



2015

DESA

ANNUAL REPORT

Designing,  
manufacturing and  
**creating ultimate  
value for a fashionable  
and lucrative future...**

# DESA

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# MAIN INFORMATION

104

Total Stores

20K  
m<sup>2</sup>

Indoor Area for Leather  
Tanning Facilities



Head Office and  
Showroom in London

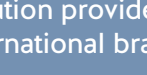
9.6

TL mn EBITDA

9

Years of Partnership  
(40%-60% JV)

Sams<sup>o</sup>nite



Solution provider of  
international brands

35

Samsonite Stores  
Sams<sup>o</sup>nite

16,021  
m<sup>2</sup>

Total Store Area



International  
Design Team

175.8

TL mn Total Assets

Export Champion for



4 Years

Exporting  
22  
Countries



Showroom  
in Germany  
Dusseldorf

10K  
m<sup>2</sup>

Düzce Facility Spanning  
an Indoor Area of

1,712  
Employees

63.5

TL mn Equity

26

Years of Distributorship

Sams<sup>o</sup>nite

EMPORIO ARMANI

ARMANI  
COLLEZIONI

Solution provider of  
international brands



www.desa.com.tr  
Online Store

6K m<sup>2</sup>

Production Facility and  
Headquarters in Sefaköy  
with an indoor area of  
15,500 m<sup>2</sup> built  
on an area of

197.8

TL mn Revenues

## DESA AT A GLANCE

### Distinguishing in the sector with product quality and design



Founded as a family company in 1972, Desa has been continuing its operations as a producer of leather and leather products, signing off significant accomplishments for 43 years. Taking the justified pride to become “Turkey’s Export Champion” – in 2010, 2011, 2012 and 2014 – in its field and owning a unique and vertically integrated business model, Desa continues striving to be a prestigious international brand by strengthening its current profile with its high quality products.



Desa’s operations include a tannery, two plants for production of women, men wear, handbags and accessories as well as distribution of those products via retail channels. Desa’s retail operations are mainly domestic with 63 Desa, 21 Desa Samsonite, 5 Desa Franchise, 14 Samsonite JV and 1 online store totaling 104 stores in Turkey; Desa also has two showrooms in Dusseldorf and London. In addition to production facilities with a total area of 25,500 m2 in İstanbul and Düzce, Desa owns a tannery with an area of 20,000 m2 located in Çorlu. Company provides integrated solutions for several international brands such as Prada, Miu Miu, Chanel, Emporio Armani and Armani Collezioni. After 26 years of distribution for Samsonite, world’s biggest travel products manufacturer, Desa strengthened its international profile further by establishing a 40%-60% joint venture with Samsonite in 2007.

Desa gives significant importance to materials and craftsmanship of high standard that provide its products with high quality and durability. The company also offers its products its online store, [www.desa.com.tr](http://www.desa.com.tr). With the perfectionist mentality it embraces in its service quality, Desa always makes investments to human source through designs, researches and developments. Company’s strategic goal in long term is to increase Desa brand products both locally and internationally.

Desa is a public company that has been traded in Borsa İstanbul with “DESA” code since May 2004. With its total assets reaching TL 175.8 million as of December 31st 2015, Desa reported TL 197.8 million total revenues. 54.3% of Desa’s share capital is held by Çelet Holding, 10.0% by Mr. Melih Çelet, 0.8% by others while the remaining 34.9% is free float.

|                            |  |
|----------------------------|--|
| Trade Registration Date    | 29.01.1982 - DESA became a joint-stock company   |
| Paid-in Capital            | TL 49,221,969.86   |
| Registered Capital Ceiling | TL 150,000,000   |
| Head Office Address        | Halkalı Cad. No:208 Sefaköy - İstanbul   |
| Trade Registry and ID      | İstanbul / 185047/132561   |
| Tax Office and ID          | Büyük Mükellefler Vergi Dairesi Bşk./ 293 004 8627   |
| BIST Code                  | DESA   |
| Web Site                   | <a href="http://www.desa.com.tr">www.desa.com.tr</a>   |
| E-mail Address             | <a href="mailto:desa@desa.com.tr">desa@desa.com.tr</a> / <a href="mailto:yatirimci.iliskileri@desa.com.tr">yatirimci.iliskileri@desa.com.tr</a> / <a href="mailto:investor.relations@desa.com.tr">investor.relations@desa.com.tr</a> |



# DESA

COLLECTION

## COUNTRIES OF EXPORT



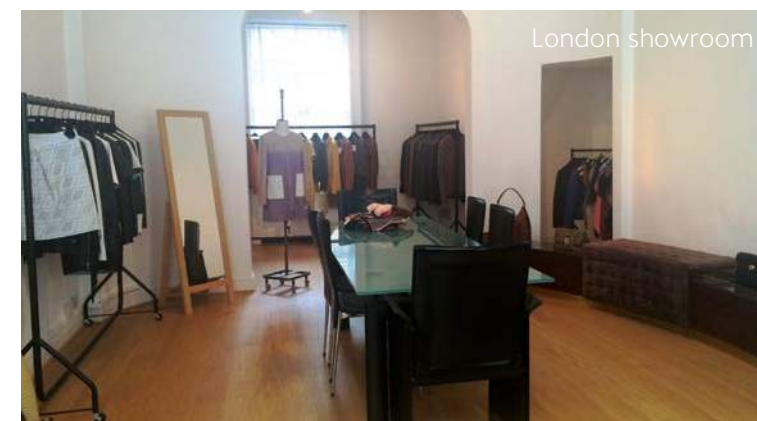
# COUNTRIES OF EXPORT

|                    |                    |                    |                |
|--------------------|--------------------|--------------------|----------------|
| <b>GERMANY</b>     | <b>DENMARK</b>     | <b>SPAIN</b>       | <b>HUNGARY</b> |
| <b>USA</b>         | <b>FRANCE</b>      | <b>SWITZERLAND</b> | <b>RUSSIA</b>  |
| <b>BELGIUM</b>     | <b>SOUTH KOREA</b> | <b>ITALY</b>       | <b>TUNUSIA</b> |
| <b>UNITED ARAB</b> | <b>NETHERLAND</b>  | <b>JAPAN</b>       | <b>UKRAINE</b> |
| <b>EMIRATES</b>    | <b>HONG KONG</b>   | <b>QATAR</b>       |                |
| <b>CHINA</b>       | <b>UK</b>          | <b>CANADA</b>      |                |

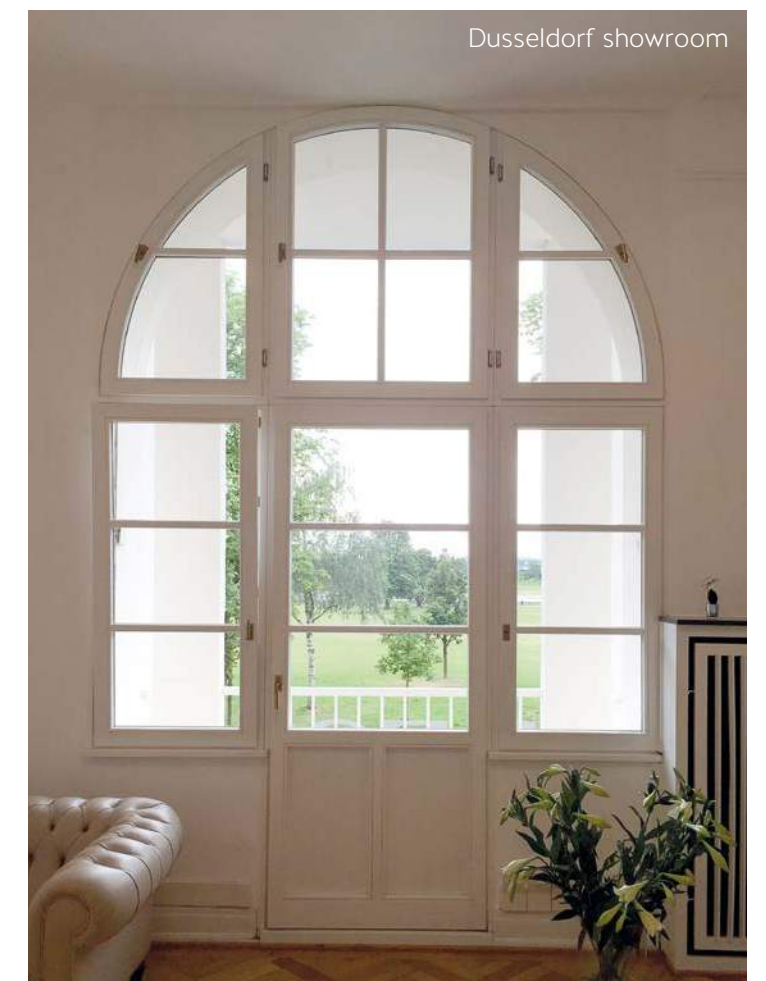
In July 2014, DESA has established a company headquartered in Dusseldorf Germany, DESA Deutschland GmbH. Together with the experienced staff within its organization, this new Company, fully owned by DESA, has started its wholesale activities at the showroom in one of the most central and elegant locations of Dusseldorf, where DESA brand products are exhibited. By this way, DESA aims to bring its existence into prominence with DESA brand products in the international arena.



Dusseldorf showroom



London showroom



Dusseldorf showroom

By means of its own brand DESA, the DESA continues reinforcing its position and enhancing its brand recognition in the international arena with firm steps. As DESA brand, the firm carries out its readymade collection sales through its strong showrooms and sales agents of the region with which it made collaboration mainly in Germany, Italy, France, America and Canada. In order to be close to the target market and carry out a dynamic business management, DESA founded its own showroom in Germany within the past year. Thus, together with its showroom based in London, DESA continues its operations in Europe with two showrooms in total owned by it.

The firm has strengthened the necessary R&D, design and brand management infrastructures within its structure on the way to branding within the scope of Turquality and reflected this power on the market by way of sales campaigns it organized in above-mentioned markers. As an organization having completed its Vertical Integration, the firm sells the finished leathers of its tannery to the most important and luxury brands of France and Italy with the total quality understanding it follows

*By positioning itself for premium segment, DESA branded products are sold side by side with world-famous luxury brands in private sales spaces dedicated to DESA in multi-storied boutique stores with high reputation and recognition in both Europe and America.*

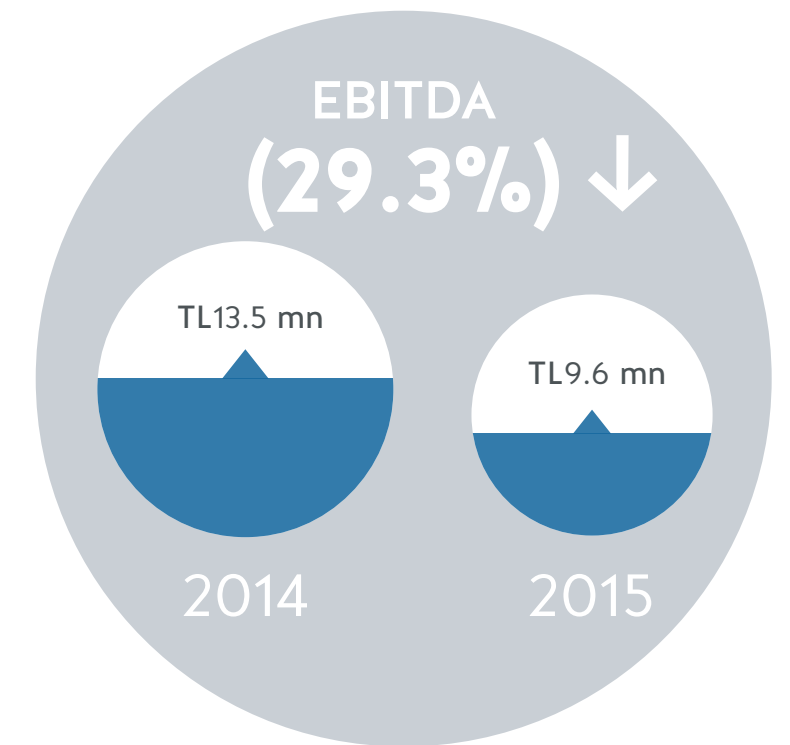
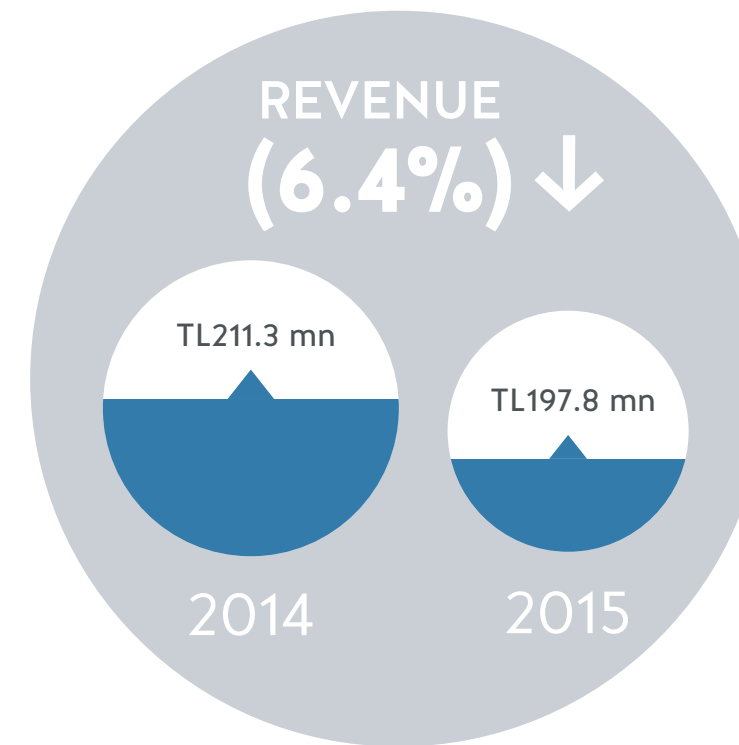
the entire process from advanced know-how and technology in its R&D studies and leathers purchased to the materials. In fairs organized in parallel with Berlin, Milano, Paris, New York Fashion weeks, DESA makes available its own stand containing the DESA brand without fail. DESA carries out DESA branded product sales in the USA as New York and Miami based and in Canada as Toronto based. By positioning itself for premium segment, DESA branded products are sold side by side with world-famous luxury brands in private sales spaces dedicated to DESA in multi-storied boutique stores with high reputation and recognition in both Europe and America. DESA continues its promotion activities by concluding agreements with strong advertisement agencies of relevant markets in its marketing activities.

## MAIN PERFORMANCE INDICATORS

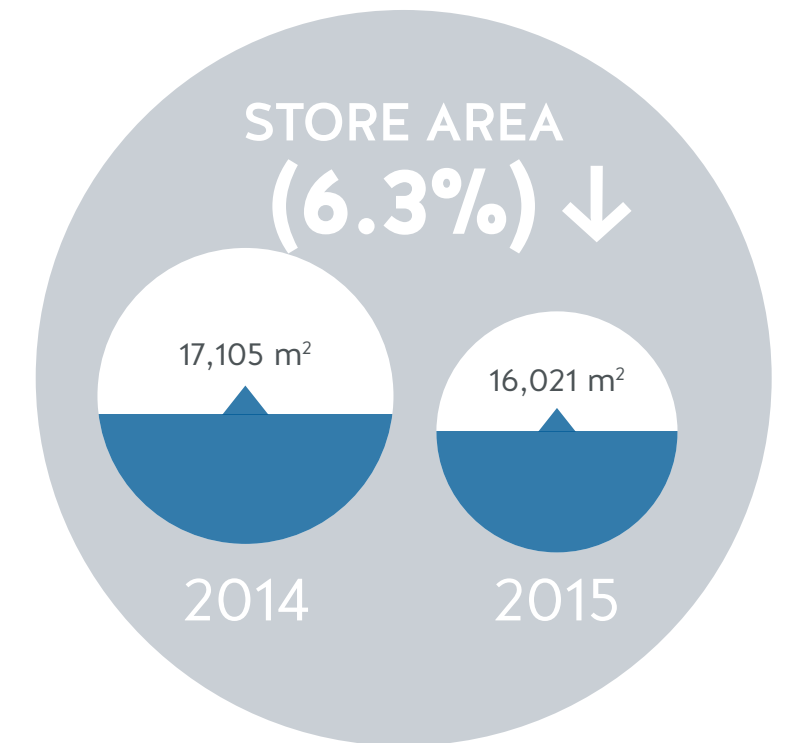
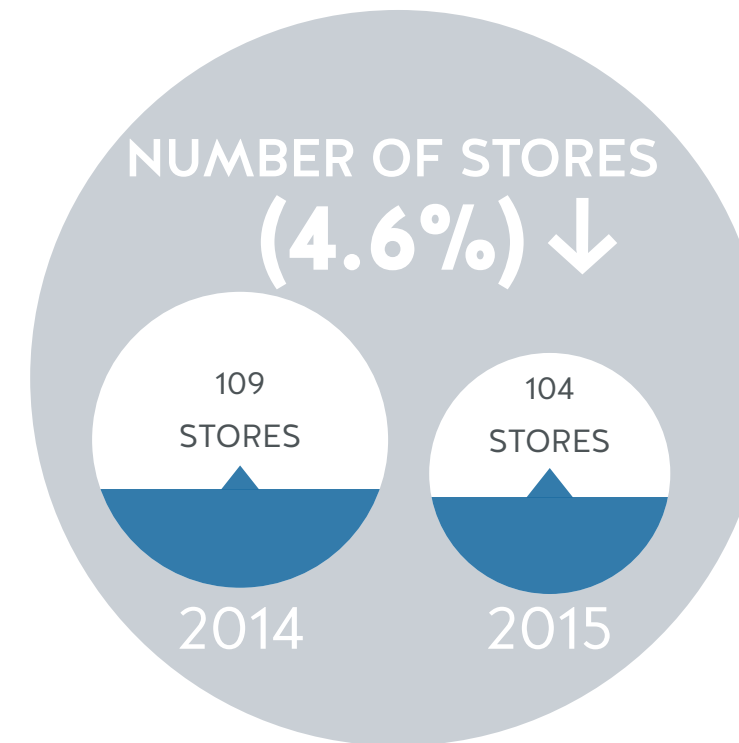
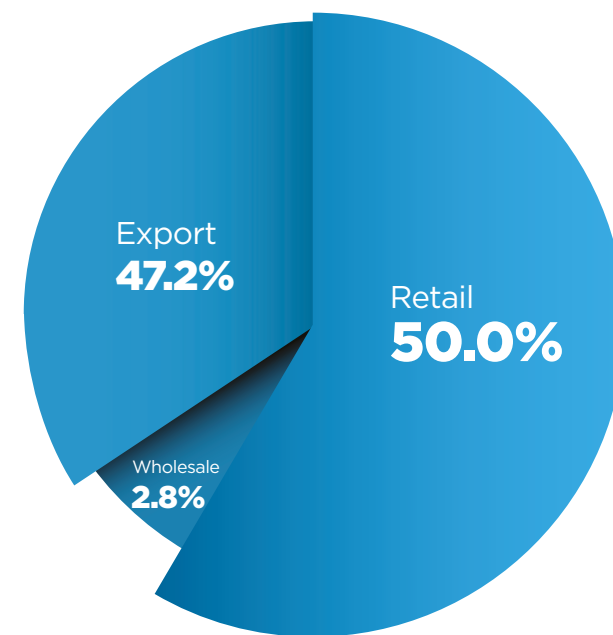
| Summary Balance Sheet (TL Million) | 2014         | 2015         |
|------------------------------------|--------------|--------------|
| Current Assets                     | 131.9        | 135.2        |
| Fixed Assets                       | 39.6         | 40.5         |
| <b>Total Assets</b>                | <b>171.5</b> | <b>175.8</b> |
| Short Term Liabilities             | 85.8         | 77.5         |
| Long Term Liabilities              | 17.6         | 34.7         |
| Total Financial Liabilities        | 41.6         | 57.7         |
| Net Debt                           | 40.2         | 56.7         |
| Shareholder's Equity               | 68.1         | 63.5         |

| Summary Income Statement (TL Million) | 2014  | 2015   |
|---------------------------------------|-------|--------|
| Revenue                               | 211.3 | 197.8  |
| Gross Profit                          | 76.0  | 73.2   |
| Gross Profit Margin                   | 36.0% | 37.0%  |
| Operating Profit                      | 7.9   | 3.7    |
| Operating Profit Margin               | 3.7%  | 1.9%   |
| Net Profit                            | 4.8   | (4.1)  |
| Net Profit Margin                     | 2.3%  | (2.1%) |
| EBITDA                                | 13.5  | 9.6    |
| EBITDA Margin                         | 6.4%  | 4.8%   |

## MAIN PERFORMANCE INDICATORS



## REVENUE BREAKDOWN BASED ON CHANNELS



N I N E T E E N S E V E N T Y T W O

**DESA STAGES  
FORMIDABLE  
VENTURE INTO  
WORLD'S HIGH  
FASHION**

**DESA**  
NINETEENSEVENTYTWO



DESA, the first Turkish brand participated in Milan Fashion Week, is taking the pulse of the global fashion with NINETEENSEVENTYTWO, the collection, which is offered to sale in nearly 40 different locations globally. The collection meets the fashion addicts in about 40 luxury boutiques and it was prepared in the memory of the year 1972 when the first handbag collection was offered to sale.

Advancing with swift steps on the way to become a luxury brand in the world, DESA leads the way with DESA NINETEENSEVENTYTWO Collection it has prepared dedicated to the first year in which it offered its bags for sale. Meeting with fashion addicts in around 40 luxury boutiques among which are Excelsior, Degli Effetti, Antonioli, and Silvia Bini in Italy, Korea, America and Switzerland, DESA NINETEENSEVENTYTWO Collection steers the fashion world with its quality handworkmanship and minimal lines. Consisting of more than 70 pieces, the collection lays emphasis on the concept 'accessory' with its sophisticated, innovative and personal line. Ranging between Euro 900 and 3000 in terms of its prices and bearing the signature of the design team under the leadership of Tonya Hawkes having brought in a unique identity to DESA NINETEENSEVENTYTWO Collection joins the traditional lines with modern technology. Not offered for sale in Turkey yet and exhibited within the scope of Milano and Paris Fashion Weeks for the past four seasons, this special collection adds new dimension to the concept 'luxury'.

**Fashion Weeks Participated**

- FW13 Milan Fashion Week*
  - SS14 Milan Fashion Week*
  - FW14 Milan Fashion Week*
  - Resort presummer15 Paris Fashion Week*
  - SS15 Milano Fashion Week + Palazzo Bovara Event*
  - SS15 Paris Fashion Week*
  - FW15 Milan Fashion Week + Palazzo Serbelloni Event*
  - FW15 Paris Fashion Week*
  - Resort presummer 16 Paris Fashion Week*
  - SS16 Milano Fashion Week*
  - SS16 Paris Fashion Week*
  - Resort 16 prefall Paris Fashion Week*
  - FW16 Milano Fashion Week*
  - FW16 Paris Fashion Week*
- www.desa1972.com**

# DESA

NINETEENSEVENTYTWO







Marie Claire  
Italian Press  
February 2015



DESA  
NINETEENSEVENTYTWO

Desa Nineteenseventytwo, presentata nuova collezione

Linee essenziali e geometrie. Che vivono sul minimal. Il brand turco ha proposto a Roma la collezione autunno/inverno 2014-15 tra shopper black and white, tracolle, borse stile sacchetto e zainetti in nappa, struzzo e nabuk



Linee pulite, forme attuali, minimalismo geometrico. La collezione A/I 2014-15 di Desa Nineteenseventytwo si presenta così. Il concept è less is more.

L'ispirazione che anima la collezione Desa Nineteenseventytwo è un suo essenziale che incontra Turban più attuale. Tra i pellami utilizzati: nappa, struzzo e nabuk dalla grafica blackwhite ispirata al minimalismo geometrico di attraversamenti pedonali e segnaletiche urbane.

Tra gli instant-hit: il nuovo modello "Nineteen", lo shopper bag impressionista di dettagli metallici a motivo esagonale, con flap essenziale e pratica. Lo zainetto "Fortyfour" e la borsa stile sacchetto "Eightyeight" ripropongono invece la tradizione delle forme originali dei modelli classici in una interpretazione in chiave design. La presentazione nella boutique romana "Degli Effetti" con la presenza tra gli altri del fondatore e chairman di Desa, Metin Celik. Fra gli ospiti, le attrici Claudia Gerini, Valeria Solarino, Anna Palko, Pilar Abella e Miriam Catania.



NINETEENSEVENTYTWO



DESA  
NINETEENSEVENTYTWO  
MILANO'YA ÇIKARMA YAPTI!

DESA'nın yurtdışında satışa sunduğu Nineteenseventytwo koleksiyonu, moda dünyasının en önemli platformlarından Milano Moda Haftası'nda bu yıl da Türkiye'yi temsil etti.

**STORES**

GERMANY



ITALY



SWITZERLAND

JAPAN



KOREA



UAE



USA

**ANGELO BALDIN**

Via dei Giuseppini, 56, Spresiano (TV)  
Italy

**ASSELTA**

Via Matteo Renato Imbriani, 56, Barletta (BT)  
Italy

**BABYLON BUS**

Via S.Giovanni,29 59100, Prato  
Italy

**BUGATTI STORE**

Via Rialto 5, 33100, Udine  
Italy

**DA VINCI**

Via Francesco del Cairo, 7/9,  
21100, Varese (VA)  
Italy

**DEI IL CAVALLO**

Borgo Stretto 13, 56127, Pisa PI  
Italy

**DEGLI EFFETTI**

93, Piazza Capranica, Rome  
Italy

**DELL'OGLIO**

Via Ruggero Settimo,26B 90141, Palermo  
Italy

**DANIELLO ALINA**

Via dei Sei Martiri, 21, 80010, Villaricca (NA)  
Italy

**DI VINCENTI**

Via Vittorio Emanuele 10, 12051, Alba (CN)  
Italy

**JERREF**

Via Federico di Palma, 70, Taranto TA  
Italy

**EXCELSIOR MILANO**

Galleria del Corso 4 20100, Milano  
Italy

**GALLERY**

Via IV Novembre 15/D 55042, Forte Dei Marmi  
Italy

**GIBOT**

Via Nomentana, 457, Rome  
Italy

**LAVIRGI**

Corso Italia 133, 95127, Catania  
Italy

**LAZZARI**

Via Paris Bordone, 14, Treviso  
Italy

**LECCESE**

Via Giosuè Carducci, 19, Gioia Del Colle(BA)  
Italy

**L'INDE LE PALAIS**

Via Dè Musei, 6, Bologna  
Italy

**LUISA VIA ROMA**

Via Roma, 19/21r, 50123, Florence  
Italy

**MIMMA NINNI**

Via Nicolò Putignani, 26, Bari  
Italy

**MALIBU**

Via Mons G. Palma 69 72017, OSTUNI(BR)  
Italy

**O SRI**

Via Nazario Sauro, 10, Parma  
Italy

**PAOLA**

Via Matteotti 10/12,20883, Mezzago  
Italy

**POMPOSI**

Via Emilia, 51, 27058, Voghera  
Italy

**TESSABIT**

Via Milano 107, Como  
Italy

**TIZIANA FAUSTI**

Piazza Dante Alighieri, 1, Bergamo  
Italy

**VESTITI**

Mythenstrasse 10,CH-6003, Luzern  
Switzerland

**LA SCALA**

Hauptstrasse 33/35, CH - 9400, Rorschach  
Switzerland

**FIRST FRANKFURT**

Hochstr. 43 D-60313, Frankfurt  
Germany

**51 EAST**

Lagoona Mall, Doha, Qatar  
UAE

**ETOILE FASHION**

Mall of the Emirates, Dubai  
UAE

**TRYANO CHALHOUBGROUP**

c/o Real Emirates LLC, 125804,  
Dubai Investment Park  
UAE

**BOON THE SHOP**

4F, 52-5 Choongmuro-1ga, JungGu, Seoul  
Korea

**ELBON**

530-5 Sinsa-dong, Gangnam-gu, Seoul  
Korea

**DEUXIEME CLASSE**

Osaka, Kita-ku, Osaka Ofuka cho 4-20  
South Building 1F, Osaka  
Japan

**OPENING CEREMONY**

Lumine 2, 1st Floor, 3-38-2 Shinjuku-ku  
160-0022, Tokyo  
Japan

**TAKASHIMAYA**

2-4-1 Nihombashi, Chuo-ku, Tokyo  
Japan

**FIGARO**

Akasaka, Minato-ku, Tokyo  
Midtown 9-7-1 2F, Tokyo  
Japan

**SHOPBOP**

www.shopbop.com  
USA

**LUX COUTURE**

9 Lincoln Street, Newton Highlands,  
Massachusetts, USA

CREATIVE  
DIRECTORS



**Yossi COHEN**

Creative Director of DESA Collection Brand

- Yossi Cohen has served as the Creative Director of p.a.p 365 Fendi Collection for a period of three years
- After this unprecedented experience, he has managed Les Copains Collection for a period of 5 years
- He managed the visual and fashion design of brands such as Add – Les Copains – Pinko Group – Max Mara Group – TruTrussardi
- Yossi Cohen has been serving as the Creative Director of DESA Collection since July 2012

**Tonya HAWKES**

Creative Director  
of DESA NINETEENSEVENTYTWO Brand

- Tonya Hawkes has served as the Senior Designer and Creative Director of DKNY for a period of seven years
- After her position at DKNY, she has managed the design of FURLA SPA BOLOGNA for a period of two years
- She established her own studio in 2005. Her customer portfolio was consisting of the brands such as; Sergio Rossi, Elie Tahari, Botkier, Tommy Hilfiger Specialty Line, Max Mara-Penny Black, Halogen and Glint
- Tonya Hawkes has been serving as the Creative Director of DESA NINETEENSEVENTYTWO since May 2014



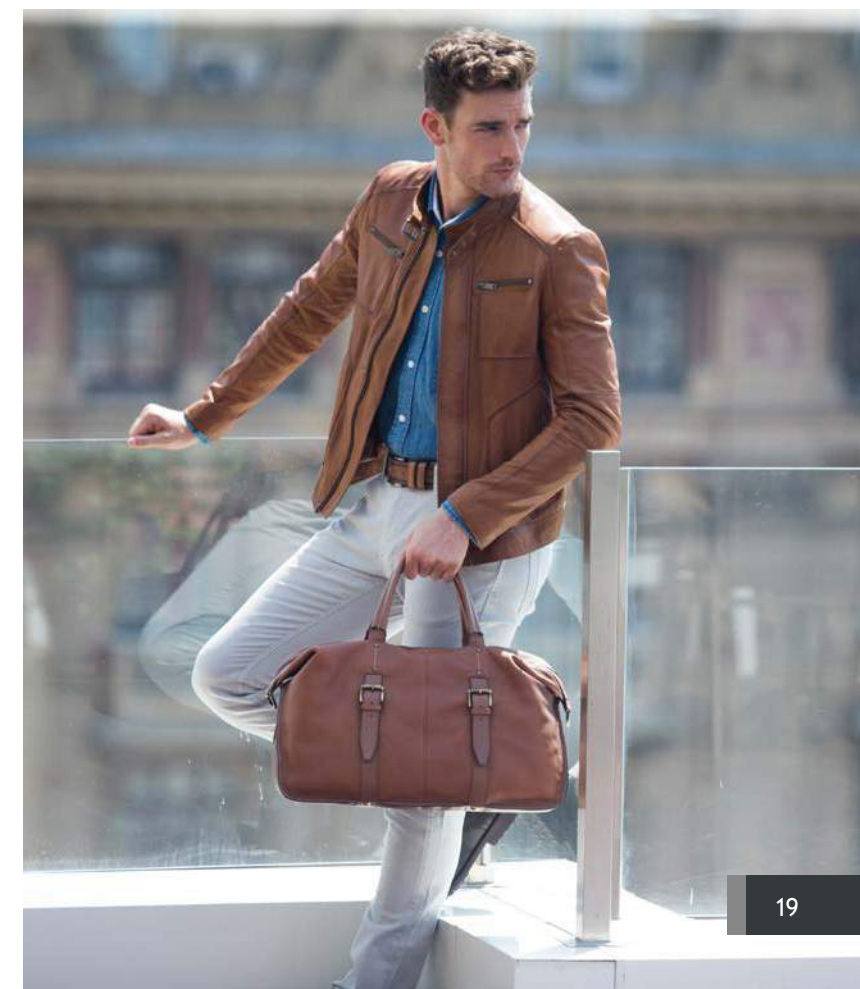


# DESA COLLECTION

## THE WORLD RECOGNIZES DESA...

Having made a proper name for itself throughout the world with its select collections since the year in which it was established; DESA reinforces its existence in international arena gradually with products of DESA brand. The overseas success of DESA, marketing its products abroad for the past 3 seasons under its own brand DESA Collection, increases gradually with a rising trend. Introducing the leather to the world with quality, modern and functional designs, DESA takes also firm steps to enhance its brand recognition around the world.

DESA brings its ready-made collection together with leather lovers at its own showrooms in Düsseldorf and London and in its agents' showrooms in Milano and Toronto under its brand DESA Collection. DESA Collection Products are available at around 100 points of sale in Italy



where world fashion's heart beats. Apart from this, the number of sales points is about to reach nearly 150 including all the customers in Germany, Japan, South Korea, France, England and Scotland. Additionally, DESA participates in the fairs held parallel to Berlin, Milano, Paris, New York Fashion Weeks with its own branded booth. DESA presents collections designed by the famous designer Yossi Kohen in the last 3 seasons and both male and female collections of DESA have been greatly appreciated. DESA took the stage and grabbed the spotlight by participating in the most famous male fashion fair of the world as known by everybody named Pitti Uomo in 2015. DESA prepared a collection consisting of at least 100 units of female and male products every season and carries out marketing and promotional activities in order to enter new markets as well as the existing ones.



# Samsonite® DESA

In 1983, DESA has become the distributor of Samsonite in Turkey, the World's greatest travel products brand. Thanks to this distributorship, DESA has blazed the trail in development of this sector in our country by offering comfortable and practical suitcase alternatives to the travel products market. Following a 26 year distributorship in Turkey, a joint venture was established between Samsonite, the company having a solid international profile, and DESA, holding shares 60% and 40% respectively. By the end of 2015, total number of Samsonite stores in Turkey has reached to 35 which 21 stores belong to DESA and 14 stores belong to the joint venture company.

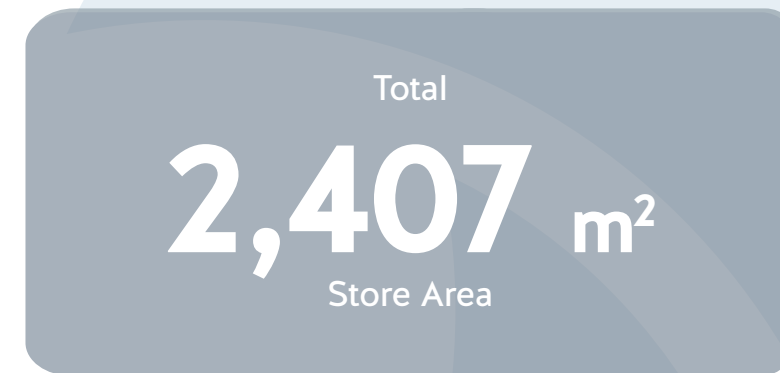
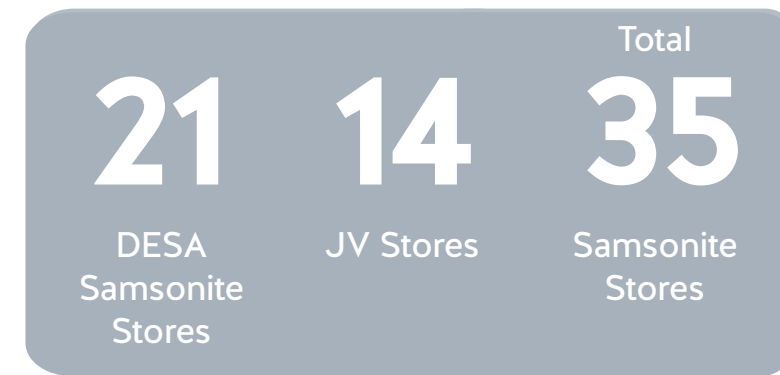
- 35 Samsonite Stores
- 21 belong to DESA
- 14 belong to the Joint Venture
- 26 years distributorship (between 1983 - 2007)
- 9 years partnership (40%-60% JV) (Since 2007)

### DESA Owned Stores

Sales volume of 69,682 pieces achieved in 21 stores of DESA. 21 stores in total carry on business on the store area of 1,282 m<sup>2</sup> and revenue of these stores was TL 22.0 million in 2015.

### Joint Venture Owned Stores

Sales volume of 89,238 pieces achieved in 14 stores of the Joint Venture. 14 stores in total carry on business on the store area of 1,125 m<sup>2</sup> and revenue of these stores has been TL 26.4 million TL in 2015.



## CHAIRMAN'S MESSAGE

In 2015, the decrease experienced in the commodity prices, geopolitical risks, slowdown seen in Asian economies, the fluctuations experienced in capital markets together with the decisions taken by European Central Bank and FED left mark on international markets. For Turkey, this year has been a year in which Turkish Lira depreciated distinctively due fund to fund outflows seen in the developing countries, political developments, election process and increased geopolitical risks.

The year 2015 was a year in which distinctive contractions were experienced in both retail sector and export. We have left behind a year in which the opportunity-oriented shopping understanding settled as the consumer habit, profit-oriented working principles were ignored, competition in the domestic market became even more complex and the growth in the sector remained at a very limited levels. Such situation was also reflected on the profitability per square meter adversely. Besides, the signals of slowdown in Chinese economy and the stagnation especially in Asian economies affected negatively the luxury segment not having experienced contraction even in the deepest crisis periods. The decrease seen in commodity prices in global platform contracted also the consumption of Russia having a significant share from luxury segment consumption in this field. These developments experienced impacted all the firms among which DESA, the supplier of lux segment consumption, is also found. For the purpose of limiting the effects of said negative developments on our company, we have initiated a production relationship with Coach located in the USA, being one of the markets in which luxury segment consumption in the world is still the soundest segment and being the second largest firm in the world in field of leather products. While shifting our production relationship which is predominantly in Europe to the USA, we focused also on increasing the diversity of our customers in Europe. In parallel with this purpose, with the target of being able to create a sales channel with higher profitability and the profit margins of which are controlled by us effectively, we placed importance on sale of DESA branded products in overseas channels. With DESA Collection brand, we participated in fairs for the branded sale in ready-made category and rendered our brand showing itself in international aspect even more by offering our products to the taste of fashion lovers in Germany, Italy, Canada, England and France. As an example of this development, we were invited to Pitti Uomo being the largest men's wear fair of the world in 2016 for the first time and we represented our brand in such a fair very successfully.

In line with our efficiency-oriented approach, we closed our store located in London and transformed one floor of our office located there into a showroom. Thanks to the showroom we opened, we ensured that our DESA Collection brand was offered to our customers more efficiently. Thus, in a vast area extending from the USA to Japan, we positioned our brand at more than 150 points. Dedicated to the first year in which our handbags were offered for sale, we offered AW15 collection of the special collection of ours named "DESA NINETEENSEVENTYTWO" with the superior quality, produced with hand-workmanship and we have been producing with



Melih Çelet Chairman

minimal design to our customers in Milano Fashion Week an Paris Fashion Week and got full marks again from the preeminent fashion editors of the world fashion. While making our brand even more visible in international arena, we included Tonya Hawkes having managed the creative directorship of brands like DKNY and FURLA previously, in our team as the Creative Director of the brand DESA NINETEENSEVENTYTWO in September 2015 by bolstering up our design side equally. Also in 2016, we will increasingly continue our efforts for the promotion and sales activities of this collection.

In addition to our international activities, we accelerated our wholesale activities by focusing especially on leather ready-to-wear category in our showroom we opened in Düsseldorf in 2014 in which DESA-branded products are exhibited.

In 2015, we registered total revenues amounting TL 197.8 million. Having preserved our incomes under tough conditions, we made no concessions about profitability with our efficiency-oriented approach. Having carried out the supply of raw material used in shoe manufacturing generating more than 40% of our sales from our own sources, we succeeded in obtaining cost advantage up to 40% at the manufacture stage. In 2016, we expect to see the full impact of the cost advantage accomplished from this application we initiated toward late 2015. Within the year, in order to make our warehousing spaces more efficient, we increased said areas from 5.000 m<sup>2</sup> to 10.000 m<sup>2</sup> and initiated the necessary efforts in order to make our inventory management even more efficient. As a result of the efficiency and our performance evaluations, we decided to close several stores. On the other hand, we refurbished our six stores as per our new concept. We will continue said investment in the upcoming period as well.

We understand that the obstacles and hardships we faced with in 2015 will continue in 2016 as well. The probable decrease in the number of tourists coming to our country and the increase in costs denominated in foreign currency will affect particularly the retail sector in an adverse way. In this hard period, we, as DESA, will render our inefficient stores more efficient and close those stores that cannot be rendered efficient. In addition to these, also in the upcoming period, we aim at preserving the contribution of our export proceeds having ensured us to be hedged naturally against probable currency risks and having made more powerful against fluctuations by making up approximately half of our total incomes. We expect that the export proceeds of leather and leather products industry carrying out the significant portion of its exports to Russia will contract significantly in 2016. In 2016, we aim at growing our business operations with the USA.

All in all, I would like to thank all our employees, customers, suppliers and the last but not the least our investors who are with us in the path on which we take firm steps forward to become a world brand with our design, handcraft and product quality in compliance with international standards as well as our integrated business model.



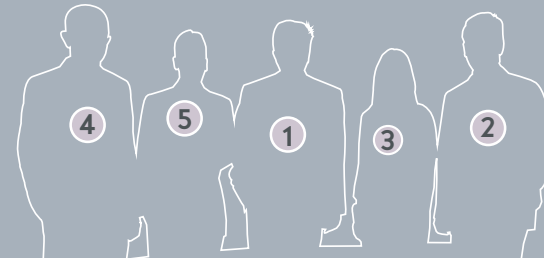
“We positioned our brand at more than 150 points, in a vast area extending from the USA to Japan, by making our brand even more visible in international arena.”

Melih Çelet  
Chairman

## BOARD MEMBERS



- 1 **Melih ÇELET**  
Chairman
- 2 **Burak ÇELET**  
Board Member and General Manager
- 3 **Burçak ÇELET**  
Board Member
- 4 **Osman TAVTAY**  
Independent Board Member
- 5 **Mehmet Kaan KOZ**  
Independent Board Member



**Melih Çelet** Chairman

Founded DESA in 1972, Mr. Melih ÇELET graduated from Ankara College in 1968 and received his undergraduate education at Istanbul University, Faculty of Pharmacy. Mr. Melih ÇELET speaks English.



**Burak ÇELET** Board Member and General Manager

Graduated from Boğazici University, Department of Mechanical Engineering in 1999, Mr. Burak ÇELET received his MBA degree in from the University of Wisconsin-Madison in 2001. He obtained a Master of Science degree in Leather Technology at Northampton College in 2002. Mr. Burak ÇELET serves as Member of Board in United Brands Association, Member of Board in Istanbul Association of Exporters of Leather and Leather Products, Leather Promotion Group Board Member, Member of Turquality Working Group as well as General Manager in our Company. Mr. Burak ÇELET speaks English and German.



**Burçak ÇELET** Board Member

Mrs. Burçak ÇELET completed her bachelor's degree at Yildiz Technical University, Department of Industry Engineering in 1999. Served as Planning Director at Toys"R"Us between 1999 and 2001, Mrs. Burçak ÇELET received her master's degree in retail management at University of Surrey in 2002 and served as Maxitoys - Category Manager at Joker between 2003 and 2004. Having been a member of board in our Company since 2004, Burçak ÇELET speaks Italian, English and French.



**Osman TAVTAY** Independent Board Member

Completed his bachelor's degree at Istanbul Technical University, Department of Geophysical Engineering in 1986, Mr. Osman TAVTAY served as Stock Exchange Representative and Specialist at Can Menkul Değerler, Piramit Menkul Kıymetler ve Ekinciler Yatırım between 1990 and 1996, and Senior Trader at Koç Menkul Değerler between 1996 and 1998. Served as Domestic Transactions Manager at ABN Amro Yatırım A.Ş. between 1998 and 2004, Mr. TAVTAY was appointed as independent board member for two years in our Company's 2013 ordinary general assembly dated May 31st 2014.



**Mehmet Kaan KOZ** Independent Board Member

Mr. Mehmet Kaan KOZ graduated from Deutsche Schule Istanbul in 1995 and completed his undergraduate education at Boğazici University, Department of Mechanical Engineering in 1999. He started his professional career as a member of Koç Holding Management Trainee Program at Arçelik A.Ş. Research and Technology Development Center and then became Manager Partner of Anova Ltd. Şti., the foundation of which he participated in. Mr. KOZ was appointed as independent member for two years at our Company's 2013 ordinary general assembly dated May 31st 2014.

## MANAGEMENT TEAM & TARGETS



**Ayhan DİRİBAŞ**

Executive Vice President of Financial Affairs

Completed his undergraduate education at Mugla University, School of Business Administration, Mr. Ayhan DİRİBAŞ received his master's degree in business administration at Lasalle University and Marmara University in 2003. Begun his career at Doğu Holding in Finance Department in 1992, Mr. DİRİBAŞ served as Internal Auditor at Oger Holding between 1996 and 1998, as Deputy General Managery at Reysaş Holding A.Ş. between 1999 and 2004, as Accounting and Finance Director for Retail Group at Unitim Holding A.Ş. between 2005 and 2010. Mr. DİRİBAŞ was appointed as Executive Vice President of Financial Affairs in our Company in January 2013.



**Mustafa ATUK**

Executive Vice President of Sales and Marketing

Completed his bachelor's degree at Istanbul Technical University, Department of Management Engineering, Mr. Mustafa ATUK started his career as Assistant Specialist at Garanti Bank in 1990. He served as Budget Planning and Finance Manager at Avido Satış ve Mağazacılık between 1995-1997, as Budget Planning and Finance Manager, Brand Manager, Operations Manager and Season-End Sales and Production Manager at Boyner Holding Grop Companies between 1997-2008. Served as Sales Director at Yeşil Kunda between 2009-2011, Mr. Atuk was appointed as the Sales Director at Ziyilan Mağazacılık between 2011-2013 and Sales Director at Sim Koza Mağazacılık Lee Cooper between 2013 August -2014 October. Mr. Atuk was appointed as Executive Vice President of Sales and Marketing in our Company on December 3, 2014.

## OUR TARGETS

### Customer Satisfaction:

DESA operates in both production and retail sector by its business model. DESA aims to provide unconditional customer satisfaction before and after sales by offering its products to the customer with an understanding of flawless service.

**Quality:** Our product quality, tradition of handcraft, modern and functional designs and our brand are our most important assets. We strive to offer a different style, understanding and lifestyle without compromising our quality rather than offering just clothing and leather accessories to our customers.

**Profitability:** Profitability is the main source that DESA utilize for financing the new investments and R&D operations. For this reason, the most important criteria that we consider when evaluating the performance of our Company's performance is profitability. By this way, our goal is to grow by making profit in long term and become the indisputable leader of every field we operate in.



## OUR VISION & MISSION

### OUR VISION & MISSION

To become a fashion brand that makes its customers proud and excited with products and services it provides through its deep expertise at design and leather; a brand fed from Istanbul but being a citizen of world. To become a fashion brand that takes its strength from the investment in design and expertise on leather, is expert in the leather fashion sector in Turkey and the world with its products' quality, style and the best values; that provides its customers with a pleasant shopping environment, maximizes its shareholders' profitability, respectful to the society, environment and employees and remain as the fashion brand leader in the consumers' mind.



## VALUE CHAIN

### OUR STORES

We carry shopping experience to the highest level through our modern and charming stores.

### OUR GLOBAL PRESENCE

We transcend national boundaries with international stores.

### OUR PR ACTIVITIES

We strengthen our brand image and recognition through efficient and innovative communication.

### FLEXIBLE SUPPLY CHAIN

We own a supply chain adapting to quick changes fast and flexibly.

### FLEXIBLE PRODUCTION CAPACITY

We have a production capacity that can satisfy the increasing demand and the future growth.

### INTEGRATED BUSINESS MODEL

We save on costs through vertical integration we provided in production.

### BROAD EXPERIENCE

We have a management team that seeks strategical opportunities and is experienced and competent in their field.

### TECHNOLOGY

We have an advanced technological infrastructure supporting our growth.

### DESIGN

The unique skill of our designers embodying artisan craftsmanship.

### OUR HUMAN RESOURCE

We bring expert handcraft together with contemporary design.

### OUR BRAND

We can always deliver the brand value through our vertical integrated production model.





**1972**

Founded by Mehmet, Melih and Semih Çelet brothers as a collective company.

First store was opened on Bağdat Caddesi Istanbul.

**1974**

**1982**

DESA became a joint-stock company.

Became distributor of the globally-renown travel products brand "Samsonite" in Turkey.

**1983**

Samsonite



**1989**

Established the leather processing plant in Çorlu in accordance with the goal to build an integrated business model.

Opened the production facility in Sefaköy that has an indoor space of 15,500 square meters.

**1990**

**1999**

Managed to rank **937th in ISO 1000 list** thanks to its business concept that always prioritizes quality, DESA opened the new tannery in Çorlu the same year in order to enhance its producing force further and carry its cost control to the high levels.

Decided to take a path with global vision and opened DESA UK office in London.

**2001**



**2002**

Crowned its faith in quality with **ISO 9001:2000** Quality Certificate and took justified proud of ranking **250th in ISO 500 list** and the first place in its sector.

Listed on Istanbul Stock Exchange Market, considering the values that joining the capital markets will add values to the company from the point of transparency, reliability and accountability. An investment incentive certificate was received for the investment in Düzce Organized Industrial Zone, and an investment of TL 3.2 million was realized.

**2004**



**2006**

With an area of 20,000 m<sup>2</sup>, Düzce plant increased company's production capacity at 60% after having started operating. 2006 was a year of many important developments for DESA. It was designated as the brand to be supported within the scope of Turquality program created by Undersecretariat of Treasury and Foreign Trade. In the same year, DESA International Limited as a retailing company was founded in United Kingdom, and the first foreign store was opened within Debenhams store on Oxford Street in London. DESA also proved its difference in the sector once again by introducing Turkey with its first water resistant leather clothing collection in 2006.

**2007**



Moved up to 449th place in the Fortune 500 list. DESA purchased Çorlu Plant including with the building, land and all fixtures.

**2009**

While putting its online shopping site into customers' service, the company took the first steps for carrying its position as the leading fashion retailer of Turkey into foreign markets with 2 new UK store. Becoming the export champion of Turkey in 2010 according to the figures declared by Association of Exporters of Leather and Leather Products, DESA rank 210th in Istanbul Chamber of Commerce's second list of the biggest 500 industrial company.



**2011**

Deserving sector's first place in export for the third time, DESA took serious steps for proving the brand on the international platform. One of those steps was to commission Graeme Black who worked with the giants like John Galliano, Giorgio Armani, Salvatore Ferragamo and started as Designing Director at Desa to create AW 12-13 collection. The designing director showed his differences in this field and created a collection to be able to compete with world's giants on the international platform. Desa distinguished once again with its two-sided designs in 2012.

**2013**

DESA has renewed its online store which it is able to contact its customers for 7/24 in everywhere apart from location with an investment it made. On the website www.desa.com.tr one click away only from its customers of leatherwear, shoe, accessory, textile and travel collections, customer experience has been enhanced.

In July 2014, DESA founded the company with the corporate name DESA Deutschland GmbH based in Düsseldorf, Germany. This new company, fully-owned by DESA, with its experienced team began wholesale operations by getting focused on leather ready wear category particularly in its showroom located in the center and elegant part of Dusseldorf, where DESA brand name products are displayed.

**TODAY**

Started its operations with leather handbag production in 1972, DESA operations include a tannery, two plants for production of men, women wear and accessories such as garments, handbags and wallets as well as distribution of those products via retail channels. DESA is one of the major contributors to Turkish economy with its potential of employment and export.

In addition to production facilities with a total area of 25,500 m<sup>2</sup> in İstanbul and Düzce and its tannery with an area of 20,000 m<sup>2</sup> located in Çorlu, Desa became a fully integrated leather products manufacturer owning 45,500 m<sup>2</sup> production area in total. In 2015, 297,529 units of handbags, 197,226 of leather accessories, 46,628 of garments, 271,271 pairs of shoes and 4,965 units of textiles have been sold. Desa's retail operations are mainly domestic with 63 Desa, 21 Desa Samsonite, 5 Desa Franchise, 14 Samsonite JV and one online store totaling 104 stores in Turkey; Desa also has two showrooms in Dusseldorf and London.

Founded a joint venture with Samsonite of which it had been a distributor for 26 years. Desa owns 40%; Samsonite owns 60% of this venture. A collaboration was made with Genex, an English brand consultancy firm, for consultancy on branding in accordance with the goal of being a world brand. To this end, important changes were made in logo, corporate identity and store concepts.

**2008**

The first franchising store was opened in Jeddah. Taking the 355th place in Istanbul Chamber of Commerce's the biggest 500 industrial company list, the company moved up to the 471st place in the Fortune 500 list.

**2010**

Took the pride of deserving sector's first place in export once again. In the same year, Covent Garden store was chosen one of the best 60 stores of the world in VMSD International Store Design Competition in which brands from all over the world participates. DESA was given a wide coverage in the book named "Retail Spaces / Small Stores" in which the stores ranked as a result of the competition are included.

**2012**

NINETEENSEVENTYTWO collection dedicated to 1972, the year which the first handbag collection is launched, prepared and offered for sale at almost 40 luxurious boutiques only abroad, has been exhibited at Milano Fashion Week in September 21st - 23rd, 2013, and at the Showroom organized in Escape Communes within the scope of Paris Fashion Week in September 28th - October 4th, 2013 and proved with this special collection that a Turkish brand has reached to summit in terms of design and quality.

**2014**

# VERTICALLY INTEGRATED BUSINESS MODEL

DISTINGUISHING DESA

# DESA



The element that makes DESA different from its peers is that DESA controls all stages of the service process it provides through the company's tanneries, production skill of leather garments, bags and accessories and retail stores under control.

Leading its sector in export and retail fields, DESA makes important investments in R&D, human resources and education fields to increase customer satisfaction through products of good quality and flawless service appropriate for today's trends.



Leather production  
in the Çorlu tannery

**20,000 m<sup>2</sup>**  
indoor production  
area

Weekly Capacity

**28,850 kg**  
Cattle raw leather  
processing

**170,200 kg**  
Small cattle raw leather  
processing

Suede, Napa, Fur,  
Calf leather processing



Production of leather  
garments,  
handbags and accessories

**International  
design team**

Istanbul facility

**15,500 m<sup>2</sup>**

indoor production area

Weekly Capacity

**2,000** pieces  
of leather garment

**1,000** pieces of textile

**6,000** pieces of handbags

Düzce facility

**10,000 m<sup>2</sup>**

indoor production area

Weekly Capacity

**14,000**

pieces of handbags



**104**

Total Stores

**63**

Desa Mono Brand Stores

**21**

Desa Samsonite

**5**

Desa Franchises

**1**

Online Store  
Desa.com.tr

**14**

Samsonite  
JV Stores

**40%** **60%**  
DESA JV Samsonite

partnership

**16,021 m<sup>2</sup>**

Store Area

Having a labor-intense business model, our Company's number of employees is 1,712 as of the end of 2015.

## Looking at the world from DESA...

We take our strength that we turned into a worldwide success from our principles which we defined according to our priorities and committed strictly. Unconditional customer satisfaction, flexibility and fast response to the customers' queries are the most important criteria at this point to which we have come without compromising on quality and forgetting the fact that our most important foundation and resource is people.

DESA miracle of 42 years is a product of the high performance and quality mentality we provide at every point. As our Company aims to have a competent human resource that lives today but thinks about the future, all of our employees strive to maintain the positive image of our company and products both locally and internationally.

Created the brand of custom products by working in the light of these principles, proved its quality and leadership inside and outside the country, our Company makes its employees enjoy being a part of a world brand.

We offer our employees the opportunity of specializing, building a career in the sector and getting awarded for their works. DESA, which ensures its success with the adherence to the principles, plans its future by knowing its biggest foundation is human resource. With this approach, we summarize our company's philosophy of human resource development:

"We will train our human resource at every stage by ourselves."

DESA conducts the operations of training and development in house to train and improve its employees in accordance with this philosophy.

Desa Training System depends on raising and improving its own workforce by considering sector-specific conditions.

### EMPLOYEE

|        | 2014  | 2015  |
|--------|-------|-------|
| MALE   | 1,045 | 988   |
| FEMALE | 858   | 724   |
| TOTAL  | 1,903 | 1,712 |

### COLLAR BREAKDOWN

|              | 2014  | 2015  |
|--------------|-------|-------|
| BLUE COLLAR  | 1,310 | 1,114 |
| WHITE COLLAR | 593   | 598   |

Since the public offering in May 2004, our Investor Relations Department has aimed to build close relationships with our shareholders at an equal distance and provided them with maximum value in parallel with the corporate governance standards that our Company embraces in accordance with honesty, accountability and reliability principles. Total 25 material disclosures were made, and queries delivered by the analysts and investors to our investor relations department via telephone or e-mail in 2015 were replied in accordance with the Capital Markets Legislations.

#### Share Performance and Market Value

DESA shares have been publicly traded with DESA code on Borsa Istanbul (BIST) on May 6th 2004. The Company was registered in the registered capital system in 2007 and the registered capital ceiling is TL 150,000,000. Paid-in capital is TL 49,221,974 and divided into 4,922,196,986 shares with 1 Kr nominal value each. Market capitalization of DESA as of December 31st 2015 was TL 39,869,796 with an average daily volume at TL 107,333 in 2015.

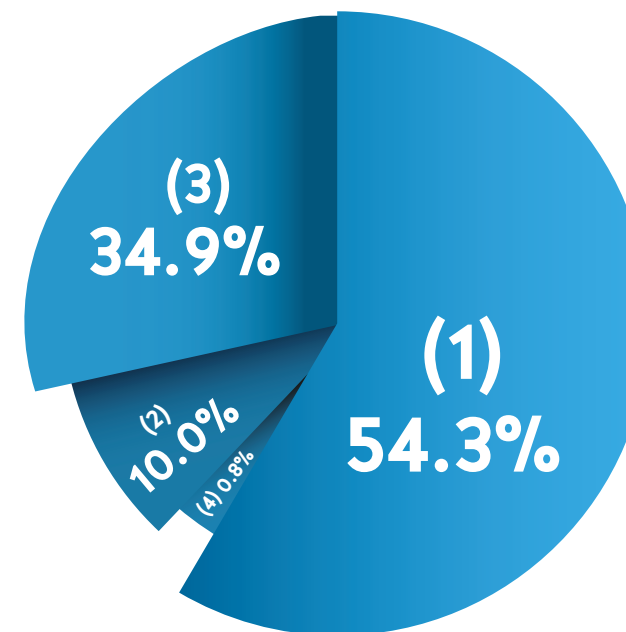
#### Share Information

|                         |            |
|-------------------------|------------|
| BIST Code               | DESA       |
| Reuters Code            | DESA.IS    |
| Bloomberg Code          | DESA.TI    |
| Date of Public Offering | 06.05.2004 |
| Market Capitalization*  | TL 39.9 mn |

\*As of December 31st 2015

35% of DESA share capital is free float. Our company's shareholder structure as of December 31st 2015 is set forth below.

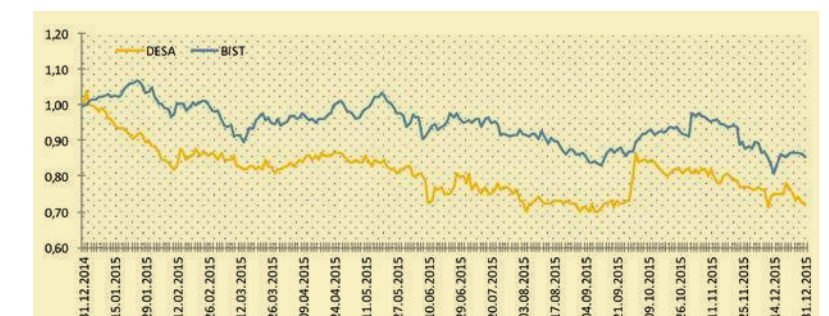
1. Çelet Holding
2. Melih Çelet
3. Free Float
4. Other



| SHAREHOLDER          | NOMINAL SHARE VALUE (TL) | SHARE PERCENTAGE (%) |
|----------------------|--------------------------|----------------------|
| Çelet Holding A.Ş.-1 | 26,717,682               | 54.3%                |
| Melih Çelet-2        | 4,922,197                | 10%                  |
| Free Float-3         | 17,188,315               | 34.9%                |
| Other-4              | 393,780                  | 0.80%                |
| <b>TOPLAM</b>        | <b>49,221,974</b>        | <b>100%</b>          |

As of 31.12.2015 among the free float, 8.39% of shares amounting 4.129.566 TL share capital belong to Çelet Holding A.Ş. and 6.84% of shares amounting TL 3,365,730 share capital belong to Melih Çelet.

2015 DESA Relative Share Performance



# CORPORATE GOVERNANCE PRINCIPLES

## PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Desa Deri Sanayi ve Ticaret A.S. has identified the principles contained in the Corporate Principles published by the Capital Markets Board as a target for itself.

The ability to operate at international standards is also of utmost importance besides creating value to the shareholders with a stable and profitable growth performance in order to effectively take a place in the financial markets developing with the depth emerging as a result of globalization trends in the financial markets.

Good corporate governance has a significant contribution to the sustainability of the Company as well as increase of its reliability and prestige in the finance and capital markets.

DESA communicates the necessary information to all its investors and analysts simultaneously in a timely, secure, stable and proper manner under the legal and regulatory rules. Investors and other shareholders can access DESA-related historical and current information in real-time and full presented on our website in the Investor Relations section.

The Company's management aims at complying with the obligations arising from the Corporate Governance Principles Communiqué No: II-17.1 published by the Capital Markets Board Communiqué as a whole, and has taken the necessary actions for this purpose. The principles mandated for our company within the scope of the Corporate Governance Principles Communiqué are complied with.

## PART II - SHAREHOLDERS

### 2.1. INVESTOR RELATIONS DEPARTMENT

#### 2.1.1. Investor Relations Department and its Duties

The legislation and the Articles of Association are complied for the exercise of shareholders' rights and practices that will ensure the exercise of these rights are available. Desa Deri San. ve Tic. A.S. established an "Investor Relations Department" to manage relations with the investors from the date of the public offering in 2004. All relationships between DESA and the shareholders are carried out under the responsibility of the "Investor Relations Department" as a result of the joint efforts conducted with the relevant

departments in accordance with the following principles.

The Investor Relations Department is responsible for informing on the Company's activities and financial condition, excluding confidential information and trade secrets of the shareholders and potential investors, on a regular basis so as to not to cause an information inequality and managing the communication between the shareholders and the Company in coordination with the other departments.

#### In this context, the Investor Relations Department is responsible for:

- Presenting the Company to the existing and potential investors and brokerage institutions, replying the queries of analysts and researchers working in these institutions,
- Answering questions and requests from the shareholders,
- Ensuring investor-related databases and records to be kept up to date and orderly,
- Providing a two-way information flow acting as a bridge between the shareholders and the Company's senior management and the Board of Directors,
- Reporting to the relevant departments within the Company and senior management about developments in the capital markets and stock performance,
- Ensuring the shareholders to access the most accurate, quick and complete information by updating the web-page, activity report, investor presentations, investor bulletins, corporate films and so on communication means on a regular basis which the shareholders can receive information about DESA,

In addition, the Department helps executing the General Assembly Meetings conducted within the Company in accordance with the legislation in force and the Articles of Association and other internal regulations. Minutes of the General Assembly meetings ensures keeping voting results recorded and the through the minutes of the General Assembly meeting and relevant reports are submitted to the shareholders by the Investor Relations Department.

The Investor Relations Department performs all kinds of public disclosures, such as disclosing financial reports prepared by the Department of Accounting and particular events as required by legislation.

#### Contact information of the Investor Relations Department is provided below.

Pinar Kaya –Investor Relations Manager

Phone: 0212 473 18 00

Fax: 0212 698 98 12

E-mail: Pinar.Kaya@desa.com.tr

E-mail: yatirimciiliskileri@desa.com.tr

Bülent Uyarlar – Accounting Manager

Phone: 0212 473 18 00

Fax: 0212 698 98 12

E-mail : bulent.uyarlar@desa.com.tr

E-mail: yatirimciiliskileri@desa.com.tr

Investor Relations Manager Pinar Kaya and Accounting Manager Bülent Uyarlar carry out her duties in a manner affiliated to Ayhan Diribaş, our Company's Executive Vice President of Financial Affairs. The report with respect to the investor relations activities carried out in 2015 has been submitted to the Board of Directors on January 12th 2016. Investor Relations Manager Pinar Kaya holds an Advanced Level License on Capital Market Activities. In addition, Investor Relations Manager Pinar Kaya has been appointed as the Corporate Governance Committee Member as per the Board of Directors' resolution dated April 17th 2014.

#### 2.1.2. Information on Activities of the Investor Relations Department in 2015

Questions that were addressed to the investor relations department by phone or e-mail were answered. The Company's web-page was regularly updated in order to ensure investors to monitor up-to-date information. Disclosures which are important to investors were published on the Company's web-page after announced in the Public Disclosure Platform (PDP).

During the year 2015, in accordance with the Capital Markets Legislation, 25 material disclosures have been made to public.

An agreement was concluded between İş Yatırım Menkul Değerler A.Ş. and our Company for the purpose of carrying out the activity of market making in terms of shares of our Company. The application filed by İş Yatırım Menkul Değerler A.Ş. with Borsa İstanbul A.Ş. was approved with the approval dated 07.07.2015 of the General Directorate of Borsa (Exchange) and the market making activities were commenced by İş Yatırım Menkul Değerler as of 08.07.2015 in terms of shares of our Company.

Updates in the investor tools are made on a quarterly basis. Compliance with the

legislation is observed to the maximum extent for fulfilling the investor demands, and no complaint against the Company about the exercise of the shareholders' rights or administrative and legal proceedings brought against the Company in this regard was made in the past year to the best of our knowledge.

## 2.2. SHAREHOLDERS' RIGHT TO OBTAIN INFORMATION

### 2.2.1. Principles regarding Exercise of the Right to Obtain and Review Information

No distinction is made between the shareholders regarding the exercise of the right to obtain and review information. Apart from information in trade secret nature from the shareholder, all requests to obtain information are discussed with the relevant departments and answered and communicated to the shareholders by telephone or e-mail.

Any kind of information that would interest to the shareholders during the year is disclosed with the necessary explanations and published on the website.

### 2.2.2. Right to Request a Private Auditor

Although there is no arrangement regarding appointment of a private auditor in the Articles of Association, no request has been received from the shareholders in this direction. The Company's activities are periodically audited by an Independent Auditor and Statutory Auditors determined at the General Assembly. The independent auditing company, selected in the Ordinary General Assembly for 2014 held on March 31st 2015 is RSM Turkey Bağımsız Denetim ve YMM Anonim Şirketi.

## 2.3. INFORMATION ON GENERAL ASSEMBLY

The General Assembly meetings are held taking into account the Turkish Commercial Code, the Capital Markets Legislation and the Corporate Governance Principles to allow the shareholders to obtain adequate information and broad participation.

### 2.3.1. General Assembly Pertaining to 2014

The General Assembly meeting was held on March 31st 2015 with a quorum of 79%. No specific period of time was provided to register the registered shareholders into the share ledger and the relevant provisions of the Turkish Commercial Code were applied. The General Assembly meeting was held in the Company's he-

adquarters in order to facilitate the participation under the supervision of the Commissioner appointed by the Ministry of Industry and Trade. The location where our General Assembly meetings are held is arranged in a manner allowing participation of all shareholders. A separate agenda item on the donations and aids during the year was included in the agenda of the General Assembly. No proposal with respect to the agenda was submitted by the shareholders separately. Media did not participate in the meeting.

### 2.3.2. Invitations and Announcements

Invitations to the General Assembly meetings are made by the Board of Directors in accordance with the Turkish Commercial Code (TCC), the Capital Market Law and the provisions of the Company's Articles of Association. When the Board of Directors adopts a resolution for a General Assembly, the necessary announcements are made via the PDP and the public is informed.

Announcement for a General Assembly meeting is published on all editions of a newspaper published daily in Turkey and on the Trade Registry Gazette to reach the greatest possible number of shareholders within the framework of the necessary legal provisions.

Announcement including information on the date and time of the Ordinary General Assembly meeting for 2014, the meeting place, the agenda items, attendance procedure to the Ordinary General Assembly of the shareholders, power of attorney sample and information on issuance procedure thereof have been published on Turkish Trade Registry Gazette issue no. 8771 dated 04.03.2015 and Dünya Newspaper dated 05.03.2015.

In the General Assembly announcements published on the Website along with the General Assembly Information Document; meeting day and time, meeting place, agenda, and invitation being made by the Board of Directors and attendance procedure of the shareholders to the General Assembly are explained.

Along with these, total number of shares and voting rights reflecting the shareholder structure of the Company, number of shares and voting rights representing each of the privileged share group, if there is privileged shares in the Company's capital, changes and amendments in the management and activities of the Com-

pany as well as the prominent affiliates and subsidiaries of the Company in the previous fiscal year or planned to be made in the following fiscal year which shall affect the Company's activities significantly and the reasons of these changes and amendments along with the activity reports and the annual financial statements of the last two fiscal periods of all the corporations subject to these changes; reasons of dismissals or replacement of the Members of the Board of Directors, if the Agenda of the General Assembly includes dismissal, replacement or election of the Members of the Board of Directors; information about the persons nominated for the Membership of the Board of Directors; along with the resolution of the Board of Directors on the amendment of the Articles of Association taking place in the agenda, the previous and the new versions of the Articles of Association amendments; curriculum vitae of the persons to be nominated for the Memberships of the Board of Directors, duties they've performed within the last ten years and reasons for departure from these positions, quality and significance level of their relations with the Company and the Company's related parties and whether they have the qualification of independence as well as information on the similar which might affect the Company's activities in case they are elected as the Members of the Board of Directors have been disclosed to public within 1 week as from the date of the announcement of the General Assembly.

Announcements on the General Assembly, along with procedures stipulated by the legislation, have been published in the Company's registered office and the website ([www.desa.com.tr](http://www.desa.com.tr)) in a way to reach to a majority of the shareholders not later than 21 days before the General Assembly.

The legal processes and regulations are observed for all announcements by disclosing the necessary documents on the agenda items to the public before General Assembly meetings. The Company's annual report was presented to the shareholders at the Company's headquarters before the General Assembly within the time periods provided in the legislation. In addition, it was submitted for review of the shareholders and all other stakeholders at the Company's web site ([www.desa.com.tr](http://www.desa.com.tr)). There is no question which was not answered during the General Assembly

meeting but answered by the Investor Relations Department in writing later on.

### 2.3.3. Methods of Voting

The example of the power of attorney for shareholders who will be represented by a proxy in the General Assembly Meeting is available on the Company's web-page and newspaper advertisement.

### 2.3.4. Principles for Participating in the General Assembly

Group A shares are registered shares and Group B shares are bearer shares in our Company. The records in the Shareholders List of the shareholders, whose shares were in the investor accounts under the Intermediary Institutions before the Central Registry Agency and who wished to attend the General Assembly Meeting, were taken into account under the provisions governing the General Assembly Procedures of the Central Registry Agency in the Company's 2014 annual general meeting held on March 31st 2015. These shareholders may attend the General Assembly meetings themselves as well as being represented by a third party. Such representatives are not required to be a shareholder.

The shareholders may have themselves represented by other shareholders or by a proxy to be appointed externally in the General Assembly meetings in accordance with the Capital Markets Board regulations governing voting by proxy. Representatives, who are shareholders of the Company, are also authorized to vote on behalf of the shareholders that they represent other than their own votes.

### 2.3.5. Meeting Minutes

Meeting minutes are available at [www.kap.gov.tr](http://www.kap.gov.tr) and [www.desa.com.tr](http://www.desa.com.tr) immediately after the end of the meeting. In addition, these minutes are available review by the shareholders at the Company's headquarters and are shared with investors who request to access these minutes.

## 2.4. VOTING RIGHTS AND MINORITY RIGHTS

### 2.4.1. Exercise of Voting Right

The Company avoids practices that make exercising voting rights difficult and provides all shareholders with an equal, easy and convenient voting possibility. Non-preferential shareholders having the right to vote in the Company may vote themselves as well as through a third party who is not a shareholder. No provision that prevents any person, who is not a shareholder, to vote by proxy as a representative for the unprivileged shares

exists in the Articles of Association.

At Ordinary and Extraordinary General Assemblies, A group shareholders have 50 (fifty) vote rights per 1 (one) share and non-A group shareholders have 1 (one) voting right for each 1 (one) share.

With the resolution dated 06.01.2016 of the Board of Directors of the Company, for the purpose of ensuring compliance with the Turkish Commercial Code No. 6102, and with a view to amending the subparagraph b with heading "Voting and Appointing Proxy" of Article 20 with heading "General Assembly" of the Articles of Association, a resolution has been taken for filing application with the Capital Markets Board and the necessary application procedures have been commenced. For the text of amendment, approval was obtained by means of writing dated 15.01.2016 of Capital Markets Board and writing dated 26.01.2016 of the Ministry of Customs and Trade and such approval shall be submitted to the shareholders for their approval in the Ordinary General Assembly for the year 2015. According to such amendment to the Articles of Association, the shareholders of Group (A) shall have 15 (fifteen) rights to vote against 1 (one) share and the shareholders of Non-Group (A) shall have 1 (one) rights to vote against 1 (one) share in Ordinary and Extraordinary General Assembly Meetings.

### 2.4.2. Minority Rights

The Company pays attention to exercise of the minority rights. No complaint was made in this regard in 2015. Since we privileged shares for the voting rights, there is no regulation on the cumulative voting.

Group A shares have the right to determine 4 out of 5 board members. No company with any cross-shareholding relations exists. Cumulative voting method is not included in the Company's Articles of Association.

There is no provision in the Articles of Association for determining the minority rights in a manner less than one twentieth of the capital.

## 2.5. DIVIDEND DISTRIBUTION POLICY AND DIVIDEND DISTRIBUTION PERIOD

### 2.5.1. Dividend Distribution Policy

DESA Deri Sanayi ve Ticaret A.S. carries out dividend distribution in accordance with the CMB regulation. The Company unanimously resolved to follow a well-balanced and prudent dividend distribution policy by taking into consideration utilizing internal and external investment opportunities as well as the shareholders

in the market and the Company's interests in order to consider additional investments to be made abroad and prevent possible effects of a global economic crisis in line with the targets of "DESA" brand of growing, developing and being a global company with a strong financial structure in accordance with the Corporate Governance Principles of the Capital Markets Board. This dividend distribution policy is included in the annual report and available at the Company's official web-page.

### 2.5.2. Dividend Distribution Period

The approval of the General Assembly and the legal time limits are observed based on the provisions of the Turkish Commercial Code, the Capital Market Board regulations and the provisions of the Company's Articles of Association for dividend distribution.

## 2.6. TRANSFER OF SHARES

The Articles of Association does not include any provisions that make public Group B shareholders to freely transfer their shares difficult and restrict share transfer. Bearer shares shall be transferred and assigned in accordance with the provisions of the Turkish Commercial Code and other relevant legislation. For non-public Group A shares owned by a controlling shareholder, other Group A shareholders have a pre-emption right in proportion to their shares before the Company according to Article 9 of the Articles of Association.

## PART III -PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1 CORPORATE WEBSITE AND ITS CONTENT

The official website of Desa Deri San. ve Tic. A.S. ([www.desa.com.tr](http://www.desa.com.tr)) is periodically updated and in addition, the website includes prospective information. The necessary information is published on the Company's website in accordance with the CMB's Corporate Governance Principles. The Company's website soon will be serving also in English language in order to make the website available to foreign investors while the Annual Reports are published bot in English and Turkish. Our investors are informed regularly on the following matters including the issues specified by the Corporate Governance Principles in the investor relations section of the website to provide the existing and potential investors and intermediaries with a more comprehensive flow of information.

• The Company's Articles of Association

• Trade registry information

• Financial Data

• Audit Reports

• Annual Reports

• Corporate Governance Practices and Compliance Report

• Duty and Working Principles of Corporate Governance Committee

• Material Disclosures

• Agenda of the General Assembly

• Minutes of the General Assembly Meetings

• Attendance Sheet

• Partnership Structure

• Company Policies

• Board Members

• Sample of power of attorney

• Frequently asked questions

• Communication information

### 3.2. Annual Reports

Annual reports are prepared in a manner to allow our shareholders, the public and all other stakeholders to obtain full and accurate information about the activities of the Company and with details stipulated in Turkish Commercial Code as well as Capital Markets Legislation.

## PART IV - STAKEHOLDERS

### 4.1. DISCLOSURES TO STAKEHOLDERS

Stakeholders will be informed on the matters that concern them through the press, material disclosures, and press and analyst meetings and in electronic media in line with the Company's disclosure policy.

Participation in the management requires to be elected to the Board of Directors; however, employees are encouraged to participate in the management with various business processes. There is no restriction for the stakeholders to transmit the Company's actions that are contrary to the legislation and unethical to the Company's Corporate Governance Committee and the Audit Committee.

Ensuring compliance with the legal regulations as well as supervision thereof is under the responsibility of the Audit Committee and examining as well as settling the complaints from shareholders and stakeholders about the matters related with the corporate governance is under the responsibility of the Corporate Governance Committee.

## 4.2. PARTICIPATIONS OF STAKEHOLDERS TO MANAGEMENT

No model was formed with respect to inclusion of the stakeholders to the management of the company. On the other hand, the requests and the proposals submitted in the meeting held with the employees and the other stakeholders are evaluated by management and policies as well as practices related thereto are developed.

## 4.3. HUMAN RESOURCES POLICY

Without forgetting the fact that our most important resource is human, we summarize the human resource development philosophy of our company targeting to have human resources necessary for the future while living today as follows: "We will train our human resources at every level by ourselves."

We carry out the training and development activities under our own structure in order to train and develop DESA employees in accordance with this philosophy. Furthermore, we try to ensure the conformity of the qualifications that we look for the personnel to be employed in our company with the job to be performed by such personnel and choose individuals who are prescient as well as have career expectations for the success of this policy. We clearly explain their duties and responsibilities to all of the personnel employed in our company during employment interview; provide them with orientation training after employment and deliver their job definitions in writing.

There is no complaint with respect to discrimination in our company and also no complaint arisen in social responsibility inspections carried out by independent auditors regularly related thereto upon requests of our customers. Furthermore, the text of "the social responsibility policy" is placed in locations visible by all of the employees throughout the workplace.

The Company's total number of employees as of December 31st 2015 is 1,712.

## 4.4. CODES OF CONDUCT AND SOCIAL RESPONSIBILITY

Codes of conduct were created for the Company and employees, and these codes of conduct determined were disclosed to the employees with the Human Resources Manual and to the public in accordance with the disclosure policy.

In its history of 43 years, the corporate culture of Desa in compliance with honesty, respect, ethical behavior and the laws and regulations always has been at

the forefront.

Aiming at offering a healthy development, universal quality and standards of products and services by ensuring customer satisfaction together with its employees and in this way, becoming a symbol of credibility, continuity and prestige before our country, its customers, shareholders, the companies it exports to, the values of Desa shed light to the path to be followed to achieve these objectives, and these are shared with the public through its website. The ethical values of Desa are the key factors lying behind its success and to achieve the future objectives.

Desa has been attaching importance to support social and cultural activities since its foundation. For this purpose, the Company sponsors various activities.

Desa operates in line with the system that it has created within the framework of the Labour Law and Laws on Social Security and Employee Health and Safety. In addition, Desa have the ETI BASE CODE audits performed twice a year by the companies accredited by Sedex system and all the reports are loaded to the Sedex system. Audits are performed on various subjects including quality, environment, management system and SA8000.

The Company observes the industry-specific norms on the environment in production under the Environmental Policy and System created by the Company itself. No lawsuit was filed against the Company for damage to the environment during the period. The Company's codes of conduct are available at our website ([www.desa.com.tr](http://www.desa.com.tr)).

## PART V - BOARD OF DIRECTORS

### 5.1. STRUCTURE AND FORMATION OF BOARD OF DIRECTORS

Turkish Commercial Code, Capital Markets Board regulations and the Corporate Governance Principles apply to the election of board members. The Board of Directors consists of five members totally two of which are independent members

Melih ÇELET - Executive Member - Chairman

Burak ÇELET - Executive Member - General Manager

Burçak ÇELET - Non-executive Member

Osman TAVTAY - Non-executive Independent Member

Mehmet Kaan KOZ - Non-executive Independent Member

Any event which would render the in-

dependency of the independent board members null and void did not occurred as of the respective activity period. The statements of independency of the independent board members are as follows.

Since I have been elected as "Independent Member" of the Board of Directors in the General Assembly meeting dated March 31st 2014, I hereby submit the following issues for our Board of Directors', our shareholders' and all other stakeholders' information pursuant to the regulations of the Capital Markets Board regarding corporate governance;

- No direct or indirect relationship in terms of employment, capital or other important trading activities has been formed between me, spouse or my blood or affinity relatives up to the third degree and any of Desa Deri San. Ve Tic. A.Ş.'s related parties or legal entities which have management or capital relation with shareholders having shares at a rate of 5% or more in the capital of Desa Deri directly or indirectly within last five years,
- I have not been employed in a company, primarily serving as auditing, consulting and rating company, which undertakes full or partial activities or organization of Desa Deri under an agreement and held any position in such a company as a member of the board of directors within the last five years,
- I have not been employed in, been a partner or a member of the board of directors of a company, which is providing significant amount of services and products to Desa Deri within the last five years,
- I have the required professional training, knowledge and experience for performing the duties of which I would assume with my capacity as an independent member of the board of directors properly,
- I am not a full-time employer of any public institution or organization,
- I am considered as a resident in Turkey in accordance with the Income Tax Law
- I have strong standards of ethics, professional reputation and experience for adding positive contribution in activities of Desa Deri, for securing my independency about subjects in relation with the conflicts of shareholders and for making independent decisions with taking into account of stakeholders' rights,
- I am able to allocate necessary time for businesses of the company at a level sufficient for monitoring the processes and the activities of Desa Deri as well as fulfilling the requirements of my duties.

**The CVs of the members of the Board of Directors are as follows:**

#### **Melih ÇELET- Chairman - CEO**

Mr. Melih ÇELET, founded Desa in 1972, graduated from Ankara College in 1968 and studied at Istanbul University, Faculty of Pharmacy. Mr. Melih ÇELET speaks English.

#### **Burak ÇELET - Board Member - General Manager**

Mr. Burak ÇELET graduated from Boğaziçi University in 1999, with a Bachelor's degree in Mechanical Engineering. He received an MBA degree in Corporate Finance from University of Wisconsin, Madison, in 2001. He obtained a Master of Science degree in Leather Technology from Northampton College in 2002. Mr. Burak ÇELET serves as a Board Member of the United Brands Association, Board Member of the Istanbul Leather and Leather Products Exporters' Association as well as Member of the Turquality Working Group in addition to his duty as General Manager in our Company. Mr. Burak ÇELET speaks English and German.

#### **Burçak ÇELET - Board Member**

Mrs. Burçak ÇELET completed her bachelor's degree in Industrial Engineering at Yıldız Technical University in 1999. Between 1999 and 2001, she worked as Planning Director at Toys'R'Us. She received her Master of Science degree in Retail Management from University of Surrey in 2002 and she served as Category Director at Joker Maxitoys between 2003 and 2004. Mrs. Burçak ÇELET, who has been serving as a Board Member in our Company since December 22nd 2006, speaks Italian, English and French.

#### **Mehmet Kaan KOZ - Independent Board Member**

Mr. Mehmet Kaan KOZ completed his undergraduate education at Boğaziçi University, Department of Mechanical Engineering in 1999 that he entered in 1995 after graduating from the German High School. He began his professional career in Arçelik A.S. Research and Technology Development Centre as a member of Koç Holding's Management Trainee Program in 1999 and then he had a start in the business life and became the Managing Partner of Anova Ltd. Şti. established in 2003. Mr. KOZ was elected as an independent member for a period of two years with the resolution dated March 31st 2014 taken in the Company's annual general meeting for the year 2013.

#### **Osman TAVTAY - Independent Board Member**

Mr. Osman TAVTAY, who completed his bachelor's degree in Geophysical Engineering at Istanbul Technical University

in 1986, served as a Senior Trader at Koç Menkul Değerler between 1996 and 1998 after serving as a Stock Exchange Agent and Expert at Can Menkul Değerler, Piramit Menkul Kıymetler and Ekinci-ler Yatırım between 1990 and 1996. Mr. TAVTAY, who served as Domestic Operations Director at ABN Amro Yatırım A.S. between 1998 and 2004, was elected as an independent member for a period of two years at the Company's 2013 annual general meeting dated March 31st 2014.

Our independent Members of the Board of Directors have submitted their Declaration of Independence to the Corporate Management Committee executing also the duty of the Nomination Committee. Corporate Management Committee has submitted the nominating report prepared for the independent candidate members of the Board of Directors to the Board of Directors on 28.02.2014. At the Ordinary General Assembly dated March 31st 2014, Mr. Osman Tavgat and Mr. Mehmet Kaan Koz have been elected in the capacity of "Independent Member" to the Board of Directors for 2 (two) years. Members of the Board of Directors participating in duties out of the company is not conditioned and of the members, Mr. Mehmet Kaan Koz is performing a duty as the Administrative Partner of Anova Ltd. Şti. There is one female member in the current Board of Directors of our Company.

#### **5.1. PRINCIPLES FOR ACTIVITIES OF BOARD OF DIRECTORS**

Activities of the Board of Directors are carried out under the provisions of the Turkish Commercial Code and the Articles of Association. The number of resolutions taken by the Board of Directors increased to 37 with the resolutions taken within the framework of the paragraph 4 of Article 390 of the Turkish Commercial Code No. 6102 in 2014. The members of the Board of Directors do not have the right of casting vote and each member is entitled to one vote.

Votes are announced as accepted or rejected at the meetings of the Board of Directors. Those who have a counter vote shall write the justification of the decision and sign. However, no public disclosure has been made in this regard recently as such kind of opposition or difference of opinion has not been declared. The Board Members pay attention to the participation in the meeting of the Board of Directors of the Company in person.

The damages to the Company which may be caused by the defaults of the Board

Members during the performance of their duties have not been insured yet.

#### **5.1. NUMBER, STRUCTURE AND INDEPENDENCY OF COMMITTEES ESTABLISHED IN BOARD OF DIRECTORS**

Efforts on Corporate Governance were launched in 2005. The Audit Committee acting under the Board of Directors was established with decision of the board of directors numbered 18, dated May 26th 2004.

The Corporate Governance Committee has been established with the decision of the board of directors numbered 22, dated June 19th 2012 within the framework of the Principles of Corporate Governance in the activity period of the year 2012. The duties and responsibilities for Candidate Nomination Committee, Committee for Early Detection of Risk and Remuneration Committee were assigned to the established committee.

The Committee for Early Detection of Risk was established with decision of the board of directors numbered 16, dated May 20th 2013. Osman Tavgat was elected as the chairman of the committee and Burçak Çelet as the member.

##### **5.1.1. Audit Committee**

The Audit Committee fulfils the duties provided for the audit committee in the Capital Markets Regulation. In this context, the Company's accounting system performs disclosure of the financial information to the public, independent audit and supervision of the operation and effectiveness of the internal control system of the partnership.

Selecting the independent auditing company, preparing independent audit contracts and initiating independent audit process and activities of the independent auditing organization at each step take place under the supervision of the audit committee.

The Audit Committee must submit the annual and interim financial statements to be disclosed to the public to the Board of Directors in writing with its own evaluations by obtaining the views of the responsible executives and independent auditors of the partnership regarding the compliance of the statements with the accounting principles of the partnership, the truth and accuracy, and shall convene at least four times in a year and more frequently if necessary.

The Audit Committee together with the Company's management are responsible for maintaining the internal and external auditing carefully and ensuring compliance of the records, procedures and

reports with the relevant laws, rules and regulations as well as the principles of the CMB and IFRS. This committee consists of non-executive independent members.

##### **Members of the Audit Committee:**

Chairman: OSMAN TAVTAY  
Member: MEHMET KAN KOZ

##### **5.1.2. Corporate Governance Committee**

The Corporate Governance Committee performs acts to support and assist the Board of Directors by performing efforts for compliance of the Company with the corporate governance principles, determination of the board members and senior executives, assessment of remuneration, reward and performance and career planning, investor relations and public disclosure. The reason for Mehmet Kaan Koz, independent member, is assigned to the both committees is that two of our independent members are assigned to the audit committee due to the requirement that the audit committee must consist of independent members. He carries out these duties because the members of the Corporate Governance Committee must consist of non-executive members.

##### **Corporate Governance Committee**

###### **Members:**

Chairman: MEHMET KAN KOZ  
Member: BURÇAK ÇELET  
Member: PINAR KAYA

##### **5.1.3. The Early Detection of Risk Committee**

Duties of the Early Detection of Risk Committee; determining fields which may create administrative risks and weaknesses and receive opinions of the management and the related parties on the plans for correcting the deficiencies. Early detection of the risks which may endanger the existence, development and continuity of the Company, applying the necessary precautions about the determined risks and performing studies on risk management. Reviewing risk management systems at least once a year. Examining significant complaints about the administration received by the Company, providing the settlement of the problem and ensuring the employees' notices on these subjects to be transmitted to the administration within the framework of confidentiality principle.

##### **Members of the Early Detection of Risk Committee:**

Chairman: OSMAN TAVTAY  
Member: BURÇAK ÇELET

#### **5.4. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM**

Risk management of the Company includes examining periodically the financial risks, market risks and operational risks. Internal audit evaluates the sufficiency and efficiency of the controls including the management and activities of the company and information systems depending on the results of the risk assessments. These evaluations involve financial and operational information reliability, efficiency and productivity of the activities, protection of assets, complying laws, regulations and agreements. Tuna Boz is the Expert Responsible from Internal Audit of our Company.

#### **5.5. COMPANY'S STRATEGIC TARGETS**

Desa's mission, vision, targets and ethical values are added to the corporate identity file and published on the Company's website.

The Board of Directors agrees on and approves the creation of strategic objectives prepared by the managers. Activities are assessed on monthly, quarterly, semi-annual, 9 months and annual basis. The strategic objectives for the year 2015 have been established and review of the production targets has been started. Efforts for spread of the targets are ongoing. The next 5-year strategic planning process has begun. The actual situation for the year 2015 has been determined by creating all the indicators for financial, customer, process and learning, development targets for all the departments, and the forecast for the year 2016 has been established.

#### **5.6. FINANCIAL RIGHTS TO THE BOARD OF DIRECTORS**

The rights, the interests and the fees provided to the members of the Board of Directors are applied based on the decisions taken at the General Assembly. No benefit, such as debt, surety, credit and etc., was provided to the Board Members during the reporting period. The financial rights in remuneration provided to the Board of Directors are discussed at the General Assembly, and the public is informed through the meeting minutes. The rights determined are informed not on an individual basis but whether or not they are provided to the executive members or independent members. The principles with respect to remunerations of the members of the board of directors and the manager having administrative responsibilities have been adopted with decision of the board of directors numbered 15, dated May 20th 2013 and posted in investor relations section of the Company's website. Policy also was submitted for the shareholders' information in the Ordinary General Assembly meeting for 2013.



**DESA DERİ SANAYİ VE TİCARET  
ANONİM ŞİRKETİ  
INDEPENDENT AUDIT REPORT  
FOR THE PERIOD BETWEEN  
JANUARY 1 - DECEMBER 31, 2015**

**DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**INDEPENDENT AUDIT REPORT FOR THE PERIOD BETWEEN**  
**JANUARY 1 – DECEMBER 31, 2015**

**RESOLUTION DATE: 24/02/2016**  
**RESOLUTION NO: 4/2016 OF THE BOARD OF**  
**DIRECTORS**  
**REGARDING THE APPROVAL**  
**OF FINANCIAL STATEMENTS AND ANNUAL REPORTS**

**STATEMENT OF RESPONSIBILITY PREPARED**  
**PURSUANT TO ARTICLE 9 OF THE COMMUNIQUÉ NO.**  
**II-14.1 OF**  
**THE CAPITAL MARKETS BOARD**

1- Our Company's independently audited Financial Tables and Annual Report for the period between January 1, 2015 and December 31, 2015 have been inspected by the Board of Directors.

2- Based on the information we possess within the scope of our duties and responsibilities in the Company, the financial statements and the annual report do not contain any incorrect statement or any omission of material facts that may result in misleading conclusion as of the date of issuance,

3- Prepared in accordance with the financial reporting standards in effect, the financial statements provide an accurate view of the assets, liabilities, financial position and profit or loss of the Company, and the annual report provides an accurate view of the development and performance of the business and the financial position of the Company as well as the principal risks and uncertainties the Company is exposed to.

Respectfully yours,

Chairman  
MELİH ÇELET

General Manager  
BURAK ÇELET

CFO  
AYHAN DİRİBAŞ

*To the Board of Directors of*

*Desa Deri Sanayi ve Ticaret Anonim Şirketi*

*We have audited the accompanying balance sheet of Desa Deri Sanayi ve Ticaret Anonim Şirketi ("the Company") as at December 31, 2015 and related statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended as well as a summary of significant accounting policies and explanatory notes.*

*Responsibility of the Company's Management for the Financial Statements*

*The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") as well as for such internal controls determined as necessary by the management in order to enable the preparation of the financial statements in a manner free from material misstatement, whether due to fraud or error, for this purpose.*

*Responsibility of the Independent Auditor*

*Our responsibility is to express an opinion on these financial statements basing on our audit. Our independent audit has been conducted in accordance with independent auditing standards issued by the Capital Markets Board. Those standards require compliance with the ethical requirements as well as planning and execution of the independent audit in a manner ensuring reasonable assurance on whether the financial statements are free from material misstatement.*

*Our independent audit involves use of independent auditing techniques in order to obtain audit evidences about the amounts in and the notes to the financial statements. Selection of independent auditing techniques has been made basing on our professional opinion in a manner covering the risk assessment on whether the financial statements contains any material misstatement including whether such misstatement is due to error and/or fraud. In such risk assessment, the internal control system of the Company has been taken into the consideration. However, our purpose is to present the relation between the financial statements prepared by the Company's management and the internal control system in order to design the independent auditing techniques in accordance with the requirements but not to express an opinion on the effectiveness of the internal control system. Our independent audit also includes evaluation of appropriateness of the accounting policies adopted and the significant accounting estimates made by the Company's management as well as evaluating the overall presentation of the financial statements.*

*We believe that the audit evidences we have obtained during our independent audit constitute a sufficient and appropriate basis for our opinion.*

*Opinion*

*In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Desa Deri Sanayi ve Ticaret Anonim Şirketi as at December 31, 2015 as well as its financial performance and cash flows for the year then ended in accordance with the TAS (please see, Note 2).*

*Reports on Other Obligations arising from Regulatory Requirements*

*1) The Auditor's Report on the Early Detection of Risk System and Committee issued in accordance with the paragraph four of the article 398 of Turkish Commercial Code No.6102 ("TCC") has been submitted to the Company's Board of Directors on February 23, 2016.*

*2) Pursuant to the paragraph four of the article 402 of TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities, financial statements for the period between January 1 – December 1, 2015 are not in compliance with the provisions of TCC and the Company's articles of association in relation to the financial reporting.*

*3) Pursuant to the paragraph four of the article 402 of TCC, the Board of Directors has submitted to us the necessary explanations and provided the required documents within the context of audit.*

İstanbul, February 24, 2016

**RSM Turkey**

**BAĞIMSIZ DENETİM VE YMM A.Ş.**

Celal Pamukçu

Responsible Partner, Chief Auditor



**DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**INDEPENDENTLY AUDITED**  
**STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) DATED 31ST DECEMBER 2015**  
 (All amounts expressed in "TL")

|  | Note       | Current Period     | Previous Period    |
|--|------------|--------------------|--------------------|
|  | References | 31st December 2015 | 31st December 2014 |
| <b>ASSETS</b>                              |            |                    |                    |
| <b>Current Assets</b>                      |            | <b>135.230.119</b> | <b>131.890.789</b> |
| Cash and Cash Equivalents                  | Note 47    | 967.959            | 1.441.534          |
| Trade Receivables                          |            |                    |                    |
| Trade Receivables from Related Parties     | Note 7     | 6.502.815          | 5.047.691          |
| Trade Receivables from Non-Related Parties | Note 7     | 3.812.387          | 3.261.803          |
| Other Receivables                          |            |                    |                    |
| Other Receivables from Related Parties     | Note 9     | -                  | -                  |
| Other Receivables from Non-Related Parties | Note 9     | 77.050             | 73.980             |
| Inventories                                | Note 10    | 118.697.148        | 116.219.646        |
| Prepaid Expenses                           |            |                    |                    |
| Prepaid Expenses of Related Parties        | Note 12    | 1.392              | 1.392              |
| Prepaid Expenses of Non-Related Parties    | Note 12    | 2.174.517          | 2.214.742          |
| Assets Related to Current Period Tax       | Note 40    | 221                | -                  |
| Other Current Assets                       | Note 29    | 2.996.630          | 3.630.001          |
| <b>Fixed Assets</b>                        |            | <b>40.522.178</b>  | <b>39.600.312</b>  |
| Other Receivables                          |            |                    |                    |
| Other Receivables from Related parties     |            | -                  | -                  |
| Other Receivables from Non-Related Parties | Note 9     | 185.906            | 301.369            |
| Financial Investments                      | Note 4/a   | 7.685.480          | 7.685.475          |
| Investments Valued by Equity Method        | Note 4/b   | 5.391.450          | 3.685.309          |
| Tangible Fixed Assets                      | Note 14    | 25.950.812         | 27.059.779         |
| Intangible Fixed Assets                    | Note 17    | 867.767            | 817.417            |
| Prepaid Expenses                           | Note 12    | -                  | 50.963             |
| Deferred Tax Assets                        | Note 40    | 440.763            | -                  |
| <b>TOTAL ASSETS</b>                        |            | <b>175.752.297</b> | <b>171.491.101</b> |

**DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**INDEPENDENTLY AUDITED**  
**STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) DATED 31ST DECEMBER 2015**  
 (All amounts expressed in "TL")

|   | Note       | Current Period     | Previous Period    |
|---|------------|--------------------|--------------------|
|   | References | 31st December 2015 | 31st December 2014 |
| <b>LIABILITIES</b>  |            |                    |                    |
| <b>Short Term Liabilities</b>   |            | <b>77.525.620</b>  | <b>85.750.443</b>  |
| Short Term Financial Liabilities  | Note 47    | 13.161.114         | 19.688.649         |
| Short Term Parts of Long Term Financial Liabilities   | Note 47    | 12.585.756         | 6.953.979          |
| Trade Payables  |            |                    |                    |
| Trade Payables to Related Parties   | Note 7     | 5.732.917          | 6.405.406          |
| Trade Payables to Non-Related Parties   | Note 7     | 34.843.889         | 39.861.170         |
| Payables within the Scope of Benefits to Employees  | Note 27    | 3.111.799          | 3.272.386          |
| Other Payables  |            |                    |                    |
| Other Payables to Related Parties   |            | -                  | -                  |
| Other Payables to Non-Related Parties   | Note 9     | 2.373.145          | 2.437.953          |
| Derivative Financial Instruments  | Note 46    | -                  | -                  |
| Deferred Income   |            |                    |                    |
| Deferred Income from Related Parties  | Note 12    | 2.279.535          | 3.016.611          |
| Deferred Income from Non-Related Parties  | Note 12    | 584.209            | 1.508.131          |
| Liability for Period Income Tax   | Note 40    | -                  | 199.084            |
| Short Term Provisions   |            |                    |                    |
| Short Term Provisions for Benefits to Employees   | Note 25    | 1.833.203          | 1.844.095          |
| Other Short Term Provisions   | Note 25    | 1.020.053          | 562.979            |
| Other Short Term Liabilities  | Note 29    |                    |                    |
| Liabilities to Related Parties  | Note 29    | -                  | -                  |
| Liabilities to Non-Related Parties  | Note 29    | -                  | -                  |
| <b>Long Term Liabilities</b>  |            | <b>34.686.264</b>  | <b>17.637.244</b>  |
| Long-Terms Financial Liabilities  | Note 47    | 31.969.182         | 14.964.065         |
| Trade Payables  |            |                    |                    |
| Trade Payables to Related Parties   |            | -                  | -                  |
| Trade Payables to Non-Related Parties   | Note 7     | -                  | -                  |
| Other Payables  | Note 9     | -                  | -                  |
| Other Payables to Related Parties   |            | -                  | -                  |
| Other Payables to Non-Related Parties   | Note 9     | -                  | -                  |
| Long Term Provisions  |            |                    |                    |
| Long-Term Provisions for Benefits to Employees  | Note 25    | 2.717.082          | 2.496.143          |
| Other Long-Term Provisions  |            | -                  | -                  |
| Deferred Tax Liability  | Note 40    | -                  | 177.036            |
| <b>Shareholder's Equity</b>   |            | <b>63.540.413</b>  | <b>68.103.414</b>  |
| Paid in capital   | Note 30    | 49.221.970         | 49.221.970         |
| Capital Adjustment Distinction  | Note 30    | 5.500.255          | 5.500.255          |
| Other Accumulated Comprehensive Incomes or Expense not to be Reclassified as Profit or Loss |            |                    |                    |
| Revaluation and Evaluation Earnings/Losses  | Note 30    | 8.851.757          | 9.023.029          |
| Actuarial Loss/Earning Related to Benefits to Employees                                     | Note 30    | (730.732)          | (437.062)          |
| Reserves on Retained Earnings   | Note 30    | 960.423            | 952.952            |
| Accumulated Profit/Loss   | Note 30    | 3.834.799          | (918.883)          |
| Net profit/loss for the period  | Note 30    | (4.098.059)        | 4.761.153          |
| <b>TOTAL LIABILITIES</b>  |            | <b>175.752.297</b> | <b>171.491.101</b> |

**DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**INDEPENDENTLY AUDITED**  
**PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT**  
**PERTAINING TO THE PERIOD ENDING ON 31<sup>ST</sup> DECEMBER 2015**  
(All amounts expressed in "TL")

|   |            | Current Period     | Previous Period    |
|---|------------|--------------------|--------------------|
|   | Note       |                    |                    |
|   | References | 31st December 2015 | 31st December 2014 |
| <b>PROFIT OR LOSS PART</b>                                |            |                    |                    |
| Revenue   | Note 31    | 197.842.322        | 211.291.588        |
| Cost of Sales (-)   | Note 31    | (124.592.982)      | (135.296.503)      |
| <b>GROSS PROFIT / LOSS</b>                                |            | <b>73.249.340</b>  | <b>75.995.085</b>  |
| General Administrative Expenses (-)                       | Note 33    | (13.626.147)       | (13.223.701)       |
| Marketing Expenses (-)                                    | Note 33    | (61.460.193)       | (62.440.487)       |
| Research and Development Expenses (-)                     | Note 33    | (1.951.991)        | (1.500.297)        |
| Other Incomes from Real Activities                        | Note 34    | 11.354.707         | 15.697.507         |
| Other Expenses of Real Activities (-)                     | Note 34    | (3.837.121)        | (6.675.647)        |
| <b>OPERATING PROFIT / LOSS</b>                            |            | <b>3.728.595</b>   | <b>7.852.460</b>   |
| Income from Investing Activities                          | Note 35    | 76.635             | 36.285             |
| Profit/Loss Share on Investments Valued by Equity Method  | Note 4/b   | 1.706.141          | 1.375.629          |
| <b>OPERATING PROFIT/LOSS BEFORE FINANCING EXPENSES</b>    |            | <b>5.511.371</b>   | <b>9.264.374</b>   |
| Financing Expenses (-)                                    | Note 37    | (10.144.797)       | (4.058.368)        |
| <b>CONTINUING OPERATIONS PROFIT/LOSS BEFORE TAX</b>       |            | <b>(4.633.426)</b> | <b>5.206.006</b>   |
| <b>Continuing Operations Tax Expenses/Incomes</b>         |            | <b>535.367</b>     | <b>(444.853)</b>   |
| Tax Expense/Income for the Period                         | Note 40    | -                  | (219.377)          |
| Deferred Tax Expenses/Incomes                             | Note 40    | 535.367            | (225.476)          |
| <b>CONTINUING OPERATIONS INCOME/LOSS FOR THE PERIOD</b>   |            | <b>(4.098.059)</b> | <b>4.761.153</b>   |
| <b>DISCONTINUED OPERATIONS PROFIT/LOSS FOR THE PERIOD</b> |            | <b>-</b>           | <b>-</b>           |
| <b>PROFIT/LOSS FOR THE PERIOD</b>                         |            | <b>(4.098.059)</b> | <b>4.761.153</b>   |
| <b>Earnings per Share</b>                                 | Note 41    | <b>(0,0008)</b>    | <b>0,00097</b>     |
| Earnings per Share from Continuing Operations             |            | (0,0008)           | 0,0010             |
| Earnings per Share from Discontinued Operations           |            | -                  | -                  |
| <b>OTHER COMPREHENSIVE INCOME</b>                         |            |                    |                    |
| <b>Not to be Reclassified in Profit or Loss</b>           |            | <b>(464.942)</b>   | <b>(274.907)</b>   |
| Tangible Fixed Assets Revaluation Increases/Decreases     | Note 30/d  | (171.272)          | (171.272)          |
| Actuarial Loss/Earning Related to Benefits to Employees   | Note 30/e  | (293.670)          | (103.635)          |
| <b>To be Reclassified as Profit or Loss</b>               |            | <b>-</b>           | <b>-</b>           |
| <b>OTHER COMPREHENSIVE INCOME</b>                         |            | <b>(464.942)</b>   | <b>(274.907)</b>   |
| <b>TOTAL COMPREHENSIVE INCOME</b>                         |            | <b>(4.563.001)</b> | <b>4.486.246</b>   |

**DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**INDEPENDENTLY AUDITED**  
**CASH FLOW STATEMENT PERTAINING TO THE PERIOD ENDING ON 31ST DECEMBER 2015**  
(All amounts expressed in "TL")

|   |            | Current Period                     | Previous Period                    |
|---|------------|------------------------------------|------------------------------------|
|   | Note       |                                    |                                    |
|   | References | 1st January-<br>31st December 2015 | 1st January-<br>31st December 2014 |
| <b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>  |            |                                    |                                    |
| <b>Profit/Loss for the Period</b>   |            | <b>(4.098.059)</b>                 | <b>4.761.153</b>                   |
| <b>Adjustments relating to Profit/Loss Reconciliation for the Period</b>              |            | <b>1.673.989</b>                   | <b>5.910.304</b>                   |
| Adjustments relating to Depreciation and Amortization Expenses                        | 28         | 4.111.979                          | 4.249.701                          |
| Adjustments relating to Provisions  |            | 300.033                            | 731.669                            |
| Adjustments relating to Interest Revenues and Expenses                                |            | 344.803                            | 213.121                            |
| Adjustments relating to Fair Value Losses / Gains                                     | 4          | (1.706.141)                        | (1.375.629)                        |
| Adjustments relating to Tax Expenses/Incomes  | 40         | (535.367)                          | 444.853                            |
| Other Adjustments relating to Profit/Loss Reconciliation                              |            | (841.318)                          | 1.646.589                          |
| <b>Changes Realized in Operating Capital</b>  |            | <b>(10.381.106)</b>                | <b>(364.855)</b>                   |
| Adjustments relating to Increase/Decrease in Inventories                              | 10         | (2.477.502)                        | (10.367.605)                       |
| Adjustments relating to Increase/Decrease in Trade Receivables                        |            | (2.005.708)                        | 3.719.137                          |
| Adjustments relating to Increase/Decrease of Other Receivables relating to Operations |            | 112.393                            | 223.551                            |
| Adjustments relating to Increase/Decrease of Trade Payables                           |            | (5.689.770)                        | 5.312.912                          |
| Adjustments relating to Increase/Decrease of Other Payables relating to Operations    |            | (64.808)                           | 301.688                            |
| Adjustments relating to Other Increase/Decrease realized in Working Capital           |            | (255.711)                          | 445.462                            |
| <b>Cash Flows from Operations</b>   |            | <b>(12.805.176)</b>                | <b>10.306.602</b>                  |
| Tax Payments/Tax Rebates  |            | (199.305)                          | (20.293)                           |
| <b>Cash Flows from Operating Activities</b>   |            | <b>(13.004.481)</b>                | <b>10.286.309</b>                  |
| <b>B. CASH FLOWS ARISING FROM INVESTMENT OPERATIONS</b>                               |            |                                    |                                    |
| Cash out-flows relating to Purchases for Acquisition of the Control of Subsidiaries   |            | (5)                                | (5.020.111)                        |
| Cash Inflow arising from Sale of Tangible and Intangible Fixed Assets                 |            | 13.163                             | 413                                |
| Cash Outflow arising from Purchase of Tangible and Intangible Fixed Assets            |            | (3.246.808)                        | (3.693.918)                        |
| <b>Cash Flows from Financial Operations</b>   |            | <b>(3.233.650)</b>                 | <b>(8.713.616)</b>                 |
| <b>C. CASH FLOWS ARISING FROM FINANCIAL OPERATIONS</b>                                |            |                                    |                                    |
| Cash Inflow arising from Borrowings   |            | 17.511.188                         | 730.526                            |
| Interest Paid   |            | (1.746.632)                        | (1.597.254)                        |
| <b>Cash Flows from Financial Operations</b>   |            | <b>15.764.556</b>                  | <b>(866.728)</b>                   |
| <b>INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>                               |            | <b>(473.575)</b>                   | <b>705.965</b>                     |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>                           | Not 47/b   | <b>1.441.534</b>                   | <b>735.569</b>                     |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>                                 | Not 47/b   | <b>967.959</b>                     | <b>1.441.534</b>                   |

**DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**INDEPENDENTLY AUDITED**  
**STATEMENT OF CHANGES IN EQUITY PERTAINING TO THE PERIOD ENDING ON 31ST DECEMBER 2015**  
 (All amounts expressed in "TL")

|   | Note References | Paid in Capital   | Distinction from Share Capital Adjustment | Accumulated Other Comprehensive Incomes and Expenses not to be Reclassified in Profit or Loss |  | Reserves on Retained Earnings | Retained Earnings       |                                  | Shareholders' Equity |
|---|-----------------|-------------------|---|---|--|-------------------------------|-------------------------|----------------------------------|----------------------|
|   |                 |                   |   | Revaluation and Measurement Earnings / Losses   | Actuarial (Loss) / Earnings from Benefits to Employees |                               | Accumulated Profit/Loss | Net Income / Loss for the Period |                      |
| <b>PREVIOUS PERIOD</b>  |                 |                   |   |   |  |                               |                         |                                  |                      |
| <b>Balances as of 1st January 2014</b>                        |                 | 49.221.970        | 5.500.255                                 | 9.194.301   | (333.427)  | 952.952                       | 2.002.042               | (2.920.925)                      | 63.617.168           |
| Transfers   |                 | -                 | -   | -   | -  | -                             | (2.920.925)             | 2.920.925                        | -                    |
| Total Comprehensive Income                                    | 30              | -                 | -   | (171.272)   | (103.635)  | -                             | -                       | 4.761.153                        | 4.486.246            |
| <b>Balances as of 31st December 2014</b>                      | <b>30</b>       | <b>49.221.970</b> | <b>5.500.255</b>                          | <b>9.023.029</b>  | <b>(437.062)</b>                                       | <b>952.952</b>                | <b>(918.883)</b>        | <b>4.761.153</b>                 | <b>68.103.414</b>    |
| <b>CURRENT PERIOD</b>   |                 |                   |   |   |  |                               |                         |                                  |                      |
| <b>Balances as of 1st January 2015</b>                        |                 | 49.221.970        | 5.500.255                                 | 9.023.029   | (437.062)  | 952.952                       | (918.883)               | 4.761.153                        | 68.103.414           |
| Transfers   |                 | -                 | -   | -   | -  | 7.471                         | 4.753.682               | (4.761.153)                      | -                    |
| Dividends   | 42              | -                 | -   | -   | -  | -                             | -                       | -                                | -                    |
| Retained Adjustment of Investments Accounted by equity method | 4               | -                 | -   | -   | -  | -                             | -                       | -                                | -                    |
| Total Comprehensive   | 30,38           | -                 | -   | (171.272)   | (293.670)  | -                             | -                       | (4.098.059)                      | (4.563.001)          |
| <b>Balances as of 31st December 2015</b>                      | <b>30</b>       | <b>49.221.970</b> | <b>5.500.255</b>                          | <b>8.851.757</b>  | <b>(730.732)</b>                                       | <b>960.423</b>                | <b>3.834.799</b>        | <b>(4.098.059)</b>               | <b>63.540.413</b>    |

**NOTE 1- COMPANY'S ORGANIZATION AND SUBJECT OF ACTIVITY**

**1.1. Subject of Activity**

Desa Deri Sanayi ve Ticaret A.Ş. ("Company") has been established in January 29, 1982 and engages in manufacturing, sales, import and export of leather ready-to-wear, bags, shoes and all variety of leather craft products.

The Company's registered office is located in Halkalı Cad. No: 208 Sefaköy- Küçükçekmece / İstanbul. The Company has also a branch operating in Tuzla Free Zone. Additionally, the Company has three factories, one of which is located at the address of its registered office and the others in Ergene and Düzce at the following addresses:

Ergene Factory: Sağlık Mahallesi Kuzey Caddesi No: 14-24 Ergene / Tekirdağ

Düzce Factory: Organize Sanayi Bölgesi 9. Ada 4-5 Parsel Beyköy / Düzce

The Company's contact information is as follows.

Tel : 0090 212 473 18 00

Fax : 0090 212 698 98 12

Web : www.desa.com.tr

Company's stocks have been offered to the public on April 29-30, 2004 and 34.92 % thereof are traded at the Istanbul Stock Exchange ("BİST") as of December 31, 2015.

The Company has 1.712 employees as of December 31, 2015. (December 31, 2014 - 1.903 employees)

**1.2. Capital Structure**

The Company has switched to registered capital system in 2007 and its registered authorized stock amounts to TL 150.000.000. Its paid capital is TL 49.221.970 as of December 31, 2015 (December 31, 2014: TL 49.221.970) and has been divided into 4.922.196.986 (December 31, 2014: 4.922.196.986) stocks each of which has a nominal value of 1 Kr.

Titles and partnership interests of the Company's shareholders having more than 10% share are as follows:

| Name Surname/Title     | 31st December 2015 |              | 31st December 2014 |              |
|------------------------|--------------------|--------------|--------------------|--------------|
|                        | Share Percentage   | Share Amount | Share Percentage   | Share Amount |
| Çelet Holding A.Ş. (*) | 54,28%             | 26.717.682   | 54,28%             | 26.717.682   |
| Melih Çelet (*)        | 10,00%             | 4.922.197    | 10,00%             | 4.922.197    |

(\*)The share with a nominal value of TL 4.129.566 representing 8.39% of the share capital in the free float belongs to Çelet Holding A.Ş. and the share with a nominal value of TL 3.365.730 representing 6.84% belongs to Melih Çelet. (See Note 30/b)

**1.3. Affiliates and Subsidiaries**

Titles, subjects of activity and headquarters of the Company's affiliates and subsidiaries are as follows.

|                                    | Field of Activity | Location           | 31st December 2015   | 31st December 2014   |
|------------------------------------|-------------------|--------------------|----------------------|----------------------|
|                                    |                   |                    | Participation Rate % | Participation Rate % |
| <b>Affiliate</b>                   |                   |                    |                      |                      |
| Marfar Deri San.ve Tic.Ltd.Şti.    | Textile           | Istanbul-Turkey    | 50%                  | 50%                  |
| Samsonite Seyahat Ür. A.Ş.         | Textile           | Istanbul-Turkey    | 40%                  | 40%                  |
| <b>Subsidiary</b>                  |                   |                    |                      |                      |
| Leather Fashion Limited            | Textile           | Moscow-Russia      | 100%                 | 100%                 |
| Sedesa Deri San. ve Tic. Ltd. Şti. | Textile           | Istanbul-Turkey    | 99%                  | 99%                  |
| Desa International                 | Textile           | London-England     | 100%                 | 100%                 |
| Desa SMS Ltd.                      | Textile           | London-England     | 100%                 | 100%                 |
| Desa International (UK) Ltd.       | Textile           | London-England     | 100%                 | 100%                 |
| Desa Deutschland GmbH              | Textile           | Düsseldorf-Germany | 100%                 | 100%                 |

Information on total assets and revenues of the Company's affiliates and subsidiaries as well as the period thereof which are obtained as of the report date are as follows.

| Title of Subsidiary and Affiliated Company      | Total assets | Revenue      |
|---|--------------|--------------|
| Marfar Deri San. ve Tic. Ltd. Şti. (31.12.2015) | 4.537        | -            |
| Samsonite Seyahat Ürünleri A.Ş (31.12.2015)     | 22.303.128   | 48.518.708   |
| Leather Fashion Limited                         | -            | -            |
| Sedesa Deri San. ve Tic. Ltd. Şti. (31.12.2015) | 24.469       | -            |
| Desa International Ltd. (31.12.2015)            | GBP 7.378    | -            |
| Desa SMS Ltd. (31.12.2015)                      | GBP 165.095  | GBP 35.938   |
| Desa International (UK) Ltd. (31.12.2015)       | GBP 1.025    | -            |
| Desa Deutschland GmbH (31.12.2015)              | EURO 540.677 | EURO 209.150 |

As it is seen from the table above, total assets and revenues of the Company's affiliates and subsidiaries apart from Samsonite Seyahat Ürünleri A.Ş. as of December 31, 2015 are negligible. Therefore, financial statements of these affiliates and subsidiaries have not been subjected to consolidation with the

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS DATED 31ST DECEMBER 2015

(All amounts expressed in "TL" unless otherwise stated.)

Company's financial statements of the same term.

Financial statements dated December 31, 2015 of Samsonite Seyahat Ürünleri A.Ş., which is one of the affiliates of the Company, have been consolidated with the Company's financial statements of the same term through equity method. (Note 4/b)

#### 1.4. Approval of Financial Statements:

The Company's financial statements have been approved on February 24, 2016 by the Board of Directors. General Board and certain regulatory boards are entitled to change financial statements.

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1. Preparation Rules of Financial Statements and Certain Accounting Policies:

The Company keeps its accounting records in accordance with the Turkish Commercial Code and tax legislation and prepares its financial statements presented to the Capital Markets Board ("the CMB") in the format determined by the Capital Markets Board.

Under the Capital Markets Board's ("the CMB") "Communiqué Serial II, No.14.1 on Principles of Financial Reporting in Capital Markets" ("the Communiqué Serial: II, No: 14.2") published in the Official Gazette issue no 28676 dated June 13, 2013, the financial reports to be drawn up by the entities as well as the principles, the procedures and the rules regarding the preparation thereof are designated. According to the Article 5.2 of the said Communiqué, the Board is entitled to make decisions under the Article 14 of the Law as and when it deems necessary for the purpose of rendering the financial Reporting principles, procedures and rules clear and understandable or ensuring the uniformity in implementation thereof. The entities are obliged to observe these decisions as well. The Capital Markets Board has put financial statements and note forms, which it has prepared for the incorporated companies of which the capital market instruments included in the scope of the Communiqué on Principles of Financial Reporting in Capital Markets are traded in any stock exchange as well as for the capital market entities excluding investment funds, housing finance and asset finance funds, into effect as being valid as from the interim periods ending on March 31, 2013 under the Board Decision no. 20/670 dated June 07, 2013.

The attached financial statements have been prepared in accordance with the provisions of the CMB's Communiqué Serial: II, No: 14.2 and presented in accordance with the formats of which the implementation has been required by the CMB with the announcement dated June 7, 2013.

### 2.2. Declaration of Conformity to TAS / TFRS

The attached financial statements have been prepared and submitted in accordance with the Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS/TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority pursuant to the Article 5.1 of the CMB's Communiqué Serial: II, No:1 4.2.

### 2.3. Amendments in Accounting Policies

Accounting policy amendments arising from the first time adoption of a new TAS/TFRS are applied retrospectively or prospectively in accordance with the transition provisions of the said TAS/TFRS, if any. The amendments not including any transition provisions, important amendments made in the accounting policy optionally or detected accounting errors are applied retrospectively and the financial statements of the previous term are restated.

### 2.4. Amendments and Errors in Accounting Estimates

If the amendments in accounting estimates are related with one single period only, they are applied in the current period in which the amendment is made or if they are related with the future periods, they are applied both in the period in which the amendment is made and prospectively as well.

If errors are detected before the financial statements are approved, they are corrected in the current period via a correction record to be entered. If the error has been detected later, the financial statements have to be restated retrospectively.

No amendment has been made in estimates used by the Company in the current period.

### 2.5 Presentation Currency:

All financial statements are expressed in TL which is the functional currency as well as the presentation currency for the financial statements and all financial information has been shown by being rounded to the nearest amount in TL. Assets and liabilities in foreign currency presented in financial statements have been translated to TL which is the presentation currency at exchange rates announced by the Central Bank of The Republic of Turkey. The exchange rates announced by the Central Bank are as follows.

| Foreign Currency | 31st December 2015 | 31st December 2014 |
|------------------|--------------------|--------------------|
| USD              | 2,9076             | 2,3189             |
| EUR              | 3,1776             | 2,8207             |

### 2.6. Comparative Information and Restatement of Financial Statements of Previous Period

Current period financial statements of the Company are prepared by comparing thereof with the previous period in order to enable the determination of the financial position and performance trends. Comparative information is reclassified, when necessary, in order to ensure conformity with the presentation of the current period financial statements and the significant changes are explained. In this context, the Company's financial statements dated December 31, 2015 and the notes related thereto have been prepared and presented comparatively with the previous period financial statements and notes.

The note no.25/dc of the Company's financial statements dated December 31, 2014 regarding "GPMs given by the Company" has been amended by revising the sum amounting to TL 30 which has been presented as the guarantee given in favor of 3rd parties erroneously.

### 2.7. New and Revised International Financial Reporting Standards

#### a) Standards Issued But Not Yet Effective and Not Early Applied

New standards, interpretations and amendments issued as of the approval date of the financial statements but not effective yet and not early applied by the Company for the current reporting period are as follows. Unless indicated otherwise, the Company shall make the necessary changes which shall be affecting its consolidated financial statements and notes after the new standards and interpretations become effective.

### TFRS 9 Financial Instruments - Classification and Measurement

As amended in December 2012, the new standard shall be effective for the annual periods beginning on or after January 1, 2018. The first phase of TFRS 9 Financial Instruments standard introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 shall mainly affect the classification and the measurement of the financial assets as well as the measurement of financial liabilities classified as carried at fair value through profit or loss and require that the portion of the changes in fair values of such financial liabilities liability attributable to credit risk is presented in under other comprehensive income statement. Earlier application of the standard is permitted. The Company is in the process of assessing the impact of the standard on its financial position or performance.

### TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization

The amendment in TAS 16 Tangible Assets standard clearly express that revenue-based depreciation calculation methods may not be used for depreciation calculation of property, plant and equipment. The amendment in TAS 38 Intangible Assets standard introduces a rebuttable assumption specifying that use of revenue-based depreciation methods would not be appropriate for the depreciation of intangible assets. These amendments are effective for the annual periods beginning on or after January 1, 2016 and shall be applied prospectively. Earlier application of the standard is permitted. It is not expected that the amendments would have a significant impact on the financial position or the performance of the Company.

### TFRS 11 - Accounting for Acquisition of Interests in Joint Operations

The amendments clarify whether TFRS 3 Business Combinations standard can be applied for the interests acquired in joint operations which are in conformity of the definition of an entity as specified in the standard. The amendments require the application of business combination accounting for the interests acquired in joint operations constituting an entity. These amendments are effective for the annual periods beginning on or after January 1, 2016 and shall be applied prospectively. Earlier application of the standard is permitted. It is not expected that the amendments would have a significant impact on the financial position or the performance of the Company.

### TFRS 14 Regulatory Deferral Accounts

This standard permits the entities that are first-time adopter of IFRS to recognize their regulatory deferral accounts already recognized in accordance with the generally accepted accounting principles in the same manner also during their transition to IFRS. This Standard is effective for the annual periods beginning on or after January 1, 2016 and earlier application thereof is permitted. It is not expected that the amendment would have a significant impact on the financial position or the performance of the Company.

### Disclosure Initiative (Amendment to TAS 1)

This narrow-scoped amendment clarifies the requirements presented in TAS 1 instead of changing TAS 1 Presentation of Financial Statements standard significantly. On most cases, the amendment responds to overly prescriptive interpretations of the wording in TAS 1. The amendment clarifies the followings: materiality, order of notes, subtotals, accounting standards and disaggregation. These amendments are effective for the annual periods beginning on or after January 1, 2016. Earlier application of the amendment is permitted. It is not expected that the amendment would have a significant impact on the financial position or the performance of the Company.

### Sale or Contribution of Assets by an Investor to its Affiliate or Joint Venture (Amendments to TFRS 10 and TAS 28)

These amendments deal with the conflict between consolidation and equity accounting applications in force. The amendments require recognition of whole gain, if the transferred assets constitute "a business" as defined in TFRS 3 Business Combinations standard. These amendments are effective for the annual periods beginning on or after January 1, 2016 and shall be applied prospectively. Earlier application of the Standard is permitted. It is not expected that the amendments would have a significant impact on the financial position or the performance of the Company.

### Equity Method in Individual Financial Statements (Amendments to TAS 27)

The amendments allow use of equity method in separate financial statements and this practice is applicable not only for affiliates and joint ventures but also for other subsidiaries. These amendments are effective for the annual periods beginning on or after January 1, 2016 and shall be applied retrospectively. Earlier application of the Standard is permitted. It is not expected that the amendments would have a significant impact on the financial position or the performance of the Company.

### Investment Entities: Application of consolidation exemption (Amendments to TFRS 10, TFRS 12 and TAS 28)

How to recognize the subsidiaries providing services related with investment was not clear prior to the amendment. As a result of this amendment, consolidation of investment entity subsidiaries is not permitted. Accordingly, if the internal organization of an investment entity utilizes from subsidiaries, the financial statement would provide information about investment performance in less detail, e.g. less detail about fair values of investments constituting base investment portfolio and cash flows earned from investment. These amendments are effective for the annual periods beginning on or after January 1, 2016 and shall be applied retrospectively. Earlier application of the Standard is permitted. It is not expected that the amendments would have a significant impact on the financial position or the performance of the Company.

### Annual improvements - 2012-2014 Period

#### IFRS 5 Fixed Assets Held for Sale and Discontinued Operations

The amendment clarifies IFRS 5 requirements in cases where the entities change the method with respect to disposal of assets (or asset groups) as well as where such assets do not meet the criterion of asset held-for-distribution any longer.

#### IFRS 7 Financial Instruments: Disclosures

IFRS 7 has been amended for the purpose of clarifying the cases where the involvement of the entity in transferred financial assets continues as well as the cases where the service contracts applicable when such assets are excluded from the statement of financial position are included in disclosures required by this standard. IFRS 7 has been amended also for the purpose of clarifying the additional disclosure requirements brought by Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendment to IFRS 7).

#### IAS 19 Employee Benefits

IAS 19 has been amended in a manner clarifying that the high quality corporate bonds or government bonds used in estimating the discount rate should be denominated in the same currency as the benefits to be paid.

#### IAS 34 Interim Financial Reporting

IAS 34 has been amended for the purpose of clarifying that when certain disclosures are not included in notes to interim financial statements, such

disclosures may be presented “elsewhere in the interim report”. For instance, such information may be disclosed elsewhere in financial reporting (comments by management or risk reports) by making a cross-reference to interim financial reports.

**b) New and amended standards and interpretations issued by International Accounting Standards Board (IASB) but not issued by POA**

The new standards, interpretations and amendments in the existing IFRS standards listed below have been issued by IASB but not yet effective for the current reporting period. However, these new standards, interpretations and amendments have not been adopted to TFRS/ issued by POA yet and therefore they shall not constitute a part of TFRS. Accordingly, the standards issued by IASB but not issued by POA yet are referred to as IFRS or IAS. The Company shall make necessary amendments in its financial statements and notes once these standards and interpretations become effective in TFRS.

**IFRS 9 Financial Instruments - Hedge Accounting and Amendments in TFRS 9, TFRS 7 and TAS 39 – IFRS 9 (2013)**

In November 2013, IASB has issued a new version of IFRS 9 containing the requirements of new hedge accounting as well as amendments in TAS 39 and TFRS 7 related thereto. According to the said version, the entities may make accounting policy selection in order to continue implementing the hedge accounting requirements of TAS 39 for all hedging transactions. In addition, the Standard postpones the compulsory effective date which has been specified as January 1, 2015 in previous versions of IFRS 9. The compulsory effective date has been determined as January 1, 2018 in IFRS 9 (2014) which has been issued after IFRS 9 (2013). The Company is in the process of assessing the impact of the standard on its financial position and performance.

**IFRS 9 Financial Instruments (2014)**

IFRS 9 issued in July 2014 changes existing guidance in TAS 39 Financial Instruments: Recognition and Measurement standard. This version includes updated applications related with classification and measurement of financial instruments including a new expected credit loss model for calculation of impairment in financial assets as well as the requirements of new general hedge accounting in a manner also covering the guidance published in previous versions. IFRS 9 also transfers the applications related with recognition and derecognition of financial instruments included in TAS 39 to new IFRS 9 standard. IFRS 9 standard is effective for the annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact of the standard on its financial position and performance.

**IFRS 15 Contracts with Customers**

This new Standard changes the guidance given in International Financial Reporting Standards (IFRS) and U.S. Generally Accepted Accounting Principles and provides a new control-based model for the contracts with the customers. This new Standard provides new guidance with respect to recognition of the revenues, sortation of goods and services included in the contract as well as recognition thereof in the course of time and stipulates the measurement of the revenue amount in terms of the amount expected to be entitled by the entity rather than fair value. This amendment is effective for the annual periods beginning on or after January 1, 2017 and earlier application thereof is permitted. It is not expected that the amendment would have a significant impact on the financial position and performance of the Company.

**2.8 Summary of Significant Accounting Policies**

**a) Revenue**

Sales of goods

The revenues are recognized at the fair value of consideration received or receivable on an accrual basis when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction shall flow to the Company. Net sales have been determined by deducting the returns and the sales discounts from the sales of goods.

- The Company has transferred the significant risks and rewards of ownership of the goods to the buyer;
- The Company retains neither continuing administrative involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction shall flow to the entity;
- The costs to be incurred in connection with the transaction can be measured reliably.

Services

Service revenues and other revenues are recognized at the fair value of consideration received or receivable on an accrual basis when the service is provided or the factors related with the revenue takes place, the risks and the rewards are transferred, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction shall flow to the Company.

The revenues are measured at the fair value of consideration received or receivable and reduced by estimated customer returns, discount and other similar provisions.

Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through expected life of the financial asset to that asset's net carrying amount.

Rental income

Rental income: The rental income from investment properties are recognized during the term of the rent agreement based on straight-line method.

**b) Inventories**

Inventories are evaluated with the ratio less than net realizable value of cost charge. Considerations consisting the cost included to inventories are workmanship and general production expenses. Cost is calculated via weighted average method. Net realizable value is the value once estimated sales cost required for fulfillment of sales are deducted and estimated sales completion cost is deducted from the estimated sales price emerged within the usual trade activity. When the inventories drop below the net realizable value cost, the inventories are reduced to the net realizable value cost and reflected to the income statement as outcome in the year when impairment occurs. Losing validity of the conditions previously caused inventories to be reduced to net realizable value or when there are increases in the net realizable value due to changing economic conditions, reserved impairment provision is cancelled. The cancelled amount is limited to previously reserved impairment. (Note 10)

**c) Investment Properties**

Investment properties are held either in order to earn rentals or for capital appreciation or for both. Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, the Company measures all investment properties in accordance with the cost method applied for tangible assets (i.e. cost less accumulated depreciation and less impairment losses, if any). Investment properties are derecognized when either they have been disposed of or permanently withdrawn from use or no future economic benefit is expected from its disposal. Profits/losses on the retirement or disposal of investment properties are recognized in statement of income in the period of retirement or disposal. The properties leased within the scope of operating lease are classified as investment properties.

**d) Tangible Assets**

Tangible assets are shown in the financial statements over their net values remaining after deduction of accumulated amortizations from their registered values. Amortization is calculated via linear amortization method by applying pro rate principle over the useful life of the tangible asset.

Useful lives based on the amortization calculation and applied amortization ratios are as follows.

| Type of Tangible Asset | Useful Life (Year) | Amortization Ratio |
|------------------------|--------------------|--------------------|
| Buildings              | 40                 | % 2,5              |
| Machinery & Equipment  | 5 - 20             | %5 - %20           |
| Fixtures               | 5 - 15             | %5 - %20           |
| Transport Vehicles     | 5 - 10             | %5 - %20           |
| Leasehold improvements | 5 - 10             | %20 -%10           |

Tangible assets are examined for the purpose of detecting possible impairment and as a result of this examination, if the registered value of the tangible asset is greater than the recoverable value, registered value is reduced to the recoverable value by separating mutually. The recoverable value is accepted as the higher one than the net sales price with the cash flows that will come from the related tangible asset's current usage. (Note 14)

**e) Intangible Assets**

Intangible assets, acquired information systems contain franchise rights, computer software and development costs. Intangible assets are recorded over the acquisition cost and subjected to amortization via linear amortization method over their estimated useful lives for a period not more than 15 years after the date they are acquired. Amortizations for the brands is not reserved since they have unlimited lives. In the event of impairment, registered value of the intangible assets is brought to its recoverable value. (Note 17)

**f) Financial instruments**

Financial assets, consist of cash and cash equivalents, trade receivable, financial investments, other receivables, derivative financial assets receivables from related parties. Financial payables and trade payables consist of payables to the related parties, derivative financial payables and other payables.

Financial assets and liabilities are contained in the Company's balance sheet in case the Company becomes party concerning the said financial instruments. If a financial instrument leads cash outflow, any asset output or another financial instrument output on a part of the Company, this financial instrument is classified as financial liability. Financial instrument can be defined as a capital instrument unless it contains the following conditions.

- a) Unless it carries a liability based on an agreement foreseeing to give cash or another financial asset to another business or a liability based on an agreement foreseeing to change the financial assets of the business with another business in favor of the business and mutually,
- b) In the event that financial instrument accrues or is to be accrued via Company's capital instruments, in the event that there are derivative financial instruments containing the Company's change of capital instrument at a fixed amount of change of cash at a fixed amount.

**Financial Assets**

Cash and Cash Equivalents

Cash expresses the cash and drawing account in the business; cash equivalent expresses funds and investments with a minor change risk in its value and having short term and high liquidity of which amount is easily convertible in to cash (undated check, deposit with less than 3 months due, other short term investments with high liquidity having less than 3 months due). (Note 47/b)

Active Interest Method

It is the evaluation of the financial asset with acquired cost and method of related interest income's distribution to the related period. Active interest rate; it the rate reducing the estimated cash payments to be made in the future during a shorter time period exactly to the present net value of the related financial asset during the expected life of the financial instrument of in the event of its being appropriate.

Fair value difference, financial assets classified apart from the financial assets reflected to profit or loss and related incomes are calculated by using active interest method.

Financial Assets Reflected to Profit or Loss with Fair Value Difference

Financial assets reflected to profit or loss with fair value difference shall not be acquired and held for purchasing-sales purpose and are the financial assets recognized in this category during the first recognition. When a financial asset is acquired for the purpose of being removed in a short term or when it is considered that more accurate accounting indication will be provided during the first recognition, it is classified in the said category. Financial assets constituting derivative products not determined as an effective protecting instrument against a financial risk are also classified as financial assets reflected to the profit or loss with fair value difference. Gain or loss, profit / loss occurred as a result of evaluation of financial assets reflected to the profit or loss with fair value difference are also recognized. Net gains or losses recognized within profit / loss covers interest and / or dividend amount obtained from the said financial asset.

The Company has no financial assets reflected to the profit or loss with fair value difference. (December 31, 2014: None.)

#### Held-to-Maturity Investments

Fixed term policies and bonds with a fixed or pre-definable payment plan that the Company has holding to maturity authorization and intent are classified as held-to-maturity investments. Held-to-maturity investments are recorded by deducting impairment value from the acquired cost charge according to active interest method and the related incomes are calculated by using active interest method.

#### Available-for-Sale Financial Assets

Available-for-sale financial assets consist of held-to-maturity financial assets, financial assets reflected to profit or loss with fair value difference or financial assets which cannot be classified as credit and receivable. Once the available-for-sale financial assets are recorded, they are evaluated with their fair values on the condition of being measured in a reliable way. Stock and shares of which fair value cannot be measured in a reliable way and not having active market are not shown with cost value. Profits and losses concerning the available-for-sale financial assets are given on the income statement of the related period. Amendments occurred in the fair value of such assets are shown within the equity accounts. Removal of the related asset or in the event of impairment, the amount in the equity accounts are transferred to the income statement as profit / loss. Impairment due to investments towards equity instruments classified as available-for-sale financial assets and recognized on the income statement shall not be canceled from the income statement in the later periods. Excluding the equity instruments classified as available-for-sale financial assets, if the impairment decreases in the later period and the decrease can be associated with an event occurred after the recognition of impairment, the pre-recognized impairment loss can be canceled on the income statement.

Dividends related to available-for-sale equity instruments can be recognized within profit / loss when the Company deserves the right to obtain the related payments. Fair value of the financial assets available-for-sale in foreign currency are found by converting fair value in the related foreign currency into the reported currency by using the conversion currency valid on the reporting date of the fair value. Amendments of the fair value of the assets due to conversion currency are recognized with profit/loss and other amendments within other comprehensive income.

#### Trade and Other Receivables

Trade receivables denote the receivables from the customers against trade goods or services within the frame of main operations. Short term trade receivables of which interest rate are not determined are shown over original invoice values unless interest accrue impact is sizable. If interest accrue impact is sizable, it is shown by deducting net realizable values discounted with active interest rate from possible doubtful receivable provisions.

In the detection of net realizable value, "TRLIBOR" in domestic in advance sales and "LIBOR" in foreign sales are based on as active interest rate.

#### Impairment in Financial Assets

Fair value difference in financial assets or financial assets groups excluding the financial assets which are reflected to the profit or loss is subjected to evaluation whether there are indicators regarding that they are exposed to impairment on each balance sheet date. If one or more event occurs once the financial asset is recognized for the first time and as a result of negative impact of related financial asset or asset group on future cash flows that can be estimated reliably, impairment loss occurs in the event that there is an objective indicator concerning that related financial asset exposed to impairment. Impairment amount for credits and receivables is the difference between the future expected estimated cash flows' current valued calculated by being discounted over the active interest rate of the financial asset and book value. Provisions of the doubtful receivables are separated by taking the amount of uncollected receivables amount, securities received against them, past year experiences and economic conditions of the Company Management into consideration. Following the separation against doubtful receivable amount, in the event that whole or a part of the doubtful receivable amount is collected, the collected amount is deducted from the doubtful receivable provision and recorded to other operation incomes. Receivable not to be collected are recorded as loss in the year when it is understood that they cannot be collected.

#### Financial Liabilities

Financial payables including interest are recognized once operation costs that can be associated directly from the fair value of the first received charge and discounts and premiums during the repayment are taken into considerations. After the first recognition, the said payables are measured from the paid off cost calculated with active interest method; gains and losses occurred during the pay-off are recognized on the profit or loss statement.

Incomes or expenses occurred during the accrual or recording of liabilities are associated with the profit or loss statement.

#### Bank loans

All bank loans are recorded with the cost charge considered to reflect current values during the first record and including issue cost. After the first recording, the credits are shown with their net values reduced with active interest ratio method. While calculating the reduced value, costs between two issues and discounts during the repayment and premiums are taken into consideration.

#### Trade payables

Trade payables are contained in the records with the reduced cost charge representing the current value of the invoiced or non-invoiced amount that may arise in the future related to receiving of goods and services.

#### Derivative Financial Instruments

The Company enters into derivative financial instrument agreements for the purpose of reducing the foreign currency position risk due to long term borrowings and reducing the interest risk. The said derivative financial instruments are recorded over the fair value on the date derivative agreement is signed and evaluated over the fair value in the later reporting periods. Derivative financial instruments are recorded as asset in the event that its fair value difference is positive and liability in the event of its being negative. According to hedge accounting, losses and gains of the non-recognized derivative financial instruments accrued within the year are reflected to the profit and loss statement.

Fair value of the interest swap agreements the Company has entered are determined by using the evaluation methods based on the data observable in the market.

Within the scope of hedging accounting, derivative operation performed to be hedged from cash flow amendments that can be associated with a certain risk concerning a non-recognized company commitment carrying foreign currency risk or having an operation with a high realization possibility or a non-recognized asset or liability, are classified as hedge financial instrument.

At the beginning of the hedging operation, the risk management target and strategy are defined causing business hedging operation and documents hedging

relation. The mentioned documentation contains the determination of hedging instrument, hedging asset of operation, structure of the hedged financial risk and amendments in the asset's fair value or cash flows and those can be associated with the hedged financial risk will be evaluated. The hedging operation is expected to be highly effective in balancing the amendments in the fair value that can be associated with the hedged risk or cash flows. Hedging operation is evaluated for its continuous effectiveness during the all financial reporting periods in which it is defined and expected to be in consistent with the documented risk management strategy.

#### Hedging from Cash Flow Risk

Hedging from cash flow risks according to the hedge accounting rules are recognized as follows. Losses and gains obtained from the active part of the hedging instrument are reflected on the comprehensive income statement, while inactive part is included in the financial incomes and financial expenses in the loss or profit statement. The amount belonging to the hedging operation classified on the comprehensive income statement is referred to the profit or loss statement in the event of recording of hedged financial income or outcome or fulfillment of the foreseen sales. In case when fulfillment of the estimated operation or definite commitment is not foreseen, the amount previously taken to the records on the comprehensive income statement is not referred to the profit or loss statement. Expiry, sales, ceasing, termination or implementation of hedging instruments without being transferred to another company or being replaced; total income or expense recognized as other comprehensive income previously is maintained to be recognized in the other comprehensive income until the foreseen operation or company commitment.

#### Capital Instruments

Capital instruments issued by the Company are recorded once the direct issuance expenses are deducted.

#### **g) Related Parties**

In line with the main purpose of financial statements, companies controlled by the shareholders, top executive management and members of Board of Directors, their families and themselves and their affiliated companies, subsidiaries and partnerships have been accepted and expressed as related parties.

#### **h) Provisions, Contingent Assets and Liabilities**

Provisions are recognized in the event that there is a legal or structural liability due to present or past as from the Company's balance sheet date, that there is a possibility of accrual of resource output providing economic benefit for the fulfillment of the liability and that a reliable estimate can be made on the liability amount.

Assets and liabilities that are possible to be confirmed with whether one or more future event's accrual is not definite of which availability is not under fully control of the business and due to past events are not included in the financial statements. Such assets and liabilities are described in the notes as "contingent liabilities and assets". (Note 25)

#### **i) Employee Benefits**

Seniority indemnity provisions are defined as the estimated present value of total liabilities which may arise in future due to retirement of an employee after completing at least one year of service for, employee's disengagement from the work by the company, being called for military service or in the event of employee's death pursuant to Turkish Labor Act. (Note 25/c)

#### **j) Leases**

**Financial Leases:** Assets acquired under finance lease agreements are capitalized at the inception of the lease at the fair value of the leased asset, net of grants and tax credits receivable, or at the present value of the lease payment, whichever is the lower. Lease payments are treated as comprising capital and interest elements, the capital element is treated as reducing the capitalized obligation under the lease. Interest element is charged as expense to the statement of income during the lease period. Depreciation on the relevant asset is also charged to the statement of income over its useful life.

**Operational Leases:** Lease agreements where the lessor holds Good's all risks and benefits are called as operational lease. The Company becomes a party to the operational lease transactions both in the capacity of lessor and lessee. Rent amounts paid due to operational leases made in the capacity of lessee are recorded as expense according to the normal method during the lease period. Rent incomes collected in the capacity of lessor are recorded as income during the lease period.

#### **k) Foreign Exchange Procedures**

Foreign exchange procedures accrued within the period have been converted over the foreign exchange rates valid on the procedure dates. Monetary assets and liabilities based on foreign exchange have been converted over foreign exchange rates valid on balance sheet date. Exchange gains or losses due to conversions of monetary assets and liabilities based on foreign exchange have been reflected as income or outcome to the income statement.

#### **l) Tax Assets and Liabilities**

Tax Liability consists of total of current year tax and deferred taxes.

**Current Year Tax:** The current year tax is calculated over the period profit's portion subjected to the tax. Tax subjected profit can be taxed in other years or due to its excluding the items that can be deducted from the tax or that are impossible to be deducted from the tax, it differs from the profit located in the income statement. The Company's current tax liability has become legal as from balance sheet date or calculated by using tax ratio significantly become legal.

**Deferred Tax:** Deferred tax is calculated on all temporary differences arising between tax bases of assets and liabilities and their carrying values in the financial statements. Currently enacted tax rates are used to determine deferred tax at the balance sheet date. Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. The said assets and liabilities shall not be recognized, if they are caused by provisional difference, goodwill or other assets and liabilities taken into the financial statements for the first time (apart from business combinations) regarding the transaction not affecting the commercial or financial gains/losses.

Registered value of the deferred tax asset is revised as of each balance sheet date. Registered value of the deferred tax asset is decreased to the extent that it is impossible to obtain financial profit at the level enabling obtaining the benefit to be provided by the whole or a part of it.

Deferred tax assets and liabilities are set off in the event that there is a legal right to set off current tax liabilities via current tax assets or the said assets and liabilities being associated with the total income tax by the same tax authority or that the Company intends to pay in order to clarify its current tax assets and liabilities.

**Period Current and Deferred Tax:** DCurrent tax and deferred tax excluding the items recognized as direct receivable from the equity or as debt (in this case deferred tax concerning the related items are also recognized directly from the equity) or those due to first recording of the business combinations) are recognized as income or expense on the income statement. (Note 40)

**m) Profit / Loss per Share**

Profit/loss per share is detected by dividing the net profit/loss contained in the income statement by the weighted average quantity of the existing shares within the related period.

The companies in the Turkey can increase their capitals by distributing the shares at the amount of their shares for the profits accumulated to the existing shareholders and from the account of equity inflation correction differences (“non-par shares”). While calculating gains/losses per stock, this non-par share is deemed as issue removed share. Therefore, weighted average quantity used in the calculation of gains/losses per stock is obtained by implementing the removal of non-par shares retrospectively.

**n) Materials Events after the Balance Sheet Date**

The events after the balance sheet date cover all events between the authorization date for the balance sheet date and spread of balance sheet even if they are emerged after the declaration of other selected financial information or any announcement concerning the decision to the public.

The Company corrects the amounts taken into these financial statements according to this new situation in the event of occurrence of events requiring corrections after the balance sheet date.

**o) Cash Flow Statement**

In the cash flow statement, cash flows concerning the period are reported by being classified based on the main, investment and finance operations. Cash and cash equivalent items on the cash flow statement contain stock exchanges with 3 months or less term with cash and bank deposit.

**p) Offsetting**

Financial assets and liabilities are shown as net in cases when there is an intent of evaluating the said assets and liabilities offset or fulfillment and obtaining of assets are simultaneous.

**NOTE 3 - BUSINESS MERGERS**

None. (December 31, 2014: None)

**NOTE 4 - SHARES IN OTHER ENTITIES**

**a) Financial Investments**

All of the financial investments are financial assets ready-to-sell and consist of securities not traded at stock exchange. Since Desa International Limited and Leather Fashion Limited companies having the nature of subsidiary as of December 21, 2015 and which are not consolidated due to their negligible revenues have lost their equities, they have been registered under the Financial Investments account by calculating impairment value at the same amount included in the total assets.

|  | 31st December 2015 | 31st December 2014 |
|--|--------------------|--------------------|
| <b>Equity Security</b>                               | <b>38</b>          | <b>33</b>          |
| GSD Holding A.Ş.                                     | 38                 | 33                 |
| <b>Affiliates</b>                                    | <b>10.000</b>      | <b>10.000</b>      |
| Marfar Deri San. ve Tic. Ltd. Şti.                   | 40.000             | 40.000             |
| Associations Capital Subscription (-)                | (30.000)           | (30.000)           |
| <b>Subsidiaries</b>                                  | <b>7.675.442</b>   | <b>7.675.442</b>   |
| Leather Fashion Limited                              | 6.871              | 6.871              |
| Provisions for losses of Leather Fashion Limited (-) | (6.871)            | (6.871)            |
| Sedesa Deri San. ve Tic. Ltd. Şti.                   | 21.164             | 21.164             |
| Desa International Ltd.                              | 3.100.203          | 3.100.203          |
| Provisions for losses of Desa International Ltd (-)  | (3.100.203)        | (3.100.203)        |
| Desa SMS Ltd.  | 4.689.823          | 4.689.823          |
| Desa International (UK) Ltd.                         | 2.891.695          | 2.891.695          |
| Desa Deutschland GMBH                                | 72.760             | 72.760             |
| <b>Total</b>   | <b>7.685.480</b>   | <b>7.685.475</b>   |

**b) Investments valued by equity method are as follows:**

As of December 31, 2015;

|                              | Location | Share Percentage | Value at Cost | Parent company Profit/Loss share | Parent company retained profit /loss share | Net Value |
|------------------------------|----------|------------------|---------------|----------------------------------|--|-----------|
| Samsonite Sey. Ürünleri A.Ş. | Turkey   | % 39,99          | 1.539.980     | 1.706.141                        | 2.145.329                                  | 5.391.450 |

Capital amount of Samsonite Seyahat Ürünleri San. ve Tic. A.Ş., affiliate of which financial statements are consolidated by the Company by the equity method is TL 3.850.000 while participation value of the company is TL 1.539.980. Balance sheet value of the affiliate valued by the equity method is TL 5.391.450.

As of December 31, 2014;

|                              | Location | Share Percentage | Value at Cost | Parent company Profit/Loss share | Parent company retained profit /loss share | Net Value |
|------------------------------|----------|------------------|---------------|----------------------------------|--|-----------|
| Samsonite Sey. Ürünleri A.Ş. | Turkey   | % 39,99          | 1.539.980     | 1.375.629                        | 769.700                                    | 3.685.309 |

Capital amount of Samsonite Seyahat Ürünleri San. ve Tic. A.Ş., affiliate of which financial statements are consolidated by the company by the equity method is TL 3.850.000 while participation value of the company is TL 1.539.980. Balance sheet value of the affiliate valued by the equity method is TL 3.685.309.

Summary financial information of Samsonite Seyahat Ürünleri San. ve Tic. A.Ş. are as follows:

| Samsonite Seyahat Ürünleri A.Ş                                 | 31st December 2015 | 31st December 2014 |
|--|--------------------|--------------------|
| Total assets   | 22.303.128         | 12.025.657         |
| Total liabilities  | (8.824.328)        | (2.812.266)        |
| Net assets   | 13.478.800         | 9.213.391          |
| Net profit / loss  | 4.265.409          | 3.439.117          |
| Affiliate net profit/loss share (39,99%)                       | 1.706.141          | 1.375.629          |
| <b>Profit/Loss share of investment valued by equity method</b> | <b>1.706.141</b>   | <b>1.375.629</b>   |

**NOTE 5 - REPORTING BY SEGMENTS**

Since the Company has only one main activity area and carried out its activities in Turkey, reporting has not been made by segments. (December 31, 2014 - Not available)

**NOTE 6 - RELATED PARTY DISCLOSURES**

**a) Details of receivables from related parties are as follows:**

|                   | 31st December 2015 | 31st December 2014 |
|-------------------|--------------------|--------------------|
| Trade receivables | 6.502.815          | 5.047.691          |
| Prepaid expenses  | 1.392              | 1.392              |
| <b>Total</b>      | <b>6.504.207</b>   | <b>5.049.083</b>   |

Details of “trade receivables” from related parties are as follows:

|                                    | 31st December 2015 | 31st December 2014 |
|------------------------------------|--------------------|--------------------|
| <b>Grup Şirketleri ve Ortaklar</b> |                    |                    |
| Adesa Deri                         | 4.675.357          | 4.219.305          |
| Desa Deutschland Gmbh              | 1.002.170          | 618.317            |
| Desa SMS                           | 429.944            | 142.079            |
| Çelet Holding                      | 189.236            | 3.350              |
| Serga Deri                         | 126.016            | -                  |
| Desa International UK              | 34.928             | 26.626             |
| Marfar Deri                        | 32.593             | 28.730             |
| Yapı Çimento                       | 12.571             | 8.884              |
| Real Person Shareholders           | -                  | 400                |
| <b>Total</b>                       | <b>6.502.815</b>   | <b>5.047.691</b>   |

Trade receivables from related parties arise from sales of goods by the Company and the terms thereof ranges between 30 - 90 days approximately (December 31, 2014: Average term is 30-60 days).

Details of “prepaid expenses” from related parties are as follows:

| Group companies and Shareholders | 31st December 2015 | 31st December 2014 |
|----------------------------------|--------------------|--------------------|
| Adesa Deri                       | 85                 | 85                 |
| Sedesa Deri                      | 1.307              | 1.307              |
| <b>Total</b>                     | <b>1.392</b>       | <b>1.392</b>       |

**b) Details of payable amounts to related parties are as follows:**

|                                       | 31st December 2015 | 31st December 2014 |
|---------------------------------------|--------------------|--------------------|
| Trade payables                        | 5.732.917          | 6.405.406          |
| Deferred incomes from related parties | 2.279.535          | 3.016.611          |
| <b>Total</b>                          | <b>8.012.452</b>   | <b>9.422.017</b>   |

Details of "trade payables" to related parties are as follows:

|  | 31st December 2015 | 31st December 2014 |
|--|--------------------|--------------------|
| <b>Trade payables</b>                        | <b>5.732.917</b>   | <b>6.405.406</b>   |
| Samsonite Seyahat Ürünleri                   | 5.262.176          | 4.342.229          |
| Adesa Deri                                   | 468.491            | 1.970.367          |
| Desa International UK Ltd                    | -                  | 11.814             |
| Sedesa Deri                                  | 1.384              | 5.749              |
| Real person shareholders                     | 866                | 941                |
| Serga Deri                                   | -                  | 74.306             |
| <b>Deferred incomes from related parties</b> | <b>2.279.535</b>   | <b>3.016.611</b>   |
| Adesa  | 2.279.535          | 3.016.611          |
| <b>Total</b>                                 | <b>8.012.452</b>   | <b>9.422.017</b>   |

**c) Transactions with Related parties:**

The details of sale and purchase transactions with related parties are as follows:

| Grup Şirketi                | 31st December 2015 |                   | 31st December 2014 |                    |
|-----------------------------|--------------------|-------------------|--------------------|--------------------|
|                             | Purchases          | Sales             | Purchases          | Sales              |
| Adesa Deri                  | 602.787            | 91.228.447        | -                  | 113.174.364        |
| Samsonite Seyahat Ürünleri  | 12.045.290         | -                 | 11.112.899         | -                  |
| Desa International (UK) Ltd | -                  | -                 | 278.539            | 109.234            |
| Desa SMS Ltd                | 122.151            | -                 | -                  | 152.244            |
| Desa Deutschland            | 93.793             | -                 | -                  | 209.913            |
| Marshall Farmer             | -                  | -                 | 143.984            | -                  |
| <b>Total</b>                | <b>12.864.021</b>  | <b>91.228.447</b> | <b>11.535.422</b>  | <b>113.645.755</b> |

**d) Interest, rent and etc. received from and paid to related parties:**

|  | 31st December 2015 | 31st December 2014 |
|--|--------------------|--------------------|
| Rents paid to Group Companies                  | 16.552             | 14.387             |
| Rents paid to shareholders                     | 933.194            | 755.865            |
| Service charges paid to Group Companies        | 979.454            | 1.073.267          |
| Other Expenses                                 | 1.017              | -                  |
| <b>Total paid</b>                              | <b>1.930.217</b>   | <b>1.984.566</b>   |
| Office rent received from shareholder          | 14.400             | 14.400             |
| Services billed to shareholder                 | 60.000             | 60.000             |
| Interest income received from shareholder      | 8.286              | -                  |
| Interest income collected from Group Companies | 56.440             | 160.698            |
| Office rent received from affiliate            | 1.144.960          | 699.112            |
| Service charges billed to affiliates           | 2.625.568          | 2.037.030          |
| Office rent received from Group Companies      | -                  | 9.000              |
| <b>Total collected</b>                         | <b>3.909.654</b>   | <b>2.980.240</b>   |

**e) Benefits to Top Executives:**

Total of wages and other similar benefits provided to top executives is TL 1.640.932 as of December 31, 2015 (December 31, 2014 - TL 1.617.938)

**NOTE 7 - TRADE RECEIVABLES AND PAYABLES**

**a) Short-term trade receivables**

|   | 31st December 2015 | 31st December 2014 |
|---|--------------------|--------------------|
| <b>Trade receivables from related parties</b>   | <b>6.502.815</b>   | <b>5.047.691</b>   |
| Trade receivables from related parties (Note 6) | 6.502.815          | 5.047.691          |
| <b>Other trade receivables</b>                  | <b>3.812.387</b>   | <b>3.261.803</b>   |
| Buyers  | 1.060.891          | 508.575            |
| Notes receivables                               | 36.229             | -                  |
| Credit card receivables                         | 2.736.043          | 2.772.066          |
| Doubtful trade receivables                      | 2.850.579          | 2.855.876          |
| Provisions for doubtful trade receivables (-)   | (2.850.579)        | (2.855.876)        |
| Rediscount of credit card receivables (-)       | (20.776)           | (18.838)           |
|   | <b>10.315.202</b>  | <b>8.309.494</b>   |

Movement table of provision for doubtful receivables is as follows:

|  | 31st December 2015 | 31st December 2014 |
|--|--------------------|--------------------|
| <b>Beginning of period</b>                         | <b>(2.855.876)</b> | <b>(2.027.874)</b> |
| Provision allocated in the period / adjustment (+) | -                  | (833.808)          |
| Provision collected in the period (-)              | 5.297              | 5.806              |
| <b>End of period</b>                               | <b>(2.850.579)</b> | <b>(2.855.876)</b> |

Aging of doubtful trade receivables for which a provision is reserved is as follows.

|  | 31st December 2015 | 31st December 2014 |
|--|--------------------|--------------------|
| Receivables overdue up to 90 days      | -                  | -                  |
| Receivables overdue more than 90 days  | -                  | -                  |
| Receivables overdue more than 180 days | (2.850.579)        | (2.855.876)        |
| <b>End of period</b>                   | <b>(2.850.579)</b> | <b>(2.855.876)</b> |

**b) Short-term trade payables**

|  | 31st December 2015 | 31st December 2014 |
|--|--------------------|--------------------|
| <b>Trade payables to related parties</b>   | <b>5.732.917</b>   | <b>6.405.406</b>   |
| Trade payables to related parties (Note 6) | 5.732.917          | 6.405.406          |
| <b>Other trade payables</b>                | <b>34.843.889</b>  | <b>39.861.170</b>  |
| Suppliers                                  | 21.695.296         | 26.157.541         |
| Cheques and notes payable                  | 13.578.511         | 14.150.654         |
| Deferred financing income (-)              | (429.918)          | (447.025)          |
| <b>Total</b>                               | <b>40.576.806</b>  | <b>46.266.576</b>  |

**NOTE 8 - RECEIVABLES AND PAYABLES FROM FINANCIAL ACTIVITIES**

Not available. (December 31, 2014: Not available)

**NOTE 9 - OTHER RECEIVABLES AND PAYABLES**

**a) Other short-term receivables**

|                                   | 31st December 2015 | 31st December 2014 |
|-----------------------------------|--------------------|--------------------|
| Receivables from Tax Office       | 73.800             | 55.785             |
| Deposits and guarantees given     | -                  | 14.945             |
| Receivables from Execution Office | 3.250              | 3.250              |
| <b>Toplam</b>                     | <b>77.050</b>      | <b>73.980</b>      |

**b) Other long-term receivables**

|                               | 31st December 2015 | 31st December 2014 |
|-------------------------------|--------------------|--------------------|
| Deposits and guarantees given | 185.906            | 301.369            |
| <b>Total</b>                  | <b>185.906</b>     | <b>301.369</b>     |



**c) Other short-term payables**

|  | 31st December 2015 | 31st December 2014 |
|--|--------------------|--------------------|
| Taxes and funds payable  | 984.743            | 971.072            |
| SSI premiums payable   | 1.382.213          | 1.460.692          |
| Matured, delayed or deferred tax by installments and other liabilities | 6.189              | 6.189              |
| <b>Toplam</b>  | <b>2.373.145</b>   | <b>2.437.953</b>   |

**d) Other long-term payables**

There is no other long-term payables. (December 31, 2014: Not available)

**NOTE 10 - INVENTORIES**

Details of inventories are as follows;

|                            | 31st December 2015 | 31st December 2014 |
|----------------------------|--------------------|--------------------|
| Raw materials and supplies | 30.080.951         | 41.298.673         |
| Semi-finished goods        | 34.510.574         | 26.871.334         |
| Finished goods             | 36.431.398         | 31.394.816         |
| Trade goods                | 15.209.919         | 14.093.645         |
| Other inventories          | 2.464.306          | 2.561.178          |
| <b>Total</b>               | <b>118.697.148</b> | <b>116.219.646</b> |

Total insurance amount on inventories is TL 112.690.866. (December 31, 2014 - TL 122.195.846)

**NOTE 11 - BIOLOGICAL ASSETS**

Not available. (December 31, 2014: Not available.)

**NOTE 12 - PREPAID EXPENSES AND DEFERRED INCOMES**

a) Details of short-term prepaid expenses are as follows:

|   | 31st December 2015 | 31st December 2014 |
|---|--------------------|--------------------|
| <b>Prepaid expenses of related parties (Note 6)</b>                             | <b>1.392</b>       | <b>1.392</b>       |
| Order advances given to related parties   | 1.392              | 1.392              |
| <b>Prepaid expenses of non-related parties</b>                                  | <b>2.174.517</b>   | <b>2.214.742</b>   |
| Order advances given to suppliers   | 1.548.615          | 1.342.909          |
| Work advances   | 470.101            | 608.394            |
| Prepaid expenses for future months  | 654.699            | 642.110            |
| Provision for doubtful receivables related to work advances                     | (303.446)          | (304.534)          |
| Provision for doubtful receivables related to order advances given to suppliers | (215.818)          | (81.887)           |
| Advances given to personnel   | 20.366             | 7.750              |
| <b>Total</b>  | <b>2.175.909</b>   | <b>2.216.134</b>   |

b) There are no long-term prepaid expenses available. (31.12.2014: TL 50.963)

c) Details of short-term deferred incomes are as follows:

|  | 31st December 2015 | 31st December 2014 |
|--|--------------------|--------------------|
| <b>Order advances received from related parties (Note 6)</b> | <b>2.279.535</b>   | <b>3.016.611</b>   |
| Adesa Deri   | 2.279.535          | 3.016.611          |
| <b>Other payables to non-related parties</b>                 | <b>584.209</b>     | <b>1.508.131</b>   |
| Order advances received                                      | 584.209            | 1.508.131          |
| <b>Total</b>   | <b>2.863.744</b>   | <b>4.524.742</b>   |

**NOTE 13 - INVESTMENT PROPERTIES**

Not available. (December 31, 2014: Not available)

**NOTE 14 - TANGIBLE FIXED ASSETS**

The Company has no internally-generated tangible fixed asset.

a) Movements of tangible fixed assets as of December 31, 2015 are as follows:

| Cost                            | 01.01.2015          | Entry              | Exit             | Valuation        | 31.12.2015          |
|---------------------------------|---------------------|--------------------|------------------|------------------|---------------------|
| Lands and Parcels               | 4.910.000           | -                  | -                | -                | 4.910.000           |
| Land improvements               | 12.703              | -                  | -                | -                | 12.703              |
| Buildings                       | 14.319.152          | -                  | -                | -                | 14.319.152          |
| Machinery, Equipment            | 5.054.470           | 76.493             | -                | -                | 5.130.963           |
| Vehicles                        | 1.423.383           | 212.460            | (153.882)        | -                | 1.481.961           |
| Fixtures                        | 14.163.590          | 820.950            | (2.934)          | -                | 14.981.606          |
| Leasehold improvements          | 20.957.514          | 1.880.985          | -                | -                | 22.838.499          |
| Construction in progress        | -                   | 99.199             | -                | -                | 99.199              |
| <b>Total</b>                    | <b>60.840.812</b>   | <b>3.090.087</b>   | <b>(156.816)</b> | <b>-</b>         | <b>63.774.083</b>   |
| <b>Accumulated depreciation</b> |                     |                    |                  |                  |                     |
| Land improvements               | (6.736)             | (637)              | -                | -                | (7.373)             |
| Buildings                       | (1.978.854)         | (190.927)          | -                | (180.286)        | (2.350.067)         |
| Machinery, Equipment            | (3.692.429)         | (386.037)          | -                | -                | (4.078.466)         |
| Vehicles                        | (1.026.551)         | (131.771)          | 143.119          | -                | (1.015.203)         |
| Fixtures                        | (10.518.544)        | (1.255.243)        | 534              | -                | (11.773.253)        |
| Leasehold improvements          | (16.557.919)        | (2.040.990)        | -                | -                | (18.598.909)        |
| <b>Total</b>                    | <b>(33.781.033)</b> | <b>(4.005.605)</b> | <b>143.653</b>   | <b>(180.286)</b> | <b>(37.823.271)</b> |
| <b>Net Value</b>                | <b>27.059.779</b>   |                    |                  |                  | <b>25.950.812</b>   |

Total insurance amount on fixed assets is TL 164.374.610 as of December 31, 2015.

b) Movements of tangible fixed assets as of December 31, 2014 are as follows:

| Cost                            | 01.01.2014          | Entry              | Exit            | Valuation Surplus | 31.12.2014          |
|---------------------------------|---------------------|--------------------|-----------------|-------------------|---------------------|
| Lands and Parcels               | 4.910.000           | -                  | -               | -                 | 4.910.000           |
| Land improvements               | 12.703              | -                  | -               | -                 | 12.703              |
| Buildings                       | 14.283.191          | 35.961             | 34.328          | -                 | 14.319.152          |
| Machinery, Equipment            | 4.861.822           | 226.976            | -               | -                 | 5.054.470           |
| Vehicles                        | 1.120.493           | 302.890            | (3.346)         | -                 | 1.423.383           |
| Fixtures                        | 13.156.415          | 1.010.521          | -               | -                 | 14.163.590          |
| Leasehold improvements          | 18.959.180          | 1.998.334          | -               | -                 | 20.957.514          |
| <b>Total</b>                    | <b>57.303.804</b>   | <b>3.574.682</b>   | <b>(37.674)</b> | <b>-</b>          | <b>60.840.812</b>   |
| <b>Accumulated depreciation</b> |                     |                    |                 |                   |                     |
| Land improvements               | (6.098)             | (638)              | -               | -                 | (6.736)             |
| Buildings                       | (1.608.532)         | (190.036)          | -               | (180.286)         | (1.978.854)         |
| Machinery, Equipment            | (3.312.734)         | (413.611)          | 33.916          | -                 | (3.692.429)         |
| Vehicles                        | (909.654)           | (116.897)          | -               | -                 | (1.026.551)         |
| Fixtures                        | (9.190.557)         | (1.331.332)        | 3.345           | -                 | (10.518.544)        |
| Leasehold improvements          | (14.438.368)        | (2.119.551)        | -               | -                 | (16.557.919)        |
| <b>Total</b>                    | <b>(29.465.943)</b> | <b>(4.172.065)</b> | <b>37.261</b>   | <b>(180.286)</b>  | <b>(33.781.033)</b> |
| <b>Net Value</b>                | <b>27.837.861</b>   |                    |                 |                   | <b>27.837.861</b>   |

Total insurance amount on fixed assets is TL 123.463.880 as of December 31, 2014.

**NOTE 15 - RIGHTS ON SHARES ARISING FROM RETIREMENT, RESTORATION AND ENVIRONMENT REHABILITATION FUNDS**

Not available. (December 31, 2014: Not available)

**NOTE 16 - MEMBER'S SHARES IN COOPERATIVE ENTERPRISES AND SIMILAR FINANCIAL INSTRUMENTS**

Not available. (December 31, 2014: Not available)

## NOTE 17 – INTANGIBLE FIXED ASSETS

The Company has no internally-generated intangible fixed asset.

a) Movements of intangible fixed assets as of December 31, 2015 are as follows:

| Cost                            | 01.01.2015       | Entry     | Exit | 31.12.2015       |
|---------------------------------|------------------|-----------|------|------------------|
| Rights                          | 1.254.248        | 156.721   | -    | 1.410.969        |
| <b>Total</b>                    | <b>1.254.248</b> |           |      | <b>1.410.969</b> |
| <b>Accumulated depreciation</b> |                  |           |      |                  |
| Rights                          | (436.831)        | (106.371) | -    | (543.202)        |
| <b>Total</b>                    | <b>(436.831)</b> |           |      | <b>(543.202)</b> |
| <b>Net Value</b>                | <b>817.417</b>   |           |      | <b>867.767</b>   |

b) Movements of intangible fixed assets as of December 31, 2014 are as follows:

| Cost                            | 01.01.2014       | Entry    | Exit | 31.12.2014       |
|---------------------------------|------------------|----------|------|------------------|
| Rights                          | 1.135.012        | 119.236  | -    | 1.254.248        |
| <b>Total</b>                    | <b>1.135.012</b> |          |      | <b>1.254.248</b> |
| <b>Accumulated depreciation</b> |                  |          |      |                  |
| Rights                          | (359.195)        | (77.636) | -    | (436.831)        |
| <b>Total</b>                    | <b>(359.195)</b> |          |      | <b>(436.831)</b> |
| <b>Net Value</b>                | <b>775.817</b>   |          |      | <b>817.417</b>   |

## NOTE 18 – GOODWILL

Not available. (December 31, 2014: Not available)

## NOTE 19 – RESEARCH AND EVALUATION OF MINERAL RESOURCES

Not available. (December 31, 2014: Not available)

## NOTE 20 – LEASING TRANSACTIONS

### a) Financial Leasing Transactions

aa) Details of short-term financial leasing payables are as follows:

|  | 31st December 2015 | 31st December 2014 |
|--|--------------------|--------------------|
| Financial leasing payables                     | -                  | 105.005            |
| Cost of deferred leasing interest payables (-) | -                  | (2.787)            |
| <b>Financial leasing payable (Net) (*)</b>     | <b>-</b>           | <b>102.218</b>     |

(\*)The Company does not have any financial leasing payables as of December 31, 2015. (December 31, 2014: Whole of TL 102.218 is financial leasing payables in Euro) (See, Note 47/c).

bb) The Company does not have any long-term financial leasing payables.

### b) Operational Leasing Transactions

#### ba) Leases by the Company in the capacity of Tenant

The details of lease expenses registered by the Company in the income statement during the period are as follows:

|   | 31st December 2015 | 31st December 2014 |
|---|--------------------|--------------------|
| Car rental expenses   | 312.043            | 357.910            |
| Store rental expenses                                       | 23.831.763         | 23.040.385         |
| Administrative buildings and warehouses rental expenses (*) | 1.124.363          | 927.722            |
| <b>Total</b>  | <b>25.268.169</b>  | <b>24.326.017</b>  |

(\*) The term of contracts for leasing relating to administrative buildings is one year or less.

Minimum lease payment commitments due to the lease contracts arising from store leasing transactions of the Company are as follows:

|                                      | 31st December 2015 | 31st December 2014 |
|--------------------------------------|--------------------|--------------------|
| Less than a year                     | 20.867.679         | 17.821.879         |
| More than a year – Less than 5 years | 24.491.905         | 24.077.965         |
| More than 5 years                    | 8.868.099          | 3.406.353          |
| <b>Total</b>                         | <b>54.227.683</b>  | <b>45.306.197</b>  |

Minimum lease payment commitments due to the lease contracts arising from car rental transactions of the Company are as follows:

|                                      | 31 Aralık 2015 | 31 Aralık 2014 |
|--------------------------------------|----------------|----------------|
| Less than a year                     | 246.459        | 222.765        |
| More than a year – Less than 5 years | 214.806        | 136.059        |
| <b>Total</b>                         | <b>461.265</b> | <b>358.824</b> |

### bb) Leases by the Company in the capacity of Lessor

The total rental income arising from the operational leasing transactions realized by the Company in the capacity as lessor and collected within the period as well as reflected in the income statement is amounting to TL 1.069.633. (December 31, 2014: TL 772.512). The term of contracts for leasing is one year or less.

## NOTE 21 – PREFERRED SERVICE CONTRACTS

Not available. (December 31, 2014: Not available)

## NOTE 22 – IMPAIRMENT OF ASSETS

Since Desa International Limited and Leather Fashion which are subsidiaries as of December 31, 2015 and not consolidated due to their negligible revenues have lost their equities, impairment is calculated at the amount (TL 3.107.074) given in assets and presented in Financial Investments account. (See Note 4)

## NOTE 23 – GOVERNMENT INCENTIVES AND SUPPORTS

a) The Company has got Inward Processing Licenses. The Company has made import amounting to USD 15.486.586 as of December 31, 2015 under those licenses and benefited from VAT incentive related to those purchases. (December 31, 2014 – USD 29.602.000).

b) Right to benefit from the Turquality incentive amounting to TL 1.634.800 has been entitled during the period of twelve months within the scope of the Communiqué No. 2006/4 on Branding of Turkish Products, Establishing Image of Turkish Products Abroad and Supporting Turquality and this has been registered as revenue. (Right to benefit from incentive amounting to TL 2.354.264 has been entitled as from December 31, 2014.)

c) Income taxes of minimum-wage workers employed in Düzce factory in the Organized Industrial Zone provide 5% exemption from payment of SSI premiums under Law No. 5084 on Making Amendments to Certain Laws by Encouragement of Investments and Employment. Also the Company has been entitled to benefit from an additional incentive of 6% as from January 1, 2013 in accordance with the decree no.2013/4966 of the Council of Ministers. The Company has been entitled to an incentive in the amount of TL 375.073 as from December 31, 2015 and registered the same as revenue. (December 31, 2014: TL 824.392)

d) The amount corresponding to five-point part of employer's share from disability, old-age and death insurance premiums of insured employers are paid by the Treasury under sub-clause (i) added to first clause of Article 81 of Social Securities and General Health Insurance Law No. 5510. In this context, the five-point part of the Company's employer's share recorded as revenue as of December 31, 2015 is TL 2.060.618. (December 31, 2014: TL 1.617.893)

## NOTE 24 – BORROWING COSTS

The total borrowings costs suffered as from December 31, 2015 are amounting to TL 10.144.797 and are registered directly as expenses. (December 31, 2014: TL 4.058.368 registered directly as expenses). See Note 37

## NOTE 25 – PROVISIONS, CONTINGENT ASSETS AND PAYABLES

a) Details of provisions for unused vacation payment of Company's employees are as follows:

|                       | 31st December 2015 | 31st December 2014 |
|-----------------------|--------------------|--------------------|
| Provisions for Leaves | 1.833.203          | 1.844.095          |
| <b>Total</b>          | <b>1.833.203</b>   | <b>1.844.095</b>   |

Movements of provisions for vacation payment within the period are as follows:

|  | 2015             | 2014             |
|--|------------------|------------------|
| <b>Beginning of period</b>                 | <b>1.844.095</b> | <b>1.822.712</b> |
| Increase within the Period (+)             | -                | 21.383           |
| Provisions cancelled within the Period (-) | (10.892)         | -                |
| <b>End of period</b>                       | <b>1.833.203</b> | <b>1.844.095</b> |

b) Details of provisions for short-term payables are as follows:

|                           | 31st December 2015 | 31st December 2014 |
|---------------------------|--------------------|--------------------|
| Provision for Lawsuits    | 987.802            | 510.281            |
| Provision for other costs | 32.251             | 52.698             |
| <b>Total</b>              | <b>1.020.053</b>   | <b>562.979</b>     |

c) Details of provisions for long-term payables are as follows:

|                                    | 31st December 2015 | 31st December 2014 |
|------------------------------------|--------------------|--------------------|
| Provisions for seniority indemnity | 2.717.082          | 2.496.143          |
| <b>Total</b>                       | <b>2.717.082</b>   | <b>2.496.143</b>   |

Provisions for seniority indemnity:

As per laws of the Republic of Turkey, the Company is obliged to pay seniority indemnity to each employee that has retired completing minimum one year service time after 25-year working life (for women – age 58; for men – age 60); has been dismissed; has been called for military service; or has passed away.

Such indemnity must be in the amount of one-month wage for each service year and such amount has been limited to TL 3.828,37 as of December 31, 2015 (December 31, 2014: TL 3.438,22).

The liability to pay seniority indemnity is not legally subject to any funding. Reserve for seniority indemnity is calculated by estimating current value of future potential liability amount arising from retirement of the Company personnel. IAS 19 (“Employee Benefits”) provides that liabilities of a company shall be developed using the actuarial valuation methods under defined benefit pension plans. In this context, actuarial assumptions used in calculation of total liabilities are given below:

Main assumption is that maximum liability amount for each service year would increase in parallel with the inflation. Therefore, discount rate applied indicates the real rate expected after adjustment of future inflation impacts. For this reason, as of December 31, 2015, provisions in the attached financial statements are calculated by estimating current value of potential future liability that would arise from retirement of employees. Provisions on the balance sheet date have been calculated using the real discount rate obtained as 4.11 % (December 31, 2014: 2.86 %) according to the assumptions of an annual inflation of 6.50 % (December 31, 2014: 5.00%) and of a discount rate of 10.88% (31st December 2013: 8.00%). Estimated rate of seniority indemnity which shall not be paid and remain with the Company due to voluntary leave of employment by the employee has also been taken into account. Upper limit of the seniority indemnity is revised semi-annually.

Movements of provisions for seniority indemnity within the period are as follows:

|                                     | 31st December 2015 | 31st December 2014 |
|-------------------------------------|--------------------|--------------------|
| <b>Beginning of period</b>          | <b>2.496.143</b>   | <b>2.076.116</b>   |
| Service cost                        | 2.474.027          | 1.842.563          |
| Interest cost                       | 65.166             | 96.977             |
| Indemnities paid                    | (2.685.342)        | (1.649.057)        |
| Actuarial (Gain) / Loss (Note 30/e) | 367.088            | 129.544            |
| <b>End of period</b>                | <b>2.717.082</b>   | <b>2.496.143</b>   |

#### d) Guarantees Received and Given

da) Details of mortgages, guarantees and warrants received by the Company are as follows:

|                      | 31st December 2015 | 31st December 2014 |
|----------------------|--------------------|--------------------|
| Letters of Guarantee | 400.000            | 450.000            |
| Guaranty Bonds       | 945.000            | 760.000            |
| <b>Total</b>         | <b>1.345.000</b>   | <b>1.210.000</b>   |

db) Details of off-balance sheet liabilities which are not included in liabilities are as follows:

|                             | 31st December 2015 |                   | 31st December 2014 |                   |
|-----------------------------|--------------------|-------------------|--------------------|-------------------|
| <b>Letters of Guarantee</b> |                    | <b>18.724.948</b> |                    | <b>7.619.034</b>  |
| TL                          | 4.347.748          |                   | 3.968.728          |                   |
| USD                         | 1.364.414          |                   | 1.226.612          |                   |
| EURO (*)                    | 13.012.786         |                   | 2.423.694          |                   |
| <b>Guaranty Bonds</b>       |                    | <b>10.088.880</b> |                    | <b>9.224.297</b>  |
| EURO (*)                    | 10.088.880         |                   | 9.224.297          |                   |
| <b>Total</b>                |                    | <b>28.813.828</b> |                    | <b>16.843.331</b> |

(\*) The Company has given letters of guarantee and guaranty bonds of EUR 3.175.000 (TL 10.088.880) for the loan extended by Eximbank in the same amount. Both obligations are stated in the table above separately.

dc) The Company's guarantee/pledge/mortgage position table is as follows as of December 31, 2015 and December 31, 2014.

| <b>GPMs given by the Company</b>   | <b>31st December 2015</b> | <b>31st December 2014</b> |
|--|---------------------------|---------------------------|
| <b>A.</b> Total Amount of GPMs given on behalf of its own Legal Entity   | 28.813.828                | 16.843.331                |
| <b>B.</b> Total Amount of GPMs given in favor of Ventures included in Full Consolidation   | -                         | -                         |
| <b>C.</b> Total Amount of GPMs given to Guarantee Liability of Other 3rd Parties for purposes of carrying out Ordinary Business Activities | -                         | -                         |
| <b>D.</b> Total Amount of Other GPMs Given   |                           |                           |
| 1) Total Amount of GPMs given in favor of the Parent Company   |                           |                           |
| 2) Total Amount of GPMs given in favor of Other Group Companies not included in Items B and C  | -                         | -                         |
| 3) Total Amount of GPMs given in favor of 3rd Parties not included in Item C   |                           |                           |
| <b>Total</b>   | <b>28.813.828</b>         | <b>16.843.331</b>         |

dd) Forward exchange and option contracts :

Not available. (December 31, 2014: Not available)

#### NOTE 26 – COMMITMENTS

Not available. (December 31, 2014: Not available)

#### NOTE 27 – PAYABLES WITHIN EMPLOYEE BENEFITS

|                            | 31st December 2015 | 31st December 2014 |
|----------------------------|--------------------|--------------------|
| Accrued Wages of Employees | 3.111.799          | 3.272.386          |
| <b>Total</b>               | <b>3.111.799</b>   | <b>3.272.386</b>   |

#### NOTE 28- OTHER EXPENSES BASED ON THEIR NATURE

Distribution of significant expense items based on their nature is as follows:

|                                   | 31st December 2015  | 31st December 2014  |
|-----------------------------------|---------------------|---------------------|
| <b>Wage Expenses</b>              | <b>(66.506.878)</b> | <b>(62.400.830)</b> |
| Production Cost                   | (36.733.402)        | (32.954.047)        |
| General Management                | (8.274.107)         | (7.674.334)         |
| Marketing, Sales and Distribution | (20.718.570)        | (21.139.196)        |
| Research and Development          | (780.799)           | (633.253)           |
| <b>Depreciation Expenses</b>      | <b>(4.111.976)</b>  | <b>(4.249.700)</b>  |
| Production Cost                   | (654.774)           | (687.883)           |
| General Management                | (891.474)           | (987.256)           |
| Marketing, Sales and Distribution | (2.556.000)         | (2.568.288)         |
| Research and Development          | (9.728)             | (6.273)             |
| <b>Total</b>                      | <b>(70.618.854)</b> | <b>(66.650.530)</b> |

#### NOTE 29- OTHER ASSETS AND LIABILITIES

Details of other current assets are as follows:

|                                     | 31st December 2015 | 31st December 2014 |
|-------------------------------------|--------------------|--------------------|
| Accrued Turquality Incentive Income | 2.559.964          | 3.401.282          |
| Other VAT                           | 354.285            | 186.022            |
| Other current assets                | 82.381             | 42.697             |
| <b>Total</b>                        | <b>2.996.630</b>   | <b>3.630.001</b>   |

## NOTE 30 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

### a) Equity Details

Equity of the Company as of December 31, 2015 is TL 63.540.413 (December 31, 2014 – TL 68.103.414) and its details are as follows:

|   | 31st December 2015 | 31st December 2014 |
|---|--------------------|--------------------|
| Paid in capital                                       | 49.221.970         | 49.221.970         |
| Adjustment Differences of Capital                     | 5.500.255          | 5.500.255          |
| Revaluation and Measurement Gains/Losses              | 8.851.757          | 9.023.029          |
| Actuarial (Gain) / Loss relating to Employee Benefits | (730.732)          | (437.062)          |
| Reserves on Retained Earnings                         | 960.423            | 952.952            |
| Previous Period Profit/Loss                           | 3.834.799          | (918.883)          |
| Net Profit/Loss for the Period                        | (4.098.059)        | 4.761.153          |
| <b>Equity</b>   | <b>63.540.413</b>  | <b>68.103.414</b>  |

### b) Paid in capital

The Company has switched to registered capital system in 2007 and its registered authorized stock amounts to TL 150.000.000. Its paid in capital is TL 49.221.970 (December 31, 2014: TL 49.221.970) and has been divided into 4.922.196.986 (December 31, 2014: 4.922.196.986) shares each of which has a nominal value of 1 Kr.

4 (Four) members of the Board of Directors and auditors are elected amongst the candidates to be nominated by Group (A) shareholders. In Ordinary and Extraordinary General Meetings, Group (A) shareholders have 50 voting rights for 1 share while other shareholders have 1 voting right for 1 share. There is no preference share in financial terms.

Issued and paid in capital amounts as of December 31, 2015 and December 31, 2014 are as follows at their book value:

|                    | 31st December 2015 |                   | 31st December 2014 |                   |
|--------------------|--------------------|-------------------|--------------------|-------------------|
| Melih Çelet        | 10,00%             | 4.922.197         | 10,00%             | 4.922.197         |
| Çelet Holding A.Ş. | 54,28%             | 26.717.682        | 54,28%             | 26.717.682        |
| Free Float (*)     | 34,92%             | 17.188.312        | 34,92%             | 17.188.312        |
| Other              | 0,80%              | 393.779           | 0,80%              | 393.779           |
| <b>Total</b>       | <b>100,00%</b>     | <b>49.221.970</b> | <b>100,00%</b>     | <b>49.221.970</b> |

(\*)The share with a nominal value of TL 4.129.566, representing 8.39 % of the capital in the free float belongs to Çelet Holding A.Ş. and the share with a nominal value of TL 3.365.730, representing 6.84% thereof belongs to Melih Çelet.

### c) Adjustment Differences of Capital Accounts

Inflation adjustment difference for capital accounts is TL 5.500.255 as of December 31, 2015. (December 31, 2014: TL 5.500.255)

### d) Revaluation and Measurement Gains/Losses

The tangible fixed asset revaluation surplus of TL 8.851.757 (December 31, 2014: TL 9.023.029) has resulted from the revaluation of the factory and office buildings on December 31, 2012 and its details are as follows: (Note 14)

|  | Total Surplus    | Deferred Tax Impact | Revaluation Surplus (Net) |
|--|------------------|---------------------|---------------------------|
| Factory Land   | 3.515.615        | (175.781)           | 3.339.834                 |
| Factory and Office Building                                | 6.342.883        | (317.145)           | 6.025.738                 |
| Accumulated Depreciation Impact as of January 01, 2015     | (360.572)        | 18.029              | (342.543)                 |
| Current Period Depreciation Impact as of December 31, 2015 | (180.286)        | 9.014               | (171.272)                 |
| <b>Total</b>   | <b>9.317.640</b> | <b>(465.883)</b>    | <b>8.851.757</b>          |

As of December 31, 2014:

|  | Total Surplus    | Deferred Tax Impact | Revaluation Surplus (Net) |
|--|------------------|---------------------|---------------------------|
| Factory Land   | 3.515.615        | (175.781)           | 3.339.834                 |
| Factory and Office Building                                | 6.342.883        | (317.145)           | 6.025.738                 |
| Accumulated Depreciation Impact as of January 01, 2014     | (180.285)        | 9.014               | (171.271)                 |
| Current Period Depreciation Impact as of December 31, 2014 | (180.287)        | 9.015               | (171.271)                 |
| <b>Total</b>   | <b>9.497.926</b> | <b>(474.897)</b>    | <b>9.023.029</b>          |

### e) Actuarial (Gain) / Loss relating to Employee Benefits

|  | 31st December 2015 |                  | 31st December 2014 |                  |
|--|--------------------|------------------|--------------------|------------------|
| Opening balance (Net)  |                    | (437.062)        |                    | (333.427)        |
| Remeasurement Losses of Current Period Defined Benefit Plans (Net) |                    | (293.670)        |                    | (103.635)        |
| Current Period Actuarial Difference                                | (367.088)          |                  | (129.544)          |                  |
| Deferred Tax of Current Period Actuarial Difference                | 73.418             |                  | 25.909             |                  |
| <b>Total</b>   |                    | <b>(730.732)</b> |                    | <b>(437.062)</b> |

### f) Reserves on Retained Earnings

|                        | 31st December 2015 | 31st December 2014 |
|------------------------|--------------------|--------------------|
| Primary Legal Reserves | 960.423            | 952.952            |
| <b>Total</b>           | <b>960.423</b>     | <b>952.952</b>     |

### g) Previous Period Profit/Loss

|  | 31st December 2015 | 31st December 2014 |
|--|--------------------|--------------------|
| Accumulated Profit / Loss Opening        | (918.883)          | 2.002.042          |
| Transfer from Retained Net Profit / Loss | 4.753.682          | (2.920.925)        |
| <b>Previous Period Profit/Loss</b>       | <b>3.834.799</b>   | <b>(918.883)</b>   |

## NOTE 31 – REVENUE

|                                 | 31st December 2015 | 31st December 2014 |
|---------------------------------|--------------------|--------------------|
| Domestic Sales                  | 185.449.545        | 165.982.669        |
| Export Sales                    | 95.025.904         | 117.362.179        |
| Other Incomes                   | 178.334            | 85.261             |
| <b>Gross Sales</b>              | <b>280.653.783</b> | <b>283.430.109</b> |
| Returns (-)                     | (7.241.568)        | (6.315.734)        |
| Sales Discounts (-)             | (73.427.975)       | (62.629.799)       |
| Deductions ( - )                | (2.141.918)        | (3.192.988)        |
| <b>Net Sales</b>                | <b>197.842.322</b> | <b>211.291.588</b> |
| Cost of Sales ( - )             | (124.592.982)      | (135.296.503)      |
| <b>Operating Income ( Net )</b> | <b>73.249.340</b>  | <b>75.995.085</b>  |

## NOTE 32 – CONSTRUCTION CONTRACTS

Not available. (December 31, 2015: Not available)

## NOTE 33 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

|  | 31st December 2015  | 31st December 2014  |
|--|---------------------|---------------------|
| General Administrative Expenses            | (13.626.147)        | (13.223.701)        |
| Marketing, Sales and Distribution Expenses | (61.460.193)        | (62.440.487)        |
| Research and Development Expenses          | (1.951.991)         | (1.500.297)         |
| <b>Total</b>                               | <b>(77.038.331)</b> | <b>(77.164.485)</b> |

a) Details of general administrative expenses are as follows:

|   | 31st December 2015  | 31st December 2014  |
|---|---------------------|---------------------|
| Personnel Expenses                        | (8,274.107)         | (7,674.334)         |
| Rental Expenses                           | (1,092.177)         | (963.476)           |
| Consultancy Expenses                      | (909.573)           | (1,401.149)         |
| Depreciation Expenses                     | (891.474)           | (987.256)           |
| Travel and Transport Expenses             | (578.753)           | (568.696)           |
| Utility and Fuel Oil Expenses             | (331.004)           | (410.064)           |
| Communication Expenses                    | (311.498)           | (117.738)           |
| Insurance, Repair & Maintenance Expenses  | (306.847)           | (242.045)           |
| Donations and Grants                      | (255.250)           | (70.150)            |
| Taxes and Other Legal Duties              | (189.312)           | (288.891)           |
| Non-deductible Expenses                   | (88.703)            | (121.317)           |
| Stationery and Advertising Expenses       | (57.056)            | (72.502)            |
| Representation and Entertainment Expenses | (42.558)            | (37.420)            |
| Trade Mark Registration Expenses          | (38.316)            | -                   |
| Other                                     | (259.519)           | (268.663)           |
| <b>Total</b>                              | <b>(13.626.147)</b> | <b>(13.223.701)</b> |

b) Details of Marketing, Sales and Distribution Expenses are as follows:

|   | 31st December 2015  | 31st December 2014  |
|---|---------------------|---------------------|
| Real Estate Rental Expenses               | (23,831.763)        | (23,040.385)        |
| Personnel Expenses                        | (20,718.570)        | (21,139.196)        |
| Advertising Expenses                      | (2,948.039)         | (3,094.600)         |
| Depreciation Expenses                     | (2,556.000)         | (2,568.288)         |
| Bank Charge Expenses                      | (2,119.436)         | (2,191.865)         |
| Cargo Expenses                            | (1,769.914)         | (1,522.624)         |
| Maintenance & Repair Insurance Expenses   | (1,613.342)         | (2,744.962)         |
| Utility and Fuel Oil Expenses             | (1,558.048)         | (1,607.931)         |
| Taxes and Other Legal Duties              | (582.816)           | (369.176)           |
| Product, Repair and Export Duty Expenses  | (581.494)           | (652.467)           |
| Shelf, Sign and Printed Material Expenses | (539.022)           | (646.852)           |
| Travel Expenses                           | (490.949)           | (443.582)           |
| Transport Expenses                        | (395.563)           | (393.560)           |
| Overseas Fair Attendance Expenses         | (308.771)           | (359.523)           |
| Insurance Expenses                        | (301.550)           | (285.981)           |
| Phone, Fax and Data Line                  | (136.005)           | (110.671)           |
| Representation and Entertainment Expenses | (13.725)            | (32.836)            |
| Other                                     | (995.186)           | (1,235.988)         |
| <b>Total</b>                              | <b>(61.460.193)</b> | <b>(62.440.487)</b> |

c) Details of research and development expenses are as follows:

|   | 31st December 2015 | 31st December 2014 |
|---|--------------------|--------------------|
| Design and Modeling Expenses              | (954.420)          | (682.734)          |
| Personnel Expenses                        | (780.799)          | (633.253)          |
| Travel Expenses                           | (110.490)          | (99.383)           |
| Representation and Entertainment Expenses | (39.795)           | (25.033)           |
| Utility and Fuel Oil Expenses             | (15.471)           | (17.236)           |
| Maintenance Repair Expenses               | (14.516)           | (19.670)           |
| Depreciation Expenses                     | (9.728)            | (6.273)            |
| Other                                     | (26.772)           | (16.715)           |
| <b>Total</b>                              | <b>(1.951.991)</b> | <b>(1.500.297)</b> |

## NOTE 34 - OTHER OPERATING INCOMES AND EXPENSES

a) Details of other operating incomes are as follows:

|  | 31st December 2015 | 31st December 2014 |
|--|--------------------|--------------------|
| Subsidy (SSI and Withholding)                            | 2,435.691          | 2,442.286          |
| Exchange Profits   | 1,559.636          | 5,035.732          |
| Service Incomes  | 1,871.895          | 1,387.743          |
| Subsidy (Turquality and ITKIB)                           | 1,634.800          | 2,354.265          |
| Promotion Incomes  | 677.966            | -                  |
| Rental Incomes   | 1,069.633          | 744.022            |
| Expense Contribution Incomes                             | 608.224            | 499.752            |
| Deferred Finance Incomes                                 | 457.138            | 555.319            |
| Cancelled Import   | 383.042            | 1,813.746          |
| Damages Income   | 334.917            | 192.847            |
| Price Differences  | 94.172             | 134.105            |
| Provisions No Longer Required (Provision for Lawsuits)   | -                  | 38.833             |
| Interest Incomes   | 66.199             | 161.312            |
| Provisions No Longer Required (Doubt. Receivables)       | 5.297              | 5.806              |
| Provisions No Longer Required (Doubt. Trade Receivables) | 1.088              | -                  |
| Other  | 155.009            | 331.739            |
| <b>Total</b>   | <b>11.354.707</b>  | <b>15.697.507</b>  |

b) Details of other operating expenses are as follows:

|   | 31st December 2015 | 31st December 2014 |
|---|--------------------|--------------------|
| Exchange Losses                           | (2,506.347)        | (5,066.446)        |
| Rediscount Expense                        | (495.783)          | (298.354)          |
| Previous Period Expenses                  | (173.928)          | (66.814)           |
| Provision for Lawsuits Expenses           | (477.521)          | (237.561)          |
| Provision Expenses (Trade Receivables)    | (133.699)          | (833.808)          |
| Provision Expenses (Order advances given) | -                  | (5.948)            |
| Commission Expenses                       | (754)              | (145.174)          |
| Other                                     | (49.089)           | (21.542)           |
| <b>Total</b>                              | <b>(3.837.121)</b> | <b>(6.675.647)</b> |

## NOTE 35 - INCOMES AND EXPENSES FROM INVESTING ACTIVITIES

|                               | 31st December 2015 | 31st December 2014 |
|-------------------------------|--------------------|--------------------|
| Income from Fixed Asset Sales | 76.635             | 36.285             |
| <b>Total</b>                  | <b>76.635</b>      | <b>36.285</b>      |

## NOTE 36 - EXPENSES CLASSIFIED ON KIND BASIS

See, Note 33

## NOTE 37 - FINANCING EXPENSES

|                                     | 31st December 2015  | 31st December 2014 |
|-------------------------------------|---------------------|--------------------|
| Loan Interest Expense               | (2,091.435)         | (1,810.375)        |
| Loan Exchange Difference Incomes    | -                   | 1,794.559          |
| Loan Exchange Difference Expenses   | (6,905.754)         | (2,737.205)        |
| Credit Card Commission              | (354.566)           | (413.106)          |
| Bank Charges                        | (203.878)           | (251.143)          |
| Bank Letter of Guarantee Commission | (126.300)           | (145.368)          |
| Import / Export Costs               | (460.174)           | (458.236)          |
| Other                               | (2.690)             | (37.494)           |
| <b>Total</b>                        | <b>(10.144.797)</b> | <b>(4.058.368)</b> |

## NOTE 38 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

See, Note 30/d-e

## NOTE 39 – FIXED ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

Not available. (December 31, 2014: Not available)

## NOTE 40 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

| Current Tax Liability               | 31st December 2015 | 31st December 2014 |
|-------------------------------------|--------------------|--------------------|
| Provision for Current Corporate Tax | -                  | (199.084)          |
| Prepaid taxes and funds             | 221                | -                  |
| <b>Total Tax Asset/(Liability)</b>  | <b>221</b>         | <b>(199.084)</b>   |

| Tax Expense in Income Statement                    | 31st December 2015 | 31st December 2014 |
|--|--------------------|--------------------|
| Provision for current corporate tax                | -                  | (219.377)          |
| Deferred tax income / (expense)                    | 535.367            | (225.476)          |
| <b>Total tax income / (expense)</b>                | <b>535.367</b>     | <b>(444.853)</b>   |
| Tax income / (expense) for continuing operations   | 535.367            | (444.853)          |
| Tax income / (expense) for discontinued operations | -                  | -                  |
| <b>Total tax income / (expense)</b>                | <b>535.367</b>     | <b>(444.853)</b>   |

In Turkey, corporate tax rate is 20%. (2014: 20%) This rate is applied to the tax basis to be obtained by adding non-deductible expenses as per tax laws to business income of entities and by deducting exemptions (such as affiliation privilege) and discounts (such as R&D and Grants and Aids) provided in tax laws. Corporate tax returns are delivered to respective tax office from first day of the fourth month following the end of the fiscal period to the evening of the twenty fifth day. Such tax return is paid in a lump until the end of the month when such return is delivered. On the other hand, tax auditing authorities can audit accounting records within five years and tax amounts to be paid can be changed in case of identification of any faulty transaction.

Corporate Taxpayers calculate an advance tax at 20% (20% for the fiscal year 2014) over their financial profit for each three-month period to set off it against corporate tax of current taxation period and declare such amount until 14th day of the second month following such period and pay it until the evening of 17th day.

As per Turkish tax legislation, financial losses presented in the statement can be deducted from company profit for the period being limited to maximum 5 years. However, financial losses may not be set off against previous period profits.

As per Corporate Tax General Communiqué Serial No. 50, since earnings from activities in free zones are not considered securities income under Article 75/4 of the Income Tax Law provided that it is verified that such earnings have been brought to Turkey as foreign currency, they are excluded from Corporate Tax and Company withholding tax basis.

No other tax is paid if profit is not distributed. A tax withholding at 15% is applied by full taxpayers over dividends distributed to limited taxpayers other than those obtaining dividend through a business or a permanent representative in Turkey or to limited taxpayers exempted from corporate tax and specified in sub-clauses (1), (2) and (3) of Clause 2 of Article 75 of the Income Tax Law. Addition of profit to capital is not deemed as profit distribution.

The Company has a deferred tax liability of TL 440.763 for the current period (December 31, 2014: deferred tax asset of TL 177.036) with the following details;

|  | Total Temporary Differences | Deferred Tax Asset/Liability | Total Temporary Differences | Deferred Tax Asset/Liability |
|--|-----------------------------|------------------------------|-----------------------------|------------------------------|
|  | 31st December 2015          | 31st December 2015           | 31st December 2014          | 31st December 2014           |
| Rediscount of Trade Receivables                | 21.067                      | 4.213                        | 27.220                      | 5.444                        |
| Financial Liabilities Reduction Differences    | 5.519                       | 1.104                        |                             |                              |
| Expense Accruals                               | 70.045                      | 14.009                       | 70.045                      | 14.009                       |
| Provision for Doubtful Receivables             | 1.085.175                   | 217.035                      | 952.564                     | 190.512                      |
| Currency Valuation Differences                 | 261.422                     | 52.284                       | -                           |                              |
| Provision for Leaves                           | 1.833.203                   | 366.641                      | 1.844.095                   | 368.819                      |
| Provision for Seniority Indemnity              | 2.717.082                   | 543.416                      | 2.496.143                   | 499.229                      |
| Provision for Liabilities/Expenses             | 987.802                     | 197.560                      | 510.281                     | 102.056                      |
| Provision for Financial Investments Impairment | 3.107.074                   | 621.415                      | 3.107.074                   | 621.415                      |
| <b>Deferred Tax Asset</b>                      | <b>10.088.389</b>           | <b>2.017.677</b>             | <b>9.007.422</b>            | <b>1.801.484</b>             |
| Rediscount for other payables                  | (429.918)                   | (85.984)                     | (474.716)                   | (94.944)                     |
| Fixed Assets Depreciations                     | (3.292.754)                 | (658.551)                    | (3.859.041)                 | (771.808)                    |
| Fixed Assets Increment Value                   | (9.317.640)                 | (465.883)                    | (9.497.925)                 | (474.896)                    |
| Financial Liabilities Reduction Differences    | -                           | -                            | (70.146)                    | (14.029)                     |
| Income Accruals                                | (1.832.491)                 | (366.496)                    | (3.114.216)                 | (622.843)                    |
| <b>Deferred Tax Liability</b>                  | <b>(14.872.803)</b>         | <b>(1.576.914)</b>           | <b>(17.016.044)</b>         | <b>(1.978.520)</b>           |

| Deferred Tax Asset (Net)                         | 440.763                   | (177.036)                 |
|--|---------------------------|---------------------------|
| <b>Deferred Tax Asset / Liability Movements</b>  | <b>31st December 2015</b> | <b>31st December 2014</b> |
| Opening Balance as of 1st January                | (177.036)                 | 13.516                    |
| Deferred Tax Income / (Expense)                  | 535.367                   | (225.476)                 |
| Actuarial (Gain) / Loss                          | 73.418                    | 25.909                    |
| Deferred Tax for Revaluation Surplus (Note 30/e) | 9.014                     | 9.015                     |
| <b>Closing Balance at the End of Period</b>      | <b>440.763</b>            | <b>(177.036)</b>          |

## NOTE 41 – EARNINGS PER SHARE

Earnings per share as specified in the income statement has been determined by dividing net profit for the current period by weighted average number of shares available in the market throughout the period.

Companies in Turkey can increase their capital by means of "bonus share" distribution to their existing shareholders from accumulated earnings and revaluation funds. Such "bonus share" distributions are considered issued share in calculation of earnings per share. Accordingly, weighted average number of shares used in such calculations has been found by calculating retrospective effects of share distributions.

Profit per share calculations have been made by dividing net profit by weighted average number of shares issued.

There is no financially preference share. Accordingly, profit/loss per share based on share groups is as follows.

| Profit per share   | 31st December 2015   | 31st December 2014   |
|--|----------------------|----------------------|
| <b>Net profit / (loss) for the period</b>  | <b>(4.098.059)</b>   | <b>4.761.153</b>     |
| <b>Weighted average number of ordinary shares issued ( Each 1 Kr )</b>                   | <b>4.922.196.986</b> | <b>4.922.196.986</b> |
| Profit/(loss) per share from continuing and discontinued operations                      | (0,0008)             | 0,0010               |
| <b>Net profit / (loss) for the period</b>  | <b>(4.098.059)</b>   | <b>4.761.153</b>     |
| <b>Less: Profit from discontinued operations during the year</b>                         |                      |                      |
| Net income for the period for calculation of profit per share from continuing operations | (4.098.059)          | 4.761.153            |
| <b>Profit / (loss) per share from continuing operations</b>                              | <b>(0,0008)</b>      | <b>0,0010</b>        |
| <b>Profit from discontinued operations within the period</b>                             |                      |                      |
| Diluted profit/(loss) per share  | (0,0008)             | 0,0010               |
| <b>Profit / (loss) per share from continuing operations</b>                              | <b>(0,0008)</b>      | <b>0,0010</b>        |
| <b>Profit per share from discontinued operations</b>                                     |                      |                      |

## NOTE 42 – SHARE-BASED PAYMENTS

None. (December 31, 2014: Not available.)

## NOTE 43 – INSURANCE CONTRACTS

Not available. (December 31, 2014: Not available)

## NOTE 44 – EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

Please refer to note 2.5 for the used currency.

The exchange differences recognized in profit/loss within the period are as follows:

|   | 31st December 2015 | 31st December 2014 |
|---|--------------------|--------------------|
| <b>Financial Expenses</b>                   | <b>(6.905.754)</b> | <b>(942.646)</b>   |
| Loan Exchange Difference Incomes (Note 37)  | -                  | 1.794.559          |
| Loan Exchange Difference Expenses (Note 37) | (6.905.754)        | (2.737.205)        |
| <b>Real Operating Income / Expense</b>      | <b>(946.711)</b>   | <b>(30.714)</b>    |
| Foreign Exchange Gains (Note 34/a)          | 1.559.636          | 5.035.732          |
| Foreign Exchange Losses (Note 34/b)         | (2.506.347)        | (5.066.446)        |

## NOTE 45 – FINANCIAL REPORTING IN HIGH INFLATION ECONOMIES

Not available. (December 31, 2014: Not available)

## NOTE 46 – DERIVATIVE FINANCIAL INSTRUMENTS

Not available. (December 31, 2014: Not available)

## NOTE 47 – FINANCIAL INSTRUMENTS

### a) Receivables and payables

For disclosures relating to receivables and payables see Note 7 and Note 9

### b) Cash and cash equivalents

Details of cash and cash equivalents are as follows as of December 31, 2015 and December 31, 2014:

|                            | 31st December 2015         |                | 31st December 2014         |                  |
|----------------------------|----------------------------|----------------|----------------------------|------------------|
|                            | Amount in Foreign Currency | Amount in TL   | Amount in Foreign Currency | Amount in TL     |
| <b>Cash</b>                |                            | <b>315.911</b> |                            | <b>257.339</b>   |
| - TL                       | 313.296                    |                | 248.205                    |                  |
| - USD                      | 2.615                      |                | 2.085                      |                  |
| - EUR                      | -                          |                | 7.049                      |                  |
| - GBP                      | -                          |                | -                          |                  |
| <b>Banks</b>               |                            | <b>472.451</b> |                            | <b>1.184.195</b> |
| <b>Time Deposit</b>        |                            |                | <b>910.000</b>             |                  |
| - TL                       | -                          |                | 910.000                    |                  |
| <b>Demand Deposit</b>      | <b>472.451</b>             |                | 274.195                    |                  |
| - TL                       | 442.461                    |                | 263.660                    |                  |
| - USD                      | 7.029                      |                | 1.199                      |                  |
| - EUR                      | 1.459                      |                | 1.541                      |                  |
| - GBP                      | 21.490                     |                | 7.786                      |                  |
| - CHF                      | 12                         |                | 9                          |                  |
| <b>Other liquid assets</b> |                            | <b>179.597</b> |                            |                  |
| Barter cheques             | 179.597                    |                |                            |                  |
| <b>Total</b>               |                            | <b>967.959</b> |                            | <b>1.441.534</b> |

There is a blocked account of TL 9.250 in bank deposits of the Company as of December 31, 2015. (December 31, 2014: TL 8.700)

The Company has no time deposit as of December 31, 2015. (December 31, 2014: TL 910.000)

### c) Financial borrowings

|   | 31st December 2015         |                   | 31st December 2014         |                   |
|---|----------------------------|-------------------|----------------------------|-------------------|
|   | Amount in Foreign Currency | Amount in TL      | Amount in Foreign Currency | Amount in TL      |
| <b>Short-Term Borrowings</b>                    |                            | <b>13.161.114</b> |                            | <b>19.688.649</b> |
| - Bank Loans                                    | 13.113.546                 |                   | 19.522.662                 |                   |
| - Credit Card Payables                          | 47.568                     |                   | 63.769                     |                   |
| - Financial Leasing Payables (Net)              | -                          |                   | 102.218                    |                   |
| <b>Short-Term Parts Of Long-Term Borrowings</b> |                            | <b>12.585.756</b> |                            | <b>6.953.979</b>  |
| - Bank Loans                                    | 12.585.756                 |                   | 6.953.979                  |                   |
| <b>Total Short-Term Borrowings</b>              |                            | <b>25.746.870</b> |                            | <b>26.642.628</b> |
| <b>Long-Term Borrowings</b>                     |                            | <b>31.969.182</b> |                            | <b>14.964.065</b> |
| - Bank Loans                                    | 31.969.182                 |                   | 14.964.065                 |                   |
| <b>Total Borrowings</b>                         |                            | <b>57.716.052</b> |                            | <b>41.606.693</b> |

ca) Details of bank loans included in short-term borrowings are as follows:

| Currency     | 31st December 2015         |                   |                      | 31st December 2014         |                   |                      |
|--------------|----------------------------|-------------------|----------------------|----------------------------|-------------------|----------------------|
|              | Amount in Foreign Currency | Amount in TL      | Effective Interest % | Amount in Foreign Currency | Amount in TL      | Effective Interest % |
| USD          | -                          | -                 |                      | 838.376                    | 1.944.110         | 2,65 - 4,15          |
| EURO         | 3.188.527                  | 10.131.862        |                      | 4.182.431                  | 11.797.382        | 1,19 - 3,36          |
| TL           |                            | 2.981.684         | 10,56 - 13,5         | -                          | 5.781.170         | 9,50 - 15,72         |
| <b>Total</b> |                            | <b>13.113.546</b> |                      |                            | <b>19.522.662</b> |                      |

cb) For the explanations regarding the short-term financial leasing payables please see, Note 20.

cc) Details of short-term parts of long-term borrowings are as follows:

| Currency     | 31st December 2015         |                   |                      | 31st December 2014         |                  |                      |
|--------------|----------------------------|-------------------|----------------------|----------------------------|------------------|----------------------|
|              | Amount in Foreign Currency | Amount in TL      | Effective Interest % | Amount in Foreign Currency | Amount in TL     | Effective Interest % |
| USD          | 728.757                    | 2.118.933         | 4,44                 | 1.483.245                  | 3.439.498        | 4,66                 |
| EURO         | 3.293.940                  | 10.466.823        | 0,86 - 4,03          | 1.245.961                  | 3.514.481        | 4,51                 |
| <b>Total</b> |                            | <b>12.585.756</b> |                      |                            | <b>6.953.979</b> |                      |

cd) Details of long-term borrowings are as follows:

| Currency     | 31st December 2015         |                   |                      | 31st December 2014         |                   |                      |
|--------------|----------------------------|-------------------|----------------------|----------------------------|-------------------|----------------------|
|              | Amount in Foreign Currency | Amount in TL      | Effective Interest % | Amount in Foreign Currency | Amount in TL      | Effective Interest % |
| USD          | 2.607.459                  | 7.581.447         | 4,44                 | 3.184.520                  | 7.384.584         | 4,66                 |
| EURO         | 7.674.891                  | 24.387.735        | 0,86 - 4,03          | 2.687.092                  | 7.579.481         | 4,51                 |
| <b>Total</b> |                            | <b>31.969.182</b> |                      |                            | <b>14.964.065</b> |                      |

## NOTE 48 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Main risks arising from financial instruments are credit risk, liquidity risk, market risk as well as interest rate and exchange risk.

**48.1. Credit Risk:** Credit risk consists of deposits kept at banks and customers exposed to credit risk including outstanding receivables and guaranteed transactions. Risk control evaluates credit quality of the customer considering financial position and past experiences of the customer and other factors. The Company management corresponds to such risks by limiting average risk for counterparty in every agreement and taking security if required. The management is not expecting any loss due to nonperformance of the parties.

### 48.1.1. Credit risks incurred are as follows by financial instrument types:

As of December 31, 2015

| 31.12.2015  | Receivables       |                  |                   |                | Deposit in Banks |
|---|-------------------|------------------|-------------------|----------------|------------------|
|   | Trade Receivables |                  | Other Receivables |                |                  |
|   | Related Party     | Other Party      | Related Party     | Other Party    |                  |
| <b>Maximum credit risk incurred as of reporting date (A+B+C+D+E) (1)</b>  | <b>6.502.815</b>  | <b>3.798.241</b> | <b>0</b>          | <b>262.956</b> | <b>472.451</b>   |
| - Guaranteed part of maximum risk through security etc.   | -                 | 14.146           | -                 | -              | -                |
| <b>A.</b> Net book value of financial assets undue or not impaired  | 6.502.815         | 3.798.241        | 0                 | 262.956        | 47.2451          |
| - Guaranteed part through security etc.   | -                 | 14.146           | -                 | -              | -                |
| <b>B.</b> Book value of financial assets of which conditions have been re-discussed, otherwise which would be considered as overdue or impaired (2) | -                 | -                | -                 | -              | -                |
| <b>C.</b> Net book value of assets overdue, but not impaired (3)  | -                 | -                | -                 | -              | -                |
| - Guaranteed part through security etc.   | -                 | -                | -                 | -              | -                |
| <b>D.</b> Net book values of impaired assets  | -                 | -                | -                 | -              | -                |
| - Overdue (gross book value)  | -                 | 2.850.579        | -                 | -              | -                |
| - Impairment (-)  | -                 | (2.850.579)      | -                 | -              | -                |
| - Guaranteed part of net value through security etc.  | -                 | -                | -                 | -              | -                |
| - Undue (gross book value)  | -                 | -                | -                 | -              | -                |
| - Impairment (-)  | -                 | -                | -                 | -              | -                |
| - Guaranteed part of net value through security etc.  | -                 | -                | -                 | -              | -                |
| <b>E.</b> Elements involving off-balance sheet credit risk  | -                 | -                | -                 | -              | -                |

(\*) In determination of the amounts given, elements increasing credit reliability such as securities received have not been taken into account.

As of December 31, 2014

| 31.12.2014   | Receivables       |                  |                   |                | Deposit in Banks |
|--|-------------------|------------------|-------------------|----------------|------------------|
|  | Trade Receivables |                  | Other Receivables |                |                  |
|  | Related Party     | Other Party      | Related Party     | Other Party    |                  |
| <b>Maximum credit risk incurred as of reporting date (A+B+C+D+E) (1)</b>   | <b>5.047.691</b>  | <b>3.261.803</b> |                   | <b>375.349</b> | <b>1.184.195</b> |
| - Guaranteed part of maximum risk through security etc.  | -                 | 15.798           | -                 | -              | -                |
| <b>A. Net book value of financial assets undue or not impaired</b>   | 5.047.691         | 3.261.803        |                   | 375.349        | 1.184.195        |
| - Guaranteed part through security etc.  | -                 | 15.798           | -                 | -              | -                |
| <b>B. Book value of financial assets of which conditions have been re-discussed, otherwise which would be considered overdue or impaired (2)</b> |                   |                  |                   |                |                  |
| <b>C. Net book value of assets overdue, but not impaired (3)</b>   |                   |                  |                   |                |                  |
| - Guaranteed part through security etc.  | -                 | -                | -                 | -              | -                |
| <b>D. Net book values of impaired assets</b>   |                   |                  |                   |                |                  |
| - Overdue (gross book value)   | -                 | 2.855.876        | -                 | -              | -                |
| - Impairment (-)   | -                 | (2.855.876)      | -                 | -              | -                |
| - Guaranteed part of net value through security etc.   | -                 | -                | -                 | -              | -                |
| - Undue (gross book value)   | -                 | -                | -                 | -              | -                |
| - Impairment (-)   | -                 | -                | -                 | -              | -                |
| - Guaranteed part of net value through security etc.   | -                 | -                | -                 | -              | -                |
| <b>E. Elements involving off-balance sheet credit risk</b>   |                   |                  |                   |                |                  |

(\*) In determination of the amounts given, elements increasing credit reliability such as securities received have not been taken into account.

48.1.2. Details and fair values of securities taken for receivables are as follows:

Total amount of securities taken by the Company for its receivables is TL 600.000 as of December 31, 2015. (December 31, 2014: TL 700.000)

48.1.3. Disclosures on credit quality of financial assets undue or not impaired as well as financial assets of which conditions have been re-discussed, otherwise which would be considered as overdue or impaired:

The Company has no financial asset of which conditions have been re-discussed, otherwise would be considered as overdue or impaired. There is no problem with collection of financial assets undue and not impaired and average collection time of trade receivables ranges between 30-365 days. (December 31, 2014: 30-365 days)

48.1.4. Disclosures on which factors have been taken into account for determination of provision for impairment reserved for impaired financial assets:

Since Desa International Limited and Leather Fashion which are subsidiaries as of December 31, 2015 and not consolidated due to their negligible revenues have lost their equity, impairment at the amount included in the assets (3.107.074 TL) has been calculated and presented in the Financial Investments account.

48.1.5. Aging table of financial assets overdue, but not impaired:

Not available. (December 31, 2014: Not available)

48.1.6. Assets acquired by the Company by taking possession of guarantees kept as an assurance or using other elements increasing credit reliability:

- Nature and book value;

Not available. (December 31, 2014: Not available)

- In case such assets cannot be converted into cash currently, approach of the enterprise regarding disposal of or use of such assets in business activities:

Not available. (December 31, 2014: Not available)

48.2. Liquidity Risk: Liquidity risk is the possibility for the Company to fail to fulfill its net funding liabilities. Occurrence of events resulting in decrease in fund resources such as disruptions in markets or decrease of credit rating creates the liquidity risk. The Company has been exposed to the liquidity risk as of December 31, 2015 and December 31, 2014. The Company is planning to carry out the liquidity management by extending maturities of trade receivables and giving weight to raw material stocks instead of purchase of new raw materials.

48.2.1. Distribution of derivatives and non-derivatives based on their remaining maturity is as follows:

The following table has been prepared without discounting liabilities of the Company and based on the earliest due dates. Interests to be paid over such liabilities have been included in the following table. Maturity of trade payables is approximately 109 days. (December 31, 2014 - 50 Days)

Current Period:

December 31, 2015

| Maturities as per Agreement                 | Book value         | Total cash outflows as per agreement (=I+II+III+IV) | Less than 3 months (I) | Between 3-12 months (II) | Between 1-5 years (III) | More than 5 years (IV) |
|---|--------------------|---|------------------------|--------------------------|-------------------------|------------------------|
| <b>Non-Derivative Financial Liabilities</b> | <b>100.666.003</b> | <b>104.098.676</b>                                  | <b>41.077.388</b>      | <b>28.577.167</b>        | <b>34.444.121</b>       | -                      |
| Financial Payables                          | 57.716.052         | 60.718.807  | 5.182.520              | 21.092.166               | 34.444.121              | -                      |
| Trade Payables                              | 40.576.806         | 41.006.724  | 33.521.723             | 7.485.001                | -                       | -                      |
| Other Payables                              | 2.373.145          | 2.373.145   | 2.373.145              | -                        | -                       | -                      |

Previous Period:

December 31, 2014

| Maturities as per Agreement                 | Book value        | Total cash outflows as per agreement (=I+II+III+IV) | Less than 3 months (I) | Between 3-12 months (II) | Between 1-5 years (III) | More than 5 years (IV) |
|---|-------------------|---|------------------------|--------------------------|-------------------------|------------------------|
| <b>Non-Derivative Financial Liabilities</b> | <b>90.311.222</b> | <b>92.447.119</b>                                   | <b>51.965.338</b>      | <b>23.865.632</b>        | <b>16.616.149</b>       | -                      |
| Financial Payables                          | 41.606.693        | 43.267.874  | 9.405.749              | 17.245.976               | 16.616.149              | -                      |
| Trade Payables                              | 46.266.576        | 46.741.292  | 40.121.636             | 6.619.656                | -                       | -                      |
| Other Payables                              | 2.437.953         | 2.437.953   | 2.437.953              | -                        | -                       | -                      |



**48.3. Market Risk:** For in- and off-balance sheet positions, it is the possibility of incurring loss due to risks resulted from interest, exchange difference and share price changes arising from fluctuations in financial markets.

**48.3.1. Exchange Risk:** Exchange risk means the effects that may arise from exchange rate movements in case of having assets, liabilities and off-balance sheet liabilities in foreign currency.

| 31.12.2015   | Equivalent in TL (Functional Currency) | USD                | Euro                | GBP             | CHF      | NOK           | OTHER     |
|--|--|--------------------|---------------------|-----------------|----------|---------------|-----------|
| 1.Trade Receivables  | 7.767.180                              | 48.757             | 1.830.187           | 416.352         | -        | 57.960        | -         |
| 2a. Monetary Financial Assets (including Cash and Bank Accounts)   | 32.605                                 | 3.317              | 459                 | 4.997           | 4        | -             | -         |
| 2b. Non-Monetary Financial Assets  | -                                      | -                  | -                   | -               | -        | -             | -         |
| 3.Other  | 313.332                                | 50.669             | 36.445              | 11.672          | -        | -             | -         |
| <b>4.Current Assets (1+2+3)</b>  | <b>8.113.117</b>                       | <b>102.743</b>     | <b>1.867.091</b>    | <b>433.021</b>  | <b>4</b> | <b>57.960</b> | <b>-</b>  |
| 5.Trade Receivables  | -                                      | -                  | -                   | -               | -        | -             | -         |
| 6a. Monetary Financial Assets  | -                                      | -                  | -                   | -               | -        | -             | -         |
| 6b. Non-Monetary Financial Assets  | -                                      | -                  | -                   | -               | -        | -             | -         |
| 7.Other  | -                                      | -                  | -                   | -               | -        | -             | -         |
| <b>8.Fixed Assets (5+6+7)</b>  | <b>-</b>                               | <b>-</b>           | <b>-</b>            | <b>-</b>        | <b>-</b> | <b>-</b>      | <b>-</b>  |
| <b>9.Total Assets (4+8)</b>  | <b>8.113.117</b>                       | <b>102.743</b>     | <b>1.867.091</b>    | <b>433.021</b>  | <b>4</b> | <b>57.960</b> | <b>-</b>  |
| 10.Trade Payables  | (11.756.593)                           | (674.751)          | (3.056.450)         | (19.186)        | -        | -             | -         |
| 11.Financial Liabilities   | (22.717.618)                           | (728.757)          | (6.482.466)         | -               | -        | -             | -         |
| 12a. Other Monetary Liabilities  | -                                      | -                  | -                   | -               | -        | -             | -         |
| 12b.Other Non-Monetary Liabilities   | (2.281.746)                            | (47.614)           | (665.888)           | (6.366)         | -        | -             | -         |
| <b>13.Short-Term Liabilities (10+11+12)</b>  | <b>(36.755.957)</b>                    | <b>(1.451.122)</b> | <b>(10.204.804)</b> | <b>(25.552)</b> | <b>-</b> | <b>-</b>      | <b>-</b>  |
| 14.Trade Payables  | -                                      | -                  | -                   | -               | -        | -             | -         |
| 15.Financial Liabilities   | (31.969.182)                           | (2.607.458)        | (7.674.891)         | -               | -        | -             | -         |
| 16a. Other Monetary Liabilities  | -                                      | -                  | -                   | -               | -        | -             | -         |
| 16b. Other Non-Monetary Liabilities  | -                                      | -                  | -                   | -               | -        | -             | -         |
| <b>17. Long-Term Liabilities (14+15+16)</b>  | <b>(31.969.182)</b>                    | <b>(2.607.458)</b> | <b>(7.674.891)</b>  | <b>-</b>        | <b>-</b> | <b>-</b>      | <b>-</b>  |
| <b>18.Total Liabilities (13+17)</b>  | <b>(68.725.139)</b>                    | <b>(4.058.580)</b> | <b>(17.879.695)</b> | <b>(25.552)</b> | <b>-</b> | <b>-</b>      | <b>-</b>  |
| <b>19. Net Asset / (Liability) Position of Off-Balance Sheet Derivatives in Foreign Currency (19a-19b)</b>                   | <b>-</b>                               | <b>-</b>           | <b>-</b>            | <b>-</b>        | <b>-</b> | <b>-</b>      | <b>-</b>  |
| <b>19a. Amount of Off-Balance Active Derivatives in Foreign Currency</b>   | <b>-</b>                               | <b>-</b>           | <b>-</b>            | <b>-</b>        | <b>-</b> | <b>-</b>      | <b>-</b>  |
| <b>19b. Amount of Off-Balance Passive Derivatives in Foreign Currency</b>  | <b>-</b>                               | <b>-</b>           | <b>-</b>            | <b>-</b>        | <b>-</b> | <b>-</b>      | <b>-</b>  |
| <b>20. Net Asset/(Liability) Position in Foreign Currency (9-18+19)</b>  | <b>(60.612.022)</b>                    | <b>(3.955.837)</b> | <b>(16.012.604)</b> | <b>407.469</b>  | <b>4</b> | <b>57.960</b> | <b>-</b>  |
| <b>21. Monetary Items Net Asset / (Liability) Position in Foreign Currency (IFRS 7.B23 (=1+2a+5+6a-10-11-12a-14-15-16a))</b> | <b>(58.643.608)</b>                    | <b>(3.958.892)</b> | <b>(15.383.161)</b> | <b>402.163</b>  | <b>4</b> | <b>57.960</b> | <b>-</b>  |
| <b>22. Total Fair Value of Financial Instruments Used for Currency Hedging</b>   | <b>-</b>                               | <b>-</b>           | <b>-</b>            | <b>-</b>        | <b>-</b> | <b>-</b>      | <b>-</b>  |
| <b>23. Amount of Hedged Part of Foreign Currency Assets</b>  | <b>-</b>                               | <b>-</b>           | <b>-</b>            | <b>-</b>        | <b>-</b> | <b>-</b>      | <b>-</b>  |
| <b>24. Amount of Hedged Part of Foreign Currency Liabilities</b>   | <b>-</b>                               | <b>-</b>           | <b>-</b>            | <b>-</b>        | <b>-</b> | <b>-</b>      | <b>-</b>  |
| <b>25.Export</b>   | 102.211.794                            | 257.950            | 27.524.013          | 3.255.627       | -        | -             | -         |
| <b>26.Import</b>   | 53.405.899                             | 2.285.499          | 13.635.257          | 107.868         | -        | -             | 2.969.282 |

(\*) The equivalents of respective export and import amounts in Turkish Lira are expressed at CBRT's buying rate of exchanges in effect on December 31, 2015.

| 31.12.2014   | Equivalent in TL (Functional Currency) | USD                | Euro                | GBP              | CHF           | OTHER           |
|--|--|--------------------|---------------------|------------------|---------------|-----------------|
| 1.Trade Receivables  | 6.716.404                              | 22.686             | 1.470.841           | 699.368          | -             | -               |
| 2a. Monetary Financial Assets (including Cash and Bank Accounts)   | 19.669                                 | 1.416              | 3.045               | 2.165            | 4             | -               |
| 2b. Non-Monetary Financial Assets  | -                                      | -                  | -                   | -                | -             | -               |
| 3.Other  | 492.127                                | 54.313             | 67.469              | 43.747           | 214           | 57.961          |
| <b>4.Current Assets (1+2+3)</b>  | <b>7.228.200</b>                       | <b>78.415</b>      | <b>1.541.355</b>    | <b>745.280</b>   | <b>218</b>    | <b>57.961</b>   |
| 5.Trade Receivables  | -                                      | -                  | -                   | -                | -             | -               |
| 6a. Monetary Financial Assets  | -                                      | -                  | -                   | -                | -             | -               |
| 6b. Non-Monetary Financial Assets  | -                                      | -                  | -                   | -                | -             | -               |
| 7.Other  | 35.130                                 | 13.677             | 1.000               | 165              | -             | -               |
| <b>8.Fixed Assets (5+6+7)</b>  | <b>35.130</b>                          | <b>13.677</b>      | <b>1.000</b>        | <b>165</b>       | <b>-</b>      | <b>-</b>        |
| <b>9.Total Assets (4+8)</b>  | <b>7.263.330</b>                       | <b>92.092</b>      | <b>1.542.355</b>    | <b>745.445</b>   | <b>218</b>    | <b>57.961</b>   |
| 10.Trade Payables  | (22.539.074)                           | (3.714.170)        | (4.243.871)         | (540.671)        | (502)         | (30.261)        |
| 11.Financial Liabilities   | (20.797.689)                           | (2.321.621)        | (5.464.630)         | -                | -             | -               |
| 12a. Other Monetary Liabilities  | -                                      | -                  | -                   | -                | -             | -               |
| 12b.Other Non-Monetary Liabilities   | (2.374.071)                            | (24.744)           | (810.135)           | (8.772)          | -             | -               |
| <b>13.Short-Term Liabilities (10+11+12)</b>  | <b>(45.710.834)</b>                    | <b>(6.060.535)</b> | <b>(10.518.636)</b> | <b>(549.443)</b> | <b>(502)</b>  | <b>(30.261)</b> |
| 14.Trade Payables  | -                                      | -                  | -                   | -                | -             | -               |
| 15.Financial Liabilities   | (14.964.064)                           | (3.184.520)        | (2.687.092)         | -                | -             | -               |
| 16a. Other Monetary Liabilities  | -                                      | -                  | -                   | -                | -             | -               |
| 16b. Other Non-Monetary Liabilities  | -                                      | -                  | -                   | -                | -             | -               |
| <b>17. Long-Term Liabilities (14+15+16)</b>  | <b>(14.964.064)</b>                    | <b>(3.184.520)</b> | <b>(2.687.092)</b>  | <b>-</b>         | <b>-</b>      | <b>-</b>        |
| <b>18.Total Liabilities (13+17)</b>  | <b>(60.674.898)</b>                    | <b>(9.245.055)</b> | <b>(13.205.728)</b> | <b>(549.443)</b> | <b>(502)</b>  | <b>(30.261)</b> |
| <b>19. Net Asset / (Liability) Position of Off-Balance Sheet Derivatives in Foreign Currency (19a-19b)</b>                   | <b>-</b>                               | <b>-</b>           | <b>-</b>            | <b>-</b>         | <b>-</b>      | <b>-</b>        |
| <b>19a. Amount of Off-Balance Active Derivatives in Foreign Currency</b>   | <b>-</b>                               | <b>-</b>           | <b>-</b>            | <b>-</b>         | <b>-</b>      | <b>-</b>        |
| <b>19b. Amount of Off-Balance Passive Derivatives in Foreign Currency</b>  | <b>-</b>                               | <b>-</b>           | <b>-</b>            | <b>-</b>         | <b>-</b>      | <b>-</b>        |
| <b>20. Net Asset/(Liability) Position in Foreign Currency (9-18+19)</b>  | <b>(53.411.568)</b>                    | <b>(9.152.963)</b> | <b>(11.663.373)</b> | <b>196.002</b>   | <b>(284)</b>  | <b>27.700</b>   |
| <b>21. Monetary Items Net Asset / (Liability) Position in Foreign Currency (IFRS 7.B23 (=1+2a+5+6a-10-11-12a-14-15-16a))</b> | <b>(51.564.754)</b>                    | <b>(9.126.209)</b> | <b>(10.921.707)</b> | <b>(160.862)</b> | <b>498</b>    | <b>(30.262)</b> |
| <b>22. Total Fair Value of Financial Instruments Used for Currency Hedging</b>   | <b>-</b>                               | <b>-</b>           | <b>-</b>            | <b>-</b>         | <b>-</b>      | <b>-</b>        |
| <b>23. Amount of Hedged Part of Foreign Currency Assets</b>  | <b>-</b>                               | <b>-</b>           | <b>-</b>            | <b>-</b>         | <b>-</b>      | <b>-</b>        |
| <b>24. Amount of Hedged Part of Foreign Currency Liabilities</b>   | <b>-</b>                               | <b>-</b>           | <b>-</b>            | <b>-</b>         | <b>-</b>      | <b>-</b>        |
| <b>25.Export</b>   | <b>114.546.075</b>                     | <b>640.276</b>     | <b>32.789.841</b>   | <b>5.720.373</b> | <b>-</b>      | <b>-</b>        |
| <b>26.Import</b>   | <b>69.666.947</b>                      | <b>7.547.547</b>   | <b>18.050.360</b>   | <b>184.506</b>   | <b>47.242</b> | <b>246.165</b>  |

(\*) The equivalents of respective export and import amounts in Turkish Lira are expressed at CBRT's buying rate of exchanges in effect on December 31, 2014.

Exchange rate sensitivity analysis tables as of December 31, 2015 and December 31, 2014 are as follows:

| Exchange Rate Sensitivity Analysis Table                                   | Profit/Loss                      |                                  | Equity                           |                                  |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|  | Appreciation of Foreign Currency | Depreciation of Foreign Currency | Appreciation of Foreign Currency | Depreciation of Foreign Currency |
| <b>Current Period</b>  |                                  |                                  |                                  |                                  |
| <b>In case of 10% change in USD exchange rate:</b>                         |                                  |                                  |                                  |                                  |
| 1- Net asset/liability in USD  | (1.150.199)                      | 1.150.199                        | -                                | -                                |
| 2- Amount protected from USD risk (-)                                      |                                  |                                  |                                  |                                  |
| <b>3- USD Net Effect (1+2)</b>   | <b>(1.150.199)</b>               | <b>1.150.199</b>                 | <b>-</b>                         | <b>-</b>                         |
| <b>In case of 10% change in Euro exchange rate:</b>                        |                                  |                                  |                                  |                                  |
| 4- Net asset/liability in Euro   | (5.088.165)                      | 5.088.165                        | -                                | -                                |
| 5- Amount protected from Euro risk (-)                                     |                                  |                                  |                                  |                                  |
| <b>6- Euro Net Effect (4+5)</b>  | <b>(5.088.165)</b>               | <b>5.088.165</b>                 | <b>-</b>                         | <b>-</b>                         |
| <b>In case of 10% change in Swiss Franc exchange rate on average:</b>      |                                  |                                  |                                  |                                  |
| 7- Net asset/liability in Swiss Franc                                      | 1                                | (1)                              | -                                | -                                |
| 8-- Amount protected from Swiss Franc risk (-)                             |                                  |                                  |                                  |                                  |
| <b>9- Swiss Franc Net Effect (7+8)</b>                                     | <b>1</b>                         | <b>(1)</b>                       | <b>-</b>                         | <b>-</b>                         |
| <b>In case of 10% change in British Pound exchange rate on average:</b>    |                                  |                                  |                                  |                                  |
| 10- Net asset/liability in British Pound                                   | 175.240                          | (175.240)                        | -                                | -                                |
| 11- Amount protected from British Pound risk (-)                           |                                  |                                  |                                  |                                  |
| <b>12- British Pound Net Effect (10+11)</b>                                | <b>175.240</b>                   | <b>(175.240)</b>                 | <b>-</b>                         | <b>-</b>                         |
| <b>In case of 10% change in other currencies exchange rate on average:</b> |                                  |                                  |                                  |                                  |
| 13- Net asset/liability in other currencies                                | 1.921                            | (1.921)                          | -                                | -                                |
| 14- Amount protected from other currencies exchange rate risk (-)          |                                  |                                  |                                  |                                  |
| <b>15- Other Currencies Net Effect (13+14)</b>                             | <b>1.921</b>                     | <b>(1.921)</b>                   | <b>-</b>                         | <b>-</b>                         |
| <b>TOTAL (3+6+9+12+15)</b>   | <b>(6.061.202)</b>               | <b>6.061.202</b>                 | <b>-</b>                         | <b>-</b>                         |

December 31, 2014

| Exchange Rate Sensitivity Analysis Table                                   | Profit/Loss                      |                                  | Equity                           |                                  |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|  | Appreciation of Foreign Currency | Depreciation of Foreign Currency | Appreciation of Foreign Currency | Depreciation of Foreign Currency |
| <b>Previous Period</b>   |                                  |                                  |                                  |                                  |
| <b>In case of 10% change in USD exchange rate:</b>                         |                                  |                                  |                                  |                                  |
| 1- Net asset/liability in USD  | (2.122.481)                      | 2.122.481                        | -                                | -                                |
| 2- Amount protected from USD risk (-)                                      |                                  |                                  |                                  |                                  |
| <b>3- USD Net Effect (1+2)</b>   | <b>(2.122.481)</b>               | <b>2.122.481</b>                 | <b>-</b>                         | <b>-</b>                         |
| <b>In case of 10% change in Euro exchange rate:</b>                        |                                  |                                  |                                  |                                  |
| 4- Net asset/liability in Euro   | (3.289.887)                      | 3.289.887                        | -                                | -                                |
| 5- Amount protected from Euro risk (-)                                     |                                  |                                  |                                  |                                  |
| <b>6- Euro Net Effect (4+5)</b>  | <b>(3.289.887)</b>               | <b>3.289.887</b>                 | <b>-</b>                         | <b>-</b>                         |
| <b>In case of 10% change in Swiss Franc exchange rate on average:</b>      |                                  |                                  |                                  |                                  |
| 7- Net asset/liability in Swiss Franc                                      | (66)                             | 66                               | -                                | -                                |
| 8-- Amount protected from Swiss Franc risk (-)                             |                                  |                                  |                                  |                                  |
| <b>9- Swiss Franc Net Effect (7+8)</b>                                     | <b>(66)</b>                      | <b>66</b>                        | <b>-</b>                         | <b>-</b>                         |
| <b>In case of 10% change in British Pound exchange rate on average:</b>    |                                  |                                  |                                  |                                  |
| 10- Net asset/liability in British Pound                                   | 70.484                           | (70.484)                         | -                                | -                                |
| 11- Amount protected from British Pound risk (-)                           |                                  |                                  |                                  |                                  |
| <b>12- British Pound Net Effect (10+11)</b>                                | <b>70.484</b>                    | <b>(70.484)</b>                  | <b>-</b>                         | <b>-</b>                         |
| <b>In case of 10% change in other currencies exchange rate on average:</b> |                                  |                                  |                                  |                                  |
| 13- Net asset/liability in other currencies                                | (83)                             | 83                               | -                                | -                                |
| 14- Amount protected from other currencies exchange rate risk (-)          | -                                | -                                |                                  |                                  |
| <b>15- Other Currencies Net Effect (13+14)</b>                             | <b>(83)</b>                      | <b>83</b>                        | <b>-</b>                         | <b>-</b>                         |
| <b>TOTAL (3+6+9+12+15)</b>   | <b>(5.341.157)</b>               | <b>5.342.033</b>                 | <b>-</b>                         | <b>-</b>                         |

**48.3.1. Interest Risk:** Fluctuations in financial instrument prices due to changes in market interest rates require the Company to cope with interest rate risk. Sensitivity of the Company to interest rate risk is related to inconsistency of maturities of asset and liability accounts. This risk is managed by meeting the assets affected from interest changes with the same type of liabilities.

| Interest Position Table |  |                |                 |
|-------------------------|--|----------------|-----------------|
|                         | Fixed Rate Financial Instruments           | Current Period | Previous Period |
| Banks                   | Time Deposits                              | -              | 910.000         |
| Financial Liabilities   | Bank Loans                                 | 29.303.401     | 26.485.299      |
| Financial Liabilities   | Credit Cards                               | 47.568         | 63.769          |
| Financial Liabilities   | Financial Leasing Payables                 | -              | 102.218         |
|                         | <b>Floating Rate Financial Instruments</b> |                |                 |
| Financial Liabilities   | Bank Loans                                 | 28.275.083     | 14.955.407      |

If the interest rates on reporting date are higher than 1% and all other variables are fixed, interest expenses from floating interest loans of the Company increase by TL 575.588. (December 31, 2014: TL 475.771)

**48.4 Sensitivity Analysis for Other Risks:**

Not available. (December 31, 2014: Not available)

## NOTE 49 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND DISCLOSURES UNDER HEDGE ACCOUNTING)

### 49.1. Financial Instrument Categories

|                              | Other financial assets presented at amortized cost | Credits and receivables | Available-for-sale financial assets | Financial instruments of which fair value difference is presented in income statement | Other financial liabilities presented at amortized cost | Book value | Market value | Note |
|------------------------------|--|-------------------------|-------------------------------------|---|---|------------|--------------|------|
| <b>31st December 2014</b>    |  |                         |                                     |   |   |            |              |      |
| <b>Financial Assets</b>      |  |                         |                                     |   |   |            |              |      |
| Cash and cash equivalents    | 967.959  | -                       | -                                   | -   | -   | 967.959    | 967.959      | 47   |
| Trade receivables            | -  | 10.315.202              | -                                   | -   | -   | 10.315.202 | 10.315.202   | 7    |
| Other receivables            | -  | 292.956                 | -                                   | -   | -   | 292.956    | 292.956      | 9    |
| Financial investments        | -  | -                       | 7.685.480                           | -   | -   | 7.685.480  | 7.685.480    | 4    |
| <b>Financial Liabilities</b> |  |                         |                                     |   |   |            |              |      |
| Financial Payables           | -  | -                       | -                                   | -   | 57.716.052  | 57.716.052 | 57.716.052   | 47   |
| Trade Payables               | -  | -                       | -                                   | -   | 40.576.806  | 40.576.806 | 40.576.806   | 7    |
| Other Payables               | -  | -                       | -                                   | -   | 2.373.145   | 2.373.145  | 2.373.145    | 9    |

|                              | Other financial assets presented at amortized cost | Credits and receivables | Available-for-sale financial assets | Financial instruments of which fair value difference is presented in income statement | Other financial liabilities presented at amortized cost | Book value | Market value | Note |
|------------------------------|--|-------------------------|-------------------------------------|---|---|------------|--------------|------|
| <b>31st December 2014</b>    |  |                         |                                     |   |   |            |              |      |
| <b>Financial Assets</b>      |  |                         |                                     |   |   |            |              |      |
| Cash and cash equivalents    | 1.441.534  | -                       | -                                   | -   | -   | 1.441.534  | 1.441.534    | 47   |
| Trade receivables            | -  | 8.309.494               | -                                   | -   | -   | 8.309.494  | 8.309.494    | 7    |
| Other receivables            | -  | 375.349                 | -                                   | -   | -   | 375.349    | 375.349      | 9    |
| Financial investments        | -  | -                       | 7.685.475                           | -   | -   | 7.685.475  | 7.685.475    | 4    |
| <b>Financial Liabilities</b> |  |                         |                                     |   |   |            |              |      |
| Financial Payables           | -  | -                       | -                                   | -   | 41.606.693  | 41.606.693 | 41.606.693   | 47   |
| Trade Payables               | -  | -                       | -                                   | -   | 46.266.576  | 46.266.576 | 46.266.576   | 7    |
| Other Payables               | -  | -                       | -                                   | -   | 2.437.953   | 2.437.953  | 2.437.953    | 9    |

#### a) Fair Value

Fair value is the amount occurring when an asset changes hands between a knowledgeable buyer and a knowledgeable seller in a mutual bargain environment or when a debt is paid.

Financial assets are valued at their "Fair Value" for periods following their inclusion in the balance sheet.

Fair value of financial assets is determined by the company management using current market information and proper valuation methods. However, it is necessary to use estimations in interpretation of market data to determine fair value. Accordingly, estimations provided may fail to give the real value that the Company would be able to get in current market transactions.

Fair value of publicly-traded shares is their "Stock exchange price".

It is deemed that book value of cash and cash equivalents, short-term trade receivables and payables is close to their fair value.

Financial instruments in foreign currency are valued at period-end rate and therefore their fair value gets close to their book value.

Since affiliates and subsidiaries of the Company are not traded in an active market, their fair value could not be measured reliably. The Company does not intend to dispose of such financial instruments in the short term.

#### b) Hedge Accounting

Hedge accounting requires inclusion of hedging instruments (future contracts, option, forward and swaps) and hedged items (exchange rate in financial statements, liabilities subject to interest and interest risk, and performance bonds subject to the same impacts and not included in financial statements) to financial statements as profit or loss by netting any change in their fair value to each other.

There are three type of hedging relationships:

- Fair value hedging
- Cash flow hedging
- Net investment hedging (in foreign affiliates)

#### c) Estimation of Fair Value

The Company's classifications of financial assets and liabilities related to fair value are as follows:

Level 1: Those based on actively traded market prices (not adjusted);

Level 2: Those based on observable market data directly (through actively traded market prices) or indirectly (by being derived from actively traded market prices);

Level 3: Those not based on observable market data.

The Company's assets and liabilities measured at fair value as of December 31, 2015 and December 31, 2014 are as follows:

#### December 31, 2015

| Assets                              | Level 1 | Level 2 | Level 3           | Total             |
|-------------------------------------|---------|---------|-------------------|-------------------|
| Financial Investments               | -       | -       | 7.685.480         | 7.685.480         |
| Investments Valued by Equity Method | -       | -       | 5.391.450         | 5.391.450         |
| <b>Total Assets</b>                 | -       | -       | <b>13.076.930</b> | <b>13.076.930</b> |
| Liabilities                         | Level 1 | Level 2 | Level 3           | Total             |
| <b>Total Liabilities</b>            | -       | -       | -                 | -                 |

#### December 31, 2014

| Assets                              | Level 1 | Level 2 | Level 3           | Toplam            |
|-------------------------------------|---------|---------|-------------------|-------------------|
| Financial Investments               | -       | -       | 7.685.475         | 7.685.475         |
| Investments Valued by Equity Method | -       | -       | 3.685.309         | 3.685.309         |
| <b>Total Assets</b>                 | -       | -       | <b>11.370.784</b> | <b>11.370.784</b> |
| Liabilities                         | Level 1 | Level 2 | Level 3           | Total             |
| <b>Total Liabilities</b>            | -       | -       | -                 | -                 |

#### NOTE 50 – EVENTS AFTER THE REPORTING PERIOD

Not available. (December 31, 2014: Not available)

#### NOTE 51 – OTHER ISSUES SIGNIFICANTLY AFFECTING THE FINANCIAL STATEMENTS AND REQUIRED TO BE DISCLOSED FOR FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE

Not available. (December 31, 2014: Not available)

#### NOTE 52 – INITIAL TRANSITION TO TAS (TURKISH ACCOUNTING STANDARDS)

Not available. (December 31, 2014: Not available)

#### NOTE 53 – EXPLANATION IN RESPECT OF CASH FLOW STATEMENT

The Cash Flow Statement has been prepared according to the "Indirect Method".

#### NOTE 54 – EXPLANATION IN RESPECT OF THE STATEMENT FOR CHANGES IN EQUITY

The Statement of Changes in Equity has been prepared according to the format as specified by the CMB's decision no. 20/670 dated June 7, 2013.

## MAJOR DEVELOPMENTS AFTER THE REPORTING PERIOD

#### Date: 21.01.2016 – Store Opening

Our "Desa Deri Sanayi ve Ticaret Anonim Şirketi 41 Burda Alışveriş Merkezi Desa Branch" in the address 41 Burda Avm Ömer Türkçakal Cad. Zemin Kat No:40 İzmit/Kocaeli was opened. 41 Burda Alışveriş Merkezi Desa branch area is 128.73 m<sup>2</sup>.

#### Date: 17.02.2016 – Information on lawsuit brought by our Company

As we had announced in our material event disclosure on 27.12.2013, regarding the suitcases which were delivered to Turkish Religious Foundation ("Foundation") and all of which were used by them, the foundation had claimed TL 2,380,500.00 penalty 7 months after the delivery date, by asserting that we failed to comply with the specifications in terms of several criteria. Our Company has submitted the case to The Ombudsman Institution ("Institution") and it was decided by the Institution that we did not have any debt on this. On the other hand, since the Foundation did not obey the decision, our Company sued a negative declaratory action against the foundation alleging that the Company does not have any debt amounting TL 2,380,500.00. The Court of First Instance passed a verdict that our Company's debt was only TL 182,574.00 and adjudged to TL 100,000.00 TL adhering to demand. The Foundation appealed to the decision and the Court of Appeal gave a ruling that the penalty amounting TL 1,863,500.00 requested by the Foundation was wrong and ruled to pay TL 100,000.00 adhering to demand and to forfeit a guarantee letter amounting TL 517,500.00. Against this decision, our Company pursued legal proceedings and requested revision of decision by considering the verdicts of The Ombudsman Institution and Court of First Instance were in favor of our Company. The judgement process is still ongoing and the public will be informed about the following developments.

# DESA

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## Çorlu Tannery

Tabakhaneler Mevkii Kuzey Cad. 2.Sok. No: 14 Ergene-Tekirdağ

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1. Organize Sanayi Bölgesi 250 Ada

4. Parsel Beykoz - Düzce

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## DESA

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Desa Bozuyuk

### BURSA

Desa Korupark

### DENİZLİ

Desa Forum

### ESKİŞEHİR

Desa Espark

### GAZİANTEP

Desa Forum  
Desa Sankopark

### İSTANBUL

Desa Ataköy Galleria  
Desa Beylikdüzü Migros  
Desa Beyoğlu  
Desa Capitol  
Desa Nişantaşı  
Abdiipekci  
Desa Suadiye  
Desa Olivium  
Desa Fabrika  
Desa Maltepe  
Carrefour  
Desa Carousel  
Desa Nautilus  
Desa Palladium  
Desa İstinyepark  
Desa Optimum

### Desa Viaport

Desa Ataköy Konakları  
Desa Marmara Forum  
Desa Airport  
Desa Göztepe  
Desa StarCity  
Desa Buyaka  
Desa Cevahir  
Desa Akbati  
Desa Forum  
Desa Hilton  
Desa Akasya  
Desa Mall Of  
Desa Rings Avm  
Desa Özdilek Park

### İZMİR

Desa Egs  
Desa Mavibahçe  
Desa Agora  
Desa Forum  
Desa Novada  
Desa Bornova  
Desa Optimum  
İSKENDERUN  
Desa PrimeMall

### KAYSERİ

Desa Forum

### KONYA

Desa Kentplaza

### MERSİN

Desa Forum

### SAMSUN

Desa Lowelett

### TEKİRDAĞ

Desa Avantaj  
Desa Orion

### FRANCHISE

Desa Go Mugla  
Desa Go Ordu  
Desa Go Marmaris  
Desa Go Alanya  
Desa Go Profilo

### ONLINE

İnternet Magaza

## DESA Samsönite®

### SAMSONITE

#### ANKARA

Ankamall Samsonite  
Kentpark Samsonite  
Esenboğa Samsonite  
Deepo Samsonite  
Havalimanı Samsonite

#### ANTALYA

Terra City

#### GAZİANTEP

Sankopark Samsonite  
Forum Samsonite

#### İSTANBUL

Göztepe samsonite  
City's Samsonite

Palladium Samsonite  
İstinyepark Samsonite  
Ataköy Samsonite  
Akasya Samsonite  
Marmarapark Samsonite  
Aqua Florya Samsonite  
Akbati Samsonite

#### İZMİR

Optimum Samsonite  
Agora Samsonite

#### KONYA

Kentplaza Samsonite

#### MUĞLA

Bodrum Palmarine Samsonite

### SAMSONITE JV

#### ANKARA

Acity Outlet  
Armada

#### BURSA

Carrefour

#### MUĞLA

Bodrum Havalimanı  
Dalaman Havalimanı

#### İSTANBUL

Kanyon  
Cevahir  
Atatürk Hava limanı  
Atatürk Hava limanı 2  
Viaport

#### Buyaka

Marmara Forum

#### İZMİR

Adnan Menderes  
Havalimanı İç Hatlar  
Adnan Menderes  
Havalimanı Dış Hatlar

**DESA**

[www.desa.com.tr](http://www.desa.com.tr)