YÜNSA

YÜNLÜ SANAYİ VE TİCARET A.Ş.

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AGENDA

1. Opening and forming the Chairman's Panel.

2. Authorization of the Chairman's Panel to sign the minutes of the Ordinary General Assembly.

3. Presentation and discussion on the Board of Directors' 2008 Activities Report and Auditors' Report.

4. Presentation, discussion and approval of the Balance Sheet and Income Statement for the year 2008 and voting upon the appropriation of the proposal for dividend pay-out.

5. Approval of the Member of the Board of Directors who was appointed for the remaining term of office of the Board Member position that became vacant during the year.

6. Ratification of the acts of the Board of Directors and the Auditors.

7. Authorization of the Chairman and the members of the Board of Directors to conduct the procedures stated by the articles 334 and 335 of the Turkish Commercial Code.

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Chairman's Message

Distinguished shareholders,

We invited you to the Ordinary General Assembly of Shareholders to inform you about the results of 2008 and to present for your approval the Balance Sheet and Income Statement for this period. It is a pleasure to meet with you again after a year.

As of today, Yünsa is the largest worsted wool fabric producer in both Turkey and Europe as a whole and Turkey's leading worsted wool fabric exporter. Our company ranks among the world's top ten producers of worsted woolen fabric.

Despite the negative effects of the global crisis which had been comprehensively felt globally and locally from the second half of 2008 onwards, Yünsa took certain measures to minimize the effects of the negative business environment and sustained its operations with its strong capital structure, customer-centric approach, management acumen and efficient cash and performance management. Yünsa's turnover from worsted wool fabric operations was above its budget with a TL 146.6 million figure and consolidated net sales reached TL 170.9 million in 2008.

Yünsa's main markets are European countries, North America and Japan. Our company maintained its position as a preferred supplier of European buyers with its effective marketing and sales organization, its pace and ability to create new products, cost structure, vision and its competence in the textile industry. On the domestic market side, our new products and collections were affirmatively appraised by ready-to-wear manufacturers.

In the face of immensely negative developments across the world and in our country such as rapid deepening of global economic crisis, pressure of global recession expectations, consumer orientation to saving and thus implicit slackening in consumption, there had been a downturn in the ready- to-wear retail market. As a ramification of all these factors, our subsidiary SKT Giyim Sanayi ve Ticaret A.S. underperformed in 2008 contrary to expectations.

In line with its notion of corporate excellence, Yünsa moved forward with the applications of total quality and the EFQM Excellence Model in 2008, an expression of Yünsa's ultimate dedication to expand excellence and quality and apply this principle in each process of its operations to render high competition conditions.

In 2008, Yünsa had been included in TURQUALITY® program which remains the world's first and only state-sponsored branding project. Turquality project has been created for the successful Turkish brands to promote their quality image in international markets. With the notion of being a support program that provides financial and managerial contribution to value added Turkish products, we believe that Turquality will further Yünsa's competitive edge against competition.

In line with these developments, in 2008:

- Fabric sales were realized as 10.5 million meters.
- The share of exports in net consolidated turnover was 56%.
- The investments in 2008 focused mainly on modernization and totaled approximately $ 2.5 million on a US dollar basis.
- As a result of the global conjuncture and adverse realities in ready-to-wear market, in 2008 the total of our woolen fabric and ready-to-wear retail activities resulted in a consolidated net loss of TL 29.9 million.

The last quarter of the year 2008 was marked as the beginning of a serious global economic crisis, the repercussions of which had been implicitly perceived by the non-financial sectors. We reckon that more severe results of the crisis are yet to appear in 2009. All the uncertain dynamics about the dimensions and possible duration of the turmoil render presumptions about all sectors including textile sector inestimable.

In the textile sector where market players lost ground and market share, we believe that Yünsa may profit from this turbulent atmosphere by making use of its opportunities, with its trustworthiness, strong financial structure, product and service quality and its proximity to European countries.

In 2009, we aim to restructure our sales organization in China, still rapidly growing region in textile market, and increase sales activities and effectiveness in Far East, while further strengthening our marketing network in Europe.

On behalf of the Board of Directors, I would like to extend our thanks and appreciation to our shareholders for their support, to our suppliers and business partners for their contributions and to our employees for their efforts and commitment to our Company.

Hakan AKBAS

Sales

Being Turkey's and Europe's largest worsted wool fabric producer and exporter, Yünsa ranks among the world's top ten producers of woolen fabric with its vision, high product quality, sectoral position and flexibility in production.

In the textile sector, which is marked by rapid changes in expectations and trends, anticipation of the market and the competitors is imperative for success as well as operational efficiency in production process. Foreseeing the direction the market demand would haul and right strategic positioning require high level recognition of demand source, namely customers. Yünsa has a customer-focused approach that allows it to respond rapidly to market conditions and trends and remains ahead of competition due to its differentiation strategy.

Yünsa has integrated a rich textile culture in its structure and worked with more than 900 customers around the world thanks to its strong international connections. Exporting to more the 60 countries, the company has sales offices in United Kingdom (Leeds), Germany (Dusseldorf & Bielefeld), United States (New York) and China (Shanghai). Yunsa also has agents in Spain (Cardedeu), France (Paris), Czech Republic (Praha), Serbia (Novi Pazar), Finland (Mantsala), Sweden (Goteburg), Canada (Montreal), Russia (Moscow), Japan (Tokyo) and Hong Kong.

The consolidated turnover of Yünsa reached 170.9 million TL in 2008.

In 2008, fabric sales decreased by 10% in comparison with the previous year and reached 10,494 km.; the sales turnover of the fabrics marketed to many countries reached 6,464 km in 2008. The company exports 61.6% of its fabric production and sells 38.4% of its production to the domestic market. A closer glance at sales figures displays that despite the decrease in fabric sales in 2008 %10, such decrease cannot be observed in total turnover and company profit. These results are a reflection of customer satisfaction and of the strategies to enter new markets with the right steps.

Production and Technology

In addition to 100% wool products, Yünsa also produces cashmere, silk, lycra, polyester and viscon blended wool fabrics. Yünsa manufactures fabrics for men’s and women’s apparel, namely fabrics for men’s and women’s uniforms and upholstery.

The main objective of the company is to create a difference by putting emphasis on a customer-focused approach and to continue producing high quality products. The main factors to reach this objective are to give importance to innovation, to constantly develop knowledge and technology, and to use these in the most productive manner. Under the difficult conditions of the textile sector, Yünsa uses state-of-the-art technologies in production through its innovation and expansion investments in order to further improve its competitive power that is sustainable from the perspectives of both quality and price. The company made investments in 2008 mostly for improvements and modernization of its facilities. It also continued its investments to improve product quality.

In 2008, Yünsa, which adopted the philosophy of corporate excellence in parallel with the rapidly changing quality approaches, continued its work on the EFQM Excellence Model in order to not limit this approach to production only and to expand it to all processes to reach maximum quality.

In 2008, Yünsa had been included in TURQUALITY® program which remains the world's first and only state-sponsored branding project.

Yünsa products manufactured in accordance with the ISO 9001 Quality System Standard also have Eko-Tex 100 certification given by the German Hohenstein Institute which certifies that the products do not harm the environment or human health.

Investments

In the textile sector, operational factors like rapid changes in expectations, various seasons, diversified materials, customer based products, external factors that affect colorization and techniques, as well as constant affect of competition on profitability, pressure of price, short delivery times and complex production structures constitute utmost importance. Efficiency is the key point in the production process of the textile sector from inputs to delivery as the time is of significant value.

As a player in the textile sector where there is severe competition and where market players lost ground and market share in 2008, Yünsa continued its marketing and sales activities to maintain its market leadership through high added value, high quality and differentiated products and short delivery times; it also maintained its modernization and improvement investments to improve product quality and decrease industrial costs.

Companies that invest in technology, infrastructure and human resources will survive based on the assumption that companies that have a strong financial structure, as well as sectoral motivation, knowledge and experience, will be able to grow in the textile sector in the near future.

As an important player of the textile market, Yünsa is aware of the fact that cost- and price-focused approaches will be insufficient under the current conditions. It does not limit its investments to improving its technologies and puts maximum emphasis on improving its innovation capabilities and on the vocational training of its human resources as its most important asset.

Activities

A. Investments

1) Developments in investments

In 2008, investments worth US$ 1.591.857 were made for domestic and imported goods' subsidized investments in accordance with the Investment Subsidy Certificate number 79575, dated 10.05.2005 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$ 2.5 million on a US Dollar basis and TL 3.1 million on a Turkish Lira basis in 2008.

2) Investment incentives

In 2008, the company benefited from subsidies such as customs exemption, VAT exemption, tax and duty exemptions in accordance with its subsidy certificate.

B. Activities regarding the production of goods and services

1) Capacity utilisation and progress

In 2008, the capacity use of our production lines was as follows:

	2008	Annual change
Worsted yarn	% 88	(-) %12,0
Fabric	% 93	(-) % 7,0

2) Improvements in finished-product production in fabric sales

		2008	Annual change
Worsted yarn	tons	2,629	(-) % 13,4
Fabric	km	11,127	(-) % 12,7

3) Sales volumes and revenues and changes in sales conditions in finished products in fabric sales

		2008	Annual change
Fabric	km	10,494	(-) % 10,3
Domestic market	km	4,030	(-) % 8,6
Exports	km	6,464	(-) % 11,6

Breakdown of net fabric sales in 2008

		2008	Annual change
Textile	(TL)	146,561	(+) % 1,0
Ready- to-wear	(TL)	24,372	(+) % 29,0

1. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Yünsa A.Ş. complies with the "Corporate Governance Principles" of the Capital Market Board (CMB).

PART 1 – SHAREHOLDERS

2. Shareholder Relations Unit

Our company's relations with shareholders are coordinated by the Finance Chief Mr.Serdar AKKAŞ (Tel: 0212 385 87 00, Fax: 0212 282 50 68, e-mail : sakkas@yunsa.com) and Strategy, Business Development and Corporation Relations Chief Mrs. Aslıhan Ece İrtiş (Tel: 0212 385 87 00 Fax: 0212 282 50 68, e-mail: airtis@yunsa.com) who reports to the Financial Affairs Department.

The reason for not establishing a separate unit is that we have a limited number of shareholders and requests for information. In 2008, an average of one shareholder per month contacted us about requests to which the company responded promptly.

3. Shareholders' Exercise of the Right to Information

In the event of developments of interest to the shareholders, the Capital Market Board (CMB) and Istanbul Stock Exchange (ISE) are informed promptly with a special condition report. Our company web site 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.

Individual request by each shareholder from the general assembly to appoint a special auditor devoted to exclusive survey and clarification of a particular material case has not been set as a right in our Company's Articles of Association; and we have not received any requests from shareholders about this right.

4. Information on General Assemblies

The invitation to the General Assembly held on 27 March 2008 was announced to the shareholders with a notice in the Commercial Registry Gazette and one of the national newspapers. Shareholders representing 64.36% 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. There were no proposals and/or questions brought by shareholders. The results of the business activities were prepared and ready for the perusal of shareholders; they were also sent by mail to the shareholders that requested them.

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 will of the General Assembly.

The minutes of the General Assembly are available at www.yunsa.com .

5. Voting 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 votes.

6. Profit Distribution Policy and Period

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.

7. Transfer of Shares

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

PART II – INFORMING THE PUBLIC AND TRANSPARENCY

8. Company Information Disclosure Policy

Our Company implements an information disclosure policy as defined in CMB Corporate Governance Principles.

Under this policy, audited 6-month consolidated financials, audited 12-month consolidated financials as well as 3-month and 9-month consolidated financials are disclosed to the public through material events disclosures via ISE. Disclosure of reports prepared in line with International Financial Reporting Standards (IFRS) has been made within the periods set by CMB.

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.

All subject disclosures are available in Company web page at www.yunsa.com

9. Disclosure of Material Events

In 2008, our Company has made 15 disclosures on material events to CMB or ISE according to CMB regulations. The company issued 15 Special Condition Reports in 2008. Neither CMB, nor ISE requested an additional explanation about any of these reports. Our Company's shares are not listed at foreign stock exchanges.

10. Company's Internet Site and its Contents

The company has an Internet site with the following address:

www.yunsa.com

The company's Internet site 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, disclosures of material events, periodic financial statements and reports, memoranda and public offering circulars, the agendas of General Assemblies, lists of participants and meeting minutes, form for proxy voting, mandatory information forms and other forms for collecting shares or powers of attorney by invitation, 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 these.

The web site also includes information on products, production activities, human resources and international fairs that the company participated in.

The restructuring of our website was completed in 2008, to furnish our visitors with effective and updated information.

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

11. Disclosing the Natural Person(s) Holding Dominant Shares

The company does not have any natural persons who hold the dominance of the shares.

12. Disclosing the Individuals who have Access to Insider's Information

The list of individuals who have access to insider's information is given 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.

PART 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, as well as through information sent via e-mail. There is a portal for employees, which enables them to have access to any kind of required information and document.

14. Stakeholders' Participation in Management

Participation of stakeholders in management is ensured through General Assembly meetings, periodical supplier meetings, questionaires and regular customer meetings. With these approaches, employees are driven to participate in and

contribute to effective management of the Company.

The employees participate in management through periodic company meetings, the annual target setting and performance evaluation meetings and procedures such as the Proposal and Award System, Business Evaluation and Career Management, the Contracted and Outsourced Employee Performance Management System. Thanks to meetings and process improvement interviews with customers and suppliers, the company receives feedback to ensure its effective management and their outputs are used to contribute to the business processes.

15. Human Resources Policy

Aware of the fact that its most important asset to succeed in the changing future is its human resources, the company has the objective of maintaining a working environment where:

- The employees are proud to be a part of the company,
- The employees can manifest their creativity,
- There is an environment based on mutual trust and open communication,
- Successes are appreciated, and
- Individuals take responsibility to reach common objectives.

Therefore, the company recruits and hires its human resources, according to the principle of equal opportunity, from among individuals who have a good potential for development, are flexible and can make positive contributions to change. We offer trainings and development opportunities that contribute to our employees' personal and professional development, business efficiency and productivity. We use fair, systematic, comprehensible and measurable performance systems based on predefined criteria to evaluate the extent to which our employees reach their targets. The employees have not filed any complaints about discrimination in or before 2008.

16. Information on Relations with Customers and Suppliers

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

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

17. Social Responsibility

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

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

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

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.

There were no suits filed against the company in 2008 concerning environmental pollution.

PART 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
Hakan Akbaş	Chairman	Non-executive
Mehmet Göçmen	Deputy Chairperson	Non-executive
Serra Sabancı	Member	Non-executive
Mevlüt Aydemir	Member	Non-executive
Fahreddin 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 given freedom by the General Assembly to execute duties and transactions in accordance with Articles 334 and 335 of the Turkish Commercial Code.

19. Qualities of the Members of the Board of Directors

In principle, qualified individuals who have extensive knowledge and skills, have a certain background and experience, are knowledgeable about the company's sector and corporate management, have gained experience by working in the private or public sectors, and preferably hold a university degree shall be nominated for and elected member of the Board of Directors.

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

20. The Company's Mission, Vision and Strategic Objectives

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 Directors and Members of the Board of Directors

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 Working Principles of the Board of Directors

In 2008, the company's Board of Directors held a total of 31 meetings; 12 of these were held after obtaining one-on-one approvals and 19 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 2008, there were no dissenting opinions concerning the decisions taken by the members of the Board of Directors.

When the Board of Directors met to take decisions about issues falling under Section IV., Article 2.17.4 of the CMB Corporate Governance Principles, the active participation 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 2008.

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

In 2008, 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. Ethics Rules

The ethics rules for the company and its employees were prepared and shared with all employees. The written consent forms of all employees for these ethics 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 of the Board of Directors

The company has set up an Audit Committee 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 2008. 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. Financial Rights Granted to 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 2008, 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.

Board of Directors

Hakan AKBAŞ

Chairman of the Board of Directors

Born in 1969. He received a Bachelor of Science degree in Industrial Engineering from Bogazici University and a Masters of Business Administration from Simon School of Business in Rochester, NY. He held executive positions in Marketing, Strategic Planning and Business Development at Bausch & Lomb and Xerox Corporation in the USA. Lastly, he was working as Managing Director of Business Development at Xerox Global Services. Before joining Sabanci Holding, Mr. Akbas was Senior Vice President & Chief Marketing Officer of Document Sciences Corporation. In 2006 Hakan Akbas was appointed as the Sabanci Holding Strategy and Business Development Executive Vice President.

Mehmet Göçmen

Deputy Chairperson of the Board of Directors

Born in 1957, he graduated from the Industrial Engineering department at the Middle East Technical University in 1981. He recieved his graduate degree from the Industrial Engineering department at the Syracuse University. He subsequently assumed various functions at Celik Halat, steel rope manufacturers, and Lafarge, and had been Akcansa's General Manager between 2003 and 2008. On August 1st, 2008 Mehmet Gocmen was appointed as the Sabanci Holding Human Resources Executive Vice President.

Serra Sabancı

Member of the Board of Directors

Serra Sabanci was born in 1975 in Adana. She graduated from the University of Porsmouth and Istanbul Bilgi University, the Department of Economics with a high honor degree. She started her carreer at Temsa. She participated in Institute of Directors (IoD) seminars and courses on board membership and mergers & acquisitions in London. Serra Sabanci is a member of the Sabanci Holding Board.

Mevlüt Aydemir

Member of the Board of Directors

He was graduated from Istanbul University, Faculty of Economics in 1972. He joined the Ministry of Finance as a Public Accountant and worked there till 1981. In 1981, he joined the Sabanci Holding and worked under different titles. Currently, he is the Head of Tax Management and Financing Department of Sabanci Holding.

TOP MANAGEMENT

Cem ÇELİKOĞLU

General Manager

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

Semih UTKU

Assistant General Manager (Finance)

Born in 1962, he graduated from University of Baltimore with a BS degree in Business Administration-Finance. He has joined our company on 01.06.1999 and has been appointed to his current position on 01.01.2000.

Derya KINIK

Assistant General Manager (Technical)

Born in 1957. He graduated from Manchester University with BS and MS degrees in Textile Engineering. He has joined our company on 01.04.1999 and been appointed to his current position on 01.05.2000.

Hakan DEĞİRMENCİ

Assistant General Manager (Marketing and Sales)

Born in 1965. He graduated from Middle East Technical University, Faculty of Administrative Sciences and has been working for the company since 17.12.1990. He was appointed to his current position on 01.01.2004.

Mehmet Emin ÇİĞDEM

Technical Coordination Director

Born in 1952, graduated from Istanbul Technical University, Faculty of Electronics and Communications Engineering. He has been working in our company since 17.02.1981 and was appointed to his current position on 20.01.2003.

Muhterem BAHÇIVANOĞLU

Production Planning Manager

Born in 1958. He graduated from the Istanbul University, Faculty of Economics. He has been working for the company since 03.10.1984 and was appointed to his current position on 01.03.1995.

D. Hakan AYDINLIK

Chief Designer-Men's Fabric

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

Tarkan AYDIN

Chief Designer-Ladies'Fabric

Born in 1967. He graduated from the Marmara University, Faculty of Fine Arts. He has been working for the company since 01.12.1997.

Mehmet Kemal AKIN

Spinning and Weaving Manager

Born in 1967. He graduated from Ege University, Textile Engineering. He has joined our company in 01.10.1990 and was appointed to his current position on 10.11.2005.

Muhammet EKEN

Yarn Manager

Born in 1968. He graduated from Istanbul Technical University, Textile Engineering with BS degree and from Victoria University of Manchester Textile Tech. with MS degree. He has joined our company on 15.06.1995 and was appointed to his current position on 10.11.2005.

Necdet ATMACAN

Accounting and Finance Manager

Born in 1951. He graduated from i li School of Political Sciences. He has been working for the company since 01.08.1982 and was appointed to his current position on 22.05.2001.

Melik ERDİNÇ

Purchasing Manager

Born in 1970. He graduated from Istanbul University, Faculty of Business Administration. He received further education in Finance - Management at Fairleigh Dickinson University, from where he received his master's degree. He has joined our company on 26.07.1999 and was appointed to his current position on 01.01.2003.

Birol KANTUR

Marketing Manager

Domestic Market and Uniform Fabric

Born in 1973. He graduated from Istanbul University, Economics Department. He received his master's degree from NY Business Institute of Technology. He has joined our company in 01.12.1999 and was appointed to his current position on 01.06.2004.

Bora BİRGİN

Marketing Manager - Export Men's Fabric

Born in 1973. He graduated from University of Nottingham, Industrial Economics Department. He received his master's degree at UMIST. He has been working in the company since 19.03.1998 and was appointed to his current position on 01.06.2004.

Zeynep ÇELİKOĞLU

Marketing Manager - Ladies' Fabric

Born in 1972, she graduated from Marmara University, Faculty of Business Administration. She has joined our company on 04.05.1998 and was appointed to her current position on 01.06.2004.

Gürhan AKINCIOĞLU

Dyeing Manager

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

Murat YILDIRIM

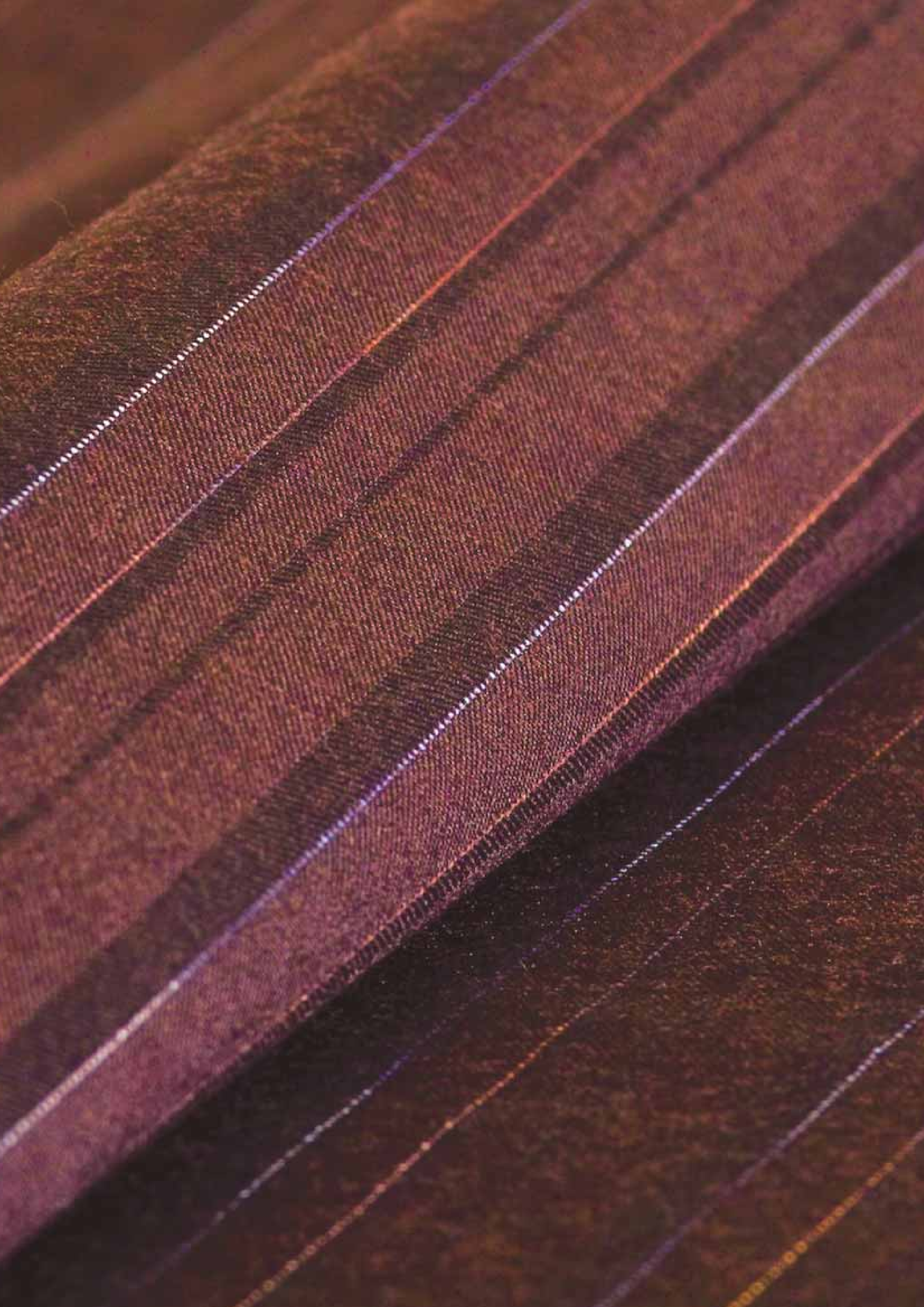
Quality Control Manager

Born in 1968. He graduated from Uludag University, Textile Engineering Department. He has been working in 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. He graduated from Ankara University Faculty of Political Sciences, Business Administration Department. He has been working in our com-pany since 01.04.1996 and was appointed to his current position on 29.12.2006.



Auditors' Report Summary

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

Trade Name	:	Yünsa Yünlü Sanayi ve Ticaret A.Ş.
Head Office	:	İstanbul
Issued Capital	:	YTL 29,160,000.-
Business Line	:	Production of worsted line and fabric
Auditors' names, duty periods, and relations with the company	:	Cezmi KURTULUŞ, 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 A.Ş. for the period 01.01.2008 – 31.12.2008 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, 2008 fairly represents the financial position of the company at this date and the income statement for the period 01.01.2008 – 31.12.2008 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

Cezmi KURTULUŞ **Levent DEMİRAĞ** **Soner AKKAYA**

Profit Distribution Policy

In line with the provisions of the CMB and legal regulations, the company 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.


YÜNSA

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

Consolidated Financial Statements as of 31 December 2008
(Translated into English from the Original Turkish Report)

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Yünlü Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiary (together "the Group") which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, 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. The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2007 were audited by other auditors whose report, dated 17 March 2008, expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards published by the Capital Markets 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 present fairly the financial position of Yünlü Sanayi ve Ticaret A.Ş. and its subsidiary as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the Capital Markets Board.

İstanbul, 27 March 2009

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

Hüseyin Gürer,
Partner

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi
Consolidated Balance Sheet As Of December 31, 2008

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

	Notes	Current Period (Audited) December 31, 2008	Prior Period (Audited) December 31, 2007
ASSETS			
Current Assets		**103.020.145**	**109.171.516**
Cash and Cash Equivalents	6	1.140.742	533.251
Trade Receivables	10	56.045.899	50.850.514
- Trade Receivables from Related Parties	37	8.563.293	28.412.285
- Other Trade Receivables	10	47.482.606	22.438.229
Other Receivables	11	230.367	430.837
- Other Receivables from Related Parties	37	192.591	301.539
- Other Receivables	11	37.776	129.298
Inventories	13	42.531.790	54.360.966
Other Current Assets	26	3.071.347	2.995.948
Non-Current Assets		**48.895.972**	**66.776.401**
Financial Investments	7	782.660	791.035
Property, Plant and Equipment	18	46.163.250	63.073.346
Intangible Assets	19	148.757	456.624
Deferred Tax Assets	35	1.801.305	1.727.437
Other Non-Current Assets	26	-	727.959
TOTAL ASSETS		**151.916.117**	**175.947.917**

The consolidated financial statements prepared as of and for the period ended December 31, 2008 have been approved by the Board of Directors on March 27, 2009.

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi
Consolidated Balance Sheet As Of December 31, 2008

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

	Notes	Current Period (Audited) December 31, 2008	Prior Period (Audited) December 31, 2007
LIABILITIES			
Short Term Liabilities		**97.688.042**	**94.062.795**
Financial Borrowings	8	78.145.405	71.333.356
Trade Payables	10	14.421.824	18.464.252
Other Payables	11	536.636	410.138
Current Tax Liability	35	269.662	-
Provisions	22	419.662	-
Provisions for Employee Benefits	24	1.085.918	750.810
Other Short Term Liabilities	26	2.808.935	3.104.239
Long Term Liabilities		**4.203.146**	**4.395.142**
Provisions for Employee Benefits	24	4.203.146	4.395.142
SHAREHOLDERS' EQUITY		**50.024.929**	**77.489.980**
Equity Attributable to Equity Holders of the Parent		**50.024.929**	**72.451.087**
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	2.674.504	2.335.436
Retained Earnings	27	9.865.760	7.635.967
Net Profit/Loss for the Period		(22.426.158)	2.568.861
Minority Interest	**27**	**-**	**5.038.893**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**151.916.117**	**175.947.917**

The accompanying notes from an integral part of these consolidated financial statements.

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

Consolidated Statement Of Income For The Year Ended December 31, 2008

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

	Notes	Current Period (Audited) December 31, 2008	Prior Period (Audited) December 31, 2007
CONTINUED OPERATIONS			
Sales Revenue (net)	28	170.932.664	164.247.222
Cost of Sales (-)	28	(127.002.971)	(123.399.313)
GROSS PROFIT / LOSS		**43.929.693**	**40.847.909**
Marketing, Sales and Distribution Expenses (-)	29	(25.122.656)	(19.078.814)
General Administration Expenses (-)	29	(11.162.972)	(8.356.825)
Research and Development Expenses (-)	29	(2.972.338)	(3.135.152)
Other Operating Income	31	3.103.541	1.841.135
Other Operating Expenses (-)	31	(22.663.082)	(2.257.997)
OPERATING PROFIT / LOSS		**(14.887.814)**	**9.860.256**
Finance Income	32	19.072.739	10.639.733
Finance Expense (-)	33	(32.786.086)	(17.689.729)
PROFIT BEFORE TAXATION FROM CONTINUED OPERATIONS		**(28.601.161)**	**2.810.260**
Tax Income/Expenses From Continued Operations	**35**	**(1.264.331)**	**(1.546.371)**
Current Tax Income/Expenses		(1.338.199)	(1.852.490)
Deferred Tax Income/Expenses		73.868	306.119
PROFIT/LOSS FROM CONTINUED OPERATIONS		**(29.865.492)**	**1.263.889**
PROFIT/LOSS FOR THE PERIOD		**(29.865.492)**	**1.263.889**
Distribution of Profit/Loss for the Period			
Minority Interest	27	(7.439.334)	(1.304.972)
Equity holders of the parent		(22.426.158)	2.568.861
Earnings Per Share	**36**	**(0,769)**	**0,088**

The accompanying notes from an integral part of these consolidated financial statements.

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

Consolidated Statement Of Changes in Shareholders Equity For The Year Ended December 31, 2008

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

	Note	Capital	Inflation Adjustments to Share Capital	Premium In Excess of Par	Restricted Reserves Assorted from Profit	Retained Earnings	Periods Profit / Loss	Equity Attributable to Equity Holders of the Parent	Minority Interest	Total Share-holders' Equity
January 1, 2007	**27**	**29.160.000**	**30.657.866**	**92.957**	**1.314.590**	**2.649.177**	**11.402.236**	**75.276.826**	**-**	**75.276.826**
Transfers to restricted reserves		-	-	-	1.020.846	-	(1.020.846)	-	-	-
Transfers to retained earnings		-	-	-	-	4.986.790	(4.986.790)	-	-	-
Acquisition of subsidiary		-	-	-	-	-	-	-	6.343.865	6.343.865
Dividends paid		-	-	-	-	-	(5.394.600)	(5.394.600)	-	(5.394.600)
Net profit/loss for the period		-	-	-	-	-	2.568.861	2.568.861	(1.304.972)	1.263.889
December 31, 2007	**27**	**29.160.000**	**30.657.866**	**92.957**	**2.335.436**	**7.635.967**	**2.568.861**	**72.451.087**	**5.038.893**	**77.489.980**
January 1, 2008	**27**	**29.160.000**	**30.657.866**	**92.957**	**2.335.436**	**7.635.967**	**2.568.861**	**72.451.087**	**5.038.893**	**77.489.980**
Transfers to restricted reserves		-		-	339.068	-	(339.068)	-	-	-
Transfers to retained earnings		-	-	-	-	2.229.793	(2.229.793)	-	-	-
Capital increase in subsidiary		-	-	-	-	-	-	-	2.400.441	2.400.441
Net profit/loss for the period		-	-	-	-	-	(22.426.158)	(22.426.158)	(7.439.334)	(29.865.492)
December 31, 2008	**27**	**29.160.000**	**30.657.866**	**92.957**	**2.674.504**	**9.865.760**	**(22.426.158)**	**50.024.929**	**-**	**50.024.929**

The accompanying notes from an integral part of these consolidated financial statements.

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

Consolidated Statement Of Cash Flow For The Year Ended December 31, 2008

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

Cash flows from operating activities	**Not**	**January 1 December 31, 2008**	**January 1 December 31, 2007**
Net profit/loss for the period	27	(22.426.158)	2.568.861
Adjustments to reconcile net income to net cash from operating activities:			
Minority's share of preiod loss	27	(7.439.334)	(1.304.972)
Amortization and depreciation	18-19	7.321.439	7.208.033
Taxes	35	1.264.331	1.546.371
Provision for employment termination benefits	24	3.085.586	1.113.811
Provision for short term employee benefits	24	335.108	750.810
Interest Income	32	(439.676)	(754.517)
Interest Expenses	33	11.074.695	7.122.727
Gain on sale of fixed assets	31	(930.163)	(182.425)
Gain on sale of financial assets available for sale		-	(3.557)
Provision for impairment of financial investments	7	16.257	-
Provision for impairment of property, plant and equipment	18-19	14.890.137	-
Provision for impairment of inventory	13	2.958.265	-
Provision for doubtful receivables	31	4.292.402	184.704
Net cash before changes in operating assets and liabilities		**14.002.889**	**18.249.846**
(Increase)/ decrease in trade receivables		(7.046.046)	5.102.505
(Increase)/ decrease in inventories		8.870.911	(7.348.856)
(Increase)/ decrease in other current assets		(1.952.216)	(1.109.706)
(Increase)/ decrease in other long-term assets		363.505	(109.457)
Increase/ (decrease) in trade payables	10	(4.042.428)	(4.734.679)
Increase/ (decrease) in other short term liabilities		250.856	(582.221)
Taxes and dues paid		(1.068.537)	(2.259.091)
Employment termination benefits paid	24	(3.277.582)	(790.339)
Net cash provided by operating activities		**6.101.352**	**6.418.002**
Investing activities			
Purchase of property, plant and equipments	18	(5.895.540)	(22.229.224)
Purchase of intangible assets	19	(121.779)	(473.983)
Proceeds from sale of property, plant and equipment		1.953.869	401.104
Proceeds from sale of financial assets available for sales		-	14.255
Cash outflow from the acquisition of a subsidiary	7	(7.882)	(18.708)
Minority's share in capital increase of a subsidiary		2.400.441	6.830.762
Interests received	32	439.676	754.517
Net cash used in investing activities		**(1.231.215)**	**(14.721.277)**
Financing activities			
Changes in bank loans		6.163.101	16.921.183
Dividends paid		-	(5.394.600)
Interests paid		(10.425.747)	(6.684.519)
Net cash (used in) / provided by financing activities		**(4.262.646)**	**4.842.064**
Net increase / (decrease) in cash and cash equivalents		607.491	(3.461.211)
Cash and cash equivalents at the beginning of the period	**6**	**533.251**	**3.994.462**
Cash and cash equivalents at the end of the period	**6**	**1.140.742**	**533.251**

The accompanying notes from an integral part of these consolidated financial statements.

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE COMPANY

Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("The Company") was founded on 21 June 1973.

The main operation of the Company is production and marketing of woolly textile products. The main shareholder of the Company is Hacı Ömer Sabancı Holding A.Ş. The shares of the Company and its main shareholder are publicly traded in the İstanbul Stock Exchange Market (ISE).

The average number of employees of the Company is 1.197. (2007: 1.307).

The Company's registered office address is:
Sabancı Center
Kule 2, 34330 4.Levent İSTANBUL

Subsidiaries

On 25 January 2007, by contributing a nominal capital amounting to TL 14.615.900 corresponding to the 69,99% of total shares of SKT Giyim Sanayi ve Ticaret A.Ş., Yünsa has become the founding shareholder of the related company. The nature of business of the Subsidiary, which is consolidated to the Company's financial statements, is presented below:

Subsidiary	Nature of Business	Industrial segment
SKT Giyim Sanayi ve Ticaret A.Ş. ("SKT Giyim")	Textile	Ready-to-wear clothing

Approval of financial statements:

The consolidated financial statements are authorized for issue by the Board of Directors as of March 27, 2009. General Assembly has the authority to change the Company's financial statements.

NOTE 2 - BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The Basis of 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"). Subsidiaries operating in foreign countries maintain their books of account in the currencies of those countries and prepare their statutory financial statements in accordance with applicable regulations in those countries.

The Capital Markets Board (CMB) Decree No XI-29 "Capital Markets Financial Reporting Standards" provides 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 to 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 14 April 2008. In this respect, certain reclassifications have been made in the prior financial statements. The financial statements have been prepared on the historical cost basis.

Functional Currency

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of consolidation, 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 consolidated financial statements.

In accordance with Law No: 5083 "Monetary Unit of the Turkish Republic" (Law No: 5083), the name of the Turkish Republic's monetary unit and its sub-currency unit is changed to the New Turkish Lira and the New Turkish Cent, respectively. However, in accordance with the additional resolution of the Council of Ministers in regards to the order on the Removal of the Phrase "New" in the New Turkish Lira and the New Turkish Cent and Its Application Principles, the phrase "New" used in the Turkish Republic's monetary unit is removed both from the New Turkish Lira and New Turkish Cent as of 1 January 2009. Therefore, the accompanying consolidated financial statements are prepared in Turkish Lira (TL).

Preparation of Financial Statements in Hyperinflationary Periods

The CMB's decision no: 11/367, which was issued on 17 March 2005, has put an end to the application of inflation accounting beginning from 1 January 2005 for companies operating in Turkey and preparing their financial statements in accordance with the CMB's Accounting Standards. Within this context, IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by IASB has not been applied as of 1 January 2005.

2.2 Basis of Consolidation

a) The consolidated financial statements include the financial statements of the parent company, Yünsa Yünlü Sanayi ve Ticaret A.Ş., and its subsidiary ("the Group"), which are prepared based on the principles set out in in the paragraphs (b) and (c) below. The financial statements of the subsidiaries have been prepared as of the date of the consolidated financial statements, in accordance with the financial reporting standards issued by the Capital Markets Board.

The results of operations of subsidiaries are included in or excluded from the consolidated financial statements as of the date of acquisitions or disposals.

b) A subsidiary is an entity when it has power to control the financial and operating policies for the benefit of the Company, either through (a) the power to exercise directly and indirectly more than 50% of the voting rights of an entity; or (b) having significant power over the financial and operating policies of an entity even though it owns less than 50% of the voting rights.

The below table sets out direct or indirect ownership and effective share participation of the subsidiary by the Group:

Subsidiaries	Direct/ indirect ownership by the Group (%)	Effective share participation (%)
SKT Giyim	69, 99	69, 99

The balance sheet and statement of income of the Subsidiary are consolidated on a line-by-line basis and the carrying value of the investment held by the Group is eliminated against the related shareholders' equity. Intercompany transactions and balances between the Company are eliminated on consolidation. The cost of, and the dividends arising from, shares held by the Company in its Subsidiary are eliminated from shareholders' equity and income for the period, respectively.

c) The Group has shareholding percentage of 100% in Exsa Deutschland Gmbh, Yünsa Italia SRL, Yünsa UK Limited, and Yünsa Americas Inc.; and 70% shareholding percentage in S.K.T. Polska. These companies are not consolidated due to the insignificance of their combined impact on the net worth, financial position and results of the Group. They are carried at cost as at 31 December 2008 and 31 December 2007 in the consolidated financial statements since their fair values cannot be measured reliably.

d) Investments in which the Group has interest below 20%, and do not have a quoted market price in an active market and whose fair value cannot be measured reliably are carried at cost less any impairment loss.

e) Subsidiaries are consolidated as of the date on which control is transferred to the Company and are no longer consolidated as of the date on which control is lost.

Minority interests in the net assets of the consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make further investments to cover the losses.

2.3 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.

2.4 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.

2.5 Changes in Accounting Policies

Changes made in the accounting policies are applied retrospectively and the prior period's financial statements are restated accordingly. The Group has applied required accounting policy changes as of January 1, 2007 in order to comply with the Capital Markets Board's ("CMB") Decree No XI-29.

The details of the reclassifications made in the financial statements in accordance with the CMB's Decree No: XI/29 are as follows:

Advances paid for inventories amounting to TL 222.460, which were included in "Other receivables" as of December 31, 2007 are reclassified into "Other Current Assets" in the comparative balance sheet presented as of December 31, 2008.

Advances paid amounting to TL 270.494, which were included in "Property, plant and equipment" as of December 31, 2007 are reclassified into "Other Non-Current Assets" in the comparative balance sheet presented as of December 31, 2008.

Items amounting to TL 693.783, which were included in "Due to related parties" as of December 31, 2007, are reclassified into "Trade payables" in the comparative balance sheet presented as of December 31, 2008.

Items amounting to TL 750.810, which were included in "Provisions" as of December 31, 2007, are reclassified into "Provision for Employee Benefits" in the comparative balance sheet presented as of December 31, 2008.

Items amounting to TL 90.638, which were included in "Equity Inflation Adjustments" as of December 31, 2007, are reclassified into "Premium in excess of par" in the comparative balance sheet presented as of December 31, 2008.

Items amounting to TL 30.751.566, which were included in "Equity Inflation Adjustments" as of December 31, 2007, are reclassified into TL 30.657.866 "Capital Inflation Adjustments" and TL 3.062 "Retained Earnings" in the comparative balance sheet presented as of December 31, 2008.

Items amounting to TL 7.632.905, which were included in "Extraordinary Reserves" as of December 31, 2007, are reclassified into "Retained Earnings" in the comparative balance sheet presented as of December 31, 2008.

Items amounting to TL 30.570.791, which were included in "Operational Expenses" as of December 31, 2007 are reclassified into "Marketing, Sales and Distribution Expenses" (TL 19.078.814) ,"General Administrative Expenses" (TL 8.356.825) and "Research and Development Expenses" (TL 3.135.152) in the comparative statement of income presented as of December 31, 2008.

Items amounting to TL (7.049.996), which were included in "Finance Expenses" as of December 31, 2007, are reclassified into "Finance Income" (TL 10.639.733) and "Finance Expense" (TL (17.689.729)) in the comparative statement of income presented as of December 31, 2008.

Items amounting to TL 306.119, which were included in "Taxes" as of December 31, 2007, are reclassified into "Deferred Tax Income/Expense" in the comparative statement of income presented as of December 31, 2008.

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

2.6 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 the following periods, changes are applied both in the current and the following periods prospectively. The Group has no significant changes to the accounting estimates in the current period.

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

2.7 Adoption of New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

- IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions",
- IFRIC 12, "Service Concession Arrangements",
- IFRIC 14, "IAS 19- The Limit on A Defined Benefit Asset, Minimum Funding Requirements and Their Interaction",
- IAS 39, IFRS 7 "Amendments Relating to Classification of Financial Assets"

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

• IFRS 8, "Operating Segments"	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 15, "Agreements For the Cconstruction of Real Estate"	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 16, "Hedges of A Net Investment in Aa Fforeign Ooperation"	Effective for annual periods beginning on or after 1 November 2008
• IFRIC 17, "Distributions of Non-Cash Aassets to Oowners"	Effective for annual periods beginning on or after 1 July 2009
• IFRIC 18, "Transfers of Assets From Ccustomers"	Effective for transfers received on or after 1 July 2009

• IFRS 2, "Share-Based Payment" A amendment relating to vesting conditions and cancellations"	Effective for annual periods beginning on or after 1 January 2009
• IFRS 1, "First-time Adoption of International Financial Reporting Standards". Amendment relating to cost of an investment on first-time adoption	Effective for annual periods beginning on or after 1 January 2009
• IFRS 3, "Business Combinations" • IAS 27, "Consolidated and Separate Financial Statements • IAS 28, "Investments in Associates" • IAS 31 "Interests in Joint Ventures" Comprehensive revision on applying the acquisition method	Effective for annual periods beginning on or after 1 July 2009.
• (Revised) IAS 23, "Borrowing Costs" Comprehensive revision to prohibit immediate expensing	Effective for annual periods beginning on or after 1 January 2009
• IAS 27, "Consolidated and Separate Financial Statements". Amendment relating to cost of an investment on first-time adoption	Effective for annual periods beginning on or after 1 January 2009
• IAS 1, "Presentation of Financial Statements" • IAS 32, "Financial Instruments: Presentation". Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	Effective for annual periods beginning on or after 1 January 2009
• IAS 1, "Presentation of Financial Statements". Comprehensive revision including requiring a statement of comprehensive income	Effective for annual periods beginning on or after 1 January 2009
• IAS 39, "Financial Instruments: Recognition and Measurement". Amendments for eligible hedged items	Effective for annual periods beginning on or after 1 January 2009

IFRS 8, "Operating Segments"

IFRS 8 "Operating Segments" replaces IAS 14 'Segment Reporting"'. This standard requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. The Group will apply IFRS 8 effective 1 January 2009.

(Revised) IAS 23, "Borrowing Costs"

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, that form the part of the cost of that asset, should be capitalized. Other borrowing costs are recognized as an expense. The option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale will be removed by this change. Since the Group applied revised IAS 23 before the effective date, no material effect is expected on consolidated financial statements.

(Revised) IAS 1, "Presentation of Financial Tables"

In order to improve the reader convenience in the financial statements, IAS 1 has been revised. The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply the changes made to IAS 1 (Revised) in relation to the presentation requirements as of 1 January 2009.

The Group management anticipates that except for the new and revised IAS 23, IFRS 8 and IAS 1 Standards, the application of above standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Group.

2.8 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 Group 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 Group transfers all the significant risks and rewards of ownership of the goods to the buyer,
- The Group 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.

Other income of the Group are recognized as follows:
Rent and compilation income: on an 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 Group 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 Group 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 Group 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 but its carrying amount is reviewed annually and adjusted for impairment where it is considered necessary.

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

	Year
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 recorded 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 an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

g) Borrowing costs

International Accounting Standard No: 23 "Borrowing Costs" was revised on March 29, 2007 by the IASB. The revised IAS 23 is effective from January 1, 2009, with the early adoption option. The Company opted for the early adoption and changed its accounting policy, choosing the policy requirements in IAS 23 related to borrowing costs at January 1, 2007. If financing costs are related to the acquisition, construction or production of a qualifying assets they are are capitalized as part of the cost of that asset. Qualifying assets are those that require substantial time for the preparation of assets for their intended use or sale. The Group has no capitalized finance costs as of 2008 and 2007.

Al other borrowing costs are recognized in the statement of income 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 Group'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 Group 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 Group 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 Group 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 Group. 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 acturial 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 disclosed 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 Group has a present obligation as a result of a past event, and it is probable that the Group 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 Group.

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 Group.

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

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 Group restates its financial statements, if any subsequent events arise.

p) Segmental information

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. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

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. A business segment or geographical 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. The Group has chosen business segments as the Group's primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise's risks and returns.

r) Critical accounting judgments and key sources of estimation uncertainty

Net realizable value of inventories

Inventories are stated at the lower of cost and net realizable value. Management has determined that the cost of the inventories is higher than their realizable value as of 31 December 2008. 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 2.958.265 and the expense was recorded to cost of sales (Note 13).

Impairment of Property, plant and equipment and Intangible Assets

In the current period, the Group'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 Group 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.

The Group use fair value less cost to sell method for testing the impairment of buildings in the ready-to-wear clothing segment. For other property, plant and equipment value in use method is used. The Group's property, plant and equipment and intangible assets were tested for impairment as of December 31, 2008 and noted that the carrying amount of property, plant and equipment and intangible assets were greater than their estimated recoverable amount and the provision for impairment is allocated for the related assets.. (Notes 18 and 19)

Deferred taxes

The Group 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 Group'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 Group 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.

NOTE 3 – BUSINESS COMBINATIONS

None. (On January 25, 2007, by contributing a nominal capital amounting to TL 14.615.900, Yünsa has become the founding shareholder of the SKT Giyim. The other shareholders of SKT Giyim are Musa Moris Basmacı with a participation of a nominal capital of TL 6.208.062 and capital in-kind of TL 55.938, Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. with a participation amounting to TL 25, Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. with a participation amounting to TL 25, Teknosa İç ve Dış Ticaret A.Ş, with a participation amounting to TL 25 and Temsa Sanayi ve Ticaret A.Ş. with a participation amounting to TL 25. SKT Giyim is primarily engaged in men's clothing under the trademark of UPTOWN. This operation is attributable to an establishment of its subsidiary and therefore, it is not classified as a business combination under the scope of IFRS 3 "Business Combinations".)

NOTE 4 – AFFILIATES

None (2007: None.).

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

NOTE 5 – SEGMENT REPORTING

a) External revenue:	**December 31, 2008**	**December 31, 2007**
Textile	146.560.962	145.413.259
Ready-to-wear clothing	24.371.702	18.833.963
	170.932.664	**164.247.222**

b) Segment assets:	**December 31, 2008**	**December 31, 2007**
Textile	156.991.513	159.289.733
Ready-to-wear clothing	18.908.660	37.006.935
Total segment assets	**175.900.173**	**196.296.668**
Unallocated assets (-)	(20.215.860)	(14.615.900)
Less: Intersegment eliminations (-)	(3.768.196)	(5.732.851)
Total assets per consolidated financial statements	**151.916.117**	**175.947.917**

c) Segment liabilities:	**December 31, 2008**	**December 31, 2007**
Textile	76.012.120	83.229.900
Ready-to-wear clothing	29.193.402	20.209.621
Total Segment liabilities	**105.205.522**	**103.439.521**
Unallocated liabilities	-	27.498
Less: Intersegment eliminations (-)	(3.314.334)	(5.009.082)
Total liabilities per consolidated financial statements	**101.891.188**	**98.457.937**

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

d-1) Segment Analysis from January 1 – December 31, 2008:

	Textile	Ready-to-wear clothing	Intersegment Eliminations	Total
Sales revenue	149.146.361	24.371.702	(2.585.399)	170.932.664
Cost of sales	(109.381.488)	(20.390.821)	2.769.338	(127.002.971)
Gross profit	**39.764.873**	**3.980.881**	**183.939**	**43.929.693**
Marketing, sales, distribution expenses	(14.224.528)	(10.898.128)	-	(25.122.656)
General administration expenses	(6.569.057)	(4.593.915)	-	(11.162.972)
Research and development expenses	(2.972.338)	-	-	(2.972.338)
Other operating income/profit	1.371.941	1.731.600	-	3.103.541
Other operating expenses/losses	(899.828)	(21.763.254)	-	(22.663.082)
Segment Results	**16.471.063**	**(31.542.816)**	**183.939**	**(14.887.814)**

d-2) Segment Analysis from January 1 – December 31, 2007:

	Textile	Ready-to-wear clothing	Intersegment Eliminations	Total
Sales revenue	148.739.942	18.833.963	(3.326.683)	164.247.222
Cost of sales	(113.005.919)	(12.968.811)	2.575.417	(123.399.313)
Gross profit	**35.734.023**	**5.865.152**	**(751.266)**	**40.847.909**
Marketing, sales, distribution expenses	(13.613.639)	(5.465.175)	-	(19.078.814)
General administration expenses	(5.683.169)	(2.673.656)	-	(8.356.825)
Research and development expenses	(3.135.152)	-	-	(3.135.152)
Other operating income/profit	1.502.211	338.924	-	1.841.135
Other operating expenses/losses	(1.430.845)	(827.152)	-	(2.257.997)
Segment Results	**13.373.429**	**(2.761.907)**	**(751.266)**	**9.860.256**

e) Capital expenditures:

	December 31, 2008	December 31, 2007
Textile	3.363.846	6.871.731
Ready-to-wear clothing	2.653.473	15.831.476
	6.017.319	**22.703.207**

f-1) Non-cash expenses (January 1 – December 31, 2008):

	Textile	Ready-to-wear clothing	Total
Depreciation and amortization	5.980.947	1.340.492	7.321.439
Provision for impairment of fixed assets	-	14.890.137	14.890.137
Provision for impairment of inventories	-	2.958.265	2.958.265
Allowance for doubtful receivables	-	4.292.402	4.292.402
Provision for employee benefits	2.177.235	1.243.459	3.420.694
	8.158.182	**24.724.755**	**32.882.937**

f-2) Non-cash expenses (January 1 – December 31, 2007):

	Textile	Ready-to-wear clothing	Total
Depreciation and amortization	6.430.209	777.824	7.208.033
Provision for employee benefits	1.624.845	239.776	1.864.621
Allowance for doubtful receivables	-	184.704	184.704
	8.055.054	**1.202.304**	**9.257.358**

NOTE 6 – CASH AND CASH EQUIVALENTS

	December 31, 2008	December 31, 2007
Banks		
Demand deposits	1.121.114	500.344
Time deposits	-	-
Other	19.628	32.907
	1.140.742	**533.251**

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

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

NOTE 7 – FINANCIAL INVESTMENTS

	2008		2007	
	(%)	TL	(%)	TL
Exsa Deutschland Gmbh **(*)**	100	661.350	100	661.350
Yünsa Italia SRL **(*)**	100	110.977	100	110.977
Uptown Polska **(*)**	70	16.257	70	16.257
Yünsa UK Limited **(*)**	100	2.451	100	2.451
Yünsa Americas Inc. **(*)**	100	7.882	-	-
Impairment loss		(16.257)		-
		782.660		**791.035**

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

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

NOTE 8 – FINANCIAL LIABILITIES

	December 31, 2008		December 31, 2007	
	Weighted Average of annual effective interest rate %	TL	Weighted average of annual effective interest rate %	TL
Short-term bank loans:				
TL	23,93	49.303.934	15,19	24.769.546
Euro	6,49	17.886.384	5,07	21.240.684
US Dollars	6,37	6.404.591	5,71	19.067.304
GBP	8,33	2.948.778	7,38	5.303.052
		76.543.687		**70.380.586**
Interest Accruals		1.601.718		952.770
		78.145.405		**71.333.356**

NOTE 9 – OTHER FINANCIAL LIABILITIES

None (2007: none).

NOTE 10 – TRADE RECEIVABLES AND PAYABLES

Short term trade receivables:	**December 31, 2008**	**December 31, 2007**
Trade receivables	47.281.125	23.476.858
Receivables from related parties (Note: 37)	8.809.023	28.900.137
Notes receivables	3.102.858	107.930
	59.193.006	**52.484.925**
Less: Non accrued finance income (-)	(821.970)	(1.146.135)
Less: Allowance for doubtful receivables from related parties (-)	(176.429)	-
Less: Allowance for doubtful trade receivables (-)	(2.148.708)	(488.276)
Trade receivables, net	**56.045.899**	**50.850.514**

Average maturity of trade receivables is generally less than 4 months (2007: Less than 4 months) and as of December 31, 2008, TL and foreign currency trade receivables are discounted by using annual 15,66 % and LIBOR rates, respectively.

As of 31 December 2008, TL 2.325.137 (December 31, 2007: TL 488.276) of trade receivable amount is treated as a doubtful receivable and the Group 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 Group limits the counterparty credit risk and, where needed, receives guarantees in return for the goods sold. Collectivity risks mainly occur due to trade receivables. Trade receivables have been evaluated based on the Group policies and procedures and presented in balance sheet at the net value after deducting allowance for doubtful receivables.

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

	December 31, 2008	**December 31, 2007**
January 1	488.276	319.572
Additions	1.850.661	184.704
Collections	(13.800)	(16.000)
	2.325.137	**488.276**

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

Short term trade payables:

	December 31, 2008	December 31, 2007
Due to abroad suppliers	5.924.948	11.735.213
Due to domestic suppliers	5.969.689	5.305.917
Business and service payables	1.866.765	1.260.600
Due to related parties (Note: 37)	749.046	721.173
	14.510.448	**19.022.903**
Less: Non accrued finance expenses	(88.624)	(558.651)
	14.421.824	**18.464.252**

As of December 31, 2008, average maturity of trade payables is within 1 -3 months and as of December 31, 2008, TL and foreign currency trade payables are discounted by using annual 15, 66 % 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	December 31, 2008	December 31, 2007
Receivables from sales of machinery, equipment (*)	1.674.468	-
Receivables from related parties (Note: 37)	595.410	301.539
Receivables from personnel	15.586	92.980
Other	22.190	36.318
	2.307.654	**430.837**
Less: Allowance for other doubtful receivables from related parties	(402.819)	-
Less: Allowance for other doubtful receivables	(1.674.468)	-
	230.367	**430.837**

(*) As of June 24, 2008, the Group disposed of some of its machinery and equipments under an agreement signed with a non-related party in consideration of TL 1.800.000 plus VAT and the Group has engaged in custom manufacturing business with this company. TL 420.000 of the related receivable amount is collected in cash and the remaining portion is to be collected in accordance with the repayment plan scheduled under the custom manufacturing agreement. Upon the management's decision based on the cessation of its activities, the Group has classified the related amount as doubtful receivable.

Other Payables	December 31, 2008	December 31, 2007
Order advances received	536.636	410.138
	536.636	**410.138**

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

NOTE 12 – RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (2007: None).

NOTE 13 - INVENTORIES

	31 December 2008	31 December 2007
Raw materials	4.571.415	4.116.433
Work in process	12.512.021	15.956.907
Finished goods	17.561.541	19.711.803
Trade goods	5.578.874	2.727.395
Goods in transit	5.055.923	11.661.187
Other inventory	210.281	187.241
Allowance for impairment on inventory (-) (*)	(2.958.265)	-
	42.531.790	**54.360.966**

(*) Market conditions and decrease in customer demands cause an increase and obsolescence in inventories and market value of inventories exceed their carrying amount. The Group has recognized impairment loss of TL 1.460.768 for raw materials and TL 1.497.497 for trade goods in the current period.

NOTE 14 – BIOLOGICAL ASSETS

None (2007: None).

NOTE 15 – RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS

None (2007: None).

NOTE 16 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

None (2007: None).

NOTE 17 – INVESTMENT PROPERTIES

None (2007: None).

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

NOTE 18 – PROPERTY, PLANT AND EQUIPMENT

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

	January 1, 2008	Additions	Disposals	Transfers	Impairment	December 31, 2008
Cost:						
Land	482.197	-	-	-	-	482.197
Land improvements	6.023.284	339.787	-	98.609	-	6.461.680
Buildings	49.590.854	73.891	-	757.435	(11.422.915)	38.999.265
Machinery and equipment	149.453.988	2.446.909	(1.417.484)	714.279	-	151.197.692
Motor vehicles	493.037	-	(182.084)	-	-	310.953
Furniture and fixtures	4.270.426	594.297	(228.637)	-	(624.942)	4.011.144
Leasehold improvements	3.206.976	1.965.778	(72.528)	-	(2.595.529)	2.504.697
Construction in progress	2.292.234	474.878	-	(1.570.323)	-	1.196.789
	215.812.996	**5.895.540**	**(1.900.733)**	**-**	**(14.643.386)**	**205.164.417**
Accumulated Depreciation:						
Land improvements	(5.217.671)	(105.840)	-	-	-	(5.323.511)
Buildings	(19.211.509)	(1.439.106)	-	-	-	(20.650.615)
Machinery and equipment	(123.759.294)	(4.575.220)	664.073	-	-	(127.670.441)
Motor vehicles	(424.439)	(29.632)	182.084	-	-	(271.987)
Furniture and fixtures	(3.116.030)	(329.680)	54.758	-	-	(3.390.952)
Leasehold improvements	(1.010.707)	(706.601)	23.647	-	-	(1.693.661)
	(152.739.650)	**(7.186.079)**	**924.562**	**-**	**-**	**(159.001.167)**
Net book value	**63.073.346**					**46.163.250**

TL 6.146.909 of the current period depreciation expense is added to the cost of sales and, TL 1.039.170 of the related amount is added to operating expenses.

In the current period, the Group has reviewed the recoverable amount of its property, plant and equipment used in the ready-to-wear clothing segment and has recognized total TL 14.890.137 of impairment in the statement of income for its property, plant and equipment and intangible assets.

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

	January 1, 2007	Additions	Foundation of a Subsidiary	Disposals	Transfers	December 31, 2007
Cost:						
Land	482.197	-	-	-	-	482.197
Land improvements	5.531.516	491.768	-	-	-	6.023.284
Buildings	36.692.543	12.898.311	-	-	-	49.590.854
Machinery and equipment	143.367.656	3.731.614	1.286.221	(498.186)	1.566.683	149.453.988
Motor vehicles	1.067.161	631	167.301	(742.056)	-	493.037
Furniture and fixtures	3.193.854	727.340	350.132	(900)	-	4.270.426
Leasehold improvements	741.749	2.187.834	277.393	-	-	3.206.976
Construction in progress	1.667.191	2.191.726	-	-	(1.566.683)	2.292.234
	192.743.867	**22.229.224**	**2.081.047**	**(1.241.142)**	**-**	**215.812.996**
Accumulated depreciation:						
Land improvements	(5.152.265)	(65.406)	-	-	-	(5.217.671)
Buildings	(17.776.850)	(1.414.210)	(20.449)	-	-	(19.211.509)
Machinery and equipment	(118.846.881)	(4.962.036)	(448.547)	498.170	-	(123.759.294)
Motor vehicles	(688.796)	(199.623)	(59.412)	523.392	-	(424.439)
Furniture and fixtures	(2.638.789)	(216.848)	(261.293)	900	-	(3.116.030)
Leasehold improvements	(741.749)	(167.161)	(101.797)	-	-	(1.010.707)
	(145.845.330)	**(7.025.284)**	**(891.498)**	**1.022.462**	**-**	**(152.739.650)**
Net book value	**46.898.537**					**63.073.346**

TL 6.625.981 of current period other depreciation expense is added to the cost of sales and, TL 399.303 of the related amount is added to the operating expenses.

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

NOTE 19 – INTANGIBLE ASSETS

	January 1, 2008	Additions	Disposals	Impairment	December 31, 2008
Cost:					
Rights	459.867	104.325	(43.335)	(246.751)	274.106
Computer Software	2.838.484	17.454	(41.305)	-	2.814.633
	3.298.351	**121.779**	**(84.640)**	**(246.751)**	**3.088.739**
Accumulated depreciation:					
Rights	(107.071)	(83.104)	19.501	-	(170.674)
Computer Software	(2.734.656)	(52.256)	17.604	-	(2.769.308)
	(2.841.727)	**(135.360)**	**37.105**	**-**	**(2.939.982)**
Net book value	**456.624**				**148.757**

Current period depreciation has been included in the operating expenses.

	January 1, 2007	Additions	Foundation of a Subsidiary	Disposals	December 31, 2007
Cost:					
Rights	38.497	421.209	161	-	459.867
Computer Software	2.782.862	52.774	30.293	(27.445)	2.838.484
	2.821.359	**473.983**	**30.454**	**(27.445)**	**3.298.351**
Accumulated depreciation:					
Rights	(38.497)	(68.413)	(161)	-	(107.071)
Computer Software	(2.618.707)	(114.336)	(29.058)	27.445	(2.734.656)
	(2.657.204)	**(182.749)**	**(29.219)**	**27.445**	**(2.841.727)**
Net book value	**164.155**				**456.624**

Depreciation for the period has been included in the operating expenses.

NOTE 20 - GOODWILL

None (2007: None).

NOTE 21 – GOVERNMENT GRANTS AND INCENTIVES

None (2007: None).

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

NOTE 22 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions

	December 31, 2008	December 31, 2007
Provisions for expenses	419.662	-
	419.662	**-**

Contingent liabilities:

	December 31, 2008	December 31, 2007
Guarantee letters given	5.852.663	4.290.646
	5.852.663	**4.290.646**
Promissory notes and sureties given	10.702.139	8.576.223
Guarantee letters received	2.734.017	5.988.995
Mortgages received	258.050	58.050
	13.694.206	**14.623.268**

Guarantee letters received are advances taken from customers in relation to sales. Guarantee letters given are related to various revenue offices. The nature and level of risks derived from guarantee letters received are disclosed in Note 38.

NOTE 23 – COMMITMENTS

The Group has export commitment amounting to USD 29.611.435 as of December 31, 2008 (2007: USD 24.710.886).

Lease agreements:

The Group's operational lease commitments are as follows:

	December 31, 2008	December 31, 2007
Within 1 year	2.837.874	1.840.222
Within 1-5 years	6.183.241	4.140.186
	9.021.115	**5.980.408**

NOTE 24 – EMPLOYEE BENEFITS

Short Term	**December 31, 2008**	**December 31, 2007**
Unused vacation provision	801.697	750.810
Retirement pay provision	284.221	-
	1.085.918	**750.810**
Long Term		
Retirement pay provision	4.203.146	4.395.142
	4.203.146	**4.395.142**

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are required to be paid their retirement pay who retired by gaining right to receive according to in accordance with the provisions set out in law no: 2422 issued at 6 March 1981, law no: 4447 issued at 25 August 1999 and the amended Article 60 of the existing Social Insurance Law No: 506. Some transitional provisions related to the pre-retirement service term was excluded from the law since the related law was amended as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TL 2.173,18 for each period of service as at December 31, 2008 (December 31, 2007: TL 2.087,92). The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees.

IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at December 31, 2008, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5,40% and a discount rate of 12%, resulting in a real discount rate of approximately 6,26% (December 31, 2007: 5,71% real discount rate). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of TL 2.260,05 effective from 1 January 2009 has been taken into consideration in calculation of provision from employment termination benefits.

The movement of retirement pay provision for the year ended December 31, 2008 and December 31, 2007 is as follows:

	December 31, 2008	**December 31, 2007**
January 1	4.395.142	3.932.584
Interest cost	250.963	224.550
Service cost and actuarial gain	2.834.623	889.261
Foundation of a subsidiary	-	139.086
Payments	(3.277.582)	(790.339)
	4.203.146	**4.395.142**

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

NOTE 25 - PENSION PLANS

None (2007: None).

NOTE 26 - OTHER ASSETS AND LIABILITIES

Other Current Assets	**December 31, 2008**	**December 31, 2007**
Value added tax recoverable	1.190.847	1.310.728
VAT carried forward	635.420	709.866
Prepaid expenses	995.374	503.223
Corporate tax receivable	-	68.608
Business advances	76.800	222.460
Other	172.906	181.063
Other current assets	**3.071.347**	**2.995.948**

Other Non-Current Assets	**December 31, 2008**	**December 31, 2007**
Advances (*)	364.454	456.610
Prepaid expenses	-	855
Advances given for the acquisition of property, plant and equipment	-	270.494
Less: Allowance for doubtful receivable (-)	(364.454)	-
Other non-current assets, net	**-**	**727.959**

(*) The Group's subsidiary paid TL 364.454 of advance for the acquisition of % 50 shares of the Company Limited Men's Merit, located at 198095 St.Petersburg Ploschit Stachek No.9 St.Petersburg address, in order to increase the efficiency of its sales and marketing activities and to perform market research in Russia and European countries nearby. However, the acquisition is still pending at the issuance date of the consolidated financial statements.

Other Short Term Liabilities	**December 31, 2008**	**December 31, 2007**
Employee wages	980.029	1.203.362
Taxes and dues payable	907.512	973.733
Social security premiums payable	693.323	880.624
Other	228.071	46.520
	2.808.935	**3.104.239**

NOTE 27 – SHAREHOLDERS' EQUITY

a) Paid in Capital:

The Company's shareholders and their shares as of December 31, 2008 and December 31, 2007 are as follows:

	December 31, 2008		December 31, 2007	
	TL	Share (%)	TL	Share (%)
Hacı Ömer Sabancı Holding A.Ş.	16.878.507	57,88	16.878.507	57,88
Public quotation	6.845.972	23,48	6.845.972	23,48
Other (*)	5.435.521	18,64	5.435.521	18,64
	29.160.000	**100,00**	**29.160.000**	**100,00**

(*) Shows 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 (2007: 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) Minority Interests:

	2008	2007
January 1	5.038.893	-
Acquisition of subsidiary	-	6.343.865
Capital increase	2.400.441	-
Net loss for the period	(7.439.334)	(1.304.972)
December 31	**-**	**5.038.893**

d) Retained Earnings / Accumulated Deficits

As of December 31, 2008, the Group's retained earnings amounting to TL 9.865.760 consists of inflation restatement differences amounting to TL 3.062, and extraordinary reserves amounting to TL 9.862.698 (December 31, 2007: retained earnings amounting to TL 7.635.967, inflation restatement differences amounting to TL 3.062 and legal and extraordinary reserves amounting to TL 7.632.905).

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:

Effective from 1 January, 2008, the minimum profit distribution ratio for incorporated company shares traded on the Stock Exchange is 20%, as described in Communiqué No: IV- 27 'Principles of Distribution of Dividends and Advance Dividends of Listed Incorporated Companies Operating Under The Capital Markets Law". The Communiqué requires distribution of bonus shares which are issued in cash or through the addition of dividend to the capital to shareholders or the distribution to be made partially in cash andin bonus shares upon the BOD decision. Also the Communiqué allows initial dividend amount be left to the partnership without distribution, if such amount is lower than the 5% of the existing paid-in/issued capital amount. Nevertheless, joint stock partnerships, which have increased its capital without performing a dividend distribution as to the prior period and have classified its shares as "new" and "old" and which will distribute dividends out of their 2008 profits, should distribute the initial dividend in cash.

In addition, the afore-mentioned BOD decision prohibits the presentation of profit of companies which are required to prepare consolidated financial statements and subject to calculation of net distributable profit in the parent company's consolidated financial statements by including profits of their subsidiaries, joint ventures and affiliates in the consolidated profits but excluding these profits from the net distributable profit since profit distribution proposals has not been approved by their general assemblies and also forbids the disclosure of such amounts both in the notes to the financial statements and in a separate paragraph in the independent auditor's report. The decision also allows companies to compute their distributable profit amounts by considering the net profit for the period presented in the publicly disclosed financial statements prepared in accordance with the Communiqué Serial: XI, No: 29, if such distributable profits could be fully recovered from resources subject to profit distribution in the statutory records.

In this respect, if the dividend amount calculated based on the CMB's regulation on the minimum profit distribution requirements over the net distributable profit calculated based on the CMB's regulations is fully recovered from the distributable profits presented in the statutory records, the Company should distribute the full amount; if not, the Company will only distribute the net distributable profit presented in the statutory records.

Shareholder's Equity Items Subject to Profit Distribution:

The Group's consolidated loss is TL 22.426.158 for the year end 2008 and profit distribution is not anticipated by the Group.

The Company has no accumulated deficit in its statutory records. As of the balance sheet date, the Company's net profit amounts to TL 5.078.617 (December 31, 2007: TL 6.781.353) and the sum of other items that subject to profit distribution amounts to TL 17.759.252 (December 31, 2007: TL 11.316.967) in its statutory books.

NOTE 28 – SALES AND COST OF SALES

a) Sales revenue

	December 31, 2008	December 31, 2007
Foreign Sales	95.576.488	94.324.347
Domestic Sales	75.356.176	69.922.875
	170.932.664	**164.247.222**

b) Cost of sales

	December 31, 2008	December 31, 2007
Raw materials	(52.971.118)	(63.994.653)
Direct labor costs	(15.973.011)	(19.965.985)
General production overhead	(37.814.506)	(33.415.514)
Depreciation expenses	(6.146.909)	(6.625.981)
Changes in work in process	(3.310.920)	397.476
Changes in finished goods	(1.201.189)	6.819.308
Cost of finished goods sold	**(117.417.653)**	**(116.785.349)**
Cost of trade goods sold	**(6.627.053)**	**(6.613.964)**
Provision for impairment of inventory	(2.958.265)	-
Cost of sales	**(127.002.971)**	**(123.399.313)**

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

	December 31, 2008	December 31, 2007
Personnel	(6.673.373)	(3.754.716)
Consultancy and audit	(4.100.674)	(4.292.270)
Export and freight	(4.283.498)	(4.091.305)
Rent	(3.353.981)	(1.698.439)
Marketing	(665.626)	(509.565)
Transportation	(2.115.159)	(1.778.837)
Fair and exhibition expenses	(482.270)	(625.219)
Depreciation and amortization	(686.835)	(282.032)
Advertising expenses	(734.217)	(716.231)
Other	(2.027.023)	(1.330.200)
Total marketing, sales and transportation expenses	**(25.122.656)**	**(19.078.814)**

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

	December 31, 2008	December 31, 2007
Personnel	(4.694.053)	(3.924.720)
Consultancy and audit	(653.603)	(377.041)
Rent	(659.381)	(421.900)
Retirement pay	(3.085.586)	(1.113.811)
Other provisions	(50.886)	(750.811)
Depreciation and amortization	(487.695)	(300.020)
Other	(1.531.768)	(1.468.522)
Total general administrative expenses	**(11.162.972)**	**(8.356.825)**

	December 31, 2008	December 31, 2007
Personnel	(370.976)	(368.451)
Export and freight	(305.333)	(301.662)
Other	(2.296.029)	(2.465.039)
Total research and development expenses	**(2.972.338)**	**(3.135.152)**

NOTE 30 – EXPENSES BY NATURE

a) Accrued wages and salaries

	December 31, 2008	December 31, 2007
Cost of goods sold	(22.658.076)	(26.546.642)
Marketing, sales and transportation	(5.175.467)	(3.004.872)
General administration	(3.504.255)	(3.392.701)
Research and development	(370.976)	(368.451)
	(31.708.774)	**(33.312.666)**

b) Allocation of depreciation expenses

	December 31, 2008	December 31, 2007
Cost of goods sold	(6.146.909)	(6.625.981)
Marketing, sales and transportation	(686.835)	(282.032)
General administration	(487.695)	(300.020)
	(7.321.439)	**(7.208.033)**

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

NOTE 31 – OTHER OPERATING INCOME/EXPENSES

	December 31, 2008	December 31, 2007
Raw material and scrap sales income	964.522	221.997
Fair incentive income	213.660	206.812
Gain on sale of property, plant and equipment	930.163	239.975
Commission income	45.499	54.341
Provisions released	13.800	16.000
Other	935.897	1.102.010
Total other operating income/revenue	**3.103.541**	**1.841.135**

	December 31, 2008	December 31, 2007
Provision for impairment of fixed assets (*)	(14.890.137)	-
Expenses due to activities to be suspended	(1.498.321)	-
Provision for doubtful receivable expenses	(4.292.402)	(184.704)
Fines and penalties	(20.938)	(466.537)
Dues and fees	(151.006)	(106.037)
Private transaction taxes	(70.155)	(58.450)
Raw material and scrap sales expenses	(794.437)	(53.818)
Other	(945.686)	(1.388.451)
Total other operating expenses/losses	**(22.663.082)**	**(2.257.997)**

* In the current period, the Group has reviewed the recoverable amount of its property, plant and equipment used in the read-to-wear clothing segment and has recognized TL 14.890.137 of impairment in the statement of income.

NOTE 32 – FINANCE INCOME

	December 31, 2008	December 31, 2007
Foreign exchange gains	18.633.063	9.885.216
Interest income	439.676	754.517
	19.072.739	**10.639.733**

NOTE 33 – FINANCE EXPENSES

	December 31, 2008	December 31, 2007
Foreign exchange losses	(21.711.391)	(10.567.002)
Interest expenses	(11.074.695)	(7.122.727)
	(32.786.086)	**(17.689.729)**

NOTE 34 –ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2007: None.).

NOTE 35 – TAX ASSETS AND LIABILITIES

As of December 31, 2008, tax amounts reflected in balance sheets are as follows:

	December 31, 2008	December 31, 2007
Corporate tax payable	1.338.199	1.852.490
Less: Prepaid tax	(1.068.537)	(1.921.098)
	269.662	**(68.608)**

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 Group'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 2008 is 20% (2007: 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 (2007: 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 Group. The investments without investment incentive certificates do not qualify for tax allowance.

Investment incentive certificates are revoked commencing from January 1, 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years as of December 31, 2005 so as to be deducted from taxable income of subsequent profitable years. However the companies can deduct the carried forward outstanding allowance from 2006, 2007 and

2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

The tax rate that the companies can use in the case of deducting the tax investment incentive amount in 2006, 2007 and 2008 is 30%. If the Company cannot use the investment incentive carried forward, the effective tax rate will be 20% and the unused investment incentive will be cancelled.

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

Inflation Adjusted Tax Calculations:

For 2003 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No: 5024 published in the Official Gazette No: 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2005 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies". Since inflation met certain thresholds as of 31 December 2004, the Company has adjusted its statutory financial statements as of 31 December 2004 in accordance with Law No: 5024 and inflation adjusted balances as at 31 December 2004 were taken as opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds as at 2005, 2006, 2007 and 2008, no further inflation adjustment was made to the Company's statutory financial statements in 2005, 2006, 2007 and 2008.

As of December 31, 2008 and December 31, 2007, tax amounts reflected in income statement are as follows:

	December 31, 2008	**December 31, 2007**
- Current tax liability	(1.338.199)	(1.852.490)
- Deferred tax benefit/ (charge)	73.868	306.119
	(1.264.331)	**(1.546.371)**

Deferred Tax

The Group 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% (2007: %20).

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.

As of December 31, 2008 and December 31, 2007, the details of temporary differences and deferred tax assets and liabilities are as follows:

	Accumulated Temporary Differences		**Deferred tax asset/ (liability)**	
	December 31, 2007	**December 31, 2007**	**December 31, 2007**	**December 31, 2007**
Property, plant and equipment and intangible assets	(3.197.841)	(2.235.753)	639.568	447.151
Inventories	161.199	83.721	(32.240)	(16.654)
Provision for employee termination benefits	(4.182.808)	(4.395.142)	836.562	879.028
Other provisions	(748.687)	(750.810)	149.737	150.162
Non accrued finance expense (net)	(471.066)	(587.484)	94.213	117.497
Non accrued profit on inventories	(567.327)	(751.265)	113.465	150.253
Deferred tax assets - net			**1.801.305**	**1.727.437**
Deferred tax assets whose economic benefits expected to flow to the entity over a year period			1.476.130	1.326.179

Deferred tax asset movements are as follows:

	2008	**2007**
January 1	**1.727.437**	**1.487.767**
Acquisition of subsidiary	-	(66.449)
Current period deferred tax income/ (expense)	73.868	306.119
December 31	**1.801.305**	**1.727.437**

Current period tax reconciliation is as follows:

	January 1 - December 31, 2008	**January 1 - December 31, 2007**
Profit /(Loss) before taxation from operations	(28.601.161)	2.810.260
Income tax rate 20% (2007: 20%)	(5.720.232)	562.052
Tax effect:		
- non-deductible expenses	212.511	141.241
- carry forward tax losses	2.286.259	843.078
- temporary differences that are not subject to taxation	4.485.793	-
Tax expense/(income)	**1.264.331**	**1.546.371**

The Group has unused tax losses amounting to TL 15.646.688 as of the balance sheet date. Since future taxable profit cannot be estimated, the Group has not recognized any deferred tax assets associated with such losses. The maturity details of unrecognized tax losses are as follows:

	December 31, 2008	**December 31, 2007**
Ended in 2012	4.215.391	4.215.391
Ended in 2013	11.431.297	-
	15.646.688	**4.215.391**

NOTE 36 – EARNINGS PER SHARE

	December 31, 2008	December 31, 2007
Net profit / (loss) for the period	(22.426.158)	2.568.861
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)	(0,769)	0,088

NOTE 37 – RELATED PARTY TRANSACTIONS

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

a) Trade receivables from related parties:

	December 31, 2008	December 31,2007
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	8.803.387	28.394.304
Musa Moris Basmacı	-	361.303
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	-	109.385
Exsa Americas Inc.	-	35.145
Hacı Ömer Sabancı Holding A.Ş	5.636	-
	8.809.023	**28.900.137**
Less: Non accrued finance income	(69.301)	(487.852)
Less: Allowance for doubtful receivables	(176.429)	-
	8.563.293	**28.412.285**

Receivables from related parties generally have maturities less than 4 months (2007: Less than 4 months) and as of 31 December 2008, TL and USD, Euro and GBP denominated receivables from related parties are discounted using annual average interest rate of 15,63% and LIBOR rate, respectively.

b) Due to related parties:

	December 31, 2008	December 31, 2007
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	-	537.317
Advansa Sasa Polyester Sanayi A.Ş.	175.157	76.125
Aksigorta A.Ş.	239.012	34.593
Hacı Ömer Sabancı Holding A.Ş.	19.449	24.915
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	4.447	24.654
Universal Trading (Jersey) Ltd.	-	15.023
Sabancı Üniversitesi	-	5.126
Sabancı Telekomünikasyon Hizmetleri A.Ş.	-	2.692
Teknosa İç ve Dış Ticaret A.Ş.	-	600
Exsa Deutschland Gmbh	283.067	-
Exsa UK Limited	27.914	128
	749.046	721.173
Less: Non accrued finance expenses	(17.506)	(27.390)
	731.540	**693.783**

Due to related parties generally have maturities less than 4 months (2007: Less than 4 months) and as of 31 December 2008, TL and USD, Euro and GBP denominated due to relegated parties are discounted using annual average interest rate of 15,63% and LIBOR rate, respectively.

c) Bank deposits:

	December 31, 2008	December 31, 2007
Akbank T.A.Ş.		
- demand deposits	454.701	473.367
	454.701	**473.367**

d) Bank loans:

	December 31, 2008	December 31, 2007
Akbank T.A.Ş.	15.973.270	18.643.641
	15.973.270	**18.643.641**

e) Product sales to related parties:

	January 1- December 31, 2008	January 1- December 31, 2007
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. (*)	69.722.780	93.509.249
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	6.005	783.573
Exsa Americas Inc.	135.907	63.053
Hacı Ömer Sabancı Holding A.Ş	5.218	-
	69.869.910	**94.355.875**

(*) The Group has an export agreement with Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. ("Exsa"). The Group determines the prices of export goods. Export expenses and commissions paid to Exsa are disclosed under the services received from related parties account. The Group has been performing its export operations without using any intermediaries since September 2008.

f) Product purchases from related parties:

	January 1 - December 31, 2008	January 1 - December 31, 2007
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	742.710	1.287.408
Advansa Sasa Dupont Sabancı Polyester Sanayi A.Ş.	1.034.150	1.042.107
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	-	520.732
	1.776.860	**2.850.247**

g) Services received from related parties:

Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	4.979.130	6.896.185
Aksigorta A.Ş.	555.290	624.527
Hacı Ömer Sabancı Holding A.Ş.	765.943	369.575
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	290.375	331.423
Sabancı Üniversitesi	3.121	293.468
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	46.071	68.351
Sabancı Telekomünikasyon Hizmetleri A.Ş.	21.640	46.712
Exsa UK Limited	252.218	41.168
Teknosa İç ve Dış Ticaret A.Ş.	-	738
Exsa Deutschland Gmbh	487.263	-
Avivasa Emeklilik ve Hayat A.Ş	48.778	-
Exsa Free Zone	48.342	-
Yünsa İtalia S.R.L	147.668	-
Yünsa UK Limited	887.461	-
	8.533.300	**8.672.147**

h) Fixed asset purchases from related parties:

Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	45.586	135.510
	45.586	135.510

i) Other Income:

Aksigorta A.Ş.	45.499	54.341
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	-	23.954
Enerjisa Enerji Üretim A.Ş	-	3.586
	45.499	**81.881**

j) Interest and foreign exchange income:

Akbank T.A.Ş.	2.997.145	3.179.793
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	8.809.514	1.126.668
Advansa Sasa Polyester Sanayi A.Ş.	18.764	33.575
Aksigorta A.Ş	5.031	14.031
Bossa Ticaret ve Sanayi İşletmeleri T.A.Ş.	-	18.828
Uptown Polska	129.008	-
Exsa Deutschland	31.670	-
Exsa Americas Inc.	2.185	-
	11.993.317	**4.372.895**

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

k) Interest and foreign exchange expenses:

	January 1 - December 31, 2008	January 1 - December 31, 2007
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	6.436.697	6.212.719
Akbank T.A.Ş.	9.099.599	2.761.954
Advansa Sasa Polyester Sanayi A.Ş.	62.860	3.848
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	6.444	649
Sabancı Üniversitesi	-	1.040
Exsa Americas Inc.	-	405
Uptown Polska	40.282	-
Exsa Deutschland	38.326	-
	15.684.208	**8.980.615**

l) Other expenses:

Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	113.423	38.982
	113.423	**38.982**

m) Rent expenses:

Hacı Ömer Sabancı Holding A.Ş.	650.956	268.963
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	187.250	250.000
	838.206	**518.963**

n) Benefits and fringe benefits provided to board members and key management personnel:

Wages and other short term benefits	1.764.830	2.213.628
Other long term benefits	32.108	12.401
Termination pay benefits	33.462	-
	1.830.400	**2.226.029**

o) Other receivables from related parties:

	December 31, 2008	December 31, 2007
Exsa Americas Inc.	90.738	34.239
Uptown Polska	402.819	267.300
Yünsa UK Limited	101.853	-
	595.410	**301.539**
Less: Allowance for doubtful receivables	(402.819)	-
	192.591	**301.539**

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 Group 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 Group 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.

	December 31,2008	December 31, 2007
Total Liabilities	101.891.188	98.457.937
Less: Cash and cash equivalents	(1.140.742)	(533.251)
Net Debt	100.750.446	97.924.686
Total Shareholders' Equity	50.024.929	72.451.087
Total Capital	150.775.375	170.375.773
Equity/Debt ratio	%67	%57

b) Financial risk factors

The Group 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 Group's risk management policy generally seeks to minimize the potential negative effects of market uncertainties over the Group's financial performance.

b.1) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit risk is regularly monitored by the by the Group. Since receivables from exports are insured by different financial firms, Group has no material loss risk.

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

Credit Risk of Financial Instruments	Receivables						
	Trade Receivables		Other Receivables				
December 31, 2008	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)	8.563.293	47.482.606	192.591	37.776	1.121.114	-	-
- The part of maximum risk under guarantee with collateral etc.	5.826.683	17.091.824	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	8.563.293	46.255.248	192.591	37.776	1.121.114	-	-
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	-	1.227.358	-	-	-	-	-
- The part under guarantee with collateral etc.	-	940.660	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Overdue (gross carrying amount)	176.429	1.331.630	-	-	-	-	-
- Impairment (-)	(176.429)	(1.331.630)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
- Undue (gross carrying amount)	-	817.078	402.819	1.674.468	-	-	364.454
- Impairment (-)	-	(817.078)	(402.819)	(1.674.468)	-	-	(364.454)
- 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.

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

Credit Risk of Financial Instruments	Receivables						
	Trade Receivables		Other Receivables				
December 31, 2007	Related Party	Third Party	Related Party	Third Party	Deposits in Banks	Derivative Instruments	Other
Maximum net credit risk as of balance sheet date (*) (A +B+C+D+E)	28.412.285	22.438.229	301.539	129.298	500.344	-	-
- The part of maximum risk under guarantee with collateral etc.	24.087.282	6.683.559	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	28.412.285	20.083.718	301.539	129.298	500.344	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	2.354.511	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	488.276	-	-	-	-	-
- Impairment (-)	-	(488.276)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
- Undue (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

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

As of December 31, 2008, TL 561.921 (December 31, 2007 TL 948.858) of trade receivables consists of credit card receivables and has a maturity of 3 months.

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

	December 31,2008	December 31, 2007
Overdue 1-30 days	1.024.637	395.931
Overdue 1-3 months	47.958	291.804
Overdue 3-12 months	154.763	1.666.776
Overdue 1-5 years	1.508.059	488.276
Overdue more than 5 years	-	-
Total overdue receivables	**2.735.417**	**2.842.787**
The part under guarantee with collateral	940.660	-

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

	December 31, 2008	December 31, 2007
Collaterals	940.660	-

b.2 Liquidity risk management

Board of Directors is responsible for the liquidity risk management. The Group 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 Group'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:

December 31, 2008

Contractual Maturity Analysis	Carrying Value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial liabilities						
Bank borrowings	78.145.405	81.477.055	53.547.284	27.929.771	-	-
Trade payables	14.421.824	14.510.448	8.369.946	6.140.502	-	-
Total liabilities	**92.567.229**	**95.987.503**	**61.917.230**	**34.070.273**	**-**	**-**

December 31, 2007

Contractual Maturity Analysis	Carrying Value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial liabilities						
Bank borrowings	71.733.356	73.765.240	26.279.602	47.485.638	-	-
Trade payables	18.464.252	19.022.903	6.729.039	12.293.864	-	-
Total liabilities	**90.197.608**	**92.788.143**	**33.008.641**	**59.779.502**	**-**	**-**

b.3) Market risk management

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

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

There has been no change in the Group'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 Group is mainly exposed to foreign currency risks in USD, EURO and GBP.

The following table details the Company's sensitivity to a 10% increase and decrease in the USD, EURO and GBP. 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 only includes 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 / loss and other equity.

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

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

December 31, 2008	TL Equivalent (Functional currency)	US Dollar	Euro	Yen	GBP	Other
1. Trade Receivables	25.755.690	4.561.575	6.540.165	-	2.214.940	-
2a. Monetary Financial Assets (Cash, Banks included)	265.352	92.977	26.320	-	30.426	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. Current Assets (1+2+3)	**26.021.042**	**4.654.552**	**6.566.485**	**-**	**2.245.366**	**-**
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)	**26.021.042**	**4.654.552**	**6.566.485**	**-**	**2.245.366**	**-**
10. Trade Receivables	6.014.956	3.575.133	262.861	-	1.045	30.250
11. Financial Liabilities	27.461.665	4.268.787	8.429.142	-	1.350.516	-
12a. Other Monetary Financial Liabilities	-	-	-	-	-	-
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
13. Current Liabilities (10+11+12)	**33.476.621**	**7.843.920**	**8.692.003**	**-**	**1.351.561**	**30.250**
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)	**33.476.621**	**7.843.920**	**8.692.003**	**-**	**1.351.561**	**30.250**
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**
19.a Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20. Net foreign currency asset / liability position (9-18+19)	**(7.455.579)**	**(3.189.368)**	**(2.125.518)**	**-**	**893.805**	**(30.250)**
21. Net foreign currency asset / liability position of monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	**(7.455.579)**	**(3.189.368)**	**(2.125.518)**	**-**	**893.805**	**(30.250)**
22. Fair value of foreign currency hedged financial assets	**-**	**-**	**-**	**-**	**-**	**-**
23. Hedged foreign currency assets	**-**	**-**	**-**	**-**	**-**	**-**
24. Hedged foreign currency liabilities	**-**	**-**	**-**	**-**	**-**	**-**
25. Exports	**95.576.488**	**14.716.856**	**26.192.735**	**-**	**8.489.042**	**-**
26. Imports	**55.850.219**	**36.581.886**	**3.669.919**	**2.036.418**	**26.665**	**590.089**

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

December 31, 2007	TL Equivalent (Functional currency)	US Dollar	Euro	Yen	GBP	Other
1. Trade Receivables	28.399.837	4.635.583	9.686.483	-	2.766.650	-
2a. Monetary Financial Assets (Cash, Banks included)	382.032	222.557	71.555	-	192	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. Current Assets (1+2+3)	**28.781.869**	**4.858.140**	**9.758.038**	**-**	**2.766.842**	**-**
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-monetary Financial Assets	647.476	-	488.276	-	-	-
7. Other	-	-	-	-	-	-
8. Non-current assets (5+6+7)	**647.476**	**-**	**488.276**	**-**	**-**	**-**
9. Total Assets (4+8)	**29.429.345**	**4.858.140**	**10.246.314**	**-**	**2.766.842**	**-**
10. Trade Receivables	11.750.552	9.019.478	667.343	-	11.263	76.004
11. Financial Liabilities	45.969.938	16.532.539	12.503.213	-	2.292.229	-
12a. Other Monetary Financial Liabilities	-	-	-	-	-	-
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
13. Current Liabilities (10+11+12)	**57.720.490**	**25.552.017**	**13.170.556**	**-**	**2.303.492**	**76.004**
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)	**57.720.490**	**25.552.017**	**13.170.556**	**-**	**2.303.492**	**76.004**
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**
19.a Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20. Net foreign currency asset liability position (9-18+19)	**(28.291.145)**	**(20.693.877)**	**(2.924.242)**	**-**	**463.350**	**(76.004)**
21. Net foreign currency asset / liability position of monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	**(28.938.621)**	**(20.693.877)**	**(3.412.518)**	**-**	**463.350**	**(76.004)**
22. Fair value of foreign currency hedged financial assets	**-**	**-**	**-**	**-**	**-**	**-**
23. Hedged foreign currency assets	**-**	**-**	**-**	**-**	**-**	**-**
24. Hedged foreign currency liabilities	**-**	**-**	**-**	**-**	**-**	**-**
25. Exports	**94.324.347**	**14.678.235**	**27.607.415**	**-**	**8.464.732**	**-**
26. Imports	**63.169.300**	**38.390.225**	**5.235.513**	**15.842.720**	**227.837**	**942.141**

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

	December 31, 2008	
	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	(482.328)	482.328
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(482.328)	482.328
If Euro is appreciated against the TL by 10%		
4- Euro net asset / liability	(455.031)	455.031
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(455.031)	455.031
If GBP is appreciated against the TL by 10%		
7- GBP net asset / liability	195.958	(195.958)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (4+5)	195.958	(195.958)
TOTAL (3 + 6 +9)	**(741.401)**	**741.401**

	31 December 2007	
	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	(2.410.216)	2.410.216
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(2.410.216)	2.410.216
If Euro is appreciated against the TL by 10%		
4- Euro net asset / liability	(583.609)	583.609
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(583.609)	583.609
If GBP is appreciated against the TL by 10%		
7- GBP net asset / liability	107.771	(107.771)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (4+5)	107.771	(107.771)
TOTAL (3 + 6 +9)	**(2.886.054)**	**2.886.054**

b.3.2) Interest rate risk management

The Group is exposed to interest rate risk due to fixed and floating interest borrowing rates. The risk is managed by the Group 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 Group's financial instruments that are sensitive to interest rate are as follows:

Interest Rate Position Table

		December 31, 2008	December 31, 2007
Fixed Interest Rate Financial Instruments			
Financial Assets	Fair value through profit and loss	-	-
	Available for sale financial assets	-	-
Financial Liabilities		-	-
Floating Interest Rate Financial Instruments			
Financial Assets		-	-
Financial Liabilities		27.461.663	45.963.274

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 Group 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 Group, if the interest rate for TL were increased / decreased by 1% with the assumption of keeping all other variables constant, the net income before tax of the Group would increase/decrease by TL 274.617 (December 31, 2007: TL 459.633).

NOTE 39 – FINANCIAL INSTRUMENTS

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

The fair value of financial instruments is determined by the Group in accordance with current market information and proper valuation methods. The Group'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.

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

Categories of financial instruments

	Financial assets			Financial liabilities		
	Carried at	Loans and	Available-for-sale	Carried at		
31 December 2008	**Amortized cost**	**receivables**	**investments**	**Amortized cost**	**Book value**	**Note**
Financial assets						
Cash and cash equivalents	1.140.742	-	-	-	1.140.742	6
Trade receivables	-	47.482.606	-	-	47.482.606	10
Due from related parties	-	8.563.293	-	-	8.563.293	37
Other receivables	-	37.776	-	-	37.776	11
Other receivables from related parties	-	192.591	-	-	192.591	37
Financial investments	-	-	782.660	-	782.660	7
Financial liabilities						
Financial liabilities	-	-	-	78.145.405	78.145.405	8
Trade payables	-	-	-	13.690.284	13.690.284	10
Due to related parties	-	-	-	731.540	731.540	37

	Financial assets			Financial liabilities		
	Measured at	Loans and	Available-for-sale	Measured at		
31 December2007	**Amortized cost**	**receivables**	**investments**	**Amortized cost**	**Book value**	**Note**
Financial assets						
Cash and cash equivalents	533.251	-	-	-	533.251	6
Trade receivables	-	22.438.229	-	-	22.438.229	10
Due from related parties	-	28.412.285	-	-	28.412.285	37
Other receivables	-	129.298	-	-	129.298	11
Other receivables from related parties	-	301.539	-	-	301.539	37
Financial investments	-	-	791.035	-	791.035	7
Financial liabilities						
Financial liabilities	-	-	-	71.333.356	71.333.356	8
Trade payables	-	-	-	17.770.469	17.770.469	10
Due to related parties	-	-	-	693.783	693.783	37

NOTE 40 – SUBSEQUENT EVENTS

In accordance with the Board of Directors meeting held on March 11, 2009, the Company has increased its sharing percentage in the SKT Giyim Sanayi ve Ticaret A.Ş.'s capital, which was increased from TL 28.880.000 to TL 45.380.000, from 69,99 % to 76,93 %.

On the other hand, upon the Ordinary General Assembly of SKT Giyim Sanayi ve Ticaret A.Ş. held on March 25,2009, SKT Giyim Sanayi ve Ticaret A.Ş. is decided to be liquidated since it is not beneficiary for the Company to continue its operations. The liquidation process will be concluded in accordance with the legal procedures.

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

None.

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