

# YÜNSA

YÜNLÜ SANAYİ VE TİCARET A.Ş.



**Headquarters:**

Sabancı Center, Holding Tower  
4. Levent 34330 / İSTANBUL  
Phone: (0212) 278 72 42 (PBX)  
Fax: 282 50 67 - 282 50 68 - 270 17 83  
Web Site: [www.yunsa.com](http://www.yunsa.com)

**Plant:**

Organize Sanayi Bölgesi Çerkezköy 59500 / Tekirdağ  
Phone: (0282) 726 80 01 - 9 Lines  
Fax: (0282) 726 63 85 - 726 65 25 - 726 65 24

## From the Chairman of the Board



To our Shareholders,

We have invited you to our Ordinary General Meeting in order to give you information about the results of our operations in 2004 and to present for your approval our Balance Sheet and Income Statement for this last period.

In last year's General Meeting, we told you about our short-term objectives and said that we were hopeful about 2004.

We did reach our objectives and more than fulfilled our expectations in 2004.

45% of Yünsa's sales are realized in the European market, making it our most profitable market. This region continued its vitality in 2004. Yünsa has become the preferred supplier of European buyers, in comparison with the competition from the East, due to its geographical proximity, speed in service and creating new collections and success in design; its sales to this region increased by 30% in euros.

The North American market has a share of 20% in sales; this market which had been stagnant during the past couple of years was revitalized in 2004 and our sales in this market grew by 14% in dollars.

2004 was an active year in the domestic market and we expect this activity to continue in the near future. In 2004, our sales in the domestic market grew by over 34% in dollars.

The overall positive atmosphere in the markets in 2004 caused Yünsa's sales to grow by 32% in meters.

A short summary of our results in 2004 shows that:

- In 2004, our sales increased by 2 million meters over 2003 and reached 8.4 million meters.
- Our net turnover was YTL 107.3 million.
- The share of exports in our net turnover was 75% and our total FOB export proceeds exceeded USD 53 million.
- Our net profit was YTL 5.7 million in 2004; the net funds generated reached YTL 13.3 million including the provision for depreciation and severance pay.
- The capital investments focused primarily on increasing capacity and also on modernization; they totaled USD 7 million in 2004.

Some of the projects and activities that contributed to our success in 2004 are:

- We manufactured and sold extraordinary products with high added value; this fact has always kept us one step ahead of competition.
- In comparison with the previous year, our sales in the corporatewear sector, which we entered in 2003, grew by more than 150%.
- Our voice was constantly heard especially in the European market with the collection that we renewed every month.
- We saw the Far Eastern suppliers as an opportunity and bought most of our raw materials from them, thus creating significant advantages in our input costs.
- The finishing capacity was increased from 9 million meters to 12 million meters, thanks to the new investments in 2004; the yarn production capacity increased by 30% with the purchase of

modern yarn machines. We also bought 36 new weaving machines in order to support the weaving capacity which increased by 26% as a result of these developments.

- We continued organizing training activities in order to continue the personal and professional development of our personnel, who made the largest contribution to our success.
- In addition to these activities, some of the important issues on our agenda were workers' health, occupational safety and environmental sensitivity.

Yünsa has overcome the difficulties the textile sector has been experiencing for the past couple of years due to various crises. Yünsa will continue to ensure sustainable profitable growth in the years ahead and reach the performance level expected by you, our distinguished shareholders.

Dear Shareholders,

I extend my best wishes for our Company's Ordinary General Meeting to be held on 28 March 2005. I ask you to kindly review the Balance Sheet and Income Statement for 2004 and to acquit our Board of Directors and Auditors for their activities in 2004.

Respectfully yours,

**Yakup GÜNGÖR**

# Agenda

1. Opening and forming the Chairman's Panel.
2. Authorisation of the Chairman's Panel to sign the minutes of the annual shareholders meeting.
3. Presentation and discussion on the Board of Directors' 2004 Activities Report and Auditors' Report.
4. Presentation, discussion and approval of the Balance Sheet and Income Statement for the year 2004 and voting upon the appropriation of the proposal for dividend pay-out.
5. Ratification of the Board Member, who was elected for the remaining term of office to fill the vacated board seat.
6. Ratification of the acts of the Board of Directors and the Auditors for the year 2004.
7. Election of the members of the Board of Directors and the Auditors. Determination of their duty period.
8. Determination of remuneration of the members of Board of Directors and the Auditors.
9. Ratification of the independent auditors, determined by the Board of Directors.
10. Authorisation 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.



# Sales

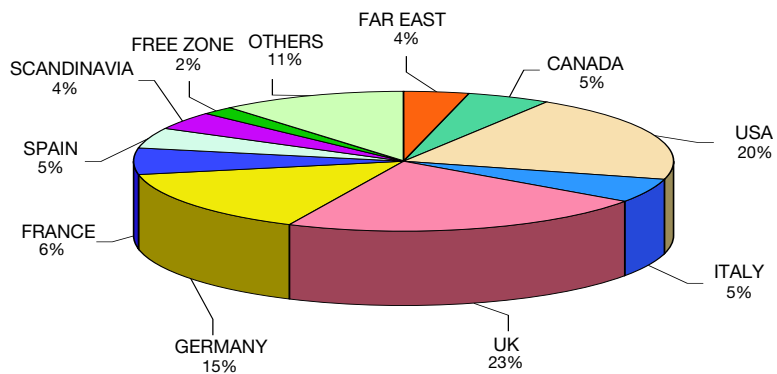
Our year-end turnover, revalued according to IFRS, reached YTL 107.33 million in 2004, with an increase of 14% over 2003.

In 2004, the activities relating to corporatewear were 154% better than our expectations and the year-end corporatewear sales reached 307.3 kilometers. Our target for 2005 is to increase our sales to 470 kilometers.

The total fabric sales increased by 32% over 2003 and reached 8,405 km, generating a net turnover of USD 71.6 million. The proceeds from the fabrics we market in 50 countries increased by 30% in 2004 and reached 6,115 km with a FOB value of USD 53 million.

We continued to have our voice heard constantly in especially Europe, the heart of the fashion world, with the collections we renewed every month.

The country breakdown of our fabric export revenues is as follows:



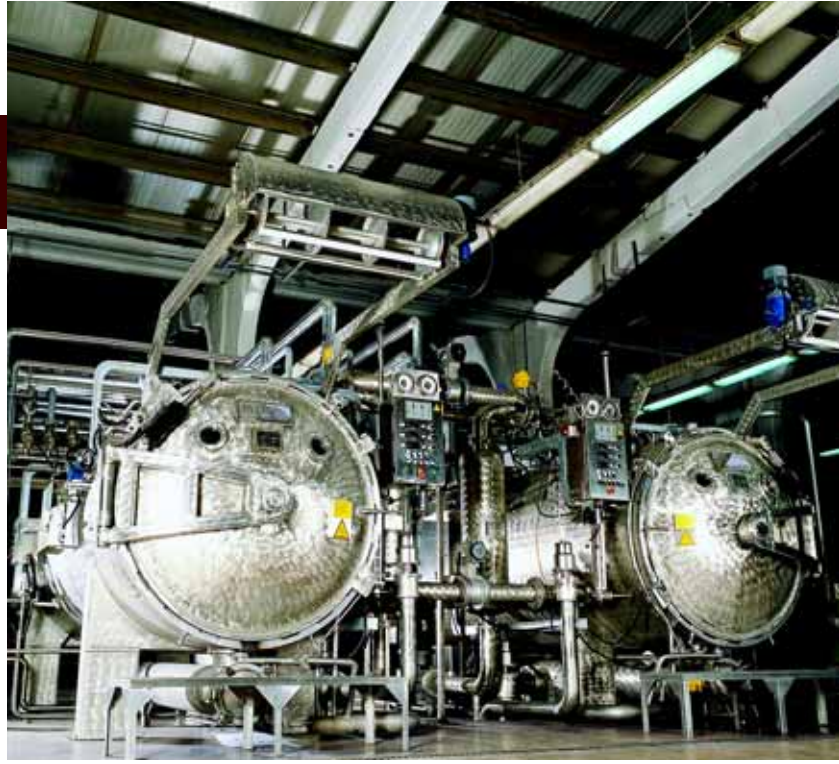
## Production and Technology

Our aim is to focus on customer satisfaction by manufacturing high value-added products. One of the most vital elements in reaching this objective is to use modern technologies in the most efficient manner.

The only way of creating a cost advantage while increasing the product quality, in other words of strengthening our competitive power even more, is to bring modern technologies to our production processes through investments for expansion and renovation.

A significant part of the investments in 2004 focused on increasing the capacity of and modernizing our production park; in addition, we continued with the investments that aimed at increasing the quality of our products and increasing our cost advantage.

Yünsa was the first company to manufacture and sell 150S, a truly high quality and very low micronage fabric, in Turkey in 2004.



## Investments

In 2004, our company not only maintained its power but also made investments to increase capacity in order to meet the increasing orders under competitive conditions, which have grown fiercer with the entry to the market of new players from the Far East. In addition, it continued to make investments that aimed at increasing the quality of products and decreasing the industrial costs.

One of the main investment items was the investment made to modernize and increase the capacity of the finishing department. The new KD machines, finishing and washing machines, and fabric press machines has increased our annual fabric finishing capacity from 9 million meters to 12 million meters.

Our yarn production capacity grew by 30% thanks to the modern yarn machines we bought in 2004. We also bought additional spool machines in order to match this increase and support the new capacity.

As a result of these developments, our weaving capacity increased by 26%; we added yarn warp and spool conversion machines, as well as 36 new weaving machines in order to support the increasing weaving capacity.





# Activities

## A. Investments

### 1) Developments

In 2004, total incentivised investment expenditure regarding locally purchased and imported machinery and equipment reached USD 4,737,668 in accordance with the March 18, 2002 dated and 67518 numbered incentive certificate granted to the company by the Incentives and Implementation Office of the State Planning Organisation.

Based on the change on the investment incentives legislation in 2003, we have realised our investment with value of USD 206,430 by benefiting from the investment allowance by 40% rather than utilizing incentive certificate.

Considering also the other non-incentivised investment expenditure, in 2004 investments' total value reached to 7 million in USD terms, and 10.2 million in YTL terms.

### 2) Investment incentives benefited from

The company benefited from import exemption, investment allowance and other various tax exemption incentives in 2004.

## B. Activities regarding the production of goods and services

### 1) Capacity utilisation and progress

During 2004, capacity utilisation ratios for the production lines were realised as follows:

	<b>2004</b>	<b>annual change</b>
Worsted Yarn	100%	-
Fabric	100%	(+) 14%

### 2) Development in production

	<b>2004</b>	<b>annual change</b>
Worsted Yarn	tons 1,823	(+) 10%
Fabric	km 8,784	(+) 28%

### 3) Change in sales volume and revenue

	<b>2004</b>	<b>annual change</b>
Worsted Yarn	tons 19	(+) 12%
Fabric	km 8,405	(+) 32%
Domestic	km 2,290	(+) 39%
Export	km 6,115	(+) 29%

The breakdown of 2004 net sales revenue is as follows;

	<b>(000) YTL</b>	<b>annual change</b>
Domestic	28,414.5	(+) 31%
Export	78,916.7	(+) 29%

# Report On Compliance With Corporate Governance Principles

## 1. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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

## PART 1 – SHAREHOLDERS

### 2. Shareholder Relations Unit

Our company's relations with shareholders are coordinated by the Finance Chief Serdar AKKAŞ (phone : 0212 278 72 42, fax : 0212 282 50 68, e-mail : sakkas@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 2004, 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 Markets Board (SPK) and Istanbul Stock Exchange are informed promptly with a special situation disclosure. 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.

Our Article of Association does not envisage the right to have a private auditor appointed; we have not received any requests from shareholders about this right.

### 4. Information on General Assemblies

The invitation to the General Assembly held on 14 April 2004 was announced to the shareholders with a notice in the Commercial Registry Gazette and one of the national newspapers. Shareholders representing 77.04% 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. Three proposals brought by shareholders were accepted and the Presidential Board replied to one question. The results of the activities in 2003 were prepared and ready for the perusal of shareholders 15 days prior to the General Assembly; 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 will be available at [www.yunsa.com](http://www.yunsa.com) as of 2005.

### 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

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 projects on the company's agenda and its financial resources and the profit is distributed within the legal time period, according to the provisions of the SPK.

The 2004 Annual Report contained a separate section on the proposal for profit distribution which was communicated to the shareholders before the General Assembly. The said Annual Report is also available to the public at [www.yunsa.com](http://www.yunsa.com).

## **7. Transfer of Shares**

The Articles of Association does not contain any provisions limiting the transfer of shares.

## **PART II – INFORMING THE PUBLIC AND TRANSPARENCY**

### **8. Company Policy on Sharing Information**

The company does not have a special policy on sharing information. The company makes its financial statements for the 3, 6, 9 and 12th months of the year public through its Internet site, SPK and IMKB.

### **9. Special Situation Disclosures**

The company made 13 Special Situation Disclosure in 2004. Neither SPK, nor IMKB requested an additional explanation about any of these disclosures. The company was not subject to any sanctions due to a failure in disclosure of special situation on time. The company's shares are not traded in any overseas stock exchange.

### **10. Company's Internet Site and its Contents**

The company has an Internet site with the following address:

[www.yunsa.com](http://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, special situation disclosures, annual reports, 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 information on the Internet site will also be available in English in 2005 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 dominant 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**

The company's employees are kept informed through meetings, seminars and trainings held on their areas of expertise or on subjects of general interest.

# Report On Compliance With Corporate Governance Principles

The company's network also hosts a portal which gives the employees access to all sorts of information and documents that may be of interest to them.

## 14. Stakeholders' Participation in Management

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 developing and changing future is its human resources, the company has the objective of creating and 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 2004.

## 16. Information on Relations with Customers and Suppliers

The office of the Deputy General Manager for Sales and Marketing establishes proper 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 customers 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

In compliance with the Discharge Permit Certificate our company obtained according to the Regulation on the Control of Water Pollution which entered into force upon its publication in the Official Gazette dated 04.09.1988, no. 19919, our plant treats its waste waters beyond legal limits 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.

The company also fulfills its social responsibilities by making donations to the schools, health centers, foundations and associations in Çerkezköy where our plant is, offering internship positions to approximately 100 students every year and hiring disabled individuals or ex-convicts.

There were no suits filed against the company in 2004 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.

<b>NAME &amp; LAST NAME</b>	<b>TITLE</b>	<b>POSITION</b>
Yakup Güngör	Chairman	Non-executive
Demet Çetindoğan	Vice Chairperson	Non-executive
Mehmet Sayiner	Member	Non-executive
Mevlüt Aydemir	Member	Non-executive
Engin Tuncay	Member	Non-executive
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 ensure 'Full and Unconditional Customer Satisfaction' by delivering on time environment-friendly, economical and high quality products through policies concerning:

- The use of high quality raw materials,
- Efficient production,
- A highly motivated Yünsa team,
- Compliance with the standards of the Quality Management System.

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.

# Report On Compliance With Corporate Governance Principles

## **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 January 2003, an Audit Committee was formed by two members of the Board of Directors. In addition, the Internal Audit Unit established in the company in 2005 will be reporting directly to the Board of Directors about the way the internal audit system works, its efficiency and improvement.

## **22. The Authorities and Responsibilities of the Directors and Members of the Board of Directors**

The authorities and responsibilities of the members of the Board of Directors are defined in the Articles of Association with references to the Turkish Commercial Code. However, the Articles of Association does not stipulate the authorities and responsibilities of the company's directors. The said authorities and responsibilities have been determined by the company's Board of Directors.

## **23. The Working Principles of the Board of Directors**

In 2004, the company's Board of Directors held a total of 29 meetings; 12 of these were held after obtaining one-on-one approvals and 17 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 2004, 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 SPK 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 2004.

## **24. Prohibition on Doing Transactions with or Competing against the Company**

The members of the Board of Directors have not done any transactions with or been involved in initiatives which may compete with the company in the same sector.

## **25. Ethics Rules**

The ethics rules for the company and its employees will be prepared and approved by the Board of Directors; then, they will be distributed to the stakeholders in the form of a booklet and put on the company's Internet site.

## **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 2004. An Internal Audit Committee was established in 2005 and has started its work the results of which will be 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 remuneration of the members of the Board of Directors is 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 2004, the company did not give a loan to any member of the Board of Directors; it did not give them credits, extend the terms of any loans or credits, improve the credit conditions, extend personal loans through a third party, or give guarantees such as sureties.



## Board of Directors



**Yakup GÜNGÖR**

Chairman of the Board of Directors





**Demet ÇETİNDÖĐAN**  
Vice Chairperson



**Mehmet SAYINER**  
Member of the Board of Directors



**Mevlüt AYDEMİR**  
Member of the Board of Directors



**Engin TUNCAY**  
Member of the Board of Directors

# 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	: 29,160,000 YTL
Business Line	: Production of worsted line and fabric
Auditors' names, duty periods, and relations with the company	: Cezmi KURTULUŞ, Levent DEMİRAĞ, Yüksel PEKER Their duty period is 3 years. They are neither shareholder nor the personnel of the company
Number of board meeting attended and auditors' meeting held	: 6 board meeting were attended by the auditors and 6 Auditors' Meeting were held.
Scope of examination conducted on the Company's records, document, shareholder accounts and dates of examination and related findings	: As a result of the controls realised at the end of 3 <sup>rd</sup> . 6 <sup>th</sup> . 9 <sup>th</sup> . and 12 <sup>th</sup> . months, nothing that is not in accordance with the Turkish Tax Legislation and Commercial Code, was found.
Number and finding 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 four 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 year ended December 31, 2004 in accordance with the 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, 2004 fairly represents the financial position of the company at this date and the income statement for the year ended December 31, 2004 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**

**Yüksel PEKER**

# Proposal for Profit Distribution and its Result

The Board of Directors hereby submits and requests resolution for distribution of 9.3% dividends for the shares representing YTL 29,160,000 capital to be made on 11 April 2005 as cash. The distribution schedule which was prepared in accordance with the Article 30 of Articles of Association is given below:

## Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

### Profit Distribution Chart of the Year 2004 (in YTL)

<b>A. DISTRIBUTION OF TERM PROFIT</b>	
1. Term profit	7,981,366
2. Taxes payable	(2,210,307)
3. First group of statutory reserves	(357,109)
<b>B. DISTRIBUTABLE NET TERM PROFIT</b>	
<b>5,413,950</b>	
4. First dividend to shareholders	(1,458,000)
5. Second dividend to shareholders	(1,253,880)
6. Second group of statutory reserves	(125,388)
7. Extraordinary reserves	(2,576,682)
<b>C. DISTRIBUTABLE NET TERM PROFIT PER SHARE YTL 0.1857 / 18.57%</b>	
<b>D. PROFIT PER SHARE YTL 0.093 / 9.30%</b>	

Chairman of the Board of  
Directors

**Yakup GÜNGÖR**



### **Cem ÇELİKOĞLU**

#### **General Manager**

Born in 1962. He is a graduate of the International Relations Department of the Faculty of Administrative Sciences, Middle East Technical University. He has worked in the company since 17.12.1987, and was appointed to his current position 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 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 DEĞİRMENÇİ**

Assistant General Manager  
(Marketing and Sales)

Born in 1965. He graduated from the Middle East Technical University, Faculty of Administrative Sciences and has worked 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. He graduated from the İstanbul Technical University, Faculty of Electronics and Communications Engineering. He has worked for the company since 17.02.1981. He was appointed to his current position on 20.01.2003

# Top Management

## **Refik ÇETİN**

Assistant Finishing Manager

Born in 1962. He graduated from Fachhochschule Niederrhein Mönchengladbach Textile Engineering. He has worked for the company since 01.05.1991 and was appointed to his current position on 01.04.2003.



## **Melik ERDİNÇ**

Purchasing Manager

Born in 1970. He graduated from İstanbul 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 worked for the company since 04.07.1999, and he was appointed to his current position on 01.01.2003



## **Muhterem BAHÇEVANOĞLU**

Planning Manager

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



## **Hayati BOZAL**

Spinning and Weaving Manager

Born in 1968. He graduated from Ege University, Textile Engineering. He has worked for the company since 20.11.1991 and was appointed to his current position on 01.04.2004.



## **Ercan ÖZDEMİR**

Product Manager

Born in 1959. He graduated from Marmara University, Faculty of Fine Arts. He has worked for the company since 01.09.1987 and was appointed to his current position on 01.04.2004.



## **Mehmet Kemal AKIN**

Quality Control Vice Manager

Born in 1967. He graduated from Ege University, Textile Engineering. He has worked for the company since 01.10.1990 and was appointed to his current position on 01.04.2004.



**D. Hakan AYDINLIK**

Chief Designer-Men's Fabric

Born in 1965. He graduated from Marmara University, Faculty of Fine Arts. He has worked for the company since 03.07.1989 and was promoted to Chief Designer on 01.12.1997.

**Tarkan AYDIN**

Chief Designer-Ladies' Fabric

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

**Zeynep ÇELİKOĞLU**

Marketing Manager  
Ladies' Fabric

Born in 1972. She graduated from Marmara University, Management Department. She has worked for the company since 04.05.1998 and was appointed to her current position on 01.06.2004.

**Bora BİRGİN**

Marketing Manager  
Men's Fabric-Export

Born in 1973. He graduated from University of Nottingham, Industrial Economics Department. He received his master's degree at UMIST. He was appointed to his current position on 01.06.2004.

**Necdet ATMACAN**

Accounting and Finance  
Manager

Born in 1951. He graduated from Şişli School of Political Sciences. He has worked for the company since 01.08.1982. He was appointed to his current position on 22.05.2001.

**Biröl KANTUR**

Marketing Manager  
Men's Fabric-Domestic Market and  
Corporatewear

Born in 1972. He graduated from Istanbul University, Economics Department. He received his master's degree from NY Business Institute of Technology. He has worked for the company since 01.12.1999 and was appointed to his current position on 01.06.2004.







**Yünsa Yünlü Sanayi  
ve Ticaret Anonim Şirketi**

Independent Auditors' Report  
For The Year Ended 31 December 2004

# INDEPENDENT AUDITORS' REPORT

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

1. We have audited the accompanying balance sheet of Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("the Company" or "Yünsa") at 31 December 2004 and the related statements of income and of cash flows for the year then ended, all expressed in new Turkish lira, in terms of the purchasing power of the Turkish lira at 31 December 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to prepare a report about these financial statements based on our audit.
2. We conducted our audit in accordance with the International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material audit misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
1. In our opinion the financial statements present fairly, in all material respects the financial position of Yünsa Yünlü Sanayi ve Ticaret A.Ş. at 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## **Başaran Nas Serbest Muhasebeci** **Mali Müşavirlik Anonim Şirketi**

a member of  
PricewaterhouseCoopers

## **Coşkun Şen, SMMM** Partner

İstanbul, 9 March 2005

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Comparative Balance Sheet as of 31 December 2004 and 31 December 2003

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated)

	Notes	31 December 2004	31 December 2003
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	803.610	1.594.652
Investment securities held to maturity	5	5.744.445	-
Trade receivables	6	15.132.779	12.101.557
Due from related parties	7	20.770.903	21.192.709
Inventories	8	24.659.064	25.891.121
Other current assets	9	1.990.590	1.791.257
<b>Total current assets</b>		<b>69.101.391</b>	<b>62.571.296</b>
<b>Non-current assets:</b>			
Investment securities	10	783.025	783.025
Property, plant and equipment - net	11	40.969.585	37.836.240
Intangible assets - net	12	334.548	408.126
Deferred tax assets	15	1.416.401	1.564.999
<b>Total non-current assets</b>		<b>43.503.559</b>	<b>40.592.390</b>
<b>Total assets</b>		<b>112.604.950</b>	<b>103.163.686</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Borrowings	13	35.527.278	21.776.343
Trade payables		4.455.450	4.702.442
Due to related parties	7	875.303	11.425.980
Income taxes payable	15	624.234	639.216
Other current liabilities	14	2.156.070	1.648.514
<b>Total current liabilities</b>		<b>43.638.335</b>	<b>40.192.495</b>
<b>Non-current liabilities</b>			
Provision for employment termination benefits	16	3.281.671	3.057.306
<b>Total non-current liabilities</b>		<b>3.281.671</b>	<b>3.057.306</b>
<b>Total liabilities</b>		<b>46.920.006</b>	<b>43.249.801</b>
<b>Shareholders' equity</b>			
Share capital	17	29.160.000	29.160.000
Adjustment to share capital	17	30.657.866	104.168.341
<b>Total paid-in capital</b>		<b>59.817.866</b>	<b>133.328.341</b>
Share premium		96.019	96.019
Retained earnings / Accumulated losses		5.771.059	(73.510.475)
<b>Total shareholders' equity</b>		<b>65.684.944</b>	<b>59.913.885</b>
<b>Total liabilities and shareholders' equity</b>		<b>112.604.950</b>	<b>103.163.686</b>
Commitments and contingent liabilities	22		

These financial statements at 31 December 2004 were approved by Board of Directors for issue on 9 March 2005. The accompanying notes form an integral part of these financial statements.

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Comparative Statements of Income For The Years Ended 31 December 2004 and 31 December 2003

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated)

	Notes	2004	2003
Net sales		107.331.167	94.110.414
Cost of sales		(81.112.651)	(75.901.185)
<b>Gross profit</b>		<b>26.218.516</b>	<b>18.209.229</b>
Operating expenses	18	(17.918.067)	(18.909.308)
Other income / (expense) - net	19	769.560	717.664
<b>Operating profit</b>		<b>9.070.009</b>	<b>17.585</b>
Financial (expense) / income - net	20	(1.062.887)	1.372.039
(Loss) / Gain on net monetary position		(25.756)	1.087.709
<b>Profit before income taxes</b>		<b>7.981.366</b>	<b>2.477.333</b>
Taxes on income	15	(2.210.307)	795.159
<b>Net Profit</b>		<b>5.771.059</b>	<b>3.272.492</b>
Weighted average number of shares with face value of YTL each		29.160.000	28.470.165
Earnings per share in full YTL		0,198	0,115

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

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Statements Of Changes in Shareholders' Equity For The Years Ended 31 December 2004 and 31 December 2003

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated)

	Share Capital	Adjustment to share capital	Share premium	Retained Earnings/ (Accumulated loss)	Total
<b>Balance at 1 January 2003</b>					
- restated	16.200.000	115.774.479	96.019	(67.803.018)	64.267.480
Capital increase	12.960.000	(11.606.138)	-	(1.353.862)	-
Dividend distributed	-	-	-	(7.626.087)	(7.626.087)
Net income for the period	-	-	-	3.272.492	3.272.492
<b>Balance at 31 December 2003</b>	<b>29.160.000</b>	<b>104.168.341</b>	<b>96.019</b>	<b>(73.510.475)</b>	<b>59.913.885</b>
Elimination of accumulated losses (Note 17)	-	(73.510.475)	-	73.510.475	-
Net income for the period	-	-	-	5.771.059	5.771.059
<b>Balance 31 December 2004</b>	<b>29.160.000</b>	<b>30.657.866</b>	<b>96.019</b>	<b>5.771.059</b>	<b>65.684.944</b>

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

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Comparative Statements of Cash Flows For The Years Ended 31 December 2004 and 31 December 2003

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated)

	Notes	2004	2003
<b>Cash flows from operating activities</b>			
Net income for the period		5.771.059	3.272.492
<b>Adjustments to reconcile income before taxation to net cash provided by operating activities</b>			
Depreciation and amortisation expense	11-12	7.229.132	8.595.250
Taxation		2.079.073	(795.159)
Provision for employment termination benefits		992.851	237.080
Interest income		(2.444.897)	(1.429.556)
Interest expense		2.163.996	4.570.979
Gain on sale of property, plant and equipment		(165.818)	(144.178)
<b>Net cash provided by operating activities before changes in operating assets and liabilities</b>		<b>15.625.396</b>	<b>14.306.908</b>
Change in trade receivables		(3.031.222)	(703.798)
Change in due from related parties		421.806	2.550.610
Change in inventories		1.232.057	(1.258.040)
Change in other current assets		(199.334)	(1.094.872)
Change in trade payables		(246.992)	1.981.740
Change in due to related parties		(10.550.677)	1.829.429
Change in other current liabilities		507.555	560.827
Taxes paid		(1.945.456)	(4.237.781)
Employment termination benefits paid		(768.486)	(427.547)
<b>Net cash provided from operating activities</b>		<b>1.044.647</b>	<b>13.507.476</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(10.476.978)	(1.831.696)
Purchase of intangibles assets		(47.193)	(143.315)
Proceeds from sales of property, plant and equipment		401.090	151.499
Change in investment securities held to maturity		(5.499.594)	-
Interest received		2.200.046	1.429.556
<b>Net cash used in investing activities</b>		<b>(13.422.629)</b>	<b>(393.956)</b>
<b>Cash flows from financing activities</b>			
Change in bank borrowings		13.613.194	(53.253)
Dividends paid		-	(7.626.087)
Interest paid		(2.026.254)	(5.139.210)
<b>Net cash used in financing activities</b>		<b>11.586.940</b>	<b>(12.818.550)</b>
(Decrease) / increase in cash and cash equivalents		(791.042)	294.970
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1.594.652</b>	<b>1.299.682</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>4</b>	<b>803.610</b>	<b>1.594.652</b>

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

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Notes to The Financial Statements For The Year Ended 31 December 2004

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated)

### NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Yünsa Yünlü Sanayi ve Ticaret A.Ş. (the "Company" or "Yünsa") was established on 21 June 1973.

The main operation of the Company is production and marketing of woolen textile products.

Average number of personnel as of 31 December 2004 is 882 (2003:611).

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

Sabancı Center

Kule 2 Kat: 20 34330, 4.Levent İstanbul

### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### a) Turkish lira financial statements

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS"), including International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). The Company maintains its books of account and prepare its statutory financial statements ("Statutory Financial Statements") in Turkish lira in accordance with the requirements of the Capital Markets Board of Turkey ("CMB"), the Turkish Commercial Code (the "TCC"), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance.

These financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. In accordance with new tax law no. 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was enacted on 30 December 2003, effective from 1 January 2004, the statutory financial statements will be prepared by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira.

The restatement for the changes in the general purchasing power of the Turkish lira as of 31 December 2004 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%. The restatement was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Such indices and conversion factors used to restate the financial statements at 31 December 2004 are given below:

<u>Dates</u>	<u>Indices</u>	<u>Conversion factors</u>	<u>3 years cumulative inflation rates</u>
<b>31 December 2004</b>	<b>8.403,8</b>	<b>1,000</b>	<b>69,7%</b>
31 December 2003	7.382,1	1,138	181,1%
31 December 2002	6.478,8	1,297	227,3%

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Notes to The Financial Statements For The Year Ended 31 December 2004

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated.)

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

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities, which are not carried at amounts current at the balance sheet date and components of shareholders' equity, are restated by applying the relevant conversion factors.
- Comparative financial statements are restated using general inflation indices at the currency purchasing power at the latest balance sheet date.
- All items in the statements of income are restated by applying the relevant (monthly) conversion factors.
- The effect of inflation on the net monetary position of the Company is included in the statements of income as gain or loss on net monetary position.

### b) New Turkish Lira

Through the enactment of the Law numbered 5083 concerning the "Currency of the Republic of Turkey" in the Official Gazette dated 30 January 2004, New Turkish Lira ("YTL") and the New Kuruş ("YKr") have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The hundredth part of the YTL is the YKr. When the prior currency, Turkish Lira ("TL"), values are converted into the YTL, one million TL (1,000,000 TL) shall be equivalent to one YTL (1 YTL). Accordingly, currency of the Republic of Turkey is simplified by removing 6 zeroes from the TL.

All references made to Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to YTL at the conversion rate indicated as above. Consequently, effective from 1 January 2005, the YTL replaces the TL as a unit of account in keeping and presenting the books, accounts and financial statements.

In accordance with announcement of Capital Markets Board (CMB), dated 30 November 2004, financial statements prepared at 31 December 2004, are demonstrated as YTL, and previous period's financial statements are only expressed as YTL for comparison.

### NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below:

#### a) Related parties

For the purpose of these financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties. A number of transactions are entered into with related parties in the normal course of business (Note 7).

#### b) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months (Note 4).

#### c) Trade receivables

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



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

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

#### **d) Inventories**

Inventories are valued at the lower of cost, restated to equivalent purchasing power at balance sheet date or net realisable value. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. The cost of inventories is determined on the monthly moving weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

#### **e) Investment Securities**

At 1 January 2001 the Company adopted IAS 39 and classified its investments into the following categories: trading, held-to-maturity and available-for-sale. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than

12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All investment securities are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associates with the investment. After initial recognition, investment securities that are classified as available-for-sale are measured at fair value unless fair value cannot be reliably measured.

Other investments in which the Company, has interest below 20%, or over which the Company does not exercise a significant influence, or which are immaterial, are classified as available for sale. Available for sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost and restated to the equivalent purchasing power at 31 December 2004 less any provision for diminution in value. Available for sale investments that have a quoted market price in active markets and whose fair values can be measured reliably are carried at fair value.

#### **f) Property, plant and equipment and related depreciation**

Property, plant and equipment are carried at cost less accumulated depreciation in each case restated to equivalent purchasing power at 31 December 2004. Depreciation is provided on the restated amounts for property, plant and equipment on a straight-line basis (Note 11). Land is not depreciated as it is deemed to have an indefinite life.

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Notes to The Financial Statements For The Year Ended 31 December 2004

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated)

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

	<u>Years</u>
Land improvements	10-25
Buildings	25-50
Machinery and equipment	4-12
Motor vehicles	5
Fixture and furniture	3-10
Special costs	5

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated amounts and are included in the related income and expense accounts, as appropriate.

### **g) Intangible assets**

Intangible assets comprise acquired intellectual property and computer software. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated economic 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 asset is assessed and written down immediately to its recoverable amount.

### **h) Borrowings**

Borrowings are recognized initially at proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between the proceeds and redemption value is recognized in the income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they incur.

### **i) Deferred income taxes**

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxes. The principal temporary differences arise from the restatement of property, plant and equipment and inventory, credit finance income and expense and provision for employment termination benefits.

Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and deferred tax assets and liabilities are offset accordingly.

### **j) Provision for employment termination benefits**

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 16).

#### **k) Foreign currency transactions and translation**

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at year-end. Exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the statements of income.

#### **l) Revenue recognition**

Revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods sold less sales returns and commissions, and exclude sales taxes.

#### **m) Share capital and dividends**

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

#### **n) Provisions**

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

#### **o) Contingent assets and liabilities**

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities.

#### **p) Financial instruments and financial risk management**

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

##### ***Interest rate risk***

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

##### ***Funding risk***

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

##### ***Credit risk***

Ownership of financial assets involves the risk that counter parties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and limiting the aggregate risk from any individual counter party (excluding related parties). The credit risk is generally highly diversified due to the large number of entities comprising the customer bases and their dispersion across many different industries.

##### ***Foreign currency risk***

The Company is exposed to the foreign exchange risk through the impact of rate changes at the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by the analysis of foreign currency position (Note 21).

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Notes to The Financial Statements For The Year Ended 31 December 2004

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated)

### Fair value of financial instruments

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

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

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

#### Monetary assets

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

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

The carrying values of trade receivables along with the related allowances for uncollectability are estimated to be their fair values.

#### Monetary liabilities

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

Long-term borrowings, which are denominated in foreign currencies, are translated at year-end exchange rates and accordingly their fair values approximate their carrying values.

Trading liabilities have been estimated at their fair values.

### r) Earnings per share

Earnings per share disclosed in these statements of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings and revaluation surplus (Note 17). For the purpose of earnings per share computations, such Bonus Shares issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue.

	<b>31 December 2004</b>
Net income attributable to shareholders	5.771.059
Weighted average number of ordinary shares in issue	29.160.000
Earnings per share (expressed in full YTL per share)	0,198

### s) Offsetting

Finansal varlık ve yükümlülükler, gerekli kanuni hak olması, söz konusu varlık ve yükümlülükleri net olarak değerlendirmeye niyet olması veya varlıkların elde edilmesi ile yükümlülüklerin yerine getirilmesinin birbirini takip ettiği durumlarda net olarak gösterilirler.

### NOTE 4 - CASH AND CASH EQUIVALENTS

	<b>31 December 2004</b>	<b>31 December 2003</b>
Bank		
- demant deposit	702.166	1.287.128
Reverse repurchase agreements	100.049	307.524
Other	1.395	-
	<b>803.610</b>	<b>1.594.652</b>

Securities purchased under reverse repurchase agreements consist of Turkish government bonds and treasury bills held for resale to banks under reverse repurchase agreements. These are all short-term with periods of less than three months. The market values of such securities approximate carrying values, including accrued income at the respective year-ends.

**NOTE 5 - INVESTMENT SECURITIES HELD TO MATURITY**

Held to maturity securities at 31 December 2004 and 2003 are as follows:

	<b>31 December 2004</b>	<b>31 December 2003</b>
Government bonds	5.201.251	-
Treasury bills	543.194	-
	<b>5.744.445</b>	<b>-</b>

Maturities of the government bonds and treasury bills held by the company at 31 December 2004 are three to five months. Interest rates vary in the range of 16.24% and 18.96%.

**NOTE 6 - TRADE RECEIVABLES**

	<b>31 December 2004</b>	<b>31 December 2003</b>
Trade receivables	15.033.531	11.323.187
Notes receivables	680.140	2.020.326
	<b>15.713.671</b>	<b>13.343.513</b>
Less: Unearned credit finance income (-)	(259.320)	(875.878)
Provision for doubtful receivables (-)	(321.572)	(366.078)
	<b>15.132.779</b>	<b>12.101.557</b>

**NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

	<b>31 December 2004</b>	<b>31 December 2003</b>
<b>a) Due from related parties:</b>		
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	20.957.002	21.128.959
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	22.500	-
Holsa Inc.	-	214.947
Unearned finance income (-)	(208.599)	(151.197)
	<b>20.770.903</b>	<b>21.192.709</b>

**b) Due to related parties:**

Universal Trading (Jersey) Ltd.	676.058	11.311.274
Sasa Dupont Sabancı Polyester Sanayi A.Ş.	148.790	105.575
Ak Sigorta A.Ş.	26.630	12.935
Teknosa İç ve Dış Ticaret A.Ş.	15.750	-
Exsa Free Zone	14.645	-
I-Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	11.332	15.810
Hacı Ömer Sabancı Holding A.Ş.	4.541	5.462
Sabancı Telekomünikasyon Hizmetleri A.Ş.	426	-
Exsa UK Limited	178	19.677
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	-	4.021
Türk Nokta Net	-	691
Unearned finance expense (-)	(23.047)	(49.465)
	<b>875.303</b>	<b>11.425.980</b>

**c) Bank deposits:**

Akbank T.A.Ş.	702.164	1.285.228
	<b>702.164</b>	<b>1.285.228</b>

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Notes to The Financial Statements For The Year Ended 31 December 2004

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated)

	31 December 2004	31 December 2003
<b>d) Bank borrowings:</b>		
Akbank T.A.Ş.	29.705.724	18.554.480
	<b>29.705.724</b>	<b>18.554.480</b>
<b>e) Product sales to related parties:</b>		
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	77.067.013	67.295.848
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	-	97.727
Akbank T.A.Ş.	-	18.648
	<b>77.067.013</b>	<b>67.412.223</b>
<b>f) Purchases of products from related parties:</b>		
Universal Trading (Jersey) Ltd.	12.293.453	32.148.958
Sasa Dupont Sabancı Polyester Sanayi A.Ş.	1.221.527	668.310
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	180.382	195.769
Teknosa İç ve Dış Ticaret A.Ş.	13.347	-
Olmuxsa International Paper Sabancı Ambalaj San. ve Tic. A.Ş.	905	-
İnsa Naylon Sanayi ve Ticaret A.Ş.	230	9.774
	<b>13.714.844</b>	<b>33.022.812</b>
<b>g) Services received from related parties:</b>		
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	4.749.256	4.813.114
Aksigorta A.Ş.	654.716	305.658
Exsa UK Limited	436.806	101.863
Hacı Ömer Sabancı Holding A.Ş.	402.929	588.341
Universal Trading (Jersey) Ltd.	221.847	87.466
Holsa Inc.	209.431	-
I-Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	121.939	268.159
Sabancı Telekomünikasyon Hizmetleri A.Ş.	44.891	-
Sabancı Üniversitesi	-	873
	<b>6.841.815</b>	<b>6.165.474</b>
<b>h) Purchases of property, plant and equipment from related parties:</b>		
Universal Trading (Jersey) Ltd.	2.392.776	-
I-Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	37.690	214.678
Sabancı Telekomünikasyon Hizmetleri A.Ş.	3.760	-
Temsa Termo Mekanik Sanayi ve Ticaret A.Ş.	-	6.607
Teknosa İç ve Dış Ticaret A.Ş.	-	7.413
	<b>2.434.226</b>	<b>228.698</b>

	2004	2003
<b>i) Other income:</b>		
Akbank T.A.Ş	79.617	-
Aksigorta A.Ş.	48.792	-
	<b>128.409</b>	<b>-</b>
<b>j) Interest and foreign currency income:</b>		
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	1.395.115	473.714
Akbank T.A.Ş.	1.369.597	3.095.255
Universal Trading (Jersey) Ltd.	695.018	789.388
	<b>3.459.730</b>	<b>4.358.357</b>
<b>k) Interest and foreign currency expense:</b>		
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	1.526.435	32.352
Universal Trading (Jersey) Ltd.	1.232.699	537.433
Akbank T.A.Ş	1.219.771	2.076.140
Sasa Dupont Sabancı Polyester Sanayi A.Ş.	31.588	-
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	227	-
	<b>4.010.720</b>	<b>2.645.925</b>
<b>l) Other expense:</b>		
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	152.085	-
Hacı Ömer Sabancı Holding A.Ş.	9.314	-
Ak Sigorta A.Ş.	-	57.624
	<b>161.399</b>	<b>57.624</b>
<b>m) Rent expense:</b>		
Hacı Ömer Sabancı Holding A.Ş.	337.230	487.693
	<b>337.230</b>	<b>487.693</b>
<b>n) Guarantee letters received:</b>		
Akbank T.A.Ş.	1.987.270	1.534.339
	<b>1.987.270</b>	<b>1.534.339</b>

o) Total salaries and benefits paid to Board of Directors members and key management personnel are YTL 1.395.126.

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Notes to The Financial Statements For The Year Ended 31 December 2004

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated)

### NOTE 8 - INVENTORIES

	31 December 2004	31 December 2003
Raw materials	2.868.026	3.875.811
Semi-finished goods	11.422.592	11.471.499
Finished goods	5.377.761	5.578.427
Trade goods	273.865	262.552
Order advances given	3.994.770	4.180.538
Other	722.050	522.294
	<b>24.659.064</b>	<b>25.891.121</b>

### NOTE 9 - OTHER CURRENT ASSETS

	31 December 2004	31 December 2003
Other VAT	1.636.463	379.305
Prepaid expenses	180.575	917.155
Job advances given	67.167	287.525
Taxes receivable	-	147.404
Other current assets	106.385	59.868
	<b>1.990.590</b>	<b>1.791.257</b>

### NOTE 10 - INVESTMENTS SECURITIES

	31 December 2004		31 December 2003	
	(%)	YTL	(%)	YTL
Exsa Deutschland GmbH (*)	100	661.350	100	661.350
Yünsa Italia SRL (*)	100	110.977	100	110.977
Enerjisa Enerji Üretim A.Ş.	-	10.698	-	10.698
		<b>783.025</b>		<b>783.025</b>

(\*) Deutschland GmbH ve Yünsa Italia SRL are carried at cost due to the insignificance of their combined impact on the net worth, financial position and results of the Company at 31 December 2004.



## NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment within the year is as follows:

	1 January 2004	Additions	Disposals	Transfers	31 December 2004
<b>Cost:</b>					
Land	482.197	-	-	-	482.197
Land improvements	5.249.632	34.096	-	-	5.283.728
Buildings	33.916.421	182.811	(280.664)	-	33.818.568
Machinery and equipment	127.130.631	7.724.147	(307.648)	347.049	134.894.179
Motor vehicles	1.046.923	363.917	(260.841)	-	1.149.999
Furniture and fixture	2.786.143	31.144	-	-	2.817.287
Special costs	741.749	-	-	-	741.749
Construction in progress	383.954	2.140.861	-	(347.049)	2.177.766
	<b>171.737.650</b>	<b>10.476.976</b>	<b>(849.153)</b>	<b>-</b>	<b>181.365.473</b>

### **Accumulated depreciation:**

Land improvement	(4.686.144)	(169.672)	-	-	(4.855.816)
Buildings	(14.658.628)	(1.035.844)	56.366	-	(15.638.106)
Machinery and equipment	(110.999.518)	(5.595.532)	307.650	-	(116.287.400)
Motor vehicles	(580.035)	(176.746)	249.867	-	(506.914)
Furnitures and fixtures	(2.235.336)	(130.567)	-	-	(2.365.903)
Special costs	(741.749)	-	-	-	(741.749)
	<b>(133.901.410)</b>	<b>(7.108.361)</b>	<b>613.883</b>	<b>-</b>	<b>-(140.395.888)</b>
<b>Net book value</b>	<b>37.836.240</b>				<b>40.969.585</b>

## NOTE 12 - INTANGIBLE ASSETS

Movement of intangible assets within the year is as follows:

	1 January 2004	Additions	Disposals	Transfers	31 December 2004
<b>Cost:</b>					
Rights	38.497	-	-	-	38.497
Computer software	2.600.663	47.193	-	-	2.647.856
	<b>2.639.160</b>	<b>47.193</b>	<b>-</b>	<b>-</b>	<b>2.686.353</b>

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Notes to The Financial Statements For The Year Ended 31 December 2004

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated)

	1 January 2004	Additions	Disposals	Transfers	31 December 2004
<b>Accumulated depreciation:</b>					
Rights	(38.497)	-	-	-	(38.497)
Computer software	(2.192.537)	(120.771)	-	-	(2.313.308)
	<b>(2.231.034)</b>	<b>(120.771)</b>	-	-	<b>(2.351.805)</b>
<b>Net book value</b>	<b>408.126</b>				<b>334.548</b>

### NOTE 13 - BANK BORROWINGS

	31 December 2004		31 December 2003	
	Effective interest rate %	YTL	Effective interest rate %	YTL
<b>Short term bank borrowings:</b>				
USD borrowings	3,38-4,48	17.440.590	2,23-3,15	10.964.251
EURO borrowings	3,89-4,17	12.265.135	4,04	10.628.279
TL borrowings	19-20	5.500.000		-
		35.205.725		21.592.530
Interest accrued		321.553		183.813
		<b>35.527.278</b>		<b>21.776.343</b>

### NOTE 14 - OTHER CURRENT LIABILITIES

	31 December 2004	31 December 2003
Order advances received	844.625	209.930
Taxes and funds payable	388.502	918.018
Withholdings payable	387.755	322.206
Salaries payable to workers	217.017	191.057
Other	318.171	7.303
	<b>2.156.070</b>	<b>1.648.514</b>

### NOTE 15 - TAXATION

	31 December 2004	31 December 2003
Corporation and income taxes	1.930.474	2.842.311
Less: Prepaid taxes (-)	(1.306.240)	(2.203.095)
<b>Taxes on income, net</b>	<b>624.234</b>	<b>639.216</b>
<b>Deferred tax asset</b>	<b>1.416.401</b>	<b>1.564.999</b>

Corporation tax is payable at a rate of 33% on the total income of the Company and its Subsidiaries registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed. Corporation tax rate on the total income of fiscal year 2005 will be 30%.

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. Corporate taxpayers are obliged to prepare the opening balance sheets restated for inflation at 31 December 2003. Corporate taxpayers are required to submit their opening balance sheets restated for inflation at 31 December 2003 in accordance with the General Communiqué on Tax Procedure Law No: 328 ("Communiqué") dated 28 February 2004 and declare the advance corporation tax for 2004 in accordance with the Tax Law No: 5024 and the General Communiqué on Tax Procedure Law No: 338 dated 13 August 2004. The Company prepared its opening balance sheet at 1 January 2004 and its balance sheet at 31 December 2004 in accordance with Tax Law No:5024 and Communiqué No: 328 and 338.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 33% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

Capital gains derived from the sale of equity investments and immovable held for not less than two years are tax exempt until 31 December 2004, if such gains are added to paid-in capital in the year in which they are sold.

Capital expenditures, with some exceptions, over TL 6 billion are eligible for investment incentive allowance of 40%, which is deductible from taxable income prior to calculation of the corporate income tax, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax. Investment allowances utilized within the scope of investment incentive certificates granted prior to 24 April 2003 are subject to withholding tax at the rate of 19.8%, irrespective of profit distribution.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 15th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

The taxation on income for the years ended 31 December 2004 and 2003, expressed in terms of the purchasing power of the Turkish lira at 31 December 2004, are summarised as follows:

	<b>2004</b>	<b>2003</b>
Taxes on income at income statement is as follows:		
- Current	(2.061.709)	(2.888.093)
- Deferred	(148.598)	3.683.252
	<b>(2.210.307)</b>	<b>795.159</b>

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Notes to The Financial Statements For The Year Ended 31 December 2004

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated)

The reconciliation of current period tax charge is

	<b>2004</b>
Statutory income before taxation	8.703.151
Disallowable expenses	94.852
Other exempt income	405.112
Investment allowances	(5.183.952)
Other allowance	(510.179)
Corporation tax base	3.508.984
Withholding tax base	3.901.562
Effective tax charge 33%(31 December 2003: 30%)	1.157.965
Withholding tax charge over investment allowance 19,8% (31 December 2003: 19,8%)	772.509
Current tax charge	1.930.474
Monetary gain	131.235
<b>Current period tax charge</b>	<b>2.061.709</b>

### Deferred taxes

The breakdown of cumulative temporary differences and the resulting deferred tax assets/liabilities provided at 31 December 2004 and 31 December 2003 using the enacted tax rates are as follows:

	<b>Cumulative</b>		<b>Deferred tax</b>	
	<b>temporary differences</b>		<b>assets /(liabilities)</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Difference between tax base and carrying value of non-monetary items	(1.097.898)	(1.229.465)	329.370	368.840
Provision for employment termination benefit	(3.281.671)	(3.057.306)	984.502	917.192
Unearned credit finance expense, net	(341.765)	(861.881)	102.529	284.420
Adjustment to prepaid expenses	-	16.525	-	(5.453)
Deferred tax assets			1.416.401	1.570.452
Deferred tax liabilities			-	(5.453)
<b>Deferred tax asset - net</b>			<b>1.416.401</b>	<b>1.564.999</b>
Movement of deferred tax is as follows:				
<b>Balance at 31 December 2003</b>				<b>1.564.999</b>
Deferred tax expense for the period				(148.598)
<b>Balance at 31 December 2004</b>				<b>1.416.401</b>

## NOTE 16 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

The amount payable consists of one month's salary limited to a maximum of YTL 1.574,74 (2003: YTL 1.389,95) for each year of service.

The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

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

	31 December 2004	31 December 2003
Discount rate	5,45%	6%
Turnover rate to estimate the probability of retirement	99%	99%

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

	31 December 2004	31 December 2003
1 January	3.057.306	3.247.773
Charge for the year	1.393.060	639.155
Amounts paid	(768.486)	(427.547)
Monetary gain	(400.209)	(402.075)
<b>31 December</b>	<b>3.281.671</b>	<b>3.057.306</b>

Number of employees with right to obtain employment termination benefits as of 31 December 2004 are 699. (31 December 2003: 493)

## NOTE 17 - SHARE CAPITAL

The Company's shareholders and their shares at 31 December are as follows:

	31 December 2004		31 December 2003	
	YTL	Share (%)	YTL	Share (%)
Hacı Ömer Sabancı Holding A.Ş.	11.197.167	38.4	11.197.167	38.4
Akbank T.A.Ş.Mensupları				
Tekaüt Sandığı Vakfı	5.336.363	18.3	5.336.363	18.3
Sabancı Family	4.772.205	16.37	4.772.205	16.37
Pilsa Plastik Sanayi A.Ş.	2.794.500	9.58	2.794.500	9.58
Ak Sigorta A.Ş.	435.567	1.49	435.567	1.49
Public quotation	4.624.198	15.86	4.624.198	15.86
	<b>29.160.000</b>	<b>100</b>	<b>29.160.000</b>	<b>100</b>
Adjustment to share capital (*)	30.657.866		104.168.341	
	<b>59.817.866</b>		<b>133.328.341</b>	

(\*) Adjustment to share capital represents the restatement effect of cash contributions to share capital and at period-end equivalent purchasing power.

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Notes to The Financial Statements For The Year Ended 31 December 2004

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated)

The company prepared its financial statements in accordance with the IFRS in the accounting period ended 31 December 2003 (Note 1). CMB decision No. 66/1630, dated 30.12.2003, requires that the amount arising in the first financial statement preparation process adjusted for inflation and recorded in the previous years' losses, pursuant to the regulations of CMB regarding profit distribution, be accounted for as deductible item. However, the relevant amount recorded in the previous years' losses can be offset against that period's profit, and undistributed previous year profit, and the remaining loss can be offset against in turn, extraordinary reserves, legal reserves and capital reserves arising from the inflation adjustment of shareholders' equity items.

In accordance with this and in line with the power granted to the Board in the regular Shareholders' Meeting on 15 April 2004 with the Board decision on 13 September 2004, the Company offset YTL 3.272.492 against 31 December 2003 profit, YTL 1.776.447 against legal reserves, YTL 2.732.378 against extraordinary reserves and YTL 115.364.183 against restatement difference of shareholders' equity, which amounts to a total of YTL 123.145.500 against previous years' losses. Details of the restatement difference of shareholders' equity is as follows:

Share capital	73.510.475
Legal reserves	10.017.724
Extraordinary reserves	31.835.984
<b>Total restatement difference of shareholder's equity</b>	<b>115.364.183</b>

At 31 December 2004 and 2003, historical and inflation adjusted amounts of shareholders' equity and restatement differences are as below:

	31 December 2004		
	Historical amount	Restatement difference	Inflation adjusted amounts
Share capital	29.160.000	30.657.866	59.817.866
Share premium	2.319	93.700	96.019
Legal reserves	-	-	-
Extraordinary reserves	-	-	-
	<b>29.162.319</b>	<b>30.751.566</b>	<b>59.913.885</b>
Income for the period			5.771.059
Accumulated losses			-
<b>Total shareholders' equity</b>			<b>65.684.944</b>

	31 December 2003		
	Historical amount	Restatement difference	Inflation adjusted amounts
Share capital	29.160.000	104.168.341	133.328.341
Share premium	2.319	93.700	96.019
Legal reserves	1.776.447	10.017.724	11.794.171
Extraordinary reserves	2.732.378	31.835.984	34.568.362
	<b>33.671.144</b>	<b>146.115.749</b>	<b>179.786.893</b>
Income for the period			3.272.492
Accumulated losses			(123.145.500)
<b>Total shareholders' equity</b>			<b>59.913.885</b>

**NOTE 18 - OPERATING EXPENSES**

	<b>2004</b>	<b>2003</b>
Consultancy and auditing	4.692.079	4.350.139
Personnel	4.477.724	4.538.555
Marketing	2.560.679	1.430.453
Export and freight	1.717.053	2.732.042
Transportation	1.473.895	2.111.002
Rent	372.737	551.954
Depreciation	343.481	401.946
Travel	272.602	451.780
Insurance	182.492	162.531
IT	99.512	210.130
Other	1.725.813	1.968.776
	<b>17.918.067</b>	<b>18.909.308</b>

**NOTE 19 - OTHER INCOME / (EXPENSE) - NET**

	<b>2004</b>	<b>2003</b>
<b>Other income:</b>		
Dividend income	266.675	-
Income from scrap sales	67.575	400.078
Stock count difference	518.426	199.705
Income from sales of property, plant and equipment	165.818	144.178
Commission income	48.793	64.416
Rent income	1.951	561
Other	186.930	335.212
	<b>1.256.168</b>	<b>1.144.150</b>
<b>Other expenses:</b>		
Prior period losses:	(120.951)	(156.718)
Donations	(570)	(2.278)
Other	(365.087)	(267.490)
	<b>(486.608)</b>	<b>(426.486)</b>
<b>Other income /(expense) - net</b>	<b>769.560</b>	<b>717.664</b>

# Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

## Notes to The Financial Statements For The Year Ended 31 December 2004

(Amounts expressed in New Turkish lira (YTL) in terms of the purchasing power of the Turkish lira at 31 December 2004, unless otherwise indicated)

### NOTE 20 - FINANCIAL INCOME /(EXPENSE) - NET

	2004	2003
<b>Financial income:</b>		
Foreign exchange income	4.202.028	7.736.984
Interest income	2.353.100	1.429.556
	<b>6.555.128</b>	<b>9.166.540</b>
<b>Financial expenses:</b>		
Foreign exchange expense	(2.700.160)	(4.570.979)
Interest expense	(4.917.855)	(3.223.522)
	<b>(7.618.015)</b>	<b>(7.794.501)</b>
<b>Financial income /(expense) - net</b>	<b>(1.062.887)</b>	<b>1.372.039</b>

### NOTE 21 - FOREIGN CURRENCY POSITION

Turkish lira equivalent of assets and liabilities denominated in foreign currency held by the Company at 31 December are as follows:

	31 December 2004	31 December 2003
Assets	21.094.171	22.345.372
Liabilities	(33.255.671)	(36.915.520)
<b>Net foreign currency position</b>	<b>(12.161.500)</b>	<b>(14.570.148)</b>

Assets	Currency type	31 December 2004		31 December 2003	
		Original currency	YTL	Original currency	YTL
Cash and cash equivalents	USD	3.368	4.520	149.439	237.462
	EUR	2.267	4.872	321.197	638.088
	GBP	1.023	2.636	11.674	32.912
Trade receivables	USD	6.579	8.830	56.787	90.235
	EUR	63.669	116.311	1.394	2.770
Due from related parties	USD	2.249.524	3.019.086	3.307.073	5.255.011
	EUR	6.042.450	11.038.348	4.765.831	9.467.771
	GBP	2.667.884	6.899.568	2.348.433	6.621.123
		<b>21.094.171</b>		<b>22.345.372</b>	



Liabilities	Currency type	31 December 2004		31 December 2003	
		Original currency	YTL	Original currency	YTL
Trade payables	USD	1.982.080	2.660.150	1.977.830	3.142.816
	EUR	116.903	213.558	100.341	199.338
	GBP	-	-	8.421	23.743
	SFR	-	-	23.269	29.583
Due to related parties	USD	437.498	587.166	5.043.288	8.013.894
	EUR	48.661	88.894	1.659.816	3.297.380
	GBP	69	178	-	-
Bank Borrowings	USD	12.955.000	17.440.590	5.350.000	8.501.267
	EUR	6.714.000	12.265.135	6.900.000	13.707.499
		<b>33.255.671</b>		<b>36.915.520</b>	

#### NOTE 22 - COMMITMENTS AND CONTINGENT LIABILITIES

	31 December 2004	31 December 2003
Letter of guarentees given	1.994.372	1.542.425
	<b>1.994.372</b>	<b>1.542.425</b>

	31 December 2004	31 December 2003
Promissory notes and collaterals taken	7.629.363	8.572.303
Letter of guarantees taken	360.022	262.393
Mortgages taken	58.050	66.084
	<b>8.047.435</b>	<b>8.900.780</b>

The Company has USD 20.941.472 export commitments related with the investment incentives obtained (31 December 2003: USD 33.483.719).



