

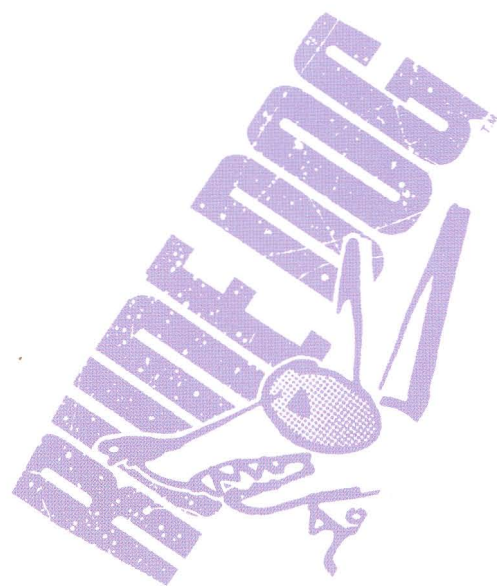
SUN SPORTSWEAR ANNUAL REPORT 1990





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MESSAGE TO SHAREHOLDERS

1990 was a year of challenges and accomplishments for Sun Sportswear.

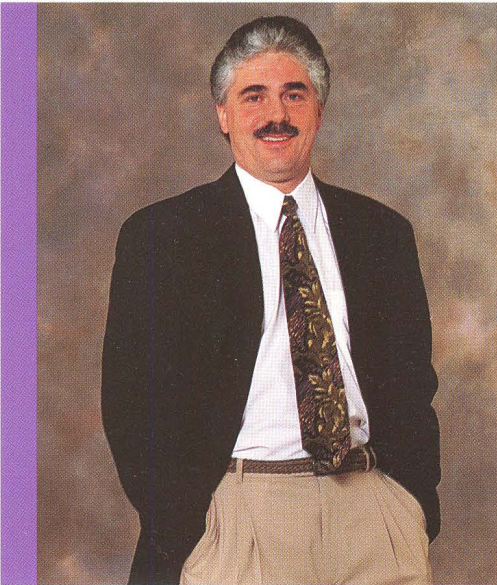
Our Womens and Girls sales exceeded the projections and strong inroads with our large customers, Wal-Mart and Target, were solidified. We expect sales in this division for 1991 again to produce significant increases.

Our proprietary business in all divisions remains very solid. This base business reliability provides Sun a competitive advantage in that we can better plan the operation and manufacturing side of our business. This advantage translates into effective and efficient operations.

Our sales and marketing efforts remain focused on the largest retailers. Target, Wal-Mart and K mart continue to represent a large portion of our sales. Our strong partnerships with customers are a result of an unparalleled customer service ethic we all believe in and practice every day. This same effort is now being directed toward new customers like Montgomery Ward, J.C. Penney, Sears and others. These new partnerships are building and can be recognized by growth in sales dollars. Sun continues to look at and evaluate new areas of retail distribution and will move in those directions when the fit is correct.

In 1991 and on going, Sun will continue to focus on and look for realistic licensing opportunities. Garfield, National Wildlife Federation, Captain Planet and Family Dog are some of the properties that we expect will generate 10 to 20% of our total sales. Our networking within the licensed industry is excellent, evidenced by the new licensed properties we have acquired.

As 1990 came to a close and 1991 began rolling out, it became more apparent than ever to me that it is our people and the culture of our company that make the difference. We at Sun Sportswear are truly dedicated to you the shareholder and to our fine customers. Together we will prosper in 1991 and beyond.



R. H. Clark

Randy H. Clark
President

We consider every Sun customer to be a partner. Sun's working relationship with our customers forms a circle of continuing positive, profitable action: our customers help us grow and we help our customers sell. Our customers' needs, therefore, are our needs. And our dedication to customer service is absolute.

Sun's first service to our customers is the quality of Sun Sportswear apparel. Just as we constantly seek to improve the quality of our garments, we actively research and develop new methods to enhance the efficiency of our operations for the benefit of Sun customers.

Our garments are printed on automatic multi-color printing presses with a capacity of over *twenty-four million* units a year. Such an enormous manufacturing capability allows Sun to fill orders with remarkable speed, thereby reducing crucial lead time for custom order detailing.

Sun has installed an Electronic Data Interchange (EDI) to facilitate the immediate transmittal of customer purchase orders and information regarding future sales. Sun's ticketing equipment generates customer tickets and expedites merchandise to sales floors. The recent installation of a comprehensive rail system means Sun customers can receive goods pre-hangered and ready to go. Other customer services include hang-tagging and automatic poly-bagging.

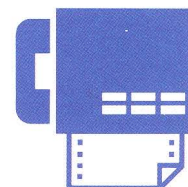
In response to customer need, Sun has maintained and even shortened the lead time required for pre-placed orders. Our average lead time is now days, not weeks.

Sun is proud to provide these solutions for our customers. All Sun employees recognize the paramount importance of customer service. That service, combined with our apparel, makes Sun Sportswear exceptional in its field.

Sun's Sales Department teams with Merchandising to supply our customers with up-to-the-minute marketing information. Sales' close communication with Sun customers allows the Sales Department to offer suggestions to Merchandising on new products. Merchandising, in turn, keeps sales informed on upcoming trends. This circle of teamwork means Sun can react quickly to the constantly changing retail world.

Our sales reputation is built on simple but crucial sales principles: Sun Sportswear delivers fine quality merchandise on time and at competitive prices. Our successful adherence to these simple guidelines masks a complex and unending process of seeking out, identifying and satisfying customer and market needs.

Sun Sales is dedicated to servicing our current customers, developing sales in hitherto untouched departments within our current customer base, and aggressively seeking out new markets.





A diversity of product provides a wide array of options for today's fast paced retail market.

Sun's commitment to excellence is nowhere better expressed than in our Research & Product Development Department. Experimentation and testing within that department has maintained Sun's vital position as a significant innovator in the world of screen printing.

Color is the backbone of successful screen printing. Sun stocks over one hundred pigment colors and numerous ink bases. This policy permits Sun to support in-house development of new ink applications and techniques. If a new ink measures up to Sun's standards, and will be used in sufficient quantities, Sun will produce that ink. Our production of a new ink has proven to be the fastest way of introducing a new ink product to the marketplace. Many distinctive ink varieties have resulted from mutually beneficial cooperation between Research & Product Development and Sun vendors.

Reliable quality control and efficient operation is dependent on the standardization of all screen printing processes. Research & Product Development participates in the engineering of screen printing production runs to help create that critical standardization. Research & Product Development assists in all processes, from art design to design transfer to screen to the eventual screen printing itself.

A diverse range of fabrics is available to Sun Sportswear for screen printing. Research & Product Development performs the daunting task of testing all fabrics for optimum printability and washability. Thus Sun's reputation for quality, long-lasting printed garments springs in large part from the efforts of Research & Product Development. Another duty as the guardian of Sun's reputation that falls to Research & Product Development is performing entry checks on all new production material and forwarding safety data to Sun's Safety Specialist.





Sun is moving forward with progressive designs and techniques in all divisions which include novelty and licensed products.

Merchandising determines Sun's garment styles and programs. Our continual field research is combined with a sensitive awareness of our customers' market needs. This combination ensures the best possible merchandising strategies.

For maximum efficiency the Merchandising Department features two divisions: Mens & Boys and Womens & Girls. Each division also generates their own Juvenile line. Merchandise is specialized for each division according to that division's needs.

To stay ahead of coming trends, Sun's merchandisers make research shopping forays to the fashion capitals of Europe, and to New York City and Los Angeles. These expeditions supply vital information on body styles, color palettes and themes. The knowledge obtained on these trips, like all our research, is shared with our customers. In turn, our customers keep Sun abreast of which styles sell strongly and of critical retail market trends.

Sun Merchandising is linked to and supported by Sun's Graphic Artists, to whom Merchandising supplies direction and styling information. Domestic and Offshore Purchasing also work in conjunction with Merchandising to develop and finalize body styles for upcoming seasons.

Just as Sun and its customers form a positive circle of partnership, so do all of Sun's departments form a circle to support one another to keep Sun Sportswear in the forefront of the marketplace.

Sun's Graphic Artists work in close harmony with our Merchandising Managers, with Product Development and with Sales. Sun's artists create original, progressive designs specifically targeted to the markets that best serve our customer needs. Together with other Sun departments, the Graphic Artists develop new product lines, novelty items and branded name designs.

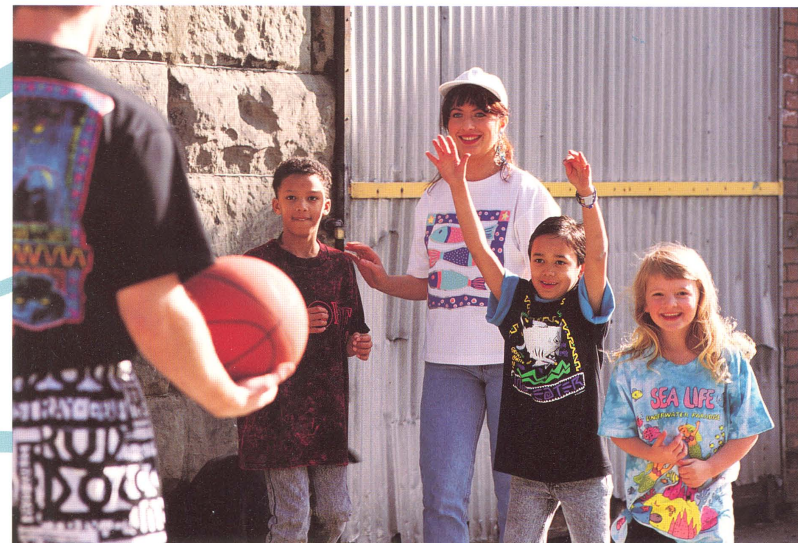
Our Graphic Artists develop presentations and trade-show materials designed to provide buyers with examples of our upcoming line of graphics *prior* to production. These presentations are potent sales tools.

Licensing

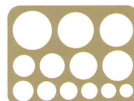
Sun vigorously pursues all potentially profitable licensing opportunities. Our licensing portfolio is a separate, long term profit center. The strength of this portfolio, along with diligent and successful networking, has positioned Sun to move quickly when the next important licensing opportunity presents itself. Sun's licensing strategy is built around our current portfolio, and our customers' future requirements.

Sun's reputation for excellence recruits many licensing opportunities to the company. Licensors are drawn to Sun by our dedication to quality and service. This dedication allows Sun access to a broad range of licensing options. Licensors often come to Sun at the recommendation of our customers.

Current arrangements include classic character licenses such as Garfield, topical television licenses such as Captain Planet, the National Wildlife Federation and college sport licenses.



At Sun, we design each garment to reflect the needs and lifestyles of our customers.



Sun Sportswear carefully directs all activities from garment concept to art creation to acquisition of material to manufacture to shipping. First, Sun's unmatched Sales and Merchandising staff make the critical garment style and program determinations. Then, Domestic and Offshore Purchasing teams take over the reins. Purchasing teams will purchase fabric and trim and internally arrange for the construction of apparel.

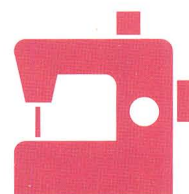
All steps are carried out at Sun facilities, or by Sun vendors who have proven over time their ability to match Sun's quality control, flexibility of manufacturing and adherence to schedule. All our garments are made strictly to Sun's specifications, including, but not limited to, the width and weight of the fabric used.

Sun maintains a veritable army of field inspectors who participate in manufacture domestically and offshore. They constantly and rigorously inspect all Sun vendors. Purchasing group members also perform direct evaluations of manufacturing standards and facilities several times a year.

The inspection process does not end when apparel is received into our Washington and Tennessee facilities. Once in-house, all garments are again examined for their adherence to Sun's specifications in many areas. We double check for shrinkage, dye and finish consistency, color fastness, size specification adherence and construction strength and uniformity.

Sun Sportswear purchases over 20 million garments annually. Sixty percent of our garments come from twenty domestic vendors in the Southeastern USA, all located near our Johnson City, Tennessee facility. The remaining forty percent derive from twelve foreign suppliers in Pakistan, Portugal, Peru, Costa Rica, Honduras, Israel and United Arab Emirates.

Our world-wide network of domestic and offshore suppliers provides a relatively low-cost, high-value base of products. This base generates an excellent gross margin for Sun Sportswear and solid value for our ultimate customers.





*Fashion trends are continuing to lead Sun's market place.
Sun is realizing a growing customer base
for the Womens and Girls Division.*

Sun Sportswear operates two facilities. One is located in Kent, Washington and the other in Johnson City, Tennessee.

Our operation in Kent, Washington serves as the headquarters for Sun's Customer Service, Sales, Merchandising, Design, Purchasing and Finance Departments. The physical plant encloses over 230,000 square feet and was completed in 1989 under Sun's internal design and construction control.

Our Tennessee plant and warehousing facilities enclose over 200,000 square feet and supply warehousing, screen print production and distribution. Our combined facilities provide storage capacity of over 8,400,000 stock-keeping units.

This vast array of stock is monitored in Washington by a computerized bar-coded tracking system for rapid recall. Inventory in Tennessee will also be monitored on-line shortly. Our state-of-the-art stock control permits quick response to customer requests for on-hand inventory.

Sun spares no effort in ensuring that our facilities provide a safe and pleasant work environment. All areas of our plants and warehouses are kept meticulously clean. The fresh air supply in our screen print facilities is constantly replenished, and our floor layouts are designed for maximum efficiency. Sun believes that enthusiastic and motivated employees ensure increased safety awareness and productivity. For example, Sun's Kent employees can turn over 250 screens in one 8-hour shift. These screens are then used to run the 15 automatic printing presses and 10 hand presses at the Kent facility. That is an extraordinary figure and a testament to the soundness of our methods.





As a team, Sun researches and develops unique and creative sportswear.

FINANCIAL HIGHLIGHTS

December 31,

Year ended	1990	1989	1988
(In thousands except per share amounts)			
Net sales	\$71,678	\$73,262	\$59,202
Net income/Proforma net income (1)	983	4,116	4,407
Net income/Proforma net income per share (1)	\$0.18	\$0.90	\$0.98
Weighted average shares outstanding	5,608,104	4,571,233	4,500,000
Working capital	\$21,127	\$19,898	\$6,583
Total assets	35,819	38,841	23,810
Shareholders' equity	22,227	20,223	6,554

(1) The Company was an S corporation for federal income tax purposes through December 5, 1989, the date of stock issuance to the public. As such, the Company did not pay income taxes. The proforma net income and proforma net income per share reflect a proforma provision for income taxes, computed at the marginal corporate rate of 34% for 1989 and 1988.

BOARD OF DIRECTORS AND MANAGEMENT

David A. Sabey, Chairman
Chairman of Sabey Companies

Jeffrey H. Brotman, Director
Chairman of Costco Wholesale Corporation

Randy H. Clark, Director

John M. Heily, Director
Chairman and President of Continental Mills, Inc.

David J. Taylor, Director
Chief Operating Officer of Frederick & Nelson

Randy H. Clark
President

L. Kaye Counts
Chief Operating Officer

Robert L. Buchanan
Vice President Manufacturing

Kevin C. James
Vice President Finance

SHAREHOLDER INFORMATION

Annual Meeting

The annual meeting of shareholders will be held on April 23, 1991 at 10:30 a.m. at Seattle Marriot Sea-Tac Airport, 3201 South 176th Street, Seattle, WA 98188. Shareholders of record as of March 28, 1991 are entitled to vote at the meeting or may vote through proxy material provided.

Form 10-K, 10-Q and Annual Reports

Copies of the Company's Form 10-K and the Form 10-Q quarterly reports as filed with the Securities and Exchange Commission and the Company's Annual Report to Shareholders are available to shareholders without charge upon request to:

Mr. Kevin C. James
Vice President Finance
Sun Sportswear, Inc.
P.O. Box 58003
Seattle, WA 98188

Stock Market Information

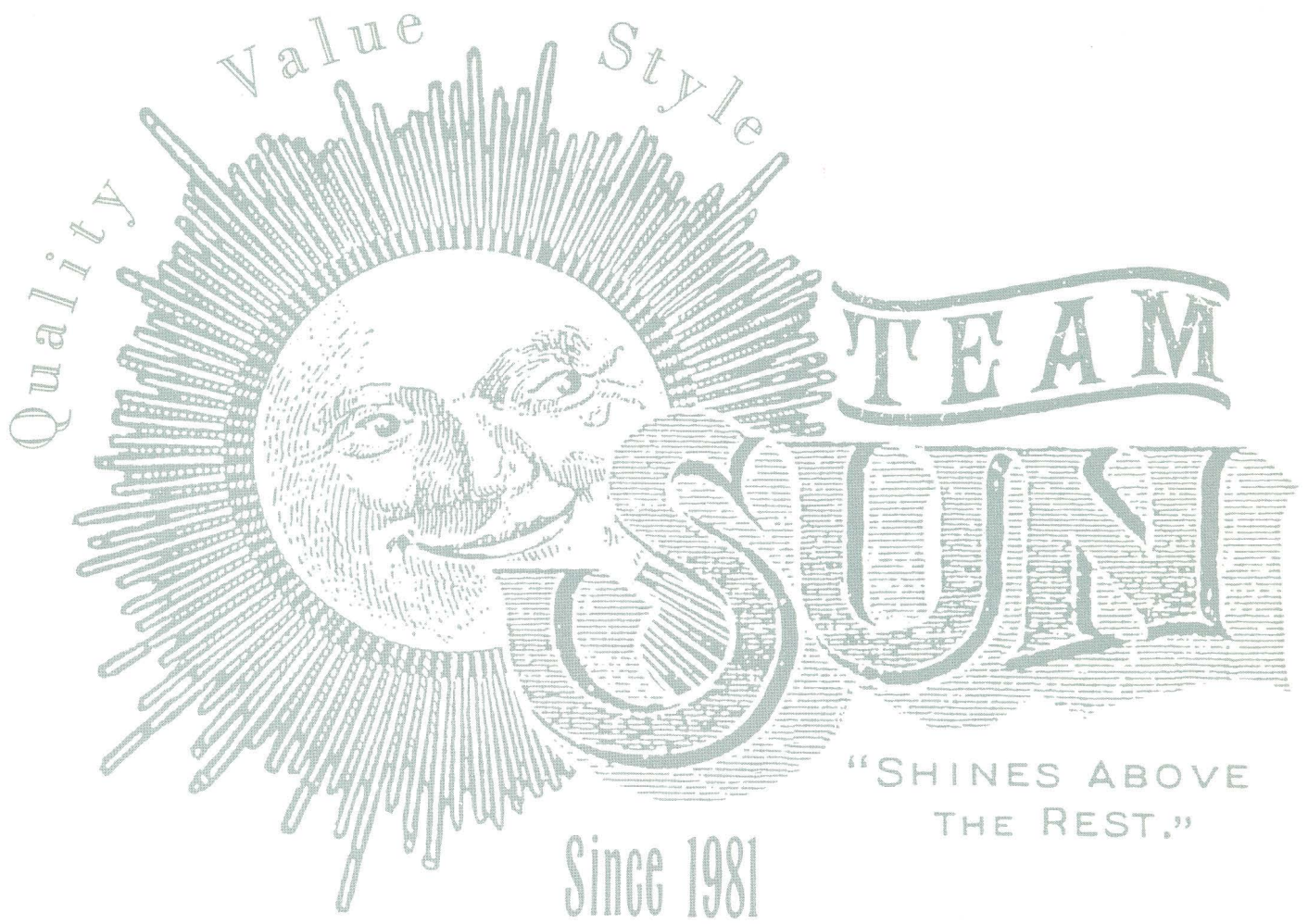
Sun's stock is traded on the NASDAQ National Market System, trading symbol SSPW. At February 28, 1991 the number of shareholders of record totaled approximately 100.

Transfer Agent and Registrar

Security Pacific Bank
701 South Western Avenue
Glendale, CA 91201

Independent Public Accountants

Price Waterhouse
1001 Fourth Avenue Plaza
Suite 4200
Seattle, WA 98154



Corporate Culture

Sun Sportswear does not believe in 'top-down' management. Every Sun employee has a voice, and every voice is provided an opportunity to be heard. Sun workers are rewarded for taking an active role in the improvement of their individual work situation and of the company as a whole. Sun is run as closely to a democracy as a corporation can possibly be, and we relish the issues that such a policy brings.

We employ group decision making. We constantly re-examine what it means to be an employee and to function as part of a team. Sun recognizes people for their best efforts, with awards for good ideas, for extra effort, for increased productivity, and for safety consciousness.

One natural by-product of our dedication to a safe, pleasant, productive workplace is Sun Sportswear's commitment to the environment. Sun Sportswear has been consistently found by County, State and Federal agencies to operate well above existing standards for environmental protection and awareness.

At Sun we screen print only with non-toxic plastisol and water-based inks. Many of our adhesives are water-based, and we use absolutely no toxins or hazardous materials in screen coating or preparation. Our facilities are cleaned with an organic, citrus-based cleaner, never with solvents. Sun employs an independent laboratory to regularly examine our water and air emissions. These examinations ensure that our material and filtration systems function at their maximum.

Sun's safety and environmental specialists at our Washington facility test every potential material or procedure for any harmful environmental or safety impact. Materials or procedures not making the grade are simply never employed.

Sun Sportswear does not use shrink wrap or poly bags unless specifically requested by our customer. We diligently recycle paper, aluminum and cardboard in our facilities. In celebration of Earth Day 1990 Sun Sportswear employees planted trees in Washington and Tennessee and provided over two hundred seedlings for others to plant.

