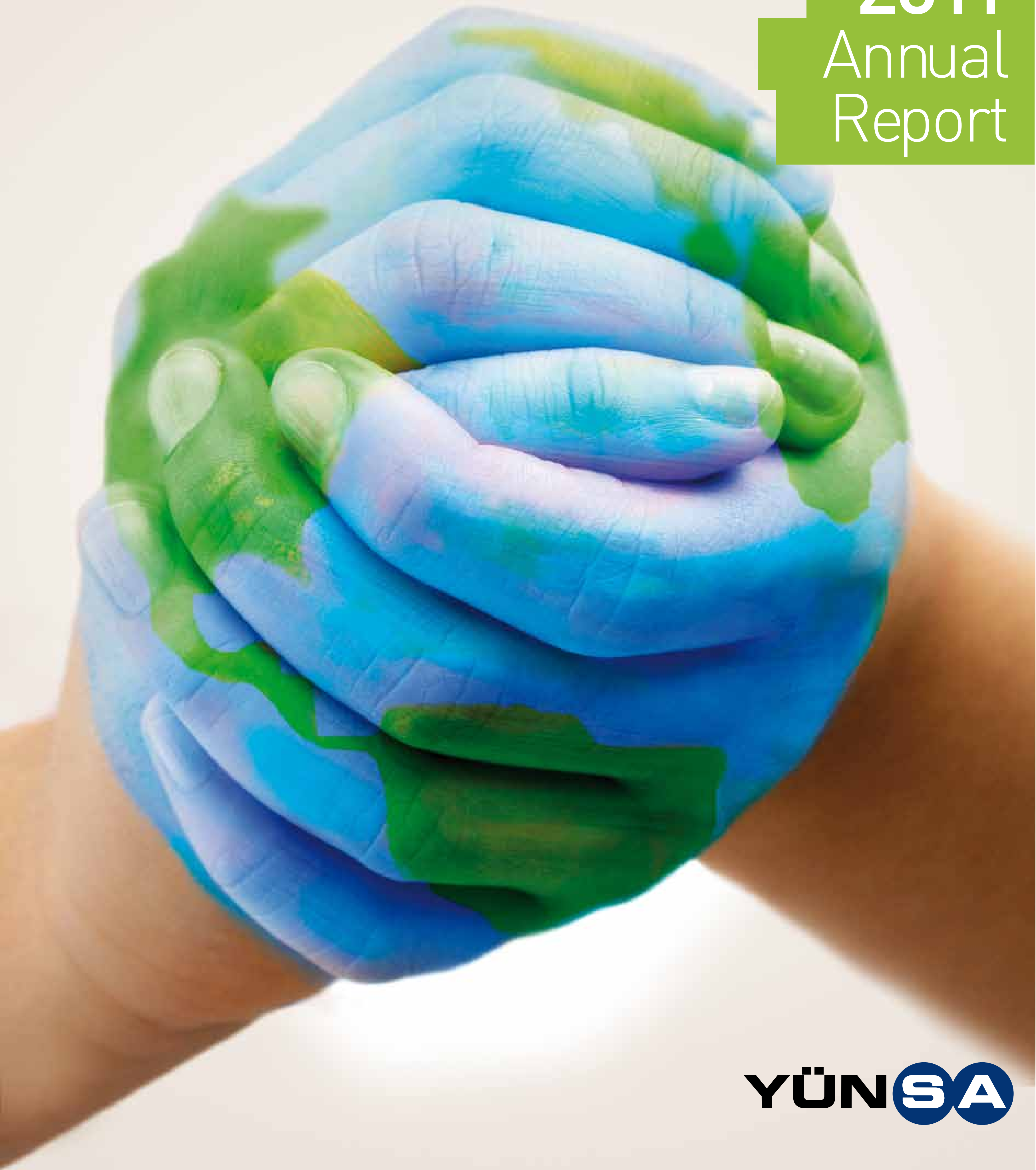


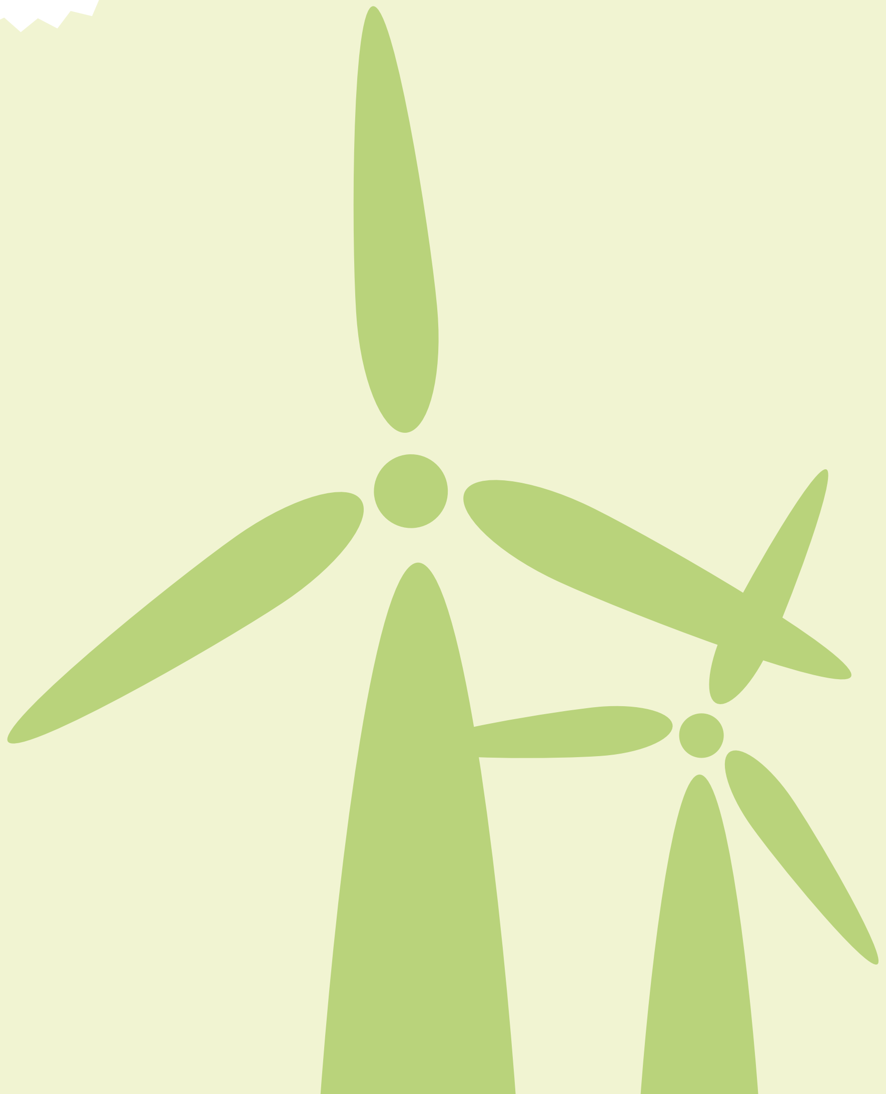
2011 Annual Report

YÜNSA

A livable world

and fashion spreading
around the world!

Employees who are aware of individual responsibilities, a management approach that gives priority to social responsibility, fashion-forward designs created in the light of steady growth...The secret of our worldwide success is reserved within the perfect balance we have over the years. Just like the nature...



YÜNSA

Contents

Agenda

Agenda of the General Assembly Meeting on April 18, 2012

1. Opening and election of the Chairman's Panel,
2. Authorization of the Chairman's Panel to sign the minutes of the General Assembly Meeting,
3. Presentation and discussion of the Board of Directors' Annual Report, Auditors' Report and Summary of Independent Auditor's Report for the year 2011,
4. Informing the Genaral Assembly about the aids and donations of the year 2011,
5. Informing the Genaral Assembly about transactions among related parties of the year 2011,
6. Informing the General Assembly about letter of guarantees, pledges and mortgages given by Yünsa to third parties, earned incomes and interests for the year 2011,
7. According to Corporate Governance Principles, informing General Assembly about remuneration policy of Board Members and Executives,
8. Presentation, discussion and approval of the Balance Sheet and Profit/Loss Statement for the year 2011; discussion and resolution of the Board of Directors' proposal on profit distribution,
9. Release of the Board of Directors and Auditors of the activities of the company in 2011,
10. Approval of the amendment of Article 9 and 36 of Company's Article of Association and appending Article 37, in accordance with the permission of the Capital Markets Board of Turkey and Republic of Turkey Ministry of Customs and Trade,
11. Election of Board Members, determination of Independent Board Members and period of duty of Board Members,
12. Election of the Auditors and determination of their period of duty,
13. Determination of remuneration for Board of Members and Auditors,
14. Approval of the Independent Audit Firm by the Board of Directors,
15. Giving permission of competition and transactions, which can cause conflict of interest with the Company and its subsidiaries, to the shareholders who have sovereignity, Board Members, Executives and their spouses and their second-degree relatives,
16. Authorization of the Chairman and the members of the Board of Directors to conduct transactions listed in Articles 334 and 335 of the Turkish Commercial Code,

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

Old Text

Board of Directors

Article 9: The company shall be administered and managed by a Board of directors consisting of five members who would be elected at General Meeting of Shareholders among shareholders in accordance with Turkish Commercial Code.

Statutory Provisions

Article 36: The provisions of the Turkish Commercial Code and Capital Market Law shall be applicable to any matters not contained in the present Articles of Association

New Text

Board of Directors

Article 9: The company shall be administered and managed by a Board of directors consisting of six members who would be elected at General Meeting of Shareholders among shareholders in accordance with Turkish Commercial Code.

Compliance to Corporate Governance Principles

Article 36: Compliance will be achieved with the mandatory Corporate Governance Principles, compliance with which are required by the Capital Markets Board. Any transactions performed or any Board of Directors decisions passed without achieving compliance with the mandatory principles shall be invalid and deemed to be in violation of the articles of association.

Compliance will be achieved with the corporate governance regulations of the Capital Markets Board in transactions that are considered material with respect to the implementation of Corporate Governance Principles and in any and all transactions by the Company with related parties and in transactions relating to furnishing collateral, pledge and lien in favor of third parties.

The number and qualifications of independent members who will serve on the Board of Directors shall be determined in accordance with the corporate governance regulations of the Capital Markets Board.

Statutory Provisions

Article 37: The provisions of the Turkish Commercial Code and Capital Market Law shall be applicable to any matters not contained in the present Articles of Association.

Letter from the Chairman

Dear Shareholders,

Throughout the previous year, the world economy was highly volatile and the momentum of growth in global economy has remarkably slowed down. Raw material prices, exchange rates, trade volumes have fluctuated all the year round. However, the transmission of European country/bank debt problems to larger countries and the risk of not taking precautions, slowed down the growth rate; moreover, with the slowing down of China's economy, the likelihood of a second recession increased.

Using the domestic demand supported growth experienced in the first half of 2011, Turkey's growth is expected to decelerate but still end up with a rate above 8% for the year. In 2012 this growth is expected to rather slow down. In a period with increased global risks, it is critical for firms to act by managing the varying conditions as in the previous years.

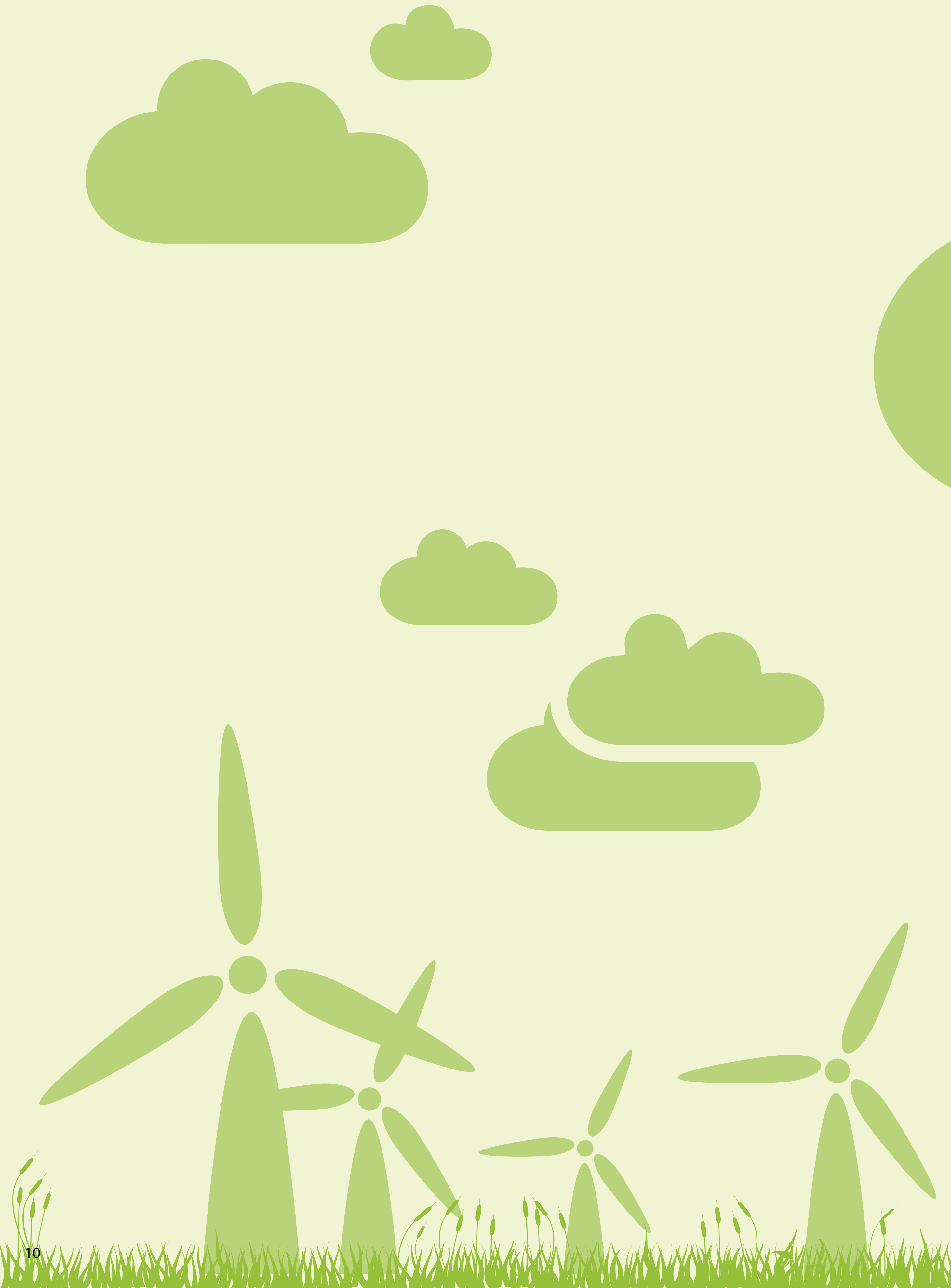
Sustainable brand concept for sustainable world...

Yünsa, the largest producer in its sector in Europe, with its effective financial structure and production capabilities in the industry, continued to increase the existing market share by benefiting from design capabilities and fast and flexible product portfolio. Our company has taken important steps to increase market shares in upper segments and to increase competency in R&D. In 2012, Yünsa's priority will be to increase this momentum and continue to provide solutions that are innovative and make a difference with R&D activities.

On behalf of the Board of Directors, I would like to extend our thanks and appreciation to our employees for increasing the value of Yünsa, to our shareholders for their continuous support; to our customers, suppliers and stakeholders fot their trust in our company.

Mehmet Nurettin PEKARUN

Board of Directors



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 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
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.

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

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 1972-1981. 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.

Cezmi KURTULUŞ
Member of the Board of Directors
Born in 1958, Cezmi Kurtulus graduated from İstanbul Technical University, Department of Mathematical Engineering. He got his MBA degree from İstanbul University. He worked for Pricewaterhouse at several positions between 1982-1992. In 1992, he joined the Sabanci Holding and he was appointed as the Head of the Budget, Accounting and Consolidation Department at Sabancı Holding on June 1, 2009.

Letter from the General Manager

Growing up is to start thinking about future today.

Dear Stakeholders,

In 2011 the whole world, sector and our company has experienced rapid changes. Effective change management, the human resource with competency of creating difference and organizational flexibility have perpetuated Yünsa's leading position among the best of its sector in all kinds of market conditions.

When we evaluated the company's activities in 2011, the past year was satisfactory in terms of both financial results and operational effectiveness.

In addition to increasing market share in existing markets, sales in A+ segment accelerated in 2011 in line with the firm's strategy to increase the share of sales in A+ segment in total sales portfolio. Yünsa continued to grow not only in terms of scale but also in innovation, design, internal dynamics and prestigious brand value in 2011.

As of today, combining technology and the aesthetics of artistic expression in its fabrics, Yünsa is Europe's largest manufacturer of worsted woolen fabric industry and ranks among world's top five producers of worsted wool fabric in the fashion world. With its vision, high product quality, market position and production flexibility, the company is also Turkey's major worsted wool fabric producer and exporter.

When we look at our financial results in 2011, fabric sales increased by 10% and reached 12 million meters, sales revenue increased by 36% and reached TL 214 million, operating profit increased by 112% and reached TL 21.9 million and net profit increased by 173% and reached TL 14,2 million. In addition, investments to modernize and increase capacity were realized and total investments reached approximately US $ 7.9 million.

When we look at our stock's performance in 2011, within the twelve month period when the İstanbul Stock Exchange 100 index decreased by 22%, Yünsa shares appreciated by 60%.

The sustainability efforts we carried out with the awareness of our environmental, social and economic impacts are the most important topics we have focused on during 2011. While asking "how can we integrate sustainability with our activities", we are also working on producing a powerful synergy that would contribute to create a more livable future for our children. By disseminating our sustainability approach at all levels, we strive to measure and lessen environmental effects of our activities and products throughout their entire life cycle.

In this manner, as the first textile company in Turkey that measures and reports its carbon emission within the scope of the Carbon Disclosure Project, we announced the carbon emissions amount for the second time in 2011. In parallel to the project, we conduct several programs in order to reduce our impacts on greenhouse gas emissions which are major causes of climate change and to increase the energy efficiency.

Yünsa, a global power in terms of innovative products and process development activities, received new awards in 2011 within the framework of quality production. Yünsa, producing quality products in fashion world, has shown the importance given to quality by receiving the KalDer awards, and continues to bring innovation to the sector by the R&D projects that we give utmost importance.

We expect that in 2012, industry dynamics and basic structures will be re-defined, and companies that give importance to innovation, change and investments in their activities will lead the sector. From a macroeconomic perspective, we expect that the impact of risks, such as the debt crisis in Europe will sustain, and the soundness of the economic dynamics will be tested this year.

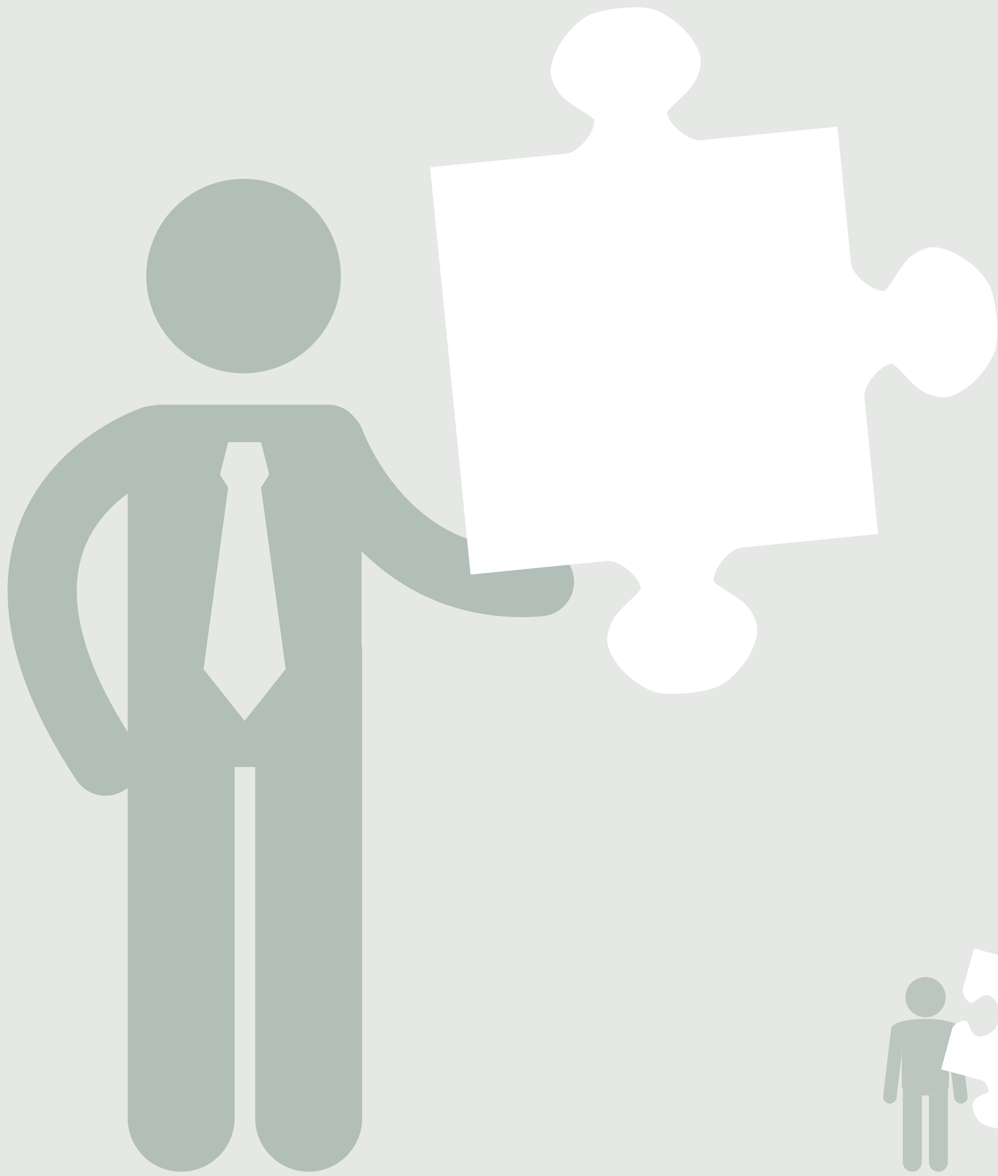
Our main aim in 2012 is to increase value added and innovative products in our portfolio, to strengthen in new markets and to increase our volume and, in parallel with our long-term strategy, to continue the world leadership journey in worsted wool fabric industry with strong steps.

In the next period, on the one hand we aim to upgrade our operational excellence to higher levels by speeding up efficiency efforts and by focusing on critical issues concerning the results of our activities, on the other hand, we expect sales increases in upper category that will lead to positive impacts on profitability.

Our momentum, our commitment to sustainable growth and solution-oriented approach contribute to create value for all stakeholders. Certainly, these outcomes have resulted from sincere and dedicated efforts of Yünsa family. Hereby, I would like to extend our thanks to our employees for raising the bar, to our shareholders and stakeholders for their continuous support and their trust in our company.

F. Cem ÇELİKOĞLU

Top Management



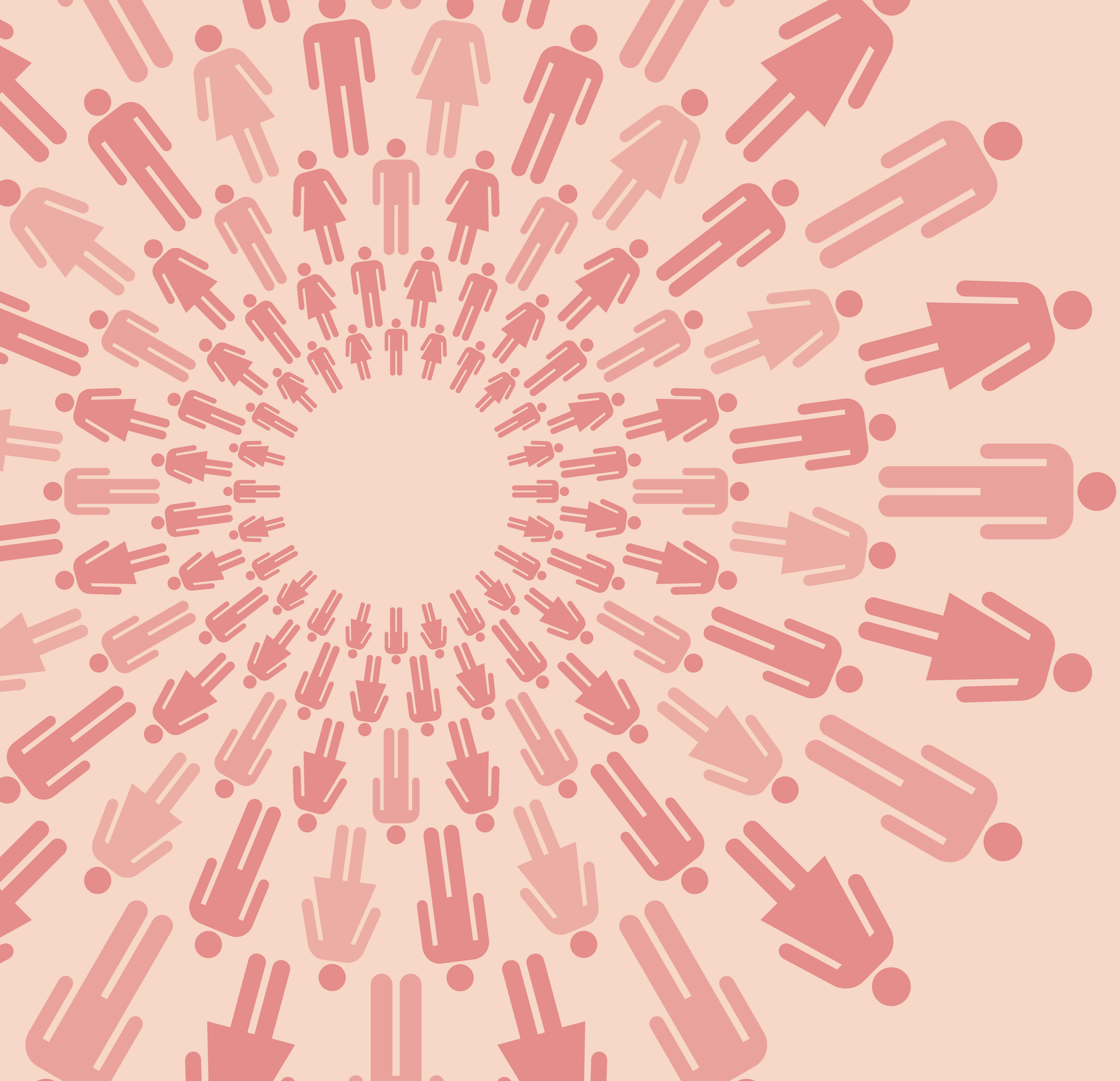
Cem ÇELİKOĞLU
General Manager
Born in 1962, Cem Çelikoğlu graduated from METU Faculty of Administrative Sciences, Department of International Relations. He has been working for our company since 17.12.1987 and was appointed as the General Manager of the Company on 01.12.2002.

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 İstanbul Technical University, Textile Engineering with BS degree and received his master's degree from Victoria University of Manchester Textile Technology. He has been working for our company since 15.06.1995 and was appointed to his current position on 01.04.2011.



Every member of Yünsa family is priceless.

We firmly believe and acknowledge that our employees are the real architects of our success story, we try to give our best efforts to invest in our employees by the principles of wide range of social benefits and equality of opportunity.

Management

Muhterem BAHÇIVANOĞLU
Production Planning Manager
Born in 1958. Muhterem Bahçıvanoğlu graduated from the İstanbul 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 İstanbul University, Business Administration Department 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 Sabanci University. He has been working for our company since 27.12.2005 and was appointed to his current position on 01.04.2011.

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.

Yünsa brand is again pushing the boundaries of fashion in 2011

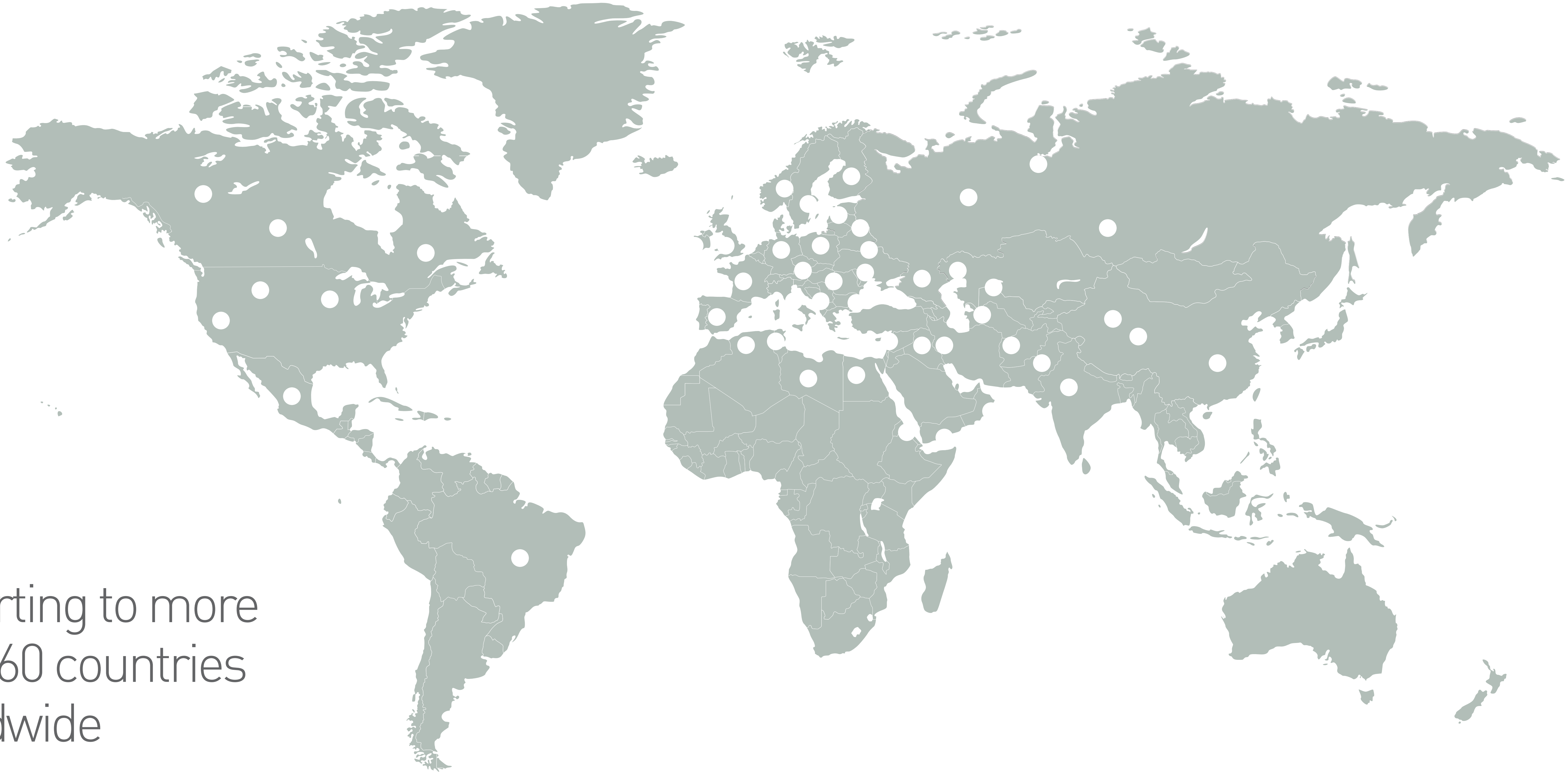
Combining technology and design in its fabrics, Yünsa, a Turkish fabric manufacturer with a hundred percent Turkish capital, is Europe's largest manufacturer of worsted woolen fabric and ranks among the world's top five producers of worsted wool fabric in the fashion world.

Exporting to more than 60 countries, Yünsa has sales offices in the United Kingdom, Germany, China and agents in Italy, Spain, France, Czech Republic, Serbia, Slovakia, Finland, Sweden, Canada, Russia, Japan, Korea, Hong Kong and Brazil. Yünsa has production facilities in Çerkezköy and a design office in Biella, Italy.

2011 has become a successful year for Yünsa. In 2011, Yünsa continued high profibility and sustainable growth focused investments and strengthened its position in the industry. As every year Yünsa has participated in the world's leading fairs and the collections designed by local and foreign designers in Biella, Italy were highly appreciated by the world's leading fashion brands.

Yünsa welcomes 2012, with a strengthened sales network, new markets and promising R&D projects aiming to undergo a change beyond price factor.

On behalf of being the best in the sector, Yünsa has focused on better production, better quality products, and a more exclusive customer profile since its foundation. Yünsa continues to execute efficient communication operations and publicize its leadership position, differentiation and understanding of quality.



Exporting to more than 60 countries worldwide

Sales Offices

Germany

England

China

Representative Offices

Italy, Spain, France, Czech Republic, Serbia, Slovakia, Finland, Sweden, Canada, Russia, Japan, Korea, Hong Kong, Brazil

Yünsa Products

Menswear Fabrics

Ladieswear Fabrics

Upholstery Fabrics

Corporatewear Fabrics

We cover the whole world with designs inspired from the eternity of nature... Today, we bear the responsibility of tomorrow in every loop of our elegant 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 30 year 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 value added 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.

Research and Development

Designs respectful to nature and environment...

Evolving with technological innovations and securing our future with solutions protecting the ecological balance.

Yünsa does not limit its investments to increase the level of technology, it also focuses on ways to develop its ability to innovate and place a company-wide innovative culture.

To increase our competitive strength and to improve our leading position in world textile trade, improvement in high value-added, innovative products and continuous development of the use of high technology are considered inevitable.

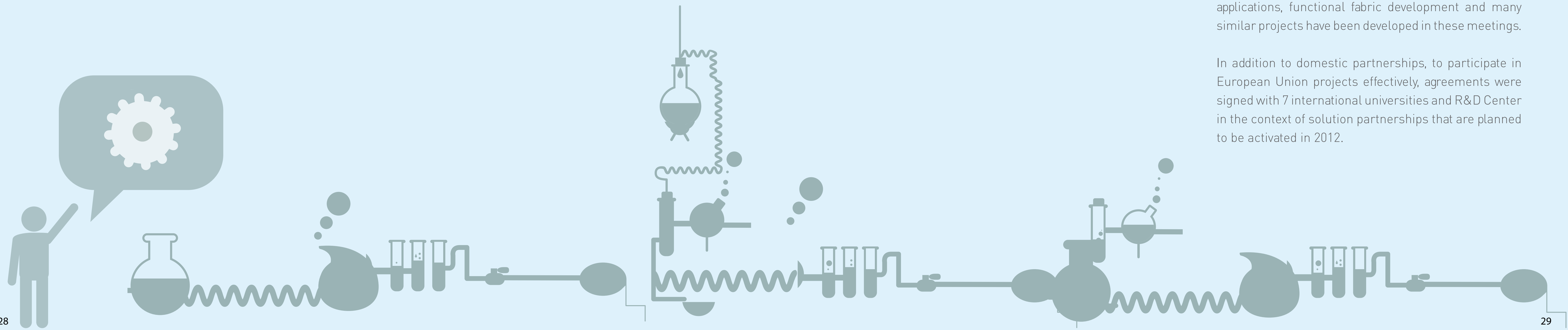
The Yünsa R&D Center, established in 2010 to create a culture of continuous innovation and to lead the industry in the development of new technologies, aims to create product development projects, that are said to be first in the sector, as well as cost cutting and productivity-enhancing technology projects.

Yünsa R&D Center, which accelerated its activities in 2011, has rapidly increased its cooperation with various institutions.

In the context of University-Industry cooperation, 12 universities in Turkey were got in touch with and several seminars and meetings were organized.

Projects on the reduction of energy consumption, use of organic raw materials, image processing, robotics applications, functional fabric development and many similar projects have been developed in these meetings.

In addition to domestic partnerships, to participate in European Union projects effectively, agreements were signed with 7 international universities and R&D Center in the context of solution partnerships that are planned to be activated in 2012.



Environmental Policy

Being a leader requires a great responsibility...

Being a global brand means taking global responsibility. Ongoing growth of our brand and our global success that spreaded around the world is the result of policies we created for a sustainable life.

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 DisclosureProject)

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 2011,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.

Eco-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 2011. 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 arise during our processes are separated and sent to the licensed disposal/recycle institutions.

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 2011 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.

Companies are offered the trainings on environmental and 5S issues to support their improvement.

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.

Çerkezköy Industrial Zone Learning Platform "Environmental Group"

With the leadership of Yünsa and under the umbrella of Çerkezköy 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.

Sales

Success is valuable when sustainable...

We are working hard for long-lasting fabrics; long-term success and long-term brand journey. We're continuing our way with the power of our positive financial effects, our sustainable probability and the self-confidence of knowing the value we add to the national economy.

Yünsa, as Europe's largest worsted wool and fabric producer, has shown the best performance since its establishment and achieved 36% growth increase and 173% profitability increase in line with its "World worsted wool and fabric industry leadership" target in 2011. Yünsa works with more than 400 customers around the world, thanks to its strong international network and exports to more than 60 countries, the company has sales offices in United Kingdom, Germany and China and agents in many different countries.

Fast fashion trend which influences the whole world, makes flexibility in production, fast shipment, extensive collections important, besides price. Yünsa detached from its competitors in terms of its high performance to meet changing demands and became the most important candidate for World worsted wool and fabric industry leadership.

In paralel with strategy of sustainable profitability, activities in new markets such as China, Japan and Brazil have been increased and sales in A+ segment accelerated in 2011. Yünsa, aiming higher quality and better design by focusing on strategic targets, strengthens its sales network worldwide and continues to grow steadily without losing its customer-centric approach in 2011.

The consolidated turnover of Yünsa reached TL 214 million in 2011.

In 2011, fabric sales reached 12.008 km, and the sales turnover of the fabrics exported to many countries reached 7,479 km in 2011. The company exports 62.3 % of its fabric production and sells 37.7 % of its production to the domestic market.

Activities

Everday is a new beginning for us...

We are creating today's fashion by our previous experiences and investing in the future with today's success stories because we carry the burden of the world in our fabrics!

A. Investments

Developments in investments

In 2011, investments worth USD 1.819.176 were made for domestic and imported goods' subsidized investments in accordance with the Investment Subsidy Certificate number C 95428, dated 02.12.2011 and granted by Ministry of Economy, General Directorate of Incentives Implementation and Foreign Direct Investment and investments worth USD 1.619.780 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$ 7,9 million on a US Dollar basis and TL 13.2 million on a Turkish Lira basis in 2011.

Investment Incentives

In 2011, the company benefited from the subsidies such as customs exemption, VAT exemption, and tax and duty exemptions in accordance with its subsidy certificate.

In addition, Yünsa benefited TL 944 thousand over the amounts obtained under the Communiqué No: 5746 "Supporting of Research and Development Activities" and R&D Center Staff Wages income tax, stamp duty and Social Security Institution incentive and projects approved by The Scientific and Technological Research Council of Turkey.

Other incentives are available under the Republic of Turkey, Ministry of Customs and Trade, Industry Thesis Program (SAN-TEZ).

Another support was received under the brand development program TURQUALITY® from İstanbul Textile and Apparel Exporters' Associations (İTKİB).

Moreover, incentives related with fairs were received from İstanbul Textile and Apparel Exporters' Associations (İTKİB) and Turkey Textile Industry Employers' Association (TÜTSİS).

B. Activities regarding the production of goods and services

1. Capacity utilization and progress

In 2011, the capacity use of our production lines was as follows:

	2011	Annual Change
Worsted yarn	99,5%	(+) 1,5 %
Fabric	95%	(+) - %

2. Improvements in finished-product production

		2011	Annual Change
Worsted yarn	tons	3,487	(+) 15,1 %
Fabric	km	13,342	(+) 13,7 %

3. Sales volumes of finished products

		2011	Annual Change
Fabric	km	12,008	(+) 10,4 %
Domestic market	km	4,529	(+) 13,5 %
Exports	km	7,479	(+) 8,6 %

Breakdown of net fabric sales in 2011:

		2011
Textile	(TL)	200.292.866
Ready-to-wear	(TL)	13.786.472

Profit Distribution Policy

In line with the provisions of the CMB and legal regulations, Yünsa 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 macroeconomic conditions of Turkey, 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 2011 (TL)

1. Paid-in/Issued Capital			**29.160.000,00 TL**
2. Total Legal Reserves (According to Legal Records)			**2.944.562,97 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	14.271.758,00 TL	15.054.831,69 TL
4.	Taxes Payable (-)	0,00 TL	0,00 TL
5.	Net Term Profit (=)	14.271.758,00 TL	15.054.831,69 TL
6.	Losses of Previous Year (-)	-12.672.610,00 TL	-7.080.910,36 TL
7.	First Legal Reserves (-)	-398.696,07 TL	-398.696,07 TL
8.	NET DISTRIBUTABLE TERM PROFIT(=)	1.200.451,93 TL	7.575.225,26 TL
9.	Donations Made During The Year (+)	57.068,75 TL	
10.	Net Distributable Term Profit, with Donations Added, Over Which The First Dividend Will Be Calculated	1.257.520,68 TL	
11.	First Dividend to Shareholders	251.504,14 TL	
	-Cash	251.504,14 TL	
	-Free of Charge	0,00 TL	
	-Total	251.504,14 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	948.429,86 TL	
16.	Second Legal Reserves	0,00 TL	
17.	Statutory Reserves	0,00 TL	0,00
18.	Special Reserves	0,00 TL	0,00
19.	EXTRAORDINARY RESERVES	517,93 TL	6.375.291,26
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		1.199.934,00	0,04115	4,115
Net		1.019.943,90	0,03498	3,498
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)			
1.199.934,00	95,42			

In respect of the audited balance sheet and profit/loss accounts reflected in the IFRS financial statements for the period ended 2011, the board of directors proposes to pay a dividend of gross TL 1.199.934 in total (Dividend payable is calculated as the following; TL 1.599.148 of profit is calculated after the net of accumulated loss TL 12.672.610 and then TL 398.696 of the first legal reserves is allocated). Gross amount of TL 1.199.934 shall be paid to shareholders representing TL 29.160.000 capital, in a proportion of 4,115% as a cash dividend, TL 0,04115 gross=net cash dividend shall be paid to full tax payers and TL 0,04115 gross, TL0,03498 net cash dividend shall be paid to other shareholders, who are subject to 15%income tax witholding and the remaining amount TL 518 shall be reserved as extraordinary reserve fund.

Auditors' Report Summary

March 12, 2012

To the General Assembly of Yünsa Yünlü Sanayi ve Ticaret AŞ

Trade Name	: Yünsa Yünlü Sanayi ve Ticaret AŞ
Head Office	: İstanbul
Issued Capital	: TL 29,160,000.-
Business Line	: Production of worsted line and fabric
Auditors' names, duty periods, and relations with the company	: Nur ŞENOL, Levent DEMİRAĞ, Soner AKKAYA 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 AŞ for the period 01.01.2011 – 31.12.2011 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, 2011 fairly represents the financial position of the company at this date and the income statement for the period 01.01.2011 – 31.12.2011 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

Nur ŞENOL | Levent DEMİRAĞ | Soner AKKAYA

Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles
In 2011, the company put special effort to ensure the compliance with mandatory/non-mandatory regulations of corporate governance principles which were revised and released in 2005. In addition, under the frame of CMB's Communiqué Serial IV No: 56 on principles regarding Determination and Application of Corporate Governance Principles which have been enforced on the date of its publication on the official gazette dated 30.12.2011 and numbered 28158, preliminary preparations for harmonization efforts in our company started on the same date mentioned. Harmonization efforts to comply with the obligations contained in the above mentioned Communiqué is still being continued and will be completed within the time periods mentioned in the Communiqué and CMB statements.

SECTION 1 – SHAREHOLDERS

2. Shareholder Relations Unit
Our company's relations with shareholders are coordinated by the Head of Finance and Corporation Relations Mrs. Aslıhan Ece İrtiş
(Tel: 0212 385 87 00 Fax: 0212 282 50 68
e-mail: airtis@yunsa.com)
who reports to the Financial Affairs Department.

In 2011, 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
In the event of developments of interest to the shareholders, the Capital Markets Board of Turkey (CMB) and İstanbul Stock Exchange (ISE) are informed promptly with a special condition report. Our company's website also includes all kinds of information shareholders may need. In addition, we also handle the limited number of information requests by telephone and give relevant information to shareholders.

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

4. Information on General Assembly
The invitation to the General Assembly held on 15 April 2011 was announced to the shareholders with a notice in the Commercial Registry Gazette and one of the national newspapers. Shareholders representing 67.21% of the shares attended this meeting. Since all of the shares are issued in the bearer's name, there are no time limitations on registry in the stock register. Audited financial statements covering 2010 results were disclosed to the shareholders at the headquarters of the Company, starting 15 days before the General Assembly date. There were no proposals and/or questions brought by shareholders.

The Articles of Association does not contain a provision about the General Assembly taking decisions of importance. No need was felt for such a provision since the Board of Directors represents the willpower of the General Assembly.

The minutes of the General Assembly are available on the Company website accessible at www.yunsa.com

5. Voting Rights and Minority Rights
The Articles of Association does not envisage privileged voting rights. Shareholders have one vote per share. The Articles of Association does not include any arrangements concerning cumulative voting right.

6. Profit Distribution Policy and Time of Payments thereof
In line with the provisions of the CMB and legal regulations, the company has the tendency to distribute at least half of the profit that can be distributed. Every year, the Board of Directors prepares a profit distribution proposal based on the national and macroeconomic conditions of Turkey, projects on the company's agenda and its financial resources.

The Annual Report contained a separate section on the proposal for profit distribution which was communicated to the shareholders before the General Assembly. The annual report of the company is also available at www.yunsa.com .

7.Transfer of Shares
There are no provisions contained in the Company's Articles of Association restricting the transfer of shares.

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY
8. Company Information Disclosure Policy
Our Company implements an information disclosure policy that conforms to the CMB's Corporate Governance Principles.

Pursuant to this policy, audited mid-year and year-end financials as well as unaudited first and third quarter financials prepared in line with International Financial Reporting Standards (IFRS) and material events requiring public disclosure are disclosed to the public in accord with the CMB legistlation and in due time via the ISE.

Apart from such disclosures that have been requested by regulations, in line with other information that would not be qualified as trade secrets have been disclosed to public by the Company at its own discretion for information-sharing purposes for investors.

Chief Financial Officer is responsible for the execution of the disclosure policy.

All subject disclosures are available on Company website accessible at www.yunsa.com

9. Disclosure of Material Events
In 2011, our Company has made 8 disclosures on material events to CMB or ISE pursuant to the CMB regulations. Neither CMB, nor ISE requested an additional explanation about any of these reports. Our Company's shares are not quoted on overseas stock exchanges.

10. Company Website and Its Contents
The company has a website accessible at www.yunsa.com

The company's investor relations section of the website includes the commercial registry information, the company's current shareholding and management structure, detailed information on shares, the current version of the Articles of Association along with the dates and numbers of the Commercial Registry Gazettes in which the amendments were published, Corporate Governance Principles Compliance Report, material events disclosures, Company information disclosure policy, profit distribution policy, annual reports, periodical financial statements and reports, memoranda and public offering circulars, the agendas of General Assemblies, lists of participants and meeting minutes, form for proxy voting, minutes of important Board of Directors decisions which may have an impact on the value of the capital market instruments, and frequently asked questions which include the information requests, questions and notices received by the company and its responses to them.

The website also includes information on products, production activities, news&media, human resources, international fairs that the company participated in and contact information.

The information on the website is also available in English for the benefit of foreign investors.

11. Disclosure of the Company's Ultimate Controlling Individual Shareholder/ Shareholders
The company does not have any ultimate controlling individual shareholder.

12. Disclosure of the Individuals who may have access to Insider Information
The list of individuals who may have access to insider information is included in the Annual Report under the heading of Members of the Board of Directors and Top Management and is disclosed to the public with the Annual Report.

SECTION III – STAKEHOLDERS

13. Informing Stakeholders
Stakeholders are informed of Company-related facts through disclosures made under the relevant legislation.

Company's employees are also informed through meetings held on their specialization areas and on other related fields and through seminars and training programs, through information sent via e-mail as well as through published announcements.

There is a portal for employees, which enables them to have access to any kind of required information and document.

Mutual communication and exchange of information with customers and suppliers are considered vital and common projects are held for the improvement of business processes.

14. Participation of Stakeholders in Management
Participation of stakeholders in management is ensured through General Assembly meetings, periodical supplier meetings, questionaires and regular customer meetings. With these approaches, they are driven to participate in and contribute to effective management of the Company.

The employees participate in management through periodic company meetings 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 questionaries for business life evaluation. Thanks to meetings and process improvement interviews with customers and suppliers, the company receives feedback to ensure its effective management and their outputs are used to contribute to the business processes.

15. 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 to evaluate the extent to which our employees reach their targets. The employees have not filed any complaints about discrimination in or before 2011.

16. Information on Relations with Customers and Suppliers

The office of the Vice President for Sales and Marketing establishes direct links with the market to reach its sales objectives in target markets, ensures the production within the plant's limits of the products and designs the market needs, and adopts flexible pricing strategies to ensure the company's survival and growth under changing market and competitive conditions. Taking into consideration the significance of personal relationships in marketing and selling fabrics, it tries to enhance and strengthen customer relations through means such as trade fairs and customer visits. It ensures the commercial confidentiality of information about costumers and suppliers and takes all sorts of measures to create harmonious working relationships.

Our mission is to establish and maintain sound and long-term purchasing relationships with suppliers, to work with suppliers who are sensitive about laws on unfair competition, other relevant laws and ethical values, to prefer working with companies that are sensitive towards issues concerning quality, cost, productivity, delivery, occupational health and safety, and environmental health.

17. Social Responsibility

Our Company takes social responsibility concept in the context of environment, quality, workers' health and work safety. Our Environmental Policy was prepared and shared with all our employees. Our Çerkezköy plant is granted with ISO 14001 certificate. Also, our Company holds and periodically monitors all certificates and permits that are compulsory by law and regulations.

In line with ISO 14001 environmental management system, our Company operates in an environmentally sustainable manner and takes all necessary measures to derogate and eliminate environmental effects.

All environmental activities are evaluated at monthly environment meetings. 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.

Dust and gas emission measurements for factory chimneys are regularly checked by accredited institutions and reported to the Ministry of Environment and Urban Planning. As a first in the sector, Yünsa participated in the carbon disclosure project in 2010 and disclosed its greenhouse emissions to investors and to the public. In 2011, Yünsa continued to report and was listed among 4000 companies worldwide. Yünsa became one of the 3 companies that voluntarily participated in the carbon disclosure project that discloses greenhouse gas emissions.

In order to reduce the impacts on environment, various 6 Sigma and R&D projects on increasing energy efficiency and optimization of natural resource use are being carried out.

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.

Yünsa's priorities include management, monitoring and measurement activities for the residential and industrial waste waters the facility generates, classifying, collecting, transporting, treating, recycling, utilization of solid wastes so that they do not harm the environment or public health, and the proper disposal of those wastes that cannot be recycled.

There were no suits filed against the company in 2011 concerning environmental pollution.

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.

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.

In this context; 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.

SECTION IV – BOARD OF DIRECTORS

18. The Structure and Formation of the Board of Directors and the Independence of its Members

The company is managed and represented by a Board of Directors composed of 5 members elected by the General Assembly from among shareholders and in accordance with the provisions of the Turkish Commercial Code.

NAME&LAST NAME	TITLE	POSITION
Mehmet N. Pekarun	Chairman	Non-executive
Mehmet Göçmen	Vice Chairman	Non-executive
Serra Sabancı	Member	Non-executive
Mevlüt Aydemir	Member	Non-executive
Cezmi Kurtuluş	Member	Non-executive
F. Cem Çelikoğlu	General Manager	Executive

There are no rules concerning the employment of members of the Board of Directors outside the company, neither are there any limitations on such employment. 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.

19. Qualifications of the Members of the Board of Directors

The qualifications required for the election of members of The Board of Directors coincide with the qualifications mentioned in Corporate Governance Principle issued by CMB.

The Articles of Association does not stipulate the minimum qualifications members of the Board of Directors should have.

20. The Company's Mission, Vision and 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.

The company's mission is to become a preferred,

value-generating and leading company by adopting pioneering and competitive approaches in different areas of textiles.

In addition, our vision is set forth as to grow by creating a difference in textile products and services and to become a global power.

The company's Board of Directors has knowledge about creating, approving and implementing the strategic targets adopted by top management. The monthly Board of Directors meetings enable the monitoring of target realization and of the company's performance.

21. Risk Management and Internal Control Mechanism

The Quality Assurance Department established according to our Quality Certificate carries out the company's risk management and internal control activities. The Corrective Action Procedure ensures the correction of problems and the Preventative Action Procedure takes measures before potential risks arise. In addition, the regular internal examinations carried out by the Quality Assurance Department keep all of the departments informed about these issues.

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.

In our Company, in addition to the Audit Committee, formed by two members of the Board of Directors, there is an Internal Audit Unit. Proposing measures and practices for minimization of all internal and external risks to protect rights and interests of the Company and auditing, monitoring of such practices constitute the basic duties of this unit.

22. The Authorities and Responsibilities of the Members of the Board of Directors and Executives

Managerial rights and representational authorities of Board of Directors are defined in the Articles of Association. Authorities and responsibilities of Executives are not regulated in the Articles of Association. However, such authorities and responsibilities have been set by Board of Directors.

23.The Operating Principles of the Board of Directors

In 2011, the Company's Board of Directors held a total of 18 meetings; 6 of these were held after obtaining one-on-one approvals and 12 after obtaining written approvals according to the provisions of the Turkish Commercial Code and the Articles of Association. The Board of Directors meets when the company's business and transactions necessitate it. However, it must meet at least every two months. 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 2011, there were no dissenting opinions concerning the decisions taken by the members of the Board of Directors.

While taking decisions about matters contained in Section IV., Article 2.17.4 of the CMB Corporate Governance Principles, the attendance of members without excuses in the Board of Directors meetings has been ensured. Since the members of the Board of Directors had no questions about these issues, there is no such record in the minutes. The members of the Board of Directors are not granted weighted vote and/or veto rights on decisions concerning such issues. The members of the Board of Directors have the right to state their negative opinions in writing or orally. This right was not exercised by any of the members of the Board of Directors in meetings held in 2011.

24. Prohibition on Carrying out Transactions with or Competing with the Company

In 2011, Members of Board of Directors have not carried out transactions with the Company and have not engaged in any activity which competes with the Company in the same fields of activity.

25. Ethical Rules

The ethical rules for the company were disclosed to the public on its website at www.yunsa.com. Work ethics manual prepared for the company and and its employees were shared with all employees. The written consent forms of all employees for these ethical rules are completed. The new employees are also informed about these ethics rules. Also renewals are made by Business Ethics Compatibility Declarations once a year.

26. The Number, Structure and Independence of the Committees Established by the Board of Directors

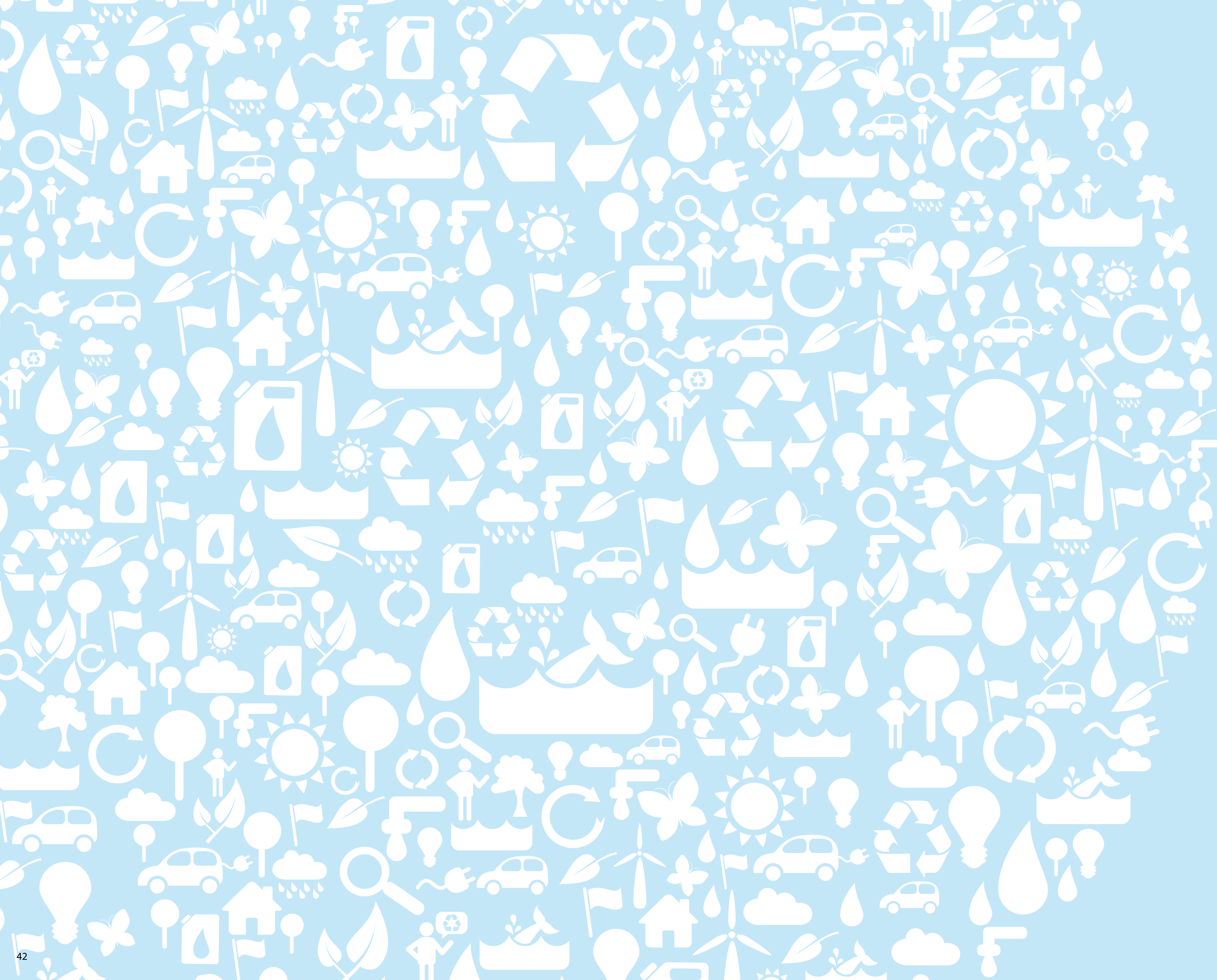
An Audit Committee has been set up in order to ensure that the Board of Directors fulfills its duties and responsibilities in a sound manner. This committee works according to its authorities and responsibilities and makes recommendations to the Board of Directors. The Audit Committee is composed of two people who are also members of the Board of Directors. There were no conflicts of interest between the committee members in 2011. Also the Internal Audit Committee has started to practice its duties, the results of which are reported directly to the Board of Directors by one of its members.

Since the Board of Directors is directly involved with the corporate governance principles and the compliance with these principles, there was no need to establish a separate committee for this purpose.

27. Remuneration of the Board of Directors

The per diems and attendance fees of the members of the Board of Directors are determined by the General Assembly according to the Articles of Association. There is no award system which bases the financial rights of the members of the Board of Directors according to the performance of the members or of the company.

In 2011, 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

Financial Statements for the
Year Ended 31 December 2011 and
Independent Auditor's Report

(Translated into English from the Original Turkish Report)

To the Board of Directors of
Yünsa Yünlü Sanayi ve Ticaret AŞ

We have audited the accompanying financial statements of Yünsa Yünlü Sanayi ve Ticaret AŞ ("the Company") which comprise the balance sheet as at 31 December 2011, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement 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 financial statements give a true and fair view of the financial position of Yünsa Yünlü Sanayi ve Ticaret A.Ş. as of 31 December 2011, 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, 12 March 2012

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK AŞ
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Gaye Şentürk
Partner

		Current Period (Audited)	Prior Period (Audited)
	Not	31 December 2011	31 December 2010
ASSETS			
Current Assets		**141.851.699**	**97.602.444**
Cash and Cash Equivalents	6	1.772.414	729.228
Trade Receivables	10	65.659.107	52.113.674
- Trade receivables from related parties	37	43.755	12.057
- Other trade receivables	10	65.615.352	52.101.617
Other Receivables	11	53.488	234.206
- Other receivables from related parties	37	-	162.432
- Other receivables	11	53.488	71.774
Inventories	13	67.131.272	39.929.516
Other Current Assets	26	7.235.418	4.595.820
Non-Current Assets		**55.824.106**	**46.118.307**
Financial Investments	7	782.660	782.660
Property, Plant and Equipment	18	47.331.200	42.403.805
Intangible Assets	19	5.292.079	939.056
Deferred Tax Assets	35	2.406.658	1.980.168
Other Non-Current Assets	26	11.509	12.618
TOTAL ASSETS		**197.675.805**	**143.720.751**

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi
Balance Sheet as of 31 December 2011
(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

		Current Period (Audited)	Prior Period (Audited)
	Notes	31 December 2011	31 December 2010
LIABILITIES			
Short Term Liabilities		**128.047.770**	**89.061.762**
Financial Borrowings	8	94.014.200	70.540.894
Trade Payables	10	27.107.799	14.633.673
- Trade payables due to related parties	37	1.060.513	870.337
- Other trade payables	10	26.047.286	13.763.336
Other Payables	11	1.520.229	590.762
Current Tax Liability	35	-	-
Provisions for Employee Benefits	24	1.135.273	911.131
Other Short Term Liabilities	26	4.270.269	2.385.302
Long Term Liabilities		**5.173.501**	**4.476.213**
Provisions for Employee Benefits	24	5.173.501	4.476.213
SHAREHOLDERS' EQUITY		**64.454.534**	**50.182.776**
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
Restricted Reserves Assorted from Profit	27	2.944.563	2.944.563
Retained Earnings	27	(12.672.610)	(17.893.696)
Net Profit for the Year		14.271.758	5.221.086
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**197.675.805**	**143.720.751**

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

Statement of Income for the Year Ended 31 December 2011

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

	Notes	Current Period (Audited) 1 January- 31 December 2011	Prior Period (Audited) 1 January- 31 December 2010
Continued Operations			
Sales Revenue (net)	28	214.079.338	157.156.787
Cost of Sales (-)	28	(157.225.246)	(119.924.046)
GROSS PROFIT		**56.854.092**	**37.232.741**
Marketing, Sales and Distribution Expenses (-)	29	(26.012.526)	(17.813.676)
General Administration Expenses (-)	29	(7.963.537)	(6.002.490)
Research and Development Expenses (-)	29	(832.548)	(3.301.240)
Other Operating Income	31	840.551	1.674.427
Other Operating Expenses (-)	31	(972.557)	(1.448.006)
OPERATING PROFIT		**21.913.475**	**10.341.756**
Finance Income	32	15.393.950	8.395.498
Finance Expense (-)	33	(23.462.157)	(13.549.801)
PROFIT BEFORE TAXATION FROM CONTINUED OPERATIONS		**13.845.268**	**5.187.453**
Tax Income From Continued Operations	35	**426.490**	**33.633**
- Current Tax Income/(Expenses)		-	-
- Deferred Tax Income		426.490	33.633
PROFIT FROM CONTINUED OPERATIONS		**14.271.758**	**5.221.086**
Earnings Per Share	36	**0,489**	**0,179**

Statement of Comprehensive Income for the Year Ended 31 December 2011

	Notes	Current Period (Audited) 1 January- 31 December 2011	Prior Period (Audited) 1 January- 31 December 2010
PROFIT FOR THE YEAR		**14.271.758**	**5.221.086**
Other Comprehensive Income		-	-
OTHER COMPREHENSIVE INCOME (AFTER TAXATION)		-	-
TOTAL COMPREHENSIVE INCOME		**14.271.758**	**5.221.086**

Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2011

(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	Hedging Reserves	Retained Earnings	Net Loss / (Profit)	Total Shareholders' Equity
1 January 2010	**27**	**29.160.000**	**30.657.866**	**92.957**	**2.928.435**	**-**	**(12.814.329)**	**(5.063.239)**	**44.961.690**
Transfers to restricted reserves		-	-	-	16.128	-	-	(16.128)	-
Transfers to retained earnings		-	-	-	-	-	(5.079.367)	5.079.367	-
Total comprehensive income		-	-	-	-	-	-	5.221.086	5.221.086
31 December 2010	**27**	**29.160.000**	**30.657.866**	**92.957**	**2.944.563**	**-**	**(17.893.696)**	**5.221.086**	**50.182.776**
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 to retained earnings		-	-	-	-	-	5.221.086	(5.221.086)	-
Total comprehensive income		-	-	-	-	-	-	14.271.758	14.271.758
Change in hedging reserves		-	-	-	-	(6.739.110)	-	-	(6.739.110)
Transfers from hedging reserves to comprehensive income		-	-	-	-	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**

	Notes	Current Period (Audited) 1 January – 31 December 2011	Prior Period (Audited) 1 January – 31 December 2010
Cash flows from operating activities			
Net profit for the year	27	14.271.758	5.221.086
Adjustments to reconcile net income to net cash from operating activities			
Amortization and depreciation	18-19	6.847.436	5.984.930
Taxes	35	(426.490)	(33.633)
Provision for employment termination benefits	24	2.246.720	1.067.689
Provision for short term employee benefits	24	224.142	(301.307)
Interest income	32	(35.965)	(84.412)
Interest expenses	33	5.101.566	4.082.404
Gain on sale of fixed assets	31	-	(22.322)
Discount on receivables	10-37	387.375	53.141
Discount on payables	10-37	(239.426)	(56.968)
Changes in provision for impairment of inventory	13	(101.150)	(1.854.955)
Write off of fixed asset for closed down stores		16.227	155.173
Income accruals		(531.966)	-
Net cash before changes in operating assets and liabilities		**27.760.227**	**14.210.826**
Increase in trade receivables		(13.932.808)	(7.509.395)
Increase in inventories		(27.100.606)	(3.498.157)
Increase in other current assets		(2.945.481)	(1.433.107)
Decrease in other long-term assets	26	1.109	2.962
Increase in trade payables	10	12.713.552	3.795.960
Increase / (decrease) in other short term liabilities	11-26	2.814.434	(1.860)
Cash (used in) / provided by activities		**(689.573)**	**5.567.229**
Collection of prepaid taxes and funds		1.020.415	-
Taxes paid	35	(1.848)	(1.181.667)
Employment termination benefits paid	24	(1.549.432)	(1.017.193)
Net cash provided by operating activities		**(1.220.438)**	**3.368.369**
Investing activities			
Purchase of property, plant and equipments	18	(12.994.491)	(7.136.109)
Purchase of intangible assets	19	(3.149.590)	(69.689)
Proceeds from sale of property, plant and equipment		-	22.322
Interests received	32	35.965	84.412
Net cash used in investing activities		**(16.108.116)**	**(7.099.064)**
Financing activities			
Changes in borrowings		22.033.240	7.161.692
Interests paid		(3.661.500)	(4.707.458)
Net cash provided by financing activities		**18.371.740**	**2.454.234**
Net increase / (decrease) in cash and cash equivalents		1.043.186	(1.276.461)
Cash and cash equivalents at the beginning of the year	6	**729.228**	**2.005.689**
Cash and cash equivalents at the end of the year	6	**1.772.414**	**729.228**

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

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE COMPANY

Yünsa Yünlü Sanayi ve Ticaret AŞ ("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 AŞ 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 2011 is 1.709 (31 December 2010: 1.393).

The Company's registered office address is:

Sabancı Center
Kule 2, 34330 4.Levent
İSTANBUL

Approval of financial statements:
The financial statements are authorized for issue by the Board of Directors as of 12 March 2012.

NOTE 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 subsidiary, 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.

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.

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 prepare 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.

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.

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

Changes made in the accounting policies are applied retrospectively and the prior period's financial statements are restated accordingly. The application of IAS 27 and IFRS 3 has resulted in changes in the Company's accounting policies but has not had any material impact on the amounts reported for the current years.

2.5 Changes in Accounting Estimates and Errors

If changes in accounting estimates are related to only one period, changes are applied prospectively in the current period. R&D investments amounting TL 835.072, which were presented under Tangible Assets as of 31 December 2010, are classified under the Intangible Assets.

2.6 Adoption of New and Revised International Financial Reporting Standards

(a) Standards that have an impact over the presentation and disclosure of financial statements prepared in 2010

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Company has chosen to present such an analysis in the notes to the financial statements, with a single-line presentation of other comprehensive income in the statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these financial statements have been modified to reflect the changes.

(b) New and Revised IFRSs affecting the reported financial performance and/or financial position

None

(c) Standards, not related to the Company's activities that are effective starting from 2010, changes and comments in current standard

IAS 24 Related Party Disclosures (as revised in 2009)

IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company is not a government-related entity. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard.

Amendments to IFRS 3 Business Combinations

As part of Improvements to IFRSs issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 Share-based Payment at the acquisition date ('market-based measure').

Amendments to IAS 32 Classification of Rights Issues

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Company has not issued instruments of this nature.

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Company's financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognized in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Company has not entered into any transactions of this nature.

Improvements to IFRSs issued in 2010

Except for the amendments to IFRS 3 and IAS 1 described earlier in section (a), and (b), the application of improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the financial statements.

(d) New and Revised IFRSs in issue but not yet effective

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

Amendments to IFRS 7	Disclosures – Transfers of Financial Assets; Offsetting of Financial Assets and Financial Liabilities
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IAS 12	Deferred Taxes – Recovery of Underlying Assets
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statement
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IAS 32	Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities

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

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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.

The Company management does not anticipate that these amendments to IFRS 7 will have a significant effect on the Company's disclosures. However, if the Company enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related agreements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosures are required for annual or interim periods beginning on or after 1 January 2013.

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

Key requirements of IFRS 9 are described as follows:

• IFRS 9 requires 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

• The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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.

IFRS 9 was amended to defer the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 to annual periods beginning on or after 1 January 2015. Prior to the amendments, application of IFRS 9 was mandatory for annual periods beginning on or after 1 January 2013. The amendments continue to permit early application. The amendments modify the existing comparative transition disclosures in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 depending on the entity's date of adoption and whether the entity chooses to restate prior periods.

The Company management anticipates that IFRS 9 will be adopted in the Company's financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the Company's financial assets and financial liabilities (e.g. the Company 's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognized in profit or loss). However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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 has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which 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 returns. 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 has been withdrawn upon the issuance 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 proportionate accounting.

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.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Because the Company prepares individual financial statements this amendment does not apply to the Company.

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.

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The management anticipates that IFRS 13 will be adopted in the Company's 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.

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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will 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 to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognized in prior years regarding the Company's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

Company's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

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 statement of financial position to reflect the full value of the plan deficit or surplus

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Company's financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Companys' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

On 19 October 2011 the IASB issued an Interpretation, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, clarifying the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

The amendments to IAS 32 are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after 1 January 2014.

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.

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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.

e) 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 technical feasibility of completing the intangible asset so that it will be available for use or sale;

- 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 availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- 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 and deferred tax

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.

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) Employment 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.

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.

In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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.

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 netoff 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.

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

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.

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 167.429 (31 December 2009: TL 268.579) and the expense was recorded to cost of sales (Note 13).

Impairment of property, plant and equipment and intangible assets

As of 31 December 2009, 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 2010 and 2011, 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.

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.

NOTE 3 - BUSINESS COMBINATIONS

None (2010: None).

NOTE 4 - AFFILIATES

None (2010: 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 2011, TL 28.905.942 of the Company's revenue is obtained from a non-related Company customer (31 December 2010: TL 25.578.738) and such sales are presented under the textile segment.

The total of Company's internal external sales amounts to TL 86.783.546 and TL 127.295.792, respectively (31 December 2010: TL 63.404.744 – internal sales, TL 93.752.043– external sales).

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

	1 January- 31 December 2011	1 January- 31 December 2010
Germany	33.966.246	25.553.834
Free Zone	15.177.274	12.957.745
United Kingdom	6.983.357	7.017.036
Jordan	3.253.810	1.473.288
France	8.366.105	4.966.947
Romania	4.749.401	2.689.358
Hong-Kong	5.926.892	910.564
Lithuania	3.824.923	2.622.366
Egypt	8.901.090	7.609.221
Italia	2.202.653	632.574
Canada	2.603.419	1.322.118
China	2.707.036	1.837.790
Slovakia	1.536.511	1.085.459
Iran	2.870.784	1.425.539
Switzerland	2.178.659	1.364.800
Portugal	1.813.233	1.103.171
Spain	1.014.410	3.045.626
Holland	1.231.120	720.997
Russia	883.676	215.974
Serbia	763.757	416.705
Bulgaria	2.004.000	963.249
Hungary	974.543	823.725
U.S.A.	2.580.727	770.685
Finland	260.722	233.300
Thailand	282.828	2.007.324
Malta	500.323	672.427
Other	9.738.293	9.310.221
Total	**127.295.792**	**93.752.043**

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a) External revenue	**31 December 2011**	**31 December 2010**
Textile	200.292.866	146.811.661
Ready-to-wear clothing	13.786.472	10.345.126
	214.079.338	**157.156.787**

b) Segment assets	**31 December 2011**	**31 December 2010**
Textile	189.979.442	138.679.539
Ready-to-wear clothing	7.696.363	5.041.212
Total segment assets	**197.675.805**	**143.720.751**

c) Segment liabilities	**31 December 2011**	**31 December 2010**
Textile	131.044.228	93.071.624
Ready-to-wear clothing	2.177.043	466.351
Total segment liabilities	**133.221.271**	**93.537.975**

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

	Textile	Ready-to-wear clothing	Intersegment eliminations	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**

d-2) Segment analysis from 1 January – 31 December 2010:

	Textile	Ready-to-wear clothing	Intersegment eliminations	Total
Sales revenue	147.462.387	10.345.126	(650.726)	157.156.787
Cost of sales	(115.815.742)	(5.770.845)	1.662.541	(119.924.046)
Gross profit	**31.646.645**	**4.574.281**	**1.011.815**	**37.232.741**
Marketing, sales, distribution expenses	(13.960.968)	(3.852.708)	-	(17.813.676)
General administration expenses	(5.414.847)	(587.643)	-	(6.002.490)
Research and development expenses	(3.301.240)	-	-	(3.301.240)
Other operating income/profit	1.048.449	625.978	-	1.674.427
Other operating expenses/losses	(1.206.955)	(241.051)	-	(1.448.006)
Segment results	**8.811.084**	**518.857**	**1.011.815**	**10.341.756**

e) Capital expenditures	**31 December 2011**	**31 December 2010**
Textile	15.761.361	6.975.923
Ready-to-wear clothing	382.719	229.875
	16.144.080	**7.205.798**

f-1) 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**

f-2) Non-cash expenses (1 January – 31 December 2010):

	Textile	Ready-to-wear clothing	Total
Depreciation and amortization	5.673.196	311.734	5.984.930
Provision for employee benefits	680.494	85.888	766.382
	6.353.690	**397.622**	**6.751.312**

NOTE 6 – CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Banks		
- Demand deposits	1.751.783	719.642
Other	20.631	9.586
	1.772.414	**729.228**

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

NOTE 7 – FINANCIAL INVESTMENTS

	2011		2010	
	(%)	TL	(%)	TL
Yünsa Germany Gmbh (*)	100	661.350	100	661.350
Yünsa Italia SRL (*)	100	110.977	100	110.977
Yünsa UK Limited (*)	100	2.451	100	2.451
Yünsa Americas Inc. (*)	100	7.882	100	7.882
		782.660		**782.660**

(*) These companies are not consolidated due to the insignificance of their combined impact on the net worth, financial position and results of the Company and carried at cost.

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

NOTE 8 - FINANCIAL LIABILITIES

	31 December 2011		31 December 2010	
	Weighted average of annual effective interest rate %	TL	Weighted average of annual effective interest rate %	TL
Short-term bank loans				
TL	9,92	54.968.000	6,89	39.485.000
Euro	3,28	23.310.186	2,40	17.529.026
US Dollars	3,04	10.691.174	2,37	9.863.480
GBP	5,85	3.500.400	3,12	3.559.014
		92.469.760		**70.436.520**
Interest accrual		1.544.440		104.374
		94.014.200		**70.540.894**

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

NOTE 9 - OTHER FINANCIAL LIABILITIES

None (2010: None).

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables	31 December 2011	31 December 2010
Trade receivables	50.916.298	46.121.422
Receivables from related parties (Note: 37)	44.444	12.243
Notes receivables	15.656.992	6.551.261
	66.617.734	**52.684.926**
Less: Non - accrued finance income (-)	(662.055)	(274.680)
Less: Allowance for doubtful trade receivables (-)	(296.572)	(296.572)
Trade receivables, net	**65.659.107**	**52.113.674**

Average maturity of trade receivables is generally less than 4 months (2010: Less than 4 months) and as of 31 December 2011, TL and foreign currency trade receivables are discounted by using annual 10,75 % and LIBOR rates, respectively.

As of 31 December 2011, TL 296.572 (31 December 2010: TL 296.572) of trade receivables is accounted for as doubtful receivables and the Company has provided an allowance for doubtful receivable for the related amount.

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

	31 December 2011	31 December 2010
As of 1 January	296.572	2.875.243
Write off of doubtful receivables	-	(2.578.671)
	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 2011	31 December 2010
Due to foreign suppliers	13.428.719	6.348.709
Due to domestic suppliers	9.849.198	5.045.105
Business and service payables	3.141.127	2.506.376
Due to related parties (Note: 37)	1.067.956	873.258
	27.487.000	**14.773.448**
Less: Non - accrued finance expenses (-)	(379.201)	(139.775)
	27.107.799	**14.633.673**

As of 31 December 2011, average maturity of trade payables is within 1-3 months, and TL and foreign currency trade payables are discounted by using annual 10,08% 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 2011**	**31 December 2010**
Receivables from related parties (Note: 37)	-	162.432
Receivables from personnel	46.950	53.608
Other	6.538	18.166
	53.488	**234.206**
Other Payables	**31 December 2011**	**31 December 2010**
Order advances received	1.520.229	590.762
	1.520.229	**590.762**

NOTE 12 - RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (2010: None).

NOTE 13 - INVENTORIES

	31 December 2011	**31 December 2010**
Raw materials	11.735.314	4.940.094
Work in process	28.019.934	15.997.423
Finished goods	13.385.007	10.414.857
Trade goods	983.148	1.187.277
Goods in transit	13.049.945	7.578.819
Other inventory	125.353	79.625
Allowance for impairment on inventory (-)	(167.429)	(268.579)
	67.131.272	**39.929.516**

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

	2011	**2010**
1 January	(268.579)	(2.123.534)
Reversal for the year (Note 28)	101.150	1.854.955
31 December	**(167.429)**	**(268.579)**

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NOTE 14 – BIOLOGICAL ASSETS

None (2010: None).

NOTE 15 - RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS

None (2010: None).

NOTE 16 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

None (2010: None).

NOTE 17 - INVESTMENT PROPERTIES

None (2010: None).

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

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**

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. (31 December 2010: TL 5.590.257 of the current period depreciation expense is added to the cost of sales, and TL 336.169 of the related amount is included to operating expenses).

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

	1 January 2010	Additions	Disposals	Transfers	31 December 2010
Cost					
Land	482.197	-	-	-	482.197
Land improvements	6.466.634	22.557	-	-	6.489.191
Buildings	38.073.993	68.229	-	233.460	38.375.682
Machinery and equipment	152.597.865	1.737.431	(125.768)	2.722.087	156.931.615
Motor vehicles	237.467	-	(126.190)	-	111.277
Furniture and fixtures	4.038.459	130.380	(3.993)	-	4.164.846
Leasehold improvements	3.172.146	159.135	(93.781)	-	3.237.500
Construction in progress	1.477.556	4.183.305	-	(2.972.710)	2.687.951
	206.546.317	**6.301.037**	**(349.732)**	**(17.163)**	**212.480.459**

Accumulated Depreciation					
Land improvements	(5.437.496)	(112.119)	-	-	(5.549.615)
Buildings	(21.157.343)	(1.126.019)	-	-	(22.283.362)
Machinery and equipment	(131.908.985)	(4.209.787)	46.507	-	(136.072.265)
Motor vehicles	(237.165)	(260)	126.190	-	(111.235)
Furniture and fixtures	(3.611.781)	(167.102)	3.993	-	(3.774.890)
Leasehold improvements	(1.994.402)	(311.139)	20.254	-	(2.285.287)
	(164.347.172)	**(5.926.426)**	**196.944**	**-**	**(170.076.654)**
Net book value	**42.199.145**				**42.403.805**

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NOT 19 - INTANGIBLE ASSETS

	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 going 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**

	1 January 2010	Additions	Disposals	Transfers	31 December 2010
Cost					
Rights	282.911	16.680	(11.913)	-	287.678
Computer software	2.854.217	53.009	-	17.163	2.924.389
R&D projects	-	835.072	-	-	835.072
	3.137.128	**904.761**	**(11.913)**	**17.163**	**4.047.139**

Accumulated depreciation					
Rights	(245.290)	(29.913)	9.528	-	(265.675)
Computer software	(2.813.817)	(28.591)	-	-	(2.842.408)
	(3.059.107)	**(58.504)**	**9.528**	**-**	**(3.108.083)**
Net book value	**78.021**				**939.056**

Current period depreciation has been included in the operating expenses. (2010: included)

NOTE 20 - GOODWILL

None (2010: None).

NOTE 21 - GOVERNMENT GRANTS AND INCENTIVES

	31 December 2011	31 December 2010
R&D Incentive (*)	944.252	127.162
	944.252	**127.162**

(*) 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.

NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities	31 December 2011	31 December 2010
Promissory notes and sureties received	3.996.162	12.892.932
Guarantee letters received	1.253.176	1.117.175
Mortgages received	130.050	1.188.050
	5.379.388	**15.198.157**

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.

As of 31 December 2011 and 2010, the details of the guarantees/pledges/mortgages ("GPM") are as follows:

	31 December 2011					31 December2010				
	TL Equivalent	TL	US Dollars	Euro	Other	TL Equivalent	TL	US Dollars	Euro	Other
A. GPMs given on behalf of its own legal entity	6.779.540	6.572.925	94.868	11.220	-	2.063.965	1.863.118	115.043	11.220	-
Guarantees	6.779.540	6.572.925	94.868	11.220	-	2.063.965	1.863.118	115.043	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	**6.779.540**	**6.572.925**	**94.868**	**11.220**	**-**	**2.063.965**	**1.863.118**	**115.043**	**11.220**	**-**

As of 31 December 2011 the percentage of the other CPM`s given by the Company to the total equity is %0 (31 December 2010: %0)

Guarantee letters are given to various Customs Directorates. As of 31 December 2011 and 2010, the Company has no other given GPMs.

NOTE 23 - COMMITMENTS

The Company has export commitment amounting to USD 7.500.000 as of 31 December 2011 (2010: USD 19.395.795).

Lease Agreements:
The Company's current year operational lease commitment expenses are TL 3.152.548 (31 December 2010 : TL 1.966.046).

The Company's operational lease commitments are as follows:

	31 December 2011	31 December 2010
Within 1 year	1.445.162	1.331.763
Within 1-5 years	3.076.296	2.590.823
	4.521.458	**3.922.586**

NOTE 24 - EMPLOYEE BENEFITS

	31 December 2011	31 December 2010
Short Term		
Unused vacation provision	1.135.273	911.131
	1.135.273	**911.131**
Long Term		
Retirement pay provision	5.173.501	4.476.213
	5.173.501	**4.476.213**

The movement of the unused vacation provision as of 31 December 2011 is as follows:

	31 December 2011	31 December 2010
1 January	911.131	1.212.438
Period charge	224.142	-
Write off of unused vacation provision	-	(301.307)
	1.135.273	**911.131**

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 TRY 2.805 for each period of service at 31 December 2011 (31 December 2010: TRY 2.623).

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 5,00% and a discount rate of 9,95%, resulting in a real discount rate of approximately 4,66% (31 December 2010: 4,66%). Turnover rate to estimate the probability of retirement is calculated as 97,19% . Estimated retirement pay amount that will not be paid as a result of intentional resignations is taken into consideration. As of 31 December 2011 the probability rate of intentional resignation of employees is 2,81% (2010: 2,78%).

The movement of retirement pay provision for the year ended as of 31 December 2011 and 2010 is as follows:

	31 December 2011	31 December 2010
1 January	4.476.213	4.425.717
Interest cost	208.592	262.002
Service cost and actuarial gain	2.038.128	805.687
Payments	(1.549.432)	(1.017.193)
	5.173.501	**4.476.213**

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

NOTE 25 - PENSION PLANS

None (2010: None).

NOTE 26 - OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2011	31 December 2010
Value added tax recoverable	570.866	487.159
VAT carried forward	4.724.011	2.290.001
Prepaid expenses	933.933	409.539
Business advances	203.313	176.112
Prepaid taxes	1.848	1.021.605
Other	801.447	211.404
	7.235.418	**4.595.820**

Other Non-Current Assets	31 December 2011	31 December 2010
Prepaid expenses	11.509	12.618
	11.509	**12.618**

Other Short Term Liabilities	31 December 2011	31 December 2010
Employee wages	1.563.110	816.266
Taxes and dues payable	789.194	626.628
Social security premiums payable	1.903.880	907.979
Other	14.085	34.429
	4.270.269	**2.385.302**

NOTE 27 - SHAREHOLDERS' EQUITY

A) Paid in Capital

The Company's shareholders and their shares as of 31 December 2011 and 31 December 2010 are as follows:

	31 December 2011		31 December 2010	
	TL	Share (%)	TL	Share (%)
Hacı Ömer Sabancı Holding AŞ	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 (2010: 2.916.000.000) issued on bearer having a nominal value of Kr 1 (Kr one) each.

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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 2011, the Company's retained earnings amounting to TL 12.672.610 consists of inflation restatement differences amounting to TL 3.062, and extraordinary reserves amounting to TL 12.669.548 (31 December 2010: retained earnings amounting to TL 17.893.696, inflation restatement differences amounting to TL 3.062 and legal and extraordinary reserves amounting to TL 17.890.634).

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:

The Company has no accumulated deficit in its statutory records. As of the balance sheet date, the Company's net loss amounts is TL 1.599.148 (31 December 2010: net profit TL 12.672.610) therefore, there are no items that are subject to profit distribution.

NOTE 28 – SALES AND COST OF SALES

a) Sales revenue	1 January-31 December 2011	1 January-31 December 2010
Foreign sales	127.295.792	93.752.043
Domestic sales	86.783.546	63.404.744
	214.079.338	**157.156.787**

b) Cost of sales	1 January-31 December 2011	1 January-31 December 2010
Raw materials	(95.116.369)	(59.221.038)
Direct labor costs	(23.109.885)	(17.563.830)
General production overhead	(44.477.151)	(33.723.640)
Depreciation expenses	(6.101.026)	(5.590.257)
Changes in work in process	12.022.511	1.706.242
Changes in finished goods	2.970.150	1.373.286
Cost of finished goods sold	**(153.811.770)**	**(113.019.237)**
Cost of trade goods sold	**(3.514.626)**	**(8.759.764)**
Provision for impairment of inventory	101.150	1.854.955
Cost of sales	**(157.225.246)**	**(119.924.046)**

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

Marketing, Sales and Distribution Expenses	1 January-31 December 2011	1 January-31 December 2010
Personnel	(4.651.377)	(4.073.078)
Consultancy	(5.167.274)	(4.030.734)
Export and freight	(9.677.110)	(4.785.313)
Marketing	(692.017)	(504.321)
Rent	(2.313.537)	(1.462.774)
Transportation	(1.564.219)	(1.321.536)
Depreciation and amortization	(342.726)	(367.732)
Advertising expenses	(311.391)	(279.804)
Other	(1.292.875)	(988.384)
Total marketing, sales and distribution expenses	**(26.012.526)**	**(17.813.676)**

General Administrative Expenses	1 January-31 December 2011	1 January-31 December 2010
Personnel	(3.740.579)	(3.554.195)
Consultancy	(325.011)	(460.072)
Rent	(555.669)	(503.272)
Retirement pay	(2.246.720)	(1.067.689)
Other provisions	(224.142)	301.308
Depreciation and amortization	(21.416)	(19.935)
Other	(850.000)	(698.635)
Total general administrative expenses	**(7.963.537)**	**(6.002.490)**

Research and Development Expenses	1 January-31 December 2011	1 January-31 December 2010
Personnel	(592.518)	(446.653)
Export and freight	-	(335.134)
Chart and sample costs	-	(2.519.453)
Other	(240.030)	-
Total research and development expenses	**(832.548)**	**(3.301.240)**

NOTE 30 – EXPENSES BY NATURE

A) Accrued wages and salaries	1 January-31 December 2011	1 January-31 December 2010
Cost of goods sold	(26.344.174)	(24.572.419)
Marketing, sales and transportation	(3.395.581)	(3.012.031)
General administration	(3.147.029)	(3.032.150)
Research and development	(592.518)	(446.653)
	(33.479.302)	**(31.063.253)**

B) Allocation of depreciation expenses	1 January-31 December 2011	1 January-31 December 2010
Cost of goods sold	(6.101.026)	(5.590.257)
Marketing, sales and transportation	(342.726)	(367.732)
General administration	(21.416)	(19.935)
Research and development	(382.268)	(7.006)
	(6.847.436)	**(5.984.930)**

NOTE 31 - OTHER OPERATING INCOME/EXPENSES

	1 January – 31 December 2011	1 January – 31 December 2010
Gain on sale of property, plant and equipment	-	22.322
Commission income	-	310
Provisions released	-	169.839
Raw material and scrap sales income	285.863	189.202
Price difference of advertising	121.000	271.851
Other	433.688	1.020.903
Total other operating income/profit	**840.551**	**1.674.427**

	1 January – 31 December 2011	1 January – 31 December 2010
Dues and fees	(202.279)	(148.625)
Private transaction taxes	(30.883)	(33.211)
Fines and penalties	(10.939)	(22.433)
Raw material and scrap sales expenses	(70.088)	(59.660)
Insurance claim expense	(186.734)	-
Other	(471.634)	(1.184.077)
Total other operating expenses/losses	**(972.557)**	**(1.448.006)**

NOTE 32 – FINANCE INCOME

	1 January – 31 December 2011	1 January – 31 December 2010
Foreign exchange gains	15.357.985	8.311.086
Interest income	35.965	84.412
	15.393.950	**8.395.498**

NOTE 33 – FINANCE EXPENSES

	1 January – 31 December 2011	1 January – 31 December 2010
Foreign exchange losses	(17.280.211)	(8.817.991)
Interest expenses	(5.101.566)	(4.082.404)
Other finance expenses	(1.080.380)	(649.406)
	(23.462.157)	**(13.549.801)**

NOTE 34 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2010: None).

NOTE 35 –TAX ASSETS AND LIABILITIES

Tax amounts reflected in balance sheets are as follows:

	31 December 2011	31 December 2010
Corporate tax payable	-	-
(Less): Prepaid taxes	(1.848)	(1.021.605)
	(1.848)	**(1.021.605)**

Corporate Tax
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 2011 is 20% (2010: 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 (2010: 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.

Income withholding tax:
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. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the Company. The investments without investment incentive certificates do not qualify for tax allowance.

According to the regulation, published in the Official Gazette on August 1, 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 2011 and 2010, tax amounts reflected in the income statement are as follows:

	31 December 2011	31 December 2010
Current tax expense	-	-
Deferred tax benefit	426.490	33.633
	426.490	**33.633**

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% (2010: 20%).

As of 31 December 2011 and 31 December 2010, the details of temporary differences and deferred tax assets and liabilities are as follows:

	Accumulated temporary differences		Deferred tax asset/ (liability)	
	31 December 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**
Accumulated financial losses	(13.463.637)	(28.868.987)	2.692.727	5.773.797
Property, plant and equipment and intangible assets	(6.003.226)	(4.803.990)	1.200.646	960.798
Inventories	312.208	423.393	(62.442)	(84.679)
Provision for employee termination benefits	(5.173.501)	(4.476.213)	1.034.700	895.243
Other provisions	(1.135.273)	(911.131)	227.055	182.226
Non accrued finance expense (net)	(33.497)	(132.903)	6.699	26.580
Provision for deferred tax asset recognized from carry forward losses (*)			(2.692.727)	(5.773.797)
Deferred tax assets - net			**2.406.658**	**1.980.168**

(*) The portable financial losses' reduction from taxable income of the part that cannot exceed the prescribed time period evaluated through the accountings precautionary principle according to the Entity's possibility of creating high degree of financial harm to through using high amount of financial losses and creating deferred tax income. No deferred tax asset has been recognized from carry forward tax losses due to the unpredictedability of future profit streams. However, deferred tax has recognized for the items that are subject to tax base such as severance benefits and inventories without being subject to a certain time comparison.

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	31 December 2011	31 December 2010
Deferred tax assets whose economic benefits expected to flow to the entity over a year period	**2.235.346**	**1.856.041**

Deferred tax asset movements are as follows:

	31 December 2011	31 December 2010
1 January	1.980.168	1.946.535
Current period deferred tax income	426.490	33.633
	2.406.658	**1.980.168**

Current period tax reconciliation is as follows:

	1 January -31 December 2011	1 January -31 December 2010
Profit before taxation from operations	13.485.268	5.187.453
Income tax rate 20% (2010: 20%)	2.697.054	1.037.491
Tax effect:		
- non-deductible expenses	70.104	206.489
- carry forward tax losses effect that cannot be used	-	38.597
- carry forward tax losses effect that are used	(3.081.070)	(1.194.774)
- temporary differences that are not subject to taxation	(112.578)	(121.436)
Tax income	**(426.490)**	**(33.633)**

The Company has unused tax losses amounting to TL 13.463.637 as of the balance sheet date (31 December 2010: TL 28.878.987). Since future taxable profit cannot be estimated, the Company has not recognized any deferred tax assets associated with such losses. Unregistered tax losses will be expired in 2014.

NOTE 36 - EARNINGS PER SHARE

	31 December 2011	31 December 2010
Net profit for the period	14.271.758	5.221.086
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)	0,489	0,179

NOTE 37 - RELATED PARTY TRANSACTIONS

a) Trade receivables from related parties	**31 December 2011**	**31 December 2010**
Hacı Ömer Sabancı Holding AŞ	2.376	1.800
Sasa Polyester Sanayi AŞ	4.043	517
Temsa Global San.Tic. AŞ	2.253	4.308
Olmuksa International Paper Sabancı Ambalaj San.ve Tic. AŞ	644	-
Enerjisa Elektrik Enerjisi Toptan Satış AŞ	5.128	-
Kordsa Global End. İplik Kord Bezi San.ve Tic. AŞ	-	5.618
Aksigorta AŞ	30.000	-
	44.444	12.243
Less: Non - accrued finance income	(689)	(186)
	43.755	**12.057**

Receivables from related parties generally have maturities less than 4 months (2010: Less than 4 months), and as of 31 December 2011, TL and foreign currencies denominated due to related parties are discounted using annual average interest rate of 10,08 % and LIBOR rates, respectively.

b) Due to related parties	**31 December 2011**	**31 December 2010**
Sasa Polyester Sanayi AŞ	-	5.201
Aksigorta AŞ	62.843	32.388
Hacı Ömer Sabancı Holding AŞ	81.572	22.661
Yünsa Germany Gmbh	860.217	811.444
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri AŞ	63.324	1.564
	1.067.956	**873.258**
Less: Non - accrued finance expenses	(7.443)	(2.921)
	1.060.513	**870.337**

Due to related parties generally have maturities less than 3 months(2010: Less than 3 months), and as of 31 December 2011, TL and foreign currencies denominated due to related parties are discounted using annual average interest rate of 10,08 % and LIBOR rates, respectively.

c) Bank deposits	**31 December 2011**	**31 December 2010**
Akbank T.A.Ş.		
- demand deposit	930.700	538.079
	930.700	**538.079**

d) Bank loans	**31 December 2011**	**31 December 2010**
Akbank T.A.Ş.	4.648.143	16.326.942
	4.648.143	**16.326.942**

e) Product purchases from related parties	**1 January - 31 December 2011**	**1 January - 31 December 2010**
Sasa Polyester Sanayi AŞ	33.226	184.944
	33.226	**184.944**

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f) Product sales to related parties	**1 January - 31 December 2011**	**1 January - 31 December 2010**
Hacı Ömer Sabancı Holding AŞ	20.735	18.627
Sasa Polyester Sanayi AŞ	4.086	2.081
Brisa Bridgestone Sabancı Lastik San. Tic. AŞ	-	2.544
Exsa Export Sanayi Mamulleri Satış ve Araştırma AŞ	700	840
Olmuksa International Paper Sabancı Ambalaj San. Tic. AŞ	1.280	1.878
Temsa ARGE ve Teknoloji AŞ	-	524
Temsa Global San. Tic. AŞ	6.775	5.824
Enerjisa Elektrik Enerjisi Toptan Satış AŞ	878	741
Enerjisa Enerji Üretim AŞ	5.964	5.711
Kordsa Global End. İplik Kord Bezi San. ve Tic. AŞ	-	5.202
Ak Finans Kiralama AŞ	-	111
Aksigorta A.Ş.	27.778	-
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri AŞ	3.260	8.400
Hacı Ömer Sabancı Vakfı	1.595	-
	73.051	**52.483**

g) Services received from related parties	**1 January - 31 December 2011**	**1 January - 31 December 2010**
Aksigorta AŞ	838.134	676.600
Hacı Ömer Sabancı Holding AŞ	1.028.464	904.530
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri AŞ	71.328	67.977
Avivasa Emeklilik ve Hayat AŞ	68.087	58.254
Exsa UK Limited	-	13.320
Yünsa Americas Inc.	151.916	84.571
Yünsa Germany Gmbh	1.535.316	1.103.621
Yünsa Italia S.R.L	574.717	229.377
Yünsa UK Limited	1.256.107	938.009
	5.524.069	**4.076.259**

h) Fixed asset purchases from related parties	**1 January - 31 December 2011**	**1 January - 31 December 2010**
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri AŞ	100.316	15.428
Teknosa İç ve Dış Ticaret A.Ş.	4.652	-
	104.968	**15.428**

i) Other income	**1 January - 31 December 2011**	**1 January - 31 December 2010**
Aksigorta AŞ	375.856	310
	375.876	**310**

j) Interest and foreign exchange income	**1 January - 31 December 2011**	**1 January - 31 December 2010**
Akbank T.A.Ş.	1.512.448	2.010.543
Exsa Export Sanayi Mamulleri Satış ve Araştırma AŞ	-	682
Sasa Polyester Sanayi AŞ	832	2.481
Aksigorta AŞ	2.224	8.431
	1.515.504	**2.022.137**

k) Interest and foreign exchange expenses	**1 January - 31 December 2011**	**1 January - 31 December 2010**
Exsa Export Sanayi Mamulleri Satış ve Araştırma AŞ	-	8.148
Akbank T.A.Ş.	4.174.012	2.207.800
Sasa Polyester Sanayi AŞ	436	1.067
Aksigorta AŞ	2.270	623
Hacı Ömer Sabancı Holding AŞ	733	673
	4.177.451	**2.218.311**

l) Rent expenses	**1 January - 31 December 2011**	**1 January - 31 December 2010**
Hacı Ömer Sabancı Holding AŞ	888.767	818.213
	888.767	**818.213**

m) Benefits and fringe benefits provided to board members and key management personnel	**1 January - 31 December 2011**	**1 January - 31 December 2010**
Wages and other short term benefits	1.952.181	1.894.379
Other long term benefits	24.684	22.284
	1.976.865	**1.916.663**

n) Other receivables from related parties	**31 December 2011**	**31 December 2010**
Yünsa Americas	-	50.386
Yünsa UK Limited	-	112.046
	-	**162.432**

NOTE 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 2011	**31 December 2010**
Total Liabilities	94.014.200	70.540.894
Less: Cash and cash equivalents	(1.772.414)	(729.228)
Net Debt	92.241.786	69.811.666
Total Shareholders' Equity	64.454.534	50.182.776
Total Capital	156.696.320	119.994.442
Equity/Debt ratio	**%59**	**%58**

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 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.

	Receivables						
Credit Risk of Financial Instruments	**Trade Receivables**		**Other Receivables**				
31 December 2010	**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)	12.057	52.101.617	162.432	71.774	719.642	-	-
-The part of maximum risk under guarantee with collateral etc.	-	18.287.648	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	12.057	51.280.239	162.432	71.774	719.642	-	-
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	-	821.378	-	-	-	-	-
- The part under guarantee with collateral etc.	-	300.225	-	-	-	-	-
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 guar antee 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 2011, TL 1.715.057 of trade receivables consists of credit card receivables and has a maturity of 3 months (31 December 2010: 1.060.516 TL).

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

	31 December 2011	**31 December 2010**
Overdue 1-30 days	1.026.525	-
Overdue 1-3 months	1.261.518	19.410
Overdue 3-12 months	404.560	368.252
Overdue 1-5 years	480.304	730.288
Total overdue receivables	**3.172.907**	**1.117.950**
The part under guarantee with collateral	2.429.850	300.225

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

	31 December 2011	31 December 2010
Export insurance	2.429.850	300.225
	2.429.850	**300.225**

b.2 Liquidity risk management

The Board of Directors is responsible for the liquidity risk management. The Company manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities through a constant monitoring forecast and actual cash flows, and matching the maturity profile of financial assets and liabilities.

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 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**

31 December 2010				
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	70.540.894	71.056.684	51.779.756	19.276.928
Trade payables	14.633.673	14.773.448	13.428.073	1.345.375
Other payables	590.762	590.762	590.762	-
Total liabilities	**85.765.329**	**86.420.894**	**65.798.591**	**20.622.303**

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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 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	**127.295.792**	**19.983.043**	**35.327.100**	**-**	**5.812.126**	**-**
26. Imports	**101.798.840**	**48.621.699**	**7.114.336**	**855.900**	**8.504**	**935.255**

31 December 2010	**TL Equivalent (Functional currency)**	**US Dollar**	**Euro**	**Yen**	**GBP**	**Other**
1. Trade Receivables	24.528.482	3.202.423	7.713.631	-	1.578.973	-
2a. Monetary Financial Assets (Cash, Banks included)	469.193	228.035	52.187	-	3.610	664
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. Current Assets (1+2+3)	**24.997.675**	**3.430.458**	**7.765.818**	**-**	**1.582.583**	**664**
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)	**24.997.675**	**3.430.458**	**7.765.818**	**-**	**1.582.583**	**664**
10. Trade Payables	7.022.404	2.376.298	1.552.481	-	15.603	79.200
11. Financial Liabilities	31.047.955	6.402.870	8.579.341	-	1.494.260	-
12a. Other Monetary Financial Liabilities	-	-	-	-	-	-
12b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-
13. Current Liabilities (10+11+12)	**38.070.359**	**8.779.168**	**10.131.822**	**-**	**1.509.863**	**79.200**
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)	**38.070.359**	**8.779.168**	**10.131.822**	**-**	**1.509.863**	**79.200**
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)	**(13.072.684)**	**(5.348.710)**	**(2.366.004)**	**-**	**72.720**	**(78.536)**
21. Net Foreign Currency Asset / Liability Position of Monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	**(13.072.684)**	**(5.348.710)**	**(2.366.004)**	**-**	**72.720**	**(78.536)**
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 2010	**93.752.043**	**12.312.506**	**30.373.814**	**-**	**6.436.470**	**-**
26. İmports 1 January -31 December 2010	**58.796.642**	**31.437.979**	**4.588.703**	**-**	**22.647**	**499.998**

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. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss. There is no equity effect.

	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**

	31 December 2010	
	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	(826.911)	826.911
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(826.911)	826.911
If Euro is appreciated against the TL by 10%		
4- Euro net asset / liability	(484.818)	484.818
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(484.818)	484.818
If GBP is appreciated against the TL by 10%		
7- GBP net asset / liability	17.370	(17.370)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7+8)	17.370	(17.370)
If CHF is appreciated against the TL by 10%		
10- CHF net asset / liability	(12.910)	12.910
11- Part of hedged from CHF risk (-)	-	-
12- CHF net effect (10+11)	(12.910)	12.910
TOTAL (3 + 6 +9+12)	**(1.307.269)**	**1.307.269**

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. Strategies are assessed regularly based on interest rate expectations and defined risk levels. The aim of assessments is to design an optimum hedging strategy and to review balance sheet positions and to control interest expenses for different level of interest rates.

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

Interest Rate Position Table		
	31 December 2011	**31 December 2010**
Floating Interest Rate Financial Instruments		
Financial Assets	-	-
Financial Liabilities	-	15.265.588

The Company management expects 1% of interest rate fluctuation and the rate also is used in the internal reporting to top management.

Based on the analysis calculated by the Company, 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 2011, the net income before tax of the Company would not increase/decrease. (31 December 2010: 152.656 TL).

NOTE 39 – FINANCIAL INSTRUMENTS (CONT'D)

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.

Fair value of financial instruments is determined by the Company in accordance with current market information and proper valuation methods. The Company's expectations are considered when assessing the market information. Therefore, the expectations disclosed herein may not directly represent any current market transaction value.

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.

Trade payables are carried at fair value.

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					
Cash and cash equivalents	1.772.414	-	-	1.772.414	6
Trade receivables	65.615.352	-	-	65.615.352	10
Due from related parties	43.755	-	-	43.755	37
Other receivables	53.488	-	-	53.488	11
Other receivables from related parties	-	-	-	-	37
Financial investments	-	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

31 December 2010	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	729.228	-	-	729.228	6
Trade receivables	52.101.617	-	-	52.101.617	10
Due from related parties	12.057	-	-	12.057	37
Other receivables	71.774	-	-	71.774	11
Other receivables from related parties	162.432	-	-	162.432	37
Financial investments	-	782.660	-	782.660	7
Financial liabilities					
Financial liabilities	-	-	70.540.894	70.540.894	8
Trade payables	-	-	13.763.336	13.763.336	10
Due to related parties	-	-	870.337	870.337	37
Other payables	-	-	590.762	590.762	11
		-			

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.

NOTES