**DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
AND INDEPENDENT AUDITORS' REPORT

(CONVENIENCE TRANSLATION OF
THE REPORT AND THE CONSOLIDATED FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH)

**(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

**INDEPENDENT AUDITOR'S REPORT**

To The Board of Directors of
Duran Doğan Basım ve Ambalaj Sanayi A.Ş.

We have audited the accompanying consolidated statement of Duran Doğan Basım ve Ambalaj Sanayi A.Ş. (the "Company") and its subsidiary (together will be referred as "the Group") which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Markets Board and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Duran Doğan Basım ve Ambalaj Sanayi A.Ş.and its subsidiaries as at 31 December 2014, and of their financial performance and their cash flows for the year then ended in accordance with Turkish Accounting Standards.

**Reports on Other Legal and Regulatory Requirements**

In accordance with Article 402 of Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors provided us all the required information and documentation in terms of audit; and nothing has come to our attention that may cause us to believe that the Company's and subsidiaries, localized in Turkey, set of accounts prepared for the period 1 January-31 December 2014 does not comply with the code and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

In accordance with paragraph four of the Article 398 of TCC, the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 11 March 2015.

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

Selçuk Ürkmez, SMMM
Partner

İstanbul, 11 March 2015

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**DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARY**

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

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

| | Notes | Current Period 31 December 2014 | Prior Period 31 December 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | **48.495.484** | **54.007.663** |
| Cash and cash equivalents | 4 | 10.453.356 | 17.317.763 |
| Trade receivables | | 25.163.190 | 25.271.753 |
| *Trade receivables from related parties* | *5-6* | *10.576* | - |
| *Trade receivables from third parties* | *6* | *25.152.614* | *25.271.753* |
| Other receivables | | | |
| Other receivables from third parties | 7 | 63.552 | 36.509 |
| Inventories | 8 | 10.962.912 | 9.147.630 |
| Prepaid expenses | 9 | 899.101 | 1.063.573 |
| Other current assets | 15 | 953.373 | 1.170.435 |
| **Non-Current Assets** | | **54.012.357** | **56.203.342** |
| Other receivables | | | |
| Other receivables from third parties | 7 | 145.896 | 107.128 |
| Property, plant and equipment | 10 | 50.879.248 | 52.593.490 |
| Intangible assets | 11 | 768.898 | 790.996 |
| Deferred tax assets | 23 | 2.218.315 | 2.711.728 |
| **TOTAL ASSETS** | | **102.507.841** | **110.211.005** |

The accompanying notes form an integral part of these consolidated financial statements.
Convenience translation of the report and the consolidated financial statements originally issued in Turkish.

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

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

| | Notes | Current Period 31 December 2014 | Prior Period 31 December 2013 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current Liabilities** | | **46.303.761** | **51.777.783** |
| Short-term borrowings | 12 | 29.427.095 | 34.578.287 |
| Short-term portion of long-term borrowings | 12 | 6.777.287 | 3.639.353 |
| Other financial liabilities | 12 | 493.248 | 729.175 |
| Trade payables | | 6.770.173 | 10.308.135 |
| *Trade payables to related parties* | *5-6* | *102.659* | *108.143* |
| *Trade payables to third parties* | *5* | *6.667.514* | *10.199.992* |
| Payables related to employee benefits | 14 | 763.826 | 825.359 |
| Other payables | | | |
| Other payables to third parties | 7 | 42.037 | 24.109 |
| Deferred income | 9 | 724.001 | 1.070.491 |
| Current tax liabilities | 23 | - | 19.080 |
| Short-term provisions | | | |
| Short-term provisions for employee benefits | 14 | 921.361 | 127.061 |
| Other short-term provisions | 13 | 18.125 | 29.917 |
| Other current liabilities | 15 | 366.608 | 426.816 |
| **Non-Current Liabilities** | | **41.528.442** | **45.364.182** |
| Long-term borrowings | 12 | 33.918.045 | 37.888.497 |
| Other payables | | | |
| Other payables to related parties | 5-7 | 5.641.400 | 5.873.000 |
| Long-term provisions | | | |
| Long-term provisions for employee benefits | 14 | 1.968.997 | 1.602.685 |
| **EQUITY** | | **14.675.638** | **13.069.040** |
| **Equity Attributable to Owners of the Company** | | **14.675.383** | **13.068.742** |
| Share capital | 16 | 16.575.788 | 16.575.788 |
| Adjustments to share capital | | 6.436.501 | 6.436.501 |
| Share premium | | 5.220 | 5.220 |
| Restricted reserves appropriated from profit | 16 | 325.455 | 325.455 |
| Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss | | | |
| -Actuarial loss | | (557.704) | (308.779) |
| Accumulated losses | | (9.965.443) | (1.975.124) |
| Net profit/(loss) for the period | | 1.855.566 | (7.990.319) |
| **Non-Controlling Interests** | | **255** | **298** |
| **TOTAL LIABILITIES** | | **102.507.841** | **110.211.005** |

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

| | Notes | Current Period 1 January 31 December 2014 | Prior Period 1 January 31 December 2013 |
|---|---|---|---|
| **PROFIT AND LOSS** | | | |
| Revenue | 17 | 89.139.920 | 83.940.075 |
| Cost of sales (-) | 17 | (71.544.135) | (70.505.207) |
| **Gross Profit from Non-financial operations** | | 17.595.785 | 13.434.868 |
| **GROSS PROFIT** | | **17.595.785** | **13.434.868** |
| Administrative expenses (-) | 18 | (6.956.438) | (6.493.778) |
| Marketing expenses (-) | 18 | (6.018.410) | (6.716.457) |
| Other income from operating activities | 20 | 8.319.251 | 17.361.935 |
| Other expenses from operating activities (-) | 20 | (7.161.885) | (12.898.189) |
| **Operating Profit** | | **5.778.303** | **4.688.379** |
| Income from investing activities | 21 | 363.008 | 819.029 |
| Expenses from investing activities (-) | 21 | (56.077) | (48.144) |
| **OPERATING PROFIT BEFORE FINANCE EXPENSE** | | **6.085.234** | **5.459.264** |
| Finance income / (expenses ) , net | 22 | (3.674.067) | (15.391.946) |
| **PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS** | | **2.411.167** | **(9.932.682)** |
| **Tax (expense)/income** | | (555.644) | 1.942.589 |
| Current tax expense | 23 | - | (73.861) |
| Deferred tax (expense)/ income | 23 | (555.644) | 2.016.450 |
| **PROFIT/ (LOSS) FOR THE PERIOD** | | **1.855.523** | **(7.990.093)** |
| **Profit/ (loss) for the period attributable to:** | | | |
| Non-controlling Interests | | (43) | 226 |
| Equity holders of the parent company | | 1.855.566 | (7.990.319) |
| | | **1.855.523** | **(7.990.093)** |
| **Earnings / (Loss) per share** | 24 | 0,0011 | (0,0048) |

AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

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

| | Notes | Current Period 1 January- 31 December 2014 | Prior Period 1 January- 31 December 2013 |
|---|---|---|---|
| **Profit / (loss) for the period** | | **1.855.523** | **(7.990.093)** |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Loss on remeasurement of defined benefit plans | 14 | (311.156) | (269.880) |
| Deferred tax effect of loss on remeasurement of defined benefit plans | 23 | 62.231 | 53.976 |
| **Other comprehensive loss** | | **(248.925)** | **(215.904)** |
| **Total comprehensive profit / (loss)** | | **1.606.598** | **(8.205.997)** |
| Non-controlling interests | | (43) | 226 |
| Owners of the Company | | 1.606.641 | (8.206.223) |

**DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARY**

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

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

| | | | | Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss | | Accumulated Losses | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share Capital Adjustments | Share premium | Accumulated loss on remeasurement of benefit plans | Restricted reserves appropriated from profit | Accumulated Losses | Net profit/ (loss) for the period | Equity Attributable to Owners of the Company | Non-controlling interests | Total Equity |
| Balance as at 1 January 2013 | 16.575.788 | 6.436.501 | 5.220 | (92.875) | 16.793 | (8.512.887) | 6.846.425 | 21.274.965 | 72 | 21.275.037 |
| Transfers | - | - | - | - | 308.662 | 6.537.763 | (6.846.425) | - | - | - |
| Total comprehensive income | | | | | | | | | | |
| - *Loss on remeasurement of defined benefit plans* | - | - | - | (215.904) | - | - | - | (215.904) | - | (215.904) |
| - *Net loss for the period* | - | - | - | - | - | - | (7.990.319) | (7.990.319) | 226 | (7.990.093) |
| Balance as at 31 December 2013 | 16.575.788 | 6.436.501 | 5.220 | (308.779) | 325.455 | (1.975.124) | (7.990.319) | 13.068.742 | 298 | 13.069.040 |
| Balance as at 1 January 2014 | 16.575.788 | 6.436.501 | 5.220 | (308.779) | 325.455 | (1.975.124) | (7.990.319) | 13.068.742 | 298 | 13.069.040 |
| Transfers | - | - | - | - | - | (7.990.319) | 7.990.319 | - | - | - |
| Total comprehensive income | | | | | | | - | - | - | - |
| - *Loss on remeasurement of defined benefit plans* | - | - | - | (248.925) | - | - | - | (248.925) | - | (248.925) |
| - *Net profit for the period* | - | - | - | - | - | - | 1.855.566 | 1.855.566 | (43) | 1.855.523 |
| Balance as at 31 December 2014 | 16.575.788 | 6.436.501 | 5.220 | (557.704) | 325.455 | (9.965.443) | 1.855.566 | 14.675.383 | 255 | 14.675.638 |

**DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARY**

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

| **A.Cash flow from operating activities** | **Notes** | **Current period 1 January- 31 December 2014** | **Prior period 1 January- 31 December 2014** |
|---|---|---|---|
| **Net profit/(loss) for the period** | | **1.855.523** | **(7.990.093)** |
| - Adjustments related to depreciation and amortization | 10-11 | 6.360.380 | 5.331.049 |
| - Adjustments related to gain on sale of property, plant and equi| | 21 | (306.931) | (770.885) |
| - Adjustments related to rovision for employment termination be | 14 | 193.330 | 565.479 |
| - Adjustments related to bonus provision | 14 | 758.996 | - |
| - Adjustments related to provision for employment termination benefits | | 35.304 | 40.024 |
| - Adjustments related to royalty provision | 13 | 18.125 | 29.917 |
| - Adjustments related to lawsuit provision | 13 | - | (7.666) |
| - Adjustments related to provision for doubtful receivables | 6 | - | 5.886 |
| - Adjustments related to allowance for impairment of inventory | 8 | (14.919) | 144.241 |
| - Adjustments related to tax expenses / (income) | 23 | 555.644 | (1.942.589) |
| - Adjustments related to interest income | 20 | (203.500) | (133.192) |
| - Adjustments related to interest expense | 22 | 3.403.924 | 3.049.757 |
| - Adjustments related to foreign exchange (income) /expenses | | 59.352 | (3.291.928) |
| - Adjustments related to fair value changes in derivated financial assets and liabilities | | - | (12.939) |
| - Adjustments related to unrealized net foreign exchange (losses)/gains | | (1.134.728) | 9.902.588 |
| **Total adjustments to net profit/loss for the period** | | **11.580.500** | **4.919.649** |
| **Changes in working capital** | | | |
| - Changes in trade receivables | | 736.575 | 3.154.553 |
| - Changes in inventories | | (1.800.363) | (2.270.236) |
| - Changes in other receivables and assets | | 315.723 | 431.195 |
| - Changes in trade payables | | (4.706.504) | (8.999.470) |
| - Changes in payables related to employee benefits | | (61.533) | 170.627 |
| - Changes in other payables and liabilities | | (620.370) | 6.363.581 |
| | | **5.444.028** | **3.769.899** |
| - Royalty paid | 13 | (29.917) | - |
| - Bonus paid | | - | (22.000) |
| - Interest paid | | (3.127.016) | (2.947.885) |
| - Interest received | 20 | 203.500 | 133.192 |
| - Lawsuit provision paid | 13 | - | (42.334) |
| - Termination benefits paid | 14 | (138.174) | (341.833) |
| - Taxes paid | 23 | (19.080) | (192.108) |
| - Collections from doubtful receivables | 6 | (9.922) | - |
| **Net cash generated from operating activities** | | **2.323.419** | **356.931** |

The accompanying notes form an integral part of these consolidated financial statements.
Convenience translation of the report and the consolidated financial statements originally issued in Turkish.

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

| | Notes | Current period 1 January- 31 December 2014 | Prior period 1 January- 31 December 2013 |
|---|---|---|---|
| **B.Cash flows from investing actıvities** | | | |
| - Proceeds from disposal of property, plant and equipment | | 417.375 | 951.214 |
| - Payments for the purchase of tangible assets | 10 | (4.479.902) | (10.773.090) |
| - Payments for the purchase of intangible assets | 11 | (254.582) | (252.870) |
| | | **(4.317.109)** | **(10.074.746)** |
| **C.Cash flows from financing activities** | | | |
| - New borrowings | | 30.874.930 | 39.567.321 |
| - Repayment of borrowings | | (22.281.510) | (19.672.179) |
| - Repayment of finance lease payables | | (4.775.748) | (6.775.176) |
| - Change in factoring payables | | (8.943.561) | 2.910.373 |
| - Change in other financial liabilities | | (235.927) | 729.175 |
| | | **(5.361.816)** | **16.759.514** |
| **NET INCREASE /DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)** | | (7.355.507) | 7.041.699 |
| **D. EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | 491.100 | 2.600.526 |
| **NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENT (A+B+C+D)** | | **(6.864.407)** | **9.642.225** |
| **E.CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | 4 | 17.317.763 | 7.675.538 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERİOD (A+B+C+D+E)** | 4 | **10.453.356** | **17.317.763** |

The accompanying notes form an integral part of these consolidated financial statements.
Convenience translation of the report and the consolidated financial statements originally issued in Turkish.

## 1. ORGANIZATION AND OPERATIONS OF THE GROUP

Duran Doğan Basım ve Ambalaj Sanayi A.Ş. ("Company") and its Subsidiary (together "Group") is composed of Duran Doğan Basım ve Ambalaj Sanayi A.Ş., having controlling interests, as well as of a consolidated subsidiary, in which it has majority stake or controlling power.

Duran Doğan Basım ve Ambalaj Sanayi A.Ş. has been established in Turkey in 1975 to primarily carry out printing, cutting, gluing and laminating processes over paper and cardboard in rolls and sheets, as well as over such materials as any plastic materials, aluminum, metal, tin, etc., for production of any kind of packaging, and to sell, to export and import the same, as well as to engage in and deal with other fields of activities set forth in its Articles of Association.

Shares of the Company are registered with Capital Market Board (CMB) and are traded at Istanbul Stock Exhange.

Company is headquartered at Hadımköy Mahallesi Mustafa İnan Cad. No:41 Arnavutköy / ISTANBUL.

Total number of personnel employed at Group as of 31December 2014 is 238 (31 December 2013: 239).

Major shareholders of Company are LGR International Societe Anonyme (%29,46), Dikran Mihran Acemyan (%9,76), İbrahim Okan Duran (%8,92), Oktay Duran (%8,30) and Dikran Acemyan (%5).

Confirmation of Financial Statements

Financial statements were ratified by the Board of Directors and authorised for issue there on 11 March 2015. The General Assembly of the Company has the authority to modify the consolidated financial statements.

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Basis of Presentation

Statement of Compliance

Financial statements attached are prepaid in accordance with the June 13, 2013 and number 28786 declaration of Capital Markets Board ("CMB") with the 5th item of the series number II, 14.1 "Rules of Declaration related with the financial reporting in CMB ("Declaration") and the Turkish Accounting Standards/Turkish Financial Reporting Standards and the attachments and comments related with these standards (TAS/TFRS) are based on.

In addition financial statements and disclosures are presented in accordance with the format described by CMB at 7 June 2013.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.1 Basis of Presentation (cont'd)

Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Each entity's financial position and results of operations are presented in TL which is the functional currency of the Group.

Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the resolution numbered 11/367 dated 17 March 2005, the CMB stated that companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards effective from 1 January 2005 are not subject to inflation accounting. Based on that statement, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied starting from 1 January 2005 in the accompanying consolidated financial statements for the companies registered in Turkey and functional currencies in TL.

Comparative Information and Restatement of Prior Period Consolidated Financial Statements

Group's consolidated financial statements have been prepared comparatively with the prior period for allow the determination of financial position and performance trend. Comparative information is reclassified when necessary and important differences are explained, in order to conform to the current period financial statement's presentation.

Basis of Consolidation

The details of the Company's subsidiaries at 31 December 2014 and 31 December 2013 are as follows:

| | **31 December 2014** | | **31 December 2013** | | |
|---|---|---|---|---|---|
| | **Direct ownership** | **Indirect ownership** | **Direct ownership** | **Indirect ownership** | |
| Subsidiary | **%** | **%** | **%** | **%** | **Business Line** |
| Dudo İthalat ve İhracat Pazarlama A.Ş. | 99,92 | 99,92 | 99,92 | 99,92 | Domestic and foreing trade of printed and unprinted cardboard boxes |

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### 2.2 Changes in the Accounting Policies

Significant changes in accounting policies are applied retrospectively and previous period financial statements are readjusted. Group has not changed accounting policies because of the changes in current period on standard.

### 2.3 Changes in the Accounting Estimates and Errors

If the application of changes to the accounting estimates affects the financial results of a specific year, the accounting estimate change is applied in that specific year, if they affect the financial results of current and following years; the accounting policy estimate is applied prospectively in the year in which such change is made. The Group did not have any major changes in the accounting estimates during the current year.

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.4 New and Revised Turkish Financial Reporting Standards

### (a) Amendments to TFRSs affecting amounts reported and the disclosures in the financial statements

None.

### (b) New and Revised TFRSs applied in 2014 with no material effect on the consolidated financial statements

| | |
|---|---|
| Amendments to TFRS 10, 12, TAS 27 | *Investment Entities*[1] |
| Amendments to TAS 32 | *Offsetting Financial Assets and Financial Liabilities*[1] |
| Amendments to TAS 36 | *Recoverable Amount Disclosures for Non-Financial Assets*[1] |
| Amendments to TAS 39 | *Novation of Derivatives and Continuation of Hedge Accounting*[1] |
| IFRIC 21 | *Levies*[1] |

[1] Effective for annual periods beginning on or after 1 January 2014.

**Amendments to TFRS 10, 12, TAS 27 *Investment Entities***

This amendment with the additional provisions of TFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

**Amendments to TAS 32 *Offsetting Financial Assets and Financial Liabilities***

The amendments to TAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

**Amendments to TAS 36 *Recoverable Amount Disclosures for Non-Financial Assets***

As a consequence of TFRS 13 Fair Value Measurements, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of TAS 36 has been changed.

**Amendments to TAS 39 *Novation of Derivatives and Continuation of Hedge Accounting***

This amendment to TAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

**IFRIC 21 *Levies***

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.4 New and Revised Turkish Financial Reporting Standards (cont'd)

#### (c) New and revised TFRSs in issue but not yet effective

Group has not applied yet the following new and revised TFRSs in issue but not yet effective:

**TFRS 9 *Financial Instruments***

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

**Amendments to TFRS 9 and TFRS 7 *Mandatory Effective Date of TFRS 9 and Transition Disclosures***

On November 2013, it is tentatively decided that the mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017.

The Group evaluates the effects of these standards on the consolidated financial position and consolidated performance.

**Amendments to TAS 19 *Defined Benefit Plans: Employee Contributions***

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

**Annual Improvements to 2010-2012 Cycle**

**TFRS 2:** Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'

**TFRS 3:** Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

**TFRS 8:** Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

**TFRS 13:** Clarify that issuing TFRS 13 and amending TFRS 9 and TAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.4 New and Revised Turkish Financial Reporting Standards (cont'd)

### (c) New and revised TFRSs in issue but not yet effective (cont'd)

**TAS 16 and TAS 38:** Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

**TAS 24:** Clarify how payments to entities providing management services are to be disclosed.

**Annual Improvements to 2011-2013 Cycle**

**TFRS 3:** Clarify that TFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

**TFRS 13:** Clarify the scope of the portfolio exception in paragraph 52.

**TAS 40:** Clarifying the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property.

**Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of Significant Accounting Policies

**Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

Sale of Goods

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group transfers the buyer the significant risks and rewards of ownership of the goods,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories according to their inventory classes and valuation method of inventories is weighted average out method. Net realizable value represents the estimated selling price which occurred in the ordinary course of business, less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, if the inventory is written down to the net realizable value and the expense is included in statement of comprehensive income in the year the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of the changes in economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial write-down.

**Related Parties**

A related party is a person or entity that is related to the entity that is preparing its financial statements.

a) <u>A person or a close member of that person's family is related to a reporting entity if that person:</u>

   i) has control or joint control over the reporting entity;
   ii) has significant influence over the reporting entity; or
   iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of Significant Accounting Policies (cont'd)

**Related Parties (cont'd)**

b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

**Property, Plant and Equipment**

Cost Method

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties at construction stage are carried at cost, less any recognized impairment loss. Directly attributable costs are included in the cost of properties. For assets that need considerable time to be ready for sale or usage, borrowing costs are capitalized in accordance with the Group's accounting policy. As it is for the other fixed assets, depreciation of these assets commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of Significant Accounting Policies (cont'd)

**Finance Lease Transactions**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leases - the Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

**Intangible assets**

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of Significant Accounting Policies (cont'd)

**Intangible assets (cont'd)**

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of Significant Accounting Policies (cont'd)

**Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Borrowing Costs**

All borrowing costs are recorded in the income statement in the period in which they are incurred.

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of Significant Accounting Policies (cont'd)

**Financial Instruments**

Financial assets

Group classified financial assets into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of Significant Accounting Policies (cont'd)

**Financial Instruments (cont'd)**

**Financial assets (cont'd)**

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are initially measured at fair value. Financial liabilities other than fair value through profit or loss are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

**Earnings per Share**

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

**Foreign currency transactions**

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of Significant Accounting Policies (cont'd)

**Foreign currency transactions (cont'd)**

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

**Events After the Reporting Period**

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

**Provisions, Contingent Liabilities and Assets**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of Significant Accounting Policies (cont'd)

**Taxation and Deferred Taxes**

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax expense form continues operation includes current year income tax expense and deferred income tax (expense) / benefit.

*Current tax*

Current year income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

*Deferred tax*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of Significant Accounting Policies (cont'd)

**Taxation and Deferred Taxes (cont'd)**

*Current and deferred tax for the period*

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**Employee Benefits**

*Termination and retirement benefits*

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No. 19 (revised) "Employee Benefits" ("TAS 19").

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

**Statements of Cash Flows**

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

**Share Capital and Dividends**

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group's accounting policies

In the process of applying accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

Useful life of property plant and equipment

The Group amortized its property, plant and equipment based over the estimated useful life of asset that stated in Note 10 and Note 11.

Impairment of inventories

The Group determined the inventories with net realizable values less than their costs and booked TL 267.376 inventory impairment provision in consolidated financial statements (2013: TL 282.295).

Provision for doubtful receivables

When there is an indication that the Group will not be able to collect receivables, the Group forms provision for doubtful receivables. The Group management booked TL 450.813 (2013: TL 459.370) doubtful receivable provision in 31 December 2014 consolidated financial statements.

Deferred tax

Deferred tax assets and liabilities are recorded for temporary differences arising from differences between tax basis financial statements and financial statements prepared in accordance with TFRS standards. The subsidiaries of the Group have deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. The subsidiary of the Group has deferred tax asset consists of deductible temporary difference of profit to be existing in future. Total or partial amount of recoverable amount of deferred tax asset is assumed under certain circumstances. During evaluation, future profit projections, losses in current period, unused losses and the last usable dates of other tax assets and tax planning strategies to be used when required is considered. In consideration of obtained data, if future taxable profit of the Group is not enough to compensate all amount of deferred tax assets, provision is calculated to whole or partial amount of deferred tax asset.

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

## 3. OPERATION SEGMENTS

The Group started to apply TFRS 8 from 1 January 2013. The autohority who is responsible to take decisions about Groups operating activities determines operating segments based on the management reports reviewed regularly.

The reportable operating segments derive their revenue primarily from sales to Turkey, Middle East countries, Africa, Europe, USA and Turkic Republics.

| | 1 January - 31 December 2014 | | | | |
|---|---|---|---|---|---|
| | Turkey | Europe | USA | Middle East and Africa | Turkic Republics |
| Net Sales | 46.730.827 | 36.305.693 | 1.425.017 | 2.297.330 | 4.293.479 |

| | 1 January - 31 December 2013 | | | | |
|---|---|---|---|---|---|
| | Turkey | Europe | USA | Middle East and Africa | Turkic Republics |
| Net Sales | 39.359.336 | 36.620.069 | 2.618.267 | 2.500.046 | 4.430.828 |

## 4. CASH AND CASH EQUIVALENTS

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Cash | 12.691 | 9.721 |
| Cash at banks | 10.440.665 | 17.308.042 |
| *Demand deposits* | 2.683.740 | *589.737* |
| *Time deposits less than 3 months maturity* | 7.756.925 | *16.718.305* |
| | 10.453.356 | 17.317.763 |

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 25.

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

## 5. RELATED PARTY DISCLOSURES

a) Receivables and payables from related parties:

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | Liabilities | Liabilities | Liabilities | Liabilities |
| | Short Term | Long Term | Short Term | Long Term |
| Balances with related parties | Trade | Non-Trade | Trade | Non-Trade |
| Other companies managed by main shareholder | | | | |
| Duran Makine San. ve Tic. Ltd. Şti. | 2.087 | - | 108.143 | - |
| LGR International S.A. (Note 7) | 100.572 | 5.641.400 | - | 5.873.000 |
| | 102.659 | 5.641.400 | 108.143 | 5.873.000 |

b) Purchases and sales from related parties

The share transfer from Yıldız Holding A.Ş., which used to be a shareholder of the Company, was completed as of 30 April 2013. Since Yıldız Holding and its subsidiaries are no longer related parties of the Group, the following statement includes only the transactions with Yıldız Holding and its subsidiaries until 30 April 2013.

| | 1 January - 31 December 2014 | |
|---|---|---|
| Transactions with related parties | Purchase of good and services | Sale of good and services |
| Other companies managed by main shareholder | | |
| Duran Makine San. ve Tic. Ltd. Şti. (*) | 32.886 | 4.322 |
| Duran Makina San.Ve Tic.A.Ş. (*) | 6.247 | 6.735 |
| LGR International S.A. (**) | 620.431 | 14.095 |
| | 659.564 | 25.152 |

(*) Starting from October 2014 Duran Makine San. ve Tic. Ltd. Şti. change of title to "Duran Makina San.ve Tic. A.Ş." .

(**) TL 416.113 part of the total amount consist of consultancy service received from LGR International S.A. LGR International S.A. obtains consultancy fee calculted from the 0.5 % of the Company’s revenue.

Related party transactions is not subject to interest charge.

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

**5. RELATED PARTY DISCLOSURES (cont'd)**

b) Purchases and sales from related parties (cont'd)

| | 1 January - 31 December 2013 | |
|---|---|---|
| Transactions with related parties | Purchase of good and services | Sale of good and services |
| **Shareholders** | | |
| Yıldız Holding A.Ş.(*) | 33.272 | - |
| **Other companies managed by main shareholder** | | |
| Duran Makine San. ve Tic. Ltd. Şti. | 715.697 | 136.315 |
| FFK Fon Finansal Kiralama A.Ş.(*) | 676.529 | - |
| Ülker Çikolata Sanayi A.Ş.(*) | 524.542 | 4.054.215 |
| Farmamak Amb. Mad. ve Amb. Mak. San. ve Tic. A.Ş.(*) | 18.847 | - |
| Büyük End. Ür. Paz. Ve Tic.A.Ş.(*) | 6.043 | - |
| Medyasoft Danş.ve Eğitim A.Ş.(*) | 3.062 | - |
| Medyasoft Bil. Sis. San. Tic. Ltd. Şti.(*) | 392 | - |
| Kellogg Med Gıda Tic. Lmt. Şti.(*) | - | 14.622 |
| Continental Con. Com. Gıda San. Tic. A.Ş.(*) | - | 1.238.940 |
| Ülker Bisküvi Sanayi A.Ş.(*) | - | 270.425 |
| Örgen Gıda San. ve Tic. A.Ş.(*) | - | 151.745 |
| Hero Gıda San. Tic. A.Ş.(*) | - | 426.214 |
| Kerevitaş Gıda San. ve Tic. A.Ş.(*) | - | 172.113 |
| Natura Gıda San. ve Tic. A.Ş.(*) | - | 406.693 |
| Ak Gıda San. ve Tic. A.Ş.(*) | - | 63.899 |
| Rotopaş Ambalaj San. ve Tic. A.Ş(*) | - | 79.774 |
| Biskot Bisküvi Gıda San. ve Tic. A.Ş.(*) | - | 438.497 |
| Güzeliş Gıda San. İma. ve Paz. Ltd. Şti.(*) | - | 42.427 |
| Dosu Maya Mayacılık A.Ş.(*) | - | 3.799 |
| LGR International S.A. | - | 33.273 |
| | 1.978.384 | 7.532.951 |

(*) Related party status is ended as of 30 April 2013. The statement includes only the transactions between the Group and the company for the period between 1 January and 30 April 2013.

a) Benefits to senior management are TL 2.340.297 all of which is composed of wages and similar short-term benefits (31 December 2013: TL 2.428.285).

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

## 6. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

The details of the Group's trade receivables as of balance sheet date are as follows:

| Short term trade receivables | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Trade receivables | 25.603.427 | 25.718.908 |
| Trade receivables from related parties (Note 5 ) | 10.576 | - |
| Income accruals | - | 12.215 |
| Provision for doubtful receivables (-) | (450.813) | (459.370) |
| | 25.163.190 | 25.271.753 |

Average maturity days of trade receivables are 60 days for domestic costumers, 120 days for foreign customers. As of 31 December 2014, provision for doubtful receivables is amounting to TL 450.813 (31 December 2013: TL 459.370). Significant portion of doubtful receivables belong to customers who have got into economic hardships in an unexpected way.

Allowance for doubtful receivables recorded for trade receivables have been determined due to past experience of incidence of non-collection.

The movement of allowance for doubtful trade receivables of the Group is as follows

| Movements of provision for doubtful receivables | 1 January-31 December 2014 | 1 January-31 December 2013 |
|---|---|---|
| Openning balance | 459.370 | 443.714 |
| Charge for the period | - | 5.886 |
| Foreign currency translation effect | 1.365 | 9.770 |
| Collections | (9.922) | - |
| Closing balance | 450.813 | 459.370 |

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

## 6. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables

Details of Group's trade payables as of balance sheet date are as follow:

| Short term trade liabilities | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Trade payables | 6.000.926 | 9.872.332 |
| Expense accruals | 666.588 | 327.660 |
| Payables to related parties (Note 5) | 102.659 | 108.143 |
| | 6.770.173 | 10.308.135 |

Average maturity days of payables for raw material is 90 days. (2013 : 90 days).

## 7. OTHER RECEIVABLES AND PAYABLES

| Other current receivables | 2014 | 2013 |
|---|---|---|
| Guarantees and deposits given | 6.917 | 6.917 |
| Receivables from personnel | 56.635 | 29.592 |
| | 63.552 | 36.509 |

| Other current payables | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Other payables | 42.037 | 24.109 |
| | 42.037 | 24.109 |

| Other non current payables | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Other payables to related parties (*) | 5.641.400 | 5.873.000 |

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

## 7. OTHER RECEIVABLES AND PAYABLES (cont'd)

| Other non-current receivables | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Receivables from personnel | 56.066 | 23.866 |
| Guarantees and deposits given | 89.830 | 83.262 |
| | 145.896 | 107.128 |

(*) Other payables to related parties represent the funds lent by LGR International Societe Anonyme's to the Group for EUR 2.000.000 with a due date of 31 January 2017 and an interest rate of 3% +Euribor. As of 31 December 2014, total interest accured amount to EUR 75.364. Since this transaction occurred on 31 December 2013, no interest accrued in current period.

## 8. INVENTORIES

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Raw materials | 6.775.868 | 5.263.655 |
| Finished goods | 4.421.432 | 4.163.722 |
| Trade goods | 32.988 | 2.548 |
| Provision for impairment of inventories (-) | (267.376) | (282.295) |
| | 10.962.912 | 9.147.630 |

Inventories are valuated at their cost value, and provision is booked for inventories with impaired in value. Movements in provision for impairment on inventory during periods ending at 31 December 2014 and 31 December 2013 are as follow:

| Movement of provision of impairment of inventory | 1 January- 31 December 2014 | 1 January- 31 December 2013 |
|---|---|---|
| Openning balance | (282.295) | (138.054) |
| Provisions released | 282.295 | 138.054 |
| Charge for the period | (267.376) | (282.295) |
| Closing balance | (267.376) | (282.295) |

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

## 9. PREPAID EXPENSES AND DEFERRED INCOME

| Short term prepaid expenses | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Advances given to purchase inventory | 669.875 | 763.860 |
| Prepaid expenses | 187.890 | 274.470 |
| Business advances | 4.500 | 4.300 |
| Prepaid tax and funds | 36.836 | 20.943 |
| | 899.101 | 1.063.573 |

| Short term deferred income | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Advances received | 128.475 | 103.012 |
| Deferred income | 595.526 | 967.479 |
| | 724.001 | 1.070.491 |

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

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Land | Infrastructure and land improvements | Buildings | Property, plant and equipment | Vehicles | Furniture and Fixtures | Construction in Progress | Leasehold improvements | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost Value** | | | | | | | | | |
| Openning balance at 1 January 2014 | 4.965.000 | 9.528 | 15.802.471 | 47.388.167 | 52.091 | 7.685.679 | 1.352.917 | 1.433.278 | 78.689.131 |
| Additions | - | - | - | 103.296 | - | 476.418 | 3.900.188 | - | 4.479.902 |
| Transfers | - | - | - | 5.049.250 | - | 193.355 | (5.253.105) | 10.500 | - |
| Disposals | - | - | - | (1.157.696) | (52.091) | (13.919) | - | - | (1.223.706) |
| Closing balance at 31 December 2014 | 4.965.000 | 9.528 | 15.802.471 | 51.383.017 | - | 8.341.533 | - | 1.443.778 | 81.945.327 |
| **Accumulated depreciation** | | | | | | | | | |
| Openning balance at 1 January 2014 | - | 1.799 | 1.119.167 | 20.578.112 | 37.332 | 4.221.920 | - | 137.311 | 26.095.641 |
| Charge for the period | - | 635 | 316.235 | 4.515.749 | - | 912.999 | - | 338.082 | 6.083.700 |
| Disposals | - | - | - | (1.063.866) | (37.332) | (12.064) | - | - | (1.113.262) |
| Closing balance at 31 December 2014 | - | 2.434 | 1.435.402 | 24.029.995 | - | 5.122.855 | - | 475.393 | 31.066.079 |
| Net book value at 31 December 2014 | 4.965.000 | 7.094 | 14.367.069 | 27.353.022 | - | 3.218.678 | - | 968.385 | 50.879.248 |

During the year 2014, the Group did not buy any property, plant and equipment under non-cancellable finance lease agreements (2013: TL 5.334.214 ).

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

## 10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | Land | Infrastructure and land improvements | Buildings | Property, plant and equipment | Vehicles | Furniture and Fixtures | Construction in Progress | Leasehold improvements | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost value** | | | | | | | | | |
| Openning balance at 1 January 2013 | 4.965.000 | 9.528 | 15.935.036 | 37.665.756 | 52.091 | 7.171.700 | 991.875 | - | 66.790.986 |
| Additions | - | - | - | 12.251.646 | - | 1.069.463 | 1.352.917 | 1.433.278 | 16.107.304 |
| Transfer | - | - | - | 989.007 | - | 2.868 | (991.875) | - | - |
| Disposals | - | - | (132.565) | (3.518.242) | - | (558.352) | - | - | (4.209.159) |
| Closing balance at 31 December 2013 | 4.965.000 | 9.528 | 15.802.471 | 47.388.167 | 52.091 | 7.685.679 | 1.352.917 | 1.433.278 | 78.689.131 |
| **Accumulated depreciation** | | | | | | | | | |
| Openning balance at 1 January 2013 | - | 1.164 | 880.176 | 20.160.048 | 26.914 | 3.931.028 | - | - | 24.999.330 |
| Charge for the period | - | 635 | 371.556 | 3.774.087 | 10.418 | 831.134 | - | 137.311 | 5.125.141 |
| Disposals | - | - | (132.565) | (3.356.023) | - | (540.242) | - | - | (4.028.830) |
| Closing balance at 31 December 2013 | - | 1.799 | 1.119.167 | 20.578.112 | 37.332 | 4.221.920 | - | 137.311 | 26.095.641 |
| Net book value at 31 December 2013 | 4.965.000 | 7.729 | 14.683.304 | 26.810.055 | 14.759 | 3.463.759 | 1.352.917 | 1.295.967 | 52.593.490 |

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

## 10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Useful lives of property, plant and equipment are as follow:

| | Useful Life |
|---|---|
| Infrastructure and land improvements | 10-50 |
| Buildings | 25-50 |
| Property, plants and equipments | 4-20 |
| Vehicles | 5 |
| Furniture and fixtures | 4-20 |
| Leasehold improvements | 5-9 |

| Net book value of property, plants and equipments acquired by financial leases | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Land | 4.965.000 | 4.965.000 |
| Buildings | 13.942.124 | 14.245.214 |
| Property, plants and equipments | 12.351.911 | 14.841.559 |
| | 31.259.035 | 34.051.773 |

## 11. INTANGIBLE ASSETS

| Cost value | Rights | Capitalized development expenses | Total |
|---|---|---|---|
| Openning balance at 1 January 2014 | 2.322.506 | 187.930 | 2.510.436 |
| Additions | 254.582 | - | 254.582 |
| Closing balance at 31 December 2014 | 2.577.088 | 187.930 | 2.765.018 |
| **Accumulated amortization** | | | |
| Openning balance at 1 January 2014 | 1.703.472 | 15.968 | 1.719.440 |
| Charge for the period | 239.094 | 37.586 | 276.680 |
| Closing balance at 31 December 2014 | 1.942.566 | 53.554 | 1.996.120 |
| Net book value at 31 December 2014 | 634.522 | 134.376 | 768.898 |

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

## 11. INTANGIBLE ASSETS (cont'd)

| Cost value | Rights | Capitalized development expenses | Total |
|---|---|---|---|
| Openning balance at 1 January 2013 | 2.257.566 | - | 2.257.566 |
| Additions | 64.940 | 187.930 | 252.870 |
| Closing balance at 31 December 2013 | 2.322.506 | 187.930 | 2.510.436 |
| Accumulated amortization | | | |
| Openning balance at 1 January 2013 | 1.513.532 | - | 1.513.532 |
| Charge for the period | 189.940 | 15.968 | 205.908 |
| Closing balance at 31 December 2013 | 1.703.472 | 15.968 | 1.719.440 |
| Net book value at 31 December 2013 | 619.034 | 171.962 | 790.996 |

Depreciation and amortization expense amounted at TL5.690.934 (2013: TL 4.527.634) has been charged in "cost of goods sold", TL 288.308 (2013: TL 239.183 ) in unused capacity expense under cost of goods sold, TL 273.540 (2013: TL 308.025) in "marketing expenses" and, TL 381.138 (2013: TL 256.207) genel in "administrative expenses".

Useful lives of intangible assets are as follow:

| | Useful Life |
|---|---|
| Rights | 3-15 |
| Capitalized development expenses | 5 |

## 12. FINANCIAL LIABILITIES

| Financial liabilities | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Bank loans | 42.584.478 | 34.372.704 |
| Leasing payables | 27.537.949 | 32.789.872 |
| Factoring payables(*) | - | 8.943.561 |
| Other financial liabilities | 493.248 | 729.175 |
| | 70.615.675 | 76.835.312 |

(*) As of 31 December 2013, factoring payables are entirely composed of short-term financial payables..

The fair value of the Group's borrowings approximates their carrying amount.

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

## 12. FINANCIAL LIABILITIES (cont'd)

a) Bank Loans

| Currency | Weighted average effective Interest Rate | 31 December 2014 Short Term | Long term |
|---|---|---|---|
| TL | %10,22 | 1.500.000 | - |
| Euro | %2,51 | 29.917.268 | 11.167.210 |
| | | 31.417.268 | 11.167.210 |

| Currency | Weighted average effective Interest Rate | 31 December 2013 Short Term | Long term |
|---|---|---|---|
| TL | %9,02 | 2.294.372 | - |
| Euro | %2,99 | 19.936.930 | 12.141.402 |
| | | 22.231.302 | 12.141.402 |

Maturities of bank loans are as follow:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Within 1 year | 31.417.268 | 22.231.302 |
| Within 1 - 2 years | 7.499.750 | 3.762.264 |
| Within 2 - 3 years | 2.561.345 | 3.885.721 |
| Within 3- 4 years | 1.106.114 | 3.341.893 |
| Within 4- 5 years | - | 1.151.524 |
| | 42.584.478 | 34.372.704 |

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

## 12. FINANCIAL LIABILITIES (cont'd)

b) Details of finance lease payables are follow:

| | Minumum Lease Payments | | Present Value of Minumum Lease Payments | |
|---|---|---|---|---|
| Financial lease payables | 31 December 2014 | 31 December 2013 | 31 December 2014 | 31 December 2013 |
| Within one year | 6.436.196 | 8.875.473 | 4.787.114 | 7.042.779 |
| In the two to ten years | 26.409.281 | 30.575.580 | 22.750.835 | 25.747.093 |
| | 32.845.477 | 39.451.053 | 27.537.949 | 32.789.872 |
| Less: Future finance charges | (5.307.528) | (6.661.181) | | |
| Present value of financial lease payables | 27.537.949 | 32.789.872 | | |
| Less: Amounts due to settlement within twelve months (disclosed in current liabilities) | (4.787.114) | (7.042.779) | | |
| Amounts due for settlement after 12 months | 22.750.835 | 25.747.093 | | |

Finance leases relate to manufacturing equipment with lease term of 10 years and other machine and equipment with lease term of 5 years. The group has options to purchase the equipment with lease term of 10 years and machine with lease term of 5 years. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

c) Other financial liabilities

| Other financial liabilities | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Credit card payables (*) | 493.248 | 729.175 |
| | 493.248 | 729.175 |

(*) Represents the credit card liabilities of Group to suppliers to purchase raw material and consumables

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

## 13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

| Short term provisions | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Provision for royalties | 18.125 | 29.917 |
| | 18.125 | 29.917 |

Movement of royalty and lawsuit provision is as follows:

| | Royalty provision | Lawsuit provision |
|---|---|---|
| Provision at 1 January 2014 | 29.917 | - |
| Additions | 18.125 | - |
| Payments | (29.917) | - |
| Provision at 31 December 2014 | 18.125 | - |

| | Royalty provision | Lawsuit provision |
|---|---|---|
| Provision at 1 January 2013 | 29.917 | 50.000 |
| Additions | - | (42.334) |
| Cancelled provision | - | (7.666) |
| Provision at 31 December 2013 | 29.917 | - |

### a) Guarantees given

The details of the guarantes given as of 31 December 2014 and 2013 are as follows:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Export Credits | 23.601.016 | 17.886.850 |
| Custom Offices | 32.679 | 32.679 |
| Other Organisations | 56.000 | 1.189.821 |
| | 23.689.695 | 19.109.350 |

## 13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

### a) Guarantees given (cont'd)

| 31 December 2014 | TL Equalivant | US Dollars | Euro | TL |
|---|---|---|---|---|
| A. Total amount of GPM given by Group in behalf of Entity | 23.689.695 | - | 8.165.000 | 658.679 |
| B. Total amount of GPM on behalf of the shareholders included in consolidation | - | - | - | - |
| C. Total amount of GPM that the Company has given to provide the liabilities of 3rd parties to perform ordinal activities | - | - | - | - |
| D. Total amount of other GPM given | | | | |
| i. Total amount of GPM given in behalf of parent company | - | - | - | - |
| ii. Total amount of GPM that the Company has given in behalf of Other Group Companies not included in B and C items | - | - | - | - |
| iii. Total Amount of GPM that the Company has given in behalf of third parties not included in C item | - | - | - | - |
| Total | 23.689.695 | - | 8.165.000 | 658.679 |

## 13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

### a) Guarantees given (cont'd)

| 31 December 2013 | TL Equalivant | US Dollars | Euro | TL |
|---|---|---|---|---|
| A. Total amount of GPM given by Group in behalf of Entity | 19.109.350 | - | 5.900.000 | 1.784.000 |
| B. Total amount of GPM on behalf of the shareholders included in consolidation | - | - | - | - |
| C. Total amount of GPM that the Company has given to provide the liabilities of 3rd parties to perform ordinal activities | - | - | - | - |
| D. Total amount of other GPM given | | | | |
| i. Total amount of GPM given in behalf of parent company | - | - | - | - |
| ii. Total amount of GPM that the Company has given in behalf of Other Group Companies not included in B and C items | - | - | - | - |
| iii. Total Amount of GPM that the Company has given in behalf of third parties not included in C item | - | - | - | - |
| Total | 19.109.350 | - | 5.900.000 | 1.784.000 |

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

## 13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

### a) Guarantees given (cont'd)

Rate of other GPM's given by Group to owner's equity is %0 (31 December 2013: %0).

### b) Litigations

As of 31 December 2014 there is not any litigation against the group. (31 December 2013: None).

There is a lawsuit filed against to Arnavutköy Belediyesi due to the public works and as of reporting date the lawsuit still continuing. The amount of enforcement filed by the Group is TL 36.588 the Group has recorded full amount of doubtful provision in the accompanying consolidated financial statements (31 December 2013: TL 36.588).

### c) Rent Agreements

As at 1 January 2013, the Group signed an agreement to rent the real estate addressed in İstanbul city, Arnavutköy district, Ömerli Mahallesi Sercan Sokak No : 8. The rental period is 5 years begining from 1 January 2013 and the rent for the five years was USD 2.134.800 at the begining of the rental period. The aggrement has been revised as at 31 January 2014 for the remaining four years due to decrease in value of TL against USD and 1 USD fixed to TL 2,05 due to the addtional protocal. The leased real estate is used as the second factory of the Group focus on micro corrugated case.

| **Non-cancellable operational lease commitments** | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Within one year | 875.268 | 875.268 |
| Within 1- 5 years | 1.750.536 | 2.625.804 |
| | 2.625.804 | 3.501.072 |

## 14. EMPLOYEE BENEFITS

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Payables to personnel | 490.977 | 553.131 |
| Social security contribution payable | 272.849 | 272.228 |
| | 763.826 | 825.359 |

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

## 14. EMPLOYEE BENEFITS (cont'd)

**Short-term provisions for employee benefits:**

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Unused vacation accruals | 162.365 | 127.061 |
| Bonus provisions | 758.996 | - |
| | 921.361 | 127.061 |

| | 1 January- 31 December 2014 | 1 January- 31 December 2013 |
|---|---|---|
| Provision at 1 January | 127.061 | 87.029 |
| Charge for the period | 35.304 | 40.032 |
| Provision at 31 December | 162.365 | 127.061 |

**Long term provisions for employee benefits**

Provision for retirement pay liability:

Under Turkish Labor Law, the Group is required to pay employment termination benefits to each entitled employee. Also, employees are entitled to be paid their retirement pay provisions who are retired by gaining right to receive retirement pay provisions according to the prevailing 506 numbered Social Insurance Law's Article 60, as amended by 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered laws. Some transition provisions related to the pre-retirement service term were excluded from the law since the related law was changed as of 23 May 2002. The amount payable to the employee consists of one month worth salary limited to a maximum of TL 3.541,37 for each year of service at 31 December 2014 (2013: TL 3.438,22).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2014, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of %2,42 real discount rate (31 December 2013: %3,78) calculated by using %6,00 annual inflation rate and %8,57 discount rate. Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 3.541,37 which is in effect since 1 January 2015 is used in the calculation of Group's provision for retirement pay liability.

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

## 14. EMPLOYEE BENEFITS (cont'd)

**Long term provisions for employee benefits (cont'd)**

Provision for retirement pay liability (cont'd):

As of 31 December 2014 %2,57 of the employees leave the job with their own desires (2013: %2,57).

The movement table of retirement payment benefits:

| | 1 January-<br>31 December<br>2014 | 1 January-<br>31 December<br>2013 |
|---|---|---|
| Provision at 1 January | 1.602.685 | 1.109.159 |
| Service cost | 132.820 | 525.658 |
| Interest cost | 60.510 | 39.821 |
| Retirement pay provision paid | (138.174) | (341.833) |
| Actuarial losss | 311.156 | 269.880 |
| Provision at 31 December | 1.968.997 | 1.602.685 |

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

If the discount rate had been %1 higher, provision for employee termination benefits would decrease by TL 162.431. In the same way if the discount rate had been 1% lower, provision for employee termination benefits would increase by TL 192.915.

If the anticipated turnover rate had been %1 lower while all other variables were held constant, provision for employee termination benefits would decrease by TL 173.566. In the same way if the anticipated turnover rate had been %1 higher while all other variables were hed constant, provision for employee termination benefits would increase by TL 204.117.

## 15. OTHER ASSETS AND LIABILITIES

**Other Current Assets**

| | 31 December<br>2014 | 31 December<br>2013 |
|---|---|---|
| VAT return receivables | 342.691 | 930.376 |
| Restricted cash (*) | 610.682 | 240.059 |
| | 953.373 | 1.170.435 |

(*) Because of the nature of the loans borrowed, %2,5 of the loan amount is blocked in a deposit account on behalf of the entity till the due date of the loan

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

## 15. OTHER ASSETS AND LIABILITIES (cont'd)

**Other Current Liabilities**

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Taxes and funds payable | 366.608 | 426.816 |
| | 366.608 | 426.816 |

## 16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

### a) Share Capital

As of 31 December 2014 and 2013 the share capital held is as follows:

| Shareholders | % | 31 December 2014 | % | 31 December 2013 |
|---|---|---|---|---|
| LGR Internatıonal Societe Anonyme | %29,46 | 4.882.533 | %27,58 | 4.570.841 |
| Dikran Mihran Acemyan | %9,76 | 1.617.436 | %9,70 | 1.607.936 |
| İbrahim Okan Duran | %8,92 | 1.478.793 | %8,92 | 1.478.793 |
| Oktay Duran | %8,30 | 1.376.296 | %8,30 | 1.376.296 |
| Dikran Acemyan | %5,00 | 828.984 | %5,00 | 828.984 |
| Others | %38,56 | 6.391.747 | %40,50 | 6.712.938 |
| | %100 | 16.575.788 | %100 | 16.575.788 |

The total number of ordinary shares authorized is 1.657.578.750 shares (31 December 2013: 1.657.578.750) with a par value of Kr 1 per share (31 December 2013: Kr 1 per share).

### b) Restricted Reserves Appropriated from Profit

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Legal Reserves | 325.455 | 325.455 |
| | 325.455 | 325.455 |

According to Turkish Commercial Code, legal reserves consist of first and second legal reserves. The first legal reserves, appropriated out of historical statutory profit at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid in share capital. The second legal reserve is appropriated after the first legal reserves and dividends, at the rate of 10% per annum of all cash distributions.

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

## 16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

Profit Distribution:

Listed Companies makes the profit distribution based on the Profit Distribution Communique No.II-19.1 filed by Capital Market Board dated 1 February 2014.

Profit is distributed in accordance with the general meeting resolution, which is determined based on the profit distribution policies set out in the general meeting of shareholders and the related legislation requirements. Minimum profit distribution rate is not determined under the said Communiqué. Companies are required to pay premiums in accordance with the provisions set out in their articles of associations or the profit distribution policies.

*Resources Subject to Profit Distribution*

The total amount of the Group's net income and all available resources that can be distributed after decreasing the prior year losses in its' statutory financial statements is nill ( 31December 2013: nill).

## 17. REVENUE AND COST OF SALES

| a) Sales | 1 January-<br>31 December<br>2014 | 1 January-<br>31 December<br>2013 |
|---|---|---|
| Domestic sales | 46.730.827 | 39.359.336 |
| Foreign sales | 44.321.519 | 46.169.210 |
| Sales returns (-) | (1.900.562) | (1.584.678) |
| Sales discounts (-) | (32.381) | (5.078) |
| Other income | 20.517 | 1.285 |
| | 89.139.920 | 83.940.075 |

| b) Cost of sales | 1 January-<br>31 December<br>2014 | 1 January-<br>31 December<br>2013 |
|---|---|---|
| Raw materials used | 46.902.805 | 44.946.132 |
| Overhead expenses | 8.598.635 | 9.759.964 |
| Personnel expenses | 8.895.152 | 9.030.626 |
| Depreciation and amortization expenses ( Note 10-11 ) | 5.690.934 | 4.527.634 |
| Change in finished goods | (652.696) | (1.030.768) |
| Cost of goods sold | 69.434.830 | 67.233.588 |
| Cost of merchandises sold (-) | 623.550 | 1.576.996 |
| Cost of other sales (-) | 1.380.530 | 1.455.440 |
| Idle capacity expenses | 105.225 | 239.183 |
| | 71.544.135 | 70.505.207 |

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

## 18. ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES,

| | 1 January-<br>31 December<br>2014 | 1 January-<br>31 December<br>2013 |
|---|---|---|
| General administrative expenses | 6.956.438 | 6.493.778 |
| Marketing expenses | 6.018.410 | 6.716.457 |
| | 12.974.848 | 13.210.235 |

| | 1 January-<br>31 December<br>2014 | 1 January-<br>31 December<br>2013 |
|---|---|---|
| Personnel expenses | 4.626.701 | 4.392.117 |
| Financial and legal consulting expenses | 776.112 | 394.567 |
| Communication and transportation expenses | 192.231 | 227.486 |
| Motor vehicle expenses | 385.273 | 355.836 |
| Depreciation and amortization expenses ( Note 10 -11 ) | 381.138 | 256.207 |
| Travelling expenses | 93.036 | 144.915 |
| Accomodation expenses | 122.569 | 119.767 |
| Services received from subcontractors | 35.225 | 37.260 |
| Legal and notary expenses | 34.697 | 50.713 |
| Communication and transportation expenses | 45.817 | 53.656 |
| Subscription expenses | 51.979 | 50.313 |
| Other expenses | 211.660 | 410.941 |
| | 6.956.438 | 6.493.778 |

| | 1 January-<br>31 December<br>2014 | 1 January-<br>31 December<br>2013 |
|---|---|---|
| Foreign transportation expenses | 2.335.290 | 3.202.563 |
| Personnel expenses | 986.529 | 1.095.176 |
| Domestic transportation expenses | 995.055 | 783.961 |
| Depreciation and amortization expenses ( Note 10-11 ) | 273.540 | 308.025 |
| Cost of samples used | 36.393 | 62.133 |
| Motor vehicle expenses | 288.308 | 325.042 |
| Export commission expenses | 232.531 | 275.256 |
| Royalty expenses | 88.130 | 104.347 |
| Travelling expenses | 59.624 | 114.676 |
| Communication and transportation expenses | 77.353 | 79.029 |
| Accomodation expenses | 190.820 | 151.625 |
| Services received from subcontractors | 6.661 | 6.431 |
| Other expenses | 448.176 | 208.193 |
| | 6.018.410 | 6.716.457 |

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

## 19. EXPENSES BY NATURE

| | 1 January-31 December 2014 | 1 January-31 December 2013 |
|---|---|---|
| Personnel expenses | 5.613.230 | 5.487.293 |
| Foreign transportation expenses | 2.335.290 | 3.202.563 |
| Domestic transportation expenses | 995.055 | 783.961 |
| Vehicles expenses | 673.581 | 680.878 |
| Depreciation and amortization expenses | 654.678 | 564.232 |
| Financial and legal consulting expenses | 776.112 | 394.567 |
| Export commission expenses | 232.531 | 275.256 |
| Accomodation expenses | 313.389 | 271.392 |
| Subscription expenses | 51.979 | 50.313 |
| Travelling expenses | 152.660 | 259.591 |
| IT Services received | 192.231 | 227.486 |
| Communication and transportation expenses | 123.170 | 132.685 |
| Royalty expenses | 88.130 | 104.347 |
| Cost of samples used | 36.393 | 62.133 |
| Legal and notary expenses | 34.697 | 50.713 |
| Services received from subcontractors | 41.886 | 43.691 |
| Other expenses | 659.836 | 619.134 |
| | 12.974.848 | 13.210.235 |

## 20. INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended 31 December 2014 and 2013 are as follow:

| | 1 January-31 December 2014 | 1 January-31 December 2013 |
|---|---|---|
| Foreign exchange gains from operations | 6.085.267 | 15.414.595 |
| Late charges and interest income | 1.053.392 | 797.384 |
| Interest income from time deposits | 203.500 | 133.192 |
| Reversal of provisions | 7.894 | 85.950 |
| Other income | 969.198 | 930.814 |
| | 8.319.251 | 17.361.935 |

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

## 20. INCOME AND EXPENSES FROM OPERATING ACTIVITIES (cont'd)

The details of other expense from operating activities for the years ended 31 December 2014 and 2013 are as follow:

| | 1 January-<br>31 December<br>2014 | 1 January-<br>31 December<br>2013 |
|---|---|---|
| Foreign exchange losses from operations | 6.144.619 | 12.122.667 |
| Late charges and interest expense | 435.275 | 640.961 |
| Other expenses | 581.991 | 134.561 |
| | 7.161.885 | 12.898.189 |

## 21. INCOME AND EXPENSES FROM INVESTMENTS ACTIVITIES

The details of income from investments activities for the years ended 31 December 2014 and 2013 are as follow:

| **Income from investing activities** | 1 January -<br>31 December<br>2014 | 1 January -<br>31 December<br>2013 |
|---|---|---|
| Gain on disposal of property, plant and equipment | 363.008 | 819.029 |
| | 363.008 | 819.029 |

The details of expense from investments activities for the years ended 31 December 2014 and 2013 are as follow:

| **Expenses from investing activities** | 1 January -<br>31 December<br>2014 | 1 January -<br>31 December<br>2013 |
|---|---|---|
| Loss from disposal of property, plant and equipment | 56.077 | 48.144 |
| | 56.077 | 48.144 |

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

## 22. FINANCIAL INCOME / (EXPENSES)

Financial income / (expenses), net

| | 1 January- 31 December 2014 | 1 January- 31 December 2013 |
|---|---|---|
| Interest expenses | 3.403.924 | 3.049.757 |
| Foreign exchange (income) /expenses,(net) | (73.496) | 11.862.651 |
| Other finance expenses | 343.639 | 479.538 |
| | 3.674.067 | 15.391.946 |

## 23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

| | 31 December 2014 | 31 December 2014 |
|---|---|---|
| Current tax liability | | |
| Current corporate tax provision | - | 73.861 |
| Less: prepaid taxes and fuds | - | (54.781) |
| | - | 19.080 |

| Tax expense consists of below: | 1 January- 31 December 2014 | 1 January- 31 December 2014 |
|---|---|---|
| Current tax expense | - | 73.861 |
| Deferred tax (income)/ expense | 555.644 | (2.016.450) |
| | 555.644 | (1.942.589) |

## 23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2014 is %20 (2013: %20) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2014 is %20. (2013: %20).

Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within 5 years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is %10 and commencing from 22 July 2006, this rate has been changed to %15 upon the Council of Minister's' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of %19,8 is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

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

## 23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Investment Incentives

The revoked phrase "only attributable to 2006, 2007 and 2008" stated in Provisional Article 69 of Income Tax Law No: 193 with the effect of Article 5 of Law No: 6009 after having published in the Official Gazette No: 27659 as at 1 August 2010 and the Constitutional Court's issued resolution no: 2009/144 published in the Official Gazette as at 8 January 2010 has been revised. The revised regulation allows companies to continue to benefit from the exception of undeductible and carry forward investment incentive due to insufficient earnings irrespective of having any time constraints. However, deductible amount for investment incentive exception used in the determination of tax base cannot exceed %25 of the related period's income. In addition, companies that opt to use the investment incentive exemption are allowed to apply %20 of income tax, instead of %30 under the related revised regulation.

The additional paragraph to Provisional Article 69 included in accordance with Law No:6009, which is related to the %25 threshold and requires the incentive amount that will be subject to investment incentive exemption in determining tax base cannot exceed %25 of the respective income, has been revoked based on the ground that it is contrary to the Constitution upon the Constitutional Court's resolution No: E. 2010/93 K. 2012/20 ("stay of execution") issued on 9 February 2012 and published in the Official Gazette No: 28208 on 18 February 2012. The related Constitutional Court's decision was published in the official Gazette No: 28719 as at 26 July 2013.

Investment incentives that the Company can offset from profit is TL 1.403.837 (31 December 2013: TL 1.296.791), and all amount of this balance is considered in deferred tax calculation. The all amount refers to the investment incentive exemption (31 December 2013: All with exemptions. In case the investment incentive exemption is utilized the tax liability rate of %19,8 will be applied. Therefore, %0,2 (%20-%19,8) deferred tax calculated on investment incentives exemption. %20 deferred tax calculated on the investment incentives with no exemption.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of %20 is used (31 December 2013: %20).

As at 31 December 2014, the Group has unused tax losses of TL 7.069.463 available for offset against future profits. A deferred tax asset has been recognized in respect of TL 1.413.893 of such losses. As at 31 December 2013, the Group has unused tax losses of TL 9.560.511 available for offset against future profits. Unrecognized tax losses will expire as follows;

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Expiring in 2018 | 7.069.463 | 9.560.510 |
| | 7.069.463 | 9.560.510 |

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

## 23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

| Temporary timing differences taken as a basis for deferred tax | 31 December 2014 | 31 December 2013 |
|---|---|---|
| - Investment incentive- witholdings(*) | 1.403.837 | 1.296.791 |
| - Depreciation and amortization differences of property, plants and equipments | 1.175.260 | 1.547.249 |
| - Provisions for employment termination benefits | 1.968.997 | 1.602.685 |
| -Discount expenes | 140.698 | 109.279 |
| - Unused vacation pay accruals | 162.365 | 127.061 |
| - Provision for impairment of inventories | 267.376 | 282.295 |
| - Provision for doubtful | 36.588 | 46.510 |
| - Deferred tax income adjustment | (40.740) | (56.442) |
| - Discount income | (59.002) | (119.342) |
| - Prepaid expenses adjustment | 183.097 | 51.287 |
| - Accumulated tax losses | 7.069.463 | 9.560.511 |
| - Other | 173.433 | 394.573 |
| | 12.481.372 | 14.842.457 |

| Deferred tax (assets)/liabilities | 31 December 2014 | 31 December 2013 |
|---|---|---|
| - Investment incentive- witholdings(*) | 2.808 | 2.594 |
| - Depreciation and amortization differences of property, plants and equipments | 235.052 | 309.450 |
| - Provisions for employment termination benefits | 393.799 | 320.537 |
| -Discount expenses | 28.140 | 21.856 |
| - Unused vacation pay accruals | 32.473 | 25.412 |
| - Provision for impairment of inventories | 53.475 | 56.459 |
| - Provision for doubtful | 7.318 | 9.302 |
| - Deferred tax income adjustment | (8.148) | (11.288) |
| - Discount income | (11.800) | (23.868) |
| - Prepaid expenses adjustment | 36.619 | 10.257 |
| - Accumulated tax losses | 1.413.893 | 1.912.102 |
| - Other | 34.686 | 78.915 |
| | 2.218.315 | 2.711.728 |

(*) In case of using withholding tax investment incentive there will be 19,8 % taxation, therefore, deffered tax effect of this item is 0,2 %.

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

## 23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

| Movement of deferred tax assets | 1 January-31 December 2014 | 1 January-31 December 2013 |
|---|---|---|
| Openning balance at 1 January | 2.711.728 | 641.302 |
| Charged to statement of profit and loss | (555.644) | 2.016.450 |
| Charged to equity | 62.231 | 53.976 |
| Closing balance as at 31 December | 2.218.315 | 2.711.728 |

Reconciliation of tax expense with profit for the period is as follows:

| Reconciliation of taxation: | 1 January-31 December 2014 | 1 January-31 December 2013 |
|---|---|---|
| Profit / (loss) before taxation | 2.411.167 | (9.932.682) |
| Income tax rate 20% (2012: 20:%) | (482.233) | 1.986.536 |
| Tax effects of: | | |
| - non deductible expenses | (71.019) | (47.533) |
| - other | (2.392) | 3.586 |
| Tax provision income/( loss) in statement of profit or loss | (555.644) | 1.942.589 |

## 24. EARNINGS / (LOSS) PER SHARE

As of 31 December 2014 and 2013, the Group's weighted average number of shares and computation of earnings per share set out here are as follows:

| | 1 January-31 December 2014 | 1 January-31 December 2013 |
|---|---|---|
| Average number of shares outstanding during the period | 1.657.578.750 | 1.657.578.750 |
| Net (loss)/ profit for the period attributable to owners | 1.855.566 | (7.990.319) |
| Earnings / (loss) per share | 0,0011 | (0,0048) |

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

## 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 12, cash and cash equivalents disclosed in Note 4 and equity attributable to equity holders of the parent disclosed in Note 16, comprising share capital, reserves and accumulated losses.

The Group follows the capital by using debt/total capital ratio. This ratio is calculated by dividing net debt to total capital. Net debt is calculated by subtraction of cash and cash equivalents from liabilities amount (includes financial liabilities and obligations as indicated in balance sheet). Total capital is calculated as sum of shareholder's equity and net liabilities. As of 31 December 2014 and 31 December 2013 net debt/total capital ratio is presented below:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Total borrowings | 70.716.247 | 76.835.312 |
| Less (-): Cash and cash equivalents | (10.453.356) | (17.317.763) |
| Net Liability | 60.262.891 | 59.517.549 |
| Total shareholders equity | 14.675.383 | 13.068.742 |
| Total shareholders equity | 74.938.274 | 72.586.291 |
| Net liability / total capital ratio | 80,42% | 82,00% |

b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks including interest rate risk, liquidity risk, currency risk and credit risk. The Group management and the Board of Directors analyses and approve the policies about the management of the risks described below. Besides, the Group also considers the market value risk of all financial instruments.

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

## 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

***b.1) Credit Risk Management***

| **Credit risk of financial instruments** | **Receivables** | | | | |
|---|---|---|---|---|---|
| | **Trade Receivables** | | **Other Receivables** | | |
| **31 December 2014** | **Related Parties** | **Third Parties** | **Related Parties** | **Third Parties** | **Bank Deposits** |
| Maximum credit risk as of balance sheet date (*) | 10.576 | 25.152.614 | - | 63.552 | 10.440.665 |
| - The part of maximum risk under guarantee with colleteral, etc. | - | 428.997 | - | - | - |
| A. Carrying value of financial assets that are neither past due nor impaired | 10.576 | 19.959.543 | - | 63.552 | 10.440.665 |
| B. Carrying value of financial assets that are renogiated, if not that will be accepted as part due nor impaired. | - | - | - | - | - |
| C. Carrying value of financial assets that are past due but not | - | 5.193.071 | - | - | - |
| - the part under guarantee with collateral, etc. | - | - | - | - | - |
| D. Carried value of impaired assets | | | | | |
| - Past due (gross carrying amount) | - | 450.813 | - | - | - |
| - Impairment | - | (450.813) | - | - | - |
| - The part of net value under guarantee with colleteral etc. | - | - | - | - | - |
| - Not pass due (gross carrying amount) | - | - | - | - | - |
| E. Offbalance sheet items with credit risk | - | - | - | - | - |

(*)The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

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

## 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

***b.1) Credit Risk Management (cont'd)***

| **Credit risk of financial instruments** | **Receivables** | | | | |
|---|---|---|---|---|---|
| | **Trade Receivables** | | **Other Receivables** | | |
| **31 December 2013** | **Related Parties** | **Third Parties** | **Related Parties** | **Third Parties** | **Bank Deposits** |
| Maximum credit risk as of balance sheet date (*) | - | 25.259.538 | - | 36.509 | 17.308.042 |
| - The part of maximum risk under guarantee with colleteral, etc. | - | 394.846 | - | - | - |
| A. Carrying value of financial assets that are neither past due nor impaired | - | 23.798.156 | - | 36.509 | 17.308.042 |
| B. Carrying value of financial assets that are renogiated, if not that will be accepted as part due nor impaired. | - | - | - | - | - |
| C. Carrying value of financial assets that are past due but not | - | 1.461.382 | - | - | - |
| - the part under guarantee with collateral, etc. | - | - | - | - | - |
| D. Carried value of impaired assets | | | | | |
| - Past due (gross carrying amount) | - | 459.370 | - | - | - |
| - Impairment | - | (459.370) | - | - | - |
| - The part of net value under guarantee with colleteral etc. | - | - | - | - | - |
| - Not pass due (gross carrying amount) | - | - | - | - | - |
| E. Offbalance sheet items with credit risk | - | - | - | - | - |

(*)The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance..

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

## 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

### b.1) Credit Risk Management (cont'd)

**Aging of over due receivables**

| Trade Receivables | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Overdue 1- 30 days | 3.044.712 | 1.336.323 |
| Overdue 1- 3 months | 2.145.899 | 116.791 |
| Overdue 3- 12 months | 2.460 | 8.268 |
| Total overdue receivables | 5.193.071 | 1.461.382 |

### *b.2) Liquidity risk management*

Essential responsibility on liquidity risk management belongs to board of directors. Board of directors has created a liquidity risk management for the purposes of short, medium and long term funding and liquidity requirements of Group. Group manages the liquidity risk to follow estimated and actual cash flows and to provide continuance to funding to compensate the maturities of financial assets and liabilities. The credits that the Group will use in order to reduce liquidity risk as of balance sheet are disclosed in Note 12.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities and its derivative financial instruments. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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

## 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

### *b.2) Liquidity risk management (cont'd)*

| **31 December 2014**<br>**Maturities per contract** | **Carrying amount** | **Total cash outflow in accordance with contracts (I+II+III+IV)** | **Less than 3 months (I)** | **3-12 months (II)** | **1-5 years (III)** | **More than 5 years (IV)** |
|---|---|---|---|---|---|---|
| **Non-derivative financial instruments** | | | | | | |
| Bank loans and factoring paybles | 42.584.478 | 43.819.598 | 9.280.590 | 22.832.685 | 11.706.322 | - |
| Obligation under finance leases | 27.537.949 | 32.845.477 | 1.801.286 | 4.641.550 | 25.945.536 | 457.106 |
| Trade payables | 6.770.173 | 7.162.293 | 2.684.340 | 4.477.952 | - | - |
| Other payables | 5.683.437 | 5.683.437 | 42.037 | - | 5.641.400 | - |
| Total liabilities | 84.305.783 | 89.510.804 | 13.808.253 | 31.952.187 | 43.293.258 | 457.106 |

| **31 December 2013**<br>**Maturities per contract** | **Carrying amount** | **Total cash outflow in accordance with contracts (I+II+III+IV)** | **Less than 3 months (I)** | **3-12 months (II)** | **1-5 years (III)** | **More than 5 years (IV)** |
|---|---|---|---|---|---|---|
| **Non-derivative financial instruments** | | | | | | |
| Bank loans and factoring paybles | 43.316.265 | 44.976.352 | 24.497.753 | 5.734.560 | 14.744.039 | - |
| Obligation under finance leases | 32.789.872 | 39.491.871 | 2.410.641 | 6.480.022 | 20.220.660 | 10.380.548 |
| Trade payables | 10.308.135 | 10.528.870 | 8.361.139 | 2.167.731 | - | - |
| Other payables | 5.897.109 | 5.897.109 | 24.109 | - | 5.873.000 | - |
| Total liabilities | 92.311.381 | 100.894.202 | 35.293.642 | 14.382.313 | 40.837.699 | 10.380.548 |

The Group expects the maturities to be the same with the maturities in the agreement

## 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

***b.3) Market Risk Management***

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

Market risk exposures are supplemented by sensitivity analysis.

In current period the group's method of handling market risks and measure the risk level has not been changed.

***b.3.1) Foreign currency risk management***

Transactions denominated in foreign currencies result in foreign currency risk. Foreign currency risk is managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting period are as follows:

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

## 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

### *b.3.1) Foreign currency risk management (cont'd)*

| 31 December 2014 | TL Equavilant | US Dollar | EUR | GBP | CHF |
|---|---|---|---|---|---|
| 1. Trade Receivables | 14.090.844 | 330.774 | 1.215.350 | 2.751.779 | - |
| 2a. Monetary financial assets | 9.443.799 | 131.293 | 2.756.417 | 379.193 | 300 |
| 3. Other | 1.024.974 | 26.740 | 331.182 | 2.479 | 8.500 |
| 4. CURRENT ASSETS | 24.559.617 | 488.808 | 4.302.949 | 3.133.451 | 8.800 |
| 5. Other | 102.123 | 35.580 | 6.955 | - | - |
| 6. NON - CURRENT ASSETS | 102.123 | - | 6.955 | - | - |
| 7. TOTAL ASSETS | 24.661.740 | 488.808 | 4.309.904 | 3.133.451 | 8.800 |
| 8. Trade payables | 899.222 | 8.997 | 304.347 | - | 8.500 |
| 9. Financial liabilities | 34.385.547 | 1.347.015 | 11.083.048 | - | - |
| 10a. Other monetary liabilities | 202.121 | 8.066 | 40.069 | 19.575 | |
| 10b. Other non-monetary liabilities | - | - | - | - | - |
| 11. CURRENT LIABILITIES | 35.486.890 | 1.364.079 | 11.427.464 | 19.575 | 8.500 |
| 12. Financial liabilities | 39.654.007 | 8.920.147 | 6.724.954 | - | - |
| 13. NON-CURRENT LIABILITIES | 39.654.007 | 8.920.147 | 6.724.954 | - | - |
| 14. TOTAL LIABILITIES | 75.140.897 | 10.284.226 | 18.152.418 | 19.575 | 8.500 |
| 15. TOTAL LIABILITIES | 75.140.897 | 10.284.226 | 18.152.418 | 19.575 | 8.500 |
| 16. Net foreign currency asset/(liabilities) position (7-15) | (50.479.157) | (9.795.418) | (13.842.514) | 3.113.876 | 300 |
| 17. Monetary items net foreign currency assets/liabilities position (1+2a-8-9-12) | (51.404.133) | (9.814.092) | (14.140.582) | 3.130.972 | - |

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

## 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

### *b.3.1) Foreign currency risk management (cont'd)*

| 31 December 2013 | TL Equavilant | US Dollar | EUR | GBP | CHF |
|---|---|---|---|---|---|
| 1. Trade Receivables | 14.295.417 | 414.708 | 779.742 | 3.166.997 | - |
| 2a. Monetary financial assets | 15.713.699 | 113.514 | 5.013.335 | 213.524 | - |
| 3. Other | 1.392.632 | 34.422 | 446.266 | 2.479 | - |
| 4. CURRENT ASSETS | 31.401.748 | 562.644 | 6.239.343 | 3.383.000 | - |
| 5. Other | 53.027 | 22.689 | 400 | 976 | - |
| 6. NON - CURRENT ASSETS | 53.027 | - | 400 | - | - |
| 7. TOTAL ASSETS | 31.454.775 | 562.644 | 6.239.743 | 3.383.000 | - |
| 8. Trade payables | 7.137.406 | 278.226 | 2.210.570 | 14.880 | - |
| 9. Financial liabilities | 26.853.389 | 1.565.027 | 8.007.203 | - | - |
| 10a. Other monetary liabilities | 200.564 | 22.324 | 52.075 | - | |
| 10b. Other non-monetary liabilities | - | - | - | - | - |
| 11. CURRENT LIABILITIES | 34.191.359 | 1.865.577 | 10.269.848 | 14.880 | - |
| 12. Financial liabilities | 43.761.495 | 10.267.162 | 7.440.249 | - | - |
| 13. NON-CURRENT LIABILITIES | 43.761.495 | 10.267.162 | 7.440.249 | - | - |
| 14. TOTAL LIABILITIES | 77.952.854 | 12.132.739 | 17.710.097 | 14.880 | - |
| 15. TOTAL LIABILITIES | 77.952.854 | 12.132.739 | 17.710.097 | 14.880 | - |
| 16. Net foreign currency asset/(liabilities) position (7-15) | (46.498.079) | (11.570.095) | (11.470.354) | 3.368.120 | - |
| 17. Monetary items net foreign currency assets/liabilities position (1+2a-8-9-12) | (47.743.174) | (11.582.193) | (11.864.945) | 3.365.641 | - |

## 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

***b.3.1) Foreign currency risk management (cont'd)***

Foreign currency sensitivity analysis

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar, EURO and British Pounds ("GBP").

The following table details the Group's sensitivity to a %10 increase and decrease in US Dollar EURO and British Pounds against TL. %10 is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a %10 change in foreign currency rates. A positive number below indicates an increase in profit or equity.

| | **31 December 2014** | |
|---|---|---|
| | **Profit/Loss** | |
| | Revaluation of foreign currency | Devaluation of foreign currency |
| | If US Dollar appreciated against TL by 10% | |
| 1 - US Dollars net assets / liabilities | (2.275.790) | 2.275.790 |
| 2- Part of hedged from US Dollar risk ( - ) | - | - |
| **3- USD net effect (1+2)** | (2.275.790) | 2.275.790 |
| | If Euro appreciated against TL by 10% | |
| 4 - Euro net assets / liabilities | (3.988.634) | 3.988.634 |
| 5 - Part of hedged from Euro risk (-) | - | - |
| **6- Euro net effect (4+5)** | (3.988.634) | 3.988.634 |
| | If Sterling appreciated against TL by 10% | |
| 7- Sterling net assets / liabilities | 1.125.929 | (1.125.929) |
| 8- Part of hedged from Sterling risk (-) | - | - |
| **9- Sterling net effect (7+8)** | 1.125.929 | (1.125.929) |
| Total (3+6+9) | (5.138.495) | 5.138.495 |

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

## 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

### *b.3.1) Foreign currency risk management (cont'd)*

Foreign currency sensitivity analysis (cont'd)

| | **31 December 2013** | |
|---|---|---|
| | **Profit/Loss** | |
| | Revaluation of foreign currency | Devaluation of foreign currency |
| | If US Dollar appreciated against TL by 10% | |
| 1 - US Dollars net assets / liabilities | (2.471.987) | 2.471.987 |
| 2- Part of hedged from US Dollar risk ( - ) | - | - |
| **3- USD net effect (1+2)** | (2.471.987) | 2.471.987 |
| | If Euro appreciated against TL by 10% | |
| 4 - Euro net assets / liabilities | (3.484.141) | 3.484.141 |
| 5 - Part of hedged from Euro risk (-) | - | - |
| **6- Euro net effect (4+5)** | (3.484.141) | 3.484.141 |
| | If Sterling appreciated against TL by 10% | |
| 7- Sterling net assets / liabilities | 1.181.811 | (1.181.811) |
| 8- Part of hedged from Sterling risk (-) | - | - |
| **9- Sterling net effect (7+8)** | 1.181.811 | (1.181.811) |
| Total (3+6+9) | (4.774.317) | 4.774.317 |

## 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

### b.3.2) Interest Rate Risk Management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Strategies are assessed regularly in accordance with interest rate expectations and defined risk levels.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. Group management expects %1 fluctuation on interest rates (Euribor). 1% increase or decrease is used when reporting interest rate risk internally to key management personnel.

If Eurolibor rates had been 1 % higher and all other variables were held constant:

The Group's profit for the year ended 31 December 2014 would decrease by TL 16.100 (Net profit of 31 December 2013 would decrease by TL 20.700). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. If Eurolibor rates had been 1 basis points lower, the Group's net profit before tax would increase by the same amount during the accounting year.

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

## 26. FINANCIAL INSTRUMENTS

| 31 December2014 | Loans and receivables (including cash and cash equivalents | Financial liabilities at amortizated costs | Carrying value | Note |
|---|---|---|---|---|
| Financial Assets | | | | |
| Cash and cash equivalents | 10.453.356 | - | 10.453.356 | 4 |
| Trade receivables | 25.163.190 | - | 25.163.190 | 6 |
| Other receivables | 209.448 | - | 209.448 | 7 |
| Other current assets | 610.682 | - | 610.682 | 15 |
| Financial liabilities | | | | |
| Borrowings | - | 70.615.675 | 70.615.675 | 12 |
| Trade payables | - | 6.770.173 | 6.770.173 | 6 |
| Other payables | - | 5.683.437 | 5.683.437 | 7 |

| 31 December2013 | Loans and receivables (including cash and cash equivalents | Financial liabilities at amortizated costs | Carrying value | Note |
|---|---|---|---|---|
| Financial Assets | | | | |
| Cash and cash equivalents | 17.317.763 | - | 17.317.763 | 4 |
| Trade receivables | 25.271.753 | - | 25.271.753 | 6 |
| Other receivables | 143.637 | - | 143.637 | 7 |
| Other current assets | 240.059 | - | 240.059 | 15 |
| Financial liabilities | | | | |
| Borrowings | - | 76.835.312 | 76.835.312 | 12 |
| Trade payables | - | 10.308.135 | 10.308.135 | 6 |
| Other payables | - | 5.897.109 | 5.897.109 | 7 |

## 27. EVENTS AFTER THE REPORTING DATE

None.