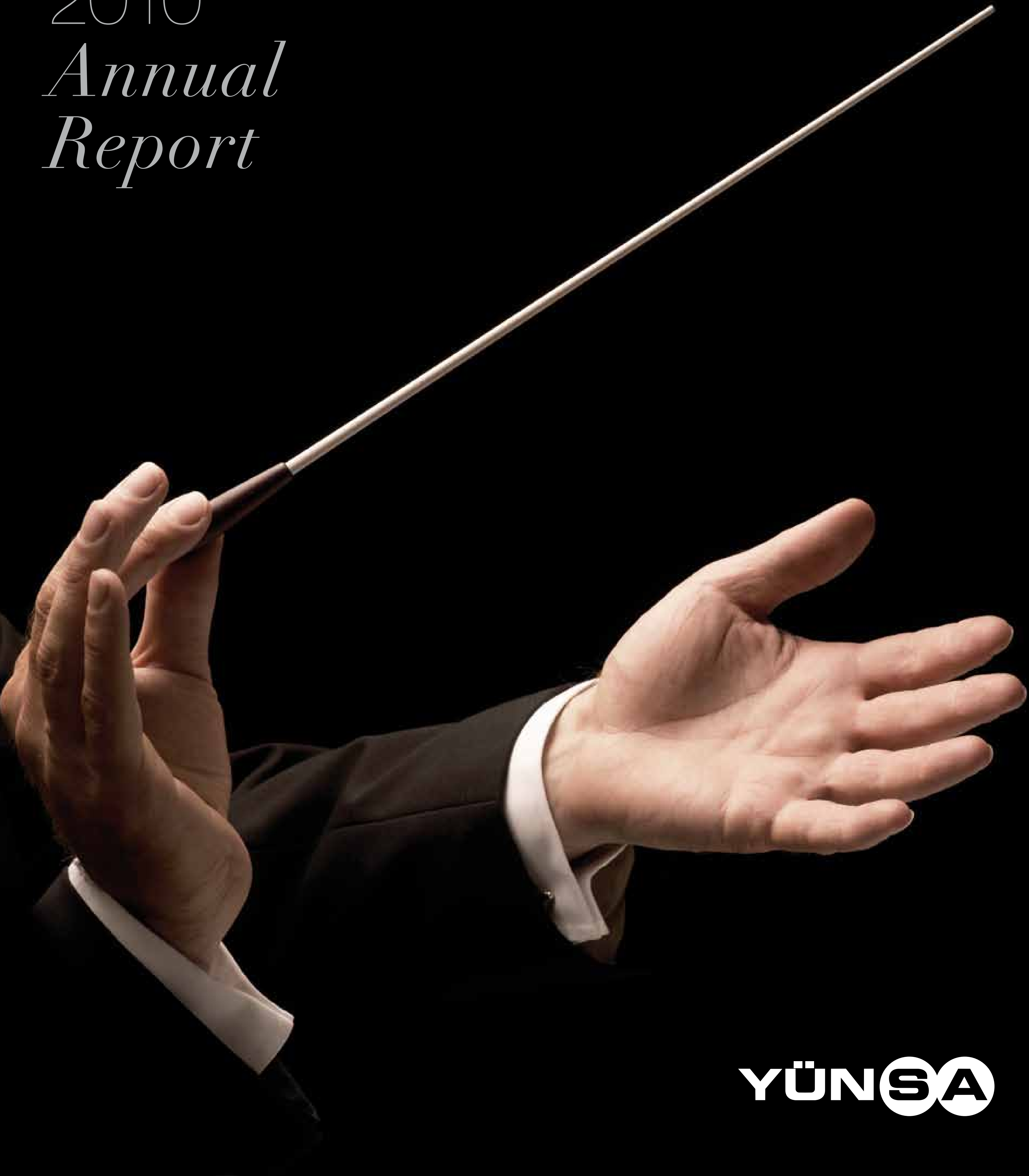
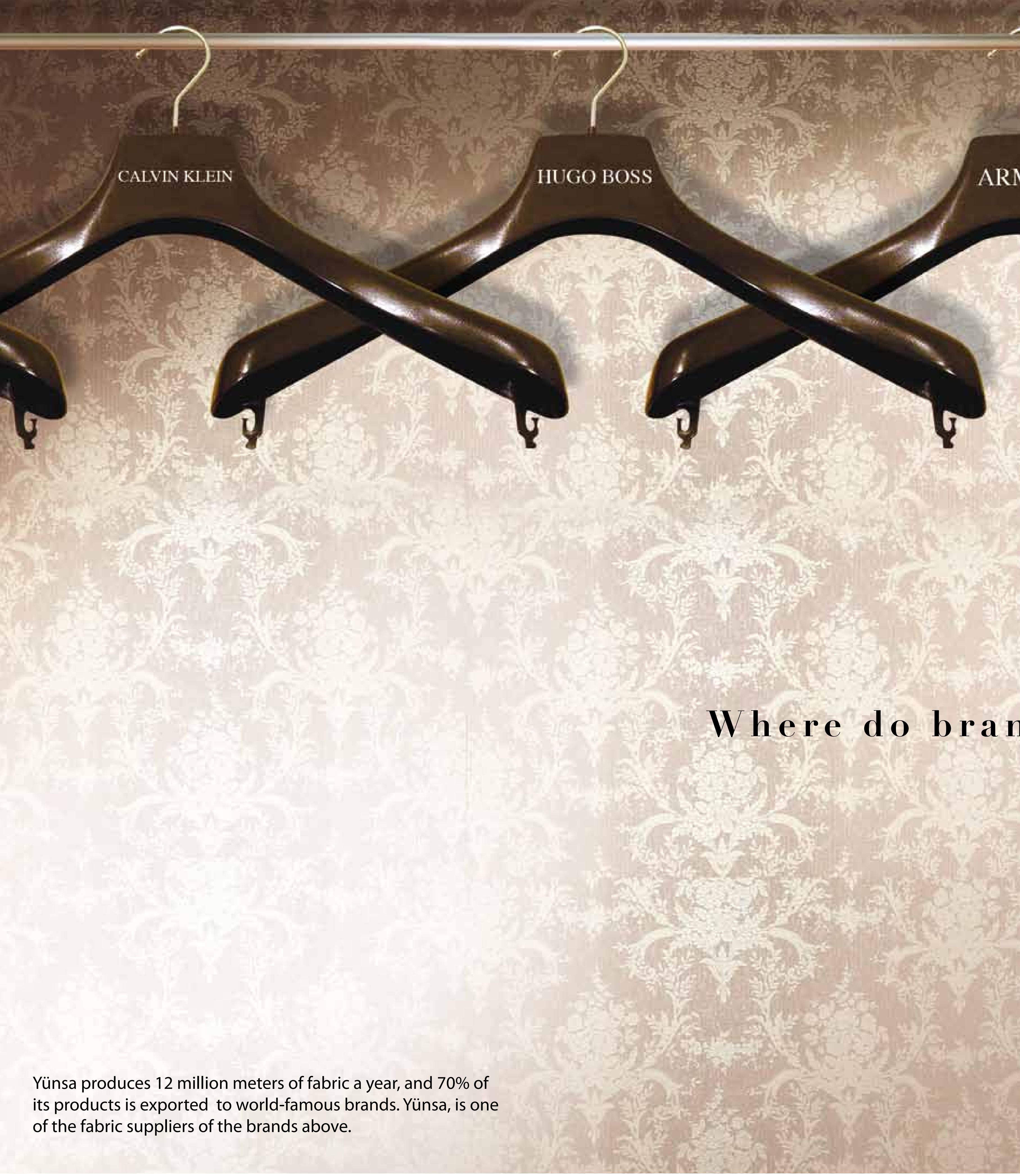
2010
Annual Report



YÜNSA



Where do bran

Yünsa produces 12 million meters of fabric a year, and 70% of its products is exported to world-famous brands. Yünsa, is one of the fabric suppliers of the brands above.


MAXMARA
DKNY
ds wear from?


Each year
is a new
symphony

Grown as the voices go contradictory,
inspired from their very multiplicity,
it celebrates a perfect harmony.
Native to this land, global to apprehend.

Contents

Agenda

Agenda of the General Assembly Meeting on April 15, 2011

1. Opening and setting up 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 and Auditors' Report for the year 2010
4. Disclosure to the shareholders regarding the donations made throughout the year
5. Presentation, discussion and approval of the Balance Sheet and Profit/Loss Statement for the year 2010; discussion and approval or rejection of the proposal concerning the distribution of profit
6. Approval of the Member of the Board of Directors who were appointed to fill the vacated positions during the year for the remaining period
7. Release of the Board of Directors and Auditors
8. Election of the new members of Board of Directors and Auditors and determination of their term of office
9. Determination of remuneration and attendance fees to be paid to the members of the Board of Directors and Auditors
10. Approval of the independent external auditors determined by the Board of Directors
11. Authorization of the Chairman and the members of the Board of Directors to perform transactions set forth in Articles 334 and 335 of the Turkish Commercial Code
12. Amendments of the Article 3rd, Article 6th and Article 11th of our Company's Articles of Associations as mentioned on the following pages

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

Old Text - *Objects& Business Line*

Article 3: D) COMMERCIAL ACTIVITIES

a) To produce, import, export and domestic trade of products relevant to its field of activity,

b) To purchase and import spare parts of the machinery, materials, raw and chemical materials relevant to its field of activity,

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

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

e) To execute long, medium, and short - term loan agreements both at home and from foreign markets, to obtain aval-and surety-based credits and, if and when need be, to establish mortgages on Company's movable and immovable properties, to put in commercial pledges, and to receive and redeem commercial pledges to be given by others in favour of the Company,

f) To acquire, operate, lease, rent, if required, sell and purchase all types of movable and immovable properties and intangible rights within the framework of its business line, to establish and register pledges in favor of Company on movable and immovable properties of others, and goods and rights having the provision of immovable property, if and when need be, to redeem or to acquire all types of rights on thereon,

g) For the realization of its purposes, to perform all types of financial, commercial, administrative disposals and activities, to establish companies and to participate in already established companies,

h) To provide representative office and agency services for insurance companies without any authorization to make out policy and to collect premium,

i) To make donations to universities, educational institutions, foundations, associations working for the public good, as well as to other similar persons and institutions, provided that such transactions would not generate those results which might be covered by last paragraph of article 15 of the Capital Market Law and that donations including those made during the year are declared to shareholders at the General Assembly Meeting and that necessary material events disclosures are duly made.

New Text - *Objects& Business Line*

Article 3: D) COMMERCIAL ACTIVITIES

a) To produce, import, export and domestic trade of products relevant to its field of activity,

b) To purchase and import spare parts of the machinery, materials, raw and chemical materials relevant to its field of activity,

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

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

e) To execute long, medium, and short - term loan agreements both at home and from foreign markets, to obtain aval-and surety-based credits and, if and when need be, to establish mortgages on Company's movable and immovable properties, to put in commercial pledges, and to receive and redeem commercial pledges to be given by others in favour of the Company,

f) To acquire, operate, lease, rent, if required, sell and purchase all types of movable and immovable properties and intangible rights within the framework of its business line, to establish and register pledges in favor of Company on movable and immovable properties of others, and goods and rights having the provision of immovable property, if and when need be, to redeem or to acquire all types of rights on thereon,

g) For the realization of its purposes, to perform all types of financial, commercial, administrative disposals and activities, to establish companies and to participate in already established companies,

h) To provide representative office and agency services for insurance companies without any authorization to make out policy and to collect premium,

i) To make donations to universities, educational institutions, foundations, associations working for the public good, as well as to other similar persons and institutions, provided that such transactions would not generate those results which might be covered by last paragraph of article 15 of the Capital Market Law and that donations including those made during the year are declared to shareholders at the General Assembly Meeting and that necessary material events disclosures are duly made.

j) Principles established within the framework of the Capital Market Legislation shall be applicable with respect to establishment by the Company of any guarantee, surety, security or encumbrances, including mortgage, in its own favour or in favour of 3rd parties.

Old Text - *Capital*

Article 6- The Company accepted registered capital system according to the provisions of Law nr. 2499 and adopted this system under authorization nr. 289 of the Capital Market Board issued on 3.5.1990.

The registered capital of the company is YTL 35.000.000, divided into 3.500.000.000 bearer shares each of 1 YKr par value.

The issued capital of the company is YTL 29.160.000.- fully paid and divided into 2.916.000.000 shares each of YKr 1 par value.

Of this capital, the part of YTL 1.093.450.- was paid in cash and the part of YTL 26.707.590,07.- was provided from fixed assets revaluation fund, the part of YTL 3.960,74 from participations revaluation fund, YTL 1.154.999,19.- from increased cost fund and shares issued in consideration of these amounts were distributed to shareholders of the company as bonus. The balance of YTL 200.000 was provided from the dividend of year 1995 that has been added to the capital pursuant to the resolution of the General Assembly of Shareholders passed on 29.03.1996.

Amounts of shares corresponding to capital subscribed for in cash will be paid in full and in cash at the time of subscription.

The Board of Directors is authorized to increase the issued capital by issuing bearer shares up to the top limit of the registered capital whenever considers necessary in accordance with the provisions of the Capital Market Law.

The Board of Directors may not decide to limit the right of shareholders to acquire new shares.

The par value of the shares, which was TL 1,000 formerly was amended as 1 New Kuruş (YKr) under the law for amending the Turkish Commercial Code nr. 5274. Due to this amendment the total number of shares was reduced and 1 share of 1 YKr will be given for each 10 shares each of TL 1,000. The rights of the shareholders arising from the shares they hold with respect to the said amendment are reserved.

Shares representing the capital will be traced in records under the principles of dematerialization.

New Text - *Capital*

Article 6- The Company accepted registered capital system according to the provisions of Law nr. 2499 and adopted this system under authorization nr. 289 of the Capital Market Board issued on 3.5.1990.

The registered capital of the company is TL 35.000.000, divided into 3.500.000.000 bearer shares each of 1 Kr par value.

The registered capital ceiling permit given by the Capital Market Board is valid for the years 2011 to 2015 (5 years). By the end of the year 2015, even if the permitted registered capital ceiling is not reached, it is obligatory to get authorization from the General Assembly for the new term after taking the permission from the Capital Market Board for the previously permitted ceiling or a new ceiling amount so that the Board of Directors can take the decision of capital increase after the year 2015. In case, the mentioned authority is not taken, then the Company shall be considered as out of the registered capital system.

The issued capital of the company is TL 29.160.000.- fully paid and divided into 2.916.000.000 shares each of Kr 1 par value.

Of this capital, the part of TL 1.093.450.- was paid in cash and the part of TL 26.707.590,07.- was provided from fixed assets revaluation fund, the part of TL 3.960,74 from participations revaluation fund, TL 1.154.999,19.- from increased cost fund and shares issued in consideration of these amounts were distributed to shareholders of the company as bonus. The balance of TL 200.000 was provided from the dividend of year 1995 that has been added to the capital pursuant to the resolution of the General Assembly of Shareholders passed on 29.03.1996.

Amounts of shares corresponding to capital subscribed for in cash will be paid in full and in cash at the time of subscription.

The Board of Directors, between 2011-2015, is authorized to increase the issued capital by issuing bearer shares up to the top limit of the registered capital whenever considers necessary in accordance with the provisions of the Capital Market Law.

The Board of Directors may not decide to limit the right of shareholders to acquire new shares.

Par value of the shares, which was TL 1.000 formerly was first amended as 1 New Kurus (YKr) under the law for amending the Turkish Commercial Code nr.5274 and then as 1 Kurus under the Decree of Council of Ministers, dated 4 April 2007 and nr 2007/11963, on elimination of the word “New” in New Turkish Lira and New Kurus, as of 1 January 2009. Due to this amendment total number of shares was reduced and, 1 share of 1 YKr (New) Kurus was given for each 10 shares with a par value of TL 1.000,-. The rights of the shareholders arising from the shares they hold with respect to the said amendment are reserved.

The expression of “Turkish Lira” in this Articles of Association was amended under the Decree of the Council of Ministers mentioned above.

Shares representing the capital will be traced in records under the principles of dematerialization.

Old Text - *Meetings of the Board of Directors*

Article 11- The Board of Directors shall meet whenever required by the business and operations of the Company provided that it be held once a month at least.

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

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

Old Text - *Meetings of the Board of Directors*

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

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

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

Letter from the Chairman

Distinguished Shareholders,

2010 has been a remarkable year since the global markets started to get out of the financial crisis. In many countries growth was higher than expected levels, thanks to policies that support the expansion of economic activities. In particular, "emerging economies" including Turkey, grew four times faster than the developed countries, which in turn confirms " bipolar trend in the new world economy". Despite these positive developments, the ongoing uncertainty on the strength to recover the economy and its very sustainability, require the firms to move cautiously about the future.

As the sector, we have already left the very difficult two years' period behind us and the new period we are now in, stands out with the positive improvements in the market. Whereas improvements have been observed in global markets, raw material prices have increased in parallel, and these resulted in increased prices by textile manufacturers and also led to difficulties in this process. However, the volatility of exchange rates and general economic uncertainties affecting all of the other elements of the economy, led inevitably to differences in the internal structuring of the sector.

Under these dynamic conditions, Yünsa has managed to protect its pioneer and leader position in the sector, never compromising on quality, with its competent and dynamic human resources adopting a customer focused approach.

In 2010, with our timely and accurate interpretation of the movements toward the market recovery as well as our strong capital structure, priority in quality, management philosophy, effective cash and productivity management, we showed significant improvements in our business results. The success of our company is reflected positively on our stock prices and a significant increase has been observed.

Although economic risks are still present in the global system, we expect that improvements in our industry will continue in 2011. As Yünsa, we will continue to develop our strategies and progress this year as well, by following proactive approaches in line with differing competition conditions in the textile sector. In the forthcoming period, R&D will still be one of the most important areas of our focus. In addition, while increasing our activity in new markets in the Far East significantly, we also target to strengthen our position in the European and US regions by growing faster than the sector.

On behalf of the Board of Directors, I would like to extend our thanks and appreciation to our employees for increasing the value of the name "Yünsa" with their self-sacrificing work and to our shareholders for their continuous support, finally, to our customers, suppliers and stakeholders for their trust in our company.

Mehmet Nurettin PEKARUN

Playing the same symphony in essence,
following different staves,

that is what, out of them, an orchestra makes.

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 the General Manager, Business Development, and then as the 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. 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 U.S. 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 the General Manager at Lafarge Ekmel Beton AŞ 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 the General Manager at Akçansa and he was appointed as the 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 has been working as the Chief of the Budget, Accounting and Consolidation Department at Sabancı Holding since June 1st, 2009.

Letter from the Chief Executive Officer

Dear Stakeholders,

In 2010, it was our priority to manage our corporate performance effectively, having focused on critical issues concerning the results of our operations and having harmonized our operations and organization with our strategies.

As of today, Yünsa is both the largest producer and exporter of worsted wool fabric. Our company is a leader of worsted wool fabric producers in Europe and ranks among the world's top five producers. In 2010, we have continued with our R&D activities and investments in this field unabated. In the next period, thanks to our developing R&D ability, we target to offer pioneering and high value-added products in our sector.

In 2010, while strengthening our strong marketing network further, besides our accelaration and ability in product creation, we also carried our design skill to the highest levels and thus reinforced our effective position in the textile sector.

In line with these developments;

- *Fabric sales in 2010 were realized as 10.9 million meters.*
- *Sales revenue increased by 15% compared to the previous year, and reached TL157 million.*
- *Exports in 2010 were USD 62 million.*
- *The investments in 2010 focused mainly in modernization and capacity increase and totaled approximately USD 4.2 million.*
- *As the result of all activities, as of the year end, our operating profit was TL 5.2 million.*

In 2010, we focused on new communications strategies and global communications targets both in Turkey and in international platforms. We aim at continuing our effective communication efforts, designed to share our leader position, differences and success stories.

When we look at our stock's performance in 2010, the twelve-month period when the İstanbul Stock Exchange 100 index increased by 25%, Yünsa shares appreciated by 78%.

In these early days of 2011, the upcoming elections, the base effect of the crisis getting slower and rapid rise of commodity prices appear to be factors slowing down the growth rate, all of which make us anticipate a lower growth and a stable year for our country. We expect that vulnerabilities such as the current account deficit and risks such as the debt crisis in Europe will prevail and solidity of economic dynamics will be tested during the year.

In 2011, we aim to grow by capturing the emerging conditions in the best way and entering new markets. While actualizing these targets, we will be still focusing on sustainable profitability, reassuring with our robust stance and creating value for all of our stakeholders.

I would like to extend our thanks and appreciation to our shareholders, employees and all stakeholders for their trust and support.

F. Cem ÇELİKOĞLU

We turned science into creativity, technology into fashion, creed into reality.

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 Financial 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.

Mehmet Emin ÇİĞDEM

Technical Coordination / R&D Director

Born in 1952, Mehmet Emin Çiğdem graduated from İstanbul Technical University, Department of Electronics and Communications Engineering. He has been working for our company since 17.02.1981. He was appointed as the Technical Coordination Director on 20.01.2003, and he has been holding the R&D Director position since 08.03.2010.

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.

Muhammet EKEN

Spinning Mill and Finishing Manager

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 01.03.2007.

Melik ERDİNÇ

Supply Manager

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

Serhat ÖDÜK

Marketing Manager

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

Gürhan AKINCIOĞLU

Dyeing Manager

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

Murat YILDIRIM

Quality Control Manager

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

Tamer TOK

Human Resources Manager

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

Ali Ozan GÜLŞENİ

Finance Manager

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

Gülden DOĞAN

Marketing Manager

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

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.

Fashion's fabric is again from Yünsa in 2010!

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

Yünsa not only strengthens its position in the industry day by day and increases profitability, on its journey leading to the world leader, but it also designates important initiatives and continues to invest for the future. In this context, Yünsa enters 2011 with new projects and as an institution that received "Turkey's 79th R&D Center" certificate by Ministry of Industry and Trade, and will continue to invest for sustainable growth.

As a presenter of its special collections to worldwide brands and designers in the world's leading fairs, Yünsa has been preparing all its new designs with local and foreign designers in design offices in Turkey and Italy.

Both within domestic borders and at international platforms, focusing on new communications strategies and global communication targets, Yünsa's customer-focused approach, sales and marketing strength, differentiation strategy and investment in the power of the collection have commonly brought its global success. 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. Since the second half of 2010, Yünsa has started executing efficient communication operations, to publicize its leadership position, diversity, and success stories in the woolen cloth industry to domestic and international markets. It is planned to be in full swing in parallel studies in 2011 as well.

Exporting to more than 60 countries worldwide

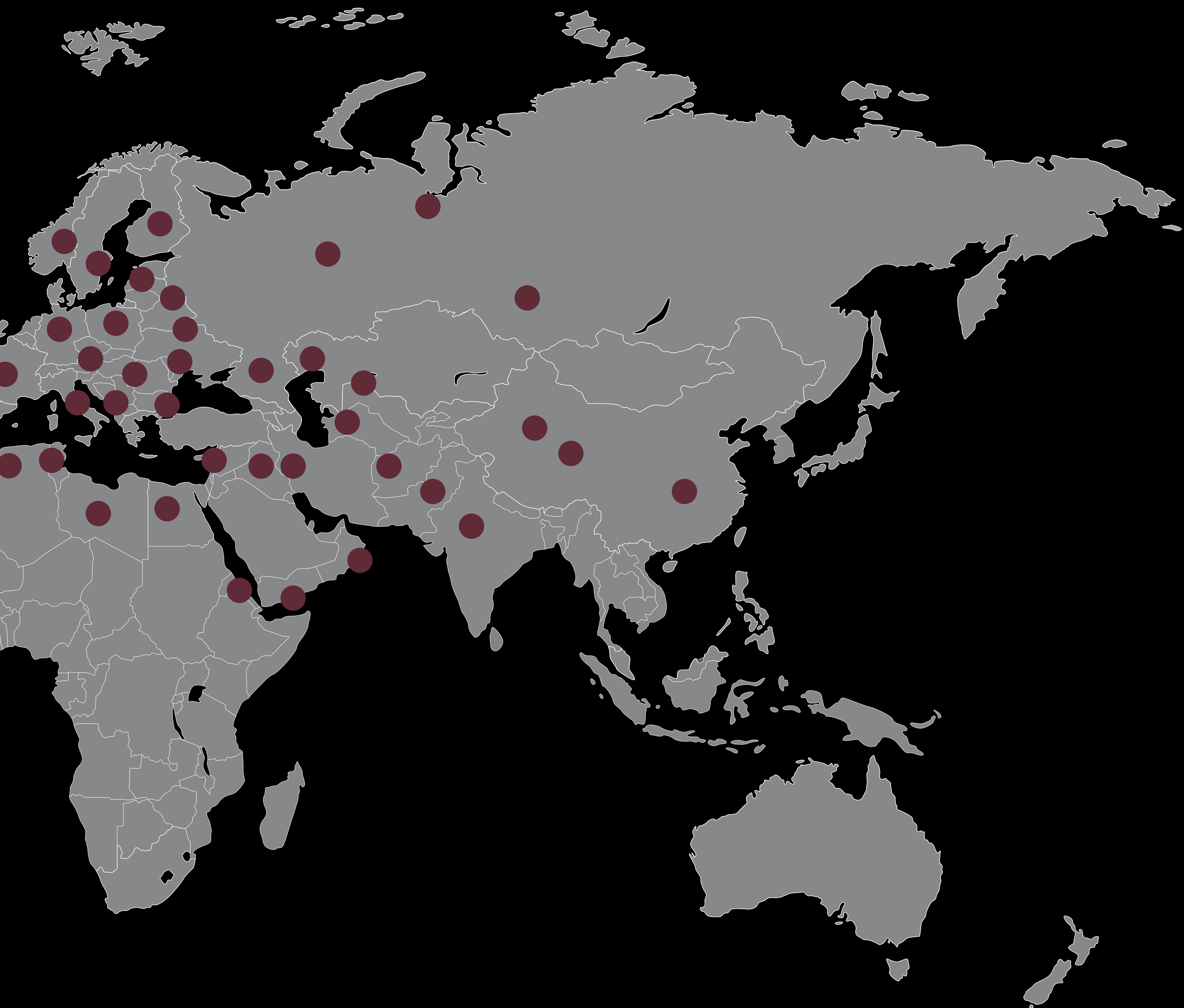
Sales Offices

Germany

England

USA

China



Representative Offices

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

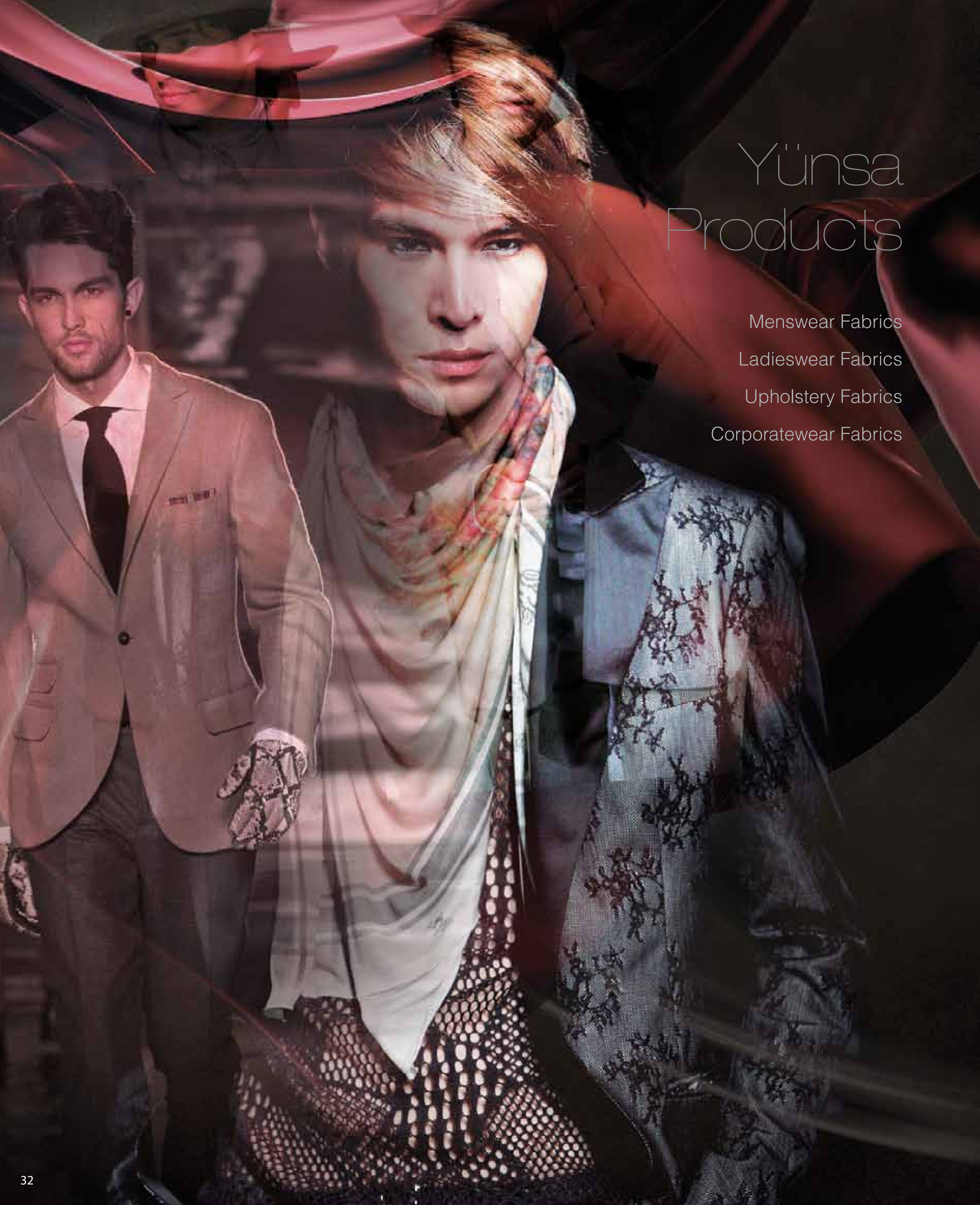
Yünsa Products

Menswear Fabrics

Ladieswear Fabrics

Upholstery Fabrics

Corporatewear Fabrics



Menswear Fabrics

Yünsa is playing a trend creator role by leading woolen & worsted fabric producer of menswear. We invest our knowledge & experience for supplying wide selection of fabric types considering continental diversities. Based on this idea, in each season two different collections are prepared for all customers by following key fashion terms of American & European trends.
Both two Yünsa collections comprise of suiting, pant & jacketing ranges in weight 220-360gr/mt.

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, cruise ship, and car upholstery)

Fabric compositions are as follows:

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

Corporatewear Fabrics

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 added value fabrics for each geographical market it serves.

Fabric compositions are as follows:

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

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

Research and Development

In the hands of the musician are many tunes, inspired by the muse, he can million times recompose. Full of effort, each and every melody reflects emotional integrity.

Yünsa does not limit its investments to increasing 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 to create a culture of continuous innovation and to lead the industry in the development of new technologies, started to work on 25.10.2010.

With Yünsa R&D Center, it is aimed to create product development projects, that are said to be first in the sector, as well as cost cutting and productivity-enhancing technologies.

Focused on sustainable growth within the framework of a production system, it is thought that the R&D Center will have very important contributions in lower energy consumption and development of new innovative methods that are also sensitive to the environment.

In 2010, 25 R&D projects including 6 with publicly supported projects were started and the results of these projects are planned to be received in 2011.

Environmental Policy

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

CDP (Carbon Disclosure Project)

Yünsa, within the scope of the Carbon Disclosure Project with its center in London, announced to the world, for the first time, its carbon emission amount in a transparent manner. In 2010, only 11 companies from Turkey participated in this practice, Yünsa as a first in the textile sector demonstrated a leading stance in this regard.

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 2010. 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. Periodic auditing operations of these firms were also made in 2010 on a regular basis.

Natural Resource Use

In order to minimize the use of natural resources, Yünsa conducts "6 Sigma" and "Improvement Circle" projects and reduces the consumption of natural resources. As a result, 26% water saving in finishing mill, 50% reduction of electricity in weaving mill, 33%savings in chemical use in finishing operations have been realized.

Indebted to nature, for offering us such a treasure.

Environmental Training

Under the title "Single Point Training" environmental awareness training was continued in 2010 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 allocated. In the "Good Morning Quality Meetings" environmental issues are being reviewed on a daily basis and relevant actions are taken.

Community Satisfaction

In order to measure Yünsa's effects on society and the environment, a "Community Satisfaction Survey" is held on a regular basis, each year in July.

Sales

The applause we get at the end of the year, carries our success beyond any number.

Yünsa, as Turkey's and Europe's largest worsted wool and fabric producer and exporter, ranks among the world's top five producers of woolen fabric with its vision, high product quality, sectoral position, customer-oriented approach, flexibility in production, collection and sales and marketing force. In customer satisfaction surveys conducted in 2010, Yünsa detached from its competitors in terms of succesful customer relations, service quality, timely delivery performance, pricing approach.

For companies to survive in today's rapidly changing competitive environment, reaching new customers, adopting high-tech approaches to adaptation and use has become mandatory. Yünsa, offering their own designs to the world's leading fashion brands with its own design team, entered the China and Brazil markets in 2010 in line with the strategy to reach markets and new customers with fast and innovative products.

Within the framework of long-term profitability and sustainability-oriented strategies, in 2010 it was focused on serving the top segment customers and developing appropriate products for this segment. For this purpose, product developments of the "Crystal Line" fabric segment have been completed.

Yünsa has integrated a rich textile culture in its structure and works with more than 400 customers around the world, thanks to its strong international network. Exporting to more than 60 countries, the company has sales offices in United Kingdom, Germany, United States and China and agents in many different countries. In 2010, Yünsa left behind the impacts of the economic crisis and increased its market share in Germany, France and USA.

The consolidated turnover of Yünsa reached TL 157 million in 2010.

In 2010, fabric sales reached 10.879 km, and the sales turnover of the fabrics exported to many countries reached 6,890 km in 2010. The company exports 63.3 % of its fabric production and sells 36.7 % of its production to the domestic market.

Activities

A. Investments

Developments in investments

In 2010, investments worth USD 2.090.910 were made for domestic and imported goods' subsidized investments in accordance with the Investment Subsidy Certi ficate number B 95428, dated 30.07.2010 and granted by the Subsidy and Implementation Department of the State Planning Organization.

Taking into consideration other unsubsidized investments, the company's investments reached approximately US$ 4,2 million on a US Dollar basis and TL 6.3 million on a Turkish Lira basis in 2010.

Investment Incentives

In 2010, the company benefited from the subsidies such as customs exemption, VAT exemption, and tax and duty exemptions in accordance with its subsidy certificate.

In 2010, Yünsa also benefited from tax exemptions and project-based incentives related with R&D Center.

Project based incentives included support received from The Scientific and Technological Research Council of Turkey (TÜBİTAK) under the Technology and Innovation Funding Programs Directorate (TEYDEB) and under the Ministry of Trade and Industry, Industry Thesis Program (SAN-TEZ).

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

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

In 2010, Yünsa also benefited from tax exemptions and project-based incentives related with the R&D Center.

B. Activities regarding the production of goods and services

1. Capacity utilization and progress

In 2010, the capacity use of our production lines was as follows:

	2010	Annual Change
Worsted yarn	% 98	(+) % 18,0
Fabric	% 95	(+) % 13,0

2. Improvements in finished-product production

		2010	Annual Change
Worsted Yarn	tons	3,029	(+) % 29,8
Fabric	km	11,738	(+) % 29,2

3. Sales volumes of finished products

		2010	Annual change
Fabric	km	10,879	(+) % 21,6
Domestic market	km	3,989	(+) % 16,5
Exports	km	6,890	(+) % 24,7

Breakdown of net fabric sales in 2010:

		2010
Textile	(TL)	146.811.661
Ready- to- wear	(TL)	10.345.126

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.

Auditors’ Report Summary

March 11, 2011

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	: Bahadır BORAN, 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 taken	: There are no complaints or irregularities.

We have examined the records and transactions of YÜNSA YÜNLÜ SANAYİ ve TİCARET AŞ for the period 01.01.2010 – 31.12.2010 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, 2010 fairly represents the financial position of the company at this date and the income statement for the period 01.01.2010 – 31.12.2010 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

Bahadır BORAN	Levent DEMİRAĞ	Soner AKKAYA

Corporate Governance Principles Compliance Report

1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Yünsa AŞ was in compliance with the "Corporate Governance Principles" issued by the Capital Markets Board of Turkey(CMB) during the period January 01,2010-December 31,2010.

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 (Phone: 0212 385 87 00 Fax: 0212 282 50 68 e-mail: airtis@yunsa.com) who reports to the Financial Affairs Department.

In 2010, 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 2010 was announced to the shareholders with a notice in the Commercial Registry Gazette and one of the national newspapers. Shareholders representing 64.25% 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 2009 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 2010, our Company has made 14 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 listed in foreign 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 puslished 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 quality, environmental, job security, performance evaluation, self evaluation, communication, improvement and excellence meetings as well as various project groups and questionaries for business life evaluation.

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,
- 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 2010.

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's priority in its activities is as follows; workers health and work safety, environment and quality. 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 Forestry.

As a first in the sector, Yünsa participated in the carbon disclosure project in 2010 and disclosed its greenhouse gas emissions to investors and to the public.

Our plant treats its waste waters in order to prevent the pollution of above- and underground waters.

In addition, 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 2010 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 metres under reforestation projects to contribute to a better future.

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.

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 2010, the Company's Board of Directors held a total of 24 meetings; 12 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 once a month. 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 2010, 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 2010.

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

In 2010, 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 2010. 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 2010, 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 2010 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 2010, 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 notes.

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 AŞ as of 31 December 2010, 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, 11 March 2011

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

Gaye Şentürk
Partner

	Notes	Current Period (Audited) 31 December 2010	Prior Period (Audited) 31 December 2009
ASSETS			
Current Assets		**97.602.444**	**83.614.827**
Cash and Cash Equivalents	6	729.228	2.005.689
Trade Receivables	10	52.113.674	44.651.018
- Trade Receivables from Related Parties	37	12.057	224.421
- Other Trade Receivables	10	52.101.617	44.426.597
Other Receivables	11	234.206	240.608
- Other Receivables from Related Parties	37	162.432	114.647
- Other Receivables	11	71.774	125.961
Inventories	13	39.929.516	34.576.404
Other Current Assets	26	4.595.820	2.141.108
Non-Current Assets		**46.118.307**	**45.021.941**
Financial Investments	7	782.660	782.660
Property, Plant and Equipment	18	43.238.877	42.199.145
Intangible Assets	19	103.984	78.021
Deferred Tax Assets	35	1.980.168	1.946.535
Other Non-Current Assets	26	12.618	15.580
TOTAL ASSETS		**143.720.751**	**128.636.768**

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

		Current Period (Audited)	Prior Period (Audited)
	Notes	**31 December 2010**	**31 December 2009**
LIABILITIES			
Short Term Liabilities		**89.061.762**	**79.249.361**
Financial Borrowings	8	70.540.894	64.004.256
Trade Payables	10	14.633.673	10.894.681
- Trade Payables due to Related Parties	37	870.337	837.350
- Other Trade Payables	10	13.763.336	10.057.331
Other Payables	11	590.762	774.937
Current Tax Liability	35	-	160.062
Provisions for Employee Benefits	24	911.131	1.212.438
Other Short Term Liabilities	26	2.385.302	2.202.987
Long Term Liabilities		**4.476.213**	**4.425.717**
Provisions for Employee Benefits	24	4.476.213	4.425.717
SHAREHOLDERS' EQUITY		**50.182.776**	**44.961.690**
Equity attributable to equity holders of the parent		**50.182.776**	**44.961.690**
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	2.928.435
Retained Earnings	27	(17.893.696)	(12.814.329)
Net Profit/(Loss) for the Year		5.221.086	(5.063.239)
Non Controlling Interest	**27**	**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**143.720.751**	**128.636.768**

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

Statement of Income for the Year Ended 31 December 2010

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

	Notes	Current Period (Audited) 1 January - 31 December 2010	Prior Period (Audited) 1 January - 31 December 2009
CONTINUED OPERATIONS			
Sales Revenue (net)	28	157.156.787	136.441.066
Cost of Sales (-)	28	(119.924.046)	(103.671.402)
GROSS PROFIT / LOSS		**37.232.741**	**32.769.664**
Marketing, Sales and Distribution Expenses (-)	29	(17.813.676)	(19.288.574)
General Administration Expenses (-)	29	(6.002.490)	(7.034.626)
Research and Development Expenses (-)	29	(3.301.240)	(3.068.396)
Other Operating Income	31	1.674.427	2.113.408
Other Operating Expenses (-)	31	(1.448.006)	(3.922.503)
OPERATING PROFIT		**10.341.756**	**1.568.973**
Finance Income	32	8.395.498	11.436.165
Finance Expense (-)	33	(13.549.801)	(19.465.734)
PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUED OPERATIONS		**5.187.453**	**(6.460.596)**
Tax Income/(Expenses) From Continued Operations	**35**	**33.633**	**(405.843)**
- Current Tax Income/(Expenses)		-	(551.073)
- Deferred Tax Income		33.633	145.230
PROFIT/(LOSS) FROM CONTINUED OPERATIONS		**5.221.086**	**(6.866.439)**
PROFIT/(LOSS) FOR THE YEAR		**5.221.086**	**(6.866.439)**
Distribution of Profit/(Loss) for the Year			
Non Controlling Interest	27	-	(1.803.200)
Equity Holders of the Parent		5.221.086	(5.063.239)
Earnings/(Loss) Per Share	**36**	**0,179**	**(0,174)**

Statement of Comprehensive Income for the Year Ended 31 December 2010

	Notes	Current Period (Audited) 1 January - 31 December 2010	Prior Period (Audited) 1 January - 31 December 2009
PROFIT/(LOSS) FOR THE YEAR		**5.221.086**	**(6.866.439)**
Other Comprehensive Income		-	-
OTHER COMPREHENSIVE INCOME (AFTER TAXATION)		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		**5.221.086**	**(6.866.439)**
Distribution of Other Comprehensive Income/(Loss)			
Non Controlling Interest	27	-	(1.803.200)
Equity Holders of the Parent		5.221.086	(5.063.239)

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

Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2010

(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	Retained Earnings	Net Profit / (Loss)	Equity Attributable to Equity Holders of the Parent	Non Controlling Interest	Total Shareholders' Equity
1 January 2009	**27**	**29.160.000**	**30.657.866**	**92.957**	**2.674.504**	**9.865.760**	**(22.426.158)**	**50.024.929**	**-**	**50.024.929**
Transfers to restricted reserves		-	-	-	253.931	-	(253.931)	-	-	-
Transfers to retained earnings		-	-	-	-	(22.680.089)	22.680.089	-	-	-
Acquisition of subsidiary		-	-	-	-	-	-	-	1.803.200	1.803.200
Total comprehensive loss		-	-	-	-	-	(5.063.239)	(5.063.239)	(1.803.200)	(6.866.439)
31 December 2009	**27**	**29.160.000**	**30.657.866**	**92.957**	**2.928.435**	**(12.814.329)**	**(5.063.239)**	**44.961.690**	**-**	**44.961.690**
1 January 2010	**27**	**29.160.000**	**30.657.866**	**92.957**	**2.928.435**	**(12.814.329)**	**(5.063.239)**	**44.961.690**	**-**	**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	-	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**	**-**	**50.182.776**

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

Statement for the Cash Flow for the Year Ended 31 December 2010

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

	Notes	1 January- 31 December 2010	1 January – 31 December 2009
Cash flows from operating activities			
Net profit/(loss) for the year	27	5.221.086	(5.063.239)
Adjustments to reconcile net income/(loss) to net cash from operating activities			
Non controlling interest's share of period loss	27	-	(1.803.200)
Amortization and depreciation	18-19	5.984.930	6.181.639
Taxes	35	(33.633)	405.843
Provision for employment termination benefits	24	1.067.689	1.332.441
Provision for short term employee benefits	24	(301.307)	126.520
Interest income	32	(84.412)	(1.546.344)
Interest expenses	33	4.082.404	8.828.407
Gain on sale of fixed assets	31	(22.322)	(553.401)
Discount on receivables	10-37	53.141	(601.890)
Discount on payables	10-37	(56.968)	5.603
Changes in provision for impairment of inventory	13	(1.854.955)	(834.731)
Provision for doubtful receivables	31	-	816.786
Write off of fixed asset for closed down stores		155.173	-
Net cash before changes in operating assets and liabilities		**14.210.826**	**7.294.434**
(Increase)/decrease in trade receivables		(7.509.395)	11.179.985
(Increase)/decrease in inventories		(3.498.157)	8.790.117
(Increase)/decrease in other current assets		(1.433.107)	937.657
Decrease/(increase) in other long-term assets	26	2.962	(15.580)
Increase/(decrease) in trade payables	10	3.795.960	(3.532.746)
Decrease in other short term liabilities	11-26	(1.860)	(787.309)
Cash provided by activities		**5.567.229**	**23.866.558**
Taxes paid	35	(1.181.667)	(678.332)
Employment termination benefits paid	24	(1.017.193)	(1.109.870)
Net cash provided by operating activities		**3.368.369**	**22.078.356**
Investing activities			
Purchase of property, plant and equipments	18	(7.136.109)	(2.628.064)
Purchase of intangible assets	19	(69.689)	(48.389)
Proceeds from sale of property, plant and equipment		22.322	1.083.056
Interests received	32	84.412	1.546.344
Net cash used in investing activities		**(7.099.064)**	**(47.053)**
Financing activities			
Changes in bank loans		7.161.692	(13.268.859)
Contributions of non-controlling interest for capital increase in subsidiary		-	1.803.200
Interests paid		(4.707.458)	(9.700.697)
Net cash provided by/(used in) financing activities		**2.454.234**	**(21.166.356)**
Net (decrease)/increase in cash and cash equivalents		(1.276.461)	864.947
Cash and cash equivalents at the beginning of the year	**6**	**2.005.689**	**1.140.742**
Cash and cash equivalents at the end of the year	**6**	**729.228**	**2.005.689**

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 2010 is 1.393 (31 December 2009: 1.104).

The Company's registered office address is:

Sabancı Center
Kule 2, 34330 4.Levent
İSTANBUL

As of 21 December 2010, the Company has finalized the liquidation process of its subsidiary, SKT Giyim Sanayi ve Ticaret AŞ, by the completion of legal formalities as required by the Turkish Commercial Code and Corporate Tax Law. As of 31 December 2011, the Company prepares its "individual financial statements" in accordance with the Capital Market Board Communiqué "Capital Market Accounting Standards".

Approval of financial statements:
The consolidated financial statements are authorized for issue by the Board of Directors as of 11 March 2011.

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

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

Unless the differences between the International Financial Reporting Standards ("IASs/IFRSs") as endorsed by the European Union are announced by the Turkish Accounting Financial Reporting Standards, financial statements will be prepared in accordance with IASs/IFRSs under the scope of Communiqué Serial: XI, No: 29. 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.

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

Functional Currency

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

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, but if the changes in accounting estimates are related to following periods, changes are applied both in the current and following periods prospectively. The Company has no significant changes to the accounting estimates in the current period.

Significant accounting errors are corrected retrospectively and prior year financial statements are restated.

2.6 Adoption of New and Revised International Financial Reporting Standards

The below new and revised standards have been applied by the entity and have had effects on the reported balances in the financial tables and the explanations made. The standards that have been applied on the financial tables, but have had no effects on the reported balances, have also been presented in the following parts of the section.

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

None.

(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 standards

IFRS 3 (revised), "Business Combinations" and consequential amendments to IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investments in Associates", and IAS 31, "Interests in Joint Ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. These applications are not relevant to the Company, as it prepares its individual financial statements.

IFRIC 17, "Distributions of Non-Cash Assets to Owners", effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Company, as it has not made any non-cash distributions.

IFRIC 18, "Transfers of Assets from Customers", effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Company, as it has not received any assets from customers.

"Additional Exemptions for First-time Adopters" (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Company, as it is an existing IFRS preparer.

IFRS 2, "Share-based Payments – Company Cash-settled Share Payment Arrangements" is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Company, as the Company does not have share-based payment plans.

Amendments to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (as part of Improvements to IFRSs issued in 2008) clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Company is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Company will retain a non-controlling interest in the subsidiary after the sale.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/interpretations as follows: IFRS 2 Share-based Payments, IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements, IAS 17 Leases, IAS 18 Revenue, IAS 36 Impairment of Assets, IAS 38 Intangible Assets, IAS 39 Financial Instruments: Recognition and Measurement, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 16 Hedges of Net Investment in a Foreign Operation. The effective dates vary standard by standard but most are effective 1 January 2010.

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

IFRS 1 (amendments) *First-time Adoption of IFRS – Additional Exemptions and Two Other Amendments*

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

On 20 December, IFRS 1 is amended to;

- provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs.
- provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

The amendment above will be effective for annual periods beginning on or after 1 July 2011. These amendments are not relevant to the Company, as it is an existing IFRS preparer.

IFRS 7 *"Financial Instruments: Disclosures"*

In October 2010, IFRS 7 Financial Instruments: Disclosures is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions is undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IFRS 9 *"Financial Instruments: Classification and Measurement"*

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Company has not had an opportunity to consider the potential impact of the adoption of this standard.

IAS 12 *"Income Taxes"*

In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be , be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 24 (Revised 2009) ***"Related Party Disclosures "***

In November 2009, IAS 24 "Related Party Disclosures" was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 32 (Amendments) ***Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements***

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Company has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

IFRIC 14 (Amendments) ***Pre-payment of a Minimum Funding Requirement***

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made. The Company does not expect any impact of the adoption of this amendment on the financial statements.

IFRIC 19 ***Extinguishing Financial Liabilities with Equity Instruments***

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Company has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/interpretations as follow: IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 3 Business Combinations; IFRS 7 Financial Instruments: Disclosures; IAS 27 Consolidated and Separate Financial Statements; IAS 34 Interim Financial Reporting and IFRIC 13 Customer Loyalty Programmes. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments is allowed. The Company has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

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 valued at the lower of cost or net realizable value. Cost elements included in inventories comprise all costs of materials purchased, labor and an appropriate amount for factory overheads. The cost of inventories is determined on a weighted average basis. Net realizable value is the estimate of the selling price in the ordinary course of business, less costs of completion and selling expenses.

d) Financial Instruments

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

Cash and cash equivalents

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

Financial liabilities

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

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

• Financial liabilities at FVTPL

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

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

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

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

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.

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

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.

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). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Company and its subsidiary, 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.

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.

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) 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 268.579 (31 December 2009: TL 2.123.534) 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, 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 in its subsidiary since it may not probable to recover the deferred tax assets in its subsidiary.

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.

Provisions

Legal provisions are funded based on the opinions and recommendations of the Company's legal advisors on the possibility losing related lawsuits and their outcomes, and the Company management uses its best estimates by using its own data and discloses required provisions in Note 22.

NOTE 3 - BUSINESS COMBINATIONS

None (2009: None).

NOTE 4 - AFFILIATES

None (2009: 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 2010, TL 25.578.738 of the Company's revenue is obtained from a non-related Company customer (31 December 2009: TL 17.740.210) and such sales are presented under the textile segment.

The total of Company's internal external sales amounts to TL 63.404.744 and TL 93.752.043, respectively (31 December 2009: TL 55.054.503 – internal sales, TL 81.386.563 – external sales).

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

	1 January – 31 December 2010	1 January – 31 December 2009
Germany	25.553.834	18.825.407
Free Zone	12.957.745	13.326.467
Egypt	7.609.221	5.181.039
United Kingdom	7.017.036	8.136.271
France	4.966.947	4.701.374
Spain	3.045.626	4.005.520
Romania	2.689.358	1.722.306
Lithuania	2.622.366	1.797.851
Thailand	2.007.324	1.233.156
China	1.837.790	592.958
Iran	1.425.539	882.974
Switzerland	1.364.800	711.705
Canada	1.322.118	809.180
Portugal	1.103.171	2.615.950
Slovakia	1.085.459	443.480
Bulgaria	963.249	437.033
Hungary	823.725	1.250.940
U.S.A.	770.685	339.597
Holland	720.997	1.046.420
Malta	672.427	249.463
Italia	632.574	761.064
Russia	215.974	720.475
Other	12.344.078	11.595.933
Total	**93.752.043**	**81.386.563**

a) External revenue	**31 December 2010**	**31 December 2009**
Textile	146.811.661	128.293.972
Ready-to-wear clothing	10.345.126	8.147.094
	157.156.787	**136.441.066**

b) Segment assets	**31 December 2010**	**31 December 2009**
Textile	138.679.539	161.489.417
Ready-to-wear clothing	5.041.212	3.405.574
Total segment assets	**143.720.751**	**164.894.991**
Unallocated assets (-)	-	(34.912.660)
Less: Intersegment eliminations (-)	-	(1.345.563)
Total assets per consolidated financial statements	**143.720.751**	**128.636.768**

c) Segment liabilities	**31 December 2010**	**31 December 2009**
Textile	93.071.624	82.825.060
Ready-to-wear clothing	466.351	1.720.793
Total segment liabilities	**93.537.975**	**84.545.853**
Unallocated liabilities	-	-
Less: Intersegment eliminations (-)	-	(870.775)
Total liabilities per consolidated financial statements	**93.537.975**	**83.675.078**

d-1) 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**

d-2) Segment analysis from 1 January – 31 December 2009:

	Textile	Ready-to-wear clothing	Intersegment eliminations	Total
Sales revenue	129.359.815	11.706.976	(4.625.725)	136.441.066
Cost of sales	(99.449.425)	(9.415.028)	5.193.051	(103.671.402)
Gross profit	**29.910.390**	**2.291.948**	**567.326**	**32.769.664**
Marketing, sales, distribution expenses	(14.794.154)	(4.494.420)	-	(19.288.574)
General administration expenses	(5.913.564)	(1.121.062)	-	(7.034.626)
Research and development expenses	(3.068.396)	-	-	(3.068.396)
Other operating income/profit	1.785.017	328.391	-	2.113.408
Other operating expenses/losses	(1.868.369)	(2.054.134)	-	(3.922.503)
Segment results	**6.050.924**	**(5.049.277)**	**567.326**	**1.568.973**

e) Capital expenditures	**31 December 2010**	**31 December 2009**
Textile	6.975.923	2.235.540
Ready-to-wear clothing	229.875	440.913
	7.205.798	**2.676.453**

f-1) 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**

f-2) Non-cash expenses (1 January – 31 December 2009):

	Textile	**Ready-to-wear clothing**	**Total**
Depreciation and amortization	5.881.034	300.605	6.181.639
Provision for employee benefits	1.212.069	246.892	1.458.961
	7.093.103	**547.497**	**7.640.600**

NOTE 6 – CASH AND CASH EQUIVALENTS

	31 December 2010	**31 December 2009**
Banks		
- Demand deposits	719.642	1.999.814
Other	9.586	5.875
	729.228	**2.005.689**

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

NOTE 7 – FINANCIAL INVESTMENTS

	2010		2009	
	(%)	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 2010		31 December 2009	
	Weighted average of annual effective interest rate %	TL	Weighted average of annual effective interest rate %	TL
Short-term bank loans				
TL	6,89	39.485.000	8,43	38.476.170
Euro	2,40	17.529.026	5,91	13.877.184
US Dollars	2,37	9.863.480	4,63	7.385.459
GBP	3,12	3.559.014	4,61	3.536.015
		70.436.520		**63.274.828**
Interest accrual		104.374		729.428
		70.540.894		**64.004.256**

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

NOTE 9 - OTHER FINANCIAL LIABILITIES

None (2009: None).

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables	**31 December 2010**	**31 December 2009**
Trade receivables	46.121.422	41.413.789
Receivables from related parties (Note: 37)	12.243	828.970
Notes receivables	6.551.261	5.503.582
	52.684.926	**47.746.341**
Less: Non accrued finance income (-)	(274.680)	(220.080)
Less: Allowance for doubtful receivables from related parties (-)	-	(602.904)
Less: Allowance for doubtful trade receivables (-)	(296.572)	(2.272.339)
Trade receivables, net	**52.113.674**	**44.651.018**

Average maturity of trade receivables is generally less than 4 months (2009: Less than 4 months) and as of 31 December 2010, TL and foreign currency trade receivables are discounted by using annual 6,38 % and LIBOR rates, respectively.

As of 31 December 2010, TL 296.572 (31 December 2009: TL 2.875.243) of trade receivables is accounted for as doubtful receivables and the Company has provided an allowance for doubtful receivable for the related amount. Allowance for doubtful receivables is determined by referring to past default experience. In order to minimize risks associated with doubtful receivables, the Company limits the counterparty credit risk and, where needed, receives guarantees in return for the goods sold. Collection risks mainly arise from trade receivables. Trade receivables have been evaluated based on the Company policies and procedures and presented in the balance sheet at net value after deducting allowance for doubtful receivables.

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

	31 December 2010	**31 December 2009**
As of 1 January	2.875.243	2.325.137
Additions	-	816.786
Collections	-	(266.680)
Write off of doubtful receivables	(2.578.671)	-
31 December	**296.572**	**2.875.243**

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

Short term trade payables	**31 December 2010**	**31 December 2009**
Due to abroad suppliers	6.348.709	6.489.597
Due to domestic suppliers	5.045.105	1.867.502
Business and service payables	2.506.376	1.780.546
Due to related parties (Note: 37)	873.258	840.057
	14.773.448	**10.977.702**
Less: Non accrued finance expenses (-)	(139.775)	(83.021)
	14.633.673	**10.894.681**

As of 31 December 2010, average maturity of trade payables is within 1-3 months, and TL and foreign currency trade payables are discounted by using annual 6,10% 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 2010**	**31 December 2009**
Receivables from related parties (Note: 37)	162.432	114.647
Receivables from personnel	53.608	66.982
Other	18.166	58.979
	234.206	**240.608**
Other Payables	**31 December 2010**	**31 December 2009**
Order advances received	590.762	774.937
	590.762	**774.937**

NOTE 12 - RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (2009: None).

NOTE 13 - INVENTORIES

	31 December 2010	**31 December 2009**
Raw materials	4.940.094	4.412.755
Work in process	15.997.423	14.291.181
Finished goods	10.414.857	9.041.571
Trade goods	1.187.277	2.729.501
Goods in transit	7.578.819	5.877.614
Other inventory	79.625	347.316
Allowance for impairment on inventory (-)	(268.579)	(2.123.534)
	39.929.516	**34.576.404**

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. As of 31 December 2010, the Company has recognized impairment loss of TL 268.579 for finished goods. The movement of allowance of impairment is detailed as follows:

	2010	**2009**
1 January	(2.123.534)	(2.958.265)
Reversal for the year (Note 28)	1.854.955	834.731
31 December	**(268.579)**	**(2.123.534)**

NOTE 14 - BIOLOGICAL ASSETS

None (2009: None).

NOTE 15 - RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS

None (2009: None).

NOTE 16 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

None (2009: None).

NOTE 17 - INVESTMENT PROPERTIES

None (2009: None).

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

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	5.018.377	-	(2.972.710)	3.523.223
	206.546.317	**7.136.109**	**(349.732)**	**(17.163)**	**213.315.531**
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**				**43.238.877**

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. (31 December 2009: TL 5.794.120 of the current period depreciation expense is added to the cost of sales, and TL 268.394 of the related amount is included to operating expenses).

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

	1 January 2009	Additions	Disposals	Transfers	31 December 2009
Cost					
Land	482.197	-	-	-	482.197
Land improvements	6.461.680	4.954	-	-	6.466.634
Buildings	38.999.265	197.213	(1.122.485)	-	38.073.993
Machinery and equipment	151.197.692	1.054.919	(50.193)	395.447	152.597.865
Motor vehicles	310.953	-	(73.486)	-	237.467
Furniture and fixtures	4.011.144	27.315	-	-	4.038.459
Leasehold improvements	2.504.697	420.383	-	247.066	3.172.146
Construction in progress	1.196.789	923.280	-	(642.513)	1.477.556
	205.164.417	**2.628.064**	**(1.246.164)**	**-**	**206.546.317**
Accumulated Depreciation					
Land improvements	(5.323.511)	(113.985)	-	-	(5.437.496)
Buildings	(20.650.615)	(1.138.536)	631.808	-	(21.157.343)
Machinery and equipment	(127.670.441)	(4.255.813)	17.269	-	(131.908.985)
Motor vehicles	(271.987)	(32.610)	67.432	-	(237.165)
Furniture and fixtures	(3.390.952)	(220.829)	-	-	(3.611.781)
Leasehold improvements	(1.693.661)	(300.741)	-	-	(1.994.402)
	(159.001.167)	**(6.062.514)**	**716.509**	**-**	**(164.347.172)**
Net book value	**46.163.250**				**42.199.145**

NOTE 19 - INTANGIBLE ASSETS

	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
	3.137.128	**69.689**	**(11.913)**	**17.163**	**3.212.067**
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**				**103.984**

	1 January 2009	Additions	Disposals	Transfers	31 December 2009
Cost					
Rights	274.106	8.805	-	-	282.911
Computer software	2.814.633	39.584	-	-	2.854.217
	3.088.739	**48.389**	**-**	**-**	**3.137.128**
Accumulated depreciation					
Rights	(170.674)	(74.616)	-	-	(245.290)
Computer software	(2.769.308)	(44.509)	-	-	(2.813.817)
	(2.939.982)	**(119.125)**	**-**	**-**	**(3.059.107)**
Net book value	**148.757**				**78.021**

Current period depreciation has been included in the operating expenses (2009 : Included).

NOTE 20 - GOODWILL

None (2009: None).

NOTE 21 - GOVERNMENT GRANTS AND INCENTIVES

	31 December 2010	31 December2009
R&D Promotion (*)	127.162	-
	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 2010	31 December 2009
Promissory notes and sureties given	12.892.932	10.189.956
Guarantee letters received	1.117.175	922.478
Mortgages received	1.188.050	1.188.050
	15.198.157	**12.300.484**

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 2010 and 2009, the details of the guarantees/pledges/mortgages ("GPM") are as follows:

	31 December 2010					31 December 2009				
	TL Equivalent	**TL**	**US Dollars**	**Euro**	**Other**	**TL Equivalent**	**TL**	**US Dollars**	**Euro**	**Other**
A. GPMs given on behalf of its own legal entity	2.063.965	1.863.118	115.043	11.220	-	2.118.452	2.005.655	58.815	11.220	-
Guarantees	2.063.965	1.863.118	115.043	11.220	-	2.118.452	2.005.655	58.815	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	**2.063.965**	**1.863.118**	**115.043**	**11.220**	**-**	**2.118.452**	**2.005.655**	**58.815**	**11.220**	**-**

As of 31 December 2010 the percentage of the other CPM`s given by the Company to the total equity is %0 (31 December 2009: %0)

Guarantee letters are given to various Customs Directorates. As of 31 December 2010 and 2009, the Company has no other given GPMs.

NOTE 23 - COMMITMENTS

The Company has export commitment amounting to USD 19.395.795 as of 31 December 2010 (2009: USD 18.000.000).

Lease Agreements:
The Company's current year operational lease commitment expenses are TL 1.966.046 (31 December 2009 : TL 2.782.134).

The Company's operational lease commitments are as follows:

	31 December 2010	**31 December 2009**
Within 1 year	1.331.763	1.908.100
Within 1-5 years	2.590.823	3.283.420
	3.922.586	**5.191.520**

NOTE 24 - EMPLOYEE BENEFITS

	31 December 2010	**31 December 2009**
Short Term		
Unused vacation provision	911.131	1.212.438
	911.131	**1.212.438**
Long Term		
Retirement pay provision	4.476.213	4.425.717
	4.476.213	**4.425.717**

The movement of the unused vacation provision as of 31 December 2010 is as follows:

	2010	**2009**
1 January	1.212.438	1.085.918
Period charge	-	126.520
Write off of unused vacation provision	(301.307)	-
31 December	**911.131**	**1.212.438**

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TRY 2.517,01 for each period of service at 31 December 2010 (31 December 2009: TRY 2.365,16).

As the maximum liability is revised semi annually, the maximum amount of TRY 2.623,23 effective from 1 January 2011 is taken into consideration in the calculation of provision from employment termination benefits.

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:

	31 December 2010	**31 December 2009**
Discount rate (%)	10,00	11,00
Annual inflation rate (%)	5,10	5,00
Turnover rate to estimate the probability of retirement (%)	97	96

The movement of retirement pay provision for the year ended as of 31 December 2010 and 2009 is as follows:

	31 December 2010	**31 December 2009**
1 January	4.425.717	4.203.146
Interest cost	262.002	248.826
Service cost and actuarial gain	805.687	1.083.615
Payments	(1.017.193)	(1.109.870)
31 December	**4.476.213**	**4.425.717**

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

NOTE 25 - PENSION PLANS

None (2009: None).

NOTE 26 - OTHER ASSETS AND LIABILITIES

Other Current Assets	**31 December 2010**	**31 December 2009**
Value added tax recoverable	487.159	331.572
VAT carried forward	2.290.001	1.070.414
Prepaid expenses	409.539	306.264
Business advances	176.112	185.973
Prepaid taxes	1.021.605	17.659
Other	211.404	229.226
	4.595.820	**2.141.108**

Other Non-Current Assets	**31 December 2010**	**31 December 2009**
Prepaid expenses	12.618	15.580
	12.618	**15.580**

Other Short Term Liabilities	**31 December 2010**	**31 December 2009**
Employee wages	816.266	570.321
Taxes and dues payable	626.628	643.848
Social security premiums payable	907.979	649.565
Other	34.429	339.253
	2.385.302	**2.202.987**

NOTE 27 - SHAREHOLDERS' EQUITY

A) Paid in Capital

The Company's shareholders and their shares as of 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010		**31 December 2009**	
	TL	**Ratio (%)**	**TL**	**Ratio (%)**
Hacı Ömer Sabancı Holding AŞ	16.878.507	57,88	16.878.507	57,88
Public quotation	8.930.838	30,63	6.845.972	23,48
Other (*)	3.350.655	11,49	5.435.521	18,64
	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 (2009: 2.916.000.000) issued on bearer having a nominal value of Kr 1 (Kr one) each.

B) Restricted Reserves Assorted from Profit

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

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

C) Non Controlling Interest

	2010	**2009**
As of 1January	-	-
Capital increase	-	1.803.200
Net loss for the period	-	(1.803.200)
As of 31 December	**-**	**-**

D) Retained Earnings / Accumulated Deficits

As of 31 December 2010, the Company's retained earnings amounting to TL 17.893.696 consists of inflation restatement differences amounting to TL 3.062, and extraordinary reserves amounting to TL 17.890.634 (31 December 2008: Retained earnings amounting to TL 12.814.329, inflation restatement differences amounting to TL 3.062 and legal and extraordinary reserves amounting to TL 12.811.267).

Previously, in accordance with the CMB's requirements which were effective until 1 January 2008, the amount which was obtained from the first-time application of inflation adjustments to financial statements and followed under the "accumulated loss" item was taken into consideration as a reduction in the calculation of profit distribution based on the inflation adjusted financial statements within the scope of the CMB's regulation issued on profit distribution. The related amount that was followed under the "accumulated loss" item could also be offset against the profit for the period (if any) and undistributed retained earnings and the remaining loss amount could be offset against capital reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

Also, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "capital issue premiums", "legal reserves", "statutory reserves", "special reserves" and "extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the "shareholders' equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue; cash profit distribution or loss offsetting.

However, in accordance with the Communiqué Volume: XI, No: 29 issued on 1 January 2008 and other related CMB's announcements, "paid-in capital", "restricted profit reserves" and "premium in excess of par" should be carried at their registered amounts in statutory records. Restatement differences (e.g. inflation restatement differences) arising from the application of the Communiqué should be associated with:

- "Capital restatement differences" account, following the "paid-in capital" line item in the financial statements, if such differences are arising from "paid-in capital" and not added to capital; and

- "Retained earnings/accumulated loss", if such differences are arising from "restricted profit reserves" and "premium in excess of par" and has not been subjected to profit distribution or capital increase.

Other equity items are carried at the amounts that are valued based on the CMB's Financial Reporting Standards.

Capital restatement differences can only be included in capital.

Listed companies are subject to dividend requirements regulated by the CMB as follows:

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 29.971.288 (31 December 2009: net profit TL 322.567) therefore, there are no items that are subject to profit distribution.

NOTE 28 – SALES AND COST OF SALES

a) Sales revenue	**31 December 2010**	**31 December 2009**
Foreign sales	93.752.043	81.386.563
Domestic sales	63.404.744	55.054.503
	157.156.787	**136.441.066**

b) Cost of sales	**31 December 2010**	**31 December 2009**
Raw materials	(59.221.038)	(37.428.041)
Direct labor costs	(17.563.830)	(12.106.300)
General production overhead	(33.723.640)	(27.174.805)
Depreciation expenses	(5.590.257)	(5.794.120)
Changes in work in process	1.706.242	1.779.160
Changes in finished goods	1.373.286	(8.519.970)
Cost of finished goods sold	**(113.019.237)**	**(89.244.076)**
Cost of trade goods sold	**(8.759.764)**	**(15.262.057)**
Provision for impairment of inventory	1.854.955	834.731
Cost of sales	**(119.924.046)**	**(103.671.402)**

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

Marketing, Sales and Transportation Expenses	**31 December 2010**	**31 December 2009**
Personnel	(4.073.078)	(4.063.612)
Consultancy and audit	(4.030.734)	(4.476.924)
Export and freight	(4.785.313)	(4.153.328)
Marketing	(320.908)	(327.047)
Rent	(1.462.774)	(2.263.957)
Transportation	(1.321.536)	(1.969.341)
Fair and exhibition expenses	(183.413)	(449.333)
Depreciation and amortization	(367.732)	(354.996)
Advertising expenses	(279.804)	(193.716)
Other	(988.384)	(1.036.320)
Total Marketing, Sales and Transportation Expenses	**(17.813.676)**	**(19.288.574)**

General Administrative Expenses	**31 December 2010**	**31 December 2009**
Personnel	(3.554.195)	(3.830.839)
Consultancy and audit	(460.072)	(624.968)
Rent	(503.272)	(518.177)
Retirement pay	(1.067.689)	(1.332.441)
Other provisions	301.308	(410.741)
Depreciation and amortization	(19.935)	(32.523)
Other	(698.635)	(284.937)
Total General Administrative Expenses	**(6.002.490)**	**(7.034.626)**

Research and Development Expenses	**31 December 2010**	**31 December 2009**
Personnel	(446.653)	(342.876)
Export and freight	(335.134)	(326.341)
Other	(2.519.453)	(2.399.179)
Total Research and Development Expenses	**(3.301.240)**	**(3.068.396)**

NOTE 30 – EXPENSES BY NATURE

A) Accrued wages and salaries	**31 December 2010**	**31 December 2009**
Cost of goods sold	(24.572.419)	(19.713.963)
Marketing, sales and transportation	(3.012.031)	(3.318.572)
General administration	(3.032.150)	(3.016.424)
Research and development	(446.653)	(342.876)
	(31.063.253)	**(26.391.835)**

B) Allocation of depreciation expenses	**31 December 2010**	**31 December 2009**
Cost of goods sold	(5.590.257)	(5.794.120)
Marketing, sales and transportation	(367.732)	(354.996)
General administration	(19.935)	(32.523)
Research and development	(7.006)	-
	(5.984.930)	**(6.181.639)**

NOTE 31 - OTHER OPERATING INCOME/EXPENSES

	31 December 2010	31 December 2009
Gain on sale of property, plant and equipment	22.322	553.401
Provisions released	169.839	266.680
Raw material and scrap sales income	189.202	86.549
Commission income	310	19.017
Price difference of advertising	271.851	324.802
R&D incentives	127.162	-
Other	893.741	862.959
Total other operating income/profit	**1.674.427**	**2.113.408**

	31 December 2010	31 December 2009
Doubtful ready to wear clothing receivables	-	(1.053.659)
Provision for doubtful receivable expenses	-	(816.786)
Dues and fees	(148.625)	(129.235)
Private transaction taxes	(33.211)	(40.332)
Fines and penalties	(22.433)	(32.224)
Raw material and scrap sales expenses	(59.660)	(14.246)
Other	(1.184.077)	(1.836.021)
Total other operating expenses/losses	**(1.448.006)**	**(3.922.503)**

NOTE 32 – FINANCE INCOME

	31 December 2010	31 December 2009
Foreign exchange gains	8.311.086	9.889.821
Interest income	84.412	1.546.344
	8.395.498	**11.436.165**

NOTE 33 – FINANCE EXPENSES

	31 December 2010	31 December 2009
Foreign exchange losses	(8.817.991)	(10.637.327)
Interest expenses	(4.082.404)	(8.828.407)
Other finance expenses	(649.406)	-
	(13.549.801)	**(19.465.734)**

NOT 34 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2009: None).

NOTE 35 – TAX ASSETS AND LIABILITIES

Tax amounts reflected in balance sheets are as follows:

	31 December 2010	**31 December 2009**
Corporate tax payable	-	551.073
Less: Prepaid tax	(1.021.605)	(391.011)
	(1.021.605)	**160.062**

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 2010 is 20% (2009: 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 (2009: 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 2010 and 31 December 2009, tax amounts reflected in the income statement are as follows:

	31 December 2010	31 December 2009
Current tax expense	-	(551.073)
Deferred tax benefit	33.633	145.230
	33.633	**(405.843)**

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% (2009: %20).

As of 31 December 2010 and 31 December 2009, the details of temporary differences and deferred tax assets and liabilities are as follows:

	Accumulated temporary differences		Deferred tax asset/ (liability)	
	31 December 2010	**31 December 2009**	**31 December 2010**	**31 December 2009**
Accumulated financial losses	(28.868.987)	(38.573.929)	5.773.797	7.714.786
Property, plant and equipment and intangible assets	(4.803.990)	(4.194.738)	960.798	838.948
Inventories	423.393	1.460.534	(84.679)	(292.107)
Provision for employee termination benefits	(4.476.213)	(4.400.882)	895.243	880.176
Other provisions	(911.131)	(1.160.675)	182.226	232.135
Non accrued finance expense (net)	(132.903)	(1.436.916)	26.580	287.383
Provision for deferred tax asset recognized From carry forward losses (*)			(5.773.797)	(7.714.786)
Deferred tax assets - net			**1.980.168**	**1.946.535**

(*) 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 unpredictability 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.

	31 December 2010	31 December 2009
Deferred tax assets whose economic benefits expected to flow to the entity over a year period	**1.856.041**	**1.719.124**

Deferred tax asset movements are as follows:

	2010	2009
1 January	1.946.535	1.801.305
Current period deferred tax income	33.633	145.230
31 December	**1.980.168**	**1.946.535**

Current period tax reconciliation is as follows:

	1 January -31 December 2010	1 January -31 December 2009
Profit /(loss) before taxation from operations	5.187.453	(6.460.596)
Income tax rate 20% (2009: 20%)	1.037.491	(1.292.119)
Tax effect		
- non-deductible expenses	206.489	1.484.353
- carry forward tax losses effect that cannot be used	38.597	4.585.448
- carry forward tax losses effect that are used	(1.194.774)	-
- temporary differences that are not subject to taxation	(121.436)	(4.371.839)
Tax expense/(income)	**(33.633)**	**405.843**

The Company has unused tax losses amounting to TL 28.868.987 as of the balance sheet date (31 December 2009: TL 38.573.929). Since future taxable profit cannot be estimated, the Company has not recognized any deferred tax assets associated with such losses. The maturity details of unrecognized tax losses are as follows:

	31 December 2010	31 December 2009
Ended in 2012	-	4.215.391
Ended in 2013	-	11.431.297
Ended in 2014	-	22.927.241
Ended in 2015	28.868.987	-
	28.868.987	**38.573.929**

NOTE 36 - EARNINGS PER SHARE

	31 December 2010	31 December 2009
Net profit/(loss) for the period	5.221.086	(5.063.239)
Weighted-average number of outstanding shares (1 share equals to Kr 1 valued shares)	2.916.000.000	2.916.000.000
Net profit/ (loss) per share (TL)	0,179	(0,174)

NOTE 37 – RELATED PARTY TRANSACTIONS

Since transactions between the Company and its subsidiaries are eliminated for consolidation purposes, these balances are not disclosed in this note.

a) Trade receivables from related parties	**31 December 2010**	**31 December 2009**
Exsa Export Sanayi Mamulleri Satış ve Araştırma AŞ	-	828.970
Hacı Ömer Sabancı Holding AŞ	1.800	-
Advansa Sasa Polyester Sanayi AŞ	517	-
Temsa Global San.Tic. AŞ	4.308	-
Kordsa Global End. İplik Kord Bezi San. ve Tic. AŞ	5.618	-
	12.243	**828.970**
Less: Non accrued finance income	(186)	(1.645)
Less: Allowance for doubtful receivables	-	(602.904)
	12.057	**224.421**

Receivables from related parties generally have maturities less than 4 months (2009: Less than 4 months), and as of 31 December 2010, TL and USD, Euro and GBP denominated receivables from related parties are discounted using the LIBOR rates.

b) Due to related parties	**31 December 2010**	**31 December 2009**
Advansa Sasa Polyester Sanayi AŞ	5.201	43.674
Aksigorta AŞ	32.388	18.612
Hacı Ömer Sabancı Holding AŞ	22.661	9.920
Yünsa Germany Gmbh	811.444	760.425
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri AŞ	1.564	7.426
	873.258	**840.057**
Less: Non accrued finance expenses	(2.921)	(2.707)
	870.337	**837.350**

Due to related parties generally have maturities less than 1 month, and as of 31 December 2010, TL and USD, Euro and GBP denominated due to related parties are discounted using annual average interest rate of 6,10% and LIBOR rates, respectively.

c) Bank deposits	**31 December 2010**	**31 December 2009**
Akbank T.A.Ş.		
- demand deposits	538.079	1.876.896
	538.079	**1.876.896**

d) Bank loans	**31 December 2010**	**31 December 2009**
Akbank T.A.Ş.	16.326.942	8.941.671
	16.326.942	**8.941.671**

e) Product sales to related parties	1 January - 31 December 2010	1 January - 31 December 2009
Hacı Ömer Sabancı Holding AŞ	18.627	-
Advansa Sasa Polyester Sanayi AŞ	2.081	-
Brisa Bridgestone Sabancı Lastik San. Tic. AŞ	2.544	-
Exsa Export Sanayi Mamulleri Satış ve Araştırma AŞ	840	-
Olmuksa International Paper Sabancı Ambalaj San. Tic. AŞ	1.878	-
Temsa ARGE ve Teknoloji AŞ	524	-
Temsa Global San. Tic. AŞ	5.824	-
Enerjisa Elektrik Enerjisi Toptan Satış AŞ	741	-
Enerjisa Enerji Üretim AŞ	5.711	-
Kordsa Global End. İplik Kord Bezi San. ve Tic. AŞ	5.202	-
Ak Finansal Kiralama AŞ	111	-
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri AŞ	8.400	-
	52.483	**-**

f) Product purchases from related parties	1 January - 31 December 2010	1 January - 31 December 2009
Advansa Sasa Dupont Sabancı Polyester Sanayi AŞ	184.944	265.201
	184.944	**265.201**

g) Services received from related parties	1 January - 31 December 2010	1 January - 31 December 2009
Exsa Export Sanayi Mamulleri Satış ve Araştırma AŞ	-	589.354
Aksigorta AŞ	676.600	751.483
Hacı Ömer Sabancı Holding AŞ	904.530	762.645
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri AŞ	67.977	42.566
Exsa UK Limited	13.320	451.476
Avivasa Emeklilik ve Hayat AŞ	58.254	57.057
Exsa Americas Inc.	-	91.759
Teknosa İç ve Dış Ticaret AŞ	-	101
Yünsa Americas Inc.	84.571	310.931
Yünsa Germany Gmbh	1.103.621	1.180.850
Yünsa Italia S.R.L	229.377	129.060
Yünsa UK Limited	938.009	965.826
	4.076.259	**5.333.108**

h) Fixed asset purchases from related parties	1 January - 31 December 2010	1 January - 31 December 2009
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri AŞ	15.428	51.780
	15.428	**51.780**

i) Other income	1 January - 31 December 2010	1 January - 31 December 2009
Aksigorta AŞ	310	21.962
	310	**21.962**

j) Interest and foreign exchange income	1 January - 31 December 2010	1 January - 31 December 2009
Akbank T.A.Ş.	2.010.543	2.171.443
Exsa Export Sanayi Mamulleri Satış ve Araştırma AŞ	682	617.319
Advansa Sasa Polyester Sanayi AŞ	2.481	1.254
Aksigorta AŞ	8.431	32.933
	2.022.137	**2.822.949**

k) Interest and foreign exchange expenses	1 January - 31 December 2010	1 January - 31 December 2009
Exsa Export Sanayi Mamulleri Satış ve Araştırma AŞ	8.148	434.334
Akbank T.A.Ş.	2.207.800	3.866.034
Advansa Sasa Polyester Sanayi AŞ	1.067	11.721
Aksigorta AŞ	623	2.284
Hacı Ömer Sabancı Holding AŞ	673	-
	2.218.311	**4.314.373**

l) Other expenses	1 January - 31 December 2010	1 January - 31 December 2009
Exsa Export Sanayi Mamulleri Satış ve Araştırma AŞ	-	20.872
Aksigorta AŞ	-	2.818
	-	**23.690**

m) Rent expenses	1 January - 31 December 2010	1 January - 31 December 2009
Hacı Ömer Sabancı Holding AŞ	818.213	690.566
	818.213	**690.566**

n) Benefits and fringe benefits provided to board members and key management personnel	1 January - 31 December 2010	1 January - 31 December 2009
Wages and other short term benefits	1.894.379	1.722.662
Other long term benefits	22.284	61.245
	1.916.663	**1.783.907**

o) Other receivables from related parties	31 December 2010	31 December 2009
Yünsa Americas	50.386	-
Yünsa UK Limited	112.046	114.647
	162.432	**114.647**

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.

In order to create and maintain capital structure, the Company can formulate a payment schedule for dividends paid to shareholders and shareholder capital returns, issue new shares or dispose of its assets in order to decrease its liabilities.

The Company manages its capital using the net debt/total capital ratio in order to be in line with other companies in the sector. This ratio is the calculated as net debt divided by the total capital amount. Net debt is calculated as a total liability amount (comprises of financial liabilities, leasing, trade payables and payables to related parties as presented in the balance sheet) less cash and cash equivalents. Total capital is calculated as shareholders' equity plus the net debt amount as presented in the balance sheet.

	31 December 2010	**31 December 2009**
Total liabilities	70.540.894	64.004.256
Less: Cash and cash equivalents	(729.228)	(2.005.689)
Net debt	69.811.666	61.998.567
Total shareholders' equity	50.182.776	44.961.690
Total capital	119.994.442	106.960.257
Equity/debt ratio	**%58**	**%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 Company. The Company 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. Credit risk is regularly monitored by the Company. Since receivables from exports are insured by different financial firms, the Company has no material loss risk.

Credit risk of financial instruments	Receivables						
	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.	-	-	-	-	-	-	-
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 2009	**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)	224.421	44.426.597	114.647	125.961	1.999.814	-	-
- The part of maximum risk under guarantee with collateral etc.	-	17.207.408	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	122.110	42.818.552	114.647	125.961	1.999.814	-	-
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	-	1.608.045	-	-	-	-	-
- The part under guarantee with collateral etc.	-	1.159.919	-	-	-	-	-
D. Net book value of impaired assets	102.311	-	-	-	-	-	-
- Overdue (gross carrying amount)	705.215	2.272.339	-	-	-	-	-
• Impairment (-)	(602.904)	(2.272.339)	-	-	-	-	-
• The part of net value under guarantee with collateral etc.	102.311	-	-	-	-	-	-
- Undue (gross carrying amount)	-	-	-	-	-	-	-
• Impairment (-)	-	-	-	-	-	-	-
• antee with collateral etc. 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 2010, TL 1.060.516 of trade receivables consists of credit card receivables and has a maturity of 3 months (31 December 2009: TL 41.341).

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

	31 December 2010	**31 December 2009**
Overdue 1-30 days	-	161.502
Overdue 1-3 months	19.410	1.309.600
Overdue 3-12 months	368.252	136.943
Overdue 1-5 years	730.288	2.977.554
Total overdue receivables	**1.117.950**	**4.585.599**
The part under guarantee with collateral	300.225	1.262.230

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

	31 December 2010	**31 December 2009**
Collaterals	-	1.159.919
Export insurance	300.225	102.311
	300.225	**1.262.230**

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 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**

31 December 2009				
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	64.004.256	67.364.747	14.085.817	53.278.930
Trade payables	10.894.681	10.977.702	10.026.005	951.697
Other payables	774.937	774.937	774.937	-
Total liabilities	**75.673.874**	**79.117.386**	**24.886.759**	**54.230.627**

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.

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

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)	**-**	**-**	**-**	**-**	**-**	**-**
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative assets 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	**93.752.043**	**12.312.506**	**30.373.814**	**-**	**6.436.470**	**-**
26. Imports	**58.796.642**	**31.437.979**	**4.588.703**	**-**	**22.647**	**499.998**

31 December 2009	**TL Equivalent (Functional currency)**	**US Dollar**	**Euro**	**Yen**	**GBP**	**Other**
1. Trade receivables	21.998.101	1.928.412	7.013.848	-	1.650.124	-
2a. Monetary financial assets (cash, banks included)	1.465.298	911.252	37.866	-	4.781	1
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	**23.463.399**	**2.839.664**	**7.051.714**	**-**	**1.654.905**	**1**
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)	**23.463.399**	**2.839.664**	**7.051.714**	**-**	**1.654.905**	**1**
10. Trade payables	6.647.089	3.091.958	912.660	-	8.333	-
11. Financial liabilities	25.374.754	5.003.135	6.618.485	-	1.483.183	-
12a. Other monetary financial liabilities	-	-	-	-	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-	-
13. Current liabilities (10+11+12)	**32.021.843**	**8.095.093**	**7.531.145**	**-**	**1.491.516**	**-**
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)	**32.021.843**	**8.095.093**	**7.531.145**	**-**	**1.491.516**	**-**
19. Net asset/liability position of off-balance sheet derivatives (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20. Net foreign currency/liability position (9-18+19)	**(8.558.444)**	**(5.255.429)**	**(479.431)**	**-**	**163.389**	**1**
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(8.558.444)**	**(5.255.429)**	**(479.431)**	**-**	**163.389**	**1**
22. Fair value of foreign currency hedged financial assets	**-**	**-**	**-**	**-**	**-**	**-**
23. Hedged foreign currency assets	**-**	**-**	**-**	**-**	**-**	**-**
24. Hedged foreign currency liabilities	**-**	**-**	**-**	**-**	**-**	**-**
25. Exports	**81.386.563**	**7.088.547**	**24.546.075**	**-**	**6.362.868**	**-**
26. Imports	**42.559.911**	**22.332.756**	**2.900.790**	**49.950**	**5.022**	**375.905**

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 2010	
	Income / Expense	
	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 (4+5)	**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 (4+5)	**(12.910)**	**12.910**
TOTAL (3+6 +9+12)	**(1.307.269)**	**1.307.269**

	31 December 2009	
	Income / Expense	
	Appreciation of foreign currency	Devaluation of foreign currency
If US Dollar is appreciated against the TL by 10%		
1- US Dollar net asset/liability	(791.310)	791.310
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1+2)	**(791.310)**	**791.310**
If Euro is appreciated against the TL by 10%		
4- Euro net asset/liability	(103.571)	103.571
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	**(103.571)**	**103.571**
If GBP is appreciated against the TL by 10%		
7- GBP net asset/liability	39.037	(39.037)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (4+5)	**39.037**	**(39.037)**
TOTAL (3+6+9)	**(855.844)**	**855.844**

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 2010	**31 December 2009**
Floating Interest Rate Financial Instruments		
Financial assets	-	-
Financial liabilities	15.265.588	25.374.754

Sensitivity analysis is made for non-derivative instruments held as of the balance sheet date. For the balance of liabilities, with floating interest rate, the year-end balance is assumed to be the same for whole year. 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 2010, the net income before tax of the Company would increase/decrease by TL 152.656 (31 December 2009: TL 253.748).

NOTE 39 – FINANCIAL INSTRUMENTS

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

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 2010	Loans and receivables	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

31 December 2009	Loans and receivables	Available-for-sale investments	Financial liabilities carried at amortized cost	Book value	Note
Financial assets					
Cash and cash equivalents	2.005.689	-	-	2.005.689	6
Trade receivables	44.426.597	-	-	44.426.597	10
Due from related parties	224.421	-	-	224.421	37
Other receivables	125.961	-	-	125.961	11
Other receivables from related parties	114.647	-	-	114.647	37
Financial investments	-	782.660	-	782.660	7
Financial liabilities					
Financial liabilities	-	-	64.004.256	64.004.256	8
Trade payables	-	-	10.057.331	10.057.331	10
Due to related parties	-	-	837.350	837.350	37
Other payables	-	-	774.937	774.937	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

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