**EGE PROFİL TİCARET VE SANAYİ ANONİM ŞİRKETİ**
**and ITS SUBSIDIARY**

# Convenience Translation Into English of Consolidated Financial Statements for the year ended 31 December 2014 and Independent Auditor's Report

EGE PROFİL TİCARET VE SANAYİ ANONİM ŞİRKETİ and its SUBSIDIARY
CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

Consolidated Financial Statements
for the year ended 31 December 2014
and
Independent Auditor's Report

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**INDEPENDENT AUDITOR'S REPORT**
**ON CONSOLIDATED FINANCIAL STATEMENTS**
**ORIGINALLY ISSUED IN TURKISH**

**To the Board of Directors of**
**Ege Profil Ticaret ve Sanayi Anonim Şirketi**

We have audited the accompanying consolidated financial statements of Ege Profil Ticaret ve Sanayi Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. We have not audited the financial statements of the Company's consolidated subsidiaries, namely, Deceuninck Importadora Limitada and Althera PVC LTDA EPP, which represent 5,0% and 0,6% of the Company's total assets in the consolidated statement of financial position as of 31 December 2014, respectively, and also 3,2% and 0,05% of the net sales in the Company's consolidated statement of profit or loss and other comprehensive income for the year then ended, respectively.

*Management's responsibility for the financial statements*

Group's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

*Independent auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. These standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of Ege Profil Ticaret ve Sanayi Anonim Şirketi and its subsidiaries as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

*Reports on independent auditor's responsibilities arising from other regulatory requirements*

1) Pursuant to Article 398 of the Turkish Commercial Code ("TCC") no. 6102, the auditor's report on early detection of risk system and the authorized committee is submitted to the Company's Board of Directors on 24 February 2015.

2) Pursuant to subparagraph 4, Article 402 of "TCC", no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to subparagraph 4, Article 402 of "TCC", the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Istanbul,
24 February 2015

**BDO Denet Bağımsız Denetim**
**Yeminli Mali Müşavirlik A.Ş.**
Member, BDO International Network

Bülent Üstünel
Partner in charge

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

| ASSETS | Notes | Audited 31 December 2014 | Audited 31 December 2013 |
|---|---|---|---|
| Current assets | | 291.509.359 | 257.377.018 |
| - Cash and cash equivalents | 2,4 | 18.759.098 | 38.257.104 |
| - Financial assets | | - | - |
| - Trade receivables | 2,7 | 207.246.853 | 172.542.402 |
| - Due from related parties | 2,7,28 | 10.711.451 | 8.881.177 |
| - Due from non-related parties | 2,7 | 196.535.402 | 163.661.225 |
| - Other receivables | | 11.191.053 | 158.757 |
| - Due from related parties | 2,28 | 10.500.000 | - |
| - Due from non-related parties | 8 | 691.053 | 158.757 |
| - Inventories | 2,9 | 50.669.213 | 33.168.154 |
| - Prepaid expenses | 10 | 640.408 | 7.735.026 |
| - Current tax assets | 2,11 | 1.011 | 1.779.435 |
| - Other current assets | 18 | 3.001.723 | 3.736.140 |
| **SUB TOTAL** | | **291.509.359** | **257.377.018** |
| - Non-current assets held for sale | 2,25 | 1.196.351 | 1.607.283 |
| **TOTAL CURRENT ASSETS** | | **292.705.710** | **258.984.301** |
| Non-current assets | | 116.673.294 | 99.670.138 |
| - Trade receivables | | - | - |
| - Due from related parties | | - | - |
| - Due from non-related parties | | - | - |
| - Other receivables | | 400.732 | 247.102 |
| - Due from related parties | | - | - |
| - Due from non-related parties | 8 | 400.732 | 247.102 |
| - Financial assets | | - | - |
| - Investments valued by equity method | | - | - |
| - Investment properties | | - | - |
| - Tangible assets | 2,12 | 108.854.204 | 92.597.210 |
| - Intangible assets | 2,13 | 5.997.060 | 6.123.884 |
| - Goodwill | 2,14 | 773.352 | 655.882 |
| - Other intangible assets | | - | - |
| - Prepaid expenses | 10 | 647.946 | 46.060 |
| - Deferred tax asset | 2,26 | - | - |
| - Other non-current assets | | - | - |
| **TOTAL NON-CURRENT ASSETS** | | **116.673.294** | **99.670.138** |
| **TOTAL ASSETS** | | **409.379.004** | **358.654.439** |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

| LIABILITIES | Notes | Audited 31 December 2014 | Audited 31 December 2013 |
|---|---|---|---|
| Short term liabilities | | 190.778.441 | 125.805.114 |
| - Short term borrowings | 2,5 | 22.040.641 | 10.887.421 |
| - Short term portion of long term debts | 2,5 | 59.830.099 | 17.619.857 |
| - Other financial liabilities | 2,6 | 254.693 | 14.500 |
| - Trade payables | | 69.752.215 | 56.470.267 |
| - Due to related parties | 2,7,28 | 1.188.172 | 1.047.233 |
| - Due to non-related parties | 7 | 68.564.043 | 55.423.034 |
| - Employee benefits | 17 | 1.792.538 | 1.703.081 |
| - Other payables | | 963 | - |
| - Due to related parties | | - | - |
| - Due to non-related parties | | 963 | - |
| - Deferred income | 10 | 33.205.016 | 34.576.258 |
| - Current tax liability | 2,26 | 7.248 | 52.462 |
| - Short term provisions | | 2.981.981 | 2.024.666 |
| - Short term provisions for employee benefits | 17 | 958.031 | 636.816 |
| - Other short term provisions | 15 | 2.023.950 | 1.387.850 |
| - Other short term liabilities | 18 | 913.047 | 2.456.602 |
| **SUB TOTAL** | | **190.778.441** | **125.805.114** |
| - Liabilities related to asset groups classified as held for sale | | - | - |
| **TOTAL SHORT TERM LIABILITIES** | | **190.778.441** | **125.805.114** |
| Long term liabilities | | 29.700.768 | 66.549.385 |
| - Long term borrowings | 2,5 | 20.000.000 | 57.428.500 |
| - Other financial liabilities | 2,6 | - | - |
| - Tade payables | | - | - |
| - Trade payables to related parties | | - | - |
| - Trade payables to non-related parties | | - | - |
| - Other payables | | 52.807 | - |
| - Other payables to related parties | | 3.173 | - |
| - Other payables to non-related parties | | 49.634 | - |
| - Deferred income | | - | - |
| - Long term provisions | | 3.313.205 | 3.255.165 |
| - Long term provisions for employee benefits | 2,17 | 3.313.205 | 3.255.165 |
| - Other long term provisions | | - | - |
| - Current period tax liabilities | | - | - |
| - Deferred tax liability | 2,26 | 6.334.756 | 5.865.720 |
| - Other long term liabilities | | - | - |
| **TOTAL LONG TERM LIABILITIES** | | **29.700.768** | **66.549.385** |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

| LIABILITIES | Notes | Audited 31 December 2014 | Audited 31 December 2013 |
|---|---|---|---|
| **EQUITY** | | **188.899.795** | **166.299.940** |
| Equity attributable to the Parent Company | | 188.899.795 | 166.299.940 |
| - Paid-in capital | 19 | 59.566.900 | 59.566.900 |
| - Capital adjustment differences | 19 | 7.840.703 | 7.840.703 |
| - Reacquired shares(-) | | - | - |
| - Cross-shareholding adjustment (-) | | - | - |
| - Share premium | | - | - |
| - Accumulated other comprehensive income/losses not to be reclassified in profit/loss | | 18.375.775 | 18.278.945 |
| - Revaluation and remeasurement gains/losses | | 18.530.998 | 18.829.396 |
| - Other gains/losses | | (155.223) | (550.451) |
| - Accumulated other comprehensive income/losses to be reclassified in profit/loss | | (19.296) | 10.193 |
| - Translation differences | | (19.296) | 10.193 |
| - Hedging gains/losses | | - | - |
| - Revaluation and classification gains/losses | | - | - |
| - Other gains/losses | | - | - |
| - Restricted profit reserves | | 13.825.129 | 13.825.129 |
| - Retained earnings / (Accumulated losses) | 19 | 67.076.468 | 51.084.059 |
| - Net profit/loss for the period | | 22.234.115 | 15.694.011 |
| Non-controlling interest | 2 | - | - |
| **TOTAL EQUITY** | | **188.899.795** | **166.299.940** |
| **TOTAL LIABILITIES AND EQUITY** | | **409.379.004** | **358.654.439** |

**Consolidated Statements of Profit/Loss and Other Comprehensive Income**
**for the years ended 31 December 2014 and 2013**
**(Amounts expressed in Turkish Lira (TL) – unless otherwise indicated)**

| | Note | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| Revenue | 2,20 | **377.993.876** | 316.779.618 |
| Cost of sales (-) | 20 | **(279.504.123)** | (229.037.062) |
| **Gross profit/loss** | | **98.489.753** | **87.742.556** |
| General administration expenses (-) | 21 | **(16.933.410)** | (16.068.286) |
| Marketing expenses (-) | 21 | **(44.599.877)** | (38.731.320) |
| Research and development expenses (-) | 21 | **(537.899)** | (330.968) |
| Other operating income | 22 | **11.847.564** | 13.810.832 |
| Other operating expenses (-) | 22 | **(10.853.791)** | (15.152.271) |
| **Operating profit/loss** | | **37.412.340** | **31.270.543** |
| Income from investing activities | | **-** | - |
| Expenses related to investing activities (-) | | **-** | - |
| Profit/loss shares in investments valued by equity | | **-** | - |
| **Operating profit/loss before financial expenses** | | **37.412.340** | **31.270.543** |
| Financial income | 24 | **1.893.058** | 1.368.469 |
| Financial expenses (-) | 24 | **(11.469.690)** | (12.527.064) |
| **Profit/loss before tax from continuing operations** | | **27.835.708** | **20.111.948** |
| **Tax expense/income from continuing operations** | | **(5.601.593)** | (4.417.937) |
| Tax expense/income for the period | 2,26 | **(5.231.363)** | (3.895.092) |
| Deferred tax expense/income | 2,26 | **(370.230)** | (522.845) |
| **Profit/loss for the period from continuing operations** | | **22.234.115** | **15.694.011** |
| **Profit/loss for the period** | | **22.234.115** | **15.694.011** |
| **Other comprehensive income/(expense)** | | | |
| **Income and expense items not to be reclassified in profit or loss** | | **96.830** | **(340.838)** |
| Change in fixed assets revaluation fund | | (372.998) | (372.998) |
| Actuarial gains and losses from pension plans | 17 | 494.035 | (53.049) |
| *Deferred tax income / expense* | | (24.207) | 85.209 |
| **Income and expense items to be reclassified in profit or loss** | | **(29.488)** | **10.193** |
| Change in foreign exchange translation differences | | (29.488) | 10.193 |
| **Other comprehensive income (After tax)** | | **67.342** | (330.645) |
| **Total comprehensive income** | | **22.301.457** | 15.363.366 |
| **Earnings per share in continuing operations** | **2,27** | **0,3733** | 0,2635 |

## Consolidated Statements of Changes in Equity for the years ended 31 December 2014 and 2013
**(Amounts expressed in Turkish Lira (TL) – unless otherwise indicated)**

| | Note | Paid-in Capital | Equity Adjustment Differences | Restricted Profit Reserves | Actuarial (Losses) / Gains | Translation Difference | Fixed assets Revaluation Fund | Retained Earnings | Net Profit /(Loss) for the Period | Total Equity attributable to the Parent Company | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2013** | | **59.566.900** | **7.840.703** | **13.531.183** | **-** | **-** | **19.127.794** | **36.801.127** | **19.716.258** | **156.583.965** | **-** | **156.583.965** |
| TAS 19 Adjustment (net of deferred tax effect) | | - | - | - | (508.012) | - | - | 178.055 | 329.957 | - | - | - |
| **Adjusted balance as at 1 January 2013** | | **59.566.900** | **7.840.703** | **13.531.183** | **(508.012)** | **-** | **19.127.794** | **36.979.182** | **20.046.215** | **156.583.965** | **-** | **156.583.965** |
| Net profit for the period | | | | | | | | | 15.694.011 | 15.694.011 | - | 15.694.011 |
| Other comprehensive income/(expense) | 19 | - | - | - | (42.439) | 10.193 | (298.398) | - | - | (330.644) | - | (330.644) |
| Total comprehensive income /(expense) | | | | | (42.439) | 10.193 | (298.398) | - | 15.694.011 | 15.363.367 | - | 15.363.367 |
| Reclassification of retained earnings | 19 | - | - | - | - | - | - | 20.046.215 | (20.046.215) | - | - | - |
| Transfer to restricted profit reserves | | - | - | 293.946 | - | - | - | (293.946) | - | - | - | - |
| Dividend payment | | - | - | - | - | - | - | (5.917.804) | - | (5.917.804) | - | (5.917.804) |
| Revaluation fund transfer | 19 | - | - | - | - | - | - | 298.398 | - | 298.398 | - | 298.398 |
| Effect of subsidiary on retained earnings/accumulated losses | | - | - | - | - | - | - | (27.986) | - | (27.986) | - | (27.986) |
| **Adjusted balance as at 31 December 2013** | | **59.566.900** | **7.840.703** | **13.825.129** | **(550.451)** | **10.193** | **18.829.396** | **51.084.059** | **15.694.011** | **166.299.940** | **-** | **166.299.940** |
| **Balance as at 1 January 2014** | | **59.566.900** | **7.840.703** | **13.825.129** | **(550.451)** | **10.193** | **18.829.396** | **51.084.059** | **15.694.011** | **166.299.940** | **-** | **166.299.940** |
| Net profit for the period | 19 | - | - | - | - | - | - | - | 22.234.115 | 22.234.115 | - | 22.234.115 |
| Other comprehensive income | 10 | | | | 395.229 | (29.489) | (298.398) | - | - | 67.342 | - | 67.342 |
| Total comprehensive income/(expense) | | - | - | - | 395.229 | (29.489) | (298.398) | - | 22.234.115 | 22.301.457 | - | 22.301.457 |
| Reclassification of retained earnings | | - | - | - | - | - | - | 15.694.011 | (15.694.011) | - | - | - |
| Transfer to restricted profit reserves | | - | - | - | - | - | - | - | - | - | - | - |
| Dividend payment | | - | - | - | - | - | - | - | - | - | - | - |
| Revaluation fund transfer | 17 | - | - | - | - | - | - | 298.398 | - | 298.398 | - | 298.398 |
| Effect of subsidiary on retained earnings/accumulated losses | | - | - | - | - | - | - | - | - | - | - | - |
| **Balance as at 31 December 2014** | | **59.566.900** | **7.840.703** | **13.825.129** | **(155.222)** | **(19.296)** | **18.530.998** | **67.076.468** | **22.234.115** | **188.899.795** | **-** | **188.899.795** |

**Consolidated Statements of Cash Flows for the years ended 31 December 2014 and 2013**
**(Amounts expressed in Turkish Lira (TL) – unless otherwise indicated)**

| CASH INFLOWS PROVIDED BY OPERATING ACTIVITIES | Note | 1 January - 31 December 2014 | 1 January - 31 December 2013 |
|---|---|---|---|
| (Loss)/ profit before tax provision and monetary gains | | **27.835.709** | 20.111.947 |
| **Reconciliation of profit(loss) before tax and cash flows from operating activities** | | | |
| Loss/(gain) on fixed asset sales | | **82.447** | (74.095) |
| Depreciation and amortization | 12,13 | **9.048.047** | 7.750.721 |
| Inventory provision | 9 | **740.233** | 50.697 |
| Provision for doubtful receivables | 7 | **3.566.921** | 10.188.782 |
| Provision for termination indemnity | 17 | **187.624** | 579.091 |
| Provision for leaves | 17 | **321.214** | (59.344) |
| Forward exchange accrual (income)/expense, net | | **254.693** | (107.950) |
| Unrealized foreign exchange difference (gains)/losses, net | | **3.496.576** | 2.787.649 |
| Interest income | 22,23 | **(2.996.640)** | (2.893.329) |
| Interest expense | 22,23 | **8.422.333** | 6.904.655 |
| Provision for litigation | 15 | **517.885** | (107.424) |
| Warranty provision | 15 | **118.215** | 57.831 |
| Income accrual | | **-** | - |
| **Operating (loss)/profit before working capital changes** | | **51.595.257** | 45.189.231 |
| **Working capital changes** | | | |
| Inventories | 9 | **(18.241.292)** | (11.585.022) |
| Trade receivables (including balances due from related parties) | 2,7 | **(50.896.928)** | 3.289.929 |
| Trade payables (including balances due to related parties) | 2,7 | **13.304.684** | 7.550.772 |
| Other short term liabilities | 17,18 | **(1.454.097)** | (547.313) |
| Other payables | 10 | **(1.371.242)** | (3.198.904) |
| Other short term receivables | 8 | **(532.296)** | 250.986 |
| Other long term receivables | 8 | **(153.630)** | (88.023) |
| Other non-current assets | | **(601.886)** | (9.236.357) |
| Other current assets | | **9.607.458** | 152.080 |
| Assets held for sale | 25 | **410.932** | (841.054) |
| Collection of doubtful receivables | 7 | **2.904.418** | 965.256 |
| Taxes paid | 26 | **(5.276.577)** | (4.252.860) |
| Termination indemnities paid | 17 | **(129.583)** | (155.514) |
| **Net cash inflows/(outflows) related to operating activities** | | **(834.782)** | 27.493.207 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of tangible assets | 12 | **(25.418.137)** | (17.087.011) |
| Acquisition of intangible assets | 13 | **(76)** | (1.118) |
| Positive goodwill | 13 | **(117.472)** | - |
| Revenue on fixed asset sales | | **157.550** | 106.878 |
| Interest collected | | **2.996.639** | 2.893.329 |
| **Net cash outflows provided by/(used in) investing activities** | | **(22.381.496)** | (14.087.922) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Cash inflows/(outflows) related to financial debts, net | | **6.635.161** | 2.072.005 |
| Interest paid | | **(3.381.435)** | (4.571.102) |
| Dividend payment | | - | (5.917.804) |
| Other financial liabilities | | **-** | (27.986) |
| Translation difference | | **(29.489)** | 10.193 |
| Actuarial gains/losses | 17 | **494.035** | (53.049) |
| **Net cash outflows provided by/(used in) financing activities** | | **3.718.272** | (8.487.743) |
| Decrease in cash and cash equivalents, net | | **(19.498.006)** | 4.917.542 |
| Beginning of the period | 4 | **38.257.104** | 33.339.561 |
| **End of the period** | **4** | **18.759.098** | 38.257.103 |

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

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

1. Organization and Principal Activities of the Parent Company

Ege Profil Ticaret ve Sanayi Anonim Şirketi (the Parent Company) is a company registered in Izmir. The main operations of the Parent Company are manufacturing and sales of all types of plastic pipes, spare parts, profiles and plastic goods. In the following sections, the Parent Company and its subsidiary will be collectively referred to as "the Parent Company" or "the Company".

The address of the Parent Company is as follows :

Atatürk Organize Sanayi Bölgesi, 10003 Sokak, No:5, Çiğli - İzmir

As of 31 December 2014 and 31 December 2013, the shareholding structure of the Parent Company is as follows:

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Name | **Share percentage** | Share percentage |
| Deceuninck N.V. | **97,54%** | 97,54% |
| Public offering | **2,46%** | 2,46% |
| | **100,00%** | 100,00% |

As of 31 December 2014, 2,46% of the Company shares is listed on Borsa Istanbul.

As of 31 December 2014 and 31 December 2013, the number of personnel by category is as follows:

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| White collar | **168** | 167 |
| Blue collar | **499** | 505 |
| | **667** | 672 |

- Along with its Turkish operations, the Parent Company carries out sales activities through its subsidiaries in Chile and Brasil, and its branch office in India.

- For re-financing purposes, the major shareholder Deceuninck NV acting in the capacity of loan receiver has pledged in favor of Fortis Bank NV/SA acting in the capacity of guarantee representative the entire number of its 58.100.520 shares representing 97,5382% of the Company's share capital as per the Share Pledge Agreement signed on 16 August 2012 upon amendment dated 16 July 2012 made on the Loan Agreement dated 11 September 2009.

- The consolidated financial statements were approved by the Board of Directors on 24 February 2015. The General Meeting and relevant regulatory bodies have the power to amend the consolidated financial statements.

2. Presentation of the Financial Statements

(i) Basis of Presentation:

**Preparation of the financial statements**

The Parent Company maintains its books of account and prepares its statutory financial statements in Turkish Lira in accordance with the prevailing commercial and financial legislation. The foreign subsidiaries and agencies maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the rules and regulations of the country in which they operate. The accompanying consolidated financial statements are prepared in accordance with the provisions of the "Communiqué Related to the Financial Reporting Principles at the Capital Markets" (Communiqué) Nr. II/14.1 of the Capital Markets Board (CMB) published in the Official Gazette dated 13 June 2013 Nr 28676, taking as basis the Turkish Accounting Standards /Turkish Financial Reporting Standards and the related appendices and interpretations (TAS/TFRS) put into effect by the Public Oversight Accounting and Auditing Standards Authority (POA) as per the Article 5 of the Communiqué.

The accompanying consolidated financial statements are presented in accordance with the principles the application of which is required by the announcement published in the weekly bulletin dated 7 June 2013 nr 2013/19 of the CMB.

The consolidated financial statements are based on the statutory records of the Parent Company and its Subsidiary and presented in TL in accordance with the TAS/TFRS with certain adjustments and reclassifications to provide a true and fair view of the Company's financial position.

The financial statement items other than land, land improvements, buildings, and forward exchange contracts are based on historical cost.

*Functional currency and reporting currency*

The Parent Company uses Turkish Lira ("TL") as functional currency and reporting currency. The functional currencies used by the Parent Company's branch in India and its subsidiaries in Chile and Brasil are Indian Rupee, Chilean Peso, and Brasilian Real respectively. The items of the statement of financial position are translated at the foreign exchange rate valid at the reporting date; and the income and expense items are translated at the average rate of exchange for the period. Gains and losses arising from translation operations are stated in the "foreign exchange translation differences" account in the consolidated statement of profit or loss and other comprehensive income. The accompanying financial statements are prepared in TL including the financial statements as of 31 December 2014 and the prior period financial data used for comparison purposes.

(ii) Companies included in the consolidation and their consolidation rates:

Parent Company:

- Ege Profil Ticaret ve Sanayi Anonim Şirketi 100%

Subsidiaries:

- Deceuninck Importadora Limitada * 99,9%
- Althera PVC LTDA- EPP (Deceuninck Brazil)(**) 100%

* Included in the accompanying consolidated financial statements by full consolidation method. The non-controlling shares representing 0,7% of the total capital is regarded immaterial, hence non-controlling interest is not calculated.

** 100% of the shares of Althera PVC LTDA- EPP, a company located in Brasil, are acquired by the Company at a total consideration of Euro 177.372,13 as of 23 October 2014. The subsidiary is included in the accompanying consolidated financial statements by full consolidation method.

2. Presentation of the Financial Statements (continued)

(iii) Consolidation principles :

Full Consolidation Method:

- All items of the statement of financial position other than the paid-in capital of the Parent Company and its subsidiaries and their equities at the acquisition date are added, and inter-company balances are eliminated.
- The Parent Company's interest in the subsidiaries is set off against the Financial Assets account of the Parent Company and the Share Capital account in the subsidiaries.
- As of the acquisition date that an entity included in the consolidation becomes a subsidiary and in the subsequent share acquisitions, the acquisition cost of the Parent Company's shares in its subsidiary is set off against the value representing these shares in the equity account of the Subsidiary's statement of financial position drawn up according to fair value.
- Shares other than Parent Company shares and Subsidiary shares are deducted from all equity account group items including the paid in/issued share capital of subsidiaries included in the consolidation and are recognized as "Non-controlling Interests" in the equity account group of the consolidated statement of financial position.
- The purchase and sales among the Parent Company and its subsidiaries and the profit and losses arising from these transactions are eliminated in the consolidated statement of comprehensive income. Profit and losses arising from the purchase or sale of marketable securities, inventories, tangible and intangible assets, long term financial assets and other assets among the consolidated group companies are also eliminated.

(iv) Adjustment of Financial Statements during Hyper-Inflationary Periods:

Turkish Accounting Standard 29 (TAS 29) requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date and that the corresponding figures for the previous periods be restated in the same terms. As per the resolution of the Capital Markets Board (CMB) dated 17 March 2005 Nr 11/367, the application of inflation adjustment on the financial statements is terminated in 2005. For that reason, the financial statements are prepared in terms of the purchasing power of the Turkish Lira as at 31 December 2004. The additions to non-monetary items subsequent to 1 January 2005 are stated at their nominal values.

(v) Adjustments :

Consolidated financial statements are prepared in accordance with TAS/TFRS, and the adjustments which are not stated in the statutory books are set out below.

- Depreciation adjustment related to the economical lives of tangible and intangible assets
- Adjustment of discounting the cost value of land, land improvement, and buildings to their market values
- Provision for doubtful receivables
- Warranty provision for sales
- Provision for litigation
- Adjustment of provisions for termination indemnity and leaves

2. Presentation of the Financial Statements (continued)

(v) Adjustments (continued):

- Adjustment related to purchasing turnover premium income
- Adjustment related to sales turnover premium payments
- Inventory provision
- Rediscount calculation for post-dated cheques, note receivable, notes payable, customers, and suppliers at the current interest rate
- Deferred tax adjustment
- Elimination of inter-group balances and transactions in accordance with the consolidation procedures

(vi) Comparative Information and Adjustment of Prior Period Financial Statements:

The Parent Company's financial statements are prepared comparatively with the prior period in order to make financial position and performance evaluations. The Parent Company's consolidated statements of financial position as of 31 December 2014 and 31 December 2013 are prepared comparatively. Similarly, the consolidated statements of comprehensive income, cash flows, and changes in equity for the period 1 January - 31 December 2014 and those for the period 1 January - 31 December 2013 are prepared comparatively.

(vii) Offsetting:

Offsetting financial assets and liabilities can only be made under the conditions where the offsetting transaction is legally allowed and the entity has an intention in this respect or where the acquisition of assets and fulfillment of liabilities are realized simultaneously.

(viii) Accounting Policies, Changes and Errors in Accounting Estimates:

The accounting policies applied by the Company are consistent with those applied in the prior year. Significant changes in accounting policies and significant accounting errors determined in the financial statements are treated retrospectively, and the prior year financials are restated. Changes in accounting policies are applied in the period of the change if they are related to the one period only; however, if they are related to the future periods, they are applied both in the period of change and the future period, prospectively.

Pursuant to TAS 19 "Employee Benefits", starting from 1 January 2013, the actuarial gains/losses related to provisions for termination indemnity are included in the other comprehensive income. As the related standard is revised, the change in the accounting policy was applied as required by the standard as of 1 January 2011, and the actuarial gains/losses stated in the prior period statements of income are reclassified under profit or loss and other comprehensive income; and the financial statements and notes are revised accordingly.

The preparation of the financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in statements of income in the periods they become known.

2. Presentation of the Financial Statements (continued)

(viii) Accounting Policies, Changes and Errors in Accounting Estimates (continued):

Comments that may have significant effect on amounts recognized in the financial statements, and significant assumptions and evaluations made taking into consideration the real sources of the estimates valid at the reporting date or those that are likely to be made in the future are as follows:

a) Termination indemnity liability is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates). As these plans are long term plans, the said assumptions include significant ambiguities. Provisions for employee benefits are elaborated in Note 17.

b) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than related parties, are assessed with their prior year performances, their credit risk in the current market, and their individual performances after the balance sheet date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered.The provisions made for doubtful receivables as of the reporting date are disclosed in Note 7.

c) The Management has made significant assumptions in parallel with the technical team's experience in determining the useful lives of machinery and equipment.

d) In calculating impairment, the physical status and aging of inventories are reviewed taking into consideration the technical personnel's opinion; and provision is made for items assumed unserviceable. In determining the net realizable value of inventories, inventory price lists and average discount rates of the year are used and assumptions are made in relation to sales expenses to be incurred in the future. As a result of these studies, provision is made for inventories whose net realizable value is less than the cost value as stated in Note 9.

e) The Company uses discount cash flows and independent valuation studies on land and buildings in making impairment analysis on assets. While making these analyses, the Company makes various assumptions in relation to the Company's future operations and the discount rates to be used. As a result of these studies, it is concluded by the Management that there is no impairment in the Company's non-financial assets.

f) Deferred tax assets are recognized in the event that it is likely to settle temporary differences and accumulated losses through future taxable profit. In determining the amount of deferred tax assets to be recorded, significant assumptions and valuations need to be made in relation to the taxable profits that are likely to be generated in the future (Note 26).

g) Management takes into consideration in making provisions for litigation the probability and consequences of losing court cases together with the legal consultants's opinion. The amount of provision deemed necessary by the Management is determined using the data available and making the best possible assumptions thereon. The related disclosures are set out in Note 15.

h) In the light of legal consultants' opinion, the Management has made the best possible assumptions for the amount of provision that would be necessary for a liability likely to arise upon the tax review made for 2007. The related disclosures are set out in Note 15.

2. Presentation of the Financial Statements (continued)

(ix) New and amended standards and interpretations:

The accounting policies adopted in preparation of the consolidated financial statements for the period ended 31 December 2014 are applied consistently with TAS/TFRS and interpretations. The new and amended standards and interpretations effective as of 1 January 2014 have no impact on the consolidated financial statements of the Company.

**TFRS's issued but not yet effective and not early adopted**

Standards, amendments and interpretations to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the consoldiated financial statements and disclosures, after the new standards and interpretations come into effect.

**TFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. First phase of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option liabilities and requires that the change in fair value of a fair value option financial liability attributable to credit risk is presented under other comprehensive income. The Company is in the process of assessing the impact of the standard on its financial position or performance.

**TAS 19 – Defined Benefit Plans: Employee contributions (Amendment)**

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Company.

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

The amendments to TAS 16 and TAS 38 have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limited the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

**Annual Improvements to TAS/TFRS**

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to "Annual Improvements - 2010—2012 Cycle" and "Annual Improvements - 2011—2013 Cycle". The changes are effective for annual reporting periods beginning on or after 1 July 2014.

2. Presentation of the Financial Statements (continued)

(ix) New and amended standards and interpretations (continued):

**Annual Improvements - 2010–2012 Cycle**

*TFRS 2 Share-based Payment:*
Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

*TFRS 3 Business Combinations*
Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

*TFRS 8 Operating Segments*
The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

*TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets*
The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed as follows: i) Adjust the gross carrying amount of the asset to market value or ii) Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

*TAS 24 Related Party Disclosures*
The amendment clarifies that a management entity, an entity that provides key management personnel services, is a related party subject to the related party disclosures. The amendment is effective retrospectively.

**Annual Improvements - 2011–2013 Cycle**

*TFRS 3 Business Combinations*
The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

*TFRS 13 Basis for Conclusions on Fair Value Measurement*
The portfolio exception in TFRS 13 can be applied not only to financial assets and financial liabilities but also all other contracts in the scope of TAS 39. The amendment is effective prospectively.

*TAS 40 Investment Property*
The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Company does not expect that these amendments will have a significant impact on the financial position or performance of the Company.

2. Presentation of the Financial Statements (continued)

(ix) New and amended standards and interpretations (continued):

**The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA**

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the consolidated financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adopted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

**IFRS 15 – Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied with no restatement of the comparative periods, but additional comparative disclosures are required in the notes to the financial statements. The Company is in the process of assessing the impact of the standard on its financial position or performance.

**IFRS 9 Financial Instruments – Final Standard (2014)**

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on its financial position or performance.

2. Presentation of the Financial Statements (continued)

(ix) New and amended standards and interpretations (continued) :

**IAS 27 – Equity Method in Separate Financial Statements (Amendment)**

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39) or
- Using the equity method

The entity must apply the same accounting for each category of investments. . A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Company is in the process of assessing the impact of the amendments on its financial position or performance.

**Annual Improvements - 2010–2012 Cycle**

*IFRS 13 Fair Value Measurement*
As clarified in the Basis for Conclusions, short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

**Annual Improvements - 2012–2014 Cycle**

In September 2014, IASB issued their annual cycle of improvements to IFRSs, "Annual Improvements to IFRSs 2012-2014 Cycle". The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations — changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures — servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits — regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting — disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. The Company is in the process of assessing the impact of the standard on its financial position and performance.

2. Presentation of the Financial Statements (continued)

(ix) New and amended standards and interpretations (continued) :

**IFRS 10 and IAS 28: Sale or Contribution between an Investor and its Associate or Joint Venture (Amendments)**

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. This amendment serves to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors’ interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)**

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the following issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements; i) the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value, ii) only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value, iii) the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments are applied retrospectively. However, when the first time amendments to IFRS 10 are applied, the quantitative information required by IAS 8 need only be presented for the annual period immediately preceding the date of initial application. The Company does not expect that these amendments will have a significant impact on its financial position or performance.

**IAS 1: Disclosure Initiative (Amendment to IAS 1)**

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies, presentation of items of other comprehensive income arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The Company does not expect that these amendments will have a significant impact on its financial position or performance.

2. Presentation of the Financial Statements (continued)

(x) Summary of significant accounting policies and valuation methods:

**Financial instruments:**

Financial instruments consist of the financial assets and liabilities stated below:

i. Cash and cash equivalents

Cash and cash equivalents consist of cash balances on hand, cheques matured at the year-end, cash at banks, and bank deposits with maturities less than 3 months. Acquisition costs and accrued interests of cash and cash equivalents are stated together in a lump sum figure.

Cash is composed of Turkish Lira and foreign currency balances. Turkish Lira balances are stated at their face values and the foreign currency balances are translated to Turkish Lira at the foreign exchange rate issued by the Turkish Central Bank at the reporting date.

Bank accounts consist of demand deposit and time deposit accounts and the related interest accrued. Turkish Lira deposit accounts are stated at their carrying values and foreign currency accounts are translated into Turkish Lira at the foreign exchange rate issued by the Central Bank at the reporting date.

Cheques received are stated among trade receivables with maturities exceeding the reporting period and they are subject to rediscount in the reporting period.

Fair Value

As the foreign currency cash and cash equivalents are translated into Turkish Lira at the foreign exchange rates of the reporting date, it is assumed that the fair values of these assets approximate their book values.

As the recorded values of cash and banks are converted into cash in very short terms, and there is no risk of impairment, their book values are assumed to approximate their fair values.

ii. Trade receivables

The notes and post-dated cheques classified among trade receivables are recognized at their carrying values after provisions for doubtful trade receivables are netted from the invoice total and they are carried at their net values discounted by the effective interest rates. Provision is made for doubtful receivables if there is clear evidence that the due receivables will not be collectible. The receivables deemed uncollectible are deleted from the records. Provision is the amount estimated by the management to provide for the potential losses that may arise from economic conditions or from the risk attributed to the account.

Fair value

Discounted trade receivables for which provisions for doubtful receivables are accrued are assumed to approximate the fair values of these assets.

2. Presentation of the Financial Statements (continued)

(x) Summary of significant accounting policies and valuation methods (continued):

iii. Related parties

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(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.

(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. In the financial statements, the Company's shareholders, companies owned by these shareholders, their executive staff and other groups known to be related are defined as related parties.

Fair value

The carrying values of balances due to and from related parties are assumed to approximate the fair values of these assets and liabilities.

iv. Short and long term bank loans and trade payables

Short and long term bank loans are stated at the value computed through addition of the principal amount and the interest expenses accrued as of the reporting date, discounted by the effective interest method.

Trade payables, other payables, and post dated cheques given which are recognized in trade payables are stated at their discounted cost values representing the fair value of future billed and unbilled amounts to arise from acquisition of goods and services.

2. Presentation of the Financial Statements (continued)

(x) Summary of significant accounting policies and valuation methods (continued):

iv. Short and long term bank loans and trade payables (continued)

Fair Value

The fair values of short and long term bank loans are assumed to be equivalent to the recorded values computed by adding on the cost of these debts the accrued interest liabilities calculated at the effective interest rate as of the reporting dates. Similarly, discounted cost values of trade payables are considered to be equivalent to their fair values.

**Inventories:**

Inventories are stated at the lower of cost or net realizable value. Expenditures made to bring inventory to its current status are accounted for as follows:

The costs of raw materials and supplies are determined by weighted average cost method. Theb costs of finished and semi-finished goods are determined by weighted average cost method with the addition at certain rates of direct material and labor expenses as well as variable and fixed overhead. Net realizable value is the estimated selling price of an asset less the predictable costs of disposal.

**Tangible Assets:**

Tangible assets are stated at cost less their accumulated depreciation and impairment loss, if any.

Tangible assets have been restated using the measuring unit current at 31 December 2004 from the dates of acquisition. Acquisitions subsequent to 1 January 2005 are stated at their nominal values. Depreciation of tangible assets is made by straight-line method over the inflation-adjusted amounts and the nominal values of acquisitions subsequent to 1 January 2005 based on the economic useful lives of assets.

Tangible assets other than land, land improvements and buildings are stated at cost less accumulated depreciation and provision for impairment, if any. Land, land improvements and buildings are stated at their market value less accumulated depreciation. The difference between the cost value and the market value is followed up in the “Fixed Assets Revaluation Fund” account under equity together with its deferred tax effect. Fair value study was made on June 14, 2012 by Denge Gayrimenkul Değerleme ve Danışmanlık A.Ş. licensed by the Capital Market Board. The fair values of the lands, land improvements and buildings have been determined according to market prices.

Furthermore, the difference between the depreciation based on the restated carrying value of the asset and the depreciation based on the acquisition value of the asset is transferred annually during the course of utilization from the fixed assets revaluation fund account to the retained earnings account.

Tangible assets are subject to depreciation at their cost values in accordance with the straight line method based on their economic lives.

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

2. Presentation of the Financial Statements (continued)

(x) Summary of significant accounting policies and valuation methods (continued):

**Tangible assets (continued):**

The depreciation periods used in prior periods and as of the reporting date are as follows:

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| | **Period (Years)** | Period (Yıl) |
| Land improvements | **2-40** | 2-40 |
| Buildings | **10-40** | 10-40 |
| Furniture and fixtures | **1-10** | 3-10 |
| Machinery and equipment | **5-25** | 5-25 |
| Motor vehicles | **5-8** | 4-8 |

The cost value of a tangible asset comprises its acquisition price, import taxes, non-returnable taxes, and expenditures to ready the tangible asset for use. The expenses arising after the tangible assets start being used, i.e., maintenance and repair costs, are expensed in the period they are constituted. If expenditures provide economic benefit for future use of the related tangible assets, they are added onto the cost of the asset and depreciated for the remaining part of its economic life.

**Intangible Assets:**

Intangible assets are stated at their cost values less accumulated amortisation and impairment losses, if any.

The acquisition values of intangible assets are considered in the restatement of intangible assets as at 31 December 2004. Additions made subsequent to January 1, 2005 are stated at their nominal values. Intangible assets are amortized over their inflaton-adjusted values and the nominal values of additions subsequent to 1 January 2005, as per their useful lives.

Intangible assets mainly consist of outsourced licences, trademarks, industrial software, dealer list, software licence right, and other rights and they are capitalized over the market value determined during the trade operations as per the IFRS 3 “Business Combinations”. The positive goodwill arising as a result of the establisment of the related business combination as well as the trademarks, and outsourced licences are not subject to amortisation as their economic lives cannot be estimated; however, the impairment losses in the carrying value, if any, are reviewed each year.

Other intangible assets are software licensing right and other rights which are amortized by straight-line method over an expected economical life of 3-20 years. The carrying values of these intangible assets are analyzed for impairment if and when the conditions change.

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

2. Presentation of the Financial Statements (continued)

(x) Summary of significant accounting policies and valuation methods (continued):

**Non-current assets held for sale:**

The non-current assets held for sale represent real estate obtained from debtors in default to cover their liabilities to the Company. These assets are carried at the lower of carrying amount stated in the Company records and their market values assigned to title deeds. When the right of use of an asset is obtained by court decision or by the consent of the customer, the related total of doubtful trade receivables are set off from the value determined in expertise reports and classified under the non-current assets held for sale account. The difference between the fair value of the asset and the amount of trade receivable is recognized in the statement of income. The Company does not provide for depreciation of these assets unless they are used in the operations of the Company. When the assets are sold, the difference between the sales income and the carrying value of the asset is recognized in the profit or loss and other comprehensive income.

**Assets and liabilities in foreign currency:**

Assets and liabilities in foreign currency are translated into Turkish Lira at the foreign currency rates announced by the Turkish Central Bank at the reporting dates. Transactions in foreign currencies during the period are translated into Turkish Lira at the actual rates applicable on the transaction date. Exchange gains and losses arising from these transactions are included in the statement of comprehensive income.

Exchange rates used at the reporting dates are as follows:

| Date | TL / USD | TL / Euro | TL / AUD |
|---|---|---|---|
| **Buying rate of exchange** | | | |
| **31 December 2014** | **2,3189** | **2,8207** | **1,8894** |
| 31 December 2013 | 2,1343 | 2,9365 | 1,8886 |

**Impairment of assets :**

In case the book value of an asset exceeds its recoverable value, a provision for impairment loss is made so as to bring the book value of the asset down to the level of its fair value and it is recorded as expense in the statements of compherensive income.

On the other hand, the recoverable value of cash generating assets is the higher of their net sales price and the value in use. The value in use of the said assets is the present value of the future cash flows expected from continuous use and sale of these assets, discounted at a reasonable discounted rate.

In the event that provisions made for impairment in the prior periods are no longer valid or higher then necessary, the excess amount is reversed and recognized in the statement of profit or loss and other comprehensive income.

2. Presentation of the Financial Statements (continued)

(x) Summary of significant accounting policies and valuation methods (continued):

**Impairment of Assets (continued):**

However, the increase in the carrying value of the asset due to reversal of impairment provision is recognized only if it does not exceed the value of the asset where there is no impairment provision made during the prior years. The loss in carrying value arising from revaluation of fixed assets is initially stated as a liability net of the revaluation fund in equity; and if there is a remaining balance left from the total value decrease, it is stated as expense in the profit or loss and other comprehensive income.

**Borrowing costs:**

Borrowing costs are recognized as expense. Borrowing costs related to the qualifying assets are included directly in the cost of the related qualifying asset. Upon completion of the necessary operations to make the qualifying asset ready for use or sale, the capitalization of the borrowing costs is discontinued.

**Deferred Taxes:**

Deferred taxes are calculated on the temporary differences that arise between the deductible tax base and the book values of assets and liabilities, by using the liability method. The main temporary differences arise from the income and expense items recognised in different periods with respect to the TAS/TFRS and the tax legislation. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated with the assumption that the Company will have taxable income during the future periods.

An enterprise should offset current tax assets and current tax liabilities if the enterprise has a legally enforceable right to set off the recognised amounts, provided that the tax assets and tax liabilities are subject to the tax legislation of the same jurisdiction.

**Income Taxes :**

Under the Turkish Taxation Code, a company that has its head office or place of business in Turkey is subject to a corparate tax.

Corparate earnings are subject to corparation tax at a rate of 20%. No witholding is calculated for tax-exempt income unless distributed. Exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax witholding at a rate of 15%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distibution of profits and therefore no witholding tax is applicable to these earnings. On the other hand, no witholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 20% on the profits declared for interim periods to be deducted from the corporation tax.

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

**2.** Presentation of the Financial Statements (continued)

(x) Summary of significant accounting policies and valuation methods (continued):

**Income Taxes (continued):**

The branch and subsidiaries established outside of Turkey are subject to the tax legislation of the host countries.

As of 31 December 2014 and 2013, income tax provisions have been made in accordance with the prevailing tax legislation.

**Employee Benefits:**

Under Turkish Labour Law Article 25/II, the Company is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month's salary for each year of service is TL 3.541.37 as of 31 December 2014 (31 December 2013 - TL 3.254,44).

Further to the above, provision is made in the financial statements for the subcontractor's employees as per contractual requirements.

The termination indemnity liability stated in the accompanying financial statements has been determined as per the recognition and valuation principles stated in "Employee Benefits" TAS 19. As the characteristics of the termination indemnity liabilities are similar to the "Post Employment Benefit Plans" stated in this standard, these liabilities are calculated and stated in the financial statements on the basis of below mentioned "Proposed Unit Loan Method" and various other assumptions.

- The dates that the employees will gain their pension rights are determined with respect to the current social security legislation considering their past employment durations.
- In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the current salaries and wages or, if higher than the value of the termination indemnity upper limit determined by the Labour Law for 31 December 2014, the termination indemnity upper limit, to remain constant for restatement purposes, and this value is reduced by the actual discount rate of 3,49% (31 December 2013 – 3,49%) calculated based upon the assumption that the expected annual inflation rate will be 6% (31 December 2013 – 6%) and the expected discount rate will be 9,7% (31 December 2013 – 9,7%) which represents the proposed average interest rate per annum of the government bonds in order to determine the current net value of the determination indemnity liability at the reporting date.

**Revenue and expenses:**

The accrual basis of accounting is applied for the recognition of revenues and expenses. The accrual concept requires that revenue, income and profits should be matched with costs, expenses and losses belonging to the same period.

Interest revenue accrual is calculated over the effective interest rate. In the event that there is unpaid interest accrual before acquisition of a marketable security bearing interest, the interest collected subsequently is allocated to periods before and after acquisition, and only the part that relates to the period after acquisition is recognized as income in the financial statements.

Dividend income is recognized when the right to receive the dividend is established.

**2.** Presentation of the Financial Statements (continued)

(x) Summary of significant accounting policies and valuation methods (continued):

**Revenue:**

Revenue is measured at the fair value of the consideration received or to be received.

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

**Financial derivatives:**

The Company makes forward exchange contracts. The said forward contracts made for hedging purposes as per the Company's risk management policies are not deemed sufficient for hedge accounting in accordance with the TAS 39 (Financial Instruments: Recognition and Measurement); hence, they are defined as "held for trading" and stated in the financial statements in the other short term financial liabilities and assets at their market values while the changes in market values are reflected to the statement of profit or loss and other comprehensive income.

**Earnings / (loss) per share:**

Earnings/(loss) per share is calculated by dividing the net profit or loss for the year by the weighted average number of ordinary shares outstanding during the period.

Enterprises in Turkey can increase their capital through distributing bonus shares to their shareholders proportionate to their shareholding from retained earnings and differences arising from inflation adjustment in shareholder's equity. These bonus shares are regarded as issued shares in calculating earnings/(loss) per share. Hence, retroactive calculation is made to arrive at the weighted average number of shares in respect of the bonus shares.

**Events after the reporting date:**

When there are events after the reporting period which require adjustment, the Company adjusts the amounts stated in the financial statements in light of the prevailing conditions. When there are events after the reporting period which do not require adjustments, they are disclosed, if deemed necessary, in the related period.

**Provisions, contingent assets and liabilities:**

*Provisions*

Provisions are recognized only if there is a present obligation as a result of a post obligating event, it is probable that outflow of economic resources is required because of this obligation or the amount of obligation can be reasonably estimated.

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expenditures expected to be required to settle the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the management.

**2.** Presentation of the Financial Statements (continued)

(x) Summary of significant accounting policies and valuation methods (continued):

*Warranty provisions*

The Company provides replacement, maintenance, and repair services at conditions that conform to certain criteria. For the said commitment, the Company makes a provision of 2/1000 of its annual sales based on past experience.

*Contingent liabilities and assets*

The contingent liabilities are not recognized but disclosed unless the possibility of an outflow of economic resources is remote. Contingent assets are not recognized but disclosed where an inflow of economic benefits is probable.

**Leases:**

*Financial lease*

Finance leases transferring all risks and rewards of ownership of the leased asset are recorded at commencement of the lease term at the lower of the fair value of the asset and the present value of the minimum lease payments. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability (the finance charge is allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability). Financing expenses are recognised directly in the profit or loss and other comprehensive income. Capitalized leased assets are subject to depreciation over the expected useful life of the asset.

*Operating lease*

Leases where the lessee retains all risks and rewards of ownership are classified as operating leases. Operating lease payments are stated as expense in the statement of income throughout the lease period on straight-line basis.

**Segment reporting:**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-makers of the Company are identified as the General Manager and the Board of Directors.

For making strategic decisions for allocating resources and assessing the performance of operating segments, the chief operating decision-maker analizes the results and operations based on customer groups carrying various risks and benefits. The breakdown of the Company's customer groups is as follows: Domestic market, exports, and other. Some assets, liabilities, income and expense items are managed centrally and therefore they are not included in the segment reporting.

**2.** Presentation of the Financial Statements (continued)

(x) Summary of significant accounting policies and valuation methods (continued):

**Business combinations:**

As of 21 October 2004, the Company acquired from Pilsa A.Ş. (Pilsa) the operations realized under the trade name of "Winsa". The Company recognized the identifiable assets and liabilities acquired as per the TFRS 3 "Business Combinations" at fair value on 1 December 2004 which is the effective date of the contract; and the difference between the acquisition cost and the fair values of the identifiable assets and liabilities net of deferred tax effect are recognized as goodwill in the statutory books.

As of 23 October 2014, the Company acquired 100% of the shares of Althera PVC LTDA-EPP, a company in Brazil, at a total consideration of Euro 177.372,13. The Company recognized the identifiable assets and liabilities acquired as per the TFRS 3 "Business Combinations" at fair value on 23 October 2014 which is the effective date of the contract; and the difference between the acquisition cost and the fair values of the identifiable assets and liabilities net of deferred tax effect are recognized as goodwill in the statutory books.

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

## 3. Segment Reporting

Segment reporting for the period ended 31 December 2014 is as follows (TL):

| | Domestic market* | Export market** | Common*** | Total |
|---|---|---|---|---|
| **Revenue** | **323.740.221** | **54.253.655** | **-** | **377.993.876** |
| Finished goods | 286.004.449 | 45.015.293 | - | 331.019.742 |
| Trade goods | 36.072.910 | 8.459.130 | - | 44.532.040 |
| Other | 1.662.862 | 779.232 | - | 2.442.094 |
| **Cost of Sales (-)** | **(240.871.762)** | **(38.632.361)** | **-** | **(279.504.123)** |
| Finished goods | (207.548.387) | (31.513.415) | - | (239.061.802) |
| Trade goods | (30.209.079) | (6.337.199) | - | (36.546.278) |
| Other | (3.114.296) | (781.747) | - | (3.896.043) |
| **GROSS PROFIT/LOSS** | **82.868.459** | **15.621.294** | | **98.489.753** |
| | - | - | (16.933.410) | (16.933.410) |
| Marketing expenses (-) | (22.106.770) | (9.997.687) | (12.495.420) | (44.599.877) |
| Research & development expenses(-) | - | - | (537.899) | (537.899) |
| Other operating income | - | - | 11.847.564 | 11.847.564 |
| Other operating expenses (-) | - | - | (10.853.791) | (10.853.791) |
| **OPERATING PROFIT/LOSS** | **60.761.689** | **5.623.607** | **(28.972.956)** | **37.412.340** |
| *Income from investing activities* | - | - | - | - |
| *Expenses related to investing activities (-)* | - | - | - | - |
| *Shares in profits and losses of investments accounted for by the equity method* | **-** | **-** | **-** | **-** |
| **OPERATING PROFIT/LOSS BEFORE FINANCIAL EXPENSES** | **60.761.689** | **5.623.607** | **(28.972.956)** | **37.412.340** |
| Financial income | - | - | 1.893.058 | 1.893.058 |
| Financial expenses (-) | - | - | (11.469.690) | (11.469.690) |
| **PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS** | **60.761.689** | **5.623.607** | **(38.549.588)** | **27.835.708** |
| **Tax expense/income from continuing operations** | **-** | **-** | **(5.601.593)** | **(5.601.593)** |
| Tax expense (-)/income for the period | - | - | (5.231.363) | (5.231.363) |
| Deferred tax expense (-)/income | **-** | **-** | **(370.230)** | **(370.230)** |
| **PROFIT/LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS** | **60.761.689** | **5.623.607** | **(44.151.181)** | **22.234.115** |
| **PROFIT/LOSS FOR THE PERIOD** | **60.761.689** | **5.623.607** | **(44.151.181)** | **22.234.115** |

(*) Turkey
(**) EU countries, Middle-East countries, Turkic Republics, African countries, Other Asian countries and other countries
(***) Unallocated income/expense

**(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)**

3. Segment Reporting (continued)

Segment reporting for the period ended 31 December 2013 is as follows (TL):

| | Domestic market* | Export market** | Common*** | Total |
|---|---|---|---|---|
| **Revenue** | **277.996.792** | **38.782.826** | **-** | **316.779.618** |
| Finished goods | 245.197.943 | 32.201.001 | - | 277.398.944 |
| Trade goods | 30.127.652 | 6.065.772 | - | 36.193.424 |
| Other | 2.671.197 | 516.053 | - | 3.187.250 |
| **Cost of sales (-)** | **(202.512.192)** | **(26.524.870)** | **-** | **(229.037.062)** |
| Finished goods | (173.483.941) | (21.298.168) | - | (194.782.109) |
| Trade goods | (25.644.625) | (4.555.632) | - | (30.200.257) |
| Other | (3.383.626) | (671.070) | - | (4.054.696) |
| **GROSS PROFIT/LOSS** | **75.484.600** | **12.257.956** | | **87.742.556** |
| General administration expenses (-) | - | - | (16.068.286) | (16.068.286) |
| Marketing expenses (-) | (22.781.874) | (9.232.904) | (6.716.542) | (38.731.320) |
| Research & development expenses(-) | - | - | (330.968) | (330.968) |
| Other operating income | - | - | 13.810.832 | 13.810.832 |
| Other operating expenses (-) | - | (19.373) | (15.132.898) | (15.152.271) |
| **OPERATING PROFIT/LOSS** | **52.702.726** | **3.005.679** | **(24.437.862)** | **31.270.543** |
| *Income from investing activities* | - | - | - | - |
| *Expenses related to investing activities (-)* | - | - | - | - |
| *Shares in profits and losses of investments accounted for by the equity method* | - | - | - | - |
| **OPERATING PROFIT/LOSS BEFORE FINANCIAL EXPENSES** | **52.702.726** | **3.005.679** | **(24.437.862)** | **31.270.543** |
| Financial income | - | - | 1.368.469 | 1.368.469 |
| Financial expenses (-) | - | - | (12.527.064) | (12.527.064) |
| **PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS** | **52.702.726** | **3.005.679** | **(35.596.457)** | **20.111.948** |
| **Tax expense/income from continuing operations** | **-** | **-** | **(4.417.937)** | **(4.417.937)** |
| Tax expense (-)/income for the period | - | - | (3.895.092) | (3.895.092) |
| Deferred tax expense (-)/income | - | - | (522.845) | (522.845) |
| **PROFIT/LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS** | **52.702.726** | **3.005.679** | **(40.014.394)** | **15.694.011** |
| **PROFIT/LOSS FOR THE PERIOD** | **52.702.726** | **3.005.679** | **(40.014.394)** | **15.694.011** |

(*) Turkey
(**) EU countries, Middle-East countries, Turkic Republics, African countries, Other Asian countries and other countries
(***) Unallocated income/expense

**(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)**

4. Cash and Cash Equivalents

Cash and cash equivalents consist of the following (TL) :

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Cash | **5.938** | 4.781 |
| Banks | | |
| - TL demand deposit | **2.799.866** | 260.160 |
| - Foreign currency demand deposit | **28.207** | 598.556 |
| - TL time deposit * | **8.608.360** | 26.966.000 |
| - Foreign currency time deposit ** | **3.320.597** | 7.293.501 |
| Cheques received | **3.996.130** | 3.134.106 |
| | **18.759.098** | 38.257.104 |

(*) As of 31 December 2014, the interest rate on TL time deposits is 10,05% (31 December 2013 – 8,60%) and the maturity date is 2 January 2015.

(**) As of 31 December 2014, the interest rates on foreign currency time deposits are 0,1%, 0,8%, and 2,5% (31 December 2013 – 0,1% and 1,5%) and the maturity date is 2 January 2015.

The Company has no blocked cash and cash equivalents as of 31 December 2014 and 31 December 2013.

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

5. Financial Liabilities

Short term bank borrowings are as follows (TL):

| | **31 December 2014** | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| | **Amount in foreign currency** | **TL equivalent** | **Interest rate (%)** | Amount in foreign currency | TL equivalent | Interest rate(%) |
| ***Short term bank borrowings*** | | ***22.040.641*** | | | *10.887.421* | |
| TL loans (without interest) | | **443.542** | | | 507.059 | |
| TL loans | | **20.000.000** | **(*) 11,10** | | 10.000.000 | (*)10,35 |
| Interest accrued on short term loans | | **1.597.099** | | | 380.362 | |
| **Current portion of long term bank borrowing** | | ***59.830.099*** | | | *17.619.857* | |
| TL loans | | **23.000.000** | **(**) 10,50-8** | | 7.666.667 | (*) 11,00-6,25 |
| TL loans | | **8.000.000** | **(***)3-6,25** | | 8.000.000 | (***) 10,50 |
| Euro loans | **9.000.000** | **25.386.300** | **(*)3,65** | | - | - |
| Interest accrued on current portion of long term loans | | **3.443.799** | | | 1.953.190 | |
| | | **81.870.740** | | | 28.507.278 | |

(*) Interest payable at the end of the period; fixed interest rate.
(**) Interest payable every three months; fixed interest rate.
(***) Interest payable every six months; fixed interest rate.

**(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)**

5. Financial Liabilities (continued)

Long term financial liabilities are as follows (TL):

| | **31 December 2014** | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| | **Amount in original currency** | **TL equivalent** | **Interest rate (%)** | **Amount in original currency** | **TL equivalent** | **Interest rate (%)** |
| Euro loans | **-** | **-** | **-** | **9.000.000** | **26.428.500** | **(*) 3,65** |
| TL loans | | **20.000.000** | **(*) 13-6,25** | | **8.000.000** | **(***) 10,50** |
| TL loans | | | | | **15.000.000** | **(*) 8,00** |
| TL loans | | | | | **9.000.000** | **(**) 6,25** |
| Current period instalments (-) | | | | | | |
| | | **20.000.000** | | | **57.428.500** | |

(*) Interest payable at the end of the period; fixed interest rate.
(**) Interest payable every three months; fixed interest rate.
(***) Interest payable every six months; fixed interest rate.

There is no guarantee given for the loans as of 31 December 2014 and 31 December 2013.

The repayment schedule of long term bank loans as of 31 December 2014 and 31 December 2013 is as follows:

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Less than 1 year | **59.830.099** | 17.619.857 |
| 1-3 years (*) | **20.000.000** | 57.428.500 |
| Short term portion of long term borrowings (-) | **(59.830.099)** | (17.619.857) |
| Total long term financial liabilities | **20.000.000** | 57.428.500 |

(*) The loan amounting to TL 20.000.000 stated among long term loans as of 31 December 2014 matures in 1 – 3 years (31 December 2013 – The loan of TL 57.428.500 matures in 1-3 years).

6. Other Financial Liabilities

Other short term financial liabilities are as follows (TL):

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Current value of forward exchange contracts (*) | **254.693** | 14.500 |
| | **254.693** | 14.500 |

(*) The Company has made forward exchange contracts during the period for hedging risks that may arise upon foreign currency fluctuations.

As of 31 December 2014, the total nominal value of the outstanding forward exchange and option contracts is USD 3.500.000 (31 December 2013 – USD 6.500.000) and AUD 1.000.000 (31 December 2013 – AUD 1.000.000). In relation to these outstanding forward exchange contracts of the Parent Company, a total of TL 254.693 is carried at current value (31 December 2013 – TL 14.500) under the “other financial liabilities” account.

**(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)**

6. Other Financial Liabilities (continued)

| Base currency | Nominal value | Maturity | Forward exchange rate |
|---|---|---|---|
| USD | 1.500.000 | 02.01.2015 | 2,3344 |
| USD | 2.000.000 | 09.01.2015 | 2,3380 |
| **Total** | **3.500.000** | | |
| AUD | 1.000.000 | 23.01.2015 | 1,8918 |
| **Total** | **1.000.000** | | |

7. Trade Receivables and Payables

Short term trade receivables consist of the following (TL) :

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Trade receivables from related parties | **10.711.451** | 8.881.177 |
| | **10.711.451** | 8.881.177 |
| Trade receivables | **23.627.589** | 18.591.940 |
| Post-dated cheques and notes receivable | **176.073.426** | 147.725.591 |
| Rediscount on trade receivables (-) | **(72.203)** | (64.657) |
| Rediscount on notes receivable (-) | **(1.516.625)** | (1.265.281) |
| Rediscount on post-dated cheques (-) | **(2.560.770)** | (2.010.913) |
| Doubtful receivables | **27.512.692** | 26.550.749 |
| Provision for doubtful receivables (-) | **(26.528.707)** | (25.866.204) |
| | **196.535.402** | 163.661.225 |
| | **207.246.853** | 172.542.402 |

In calculating the discounted cost value for trade receivables, the effective interest rate used for TL is 10,02% (31 December 2013 – 11,43%); Libor and Euribor are used for USD and EUR, respectively.

Average maturity of trade receivables is 96 days (31 December 2013 – 97 days).

As of 31 December 2014 and 31 December 2013, changes in provision for doubtful trade receivables are set out in the table below (TL):

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Opening balance | **25.866.204** | 16.642.679 |
| Provisions no longer required | **(2.904.418)** | (965.257) |
| Current period provision expense | **3.566.921** | 10.188.782 |
| | **26.528.707** | 25.866.204 |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

7. Trade Receivables and Payables (continued)

As of 31 December 2014 and 2013, overdue trade receivables for which no provision is made (including balances due from related parties) consist of the following. As of 31 December 2014 and 2013, the collaterals received from related entities cover the uncollected receivables; hence no additional provision is made in relation to these amounts in the accompanying financial statements.

| | Overdue receivables with no provisions | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | Outstanding receivables | 30 days past due | 30-60 days | 60-90 days | 90-180 days | 180 days |
| **31 December 2014** | **207.246.853** | **193.957.553** | **1.469.759** | **1.590.961** | **1.448.161** | **1.902.732** | **6.877.687** |
| 31 December 2013 | 172.542.402 | 160.704.653 | 535.865 | 1.147.447 | 1.062.971 | 1.601.037 | 7.490.429 |

As of 31 December 2014, the Company has guarantee letters, guarantee notes and mortgages in the amount of TL 42.109.635, TL 6.467.879, and TL 132.622.632, respectively, obtained against receivables (31 December 2013 – Guarantee letters: TL 36.895.163, Guarantee notes: TL 5.513.203, Mortgages: TL 119.498.959 ) (Note 15).

Trade payables consist of the following (TL) :

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Trade payables to related parties | **1.188.172** | 1.047.233 |
| | **1.188.172** | 1.047.233 |
| Trade payables | **25.472.689** | 38.415.217 |
| Notes payable | **44.839.750** | 17.285.440 |
| Rediscount on trade payables (-) | **(123.891)** | (93.410) |
| Rediscount on notes payable (-) | **(1.624.505)** | (184.213) |
| | **68.564.043** | 55.423.034 |
| | **69.752.215** | 56.470.267 |

In calculating the discounted cost value for trade payables, the effective interest rate for TL is 10,02% (31 December 2013 – 11,43%; Libor and Euribor are used for USD and EUR, respectively.

Average maturity of trade payables is 113 days (31 December 2013 - 87 days).

**(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)**

## 8. Other Receivables and Payables

Short term other receivables consist of the following (TL) :

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Other miscellaneous receivables | **243.803** | - |
| Deposits and guarantees given | **444.070** | 154.054 |
| Due from personnel | **3.180** | 4.703 |
| (Note 29 (iv)) | **691.053** | 158.757 |

Long term other receivables consist of the following (TL) :

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Deposits and guarantees given | **400.732** | 247.102 |
| (Note 29 (iv)) | **400.732** | 247.102 |

## 9. Inventories

Inventories consist of the following (TL) :

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Raw materials | **8.341.888** | 6.329.656 |
| Semi-finished goods | **4.637.494** | 3.316.311 |
| Finished goods | **20.859.890** | 15.139.185 |
| Trade goods | **18.299.614** | 9.112.442 |
| Provision for inventory (-) | **(1.469.673)** | (729.440) |
| | **50.669.213** | 33.168.154 |

Changes in inventory provision as at 31 December 2014 and 2013 are as follows (TL) :

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Opening balance | **729.440** | 678.743 |
| Increase / (decrease) during the period | **740.233** | 50.697 |
| Closing balance | **1.469.673** | 729.440 |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

## 10. Prepaid Expenses and Deferred Income

Prepaid expenses and deferred income consist of the following (TL):

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| **Short term prepaid expenses:** | | |
| - Advances given | **270.473** | 7.407.363 |
| - Expenses related to future months | **369.935** | 327.663 |
| | **640.408** | 7.735.026 |

**Long term prepaid expenses:**

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| - Advances given | **633.747** | 41.473 |
| - Expenses related to future years | **14.199** | 4.587 |
| | **647.946** | 46.060 |

**Deferred income:**

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| - Order advances received | **33.031.547** | 34.576.258 |
| - Other | **173.469** | - |
| | **33.205.016** | 34.576.258 |

## 11. Current Tax Assets

As of 31 December 2014 and 2013, current tax assets consist of the following (TL):

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| - Prepaid taxes and funds | **1.011** | 1.779.435 |
| | **1.011** | 1.779.435 |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

12. Tangible Assets

As of 31 December 2014, tangible assets consist of the following:

| Cost | Opening 1 January 2014 | Additions | Transfers | Disposals | Closing 31 December 2014 |
|---|---|---|---|---|---|
| Land | 18.740.342 | - | - | - | 18.740.342 |
| Land improvements | 1.257.752 | | 1.861.446 | - | 3.119.198 |
| Buildings | 30.938.125 | | 92.282 | - | 31.030.407 |
| Machinery and equipment | 110.014.143 | | 18.206.145 | (289.680) | 127.930.608 |
| Motor vehicles | 312.070 | | 107.838 | (12.000) | 407.908 |
| Furniture and fixtures | 8.546.650 | - | 328.893 | (48.200) | 8.827.343 |
| Construction in progress | 8.208.238 | 25.418.138 | (20.596.604) | - | 13.029.772 |
| Sub total | 178.017.320 | 25.418.138 | - | (349.880) | 203.085.578 |
| Accumulated depreciation (-) | | | | | |
| Land | - | - | - | - | - |
| Land improvements | (468.091) | (75.957) | - | - | (544.048) |
| Buildings | (7.183.264) | (993.529) | - | - | (8.176.793) |
| Machinery and equipment | (69.954.837) | (7.456.948) | - | 66.553 | (77.345.232) |
| Motor vehicles | (243.292) | (33.075) | - | 12.000 | (264.367) |
| Furniture and fixtures | (7.570.626) | (361.638) | - | 31.330 | (7.900.934) |
| Sub total | (85.420.110) | (8.921.147) | - | 109.883 | (94.231.374) |
| **Net value** | 92.597.210 | 16.496.991 | - | (239.997) | 108.854.204 |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

12. Tangible Assets (continued)

As of 31 December 2013, tangible assets consist of the following (TL):

| Cost | Opening 1 January 2013 | Additions | Transfers | Disposals | Revaluation value increase | Closing 31 December 2013 |
|---|---|---|---|---|---|---|
| Land | 18.740.342 | - | - | - | - | **18.740.342** |
| Land improvements | 1.219.327 | - | 38.425 | - | - | **1.257.752** |
| Buildings | 28.330.757 | - | 2.607.368 | - | - | **30.938.125** |
| Machinery and equipment | 99.812.083 | - | 10.273.158 | (71.098) | - | **110.014.143** |
| Motor vehicles | 292.751 | - | 79.271 | (59.952) | - | **312.070** |
| Furniture and fixtures | 8.137.804 | - | 408.844 | - | - | **8.546.650** |
| Construction in progress | 4.528.293 | 17.087.011 | (13.407.066) | - | - | **8.208.238** |
| Sub total | 161.061.357 | 17.087.011 | - | (131.050) | - | **178.017.320** |
| Accumulated depreciation (-) | | | | | | |
| Land | - | - | - | - | - | **-** |
| Land improvements | (379.700) | (88.391) | - | - | - | **(468.091)** |
| Buildings | (6.279.280) | (903.984) | - | 38.315 | - | **(7.183.264)** |
| Machinery and equipment | (63.740.767) | (6.252.385) | - | 59.952 | - | **(69.954.837)** |
| Motor vehicles | (288.258) | (14.986) | - | - | - | **(243.292)** |
| Furniture and fixtures | (7.208.539) | (362.087) | - | - | - | **(7.570.626)** |
| Sub total | (77.896.544) | (7.621.833) | - | 98.267 | - | **(85.420.110)** |
| Net value | 83.164.813 | 9.465.178 | - | (32.783) | - | **92.597.210** |

The Parent Company recognized its land, land improvements and buildings at their fair values. The land and buildings owned by the Parent Company were subject to revaluation for the first time in 2002 by Lotus Gayrimenkul Ekspertiz Değerleme Anonim Şirketi and the difference between the fair value and the carrying value was recognized in the financial statements. Subsequently, Lotus Gayrimenkul Ekspertiz Değerleme Anonim Şirketi performed another revaluation study in 2008. As per the report prepared on the second study dated 26 December 2008, the difference observed between the fair value and the carrying value of the assets was considered immaterial; hence the Parent Company did not recognize this difference in the financial statements.

For the purpose of determining any change that might have occurred in the fair values of the Parent Company's land, land improvements, and buildings, the Management delegated to a valuation company licensed by the Capital Markets Board, namely, Denge Gayrimenkul Değerleme ve Danışmanlık A.Ş a valuation study to be performed. As a result of this study, the difference observed between the fair values and the carrying values of the assets as stated in the valuation report was recognized by the Parent Company in the financial statements. The fair values of land, land improvements and buildings were determined according to their market values. The revaluation of the said tangible assets was made at the market value in use.

In case of disposal of revalued assets, the revaluation funds of these assets are transferred to retained earnings. Furthermore, the difference between the depreciation calculated over the revalued asset and the depreciation calculated over the acquisition value of the asset is transferred from the revaluation fund to the retained earnings account during the course of utilization on annual basis.

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

## 13. Intangible Assets

As of 31 December 2014, intangible assets consist of the following_(TL):

| Cost ; | Opening 1 January 2014 | Additions | Disposals | Closing 31 December 2014 |
|---|---|---|---|---|
| License | **859.735** | **-** | **-** | **859.735** |
| Trademark | **3.987.406** | **-** | **-** | **3.987.406** |
| Industrial design | **71.645** | **-** | **-** | **71.645** |
| Dealer list | **2.274.223** | **-** | **-** | **2.274.223** |
| Rights and other | **704.760** | **76** | **-** | **704.836** |
| Sub total | **7.897.769** | **76** | **-** | **7.897.845** |
| Accumulated amortization (-) | | | | |
| Industrial design | **(71.645)** | **-** | **-** | **(71.645)** |
| Dealer list | **(909.689)** | **(113.712)** | **-** | **(1.023.401)** |
| Rights and other | **(792.551)** | **(13.188)** | **-** | **(805.739)** |
| Sub total | **(1.773.885)** | **(126.900)** | **-** | **(1.900.785)** |
| Net Book Value | **6.123.884** | **(126.824)** | **-** | **5.997.060** |

As of 31 December 2013, intangible assets consist of the following (TL):

| Cost ; | Opening 1 January 2013 | Additions | Disposals | Closing 31 December 2013 |
|---|---|---|---|---|
| License | 859.735 | - | - | 859.735 |
| Trademark | 3.987.406 | - | - | 3.987.406 |
| Industrial design | 71.645 | - | - | 71.645 |
| Dealer list | 2.274.223 | - | - | 2.274.223 |
| Rights and other | 703.642 | 1.118 | - | 704.760 |
| Sub total | 7.896.651 | 1.118 | - | 7.897.769 |
| Accumulated amortization (-) | | | | |
| Industrial design | (71.645) | - | - | (71.645) |
| Dealer list | (824.406) | (82.283) | - | (909.689) |
| Rights and other | (748.946) | (43.605) | - | (792.551) |
| Sub total | (1.644.997) | (128.888) | - | (1.773.885) |
| Net Book Value | 6.251.654 | (127.770) | - | 6.123.884 |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

14. Goodwill

As of 31 December 2014 and 2013, goodwill consists of the following (TL) :

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **21 October 2004** | **655.882** | 655.882 |
| **23 October 2014** | **117.470** | - |
| | **773.352** | 655.882 |

The operations realized under the trademark "Winsa" were acquired by the Parent Company from Pilsa A.Ş as of 21 October 2004. Pursuant to the IFRS 3 "Business Combinations", the Parent Company recognized at fair value on the effective date of agreement (1 December 2004) the identifiable assets and liabilities transferred within the scope of the acquisition, and the difference between the acquisition cost and the fair value of the identifiable assets and liabilities less deferred tax effect, was recognized as goodwill in the financial records.

100% of the shares of Althera PVC LTDA- EPP, a company located in Brazil, are acquired by the Company at a total consideration of Euro 177.372,13 as of 23 October 2014. Pursuant to the IFRS 3 "Business Combinations", the Parent Company recognized at fair value on the effective date of agreement (23 October 2014) the identifiable assets and liabilities transferred within the scope of the acquisition, and the difference between the acquisition cost and the fair value of the identifiable assets and liabilities was recognized as goodwill in the financial records.

As of 31 December 2014 and 31 December 2013, the positive goodwill amounts to TL 773.852 (31 December 2013 – TL 655.882).

15. Provisions, Contingent Assets and Liabilities

As of 31 December 2014 and 2013, short term other provisions consist of the following (TL) :

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Warranty provision | **766.559** | 648.344 |
| Provision for litigation | **721.131** | 203.246 |
| Provision for tax penalty (*) | **536.260** | 536.260 |
| | **2.023.950** | 1.387.850 |

**(*)** In accordance with tax inspection reports issued by the Ministry of Finance Revenue Administration within the scope of tax inspection for 2007, tax penalty notifications issued were communicated to the Company within 2011. Accordingly, the Company was imposed with principal tax and tax loss penalty communicated on 2 April 2012 amounting to a total of TL 3.605.914. The Company initiated a tax case at Izmir 4th Tax Court against tax penalty on 30 April 2012. As a result of the first hearing held on 6 December 2012, a portion of TL 2.358.150 out of the tax penalties communicated to the Parent Company was reversed by the court. The date of the next hearing to be held for the balancing amount is not yet communicated to the Parent Company. Considering the current legal position and related evidence, the Management believes that the litigation process will be finalized in favor of the Parent Company. The Parent Company has made a provision of TL 536.260 in the accompanying financial statements as of 31 December 2014 and 31 December 2013 as a matter of prudence.

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

15. Provisions, Contingent Assets and Liabilities (continued)

As of 31 December 2014 and 2013, guarantees, pledges and mortgages given/received by the Parent Company and its Subsidiary consist of the following (TL):

| | **31 December 2014** | | 31 December 2013 | |
|---|---|---|---|---|
| | **TL equivalent** | **Foreign currency** | TL equivalent | Foreign currency |
| Guarantee letters received | | | | |
| Euro | **14.202.295** | **5.035.025** | 14.741.302 | 5.020.025 |
| USD | **2.863.841** | **1.235.000** | 2.635.861 | 1.235.000 |
| TL | **25.043.500** | | 19.518.000 | |
| | **42.109.636** | | 36.895.163 | |
| Guarantee notes received | | | | |
| Euro | **535.933** | **190.000** | 88.095 | 30.000 |
| USD | **1.612.975** | **695.578** | 1.484.573 | 695.578 |
| TL | **4.318.969** | | 3.940.535 | |
| | **6.467.877** | | 5.513.203 | |
| Mortgages received | | | | |
| Euro | **154.131** | **54.643** | 160.459 | 54.643 |
| TL | **132.468.500** | **132.368.500** | 119.338.500 | 119.238.500 |
| | **132.622.631** | | 119.498.959 | |
| Total guarantees and mortgages received | **181.200.144** | | 161.907.325 | |
| Guarantees given | | | | |
| Euro | **14.792.131** | **5.244.135** | 32.261 | 190.000 |
| USD | **4.199.227** | **1.810.870** | 22.712.213 | 60.000 |
| AUD | **32.275** | **17.082** | 2.371.382 | 7.193.282 |
| TL | **34.905.962** | | 5.237.725 | |
| | **53.929.595** | | 30.353.581 | |
| Total guarantees given | **53.929.595** | | 30.353.581 | |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

## 15. Provisions, Contingent Assets and Liabilities (continued)

As of 31 December 2014 and 2013, charts for guarantee, pledge and mortgage position of the Parent Company and its Subsidiary are as follows:

| Guarantees, pledges and mortgages given by the Company | 31 December 2014 | 31 December 2013 |
|---|---|---|
| a. Total amount of guarantees, pledges and mortgages given in the name of legal entity | **53.929.595** | 30.353.581 |
| b. Total amount of guarantees, pledges and mortgages given in favor of the parties included in the full consolidation | **-** | - |
| c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations | **-** | - |
| d. Total amount of other guarantees, pledges and mortgages | **-** | - |
| **Total** | **53.929.595** | 30.353.581 |

As of 31 December 2014 and 31 December 2013, the Parent Company and its subsidiary have no guarantees, pledges or mortgages received from or given to related parties.

As of 31 December 2014, the other guarantees, pledges and mortgages given by the Parent Company and its subsidiary are equivalent to 0% of their equity (31 December 2013 – 0%).

## 16. Commitments

a) The export commitments of the Parent Company and its Subsidiary are as follows:

The Parent Company and its subsidiary have export commitments in the amount of EUR 10.046.661 in relation to export incentives received on 31 December 2014 (31 December 2013 – EUR 3.600.000).

b) The transactions realized by the Parent Company and its subsidiary in relation to operating leases are as follows:

The operating leases of the Parent Company and its Subsidiary amounting to EUR 2.983.142, USD 3.067.253 and TL 3.013.520 (31 December 2013 – Euro 790.253, USD 3.287.683 and TL 3.089.770) consist of car, forklift, and warehouse rentals; and their maturities vary between 1-6 years. The portions of EUR 1.940.890, USD 279.450, and TL 1.239.373 of these amounts will mature in 1- 2 years.

## 17. Employee Benefit Obligations and Provisions

As of 31 December 2014 and 2013, employee benefit obligations consist of the following (TL):

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Taxes and funds payable | **427.326** | 397.143 |
| Social security premiums payable | **372.271** | 323.232 |
| Accrued wages | **992.941** | 982.706 |
| | **1.792.538** | 1.703.081 |

**(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)**

17. Employee Benefit Obligations and Provisions (continued)

As of 31 December 2014 and 2013, provisions for employee benefits consist of the following (TL):

**Provision for annual leaves**

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Opening balance | **636.816** | 696.160 |
| Charge for the current year | **321.215** | (59.344) |
| Closing balance | **958.031** | 636.816 |

**Provision for termination indemnity**

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Opening balance | **3.255.165** | 2.831.587 |
| Provisions paid during the year | **(129.583)** | (155.513) |
| Interest cost | **315.751** | 274.664 |
| Service cost | **365.907** | 251.378 |
| Actuarial gains / (losses) | **(494.035)** | 53.049 |
| Closing balance | **3.313.205** | 3.255.165 |
| | **4.271.236** | 3.891.981 |

18. Other Assets and Liabilities

As of 31 December 2013 and 2012, other assets and liabilities consist of the following (TL):

**Other current assets**

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| - Turnover premium cost accrual | **1.541.176** | 1.676.760 |
| - Deferred VAT | **1.167.329** | 1.661.350 |
| - Other advances | **293.218** | 275.580 |
| - Current value of forward exchange contracts | **-** | 122.450 |
| | **3.001.723** | 3.736.140 |

**Other Short Term Liabilities**

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Taxes and funds payable | **581.928** | 2.034.347 |
| Expense provisions | **331.119** | 422.255 |
| | **913.047** | 2.456.602 |

**(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)**

19. Equity

(a) Paid-in capital:

As of 31 December 2014 and 2013, the share capital and shareholding structure of the Parent Company is as follows:

| | **31 December 2014** | | 31 December 2013 | |
|---|---|---|---|---|
| | **TL** | **Shareholding (%)** | TL | Shareholding (%) |
| Deceuninck | **58.100.520** | **97,54** | 58.100.520 | 97,54 |
| Public offering | **1.466.380** | **2,46** | 1.466.380 | 2,46 |
| Paid-in capital as stated in the statutory books | **59.566.900** | **1 00,00** | 59.566.900 | 100,00 |
| Restatement difference | **7.840.703** | | 7.840.703 | |
| | **67.407.603** | | 67.407.603 | |

As of 31 December 2014 and 2013, the upper limit of registered capital of the Company's is TL 120.000.000. As of 31 December 2014 and 2013, the historic value of the Company's paid-in capital is TL 59.566.900 consisting of 5.956.690.000 shares of Kr 1 nominal value each.

As of 31 December 2014 and 2013, the movement chart of the number of shares issued for the Company's share capital is as follows:

| | **31 December 2014** | | 31 December 2013 | |
|---|---|---|---|---|
| | **Number of shares** | **TL** | Number of shares | TL |
| 1 January | **5.956.690.000** | **59.566.900** | 5.956.690.000 | 59.566.900 |
| Bonus issue transferred from retained earnings/prior year profits | **-** | **-** | - | - |
| End of period | **5.956.690.000** | **59.566.900** | 5.956.690.000 | 59.566.900 |

For the purpose of spreading its financial debts to 4-5 years of maturity and increasing its share capital, Deceuninck NV, pursuant to the Share Pledge Agreement entered into on 11 September 2009, has pledged in favor of Fortis Bank NV/SA acting in the capacity of guarantee representative, a total of 16.980.361,712 shares representing approximately 28,5063 % of the Company's total share capital at TL 0,01 nominal value each on 15 September 2009 and a total of 41.120.158,313 shares representing approximately 69,0318% of the Company's total share capital at TL 0,01 nominal value each on 16 September 2009. In total, there is a right of pledge established on approximately 97,5382% of the Company's shares in favor of Fortis Bank NV/SA.

For the purpose of obtaining a refinance loan of Euro 140.000.000, the major shareholder Deceuninck NV acting in the capacity of loan receiver has pledged in favor of Fortis Bank NV/SA acting in the capacity of guarantee representative the entire number of its 58.100.520 shares of TL 0,01 nominal value each representing 97,5382% of the Company's share capital as per the Share Pledge Agreement signed on 16 August 2012 upon amendment dated 16 July 2012 made on the Loan Agreement dated 11 September 2009.

**(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)**

19. Equity (continued)

(b) Restricted Profit Reserves :

Restricted profit reserves consist of legal reserves. Legal reserves which are divided as First Legal Reserve and Second Legal Reserve as per the Turkish Commercial Code, are appropriated as below:

*i.* First Legal Reserve: Appropriated out of net profit at the rate of 5% until such reserve is equal to 20% of issued and fully paid capital.
*ii.* Second Legal Reserve: Appropriated out of net profit at the rate of 10% of distributions after providing for First Legal Reserve and an amount equal to 5% of capital as dividends.

Legal reserves which do not exceed one half of share capital may only be used to absorb losses or for purposes of continuity of the business in times of business difficulties and to prevent unemployment or lessen its effects.

(c) Retained earnings / (Accumulated losses):

Changes in retained earnings/(accumulated losses) during the period are set out below (TL) :

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Retained earnings | **51.084.059** | 36.801.127 |
| TAS 19 Adjustment | **-** | 178.055 |
| Transfer to legal reserves | **-** | (293.946) |
| Fixed asset revaluation adjustment (*) | **298.398** | 298.398 |
| Dividend payment | **-** | (5.917.804) |
| Prior year profit / (loss) | **15.694.011** | 20.046.215 |
| Retained earnings/(accumulated losses) of the Branch (**) | **-** | (27.986) |
| | **67.076.468** | 51.084.059 |

(*) The land and buildings owned by the Parent Company were subject to revaluation in 2002, 2008 and 2012. The revaluation of these tangible assets was made at the market value in use. The difference between their carrying values and market values are stated in fixed asset revaluation fund under capital reserves. In case of disposal of revalued assets, the revaluation funds of these assets are transferred to retained earnings. Furthermore, the difference between the depreciation calculated over the revalued asset and the depreciation calculated over the acquisition value of the asset is transferred from the revaluation fund to the retained earnings account during the course of utilization on annual basis.

(**) The Company's branch in India started to operate in August 2012 and its effects were recognized in the financial statements as of 31 December 2014.

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

## 20. Sales and Cost of Sales

Sales consist of the following (TL):

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Imports | 323.740.219 | 277.996.737 |
| Exports | 54.253.657 | 38.782.881 |
| | 377.993.876 | 316.779.618 |

Cost of sales consists of the following (TL):

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Direct raw material, semi-finished good and material expenses | 208.933.279 | 163.327.198 |
| Direct labor cost | 2.822.426 | 2.351.609 |
| Amortization and depreciation expenses | 7.781.579 | 7.312.690 |
| Other production costs | 33.260.836 | 28.369.253 |
| **Total cost of production** | 252.798.120 | 201.360.750 |
| **Change in semi-finished goods** | (1.321.175) | (1.149.473) |
| Beginning of the period | 3.316.312 | 2.166.838 |
| End of the period | (4.637.487) | (3.316.311) |
| **Change in finished goods** | (5.720.705) | (3.849.469) |
| Beginning of the period | 15.139.185 | 11.289.716 |
| End of the period | (20.859.890) | (15.139.185) |
| **Change in trade goods** | 33.747.883 | 32.675.254 |
| Beginning of the period | 9.112.442 | 3.186.758 |
| Purchases | 42.935.056 | 38.600.938 |
| End of the period | (18.299.615) | (9.112.442) |
| | 279.504.123 | 229.037.062 |

## 21. Research and Development Expenses; Marketing, Sales and Distribution Expenses; General Administration Expenses

Research and development expenses; marketing, sales and distribution expenses; general administration expenses are as follows (TL) :

**Research and Development Expenses:**

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Personnel expenses | 468.798 | 304.018 |
| Other | 69.101 | 26.950 |
| | 537.899 | 330.968 |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

21. Research and Development Expenses; Marketing, Sales and Distribution Expenses; General Administration Expenses (continued)

Research and development expenses; marketing, sales and distribution expenses; general administration expenses are as follows (TL) (continued) :

**Marketing, sales and distribution expenses:**

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Personnel expenses | **15.846.344** | 12.350.598 |
| Customs and transportation expenses | **12.102.086** | 10.908.706 |
| Advertisement expenses | **1.653.018** | 3.444.127 |
| Exposition, exhibition and showroom expenses | **1.552.905** | 752.375 |
| Rental fees | **4.827.451** | 3.321.838 |
| Dealer promotion and meeting expenses | **2.995.543** | 3.328.502 |
| Sales premiums and commissions | **683.880** | 466.311 |
| Depreciation and amortization expenses | **922.801** | 139.927 |
| Other | **4.015.849** | 4.018.936 |
| | **44.599.877** | 38.731.320 |

**General administration expenses:**

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Personnel expenses | **6.401.604** | 5.997.415 |
| Consultancy services | **6.396.703** | 5.089.316 |
| Provision for doubtful receivables, net | **(179.843)** | 2.033.085 |
| Taxes and similar expenses | **491.812** | 659.914 |
| Depreciation and amortization expenses | **343.668** | 298.105 |
| Communication expenses | **137.814** | 131.489 |
| Insurance expenses | **468.671** | 397.443 |
| Termination indemnity and annual leave expenses | **557.538** | 36.521 |
| Other | **2.315.443** | 1.424.998 |
| | **16.933.410** | **16.068.286** |

22. Other Operating Income/Expenses

Other income and expenses from operating activities consist of the following (TL):

**Other operating income**

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Foreign exchange gains | **4.731.826** | 8.478.100 |
| Interest income | **2.996.640** | 2.893.329 |
| Forward earnings | **2.387.527** | 1.387.892 |
| Profit from fixed asset sales | **264.085** | 116.470 |
| Insurance damage income | **131.262** | 170.530 |
| Other | **1.336.224** | 764.511 |
| | **11.847.564** | **13.810.832** |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

22. Other Operating Income/Expenses (continued)

Other income and expenses from operating activities consist of the following (TL) (continued):

**Other operating expenses**

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Foreign exchange gains | **5.290.098** | 5.692.861 |
| Waived receivables (*) | **928.558** | 7.692.117 |
| Interest expense | **34.629** | 1.411 |
| Fixed asset sales expense | **158.589** | 42.375 |
| Interest cost of termination indemnity | **315.751** | 274.664 |
| Forward losses | **3.189.551** | 851.258 |
| Special transaction tax | **31.162** | 37.144 |
| Other expenses | **905.453** | 560.441 |
| | **10.853.791** | **15.152.271** |

(*) Receivables that are deemed uncollectible as a result of the legal proceedings started by the Company against customers in default are recognized as waived receivables under operating expenses.

23. Expenses by Nature

**Depreciation and Amortization Expenses**

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Production cost | **7.781.579** | **7.312.689** |
| General administration expenses | **343.668** | **298.105** |
| Marketing and sales expenses | **922.800** | **139.927** |
| | **9.048.047** | **7.750.721** |

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Depreciation | **8.921.147** | **7.621.833** |
| Amortization | **126.900** | **128.888** |
| | **9.048.047** | **7.750.721** |

**Employee Benefits**

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Wages and salaries | **18.721.219** | 25.097.949 |
| Social security premium expenses-employer’s share | **2.295.997** | 2055521 |
| Other social expenses | **20.099.442** | 6.353.045 |
| Provisions for termination indemnity and unused leaves, net | **557.538** | 311.185 |
| | **41.674.196** | **33.817.700** |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

## 24. Financial Income and Expenses

Financial income and expenses consist of the following (TL) :

**Financial Income**

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Foreign exchange gains | **1.512.758** | 923.669 |
| Forward earnings | **380.300** | 444.800 |
| | **1.893.058** | **1.368.469** |

**Financial Expenses**

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Foreign exchange losses | **616.160** | 5.564.858 |
| Interest expense | **8.398.125** | 6.904.655 |
| Forward losses | **2.406.500** | - |
| Other | **48.905** | 57.551 |
| | **11.469.690** | **12.527.064** |

## 25. Non-current Assets Held for Sale

As of 31 December 2014 and 2013, non-current assets held for sale consist of the following (TL):

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Opening balance | **1.607.283** | **766.229** |
| Additions | **449.554** | **1.303.011** |
| Disposals (-) | **(860.486)** | **(461.957)** |
| | **1.196.351** | **1.607.283** |

As of 31 December 2014 and 2013, non-current assets held for sale comprise land, stores and buildings acquired from customers against receivables whose collection has become doubtful. The Company Management intends to dispose of the subject real estate in the shortest time possible.

**(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)**

## 26. Taxes

a) Corporation Tax ;

For 2014 and 2013, the corporation tax rate in Turkey is 20%. This rate is applicable to the tax base derived upon adding onto the commercial earnings of entities the disallowable expenses, and deducting exemptions and discounts as stated in the tax legislation. The corporation tax rates in India, Chile and Brazil are is 43%, 20% and 34%, respectively.

Taxes payable as of 31 December 2014 and 31 December 2013 netted with the prepaid taxes are set out below (TL).

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Current period corporation tax | **5.231.363** | **3.895.092** |
| Taxes prepaid during the period (-) | **(5.224.115)** | **(3.842.630)** |
| Corporation tax payable | **7.248** | **52.462** |

As of 31 December 2014 and 2013, the reconciliation between tax expense calculated by appliying the legal tax rate on profit before tax and the total tax provision stated in the statement of profit or loss and other comprehensive income is as follows (TL) :

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Profit before tax | **27.835.708** | 20.111.948 |
| Tax expense /(income) at the rate of 20% | **5.567.142** | 4.022.390 |
| Effect of disallowable expenses | **272.982** | 1.197.332 |
| Effect of income exempt from corporation tax | **(209.760)** | (322.258) |
| Effect of other adjusting items | **(28.771)** | (479.527) |
| Current period tax (income) / expense | **5.601.593** | 4.417.937 |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

26. Taxes (continued)

b) Deferred tax assets and liabilities;

Deferred tax assets, liabilities, income and expenses and the temporary differences taken as basis for deferred tax calculations are as follows (TL):

| | Deferred tax asset / (liability ) | | Deferred tax income / (expense) | |
|---|---|---|---|---|
| | **31 December 2014** | 31 December 2013 | **31 December 2014** | 31 December 2013 |
| Provision for doubtful receivables | **1.263.231** | 1.337.744 | **(74.513)** | 277.523 |
| Provision for termination indemnity | **1.156.676** | 597.984 | **558.692** | 158.670 |
| Actuarial loss on termination indemnity | **(494.035)** | 53.049 | **(547.084)** | (73.954) |
| Provision for unused vacation | **191.606** | 127.363 | **64.243** | (11.869) |
| Provision for litigation | **144.226** | 40.649 | **103.577** | (21.485) |
| Rediscount on receivables | **(25.728)** | (81.518) | **55.790** | (566.952) |
| Rediscount on payables | **(11.764)** | (13.739) | **1.975** | 112.535 |
| Expense accruals | **387.197** | 285.767 | **101.430** | (183.199) |
| Elimination effect of consolidation | **573.890** | 452.786 | **121.104** | 452.786 |
| Depreciation time differences and the effect of valuation of intangible assets in accordance with TFRS 3 | **(7.715.995)** | (6.787.146) | **(928.850)** | (736.809) |
| Effect of fixed asset revaluation | **(1.804.060)** | (1.878.659) | **74.599** | 80.519 |
| Deferred Tax Asset / (Liability), Net | **(6.334.756)** | (5.865.720) | (469.037) | (512.235) |

Changes in deferred tax liability for the periods ended 31 December 2014 and 31 December 2013 are set out in the table below:

| | Deferred tax liabilities | |
|---|---|---|
| | **31 December 2014** | 31 December 2013 |
| Balance as of January 1st | **5.865.720** | **5.353.485** |
| Deferred tax (advantages)/expenses reflected to the income statement | **370.230** | **522.845** |
| Amount accounted for in the other comprehensive expenses account | **98.806** | **(10.610)** |
| Balance as of December 31st | **6.334.756** | **5.865.720** |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

27. Earning per Share

Earnings/(loss) per share is calculated as follows:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Profit/(loss) for the period | 22.234.115 | 15.694.011 |
| Weighted average number of ordinary shares at the beginning of the period * | 5.956.690.000 | 5.956.690.000 |
| Weighted average number of ordinary shares at the end of the period * | 5.956.690.000 | 5.956.690.000 |
| Earnings/(loss) per share (TL) | 0,3733 | 0,2635 |

(*) per share of Kr 1 nominal value

Calculation of earnings per share is made by dividing the net income/(loss) for the current period by the weighted average number of outstanding shares.

Changes in the number of shares for the periods ended 31 December 2014 and 31 December 2013 are set out in the table below:

| Number of shares | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Beginning of the period/year | **5.956.690.000** | 5.956.690.000 |
| Bonus issues from internal sources during the year | **-** | - |
| End of the period/year | **5.956.690.000** | 5.956.690.000 |

As of the reporting date, there was no transaction in relation to ordinary shares issued or planned to be issued other than those shown above.

Companies in Turkey are allowed to increase their share capitals through making transfers from various internal sources and extend bonus issues to shareholders based on this increase. In calculating earnings per share, the bonus shares are regarded as shares distributed as dividends. For that reason, these shares are deemed to be outstanding throughout the year in calculating the average number of shares.

28. Related Party Disclosures

i. Trade receivables from related parties consist of the following (TL) :

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Deceuninck (majority shareholder) | **2.060.177** | 3.344.013 |
| Other Deceuninck affiliates | **8.651.274** | 5.537.164 |
| Total (Note 7) | **10.711.451** | 8.881.177 |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

28. Related Party Disclosures (continued)

ii. Trade payables to related parties consist of the following (TL) :

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| EgePen Plastik San. Ve Tic. A.Ş (Ege Pen) (*) | **1.187.595** | 1.046.656 |
| Other | **577** | 577 |
| Total (Note 7) | **1.188.172** | 1.047.233 |

(*) Debt arising from acquisition of a 20.000 m2 of land owned by Ege Pen Plastik Sanayi ve Ticaret A.Ş. in Menemen Industrial Zone.

iii. Other receivables from related parties consist of the following (TL) :

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Deceuninck (majority shareholder) | **10.500.000** | - |
| Total | **10.500.000** | - |

The indicated total is given to Deceuninck for acquisition of Pimaş shares on 22 December 2014. A total of TL 10.568.919 is collected on 22 January 2015 including interest.

iv. Purchases of goods and services made from related parties for the periods ended 31 December 2014 and 2013 consist of the following (TL):

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Deceuninck (majority shareholder) | **507.735** | 1.540.785 |
| Other Deceuninck affiliates | **714.304** | 2.670.211 |
| Total | **1.222.039** | 4.210.996 |

v. Sales made to related parties for the periods ended 31 December 2014 and 2013 consist of the following (TL):

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Deceuninck (majority shareholder) | **2.717.521** | 3.095.685 |
| Other Deceuninck affiliates | **8.055.560** | 22.638.822 |
| Total | **10.773.081** | 25.734.507 |

vi. Fixed asset purchases made from related parties for the periods ended 31 December 2014 and 2013 consist of the following (TL):

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Deceuninck (majority shareholder) | **268.535** | 1.699.795 |
| Total | **268.535** | 1.699.795 |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

28. Related Party Disclosures (continued)

vii. Other purchases made from related parties for the periods ended 31 December 2014 and 2013 consist of the following (TL) :

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Deceuninck N.V * | 15.531.875 | 4.458.334 |
| Other Deceuninck affiliates | 418.428 | 268.759 |
| Egepen | 317.486 | 246.707 |
| Total | **16.267.789** | 4.973.800 |

(*) As of 31 December 2014, TL 4.929.487 of this total consists of management service fees (31 December 2013 – TL 3.909.560). There is no foreign representative office expense in 2014 (31 December 2013- TL 376.195).

Transactions with other Deceuninck affiliates consist of other expenses and the amount related to Ege Pen consists of trademark expenses.

viii. Salaries and similar benefits provided to top management such as CEO, Board Members, General Manager, General Coordinator, and Assistant General Manager of the Company for the period ended 31 December 2014 and 2013 amounts to TL 4.370.860.82 (31 December 2013 – TL 4.005.906).

ix. The unaudited statutory financial data of the subsidiaries as of 31 December 2014 is as follows (TL):

| | Deceuninck Importadora Limitada |
|---|---|
| | 31 December 2014 |
| Total assets | 20.646.648 |
| Gross sales | 13.366.603 |
| Net profit/(loss) for the period | (37.896) |
| Equity | 336.956 |
| Current Assets | 19.657.528 |
| Non-current Assets | 989.120 |
| Short-term Liabilities | 20.309.692 |
| Long-term Liabilities | - |
| Total Comprehensive Income | (37.896) |

| | Althera PVC LTDA-EPP |
|---|---|
| | 31 December 2014 |
| Total assets | 2.318.998 |
| Gross sales | 185.762 |
| Net profit/(loss) for the period | (155.392) |
| Equity | 133.934 |
| Current Assets | 2.318.998 |
| Non-current Assets | - |
| Short-term Liabilities | 1.427.082 |
| Long-term Liabilities | 757.983 |
| Total Comprehensive Income | (155.392) |

**(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)**

## 29. Nature and Level of Risks Arising from Financial Instruments

Due to its operations, the Parent Company is exposed to various financial risks including the effects of changes in foreign exchange rates and interest rates in loan market and capital market prices. These risks comprise price risk, foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Parent Company's general risk management program focuses on the unpredictable and fluctuating characteristic of the financial markets and aims to minimize their potential negative impact on the financial performance of the Parent Company.

Some of the basic financial instruments of the Company are bank borrowings, cash, and short and long term bank deposits. The main purpose in using these instruments is to finance the Parent Company operations. Furthermore, the Company has financial instruments like trade receivables and trade payables which are directly related to operations.

The Parent Company Management manages these risks in the manner stated below, and monitors the market risks that may arise upon utilization of financial instruments.

### i. Price Risk

Price risk is a combination of foreign exchange, interest, and market risks. The Parent Company's receivables and payables and interest bearing assets and liabilities cover and compensate each other provided that they are of the same currency; hence, the price risk is managed automatically. Market risk is monitored by market analyses and valuation methods

### ii. Interest Rate Risk

The Parent Company does not have significant interest-sensitive assets. The Parent Company's income and cash flows from its operations are mostly independent of the market interest fluctuations.

The Parent Company's interest rate risk arises from short and long term borrowings. The interest rates to be applied in the future periods will affect the loans to be received for the continuation of the Parent Company's operations in the subsequent period.

**Interest rate position chart and related sensitivity analysis**

As of 31 December 2014 and 2013, the interest rate position of the Parent Company is set out in the table below (TL):

| Interest rate position chart | | **Current period** | Prior period |
|---|---|---|---|
| | | **31 December 2014** | 31 December 2013 |
| | *Financial instruments with fixed interest rate* | | |
| | Assets the fair value difference of which is reflected to profit/loss | **-** | - |
| | Financial assets available for sale | **-** | - |
| Financial assets | Time deposits | **16.237.035** | 37.259.501 |
| Financial liabilities (Note 5) | | **101.292.940** | 85.428.719 |
| | *Financial instruments with variable interest rate* | | |
| Financial assets | | **-** | - |
| Financial liabilities (Note 5) | | **-** | - |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

29. Nature and Level of Risks Arising from Financial Instruments (continued)

### iii. Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Management monitors the funding risk of the Parent Company's current and potential loan requirements through maintaining continuous access to sufficient number of committed credit lines.

The Parent Company's liquid assets (current assets – (inventories + non-current assets held for sale) exceed its short term payables by a total of TL 50.061.705 as of 31 December 2014 (TL 98.403.750 as of 31 December 2013).

The maturity breakdown of the Parent Company's commercial and financial debts by due dates is set out in the table below as of 31 December 2014 and 2013.

### Current Period

| Expected or contractual terms | Carrying Value | Contractual cash outflows (=I+II+III+IV) | Up to 3 months (I) | 3-12 months (II) | 1-5 years (III) | More than 5 years (IV) |
|---|---|---|---|---|---|---|
| **Financial liabilities (non-derivative)** | | | | | | |
| **Bank loans** | 101.870.741 | 107.482.435 | 63.257.416 | 21.571.727 | 22.653.292 | - |
| **Other financial liabilities** | - | - | - | - | - | - |
| **Notes payable** | 43.215.244 | 44.839.749 | 17.049.652 | 27.790.097 | - | - |
| **Trade payables** | 26.536.971 | 26.653.309 | 22.679.715 | 3.973.594 | - | - |
| **Other payables (Deferred income)** | 33.205.016 | 33.205.016 | 12.604.209 | 20.600.807 | - | - |
| **Expected or contractual terms** | | | | | | |
| **Financial liabilities (derivative) (net)** | 254.693 | 254.693 | 254.693 | - | - | - |

### Prior Period

| Expected or contractual terms | Carrying Value | Contractual cash outflows (=I+II+III+IV) | Up to 3 months (I) | 3-12 months (II) | 1-5 years (III) | More than 5 years (IV) |
|---|---|---|---|---|---|---|
| Financial liabilities (non-derivative) | | | | | | |
| Bank loans | 85.935.778 | 91.550.084 | 8.958.902 | 20.822.588 | 61.768.594 | - |
| Other financial liabilities | - | - | - | - | - | - |
| Notes payable | 17.101.227 | 17.285.440 | 14.930.065 | 2.355.375 | - | - |
| Trade payables | 39.369.040 | 39.462.450 | 23.186.441 | 16.276.009 | - | - |
| Other payables (Deferred income) | 34.576.258 | 34.576.258 | 15.973.996 | 18.602.262 | - | - |
| Expected or contractual terms | | | | | | |
| Financial liabilities (derivative) (net) | 14.500 | 14.500 | 14.500 | - | - | - |

29. Nature and Level of Risks Arising from Financial Instruments (continued)

**iv. Credit Risk**

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Management monitors such risks by minimizing the average risk for the counterparty in the agreements (other than related parties) and receiving collaterals when necessary. The Company's collection risk basically arises from its trade receivables from dealers or other customers. The Company monitors this risk either by extending the credit limits allocated to dealers up to the level of collaterals received or by receiving advance payments. The utilization of these credit limits are continuously followed up by the Management and the credit quality is regularly assessed taking into consideration the customer's financial position, past experience and other similar factors.

Trade receivables are evaluated by the Parent Company management based on past experiences and current economic condition, and are presented in the financial statements net of provision for doubtful receivables.

The Parent Company attempts to control credit risk by extending the range of its sales operations, avoiding undesired concentrations on persons or groups of a certain sector or region. The Parent Company also obtains collaterals from customers when appropriate.

**(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)**

29. Nature and Level of Risks Arising from Financial Instruments (continued)

### iv. Credit Risk (continued)

Disclosures regarding maturity and guarantee structure of receivables and cash and cash equivalents are as follows (TL) :

| | Receivables | | | | |
|---|---|---|---|---|---|
| **31 December 2014** | **Trade receivables (Note 7)** | **Related Party (Note 7)** | **Other Party (Note 8)** | **Cheques on collection (Note 4)** | **Cash and Banks (Note 4)** |
| **Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)** | **196.535.402** | **10.711.451** | **1.091.785** | **3.996.130** | **14.762.968** |
| - Maximum risk secured by guarantee (2) | (181.200.144) | - | - | - | - |
| A. Net book value of financial assets neither overdue nor impaired | 182.262.118 | 10.711.451 | 1.091.785 | 3.996.130 | 14.762.968 |
| B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue | - | - | - | - | - |
| C. Net book value of assets overdue but not impaired | 13.289.299 | - | - | - | - |
| D. Net book value of impaired assets | - | - | - | - | - |
| - Overdue (gross book value) | 27.512.692 | - | - | - | - |
| - Impairment (-) (Note 7) | (26.528.707) | - | - | - | - |
| - Net value under guarantee | - | - | - | - | - |
| - Not overdue (gross book value) | - | - | - | - | - |
| - Impairment (-) (Note 7) | - | - | - | - | - |
| - Net value under guarantee | - | - | - | - | - |
| E. Off-balance sheet items having credit risk | - | - | - | - | - |

1) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.
(2) The collaterals received consist of guarantee notes, guarantee cheques and mortgages.

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

29. Nature and Level of Risks Arising from Financial Instruments (continued)

**iv. Credit Risk (continued)**

Disclosures regarding maturity and guarantee structure of receivables and cash and cash equivalents are as follows (TL) :

| | Receivables | | | | |
|---|---|---|---|---|---|
| **31 December 2013** | **Trade receivables (Note 7)** | **Related Party (Note 7)** | **Other Party (Note 8)** | **Cheques on collection (Note 4)** | **Cash and Banks (Note 4)** |
| **Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)** | **163.661.225** | **8.881.177** | **405.859** | **3.134.106** | **35.122.998** |
| - Maximum risk secured by guarantee (2) | (161.907.325) | - | - | - | - |
| A. Net book value of financial assets neither overdue nor impaired | 151.138.932 | 8.881.177 | 405.859 | 3.134.106 | 35.122.998 |
| B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue | - | - | - | - | - |
| C. Net book value of assets overdue but not impaired | 11.837.748 | - | - | - | - |
| D. Net book value of impaired assets | - | - | - | - | - |
| - Overdue (gross book value) | 26.550.749 | - | - | - | - |
| - Impairment (-) (Note 7) | (25.866.204) | - | - | - | - |
| - Net value under guarantee | - | - | - | - | - |
| - Not overdue (gross book value) | - | - | - | - | - |
| - Impairment (-) (Note 7) | - | - | - | - | - |
| - Net value under guarantee | - | - | - | - | - |
| E. Off-balance sheet items having credit risk | - | - | - | - | - |

(1) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.
(2) The collaterals received consist of guarantee notes, guarantee cheques and mortgages.

29. Nature and Level of Risks Arising from Financial Instruments (continued)

**v. Foreign Currency Risk**

The Company carries foreign exchange risk due to its assets and liabilities denominated in USD and Euro.

The Parent Company and its Subsidiaries are also exposed to foreign exchange risk due to the transactions made. Such risks arise from sales and purchases of goods and receiving bank loans denominated in currencies other than the Company's functional currency.

The Company monitors its foreign exchange risk by maintaining the balance between its foreign currency assets and liabilities and changing its pricing policy in line with the currency fluctuations, and also by analysing its foreign currency position. The net foreign currency position of the Parent Company and its subsidiaries as of 31 December 2014 and 31 December 2013 is stated in detail below.

*In total;*

| | **31 December 2014 (TL)** | 31 December 2013 (TL) |
|---|---|---|
| A. Assets denominated in foreign currency | **45.431.738** | 42.981.666 |
| B. Liabilities denominated in foreign currency | **(59.752.368)** | (54.570.571) |
| **Net foreign currency position (A+B)** | **(14.320.630)** | (11.588.905) |

**(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)**

29. Nature and Level of Risks Arising from Financial Instruments (continued)

The foreign currency position of the Parent Company and its subsidiaries as of 31 December 2014 is as follows:

| | | **Table of Foreign Currency Position** | | | | |
|---|---|---|---|---|---|---|
| | | Current Period | | | | |
| | | **TL equivalent (functional currency)** | **USD** | **Euro** | **AUD** | **GBP** |
| 1. | Trade receivables | 41.853.434 | 414.952 | 12.976.980 | 2.268.991 | - |
| 2a. | Monetary financial assets (including cash and bank accounts) | 3.348.804 | 1.118.539 | 256.231 | 17.082 | - |
| 2b. | Non-monetary financial assets | - | - | - | - | - |
| 3. | Other | 229.500 | 40.200 | 48.314 | - | - |
| **4.** | **Current assets (1+2+3)** | **45.431.738** | **1.573.691** | **13.281.525** | **2.386.073** | **-** |
| 5. | Trade receivables | - | - | - | - | - |
| 6a. | Monetary financial assets | - | - | - | - | - |
| 6b. | Non-monetary financial assets | - | - | - | - | - |
| 7. | Other | - | - | - | - | - |
| **8.** | **Non-current assets (5+6+7)** | **-** | **-** | **-** | **-** | **-** |
| **9.** | **Total assets (4+8)** | **45.431.738** | **1.573.691** | **13.281.525** | **2.386.073** | **-** |
| 10. | Trade payables | (32.924.690) | (2.916.998) | (9.274.458) | - | - |
| 11. | Financial liabilities | (26.827.678) | - | (9.511.000) | - | - |
| 12a. | Monetary other liabilities | - | - | - | - | - |
| 12b. | Non-monetary other liabilities | - | - | - | - | - |
| **13.** | **Short term liabilities (10+11+12)** | **(59.752.368)** | **(2.916.998)** | **(18.785.458)** | **-** | **-** |
| 14. | Trade payables | - | - | - | - | - |
| 15. | Financial liabilities | - | - | - | - | - |
| 16a. | Monetary other liabilities | - | - | - | - | - |
| 16b. | Non-monetary other liabilities | - | - | - | - | - |
| **17.** | **Long term liabilities (14+15+16)** | **-** | **-** | **-** | **-** | **-** |
| **18.** | **Total liabilities (13+17)** | **(59.752.368)** | **(2.916.998)** | **(18.785.458)** | **-** | **-** |
| 19. | **Net asset/(liability) position of off-balance sheet derivative instruments** (19a-19b) | 6.226.750 | 3.500.000 | - | (1.000.00) | - |
| 19a. | Total hedged asset amount | (1.889.400) | - | - | (1.000.00) | - |
| 19b. | Total hedged liability amount | 8.116.150 | 3.500.000 | - | - | - |
| **20.** | **Net foreign currency asset/(liability) position (9+18+19)** | **(4.315.080)** | **2.156.693** | **(5.503.933)** | **1.286.933** | **-** |
| **21.** | **Net foreign currency asset/ (liability)position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)** | **(14.550.130)** | **(1.383.506)** | **(5.552.247)** | **2.286.073** | **-** |
| 22. | Total fair value of financial instruments used for foreign currency hedging | 10.005.550 | 3.500.000 | - | (1.000.000) | - |
| 23. | Export(*) | 52.624.232 | 1.126.142 | 16.585.415 | 1.012.425 | - |
| 24. | Import(*) | 119.574.699 | 29.710.440 | 18.779.197 | - | - |

(*) Average rate of exchange is used.

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

29. Nature and Level of Risks Arising from Financial Instruments (continued)

The foreign currency position of the Parent Company and its subsidiaries as of 31 December 2013 is as follows:

| | | Table of Foreign Currency Position | | | | |
|---|---|---|---|---|---|---|
| | | Prior period | | | | |
| | | **TL equivalent (functional currency)** | **USD** | **Euro** | **AUD** | **GBP** |
| 1. | Trade receivables | 35.205.311 | 302.051 | 10.500.939 | 1.972.168 | - |
| 2a. | Monetary financial assets (including cash and bank accounts) | 7.293.501 | 37.926 | 2.445.188 | 17.082 | - |
| 2b. | Non-monetary financial assets | - | - | - | - | - |
| 3. | Other | 482.853 | 219.300 | 5.040 | - | - |
| **4.** | **Current assets (1+2+3)** | **42.981.665** | **559.277** | **12.951.167** | **1.989.250** | **-** |
| 5. | Trade receivables | - | - | - | - | - |
| 6a. | Monetary financial assets | - | - | - | - | - |
| 6b. | Non-monetary financial assets | - | - | - | - | - |
| 7. | Other | - | - | - | - | - |
| **8.** | **Non-current assets (5+6+7)** | **-** | **-** | **-** | **-** | **-** |
| **9.** | **Total assets (4+8)** | **42.981.665** | **559.277** | **12.951.167** | **1.989.250** | **-** |
| 10. | Trade payables | (27.250.196) | (5.628.142) | (5.179.891) | - | (7.775) |
| 11. | Financial liabilities | (769.033) | - | (261.888) | - | - |
| 12a. | Monetary other liabilities | (122.842) | - | (41.833) | - | - |
| 12b. | Non-monetary other liabilities | - | - | - | - | - |
| **13.** | **Short term liabilities (10+11+12)** | **(28.142.071)** | **(5.628.142)** | **(5.483.612)** | **-** | **(7.775)** |
| 14. | Trade payables | - | - | - | - | - |
| 15. | Financial liabilities | (26.428.500) | - | (9.000.000) | - | - |
| 16a. | Monetary other liabilities | - | - | - | - | - |
| 16b. | Non-monetary other liabilities | - | - | - | - | - |
| **17.** | **Long term liabilities (14+15+16)** | **(26.428.500)** | **-** | **(9.000.000)** | **-** | **-** |
| **18.** | **Total liabilities (13+17)** | **(54.570.571)** | **(5.628.142)** | **(14.483.612)** | **-** | **(7.775)** |
| 19. | **Net asset/(liability) position of off-balance sheet derivative instruments** (19a-19b) | 11.984.350 | 6.500.000 | - | (1.000.00) | - |
| 19a. | Total hedged asset amount | (1.888.600) | - | - | (1.000.00) | - |
| 19b. | Total hedged liability amount | 13.872.950 | 6.500.000 | - | - | - |
| **20.** | **Net foreign currency asset/(liability) position (9+18+19)** | **395.444** | **1.431.135** | **(1.532.445)** | **2.989.250** | **(7.775)** |
| **21.** | **Net foreign currency asset/ (liability)position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)** | **(12.071.759)** | **(5.288.165)** | **(1.537.485)** | **1.989.250** | **(7.775)** |
| 22. | Total fair value of financial instruments used for foreign currency hedging | 15.761.550 | 6.500.000 | - | (1.000.00) | - |
| 23. | Export(*) | 47.513.394 | 1.196.625 | 17.511.467 | 533.684 | - |
| 24. | Import(*) | 131.853.306 | 41.082.990 | 21.238.3923 | 21.515 | 22.667 |

(*) Average rate of exchange is used.

**(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)**

29. Nature and Level of Risks Arising from Financial Instruments (continued)

Due to exchange rate fluctuations, the Parent Company and its subsidiaries are exposed to foreign currency risk while translating to Turkish Lira the foreign currency payables and receivables arising from trade operations with foreign entities. Such risks are monitored and controlled by regular analysis of the foreign currency position. The Parent Company and its subsidiary follow a policy of diversifying their foreign currency position in order to manage foreign currency risk that may arise from future trade operations and the related assets and liabilities recognized.

The following tables demonstrate the sensitivity to a possible change of 10% in the USD, Euro, AUD and GBP exchange rates, with all other variables held constant, on the income before tax of the Parent Company and its subsidiaries as of 31 December 2014 and 31 December 2013.

| | | | | |
|---|---|---|---|---|
| **31 December 2014** | | | | |
| | Profit/Loss | | Equity | |
| | Foreign currency appreciation | Foreign currency depreciation | Foreign currency appreciation | Foreign currency depreciation |
| When USD changes by 10% against TL: | | | | |
| 1- USD net asset/liability | (311.499) | 311.499 | - | - |
| 2- Amount hedged from USD risk (-) | 811.615 | (811.615) | - | - |
| **3- USD Net Effect (1+2)** | **500.116** | **(500.116)** | - | - |
| When Euro changes by 10% against TL: | | | | |
| 4- Euro net asset/liability | (1.552.494) | 1.552.494 | - | - |
| 5- Amount hedged from Euro risk (-) | - | - | - | - |
| **6- Avro Net Effect (4+5)** | **(1.552.494)** | **1.552.494** | - | - |
| When AUD changes by 10% against TL: | | | | |
| 7- AUD net asset/liability | 431.931 | (491.931) | - | - |
| 8- Amount hedged from AUD risk (-) | (188.940) | 188.940 | - | - |
| **9- AUD Net Effect (7+8)** | **242.991** | **(242.991)** | - | - |
| When GBP changes by 10% against TL: | | | | |
| 10- GBP net asset/liability | - | - | - | - |
| 11- Amount hedged from GBP risk (-) | - | - | - | - |
| **12- GBP Net Effect (10+11)** | **-** | **-** | - | - |
| **Total (3+6+9+12)** | **(809.387)** | **809.387** | - | - |

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

29. Nature and Level of Risks Arising from Financial Instruments (continued)

| 31 December 2013 | | | | |
|---|---|---|---|---|
| | Profit/Loss | | Equity | |
| | Foreign currency appreciation | Foreign currency depreciation | Foreign currency appreciation | Foreign currency depreciation |
| When USD changes by 10% against TL: | | | | |
| 1- USD net asset/liability | (1.081.848) | 1.081.848 | - | - |
| 2- Amount hedged from USD risk (-) | 1.387.295 | (1.387.295) | - | - |
| **3- USD Net Effect (1+2)** | **305.447** | **(305.447)** | - | - |
| When Euro changes by 10% against TL: | | | | |
| 4- Euro net asset/liability | (450.002) | 450.002 | - | - |
| 5- Amount hedged from Euro risk (-) | **-** | - | - | - |
| **6- Avro Net Effect (4+5)** | **(450.002)** | **450.002** | - | - |
| When AUD changes by 10% against TL: | | | | |
| 7- AUD net asset/liability | 375.690 | (375.690) | - | - |
| 8- Amount hedged from AUD risk (-) | 188.860 | **(188.860)** | - | - |
| **9- AUD Net Effect (7+8)** | **564.550** | **(564.550)** | - | - |
| When GBP changes by 10% against TL: | | | | |
| 10- GBP net asset/liability | (2.730) | 2.730 | - | - |
| 11- Amount hedged from GBP risk (-) | - | - | - | - |
| **12- GBP Net Effect (10+11)** | **2.730** | **2.730** | - | - |
| **Total (3+6+9+12)** | **417.265** | **(417.265)** | - | - |

### i. Capital management

The capital management objectives of the Parent Company are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In parallel with the other entities in the sector, the Parent Company monitors its debt/equity ratios for capital management purposes. This ratio is calculated as net debt divided by total equity. Net debt is calculated as the total liability (total amount of short and long term liabilities in the statement of financial position) less cash and cash equivalents. Total share capital is the sum of all equity items recognized in the statement of financial position.

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| Total debt | **220.561.986** | 192.354.499 |
| Cash and cash equivalents (-) (Note 4) | **(18.759.098)** | (38.257.104) |
| Net debt | **201.802.888** | 154.097.395 |
| Total equity | **188.899.795** | 166.299.940 |
| **Debt/equity ratio** | **106%** | 93% |

30. Financial Instruments

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction between knowledgeable willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, where one exists.

The Company has determined the estimated values of its financial instruments by using the available market information and best practices for valuation. However, fair value measurement requires interpretation and reasoning. Accordingly, the estimates arrived at may not always be the indicators of values that the Company would obtain from a current market operation.

The Company Management assumes that the carrying values of financial instruments approximate their fair values.

*Financial assets –*

These assets are cash and cash equivalents, relevant interest accruals and other short term financial assets, recognized at cost. As they are short term assets, their carrying values are deemed to approximate their fair values. The carrying values of trade receivables together after the relevant provisions are made for rediscount and doubtful receivables are deemed to approximate their fair values.

*Financial liabilities –*

Monetary debts whose carrying values approximate their fair values:

The fair values of trade payables and other monetary liabilities are estimated to approximate carrying value due to their short-term nature. Bank loans are stated at discounted cost and the transaction costs are added onto the initial recording of loans.The fair values of bank borrowings are considered to approximate their respective carrying values, since the interest rates applied to bank borrowings are updated periodically to reflect active market price quotations. The fair value of loans with fixed interest carried at a total of TL 101.870.741 is TL 107.482.435. The carrying values of trade payables net of rediscount provision are assumed to approximate their fair values.

**Table of fair value measurement hierarchy**

The Company classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets
Level 2: Other valuation techniques includes direct or indirect observable inputs
Level 3: Valuation techniques does not contains observable market inputs

The hierarchy table of financial assets and liabilities carried at fair value as of 31 December 2014 is as follows:

| | **Level 1** | **Level 2 (*)** | **Level 3** |
|---|---|---|---|
| **Financial assets carried at fair value** | - | 1.889.400 | - |
| | | | |
| **Financial liabilities carried at fair value** | - | 8.116.150 | - |
| | | | |
| Fair value of forward operations | - | **6.226.750** | - |

(*) Fair value is measured taking as basis the market interest rates for the related currency effective in the remaining part of the contract.

31. Events After the Reporting Date

None.

32. Other Issues Materially Affecting the Financial Statements or Requiring Disclosure for a Proper Interpretation and Understanding of the Financial Statements

| | **31 December 2014 (TL Tutarı)** | 31 December 2013 (TL Tutarı) |
|---|---|---|
| Total insurance on assets | **336.195.965** | 352.380.362 |