(CONVENIENCE TRANSLATION OF A REPORT ORIGINALLY ISSUED IN TURKISH)

SASA POLYESTER SANAYİ A.Ş.

FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

(Convenience translation of a report and financial statements originally issued in Turkish)

Independent auditors' report on the financial statements

To the Board of Directors of Sasa Polyester Sanayi Anonim Şirketi

We have audited the accompanying balance sheet of Sasa Polyester Sanayi Anonim Şirketi ("the Company")as at 31 December 2014 and the related statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

The company'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 and fair presentation of financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these 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 standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sasa Polyester Sanayi Anonim Şirketi 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 other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 27, 2015.

2) In accordance with paragraph 4 of Article 402 of the 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 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Metin Canoğulları, SMMM
Partner

February 27, 2015
İstanbul, Türkiye

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STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

		Current Period (Audited)	**Prior Period (Audited)**
	Notes	**31 December 2014**	**31 December 2013**
ASSETS			
Current Assets		**450.566**	**436.566**
Cash and Cash Equivalents	3	13.986	600
Trade Receivables	6	231.357	233.921
- Other Trade Receivables		*231.357*	*233.921*
Other Receivables	8	3.504	1.453
- Other Receivables		*3.177*	*1.281*
- Other Receivables from Related Parties		*327*	*172*
Inventory	9	183.087	187.061
Prepaid Expenses	10	241	932
Other Current Assets	18	12.334	6.027
Assets Held for Sale	14	6.057	6.572
Non-Current Assets		**214.978**	**215.473**
Trade Receivables	6	4.294	106
Other Receivables	8	60	55
Investment Properties	11	1.039	1.229
Tangible Assets	12	140.848	150.617
Intangible Assets	13	2.423	2.865
Prepaid Expenses	10	854	200
Deferred Tax Assets	27	5.694	1.162
Other Non-Current Assets	18	59.766	59.239
TOTAL ASSETS		**665.544**	**652.039**
LIABILITIES			
Current Liabilities		**320.906**	**376.074**
Short-Term Borrowings	5	199.842	134.261
Trade Payables	6	112.903	234.673
- Other Trade Payables		*103.529*	*223.284*
- Trade Payables to Related Parties		*9.374*	*11.389*
Employee Benefit Obligations	7	3.259	3.144
Other Payables	8	1.697	2.411
- Other Payables to Third Parties		*1.687*	*2.410*
- Other Payables to Related Parties		*10*	*1*
Current Provisions		3.205	1.585
-Short-Term Provisions	15	*705*	*1.435*
-Short-Term Provisions for Employment Benefits	17	*2.500*	*150*
Non-Current Liabilities		**24.302**	**26.050**
Financial Liabilities	5	4.000	8.232
Long-Term Provisions		20.302	17.818
Long-Term Provisions for Employment Benefits	17	*20.302*	*17.818*
EQUITY		**320.336**	**249.915**
Share Capital	20	216.300	216.300
Share Capital Inflation Adjustments	20	196.213	196.213
Restricted Reserves	20	5.356	5.356
Actuarial Loss Fund for Employee Termination Benefits	20	(2.073)	(1.114)
Accumulated Losses	*20*	(166.840)	(173.081)
Net Profit /(Loss) for the Period		71.380	6.241
TOTAL LIABILITIES		**665.544**	**652.039**

Takip eden dipnotlar finansal tabloların tamamlayıcı parçasını oluşturur.

SASA POLYESTER SANAYİ A.Ş.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

	Notes	Current Period (Audited) 1 January - 31 December 2014	Prior Period (Audited) 1 January - 31 December 2013
CONTINUING OPERATIONS			
Revenue (Net)	21	1.209.788	1.090.265
Cost of Sales (-)	21	(1.071.447)	(1.018.477)
GROSS PROFIT		**138.341**	**71.788**
General Administrative Expenses (-)	22	(17.698)	(15.655)
Marketing, Sales and Distribution Expenses (-)	22	(49.393)	(39.556)
Research and Development Expenses (-)	22	(1.808)	(2.528)
Other Operating Income	24	78.167	91.404
Other Operating Expenses (-)	24	(61.222)	(72.736)
OPERATING PROFIT		**86.387**	**32.717**
Investment Income	23	654	112
Investment Expenses (-)	23	-	(18)
OPERATING (LOSS) / PROFIT BEFORE FINANCIAL INCOME		**87.041**	**32.811**
Financial Income	25	4.094	3.362
Financial Expenses (-)	26	(24.047)	(31.109)
OPERATING (LOSS) / PROFIT BEFORE TAX		**67.088**	**5.064**
Tax Benefit / (Expense)		**4.292**	**1.177**
- Current Tax Expense		-	-
- Deferred Tax Income / (Expense)	27	4.292	1.177
PROFIT FOR THE PERIOD		**71.380**	**6.241**
Other Comprehensive Income / (Expense)			
Actuarial Loss Arising from Employee Benefits		**(959)**	**-**
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		**70.421**	**6.241**
Earnings per share (Hundred)	28	0,33	0,03

SASA POLYESTER SANAYİ A.Ş.

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

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

					Other comprehensive income / (expense) not in the reclassified to profit or loss			
	Notes	Paid in Capital	Inflation Adjustment to Shareholders Equity	Restricted Reserves	Actuarial Losses Arising from Employee Benefits	Net profit for the period / year	Accumulated Losses / Retained Earnings	Total Equity
Balance at 1 January 2013	**20**	**216.300**	**196.213**	**5.356**	**(1.114)**	**(29.695)**	**(143.386)**	**243.674**
Transfers		-	-	-	-	29.695	(29.695)	-
Net Profit for the Period		-	-	-	-	6.241	-	6.241
Other Comprehensive Income		-	-	-	-	-	-	-
Total Comprehensive Income /(Loss)		-	-	-	-	6.241	-	6.241
Balance at 31 December 2013	**20**	**216.300**	**196.213**	**5.356**	**(1.114)**	**6.241**	**(173.081)**	**249.915**
Balance at 1 January 2013	**20**	**216.300**	**196.213**	**5.356**	**(1.114)**	**6.241**	**(173.081)**	**249.915**
Transfers						(6.241)	6.241	
Net Profit for the Period		-	-	-	-	71.380	-	71.380
Other Comprehensive Income		-	-	-	(959)	-	-	(959)
Total Comprehensive Income /(Loss)		-	-	-	(959)	71.380	-	70.421
Balance at 31 December 2014	**20**	**216.300**	**196.213**	**5.356**	**(2.073)**	**71.380**	**(166.840)**	**320.336**

Takip eden dipnotlar finansal tabloların tamamlayıcı parçasını oluşturur.

SASA POLYESTER SANAYİ A.Ş.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

	Notes	Current Period (Audited) 1 January - 31 December 2014	Prior Period (Audited) 1 January - 31 December 2013
Profit/ (Loss) before taxation		**67.088**	**5.064**
Cash Flows from operating activities			
Depreciation and amortization expense	11,12,13	21.543	20.156
Interest expense	26	12.426	11.519
Gain on sale of fixed assets	23	(654)	(94)
Change in provision for employee benefits	17	3.308	3.334
Changes in provisions	15	356	877
Interest income from bank deposits	25	(232)	(41)
Rediscount interest income (net)	6	(1.155)	(277)
Provision for doubtful receivable	6	374	-
Provision for premium	17	3.350	150
Provision for impairment inventories-net	9	8.262	(760)
Operating cash flows provided before changes in working capital:		**114.666**	**39.928**
Changes in operating assets and liabilities:			
Changes in trade receivable	6	(866)	(30.452)
Changes in due from related parties	6,8	(155)	182
Changes in inventories	9	(13.197)	39.722
Changes in other receivables	8	(1.900)	905
Changes is prepaid expenses	10	37	(413)
Changes in other current assets	18	(6.307)	3.566
Changes in other non-current assets	18	(527)	(329)
Changes in trade payables	6	(119.882)	115.353
Changes in due to related parties	29	(2.006)	(889)
Changes in debt for employee termination benefits	7	115	279
Changes in other long term liabilities	8	-	(133)
Changes in other short term liabilities	8	493	(5.244)
Net cash generated by operating activities:		**(29.529)**	**162.475**
Employment termination benefits paid	15,17	(2.918)	(3.363)
Changes in premium provision	17	(1.000)	-
Tax payable paid	8	(1.218)	(8.527)
Net cash used in operating activities		**(34.665)**	**150.585**
Investing activities:			
Purchase of property, plant and equipment and intangible assets	12,13	(1.976)	(3.865)
Proceeds from sale of property, plant	12,14	912	1.058
Net cash used in investing activities		**(1.064)**	**(2.807)**
Financing activities:			
Bank loans received	5	229.181	755.517
Interest paid	5,26	(6.661)	(15.909)
Interest received	25	232	41
Repayment of borrowings	5	(173.637)	(890.503)
Repayment of financial leasings	5	-	(109)
Net cash generated by financing activities		**49.115**	**(150.963)**
Net increase / (decrease) in cash and cash equivalents	3	13.386	(3.185)
Cash and cash equivalents at the beginning of the period	3	600	3.785
Cash and cash equivalents at the end of the period	3	**13.986**	**600**

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Sasa Polyester Sanayi A.Ş. (the "Company") was incorporated on 8 November 1966 in Adana. The Company is mainly engaged in the production and marketing of polyester fibre, yarns and related products and polyester chips. The Company is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding") and accordingly its ultimate parent company is Sabancı Holding.(*) Shares of the Company are quoted on the Borsa Istanbul A.Ş..

The address of the registered office is Yolgeçen Mahallesi Turhan Cemal Beriker Bulvarı No:559 01355 Seyhan/Adana.

As of 31 December 2014, number of employees of the Company is 1.088 (31 December 2013: 1.087).

(*) The Share Purchase Agreement was signed on 9 April 2014 regarding the sale of all shares of Hacı Ömer Sabancı Holding A.Ş.in SASA Polyester Sanayi A.Ş with a nominal value of 110.313.001,18 TL corresponding to 51 % of the share capital of the Company, to Erdemoğlu Holding. The agreement was signed on January 13, 2015 and the shares will be transferred upon the approvals of the relevant authorities.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

<u>Basis of Preparation of Financial Statements and Significant Accounting Policies</u>

The financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Reporting Standards") on 13 June 2012 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

According to decision which was made by CMB on March 17, 2005, from the date of January 1, 2005 there is no need for inflation accounting application for the listed companies performing in Turkey. The Company has prepared the financial statements according to this decision.

Functional and representative currency of the Company is TL.

The financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the POA. The accompanying financial statements are prepared in accordance with the TAS/TFRS we have performed several adjustments such as Termination indemnity adjustment in accordance with IAS 19 and Deferred tax adjustments, which are not included in the statutory books.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of preparation (continued)

The financial statements are prepared according to the historical cost basis.

Financial statements are approved for declaration by Board of Directors on February 27, 2015 and signed by General Manager Toker Özcan and Finance Manager Metin Akyüz on behalf of the Board of Directors. The financial statements of the Company are subject to the approval of shareholders in the General Assembly and the shareholders possess the right to ask for amendment of these financial statements at the General Assembly after issuance.

2.2 Comparatives and restatement of prior periods' financial statements

For the purpose of following the financial conditions and performance trends the financial statements are presented with comparison to the prior year. When needed, the prior year financial statements can be reclassified for consistency with the current year's one and material differences can be revealed.

Pursuant to the decree taken in the CMB's meeting dated June 7, 2013 and numbered 20/670, for capital market board institutions within the scope of the Communiqué on Principles Regarding Financial Reporting in the Capital Market, financial statement templates and a user guide have been published, effective as of the interim periods ended after March 31, 2013. Various classifications were made in the Company's statement of financial position pursuant to these formats which have taken effect.

The classifications made in the statement of financial position of the Company as of 31 December 2013 are as follows:

- Unused vacation allowance amounting to TL 1.618 presented in short term employee benefits were classified as long term employee benefits.

- Acrrued expenses amounting to TL 1.556 presented in other short term provisions were classified as trade payables to non-related parties.

- Premium for senior management amounting to TL 150 presented in other operating expenses were classified as general administrative expenses.

2.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.4 Changes in Accounting Policies

Changes in accounting policies are applied retrospectively and the financial tables for prior years are restated.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Changes in Accounting Estimates and Errors

The effect of a change in an accounting estimate is recognized prospectively in the year of the change, if the change affects that year only; or the year of the change and future years, if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year.

Changes in accounting policies are applied retrospectively and the financial statements for prior years are restated.

2.6 The new standards, amendments and interpretations

The accounting policies adopted in preparation of thefinancial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the financial statements of the Company.

TFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified.

The amendments required additional disclosures about the measurement of impaired assets with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the financial statements of the Company.

TAS 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the financial statements of the Company.

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. This amendment does not have any impact on the financial position or performance of the Company.

ii)Standards issued but not yet effective and not early adopted

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

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. Phase 1 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 (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied 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.

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 limiting 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.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for 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.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Annual Improvements to TAS/TFRSs

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.

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.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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.

Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts. 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 do not expect that these amendments will have significant impact on the financial position or performance of the Company.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (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 financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. *The Company* will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

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.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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 or intangibles). 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 beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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 financial position or performance of the Company.

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

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. 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 amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Annual Improvements to IFRSs - 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 amendments on financial position or performance of the Company.

IFRS 10 and IAS 28: Sale or Contribution of Assets 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, 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. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments are applied retrospectively.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

IAS 1: Disclosure Initiative (Amendments 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 (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after
1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements of the Company.

2.7 Significant Accounting Estimations and Decisions (continued)

Preparation of financial statements necessitates the usage of estimates and assumptions that can affect the amounts of reported assets and liabilities as at statement of financial position date, the explanation for the contingent assets and liabilities and the income and expenses reported during the accounting period. Although these estimates and assumptions are based on Company management's best estimates related with the current conditions and transactions, actual results may differ than these estimates.

Net Realizable Value of Inventory

Inventories are stated at the lower of cost and net realizable value. The Company Management has determined that the cost of inventories is higher than the realizable value as of the reporting date. The impairment calculation requires management to estimate the future cash flows expected to arise from the sale of inventories and the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Based on the estimation made by the Management as of December 31, 2014 the cost of inventories was reduced by TL 8.262 (31 December 2013: TL 1.273) and it was recorded to cost of sales.

Determination of Recoverable Amount of Tangible Assets

As discussed in Note 12, the Company took into consideration the internal and external sources of information as described in TAS 36 "Impairment of Assets" as impairment indicators and performed a study based on discounted future cash flow models for the determination of the recoverable amount of the Company's tangible assets as at 31 December 2014. The future projections included in the subject study is heavily dependent on the demand of customers in the market. Moreover, the Company management foresees that weight of production and sale of the products with higher gross profit margin will increase in future periods. This study which is based on discounted future cash flows reflects the Company management's future estimations and assumptions.

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TFRS purposes and financial statements prepared in accordance with the tax legislation. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could increase taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would,

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Company's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized. The Company has not recognized some of its deferred tax assets because it is not probable that taxable profit will be available sufficient to recognize deferred tax assets in this entity. If future results of operations exceed the Company's current expectations, the existing unrecognized deferred tax assets may be recognized, resulting in future tax benefits.

VAT

The company has reclassified VAT amount which is estimated to not use in short term period under current assets.

Retirement Pay Liability

Retirement benefit obligations' present value is determined through using certain assumptions under actuarial basis. These assumptions are also used in determining severance compensation's net expense and include the discount ratio. Any change in such assumptions affects the value of the registered retirement benefit obligation. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses. All actuarial gains and losses are recognized under the fund of actuarial loss/earnings fund for employee termination benefits under equity.

At the end of each year, the Company determines the appropriate discount ratio. This ratio is used to calculate for the fulfilment of obligations for severance compensation's present value of estimated future cash outflows (Note 17).

2.8 Summary of Significant Accounting Policies

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

Revenue:

Revenue is recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Company is probable. Net sales are calculated after the sales returns and sales discounts are deducted.

Sale of goods:

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

- Transformation the significant risks and benefits of ownership to the buyer by the Company.
- The absence of Company's continuing managerial involvement associated with ownership and effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Other Revenues are recognized in accordance with following;

Planning according to segments:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers of the Company. The chief operating decision makers, who are responsible for allocation resources and assessing performance of the operating segments, have been identified as the senior management that makes strategic decisions.

The senior management of the Company makes strategic decisions as a whole over the operations of the Company as the Company operates in a single industry and operations outside Turkey do not present an important portion in overall operations. Based on those reasons, there is a single reportable segment in accordance with the provisions in TFRS 8 and segment reporting is not applicable.

Rental income:

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Related Parties

Parties are considered related to the Company if

(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),

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

(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)

Tangible Assets

Tangible assets are carried at cost less accumulated depreciation and impairment loss if exists. Depreciation is provided over adjusted costs on a straight-line basis over the economic useful lives. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Years
Land Improvements	15 - 25
Buildings	18 - 40
Machinery and equipment	15 - 25
Motor vehicles	5
Furniture and fixtures	5 - 10
Spare parts	5

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of net selling price or value in use. Net selling price is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or cash generating unit plus the residual value.

Gains or losses on disposals of property, plant and equipment are included in the related income and expense accounts, as appropriate.

Leasing

<u>Leasing – the Company as Lessee</u>

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of minimum lease payments. The corresponding liability to the lesser is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit to loss, unless they are directly attributable to qualifying assets in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. Contingent leases recognized as an expense as incurred.

Tangible Assets Held For Sale

According to the company management, tangible assets which are held for sale, which the sale accounting has been completed within 1 year from the statement of financial position date and which there is no active intention of holding the asset are valued with minimum of the book value and the fair value. The recovery of the book value doesn`t depend on the usage of the relevant tangible asset but the sale of the tangible asset. For the tangible assets classified under current assets held for sale, the depreciation provision is stopped as of the date of the classification date.

Intangible Assets

Intangible assets comprise of acquired intellectual property and computer software. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the date of acquisition. Where an indication of impairment exists, the carrying amounts of any intangible assets including goodwill are assessed and written down immediately to their recoverable amount.

Research and Development Costs

Research costs are expensed as incurred, costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods.

Financial Instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Receivables

Trade receivables, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortized cost using the effective interest method less any impairment.

Borrowings

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement as financial expense over the period of the borrowings. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred (Note 5).

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which requires substantial period of time to get ready for its intended use or sale, shall be capitalized over the cost of the assets. Other borrowing costs shall be recognized as an expense in the period incurs.

Impairment of financial assets

Financial assets are reviewed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Monetary assets

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

The fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables are estimated to be their fair values due to the elimination of the credit finance income.

Financial liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Monetary liabilities

Fair value of bank loans and other monetary liabilities approximates to their carrying amount since they are short term liabilities. Fair value of items denominated in foreign currencies and translated at the rates prevailing at the balance sheet date approximates to their carrying amount.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Effects of changes in foreign currency

The Company's financial statements are presented in the currency of primary economic environment (its functional currency) in which it operates. The Company's financial condition and operating results, the Company's functional currency and presentation currency for financial statements are expressed in TL.

During the preparation of financial statements, transactions on foreign currency (currencies other than TL) are recorded on the base of currencies on transaction date. Monetary assets and liabilities denominated in foreign currencies on balance sheet translated into Turkish Lira using exchange rates prevailing on the statement of financial position date. None-monetary items carried at fair value that is being monitored are denominated in foreign currency, are retranslated into TL at the rates prevailing on the date fair value determined. None-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences, except as specified below, are recognized in profit or loss in the period in which:

-Foreign exchange gain/losses related to assets under construction for future productive use, and included as an adjustment to interest costs and added on cost of those assets,

-Hedging transaction foreign currency risks (hedging accounting policies are described below),

-Foreign exchange differences forming part of the foreign operation net investment, accounted under reserves, associated with profit or loss on sale of the net investment, arising from international activity debt and receivables without intention or possibility of any payment.

The Company's assets and liabilities of foreign operations are expressed in TRY using exchange rates prevailing on the statement of financial position date in the financial statements. Income and expense items, unless exchange rates fluctuates significantly at the dates of the transactions in the period (in case of major fluctuations, exchange rates at the transaction date is used) , are translated using average exchange rates during the period. Exchange differences are recognized in other comprehensive income and accumulated equity in a separate component.

Earnings per Share

Earnings per share disclosed in the accompanying statement of income are determined by dividing net income by the weighted average number of shares in existence during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them a retroactive effect for the period in which they were issued and each previous year.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Provisions, Contingent Assets and Liabilities

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

A possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company have not been recognized in the accompanying financial statements and treated as contingent liabilities and contingent assets.

Government Grants

Government incentives are not reflected in the financial statements; without the business fulfilment of the necessary conditions for obtaining that incentive which will and a reasonable assurance that they shall be obtained.

Government grants, intended to meet the costs of these incentives are reflected as an expense in profit or loss in a systematic manner throughout the periods. The government grants as a financing tool, rather than being accounted as a net off item profit or loss, should be associated with the statement of financial position (balance sheet) as unearned income, should be reflected in a systematic manner in profit or loss during the economic life of the related assets.

Government incentives given in order to meet expenses or losses previously realized and to provide emergency financial support without any cost in the future are recognized in profit or loss when it becomes liveable.

Loans obtained from the state lower than market interest rate, is considered to be government grants. Benefit from lower interest rates is calculated as the difference between the initial carrying amount and the gains of the loan during the period.

The Company benefits from research and development ("R&D") grants within the scope of the Communiqué No: 98/10 of The Scientific and Technological Research Council of Turkey ("TÜBİTAK") and Money Credit and Coordination Board related to R&D grants for its research and development projects given that such projects satisfy specific criteria with respect to the evaluation of TÜBİTAK Technology Monitoring and Evaluation Board.

The government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. The portion of government grants associated to previously capitalize intangible assets is deducted from the cost of the intangible asset, whereas the other government grants are recognized as income in the period which they are incurred.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Investment Property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method. The cost of a self-constructed investment property is determined as its cost at the date when the construction or development is complete. On that date the subject asset qualifies as an investment property and thus transferred to investment properties class. The useful life estimation for the buildings within investment properties is between 18-25 years.

Provision for Employment Termination Benefits

Severance Payments:

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

The liability for employment termination benefits recognized in the financial statements was calculated according to the current net value of the liability amounts expected to occur in the future due to retirement of employees and was reflected on the financial statements. All calculated actuarial gains and losses are reflected on the fund of gains/losses due to employee termination benefits under equity.

Liabilities arising from unused leave rights defined as "short-term provisions regarding employee benefits" are accrued in the period in which the right is gained and recognized after being discounted if their impact is material.

Taxation and Deferred Taxes

Tax expense consists of total current tax and deferred tax benefit / (expense).

Current tax

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

Deferred Taxes

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the statement of financial position method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Current and deferred tax for the year

The current tax or the deferred tax for the current year is accounted as expense or income under the income table.

Share Capital and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity by deducting from retained earnings in the year in which they are declared.

Restricted Reserves

Restricted reserves are allocated from profit of previous year due to obligation arising from law or the Company's articles or objects excluding profit distribution (etc. tax advantage for gain on sale of subsidiaries). These reserves are carried at their statutory amounts.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Reporting of cash flows

In the statements of cash flows, cash flows are classified and reported according to their operating, investing and financing activities.

Subsequent events

Post period-end events that provide additional information about the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

NOTE 3- CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash on hand	4	3
Banks	13.982	597
-Foreign currency demand deposits	2.060	511
- TL demand deposits	122	86
- TL time deposits	11.800	-
	13.986	**600**

The effective weighted average interest rate is 10,15% for TL 11.800 time deposits as of December 31, 2014.
There is not any pledge or lien on banks as of December 31, 2014 and 2013.

NOTE 4- FINANCIAL ASSETS

None.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 5- BORROWINGS

Short term borrowings

	31 December 2014	31 December 2013
Short-term bank borrowings	195.611	132.203
Current portion of long-term borrowings	4.231	2.058
Short-term borrowings	**199.842**	**134.261**

Long-term borrowings

	31 December 2014	31 December 2013
Long-term bank borrowings	4.000	8.232
Long-term borrowings	**4.000**	**8.232**

Foreign currency denominated bank borrowings and corresponding interest expense accruals as at 31 December 2014 and 31 December 2013 are as follows:

Principal	**31 December 2014**			**31 December 2013**		
Original Currency	**Weighted Average Effective Interest Rates %**	**Original Amount**	**TL**	**Weighted Average Effective Interest Rates %**	**Original Amount**	**TL**
TL	10,26	-	63.119	7,59	-	88.840
USD	1,50	58.137.581	134.813	1,38	25.000.000	53.358
			197.932			**142.198**
Accrued Interest						
TL		-	5.823		-	295
USD		38	87		-	-
			203.842			**142.493**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 6- TRADE RECEIVABLES AND TRADE PAYABLES

Trade Receivables

	31 December 2014	31 December 2013
Trade receivables (*)	177.182	184.865
Cheques received (**)	57.457	52.089
Provision for doubtful receivables	(3.282)	(3.033)
	231.357	**233.921**

(*) As of 31 December 2014 trade receivables are discounted by 0,84% for TL, 0,13% for USD, 0,13% for EUR. (As of 31 December 2013 0,44% for TL, 0,12% for USD, 0,12% for EUR).

(**) Cheques received constitute the cheques obtained from customers and kept in portfolio as a result of trade activities and consist of TL 24.610 with maturities of more than three months (31 December 2013: TL 33.347).

Non-current trade receivables

Trade Receivables

	31 December 2014	31 December 2013
Trade Receivables	4.294	106
	4.294	**106**

As of 31 December 2014 and 31 December 2013, past due but not provisioned trade receivables as follows:

Overdue Period	31 December 2014	31 December 2013
0 - 1 month	12.156	23.645
1 - 3 months	1.714	1.605
Over 3 months	196	1
Total	**14.066**	**25.251**

As of 31 December 2014 and 31 December 2013, due to existence of receivable insurance, bank guarantee, mortgage and other guarantees (i.e. cheques), the Company has not recorded any provision relation to trade receivables that were past due but not impaired.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 6- TRADE RECEIVABLES AND TRADE PAYABLES (continued)

The movements of the provision for doubtful receivables during the period are as follows:

Over Period	**31 December 2014**	**31 December 2013**
Over 6 months	3.282	3.033
Total	**3.282**	**3.033**

The movements of the provision for doubtful receivables during the period are as follows:

	1 January - 31 December 2014	**1 January - 31 December 2013**
Balance at 1 January	**(3.033)**	**(3.033)**
Provision released (Note 24)	(374)	-
Charged for the period	125	-
Balance at 31 December	**(3.282)**	**(3.033)**

Trade Payables

	31 December 2014	**31 December 2013**
Trade Payables	101.824	221.728
Accrued expenses	1.705	1.556
Due to related parties (Note 29)	9.374	11.389
	112.903	**234.673**

As of 31 December 2014 trade payables are discounted by using 0,84% for TL, 0,13% for USD, 0,13% for EUR.(As of 31 December 2013 0,44% for TL, 0,12% for USD, 0,12% for EUR).

As of 31 December, 2014 average turnover for trade receivables and trade payables are 85 days and 78 days, respectively (31 December 2013: 53 days and 81 days respectively).

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 7- EMPLOYEE BENEFIT OBLIGATIONS

Employee Benefit Obligations

	31 December 2014	31 December 2013
Social security and taxes payable	2.323	2.266
Due to personnel	936	878
	3.259	**3.144**

NOTE 8- OTHER RECEIVABLES AND PAYABLES

Other Current Receivables

	31 December 2014	31 December 2013
Deposits and guarantees	1.362	-
Job advance	270	397
Receivables from government agencies	10	199
Receivables from returned goods	-	175
Other receivables	1.535	510
	3.177	**1.281**
Due from related parties (Note 29)	327	172
	3.504	**1.453**

Other Non-Current Receivables

	31 December 2014	31 December 2013
Deposits and guarantees	59	55
	59	**55**

(Amounts expressed in thousands of Turkish Lira(“TL”) unless otherwise indicated

NOTE 8- OTHER RECEIVABLES AND PAYABLES (continued)

Other Payables

	31 December 2014	31 December 2013
Advances received from customers	620	486
Cancellation of VAT	557	192
Taxes payables	418	374
Due to related party (Note 29)	10	1
Installment tax payable (*)	-	1.218
Other	92	140
	1.697	**2.411**

(*) In order to eliminate tax risks, Company discontinued lawsuits opened for the abolition of tax bills as a result of the tax inspection conducted by the Ministry of Finance, in order to benefit from the provisions of Law no 6111 “Restructuring of Certain Receivables and Amendment of Social Insurance and General Health Insurance Law and Other Certain Laws and Decrees” on April 7, 2011 and has applied the tax office.

The total amount payable as a result of the inspection made by the tax office, TL 32.417 for the tax imposed in 2007; TL 12.715 for TL 44.823 of penalty, as a result of the tax investigation in 2010 TL 12.497 and for TL 18.746 penalty imposed TL 9.212, calculated as a total of TL 21.927. Company paid total amount of TL 21.927 with 18 equal instalments beginning from June 2011 within 36 months as of the reporting date. TL 792 of TL 21.927 related to the Value Added Tax was subjected to discount. The remaining TL 21.135 was accounted for as expense in the financial statements of 2011.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 9- INVENTORIES

	31 December 2014	31 December 2013
Raw materials and supplies	67.590	63.701
Intermediate goods	75.423	58.568
Finished goods	38.218	43.968
By-products (*)	3.024	4.956
Semi-finished goods	3.094	2.735
Spare parts	2.768	11.288
Other	2.505	3.118
Less: Impairment in value of inventories (**)	**(9.535)**	**(1.273)**
	183.087	**187.061**

(*) By-products are not subject to impairment since they are taken to inventories with selling prices.

(**)Impairment has been allocated to finished goods, intermediate goods and other inventories.

Movement of Provision for Impairment of Inventories

	1 January - 31 December 2014	1 January - 31 December 2013
Balance at 1 January	**(1.273)**	**(2.033)**
Charged for the period (Note 21)	(8.262)	-
Provision released	-	760
Balance at 31 December	**(9.535)**	**(1.273)**

The Company has increased TL 1.273 of its provision for impairment of inventories which was amounting TL 8.262 and therefore realized allowance for impairment in current year for TL 9.535. As of 31 December 2014, total inventory accounted with net realizable value is TL 123.176 (31 December 2013: TL 103.809).

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 10- PREPAID EXPENSES

Prepaid Expenses (Short-Term)

	31 December 2014	31 December 2013
Revision expenses	241	-
Other prepaid expenses	-	932
	241	**932**

Prepaid Expenses (Long-Term)

	31 December 2014	31 December 2013
Advance for construction in progress	775	-
Long-term prepaid expenses	79	200
	854	**200**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 11- INVESTMENT PROPERTIES

The movement schedules of investment properties and related accumulated depreciation for the years ended 31 December 2014 and 2013 are as follows:

	1 January 2014	Additions	Other Transfers	Disposal	31 December 2014
Cost					
Land	5	-	-	-	5
Buildings	3.780	-	-	-	3.780
	3.785	**-**	**-**	**-**	**3.785**
Accumulated Depreciation					
Building	2.556	190	-	-	2.746
Net Book Value	**1.229**				**1.039**

As of December 31, 2014 the Company has leased properties with the net book value of TL 1.039 (31 December 2013: TL 1.229) to the third parties through lease agreements.
The Company has generated rent income of TL 426 (31 December 2013: TL 394) throughout the period resulting from these lease agreements (Note 24). The fair value of factory building was carried out according to the discounted cash flow and has been calculated TL 4.622 (31 December 2013: TL 3.505) with 5% inflation rate and 9% rediscount rates.

	1 January 2013	Additions	Other Transfers	Disposal	31 December 2013
Cost					
Land	5	-	-	-	5
Buildings	3.780	-	-	-	3.780
	3.785	**-**	**-**	**-**	**3.785**
Accumulated Depreciation					
Building	2.366	190	-	-	2.556
Net Book Value	**1.419**				**1.229**

The total depreciation for the period ended 31 December 2014 and 2013 is presented in Note 12.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 12- PROPERTY, PLANT AND EQUIPMENT

The movement schedules of property, plant and equipment and related accumulated depreciation for 31 December 2014 and 2013 are as follows;

	1 January 2014	Additions (*)	Transfers	Other Transfers	Disposal	31 December 2014
Cost						
Land	15.537	-	-	-	-	15.537
Land Improvements	7.179	-	-	-	-	7.179
Buildings	59.829	-	-	-	-	59.829
Machinery and equipment	386.839	9.503	5.031	399	-	401.772
Motor vehicles	1.780	5	-	-	-	1.785
Furniture and fixtures	5.641	123	-	-	(681)	5.083
Construction in progress	6.288	575	(5.031)	-	-	1.832
	483.093	**10.206**	**-**	**399**	**(681)**	**493.017**
Accumulated depreciation						
Land Improvements	5.366	406	-	-	-	5.772
Buildings	37.110	2.951	-	-	-	40.061
Machinery and equipment	284.103	16.519	-	130	-	300.752
Motor vehicles	1.661	23	-	-	-	1.684
Furniture and fixtures	4.236	333	-	-	(669)	3.900
	332.476	**20.232**	**-**	**130**	**(669)**	**352.169**
Net book value	**150.617**					**140.848**

(*) The company has made an evaluation for spare parts presented in inventory and recognised as an expense when used and transferred to tangible assets amounting to TL 8.909 as of January 1, 2014.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 12- PROPERTY, PLANT AND EQUIPMENT (continued)

	1 January 2013	Additions	Transfers from construction in progress	Other Transfers	Disposal	31 December 2013
Cost						
Land	15.551	-	-	(14)	-	15.537
Land Improvements	8.224	-	-	(1.045)	-	7.179
Buildings	66.047	-	320	(6.538)	-	59.829
Machinery and equipment	400.235	1.467	2.183	(13.871)	(3.175)	386.839
Motor vehicles	1.905	99	-	(224)	-	1.780
Furniture and fixtures	5.693	316	-	(332)	(36)	5.641
Construction in progress	7.300	1.491	(2.503)	-	-	6.288
	504.955	**3.373**	**-**	**(22.024)**	**(3.211)**	**483.093**
Accumulated depreciation						
Land Improvements	5.779	406	-	(819)	-	5.366
Buildings	38.321	2.943	-	(4.154)	-	37.110
Machinery and equipment	282.105	14.589	-	(10.235)	(2.356)	284.103
Motor vehicles	1.874	11	-	(224)	-	1.661
Furniture and fixtures	4.230	337	-	(317)	(14)	4.236
	332.309	**18.286**	**-**	**(15.749)**	**(2.370)**	**332.476**
Net book value	**172.646**					**150.617**

There are not any tangible assets which are received by using financial leasing as of 31 December 2014. In addition to that, there is not any pledge or lien on the property, plant and equipment as of 31 December 2014 and 31 December 2013.

As of 31 December 2014 and 2013, total depreciation and amortization charges for the period between and the related income statement accounts are as follows:

	1 January - 31 December 2014	1 Ocak - 31 December 2013
Cost of production (Note 21)	18.430	16.429
Research expense (Note 22)	1.555	2.324
General administrative expenses (Note 22)	988	839
Selling, marketing and distribution expenses (Note 22)	570	564
	21.543	**20.156**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 13- INTANGIBLE ASSETS

The movement schedules of intangible assets and related accumulated depreciation for the year ended 31 December 2014 and 2013 are as follows:

	1 January 2014	Additions	Transfers from construction in progress	Other transfers	Disposal	31 December 2014
Cost						
Rights	5.249	679	-	-	-	5.928
Development costs	7.600	-	-	-	-	7.600
	12.849	**679**	**-**	**-**	**-**	**13.528**
Accumulated amortisation						
Rights	4.275	387	-	-	-	4.662
Development costs	5.709	734	-	-	-	6.443
	9.984	**1.121**	**-**	**-**	**-**	**11.105**
Net book value	**2.866**					**2.423**

	1 January 2013	Additions	Transfers from construction in progress	Other transfers	Disposal	31 December 2013
Cost						
Rights	5.377	492	2	-	(622)	5.249
Development costs	7.600	-	-	-	-	7.600
	12.977	**492**	**2**	**-**	**(622)**	**12.849**
Accumulated amortisation						
Rights	4.642	168	-	-	(535)	4.275
Development costs	4.196	1.513	-	-	-	5.709
	8.838	**1.681**	**-**	**-**	**(535)**	**9.984**
Net book value	**4.139**					**2.865**

The total amortization for the year ended 31 December 2014 and 2013 is presented in Note 12.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 14- ASSET HELD FOR SALE

The movement schedules of asset held for sale and related accumulated depreciation for the year ended 31 December 2014 and 2013 are as follows:

	1 January 2014	Additions	Transfers to tangible assets	Disposals	31 December 2014
Cost					
Land	14	-	-	-	14
Land Improvements	1.045	-	-	-	1.045
Buildings	6.538	-	-	-	6.538
Machinery and equipment	14.866	-	(399)	(872)	13.595
Motor vehicles	224	-	-	-	224
Furniture and fixtures	332	-	-	(42)	290
	23.019	**-**	**(399)**	**(914)**	**21.706**
Accumulated depreciation					
Land Improvements	819	-	-	-	819
Buildings	4.154	-	-	-	4.154
Machinery and equipment	10.932	-	(130)	(626)	10.176
Motor vehicles	224	-	-	-	224
Furniture and fixtures	318	-	-	(42)	276
	16.447	**-**	**(130)**	**(668)**	**15.649**
Net book value	**6.572**				**6.057**

The management continue to disposal activities on asset held for sale.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 14- ASSET HELD FOR SALE (continued)

	1 January 2013	Additions	Transfers to tangible assets	Disposals	31 December 2013
Cost					
Land	-	-	14	-	14
Land Improvements	-	-	1.045	-	1.045
Buildings	-	-	6.538	-	6.538
Machinery and equipment	-	-	14.866	-	14.866
Motor vehicles	-	-	224	-	224
Furniture and fixtures	-	-	332	-	332
	-	**-**	**23.019**	**-**	**23.019**
Accumulated depreciation			-		
Land Improvements	-	-	819	-	819
Buildings	-	-	4.154	-	4.154
Machinery and equipment	-	-	10.932	-	10.932
Motor vehicles	-	-	224	-	224
Furniture and fixtures	-	-	318	-	318
	-	**-**	**16.447**	**-**	**16.447**
Net book value	**-**				**6.572**

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
Provision for restructing and demand of other receivables (*)	675	1.364
Other	30	71
	705	**1.435**

(*) Provision for restructuring and demand of other receivables are consisting of reinstatements lawsuits which were filed by ex-workers against to the Company due to changes of business organizations and possible expenses of other receivables lawsuits. Such lawsuits are pending as of balance sheet date.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

Provision for restructuring expenses and other receivables

	1 January - 31 December 2014	1 January - 31 December 2013
Balance at 1 January	**1.364**	**1.076**
Charged for the period (Note 24)	207	552
Allowance released	(896)	(264)
Balance at 31 December	**675**	**1.364**

NOTE 16- COMMITMENTS

Commitments and contingencies, which are not included in the liabilities at 31 December 2014 and 31 December 2013, are as follows:

Commitments based on export incentive certificates

	31 December 2014	31 December 2013
The total amount of export commitment of documents stored in the document	1.512.320	1.082.491
The amount mentioned include commitments based on export incentivecertificate which are presently fullfilled but the closing transactions are not concluded yet	928.476	615.658
Total amount of open export incentives	583.844	466.833
Open export incentives	93.520	202.951

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 16- COMMITMENTS (continued)

Collaterals, pledges and mortgages 'CPM' given by the Company

	31 December 2014				31 December 2013			
	TL Equivalent	**TL**	**USD**	**Euro**	**TL Equivalent**	**TL**	**USD**	**Euro**
A.CPMs given in the name of its own legal personality	159.910	26.729	55.000.000	2.000.000	206.124	50.931	69.962.236	2.000.000
B.CPMs given on behalf of the fully consolidated companies	-	-	-	-	-	-	-	-
C.CPMS given on behalf of third parties for ordinary course of the business	-	-	-	-	-	-	-	-
D.Total amount of other CPMs given								
- Total amount of CPMs given on behalf of the majority shareholder	-	-	-	-	-	-	-	-
- Total amount of CPMs given on behalf of other group companies which are not in scope of B and C	-	-	-	-	-	-	-	-
- Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-	-	-	-	-	-	-
Total CPM Amount	**159.910**	**26.729**	**55.000.000**	**2.000.000**	**206.124**	**50.931**	**69.962.236**	**2.000.000**

As of 31 December 2014 the percentage of the other CPM`s given by the Company to the total equity is 0% (31 December 2013: 0%).

Mortgages and guarantees taken at 31 December 2014 and 31 December 2013 are as follows:

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 16- COMMITMENTS (continued)

	31 December 2014	31 December 2013
Letters of guarantees taken	14.342	15.382
Cheques and notes of guarantees taken	2.274	2.274
Mortgages taken	234	234
Total	**16.850**	**17.890**

NOTE 17- EMPLOYEE BENEFITS

Short term employee benefits

	31 December 2014	31 December 2013
Premiums for senior management	2.500	150
	2.500	**150**

Long term employee benefits

	31 December 2014	31 December 2013
Provision for employment termination benefits	18.446	16.200
Unused vacation allowance	1.856	1.618
	20.302	**17.818**

Unused Vacation Allowance

Company provides annual pay vacation to each employee who has completed one year of service. Movements of unused vacation allowances as follows:

Movements of unused vacation allowance is as follows:

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 17- EMPLOYEE BENEFITS (continued)

	1 January - 31 December 2014	1 January - 31 December 2013
Balance of 1 January	**1.618**	**1.693**
Charge for the period (Note 24)	290	140
Allowance released	(52)	(215)
Balance at 31 December	**1.856**	**1.618**

Movements of premiums for senior management are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Balance of 1 January	**150**	**700**
Charge for the period	3.350	150
Allowance released	(1.000)	(700)
Balance at 31 December	**2.500**	**150**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 17- EMPLOYEE BENEFITS (continued)

Provision for employment termination benefits

There are no agreements for pension commitments other than the legal requirement as explained below.

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause excluding 25/2 article of labor law, is called up for military service or dies. As of 8 September 1999 related labor law was changed and retirement requirements made gradual. The amount payable consist of one gross wage for each year of service limited to maximum termination indemnity for non-union employees and 47 days gross wage for each year of service limited to maximum termination indemnity for union employees. Same payment is done for days remaining from 1 year.

The liability is not funded, as there is no funding requirement.

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

TFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly following actuarial assumptions were used in the calculation of the total liability.

	31 December 2014	31 December 2013
Discount rate (%)	3,81	4,66
Retention rate to estimate the probability of retirement (%)	98	98

Discount rate is derived upon the difference of long-term interest's rates in TL and the expected inflation rate.

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL 3,54 (1 January 2014: TL 3,44), which is expected to be effective from 1 January 2015, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

Movements in the reserve for employment termination benefits are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Balance of 1 January	**16.200**	**15.767**
Charge for the period	3.070	3.796
Allowance released	(2.023)	(3.363)
Acturial loss	1.199	-
Balance at 31 December	**18.446**	**16.200**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 18- OTHER ASSETS AND LIABILITIES

Other Current Assets

	31 December 2014	**31 December 2013**
VAT Receivables due to export	10.533	4.657
Value added tax ("VAT")	1.137	29
Deferred SCT	664	1.341
	12.334	**6.027**

Other Non-Current Assets

	31 December 2014	**31 December 2013**
Deferred VAT (*)	59.766	59.239
	59.766	**59.239**

(*) The company has reclassified VAT amount which is estimated to not use in short term period under current assets.

NOTE 19- DERIVATIVE INSTRUMENTS

None.

NOTE 20- SHAREHOLDERS' EQUITY

Sasa Polyester Sanayi A.Ş fully paid and issued capital each KR 1 nominal value of 21.630.000.000 shares (31 December 2013: 21.630.000.000). The shareholders and shareholding structure of the Company at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		**31 December 2013**	
	TL	**Share**	**TL**	**Share**
H.Ö. Sabancı Holding A.Ş. (*)	110.313	51	110.313	51
Public Offered	105.987	49	105.987	49
	216.300	**100**	**216.300**	**100**
Inflation adjustment to share capital (**)	196.213		196.213	
	412.513		**412.513**	

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 20- SHAREHOLDERS' EQUITY (continued)

(*) Hacı Ömer Sabancı Holding A.Ş. agreed to sell all shares in SASA Polyester Sanayi A.Ş with a nominal value of 110.313.001,18 TL corresponding to 51% of the share capital of the Company, to Erdemoğlu Holding with USD 102.000.00. The Share Purchase Agreement was signed on January 13, 2015 and shares will be transferred upon the approvals of the relevant authorities.

(**) Adjustment to share capital represents the restatement effect of cash contributions to share capital at year-end equivalent purchasing power after netting of prior year losses.

Shareholders' equity items of company as at 31 December 2014 and 31 December 2013 prepared in accordance with the Communiqué No: XI-29 are as follows:

	31 December 2014	**31 Aralık 2013**
Share capital	216.300	216.300
Inflation adjustment to share capital	196.213	196.213
Restricted reserves	5.356	5.356
Accumulated loss	(166.841)	(173.081)
Actuarial gain / (loss)	(2.073)	(1.114)
Net (loss) / profit for the period	71.380	6.241
Shareholders' Equity	**320.335**	**249.915**

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital.

In accordance with the CMB's requirements which were effective until 1 January 2008, the amount generated from first-time application of inflation adjustments on financial statements, and followed under the "accumulated loss" item was taken into consideration as a reduction in the calculation of profit distribution based on the inflation adjusted financial statements within the scope of the CMB's regulation issued on profit distribution. The related amount that was followed under the "accumulated loss" item could also be offset against the profit for the period (if any) and undistributed retained earnings and the remaining loss amount could be offset against capital reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "Capital issue premiums", "Legal reserves", "Statutory reserves", "Special reserves" and "Extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the "Shareholders' equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue; cash profit distribution or loss offsetting.

NOTE 20- SHAREHOLDERS' EQUITY (continued)

In accordance with the Communiqué No: XI-29 and related announcements of CMB, effective from 1 January 2008, “Share capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amounts. The valuation differences as part of TAS/TFRS shall be disclosed as follows:

-if the difference is arising due to the inflation adjustment of “Paid-in Capital” and not yet been transferred to capital should be classified under the “Inflation Adjustment to Share Capital”;

- if the difference is due to the inflation adjustment of “Restricted Reserves” and “Share Premium” and the amount has not been utilized in dividend distribution or capital increase yet, it shall be classified under “Retained Earnings”.

There is no other usage other than the addition of capital adjustment differences to the capital.

Dividend Distribution

Listed companies shall distribute their profit in accordance with the Capital Market Board’s Communiqué on Dividends II-19.1 which is effective from February 1, 2014.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the financial statements.

In accordance with the Turkish Commercial Code (TCC), no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of a usufruct right certificate, to the members of the board of directors or to the employees unless the required reserves and the dividend for shareholders as determined in the main agreement or in the dividend distribution policy of the company are set aside; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 21- SALES AND COST OF SALES

Sales Revenue

	1 January- 31 December 2014	1 January- 31 December 2013
Domestic sales	726.069	676.548
Foreign sales	486.373	413.075
Other sales	5.771	6.522
Sales return	(5.762)	(2.628)
Sales discounts	(2.245)	(3.142)
Other discounts	(418)	(110)
Sales Revenues (net)	**1.209.788**	**1.090.265**

Cost of Sales

	1 January- 31 December 2014	1 January- 31 December 2013
Direct first raw material and supplies expenses	880.910	792.714
Energy expenses	104.816	99.032
Labour expenses	48.703	47.821
Amortization (Note 12)	15.922	14.203
Other variable expenses	16.022	13.430
Spare parts and maintenance expenses	6.153	4.545
Insurance expenses	1.424	837
Other fixed expenses	135	170
Usage of semi-finished goods	(359)	(515)
Production cost for the year	**1.073.726**	**972.237**
Usage of WIP and finished goods	(11.105)	44.373
Cost adjustment to unrealised sales	(15.443)	(14.540)
Cost of waste goods sold	6.741	7.043
Other idle time expenses	7.752	9.599
Idle time type amortization	2.508	2.226
Provision for impairment inventories - net (Note 9	8.262	(760)
Stock count differences	(994)	(1.701)
Cost of good sold during the year	**1.071.447**	**1.018.477**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 22- OPERATING EXPENSES

Selling, Marketing and Distribution Expenses

	1 January- 31 December 2014	1 January- 31 December 2013
Export expenses	39.022	29.966
Personnel expenses	5.153	4.523
Taxes and duties	1.380	817
Insurance expenses	1.025	1.306
Energy expenses	750	728
Amortization (Note 12)	570	564
Rent expenses	81	149
Other	1.412	1.503
	49.393	**39.556**

General Administrative Expenses

	1 January- 31 December 2014	1 January- 31 December 2013
Personnel expenses	9.299	8.959
Seniority notice indemnity	2.500	150
Consultancy expenses	1.052	1.159
Amortization (Note 12)	988	839
Insurance expenses	790	692
Severance and notice pay	707	1.227
Supplies, repair and maintenance expenses	391	409
Auxiliary expenses	257	275
Energy expenses	222	267
Other expenses	1.492	1.678
	17.698	**15.655**

Research and Development Expenses

	1 January- 31 December 2014	1 January- 31 December 2013
Amortization (Note 12)	1.555	2.324
Maintenance expenses	38	6
First raw material and supplies expenses	6	5
Labour and personnel expenses	-	1
Other expenses	209	192
	1.808	**2.528**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 23- INCOME FROM INVESTING OPERATIONS

Income / Expense from Investing Operations

	1 January - 31 December 2014	1 January - 31 December 2013
Gain on sales of tangible assets	654	112
Loss on sales of fixed assets	-	(18)
	654	**94**

NOTE 24- OTHER OPERATING INCOME / EXPENSE

Other Operating Income

	1 January- 31 December 2014	1 January- 31 December 2013
Foreign exchange gain from trade receivables / payables	49.328	58.808
Miscallaneous sales income	20.579	22.215
Financial income from credit sales	3.385	2.174
Raw material sales income	1.434	-
Provision of closed requests for	1.157	915
Scrap sales income	781	3.347
Rent income (Note 11)	426	394
Insurance compensation income	48	1.295
Other income	1.029	2.256
	78.167	**91.404**

Other Operating Expense

	1 January- 31 December 2014	1 January- 31 December 2013
Foreign exchange loss from trade receivables / payables	40.259	49.223
Miscallaneous sales expense	17.608	19.819
Taxes and duties paid	1.292	1.529
Provision for doubtful receivable expense (Note 6)	374	-
Provision for unused vacation (Note 17)	290	140
Provision for restructuring expenses	207	552
Other	1.192	1.473
	61.222	**72.736**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 25- FINANCIAL INCOME

	1 January- 31 December 2014	1 January- 31 December 2013
Foreign exchange income	3.862	3.321
Interest income	232	41
	4.094	**3.362**

NOTE 26- FINANCIAL EXPENSES

	1 January- 31 December 2014	1 January- 31 December 2013
Foreign exchange losses	12.426	11.519
Interest expense	11.621	19.590
	24.047	**31.109**

NOTE 27 - TAX ASSETS AND LIABILITIES

Deferred income taxes

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Accounting Standards and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for International Financial Reporting Standards and tax purposes.

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2014 and 31 December 2013 using the enacted tax rates are as follows:

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 27 - TAX ASSETS AND LIABILITIES (continued)

	Cumulative temporary difference		**Deferred income tax asset / (liabilities)**	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Accumulated financial loss		(70.670)	-	14.134
Net difference between the tax base and carrying value of tangible and intangible assets	(13.906)	(20.853)	(2.781)	(4.171)
Retirement pay provision	18.446	16.200	3.689	3.240
Net difference between the tax base and carrying value of inventories	11.507	3.917	2.301	783
Correction of the sale that are not realize	3.595	1.681	719	336
Provision for accumulated unpaid vacation	1.856	1.618	371	324
Held for sale asset's net difference between the book value and tax value	(977)	(1.414)	(195)	(283)
Yeniden yapılandırma gider karşılığı	675	1.364	135	273
Provision for restructuring asset for investment's net difference between the book value and tax value	357	226	71	45
Provision for doubtful receivable	1.304	1.036	261	207
Provision of export expense	1.705	1.557	341	311
Adjustment for not accrued financial expenses	(208)	(230)	(42)	(46)
Adjustment for not accrued financial income	1.628	496	326	99
Other	2.500	221	498	44
Deferred income tax assets	43.573	28.316	8.712	19.796
Deferred income tax liabilities	(15.091)	(22.497)	(3.018)	(4.500)
Provision for deferred tax asset recognised from carry forward (*)			-	(14.134)
Deferred income tax asset/liabilities , net			**5.694**	**1.162**

(*) The portable financial losses' reduction from taxable income of the part that cannot exceed the prescribed time period evaluated through the accountings precautionary principle according to the Entity's possibility of creating high degree of financial harm to through using high amount of financial losses and creating deferred tax income. No deferred tax asset has been recognized from carry forward tax losses due to the unpredictability of future profit streams. However, deferred tax has recognized for the items that are subject to tax base such as severance benefits and inventories without being subject to a certain time comparison.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 27 - TAX ASSETS AND LIABILITIES (continued)

Movements in deferred taxes can be analyzed as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Balance at 1 January	**1.162**	**(15)**
Deferred tax income of the term	4.292	1.177
Actuarial loss /(profit) deferred tax effect	240	-
Balance at 31 December	**5.694**	**1.162**

Total charge for the period can be reconciled to the accounting profit as follows:

	31 December 2014	31 December 2013
(Loss)/ Profit before tax from operations	**67.088**	**5.064**
Expected taxation (%20)	(13.418)	(1.013)
Tax effects of:		
- Revenue that is exempt from taxation	523	393
- Expenses that are not deductible in determining	(86)	(279)
- Effect of prior period income tax offset from prior period losses	14.134	-
- Effect of investment allowances tax offset from prior period losses	3.227	1.801
- Other adjustment	(88)	275
Income tax recognized in profit / (loss)	**4.292**	**1.177**

NOTE 27 - TAX ASSETS AND LIABILITIES (continued)

As of December 31, The Company has been offsetting its financial profit amounting to TL 86.804 from accumulated financial loss of previous years amounting to TL 70.671 that the Company utilized from its total witholding investment incentives amounting TL 70.198 for the remaining TL 16.133. The Company's witholding investment incentives amount is TL 54.065 that can be used in the following periods.

Corporate Income Tax Law has been changed with the law numbered 5520 which was published at 13 June 2006. Most of the rules of the new Corporate Income Tax Law are applicable from 1 January 2006 According to this; corporate tax rate applicable for the year 2014 is 20% (2013: 20%).

Corporate tax rate is applied to the taxable profit which is calculated by adding non-taxable expenses and deducting some exemptions taken place in tax laws (exemptions for participation revenues, exemptions for investment incentives) and discounts (R&D discount) from accounting profit of the Company. No additional taxes are paid unless profit is distributed (except 19, 8% withholding tax paid over used investment incentives according to the GVK temporary article).

The Constitutional Court abolished the provisions of Temporary Article 69 of the Income Tax Law regarding the time limitation to the investment allowance in its meeting held on 15 October 2009, and published the minutes of the relevant meeting on its website in October 2009. The decision of the Constitutional Court on the cancellation of the time limitation for investment allowance for the years 2006, 2007 and 2008 came into force with its promulgation in the Official Gazette, dated 8 January 2010, and thereby the time limitation regarding investment allowance was removed, however it has also been stated that balance regarding the calculation of the tax bases could not exceed 25% percent of the relevant income and the remaining balance after the investment allowance should be subject to 20% of corporate tax. The Company has unutilized carried forward investment allowance amounting to TL 69.633, in which TL 14.567 coming from balance subject to 19,8% withholding tax and the remaining TL 54.066 subject to no tax, as total TL 69.633. (31 December 2013: TL 79.232). The Company uses unused investment tax in financial statements when financial income is occurred due to The Company cannot foresee its budget including taxable profits in the following periods.

Corporate Tax Law No, 5520 article 10, explains research and development allowance. Research and development allowance rate has revised as 100% from the previous %40 by the revision that made on Law No: 5746 article 5. The Law came into force with effective from 1 April 2008.

In accordance with mentioned revision, 100% of research and development expenditures facilities related to technology and information research as of 2008 balance sheet date are deducted from income before tax. Expected research and development allowance of the Company as of 31 December 2014 is TL 671.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th (including the tax statements of March 2007 that Income Tax Law numbered 5615 is effective from 4 April 2007 and the law about the change in some laws) of the second month following each calendar quarter end.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 27 - TAX ASSETS AND LIABILITIES (continued)

Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

A 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of 5 years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realized.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods. The aggregate amount of the Company's carry forward tax losses at 31 December 2014 is TL 16.133 (31 December 2013: TL 70.671).

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to tax office which they relate. However, tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Total taxes payable for 31 December 2014 and 2013 have been reconciled to the current year tax charge as follows:

	1 January- 31 December 2014	**1 January- 31 December 2013**
Deferred tax income / (expense)	4.292	1.177
Total tax benefit	**4.292**	**1.177**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 28- EARNINGS PER SHARE

	1 January - 31 December 2014	1 January - 31 December 2013
Net (loss) / gain attributable to shareholders	71.380	6.241
Number of ordinary shares	21.630.000.000	21.630.000.000
Earnings per share in full TL hundreds of ordinary shares	0,33	0,03

NOTE 29- RELATED PARTY DISCLOSURES

Operations with related parties are classified according to the groups mentioned below and include disclosures in this note for all related parties.

(1) Jointly controlled entities
(2) Companies of which the group shareholders are a shareholder
(3) Ultimate shareholder

a) Due from related parties:

	31 December 2014	31 December 2013
Group Companies		
- Aksigorta A.Ş. ("Aksigorta") (2)	309	155
- Enerjisa Enerji Üretim A.Ş. ("Enerjisa") (2)	17	16
- Temsa Sanayi ve Ticaret A.Ş.	1	-
- Başkent Elektrik Dağıtım A.Ş.	-	1
Total	**327**	**172**

All of the receivable from related party consists of other receivables. (31 December 2013: TL 172 other receivables). Related party receivables are without guarantees. No interest is calculated for receivables.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 29- RELATED PARTY DISCLOSURES (continued)

b) Due to related parties:

	31 December 2014	31 December 2013
1) Shareholders	**-**	**1**
- Sabancı Holding (3)	-	1
2) Group Companies	**9.384**	**11.389**
- Enerjisa Doğalgaz Toptan Satış A.Ş. (2)	9.367	2.750
-Toroslar Elektrik Perakende Satış A.Ş. (2)	13	19
- Aksigorta (2)	4	238
- Enerjisa (2)	-	8.322
- Bimsa (2)	-	27
- Çimsa (2)	-	15
- Sabancı Üniversitesi (2)	-	10
- Sabtek (2)	-	8
Total	**9.384**	**11.390**

As of the report date, 9.374 TL of payables to related parties is trade payables, 10 TL of payables is other payables. (31 December 2013: 11.389 TL trade payables, 1 TL other payables). Average maturity of the trade payable is, respectively, 15 days (31 December 2013: 16 days).

c) Bank deposits:

	31 December 2014	31 December 2013
Akbank (2)	615	265
Total	**615**	**265**

d) Sales to related parties:

	1 January 2014 - 31 December 2014		
	Good	**Service**	**Fixed Asset**
2) Group Companies	**74**	**184**	**-**
- Kordsa (2)	74	2	-
- Enerjisa (2)	-	171	-
- Temsa (2)	-	6	-
- Aksigorta (2)	-	5	-
Total	**74**	**184**	**-**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 29 - RELATED PARTY DISCLOSURES (continued)

d) Sales to related parties (continued):

	1 January 2013- 31 December 2013		
	Mal	**Hizmet**	**Sabit Kıymet**
1) Shareholders	**-**	**-**	**402**
- Sabancı Holding (3)	-	-	402
2) Group Companies	**4.464**	**173**	**0**
-Kordsa (2)	4.448	1	-
-Yünsa(2)	12	-	-
-Çimsa(2)	4	-	-
- Enerjisa (2)	-	159	-
- Temsa (2)	-	11	-
- Aksigorta (2)	-	2	-
Total	**4.464**	**173**	**402**

e) Purchases from related parties:

	1 January 2014 - 31 December 2014			
	Good	**Service**	**Fixed Asset**	**Rent**
1) Shareholders	**-**	**-**	**-**	**106**
- Sabancı Holding (3)	-	-	-	106
2) Group Companies	**87.235**	**4.819**	**635**	**-**
-Yünsa(2)	1	-	-	-
- Enerjisa (2)	87.234	-	-	-
- Aksigorta (2)	-	3.724	-	-
- Bimsa (2)	-	506	635	-
-Toroslar Elektrik Dağıtım A.Ş. (2)	-	300	-	-
- Avivasa (2)	-	258	-	-
- Akyatırım Menkul Değerler A.Ş. (2)	-	16	-	-
- Sabtek (2)	-	10	-	-
- Sabancı Üniversitesi (2)	-	5	-	-
Total	**87.235**	**4.819**	**635**	**106**

The Company purchases electricity and steam from Enerjisa which is group company.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 29 - RELATED PARTY DISCLOSURES (continued)

e) Purchases from related parties (continued):

	1 January 2013- 31 December 2013			
	Good	**Service**	**Fixed Asset**	**Rent**
1) Shareholders	**-**	**100**	**-**	**93**
- Sabancı Holding (3)	-	100	-	93
2) Group Companies	**110.392**	**7.583**	**385**	**-**
- Olmuksa (2)(*)	27	-	-	-
-Yünsa(2)	1	-	-	-
- Enerjisa (2)	80.246	-	-	-
- Enerjisa Doğalgaz (2)	30.118	-	-	-
- Aksigorta (2)	-	6.214	-	-
- Bimsa (1)	-	578	384	-
- Avivasa (2)	-	317	-	-
- Toroslar Elektrik Dağıtım (2)		251	-	-
- Temsa (2)	-	95	-	-
- Sabancı Üniversitesi (2)	-	61	-	-
- Çimsa (2)	-	40	-	-
- Sabtek (2)	-	14	-	-
- Akyatırım Menkul Değerler A.Ş. (2)	-	13	-	-
- Teknosa (2)	-	-	1	-
Total	**110.392**	**7.683**	**385**	**93**

(*) Olmuksa International Paper Sabancı Ambalaj Sanayi ve Ticaret A.Ş is not a group company since January 3, 2013.

f) Financial income:

	1 January - 31 December 2014	1 January - 31 December 2013
Akbank (2)	15	1
Total	**15**	**1**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 29 - RELATED PARTY DISCLOSURES (continued)

g) Financial expense:

	1 January - 31 December 2014	1 January - 31 December 2013
Akbank (2)	128	286
Total	**128**	**286**

h) As of 31 December 2014 and 2013 remuneration of directors and key management personnel amounts are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Short term employee benefits	1.665	1.721
Employment termination benefits	-	14
Toplam	**1.665**	**1.735**

NOTE 30- FINANCIAL RISK MANAGEMENT

Financial Risk Management

Financial risk factors

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

The Company's risk management is implemented by the Company's Treasury Department according to approved policies by Board of Directors. Treasury Department detects and evaluates financial risks and relieve of a risk through close relations with other departments of the Company.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Market risk

Foreign exchange risk

The Company is subject to foreign exchange risk due to foreign currency denominated liabilities and assets' translation to Turkish Lira. Foreign exchange risk is traced and minimized through the analysis of foreign currency position.

Foreign Currency Position Table

Assets and liabilities denominated in foreign currencies at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014			
	TL	**USD**	**EURO**	**GBP**
Trade receivables (including other receivables)	214.645	72.239.991	16.707.388	-
Monetary financial assets (including cash and banks)	2.062	664.032	179.614	4.278
Other	1.206	3.847	414.814	7.511
Current Asset	**217.913**	**72.907.870**	**17.301.816**	**11.789**
Total Asset	**217.913**	**72.907.870**	**17.301.816**	**11.789**
Trade payables (including other payables)	84.934	1.254.205	29.076.665	2.594
Financial liabilities	134.813	58.136.581	-	-
Other	88	37.721	15	-
Short term liabilities	**219.835**	**59.428.507**	**29.076.680**	**2.594**
Financial liabilities	-	-	-	-
Long term liabilities	-	-	-	-
Total Liabilities	**219.835**	**59.428.507**	**29.076.680**	**2.594**
Net foreign currency position	**(1.922)**	**13.479.363**	**(11.774.864)**	**9.195**
Export	486.373	20.220.656	151.103.786	79.968
Import	563.573	73.296.991	139.743.628	2.611

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

	31 December 2013			
	TL	**USD**	**EURO**	**GBP**
Trade receivables (including other receivables)	222.520	74.267.903	21.720.552	64.918
Monetary financial assets (including cash and banks)	511	100.600	95.425	4.664
Other	511	122.744	75.723	7.511
Current Asset	**223.542**	**74.491.247**	**21.891.700**	**77.093**
Total Asset	**223.542**	**74.491.247**	**21.891.700**	**77.093**
Trade payables (including other payables)	212.109	6.220.937	67.707.237	3.010
Financial liabilities	53.358	25.000.000	-	-
Other	1.557	46.235	493.669	2.486
Short term liabilities	**267.024**	**31.267.172**	**68.200.906**	**5.496**
Financial liabilities	-	-	-	-
Long term liabilities	**-**	**-**	**-**	**-**
Total Liabilities	**267.024**	**31.267.172**	**68.200.906**	**5.496**
Net foreign currency position	**(43.482)**	**43.224.075**	**(46.309.206)**	**71.597**
Export	413.075	15.674.310	156.050.802	376.438
Import	475.403	29.132.720	164.111.646	8.640

Foreign Currency Sensitivity Analysis

	Profit / (Loss)	
As of 31 December 2014	**Appreciation of Foreign Currency**	**Depreciation of Foreign Currency**
10% change in US Dollar/TL Parity:		
US Dollar net asset	3.126	(3.126)
US Dollar net hedged amount	-	-
US Dollar Net Effect	**3.126**	**(3.126)**
10% change in Euro/TL Parity:		
Euro net asset	(3.321)	3.321
Euro net hedged amount	-	-
Euro Net Effect	**(3.321)**	**3.321**
10% change in GBP/TL Parity:		
GBP net asset	3	(3)
GBP net hedged amount	-	-
GBP Net Effect	**3**	**(3)**
Total	**(192)**	**192**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

	Profit / (Loss)	
As of 31 December 2013	**Appreciation of Foreign Currency**	**Depreciation of Foreign Currency**
10% change in US Dollar/TL Parity:		
US Dollar net asset	9.225	(9.225)
US Dollar net hedged amount	-	-
US Dollar Net Effect	**9.225**	**(9.225)**
10% change in Euro/TL Parity:		
Euro net asset	(13.599)	13.599
Euro net hedged amount	-	-
Euro Net Effect	**(13.599)**	**13.599**
10% change in GBP/TL Parity:		
GBP net asset	25	(25)
GBP net hedged amount	-	-
GBP Net Effect	**25**	**(25)**
Total	**(4.349)**	**4.349**

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The company manages its not used cash on hand by time deposits. Income, other than not used cash on hand, and cash flows from operations are considerably free from market interest rate changes. The interest risk of the company arises from fixed rate short term borrowings.

To keep this exposure at a minimum level, the Company tries to borrow at the most suitable rates.

Interest Rate Position Table

	31 December 2014	31 December 2013
Fixed interest rate financial instruments		
Principle	197.932	142.198
Interest	6.060	295
Total fixed financial liabilities	**203.992**	**142.493**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk consists of cash and cash equivalents, deposits at banks, customers subject to credit risk due to uncollected receivables.

Receivables

The Company implements Credit Control procedure approved by the Board of Directors in order to manage credit risk due to receivables from customers. According to the procedure, the Company determine a risk limit for every single customer (except related parties) by taking into consideration receivable insurance, bank guarantee, mortgage and other guarantees and sales are conducted without exceeding customer risk limits. In circumstances where these guarantees do not exist or it is required to exceed the guarantees, sales are conducted through determined internal limits which are specified in the procedure.

Credit Risk Exposure according to Financial Instruments Types

	Receivables				
	Trade Receivables		Other Receivables		Time
31 December 2014	**Related Party**	**Other**	**Related Party**	**Other**	**Deposit**
- Maximum credit risk exposure as of balance sheet date	-	235.651	327	3.236	13.982
- Guaranteed maximum risk by Commitment or etc (*)	-	218.303	-	-	-
- Net book value of non-overdue of unimpaired financial asset	-	218.303	327	3.236	13.982
Net book value of financial assets that would be overdue or impaired unless restricted	-	-	-	-	-
Net book value of overdue assets that are not impaired	-	14.066	-	-	-
- The part that is guaranteed by commitment or etc	-	12.288	-	-	-
Net book value of impaired assets	-	3.282	-	-	-
- Overdue (gross book value)	-	3.282	-	-	-
- Impairment		(3.282)	-	-	-

(*) Guarantees include receivable insurance, bank collateral, mortgages, and customer checks.

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure according to Financial Instruments Types (continued):

	Receivables				
	Trade Receivables		Other Receivables		Time
31 December 2013	Related Party	Other	Related Party	Other	Deposit
- Maximum credit risk exposure as of balance sheet date	-	234.027	172	1.336	597
- Guaranteed maximum risk by Commitment or etc	-	199.836	-	-	-
- Net book value of non-overdue of unimpaired financial asset	-	205.743	172	1.336	597
Net book value of financial assets that would be overdue or impaired unless restricted	-	-	-	-	-
Net book value of overdue assets that are not impaired	-	25.251	-	-	-
- The part that is guaranteed by commitment or etc		20.585	-	-	-
Net book value of impaired assets	-	3.033	-	-	-
- Overdue (gross book value)	-	3.033	-	-	-
- Impairment	-	(3.033)	-	-	-

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

As of 31 December 2014 and 31 December 2013 net book value of overdue assets that not impaired is as follows:

Trade Receivables	31 December 2014	31 December 2013
Overdue 1-30 days	12.156	23.645
Overdue 1-3 months	1.714	1.605
Overdue 3-12 months	196	1
Total	**14.066**	**25.251**
Portion under the guarantee of collaterals, etc (*)	12.288	20.585

(*) Guarantees include receivable insurance, bank collateral, mortgages, and customer checks.

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. Due to the dynamic nature of the underlying business the Company aims to maintain flexibility in funding by keeping committed credit lines available.

As of 31 December 2014;

Contractual maturities

Financial Liabilities Other than Derivatives

Financial Liabilities Other than Derivatives					
	Book Value	**Total Cash Outflow Due to Contracts**	**3 months**	**3-12 months**	**1-5 years**
Bank borrowings	203.992	204.963	94.228	106.543	4.192
Trade payables	16.481	16.481	16.481	-	-

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Expected maturities

	Book Value	Total Cash Outflow Due to Contracts	3 months	3-12 months	1-5 years
Trade payables	96.422	94.951	79.546	17.110	-
Other payables	1.697	1.697	1.697	-	-

As of December 31, 2013;

Contractual maturities

Financial Liabilities Other than Derivatives

Financial Liabilities Other than Derivatives					
	Book Value	Total Cash Outflow Due to Contracts	3 months	3-12 months	1-5 years
Bank borrowings	145.064	146.028	53.726	83.660	8.642
Trade payables	15.685	15.685	15.685	-	-
Other payables	1.351	1.351	1.351	-	-

Expected maturities

Türev Olmayan Finansal Yükümlülükler					
	Book Value	Total Cash Outflow Due to Contracts	3 months	3-12 months	1-5 years
Trade payables	218.988	217.662	196.478	22.740	-
Other payables	1.060	1.060	1.060	-	-

Funding risk

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

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Sermaye risk yönetimi

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the net debt/ (shareholders' equity + net debt) ratio. Net debt is calculated as total borrowings (including borrowings, trade and other payables as shown in the balance sheet) less cash and cash equivalents and deferred tax liability.

As of 31 December 2014 and 31 December 2013 net debt/ (shareholders' equity + net debt) ratio is as follows:

	31 December 2014	**31 December 2013**
Total borrowings	345.208	402.124
Cash and cash equivalents	(13.986)	(600)
Deferred tax liabilities	5.694	1.162
Net debt	336.916	402.686
Shareholder's equity	320.335	249.915
Shareholder's equity+net debt	657.251	652.601
Net debt/(Shareholders' equity+net debt) ratio	51%	62%

NOTE 31 - SUBSEQUENT EVENT

Hacı Ömer Sabancı Holding A.Ş. agreed to sell all shares in SASA Polyester Sanayi A.Ş with a nominal value of 110.313.001,18 TL corresponding to 51% of the share capital of the Company, to Erdemoğlu Holding with USD 102.000.00. The Share Purchase Agreement was signed on January 13, 2015 and shares will be transferred upon the approvals of the relevant authorities.