision	1.294.824	1.135.273
	1.294.824	**1.135.273**
Long Term		
Retirement pay provision	6.283.777	5.173.501
	6.283.777	**5.173.501**

The movement of the unused vacation provision as of 31 December 2012 is as follows:

	31 December 212	31 December 2011
1 January	1.135.273	911.131
Period charge	159.551	224.142
	1.294.824	**1.135.273**

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed 25 years of service (20 for women) and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age.

The amount payable consists of one month's salary limited to a maximum of TL 3.129 for each period of service at 31 December 2012 (31 December 2011: TL 2.805).

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2011, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 6,16% and a discount rate of 10,12%, resulting in a real discount rate of approximately 3,73% (31 December 2011: 4,66%). Turnover rate to estimate the probability of retirement is calculated as 96,44% . Estimated retirement pay amount that will not be paid as a result of intentional resignations is taken into consideration. As of 31 December 2012 the probability rate of intentional resignation of employees is 3,56% (2011: 2,81%).

The movement of retirement pay provision for the year ended as of 31 December 2012 and 2011 is as follows:

	31 December 2012	31 December 2011
1 January	5.173.501	4.476.213
Interest cost	192.972	208.592
Service cost and actuarial gain	2.121.240	2.038.128
Payments	(1.203.936)	(1.549.432)
	6.283.777	**5.173.501**

The current year's provision expense is recognized in the statement of income.

NOTE 25 - PENSION PLANS

None (2011: None).

NOTE 26 - OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2012	31 December 2011
Value added tax recoverable	999.863	570.866
VAT carried forward	5.064.608	4.724.011
Prepaid expenses	377.909	933.933
Business advances	98.942	203.313
Prepaid taxes	1.971	1.848
Other	651.096	801.447
	7.194.289	**7.235.418**

Other Non-Current Assets	31 December 2012	31 December 2011
Prepaid expenses	12.957	11.509
	12.957	**11.509**

Other Short Term Liabilities	31 December 2012	31 December 2011
Employee wages	1.502.940	1.563.110
Taxes and dues payable	833.081	789.194
Social security premiums payable	1.181.028	1.903.880
Cost of provisions	800.177	-
Other	187.772	14.085
	4.504.998	**4.270.269**

NOT 27 - SHAREHOLDERS' EQUITY

A) Paid in Capital

The Company's shareholders and their shares as of 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012		31 December 2011	
	TL	Share (%)	TL	Share (%)
Hacı Ömer Sabancı Holding A.Ş.	16.878.507	57,88	16.878.507	57,88
Public quotation	8.930.838	30,63	8.930.838	30,63
Other (*)	3.350.655	11,49	3.350.655	11,49
	29.160.000	**100,00**	**29.160.000**	**100,00**

(*) Total shareholders having less than 10% of total shares.

The approved and paid-in capital of the Company consists of 2.916.000.000 shares (2011: 2.916.000.000) issued on bearer having a nominal value of Kr 1 (Kr one) each.

B) Restricted Reserves Assorted from Profit

Retained earnings, except restricted reserves presented in financial statements, are available for distribution in the below circumstances.

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

C) Retained Earnings / Accumulated Deficits

As of 31 December 2012, the Company's retained earnings amounting to nil. (31 December 2011: retained earnings amounting to TL 12.672.610, inflation restatement differences amounting to TL 3.062 and legal and extraordinary reserves amounting to TL 12.669.548).

D) Dividend Distribution

In accordance with the Capital Markets Board's (the "Board") Decree issued on 27 January 2010, in relation to the profit distribution of earnings derived from the operations in 2009, minimum profit distribution is not required for listed companies (December 31, 2009: 20%), and accordingly, profit distribution should be made based on the requirements set out in the Board's Communiqué Serial:IV, No: 27 "Principles of Dividend Advance Distribution of Companies That Are Subject To The Capital Markets Board Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the afore-mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 29.

Shareholder's Equity Items Subject to Profit Distribution:
As of the balance sheet date, the Company's net loss amounts are TL 7.426.765 (31 December 2011 TL 1.599.148).

E) Cash Flow Hedging Reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

F) Currency Translation Reserve

Functional and reporting currency of the Group Companies is recognized in currency that is valid in their economic environment. All companies' financial statements and operating activities are reported in TL currency that is reporting currency of consolidated financial statements. The details and method of calculation have been recognized in Note 2.1.

The movement of currency translation reserve as of 31 December 2012 and 2011 is below:

	31 December 2012	31 December 2011
Balance at the begining of the year	-	-
Exchange differences arising on translating the net assets of foreign operations	(50.206)	-
Balance at the end of the year	**(50.206)**	-

NOTE 28 – SALES AND COST OF SALES

a) Sales revenue	**1 January - 31 December 2012**	**1 January - 31 December 2011**
Foreign sales	148.461.866	127.295.792
Domestic sales	107.180.631	86.783.546
	255.642.497	**214.079.338**

b) Cost of sales	**1 January - 31 December 2012**	**1 January - 31 December 2011**
Raw materials	(113.439.807)	(95.116.369)
Direct labor costs	(27.528.593)	(23.109.885)
General production overhead	(55.485.485)	(44.107.793)
Depreciation expenses	(9.166.755)	(6.470.384)
Changes in work in process	1.139.228	12.022.511
Changes in finished goods	4.126.591	2.970.150
Cost of finished goods sold	**(200.354.821)**	**(153.811.770)**
Cost of trade goods sold	**(4.138.235)**	**(3.514.626)**
Provision for impairment of inventory	(9.314)	101.150
Cost of sales	**(204.502.370)**	**(157.225.246)**

NOTE 29 – MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

Marketing, sales and distribution expenses	**1 January - 31 December 2012**	**1 January - 31 December 2011**
Personnel	(4.915.228)	(4.651.377)
Consultancy	(5.005.905)	(5.167.274)
Export and freight	(12.944.942)	(9.677.110)
Marketing	(714.296)	(692.017)
Rent	(2.515.533)	(2.313.537)
Transportation	(1.750.785)	(1.564.219)
Fair and exhibition expenses	(357.293)	(342.726)
Depreciation and amortization	(181.284)	(311.391)
Advertising expenses	(991.051)	(1.292.875)
Total marketing, sales and distribution expense	**(29.376.317)**	**(26.012.526)**

General administrative expenses	**1 January- 31 December 2012**	**1 January- 31 December 2011**
Personnel	(4.713.671)	(3.740.579)
Consultancy	(220.769)	(325.011)
Rent	(647.623)	(555.669)
Retirement pay	(2.314.212)	(2.246.720)
Other provisions	(159.551)	(224.142)
Depreciation and amortization	(23.748)	(21.416)
Other	(744.373)	(850.000)
Total general administrative expenses	**(8.823.947)**	**(7.963.537)**

Research and development expenses	**1 January- 31 December 2012**	**1 January- 31 December 2011**
Personnel	(930.036)	(592.518)
Depreciation and amortization	(24.474)	(12.910)
Other	(297.748)	(227.120)
Total research and development expenses	**(1.252.258)**	**(832.548)**

NOTE 30 – EXPENSES BY NATURE

A) Accrued wages and salaries	**1 January- 31 December 2012**	**1 January- 31 December 2011**
Cost of goods sold	(31.503.003)	(26.344.174)
Marketing, sales and transportation	(3.705.286)	(3.395.581)
General administration	(4.069.967)	(3.147.029)
Research and development	(930.036)	(592.518)
	(40.208.292)	**(33.479.302)**

B) Allocation of depreciation expenses	**1 January- 31 December 2012**	**1 January- 31 December 2011**
Cost of goods sold	(9.166.755)	(6.470.384)
Marketing, sales and transportation	(357.293)	(342.726)
General administration	(23.748)	(21.416)
Research and development	(24.474)	(12.910)
	(9.572.270)	**(6.847.436)**

NOTE 31 - OTHER OPERATING INCOME/EXPENSES

	1 January- 31 December 2012	1 January- 31 December 2011
Gain on sale of property, plant and equipment	40.236	-
Raw material and scrap sales income	366.551	285.863
Price difference of advertising	53.096	121.000
Other	662.155	433.688
Total other operating income/profit	**1.122.038**	**840.551**

	1 January- 31 December 2012	1 January- 31 December 2011
Dues and fees	(273.004)	(202.279)
Private transaction taxes	(32.810)	(30.883)
Fines and penalties	(250.263)	(10.939)
Raw material and scrap sales expenses	(8.899)	(70.088)
Undeductable expenses	(164.263)	(308.696)
Insurance claim expense	-	(186.734)
Other	(297.293)	(162.938)
Total other operating expenses/losses	**(1.026.532)**	**(972.557)**

NOTE 32 – FINANCE INCOME

	1 January- 31 December 2012	1 January- 31 December 2011
Foreign exchange gains	13.203.321	15.357.985
Interest income	182.241	35.965
	13.385.562	**15.393.950**

NOTE 33 – FINANCE EXPENSES

	1 January- 31 December 2012	1 January- 31 December 2011
Foreign exchange losses	(10.660.623)	(17.280.211)
Interest expenses	(6.864.085)	(5.101.566)
Other finance expenses	(1.848.393)	(1.080.380)
	(19.373.101)	**(23.462.157)**

NOTE 34 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2011: None).

NOTE 35 – TAX ASSETS AND LIABILITIES

Tax amounts reflected in balance sheets are as follows:

	31 December 2012	31 December 2011
Corporate tax payable	-	-
(Less): Prepaid taxes	(1.971)	(1.848)
	(1.971)	**(1.848)**

<u>Corporate Tax</u>

The Company is subject to Turkish corporate taxes. Provision is recognized in the accompanying financial statements for the estimated charge based on the Company's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2012 is 20% (2011: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. 20% of temporary tax rate is applied during the taxation of corporate income (2011: 20%).

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. The companies with special accounting periods file their tax returns between 1st-25th of fourth month after fiscal year end. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

The Group's subsidiaries in foreign countries are established as Yünsa Germany Gmbh in Germany, Yünsa Italia SRL in Italy, Yünsa UK Limited in England and Yünsa Americas Inc in USA, these companies are subject to tax laws and rules of its established countries. The companies have no tax debt because the activities of the companies are limited.

<u>Income withholding tax:</u>

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% commencing from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19, 8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. The investments without investment incentive certificates do not qualify for tax allowance.

According to the regulation, published in the Official Gazette on 1 August 2010 based on Law No. 6009, the investment allowance amounts can be used without a year limitation. Investment allowance amount, which will be used in the determination of the tax assessment, will not exceed 25% profit of the concerned period. In addition to this, 20% corporate tax rate will be applied on the income after the deduction of the allowance.

The Company has applied 20% of corporate tax rate because it has chosen not to use the investment incentive.

As of 31 December 2012 and 2011, tax amounts reflected in the income statement are as follows:

	31 December 2012	31 December 2011
Deferred tax benefit	1.631.193	426.490
	1.631.193	**426.490**

Deferred Tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for IFRS purposes and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with IFRS and tax legislation.

The rate used in the calculation of deferred tax assets and liabilities is 20% (2011: %20).

As of 31 December 2012 and 31 December 2011, the details of temporary differences and deferred tax assets and liabilities are as follows:

	Accumulated temporary differences		Deferred tax asset/ (liability)	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Accumulated financial losses	(5.427.950)	(13.463.637)	1.085.590	2.692.727
Property, plant and equipment and intangible assets	(7.504.781)	(6.003.226)	1.500.956	1.200.645
Inventories	222.898	312.208	(44.580)	(62.442)
Provision for employee termination benefits	(6.283.777)	(5.173.501)	1.256.755	1.034.700
Other provisions	(1.294.824)	(1.135.273)	258.965	227.055
Non accrued finance expense (net)	99.179	(33.497)	(19.835)	6.700
Derivative financial assets	268.531	-	(53.706)	-
Provision for deferred tax asset recognized from carry forward losses			-	(2.692.727)
Deferred tax assets - net			**3.984.145**	**2.406.658**

	31 December 2012	31 December 2011
Deferred tax assets whose economic benefits expected to flow to the entity over a year period	**2.757.711**	**2.235.346**

Deferred tax asset movements are as follows:

	31 December 2012	31 December 2011
1 January	2.406.658	1.980.168
Current period deferred tax income	1.631.193	426.490
Derivative financial assets deferred tax	(53.706)	-
	3.984.145	**2.406.658**

Current period tax reconciliation is as follows:

	1 January - 31 December 2012	1 January - 31 December 2011
Profit before taxation from operations	5.795.572	13.845.268
Income tax rate 20% (2011: 20%)	1.159.114	2.769.054
Tax effect:		
- non-deductible expenses	89.467	70.104
- carry forward tax losses effect that are used	(2.700.616)	(3.081.070)
- temporary differences that are not subject to taxation	(179.158)	(184.578)
Tax income	**(1.631.193)**	**(426.490)**

The Company has unused tax losses amounting to TL 5.427.950 as of the balance sheet date (31 December 2011: TL 13.463.637).

NOTE 36 - EARNINGS PER SHARE

	31 December 2012	31 December 2011
Net profit for the period	7.426.765	14.271.758
Weighted-average number of outstanding shares (1 share equals to Kr 1 valued shares)	2.916.000.000	2.916.000.000
Net profit per share (Kr)	0,255	0,489

NOTE 37 - RELATED PARTY TRANSACTIONS

a) Trade receivables from related parties	31 December 2012	31 December 2011
Hacı Ömer Sabancı Holding AŞ	2.358	2.376
Sasa Polyester Sanayi AŞ	-	4.043
Temsa Global San.Tic. AŞ	1.348	2.253
Olmuksa International Paper Sabancı Ambalaj San.ve Tic. AŞ	674	644
Enerjisa Elektrik Enerjisi Toptan Satış AŞ	-	5.128
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri AŞ	1.685	-
Brisa Bridgestone Sabancı Lastik San.Tic. AŞ	10.736	-
Aksigorta AŞ	-	30.000
	16.801	**44.444**
Less: Non - accrued finance income	(338)	(689)
	16.463	**43.755**

Receivables from related parties generally have maturities less than 4 months (2011: Less than 4 months), and as of 31 December 2012, TL and foreign currencies denominated due to related parties are discounted using annual average interest rate of 7,15 % and LIBOR rates, respectively.

b) Due to related parties	31 December 2012	31 December 2011
Sasa Polyester Sanayi AŞ	5.508	-
Aksigorta AŞ	7.802	62.843
Hacı Ömer Sabancı Holding AŞ	41.680	81.572
Yünsa Germany Gmbh	-	860.217
Olmuksa International Paper Sabancı Ambalaj San.ve Tic. AŞ	9.027	-
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri AŞ	9.952	63.324
	73.969	**1.067.956**
Less: Non - accrued finance expenses	(1.293)	(7.443)
	72.676	**1.060.513**

Due to related parties generally have maturities less than 3 months (2011: Less than 3 months), and as of 31 December 2012, TL and foreign currencies denominated due to related parties are discounted using annual average interest rate of 7,15 % and LIBOR rates, respectively.

c) Bank deposits	31 December 2012	31 December 2011
Akbank T.A.Ş.		
- demand deposit	904.263	930.700
	904.263	**930.700**

d) Bank loans	31 December 2012	31 December 2011
Akbank T.A.Ş.	-	4.648.143
	-	**4.648.143**

e) Product purchases from related parties	1 January - 31 December 2012	1 January - 31 December 2011
Sasa Polyester Sanayi AŞ	37.643	33.226
Olmuksa International Paper Sabancı Ambalaj San.Tic. AŞ	7.650	-
	45.293	**33.226**

f) Product sales to related parties	1 January - 31 December 2012	1 January - 31 December 2011
Hacı Ömer Sabancı Holding AŞ	19.997	20.735
Sasa Polyester Sanayi AŞ	312	4.086
Brisa Bridgestone Sabancı Lastik San. Tic. AŞ	20.203	-
Exsa Export Sanayi Mamulleri Satış ve Araştırma AŞ	624	700
Olmuksa International Paper Sabancı Ambalaj San. Tic. AŞ	1.248	1.280
Temsa Global San. Tic. AŞ	6.047	6.775
Enerjisa Elektrik Enerjisi Toptan Satış AŞ	312	878
Enerjisa Enerji AŞ	1.359	-
Enerjisa Enerji Üretim AŞ	312	5.964
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri AŞ	3.514	3.260
Aksigorta A.Ş.	-	27.778
Hacı Ömer Sabancı Vakfı	1.248	1.595
	55.176	**73.051**

g) Services received from related parties	1 January - 31 December 2012	1 January - 31 December 2011
Aksigorta AŞ	1.034.699	838.134
Hacı Ömer Sabancı Holding AŞ	1.179.424	1.028.464
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri AŞ	80.093	71.328
Avivasa Emeklilik ve Hayat AŞ	78.256	68.087
Yünsa Americas Inc.	-	151.916
Yünsa Germany Gmbh	-	1.535.316
Yünsa Italia S.R.L	-	574.717
Yünsa UK Limited	-	1.256.107
	2.372.472	**5.524.069**

h) Fixed asset purchases from related parties	1 January - 31 December 2012	1 January - 31 December 2011
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri AŞ	113.792	100.316
Teknosa İç ve Dış Ticaret A.Ş.	1.625	4.652
	115.417	**104.968**

i) Other income	1 January - 31 December 2012	1 January - 31 December 2011
Aksigorta AŞ	-	375.856
	-	**375.856**

j) Interest and foreign exchange income	**1 January - 31 December 2012**	**1 January - 31 December 2011**
Akbank T.A.Ş.	1.828.007	1.512.448
Sasa Polyester Sanayi AŞ	-	832
Aksigorta AŞ	39.956	2.224
	1.867.963	**1.515.504**

k) Interest and foreign exchange expenses	**1 January - 31 December 2012**	**1 January - 31 December 2011**
Akbank T.A.Ş.	2.292.912	4.174.012
Sasa Polyester Sanayi AŞ	1.980	436
Aksigorta AŞ	21.462	2.270
Hacı Ömer Sabancı Holding AŞ	-	733
	2.316.354	**4.177.451**

l) Rent expenses	**1 January - 31 December 2012**	**1 January - 31 December 2011**
Hacı Ömer Sabancı Holding AŞ	1.007.304	888.767
	1.007.304	**888.767**

m) Benefits and fringe benefits provided to board members and key management personnel	**1 January - 31 December 2012**	**1 January - 31 December 2011**
Wages and other short term benefits	2.246.610	1.952.181
Other long term benefits	9.997	24.684
	2.256.607	**1.976.865**

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NOT 38 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Company's objective is to maintain its status as a going concern, protect the rights and benefits of its shareholders and stakeholders and to maintain an optimum effective capital structure to reduce the cost of capital.

	31 December 2012	**31 December 2011**
Total Liabilities	95.288.978	94.014.200
Less: Cash and Cash Equivalents	(1.604.044)	(1.772.414)
Net Debt	**93.684.934**	**92.241.786**
Total Shareholders' Equity	71.368.997	64.454.534
Total Capital	165.053.931	156.696.320
Equity/Debt Ratio	**%57**	**%59**

b) Financial risk factors

The Company is exposed to market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk) credit risk and liquidity risk as a result of its operations. The Company's risk management policy generally seeks to minimize the potential negative effects of market uncertainties over the Company's financial performance.

b.1) Credit Risk Management
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. The client's receivables from exportations are guaranteed with various assurance companies, and do not have a significant risk of uncollectibility.

	Receivables						
Credit Risk of Financial Instruments	Trade Receivables		Other Receivables				
31 December 2012	Related Party	Other Receivables	Related Party	Other Receivables	Deposits in Banks	Derivative Instruments	Other
Maximum net credit risk as of the balance sheet date (*) (A +B+C+D+E)	16.463	80.429.040	-	25.175	1.585.926	-	-
- The part of maximum risk under guarantee with collateral etc.	-	26.029.391	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	16.463	75.124.277	-	25.175	1.585.926	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	5.304.763	-	-	-	-	-
- The part under guarantee with collateral etc.	-	3.359.884	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	-	-	-	-	-	-
• Impairment (-)	-	-	-	-	-	-	-
• The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
- Undue (gross carrying amount)	-	-	-	-	-	-	-
• Impairment (-)	-	-	-	-	-	-	-
• The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(*) Factors that increase the credit reliability, such as; guarantees received (collaterals, guarantee letters, accounts receivable insurance), are not taken account in the calculation.

	Receivables						
Credit Risk of Financial Instruments	Trade Receivables		Other Receivables				
31 December 2011	Related Party	Other Receivables	Related Party	Other Receivables	Deposits in Banks	Derivative Instruments	Other
Maximum net credit risk as of the balance sheet date (*) (A +B+C+D+E)	43.755	65.615.352	-	53.488	1.751.783	-	-
- The part of maximum risk under guarantee with collateral etc.	-	16.602.028	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	43.755	62.739.017	-	53.488	1.751.783	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	2.876.335	-	-	-	-	-
- The part under guarantee with collateral etc.	-	2.429.850	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	296.572	-	-	-	-	-
• Impairment (-)	-	(296.572)	-	-	-	-	-
• The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
- Undue (gross carrying amount)	-	-	-	-	-	-	-
• Impairment (-)	-	-	-	-	-	-	-
• The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(*) Factors that increase the credit reliability, such as; guarantees received (collaterals, guarantee letters, accounts receivable insurance), are not taken account in the calculation.

As of 31 December 2012, TL 2.295.900 of trade receivables consists of credit card receivables and has a maturity of 3 months (31 December 2011: TL 1.715.057).

The aging of overdue receivables and related collaterals as of the balance sheet date is as follows:

	31 December 2012	31 December 2011
Overdue 1-30 days	1.733.263	1.026.525
Overdue 1-3 months	1.434.993	1.261.518
Overdue 3-12 months	1.584.282	404.560
Overdue 1-5 years	552.225	480.304
Total overdue receivables	**5.304.763**	**3.172.907**
The part under guarantee with collateral	3.359.884	2.429.850

Collaterals held for trade receivables that are overdue but not impaired:

	31 December 2012	**31 December 2011**
Export insurance	2.890.782	2.429.850
Collaterals received	469.102	-
	3.359.884	**2.429.850**

b.2) Liquidity risk management

The Board of Directors is responsible for the liquidity risk management. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The following table presents the maturity of the Company's derivative and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest payment date. The table includes both interest and principal cash flows.

Liquidity Risk Tables:

31 December 2012				
Contractual Maturity Analysis	**Carrying Value**	**Total Cash Outflow According to Contract (I+II+III+IV)**	**Less than 3 Months (I)**	**3-12 Months (II)**
Non-derivative financial liabilities				
Bank borrowings	95.288.978	96.591.403	66.467.733	30.123.670
Trade payables	29.827.042	30.126.499	23.781.372	6.345.127
Other payables	524.162	524.162	524.162	-
Total liabilities	**125.640.182**	**127.242.064**	**90.773.267**	**36.468.797**

31 December 2012				
Contractual Maturity Analysis	**Carrying Value**	**Total Cash Outflow According to Contract (I+II+III+IV)**	**Less than 3 Months (I)**	**3-12 Months (II)**
Derivative Financial Assets				
Other financial assets	268.531	268.531	(85.381)	353.912
Total Assets	**268.531**	**268.531**	**(85.381)**	**353.912**

31 December 2011				
Contractual Maturity Analysis	**Carrying Value**	**Total Cash Outflow According to Contract (I+II+III+IV)**	**Less than 3 Months (I)**	**3-12 Months (II)**
Non-derivative financial liabilities				
Bank borrowings	94.014.200	94.678.039	76.815.401	17.862.638
Trade payables	27.107.799	27.487.000	26.083.210	1.403.790
Other payables	1.520.229	1.520.229	1.520.229	-
Total liabilities	**122.642.228**	**123.685.268**	**104.418.840**	**19.266.428**

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b.3) Market risk management

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures of the Company are measured using the sensitivity analysis.

There has been no change in the Company's exposure to market risks or methods used in managing and measuring the risk in the current period.

b.3.1) Foreign currency risk management

The Company is mainly exposed to foreign currency risks in USD, EURO and GBP, CHF.

The foreign currency denominated assets and liabilities of monetary and non-monetary items as of the balance sheet date are as follows:

31 December 2012	**TL Equivalent (Functional Currency)**	**US Dollar**	**Euro**	**Yen**	**GBP**	**Other**
1. Trade Receivables	35.471.815	4.463.347	10.201.753	-	1.227.529	-
2a. Monetary Financial Assets (Cash, Banks included)	850.905	357.026	85.901	-	3.711	928
2b. Non-monetary Financial Assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. Current Assets (1+2+3)	**36.322.720**	**4.820.373**	**10.287.654**	**-**	**1.231.240**	**928**
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**36.322.720**	**4.820.373**	**10.287.654**	**-**	**1.231.240**	**928**
10. Trade Payables	13.788.544	7.429.880	206.987	-	700	28.440
11. Financial Liabilities	42.293.647	6.547.358	11.782.923	-	1.014.500	-
12a. Other Monetary Financial Liabilities	-	-	-	-	-	-
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
13. Current Liabilities (10+11+12)	**56.082.191**	**13.977.238**	**11.989.910**	**-**	**1.015.200**	**28.440**
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	**-**	**-**	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**56.082.191**	**13.977.238**	**11.989.910**	**-**	**1.015.200**	**28.440**
19. Net Asset / liability Position of Off-Balance Sheet Derivatives (19a-19b)	**92.479.200**	**-**	**32.000.000**	**-**	**6.000.000**	**-**
19.a Off-balance sheet foreign currency derivative assets	92.479.200	-	32.000.000	-	6.000.000	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20. Net Foreign Currency Asset / Liability Position (9-18+19)	**72.719.729**	**(9.156.865)**	**30.297.744**	**-**	**6.216.040**	**(27.512)**
21. Net Foreign Currency Asset / Liability Position of Monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	**(19.759.471)**	**(9.156.865)**	**(1.702.256)**	**-**	**216.040**	**(27.512)**
22. Fair Value of Foreign Currency Hedged Financial Assets	**-**	**-**	**-**	**-**	**-**	**-**
23. Hedged Foreign Currency Assets	**-**	**-**	**-**	**-**	**-**	**-**
24. Hedged Foreign Currency Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
25. Exports	**148.461.866**	**18.387.900**	**42.070.139**	**-**	**6.146.466**	**-**
26. Imports	**114.400.208**	**51.567.796**	**7.952.814**	**73.440**	**16.123**	**739.182**

31 December 2011	TL Equivalent (Functional currency)	US Dollar	Euro	Yen	GBP	Other
1. Trade Receivables	36.957.895	4.619.176	10.128.308	-	1.193.409	-
2a. Monetary Financial Assets (Cash, Banks included)	1.683.560	471.800	321.037	-	2.634	72
2b. Non-monetary Financial Assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. Current Assets (1+2+3)	**38.641.455**	**5.090.976**	**10.449.345**	**-**	**1.196.043**	**72**
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**38.641.455**	**5.090.976**	**10.449.345**	**-**	**1.196.043**	**72**
10. Trade Payables	13.428.719	6.231.731	571.171	-	-	130.483
11. Financial Liabilities	37.722.610	5.707.345	9.586.569	-	1.204.782	-
12a. Other Monetary Financial Liabilities	-	-	-	-	-	-
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
13. Current Liabilities (10+11+12)	**51.151.329**	**11.939.076**	**10.157.740**	**-**	**1.204.782**	**130.483**
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	**-**	**-**	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**51.151.329**	**11.939.076**	**10.157.740**	**-**	**1.204.782**	**130.483**
19. Net Asset / Liability Position of Off-Balance Sheet Derivatives (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**
19.a Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20. Net Foreign Currency Asset / Liability Position (9-18+19)	**(12.509.874)**	**(6.848.100)**	**291.605**	**-**	**(8.739)**	**(130.411)**
21. Net Foreign Currency Asset / Liability Position of Monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	**(12.509.874)**	**(6.848.100)**	**291.605**	**-**	**(8.739)**	**(130.411)**
22. Fair Value of Foreign Currency Hedged Financial Assets	**-**	**-**	**-**	**-**	**-**	**-**
23. Hedged Foreign Currency Assets	**-**	**-**	**-**	**-**	**-**	**-**
24. Hedged Foreign Currency Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
25. Exports 1 January -31 December 2011	**127.295.792**	**19.983.043**	**35.327.100**	**-**	**5.812.126**	**-**
26. Imports 1 January -31 December 2011	**101.798.840**	**48.621.699**	**7.114.336**	**855.900**	**8.504**	**935.255**

The effect of fluctuations in foreign exchange rates is the reason of risk exposed since the Company has foreign currency denominated receivables and payables. Foreign currency risk is monitored and limited, where need, through foreign exchange position analysis.

The following table details the Company's sensitivity to a 10% increase and decrease in the TRY against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

	31 December 2012	
	Profit / Loss	
	Appreciation of foreign currency	**Devaluation of foreign currency**
If US Dollar is appreciated against the TL by 10%		
1- US Dollar net asset / liability	(1.632.303)	1.632.303
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	**(1.632.303)**	**1.632.303**
If Euro is appreciated against the TL by 10%		
4- Euro net asset / liability	(400.320)	400.320
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	**(400.320)**	**400.320**
If GBP is appreciated against the TL by 10%		
7- GBP net asset / liability	62.021	(62.021)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7+8)	**62.021**	**(62.021)**
If CHF is appreciated against the TL by 10%		
10- CHF net asset / liability	(5.346)	5.346
11- Part of hedged from CHF risk (-)	-	-
12- CHF net effect (10+11)	**(5.346)**	**5.346**
TOTAL (3 + 6 +9+12)	**(1.975.948)**	**1.975.948**

	31 December 2011	
	Profit / Loss	
	Appreciation of foreign currency	Devaluation of foreign currency
If US Dollar is appreciated against the TL by 10%		
1- US Dollar net asset / liability	(1.293.538)	1.293.538
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	**(1.293.538)**	**1.293.538**
If Euro is appreciated against the TL by 10%		
4- Euro net asset / liability	71.262	(71.262)
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	**71.262**	**(71.262)**
If GBP is appreciated against the TL by 10%		
7- GBP net asset / liability	(2.549)	2.549
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7+8)	**(2.549)**	**2.549**
If CHF is appreciated against the TL by 10%		
10- CHF net asset / liability	(26.163)	26.163
11- Part of hedged from CHF risk (-)	-	-
12- CHF net effect (10+11)	**(26.163)**	**26.163**
TOTAL (3 + 6 +9+12)	**(1.250.988)**	**1.250.988**

b.3.2) Interest rate risk management

The Company is exposed to interest rate risk due to fixed and floating interest borrowing rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

The Company's financial instruments that are sensitive to interest rate are as follows:

Interest Rate Position Table		
	31 December 2012	**31 December 2011**
Floating Interest Rate Financial Instruments		
Financial assets	268.531	-
Financial liabilities	-	-

Assuming of the interest rate for TL were increased / decreased by 1% based on the assumption of keeping all other variables constant during reporting date:

If the interest rate for TL were increased / decreased by 1% based on the assumption of keeping all other variables constant as at 31 December 2012, the net income before tax of the Company would be TL 2.685. (31 December 2011: 0 TL).

NOTE 39 – FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is the best way to determine the fair value, if exists.

The following methods and expectations are used for fair value expectations of financial instruments with determinable fair value.

1) Monetary assets

Fair value of items denominated in foreign currencies and translated at the rates prevailing at the balance sheet date approximates to their carrying amount.

Fair value of cash and bank accounts approximates to their carrying amount since they are liquid assets.

Carrying amount of trade receivables approximates to their fair value.

2) Monetary Liabilities

Fair value of bank loans and other monetary liabilities approximates to their carrying amount since they are short term liabilities.

31 December 2012	Loans and receivables (Inc. Cash and cash equivalents)	Available-for-sale investments	Financial liabilities carried at amortized cost	Book value	Note
Financial assets					
Cash and cash equivalents	1.604.044	-	-	1.604.044	6
Trade receivables	80.429.040	-	-	80.429.040	10
Due from related parties	16.463	-	-	16.463	37
Other receivables	25.175	-	-	25.175	11
Financial liabilities					
Financial liabilities	-	-	95.288.978	95.288.978	8
Trade payables	-	-	29.754.366	29.754.366	10
Due to related parties	-	-	72.676	72.676	37
Other payables	-	-	524.162	524.162	11

31 December 2011	Loans and receivables (Inc. Cash and cash equivalents)	Available-for-sale investments	Financial liabilities carried at amortized cost	Book value	Note
Financial assets					
Financial assets	1.772.414	-	-	1.772.414	6
Cash and cash equivalents	65.615.352	-	-	65.615.352	10
Trade receivables	43.755	-	-	43.755	37
Due from related parties	53.488	-	-	53.488	11
Other receivables		782.660	-	782.660	7
Financial liabilities					
Financial liabilities	-	-	94.014.200	94.014.200	8
Trade payables	-	-	26.047.286	26.047.286	10
Due to related parties	-	-	1.060.513	1.060.513	37
Other payables	-	-	1.520.229	1.520.229	11

Derivative Financial Instruments

The Group has hedge its part of sales by forward foreign exchange contracts. The nominal value of forward foreign exchange contracts is estimated to be EUR 32.000.000 and GBP 6.000.000. At 31 December 2012, the revaluation value of forward foreign exchange contracts is TL 268.531.

The Group has designated its forward exchange contracts for 2013 due to risk management that consists of monthly sale transactions. The adjustments on hedging for non-financial items will be recognized when the sale transactions will be occurred.

NOTE 40 – SUBSEQUENT EVENTS

None.

NOTE 41 - OTHER ISSUES THAT SIGNIFICANTLY EFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS

None.