

'14

DESA
ANNUAL REPORT



DESA

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

Contents

- 2 Main Informations
- 4 DESA at a Glance
- 6 Samsonite
- 8 Countries of Export
- 10 Main Performance Indicators
- 12 DESA NINETEENSEVENTYTWO
- 20 Chairman's Message
- 22 Board Members
- 24 Management Team
- 25 Our Vision & Mission
- 25 Our Value Chain & Targets
- 26 History of DESA
- 28 Business Model of DESA
- 30 Human Resources
- 31 Investor Relations
- 32 Corporate Governance Principles Report
- 39 Audit Report
- 79 Major Developments After the Reporting Period
- 80 Contact



MAIN INFORMATIONS

109

Total Stores

TL
13.5
mn EBITDA



www.desa.com.tr
Online Store

TL
211.3
mn Revenues

26

Years of Distributorship

Sams^onite

TL
171.5
mn Total Asset

33

Sams^onite Stores
Sams^onite



International
Design Team

1

International Store



Showroom
in Germany
Dusseldorf



Head Office and
Showroom in London

TL
68.1
mn Equity

Düzce Facility spanning
an indoor area of

10k
m²



1,903
Employees



Export Champion
for
three consecutive
years

PRADA
CHANEL

Solution provider of
international brands

Exporting
18
Countries



20k
m²

indoor area for leather
tanning facilities

17,105
m²

Total Area of Stores

Production Facility
and Headquarters in
Sefaköy with an indoor
area of 15,500 m² built
on an area of

6k
m²

8

Years of Partnership
(40%-60% JV)

Sams^onite

TL
4.8
mn Net Income

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 42 years.

Taking the justified pride to become "Turkey's Export Champion" 3 consecutive years -2010, 2011, 2012- 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 68 Desa, 21 Desa Samsonite, 6 Desa Franchise and 12 Samsonite JV totaling 107 stores in Turkey; Desa also has one online store and one store in 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 and Chanel. 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 via two online stores, www.desa.com.tr and www.desa.co.uk in Turkey and England.

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 171.5 million as of December 31st 2014, Desa reported TL 211.3 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 | www.desa.com.tr |
| E-mail Address | desa@desa.com.tr / yatirimci.iliskileri@desa.com.tr / investor.relations@desa.com.tr |



DESA

COLLECTION

Samsonite® DESA



In 1983, DESA has become the distributor of Samsonite in Turkey, the World's greatest travel products brand. 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 DESA and Samsonite, which has a solid international profile, each holding shares 40% and 60% respectively. By the end of 2014, total number of Samsonite stores in Turkey has reached to 33 which 21 stores belong to DESA and 12 stores belong to the joint venture company.

- 33 Samsonite shops
 - 21 belong to DESA
 - 12 belong to the Joint Venture
- 26 years distributorship (between 1983 - 2007)
- 8 years partnership (40%-60% JV)

DESA Owned Stores

Sales volume of 64,129 pieces achieved in 21 stores of DESA indicates a compound annual growth rate of 10.3% during the period between 2009 and 2014. 21 stores in total carry on

business on the store area of 1,320 m² and revenue of these stores was TL 18.8 million in 2014.

Joint Venture Stores

Sales volume of 72.254 pieces achieved in 12 stores of the Joint Venture indicates a compound annual growth rate of 16% during the period between 2009 and 2014. 12 stores in total carry on business on the store area of 979.61 m² and revenue of these stores has been TL 19.3 million TL in 2014.



21
DESA Samsonite Stores

12
JV Stores

33
Total Samsonite Stores

26
Year Distributorship

8
Year Partnership



Total
2,300 m²
Store Area



COUNTRIES OF EXPORT

ITALY // UK // CHINA // FRANCE //
AUSTRIA // SWITZERLAND // USA //
GERMANY // TAIWAN // JAPAN // SPAIN //
RUSSIA // HONG KONG // BELGIUM //
PORTUGAL // SOUTH KOREA //
HUNGARY // TRNC

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.



Desa Company is continuing to take firm steps to strengthen its position and increase brand awareness in the international market with its own brand. As Desa brand, it is carrying out its ready-made collection sales over strong showrooms and sale agencies of the region it is in cooperation with, primarily in Germany, Italy, France, the United States and Canada. Desa has established its own office in Germany last year in order to be close to the target market and for the purpose of a dynamic business management.

Within the scope of Turquality, it has strengthened R&D, designing and brand management infrastructures in its organization for branding and reflected this strength to the market with the sale campaigns it has organized in the abovementioned markets. The fully integrated Company with advanced know-how and

Desa brand, positioned with premium segment intention, is being sold at famous, prestigious and popular multi-stage boutiques of Europe and USA side-by-side with world known haute couture brands at sale corners special for Desa.

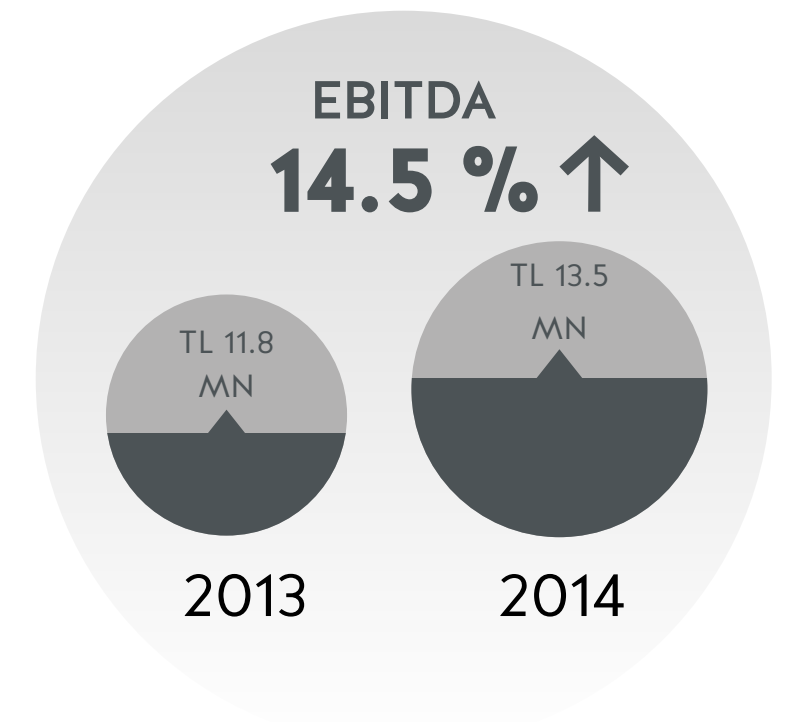
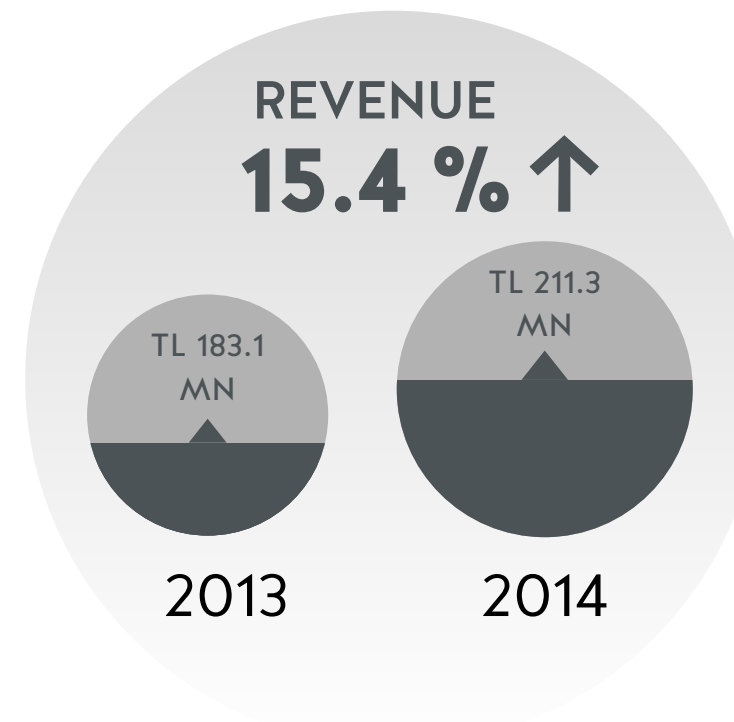
technology in its R&D studies and sense of integral quality in following from the leather purchased to the materials used is selling finished leather of its tanning yard to respectful Haute Couture brands of France and Italy. At the fairs organized in parallel with fashion weeks in Berlin, Milano, Paris and New York, Desa always takes place with its brand at its own stand. Desa launching in the USA is New York and Miami centered and Canada operations are conducted in Toronto. Desa brand, positioned with premium segment intention, is being sold at famous, prestigious and popular multi-stage boutiques of Europe and USA side-by-side with world known haute couture brands at sale corners special for Desa. It is conducting its promotion activities with a multi-perspective approach by making agreements with the strong advertising agencies of the relevant markets in marketing activities.

MAIN PERFORMANCE INDICATORS

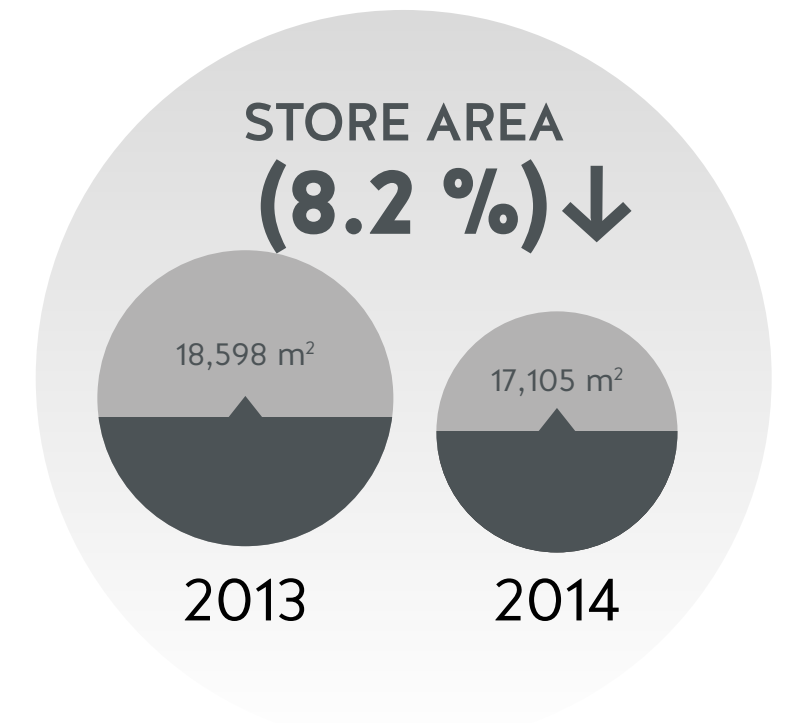
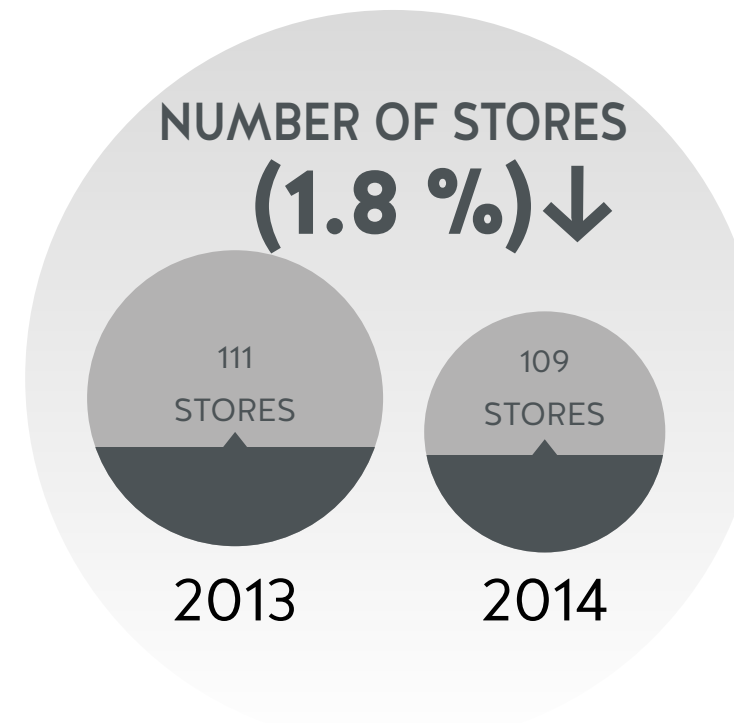
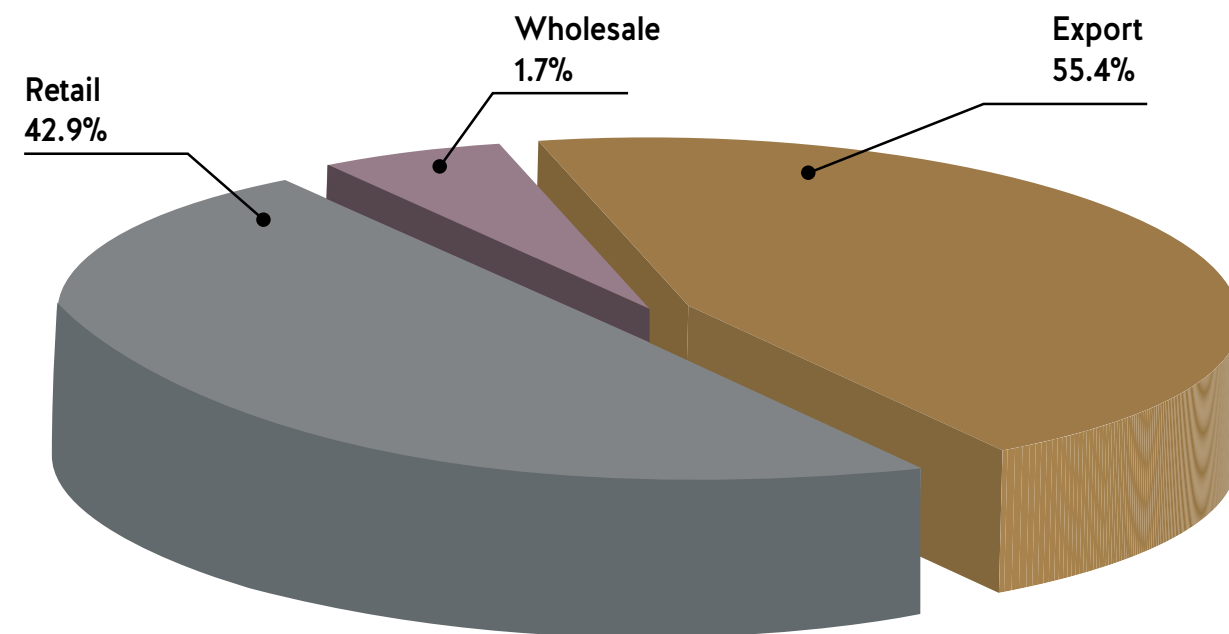
| Summary Balance Sheet (TL Million) | 2013 | 2014 |
|------------------------------------|--------------|--------------|
| Current Assets | 123.7 | 131.9 |
| Fixed Assets | 34.1 | 39.6 |
| Total Assets | 157.8 | 171.5 |
| | | |
| Short Term Liabilities | 70.8 | 85.8 |
| Long Term Liabilities | 23.5 | 17.6 |
| Total Financial Liabilities | 42.3 | 41.6 |
| Net Debt | 41.5 | 40.2 |
| Shareholder's Equity | 63.6 | 68.1 |

| Summary Income Statement (TL Million) | 2013 | 2014 |
|---------------------------------------|--------|-------|
| Revenue | 183.1 | 211.3 |
| Gross Profit | 68.7 | 76.0 |
| Gross Profit Margin | 37.5% | 36.0% |
| Operating Profit | 6.4 | 7.9 |
| Operating Profit Margin | 3.5% | 3.7% |
| Net Profit | (2.9) | 4.8 |
| Net Profit Margin | (1.6%) | 2.3% |
| EBITDA | 11.8 | 13.5 |
| EBITDA Margin | 6.4% | 6.4% |

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

Everything should be made as simple as possible, but not simpler.

Albert Einstein



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.

DESA, rapidly becoming a global luxury brand, is leading the way with the **NINETEENSEVENTYTWO** collection dedicated to the first year when bags were first offered to sale. The **DESA NINETEENSEVENTYTWO** collection, meeting with fashion addicts in about 40 luxury boutiques in Italy, Korea, United States and Switzerland including Excelsior, Degli Effetti, Antonioli, Silvia Bini, dominates global fashion with high quality workmanship and minimal lines. The collection, which is composed of more than 70 pieces, emphasizes the importance of accessories concept with its sophisticated, innovative and personal line. With **NINETEENSEVENTYTWO** collection, with a price tag ranging between Euro 900 and 3,000, bearing the signature of the creative and heterogeneous design team, which provides DESA with a unique identity, traditional lines, joining with modern technology. This special collection, which is not yet offered for sale in Turkey and exhibited at Milan and Paris Fashion Weeks for four seasons, gains a new dimension to the luxury concept.

Offered through pop-up showroom in Hotel Baglioni during Milano Fashion Week between September 19th and 23rd 2014 to the taste of world-famous boutiques, **SS14** collection consists of 70 pieces. The most remarkable piece of the collection is a handbag designed with a body of red python and interior of all lambskin. It presents an original and spectacular design that can be used as both a clutch and shoulder bag. This special collection was also exhibited in the showroom established at Rue Saint Roch within the scope of Paris Fashion Week dated September 26th and 30th September 2014, proving that a Turkish brand has reached the highest levels of design and quality.

New **DESA NINETEENSEVENTYTWO** collection **AW15** will be launched to our customers at Milano Fashion Week between February 26th and March 3rd 2015 as well as at Paris Fashion Week between March 6th and 10th 2015.

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



DESA
NINETEENSEVENTYTWO





Marie Claire Italian Press February 2015



DESA NINETEENSEVENTYTWO



NINETEENSEVENTYTWO



DESA

NINETEENSEVENTYTWO

STORES

GERMANY ❖ USA ❖ ITALY ❖ KOREA ❖ TUNISIA ❖ SWITZERLAND



www.desa1972.com

NINETEENSEVENTYTWO

LUX COUTURE
Lincoln Street Newton Highlands USA
Massachusetts



EFFETTI S.R.L.
Piazza Capranica 93 ITALY
Roma



TESSABIT
SAM S.R.L. Via XX Settembre 1/3 ITALY
COMO

ANTONIOLI
Via P.Paoli 1 ITALY
Milano



L'INDE LE PALAIS
Via Cà Ricchi 7
San Lazzaro di Savena ITALY
Bologna



BERNARDELLI
MARTELLI S.N.C.
CORSO UMBERTO I° 27 ITALY
MANTOVA

RUN IN 2
FB SRL VIA CHIASSI, 103 ITALY
MANTOVA



QUADRA GROUP
VIA ARGIRO 76 ITALY
BARI



DANIELLO
ALINA SRL VIA SEI MARTIRI, 21 ITALY
VILLARICCA (NA)

TIZIANA FAUSTI
EXOR INC S.R.L. VIA FRANCESCO
PETRARCA 3 ITALY
BERGAMO



MONTORSI
Montorsi Giorgio e c. Snc
via Emilia 87 ITALY
MODENA



RAIL
SO MAGAZINE SRL VIA S.MARTINO
DELLA BATTAGLIA 5A ITALY
BRESCIA

BINI SILVIA PASSEGIATA
VIA MARCONI 71 ITALY
VIAREGGIO



MORINI
Corso Matteotti, 34 ITALY
MONTECATINI TERME



GIBOT
Via Nomentana 459-473 ITALY
Roma

ITEC 90
VIA LARGO RISORGIMENTO 4 ITALY
CISTERNA DI LATINA



519
GIO. CART SRL VIA MONTE
RIONDO MONTEFORTE
D'ALPONE ITALY
Verona



MALIBU
Montenapoleone Srl.
Via Mons G. Palma 69 ITALY
OSTUNI(BR)

DES BOUTIQUE
V. VITTORIO VENETO, 85 ITALY
ALTAMURA(BA)



EXCELSIOR MILANO
GRUPPO COIN SPA ,
VIA TERRAGLIO 17 ITALY
Milano



LECCESE BOUTIQUE
VIA G. CARDUCCI, 25 ITALY
GIOIA DEL COLLE (BA)

LAZZARI
LAZZARI S.A.S. di ITALO LAZZARI &
C. ,Via Paris Bordone n.14/16 ITALY



ANTONIOLI-LUGANO
ANTONIOLI S.R.L.,
Via P.Paoli 1 SWITZERLAND
Lugano



COSE
C.so Campi, 53 ITALY
Cremona

DELL'OGGIO
Via Ruggero Settimo, 26B Sicily ITALY
Sicilia



BABYLON BUS
Via S.Giovanni, 29 59100 ITALY
Prato



LUXURY OF LOVE
LUXURY OF LOVE SRL,
VIA MORELLI 6 B ITALY
Napoli

GALLERY
V.S.G. Srl, via S.G.Battista
Laq Salle, 33 ITALY
Massa



DONNA BUGATTI
DONNA BUGATTI,
VIA RIALTO 5 ITALY
Udine



BOON THE SHOP
SHINSEGAE INTERNATIONAL
CO.,LTD.,79-17,Cheongdam-dong,
Gangnam-gu, KOREA
Gangnam Gu

RICCI PARIS
Via sant'ercolano no:42 ITALY
Perugia



MUSK AND AMBER
Building Al Badr, Rue Lac Malaren,1053
Les Berges du Lac TUNISIA
Tunisia

MIMMA NINNI
Via Melo 99, Bari ITALY
Bari



FIRST FRANKFURT
Hochstrabe 43, D-60313 Frankfurt
am Main GERMANY
Frankfurt

CHAIRMAN'S MESSAGE

Dear Valuable Shareholders,
Esteemed Business Partners, and Members of
the DESA Family,

In 2014; despite the recovery signals of the US economy, a weak growth in Europe was experienced and concerns of deflation prevailed accordingly. In Turkey, despite the growth rate of 4.1% recorded in 2013, 2.8% growth registered in first three quarters of 2014 addresses the relative slow down in the economy. On the other hand, volatility observed in the foreign exchange rates has been a factor which increased the pressure over growth, inflation and interest rates.

In retail sector, in which competition environment has become relatively tougher compared to previous year, we experienced again in 2014 that opportunity-driven shopping understanding has settled as a consumer approach and the decline in profitability per square meter has been continuing. Along with tough domestic competition conditions, reflections of political challenges abroad, especially in Ukraine and Russia, had an adverse impact on the leather sector. Besides, despite the signals of decline in the European region which we are making exports to; as DESA Deri, we continued to grow in 2014 both in retail and exports. During 2014, we focused on the efficiency of domestic sales and established our seasonal launchings as well as our promotion schedule according to our international retail calendar. Meanwhile, in 2014, we renewed our online store which we are able to contact our customers for 7/24 in every where apart from our location. We increased our customers' experience in our www.desa.com.tr web site which our customers are only away from a click distance to reach our leather wear, shoes, accessories, and textile and travel collections. Moreover, we enabled to register a considerable satisfactory sales performance in our online store which ranked 5th among our stores in 2014 and we hereby aim it to rise to the top within 3- 5 years, as observed in all other worldwide brand names. Due to all these achievements, we increased our retail revenues by 20%. Besides the successful results we reached in retail segment, we continued to display a considerably strong performance in exports and succeeded to increase our export revenues by 16%. Finally, our total revenues reached TL211.3 million by increasing 15% compared to previous year. In 2014, in which we continued to grow consistently with solid steps, we did not compromise from profitability due to our productivity focused approach. We started to observe in 2014 the positively significant impacts of some re-arrangements we applied on production and retail sales stages - including our logistic operations - besides the measures taken for decreasing the costs in 2013. Consequently, along with the growth in revenue, our EBITDA increased by 14% compared to previous year and reached TL13.5 million. Our decision for closing some of our stores due to our efficiency and performance assessments has also affected our profitability figures in positive direction. We expect this positive impact to reflect in 2015 as well.

The difference which we created in product development and design has been brought more effective in international arena in 2014. Dedicated to the primary year in which we began to sell our bags, our private collection with "DESA NINETEENSEVENTYTWO" brand name,



Melih ÇELET Chairman

having top quality and hand-made production feature, produced with minimal design concept, were displayed in our Showrooms which we were opened in Milan and Paris Fashion Weeks. Besides, we have been the primary Turkish brand name which took place in the official calendar of the Spring - Summer Presentation organized in September in Milan Fashion Week and we received the thumbs of works leading fashion editors. In the light of this appreciation and interest, DESA NINETEENSEVENTYTWO collection began to take market share in countries such as Italy, Japan, Germany, and USA, where luxury consumption prevails. We shall also continue our efforts for the presentation and sales

activities for our collection in 2015. In addition to our international activities, our Company established the company titled; DESA Deutschland GmbH, registered in Düsseldorf, Germany in July, 2014. This new company which is owned completely 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. Accordingly, DESA aims to bring its existence in international arena to forefront with DESA brand name products. In parallel with this work, we also attended fairs in Italy, Canada, USA and France in 2014, for brand name sales in ready wear category, and we initiated a close cooperation with showrooms acting in this field. In the second half of 2014, with this product group which was primarily offered to sale in international markets; we obtained around 40 customers thus laid a concrete foundation for 2015. We aim to continue our efforts for brand name sales in new year as well and to increase number of our stores involving this product group up to 100 and over.

In 2015, for which we estimate that retail sector shall experience tough days due to the developments in the economic environment, our objective is to sustain our profitability and to increase our revenues, in addition to reach a firm and constant sustainable growth in the long term based on correct and prudent investments. Furthermore, we aim to increase the contribution of our export sourced revenues in the following period, which indeed protect us against probable foreign exchange rate risks and which comprise around half of our total revenues.

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.



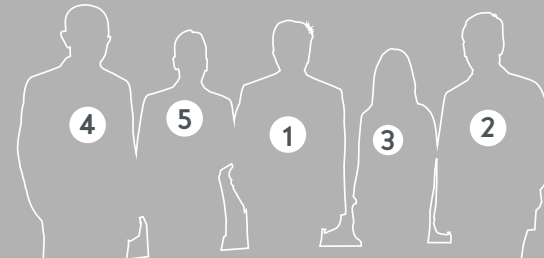
“ We are taking solid steps forward to become a global brand. ”

Melih ÇELET
Chairman

BOARD MEMBERS



- 1 **Melih ÇELET**
Chairman
- 2 **Burak ÇELET**
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 General Manager

Graduated from Bogazici University, Department of Mechanical Engineering in 1999, Mr. Burak ÇELET received his MBA degree 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, 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 Bogazici 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.

Ayhan DİRİBAŞ

Executive Vice President of Financial Affairs

Mustafa ATUK

Executive Vice President of Sales and Marketing

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 General Manager 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.

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 Kundura 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 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.

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 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 strategic 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.

HISTORY OF DESA



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



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 **17,000 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 U.K. 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 m2, 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.



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

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

2009

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

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

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.

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.

2012

2013

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.

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.

TODAY

In addition to production facilities with a total area of 25,500 m² in İstanbul and Düzce and its tannery with an area of 20,000 m² located in Çorlu, Desa became a fully integrated leather products manufacturer owning 45,500 m² production area in total. In 2014, 308,464 units of handbags, 248,053 of leather accessories, 48,362 of garments, 262,225 pairs of shoes and 4,781 units of textiles have been sold. Desa's retail operations are mainly domestic with 68 Desa, 21 Desa Samsonite, 6 Desa Franchise and 12 Samsonite JV totaling 107 stores in Turkey; Desa also has one online store and one store in London. In addition, in July 2014 DESA has established a company headquartered in Dusseldorf Germany, DESA Deutschland GmbH and started its wholesale activities at the showroom in one of the most central and elegant locations of Dusseldorf.

THE 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.


RAW MATERIAL
PRODUCTION

Leather production
in the Çorlu tannery

20,000 m²
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

Production of leather
garments,
handbags and accessories

**International
design team**

Istanbul facility
15,500 m²
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 m²
indoor production area

Weekly Capacity
14,000
pieces of handbags


RETAIL STORES

109
Total Stores

68
Desa Mono Brand Stores

21
Desa Samsonite

6
Desa Franchises

1
Online Store
Desa.com.tr

1
International Store
(UK)

12
Samsonite JV Stores

40% **60%**
DESA Samsonite
partnership (JV)

17,105 m²
Store Area

Having a labor-intense business model, our Company's number of employees is 1,903 as of the end of 2014.

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

| | 2013 | 2014 |
|--------|-------|-------|
| MALE | 1,122 | 1,045 |
| FEMALE | 815 | 858 |
| TOTAL | 1,937 | 1,903 |

COLLAR BREAKDOWN

| | 2013 | 2014 |
|--------------|-------|-------|
| BLUE COLLAR | 1,263 | 1,310 |
| WHITE COLLAR | 674 | 593 |

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 46 material disclosures were made, and queries delivered by the analysts and investors to our investor relations department via telephone or e-mail in 2014 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 2014 was TL 53,159,727 with an average daily volume at TL 269,529 in 2014.

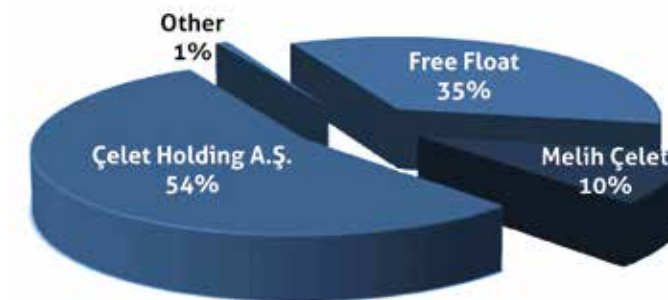
Share Information

| | |
|-------------------------|--------------------------|
| BIST Code | DESA |
| Reuters Code | DESA.IS |
| Bloomberg Code | DESA.TI |
| Date of Public Offering | May 6 th 2004 |
| Market Capitalization* | TL 53.2 mn |

* As of December 31st 2014

35% of DESA share capital is free float. Our company's shareholder structure as of December 31st 2014 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. | 26,717,682 | 54.3% |
| Melih Çelet | 4,922,197 | 10.0% |
| Free Float | 17,188,315 | 34.9% |
| Other | 393,780 | 0.8% |
| Total | 49,221,974 | 100.0% |

2014 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 webpage, 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.

Pınar 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

Ufuk Önçirak – Investor Relations Specialist
Phone: 0212 473 18 00
Fax: 0212 698 98 12
E-mail: ufuk.oncirak@desa.com.tr
E-mail: yatirimciiliskileri@desa.com.tr

Investor Relations Manager Pınar Kaya and Investor Relations Specialist Ufuk Önçirak 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 2014 has been submitted to the Board of Directors on January 2nd 2015. Investor Relations Manager Pınar Kaya and Investor Relations Specialist Ufuk Önçirak each hold an Advanced Level License on Capital Market Activities. In addition, Investor Relations Manager Pınar 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 2014

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).

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 2013 held on March 31st 2014 is Kapital Karden Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik 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 2013

The General Assembly meeting was held on March 31st 2014 with a quorum of 77%. 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 headquarters 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 2013, 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 pages 1187-1188 of Turkish Trade Registry Gazette issue no. 8521 dated 05.03.2014 and Hürses Newspaper dated 05.03.2014.

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 Company 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 sig-

nificantly 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) 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). 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 2013 annual general meeting held on March 31st 2014. 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 and 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 As-

semblies, 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.

2.4.2. Minority Rights

The Company pays attention to exercise of the minority rights. No complaint was made in this regard in 2014. 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. Each Group A share is entitled with fifty votes and each Group B share is entitled to one vote in the ordinary and extraordinary general meetings. 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 Gro-

up 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) 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 2014 is 1,903.

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 42 years, the corporate culture of Desa in compliance with honesty, respect, ethical behaviour 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).

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 independency 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

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 – 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. Bu-

rak ÇELET speaks English and German.

Burçak ÇELET – Board Member

Ms. 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. Ms. 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, Pira Mit Menkul Kıymetler and Ekinciler 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 Tavtay 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.

5.2. 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 47 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.

5.3. 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 Tavtay was elected as the chairman of the committee and Burçak Çelet as the member.

5.3.1. 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 KAAN KOZ

5.3.2. 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 KAAN KOZ
Member: BURÇAK ÇELET
Member: PINAR KAYA

5.3.3. 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 assess-

ments. 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 2014 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 2015 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.

**RESOLUTION DATE: 02/03/2015
RESOLUTION NO: 8/2015
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, 2014 and December 31, 2014 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

**DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
INDEPENDENT AUDIT REPORT
FOR THE PERIOD BETWEEN JANUARY 1 - DECEMBER 31, 2014**

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, 2014 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, 2014 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 March 2, 2015.

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 and consolidated financial statements for the period between January 1 - December 1, 2014 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, March 2, 2015
KAPİTAL KARDEN
BAĞIMSIZ DENETİM VE YMM A.Ş.
Member Firm of RSM International
Celal Pamukçu
Responsible Partner, Chief Auditor

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
INDEPENDENTLY AUDITED
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) DATED 31ST DECEMBER 2014
 (All amounts expressed in "TL")

| | Note References | Current Period 31 st December 2014 | Prior Period 31 st December 2013 |
|--|--------------------|--|--|
| ASSETS | | | |
| Current Assets | | 131.890.789 | 123.737.263 |
| Cash and Cash Equivalents | Note 47 | 1.441.534 | 735.569 |
| Trade Receivables | | | |
| Trade Receivables from Related Parties | Note 7 | 5.047.691 | 6.313.114 |
| Trade Receivables from Non-Related Parties | Note 7 | 3.261.803 | 5.715.517 |
| Other Receivables | | | |
| Other Receivables from Related Parties | Note 9 | - | 60.024 |
| Other Receivables from Non-Related Parties | Note 9 | 73.980 | 37.186 |
| Inventories | Note 10 | 116.219.646 | 105.852.041 |
| Prepaid Expenses | | | |
| Prepaid Expenses of Related Parties | Note 12 | 1.392 | - |
| Prepaid Expenses of Non-Related Parties | Note 12 | 2.214.742 | 2.874.505 |
| Assets Related to Current Period Tax | Note 40 | - | 197.690 |
| Other Current Assets | Note 29 | 3.630.001 | 1.951.617 |
| Fixed Assets | | 39.600.312 | 34.103.928 |
| Other Receivables | | | |
| Other Receivables from Related parties | | - | - |
| Other Receivables from Non-Related Parties | Note 9 | 301.369 | 501.690 |
| Financial Investments | Note 4 | 7.685.475 | 2.665.364 |
| Investments Accounted by Equity Method | Note 4 | 3.685.309 | 2.309.680 |
| Tangible Fixed Assets | Note 14 | 27.059.779 | 27.837.861 |
| Intangible Fixed Assets | Note 17 | 817.417 | 775.817 |
| Prepaid Expenses | Note 12 | 50.963 | - |
| Deferred Tax Assets | Note 40 | - | 13.516 |
| TOTAL ASSETS | | 171.491.101 | 157.841.191 |

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
INDEPENDENTLY AUDITED
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) DATED 31ST DECEMBER 2014
 (All amounts expressed in "TL")

| | Note References | Current Period 31 st December 2014 | Prior Period 31 st December 2013 |
|---|--------------------|--|--|
| EQUITY AND LIABILITIES | | | |
| Short Term Liabilities | | 85.750.443 | 70.761.534 |
| Short Term Financial Liabilities | Note 47 | 19.688.649 | 11.994.541 |
| Short Term Parts of Long Term Financial Liabilities | Note 47 | 6.953.979 | 8.879.386 |
| Trade Payables | | | |
| Trade Payables to Related Parties | Note 7 | 6.405.406 | 5.026.979 |
| Trade Payables to Non-Related Parties | Note 7 | 39.861.170 | 35.926.685 |
| Payables within the Scope of Benefits to Employees | Note 27 | 3.272.386 | 3.552.557 |
| Other Payables | | | |
| Other Payables to Related Parties | | - | - |
| Other Payables to Non-Related Parties | Note 9 | 2.437.953 | 2.136.265 |
| Derivative Financial Instruments | Note 46 | - | 131.189 |
| Deferred Income | | | |
| Deferred Income from Related Parties | Note 12 | 3.016.611 | 741.122 |
| Deferred Income from Non-Related Parties | Note 12 | 1.508.131 | 277.378 |
| Liability for Period Income Tax | | 199.084 | - |
| Short Term Provisions | | | |
| Short Term Provisions for Benefits to Employees | Note 25 | 1.884.095 | 1.822.712 |
| Other Short Term Provisions | Note 25 | 562.979 | 272.720 |
| Other Short Term Liabilities | Note 29 | | |
| Liabilities to Related Parties | Note 29 | - | - |
| Liabilities to Non-Related Parties | Note 29 | - | - |
| Long Term Liabilities | | 17.637.244 | 23.462.489 |
| Long-Terms Financial Liabilities | Note 47 | 14.964.065 | 21.386.373 |
| Long Term Provisions | | | |
| Long-Term Provisions for Benefits to Employees | Note 25 | 2.496.143 | 2.076.116 |
| Other Long-Term Provisions | | - | - |
| Deferred Tax Liability | Note 40 | 177.036 | - |
| Shareholder's Equity | | 68.103.414 | 63.617.168 |
| 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 | 9.023.029 | 9.194.301 |
| Actuarial Loss/Earning Related to Benefits to Employees | Note 30 | (437.062) | (333.427) |
| Reserves on Retained Earnings | Note 30 | 952.952 | 952.952 |
| Accumulated Profit/Loss | Note 30 | (918.883) | 2.002.042 |
| Net profit/loss for the period | Note 30 | 4.761.153 | (2.920.925) |
| TOTAL EQUITY AND LIABILITIES | | 171.491.101 | 157.841.191 |

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
INDEPENDENTLY AUDITED
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT
PERTAINING TO THE PERIOD ENDING ON 31ST DECEMBER 2014
(All amounts expressed in "TL")

| | Note References | Current Period 1 st January- 31 st December 2014 | Prior Period 1 st January- 31 st December 2013 |
|---|--------------------|--|--|
| INCOME STATEMENT | | | |
| Revenue | Note 31 | 211.291.588 | 183.149.412 |
| Cost of Sales (-) | Note 31 | (135.296.503) | (114.479.281) |
| GROSS PROFIT / LOSS | | 75.995.085 | 68.670.131 |
| General Administrative Expenses (-) | Note 33 | (13.223.701) | (12.924.945) |
| Marketing Expenses (-) | Note 33 | (62.440.487) | (53.706.644) |
| Research and Development Expenses (-) | Note 33 | (1.500.297) | (1.728.476) |
| Income from Other Main Activities | Note 34 | 15.697.507 | 9.789.985 |
| Expense of Other Main Activities (-) | Note 34 | (6.675.647) | (3.711.048) |
| OPERATING PROFIT / LOSS | | 7.852.460 | 6.389.003 |
| Income from Investing Activities | Note 35 | 36.285 | 179.161 |
| Expense of Investing Activities (-) | Note 35 | - | - |
| Profit/Loss Share on Investments Accounted by Equity Method | Note 4/b | 1.375.629 | 770.510 |
| OPERATING PROFIT/LOSS BEFORE FINANCING EXPENSES | | 9.264.374 | 7.338.674 |
| Financing Expenses (-) | Note 37 | (4.058.368) | (10.439.290) |
| CONTINUING OPERATIONS PROFIT/LOSS BEFORE TAX | | 5.206.006 | (3.100.616) |
| Continuing Operations Tax Expenses/Incomes | | (444.853) | 179.691 |
| Tax Expense/Income for the Period | Note 40 | (219.377) | - |
| Deferred Tax Expenses/Incomes | Note 40 | (225.476) | 179.691 |
| CONTINUING OPERATIONS INCOME/LOSS FOR THE PERIOD | | 4.761.153 | (2.920.925) |
| DISCONTINUED OPERATIONS PROFIT/LOSS FOR THE PERIOD | | - | - |
| PROFIT/LOSS FOR THE PERIOD | | 4.761.153 | (2.920.925) |
| Earnings per Share | Note 41 | 0,00097 | (0,0006) |
| Earnings per Share from Continuing Operations | | 0,00097 | (0,00059) |
| Earnings per Share from Discontinued Operations | | - | - |
| OTHER COMPREHENSIVE INCOME | | | |
| Not to be Reclassified in Profit or Loss | | (274.907) | (327.468) |
| Tangible Fixed Assets Revaluation Increases/Decreases | Note 30/d | (171.272) | (171.271) |
| Actuarial Loss/Earning Related to Benefits to Employees | Note 30/e | (103.635) | (156.197) |
| To be Reclassified as Profit or Loss | | - | - |
| OTHER COMPREHENSIVE INCOME | | (274.907) | (327.468) |
| TOTAL COMPREHENSIVE INCOME | | 4.486.246 | (3.248.393) |

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
INDEPENDENTLY AUDITED
CASH FLOW STATEMENT PERTAINING TO THE PERIOD ENDING ON 31ST DECEMBER 2014
(All amounts expressed in "TL")

| | Note References | Current Period 1 st January- 31 st December 2014 | Prior Period 1 st January- 31 st December 2013 |
|--|--------------------|--|--|
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/Loss for the Period | | 4.761.153 | (2.920.925) |
| Adjustments relating to Profit/Loss Reconciliation for the Period | | 5.910.304 | 4.018.268 |
| Adjustments relating to Depreciation and Amortization Expenses | 28 | 4.249.701 | 4.462.231 |
| Adjustments relating to Provisions | | 731.669 | 355.637 |
| Adjustments relating to Interest Revenues and Expenses | | 213.121 | - |
| Adjustments relating to Fair Value Losses / Gains | 4 | (1.375.629) | (425.965) |
| Adjustments relating to Undistributed Profit of Affiliates | | - | (344.545) |
| Adjustments relating to Tax Expenses/Incomes | 22 | 444.853 | (179.691) |
| Adjustments relating to Other Items causing Cash Flows arising from Investment or Financing Activities | | - | 217.829 |
| Other Adjustments relating to Profit/Loss Reconciliation | | 1.646.589 | (67.228) |
| Changes Realized in Operating Capital | | (364.855) | (10.334.028) |
| Adjustments relating to Increase/Decrease in Inventories | 10 | (10.367.605) | (17.557.718) |
| Adjustments relating to Increase/Decrease in Trade Receivables | | 3.719.137 | 3.324.063 |
| Adjustments relating to Increase/Decrease of Other Receivables relating to Operations | | 223.551 | (59.548) |
| Adjustments relating to Increase/Decrease of Trade Payables | | 5.312.912 | 4.712.520 |
| Adjustments relating to Increase/Decrease of Other Payables relating to Operations | | 301.688 | (106.430) |
| Adjustments relating to Other Increase/Decrease realized in Operating Capital | | 445.462 | (646.915) |
| Cash Flows from Operations | | 10.306.602 | (9.236.685) |
| Dividends Paid | | - | (3.000.000) |
| Tax Payments/Tax Rebates | 22 | (20.293) | (956.473) |
| Cash Flows from Operating Activities | | 10.286.309 | (13.193.158) |
| B. CASH FLOWS ARISING FROM INVESTMENT OPERATIONS | | | |
| Cash out-flows relating to Purchases for Acquisition of the Control of Subsidiaries | 4 | (5.020.111) | - |
| Cash Inflow arising from Sale of Tangible and Intangible Fixed Assets | 14, 17 | 413 | 95.740 |
| Cash Outflow arising from Purchase of Tangible and Intangible Fixed Assets | 14, 17 | (3.693.918) | (1.898.028) |
| Cash Flows from Investment Operations | | (8.713.616) | (1.802.288) |
| C. CASH FLOWS ARISING FROM FINANCIAL OPERATIONS | | | |
| Cash Inflow arising from Borrowings | | 730.526 | 16.565.495 |
| Interest Paid | | (1.597.254) | (1.625.309) |
| Cash Flows from Financial Operations | | (866.728) | 14.940.186 |
| INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS | | 705.965 | (55.260) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD | Note 47/b | 735.569 | 790.829 |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | Note 47/b | 1.441.534 | 735.569 |

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
INDEPENDENTLY AUDITED
STATEMENT OF CHANGES IN EQUITY PERTAINING TO THE PERIOD ENDING ON 31ST DECEMBER 2014
 (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 | | Non-controlling Interests | Shareholders' Equity |
|---|-----------------|-------------------|---|---|--|-------------------------------|-------------------------|----------------------------------|---------------------------|----------------------|
| | | | | Revaluation and Measurement Earnings / Losses | Actuarial (Loss) / Earnings from Benefits to Employees | | Accumulated Profit/Loss | Net Income / Loss for the Period | | |
| PRIOR PERIOD | | | | | | | | | | |
| Balances as of 1st January 2013 | | 49.221.970 | 5.500.255 | 9.365.572 | (177.230) | 839.272 | 2.457.251 | 3.006.185 | | 70.213.275 |
| Transfers | | - | - | - | - | - | 3.006.185 | (3.006.185) | | - |
| Dividends | | - | - | - | - | 113.680 | (3.113.680) | - | | (3.000.000) |
| Retained Adjustment of Investments Accounted by equity method | | - | - | - | - | - | (344.545) | - | | (344.545) |
| Retained Adjustments relating to the Corporation Tax of the Year 2012 | | - | - | - | - | - | (3.169) | - | | (3.169) |
| Total Comprehensive Income | 30,38 | - | - | (171.271) | (156.197) | - | - | (2.920.925) | | (3.248.393) |
| Balances as of 31st December 2013 | 30 | 49.221.970 | 5.500.255 | 9.194.301 | (333.427) | 952.952 | 2.002.042 | (2.920.925) | | 63.617.168 |
| CURRENT PERIOD | | | | | | | | | | |
| Balances as of 1st January 2014 | | 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 | 30,38 | - | - | (171.272) | (103.635) | - | - | 4.761.153 | | 4.486.246 |
| Balances as of 31st December 2014 | 30 | 49.221.970 | 5.500.255 | 9.023.029 | (437.062) | 952.952 | (918.883) | 4.761.153 | | 68.103.414 |

NOTE 1 - COMPANY'S ORGANISATION AND SUBJECT OF ACTIVITY

1.1. Scope 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 a 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 Çorlu 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 İstanbul Stock Exchange ("BİST") as of December 31, 2014.

The Company has 1.903 employees as of December 31, 2014. (December 31, 2013 - 1.937 employees)

1.2. Capital Structure

The Company has switched to registered capital system in 2007 and its registered capital ceiling amounts to TL 150.000.000. Its paid capital is TL 49.221.970 as of December 31, 2014 (December 31, 2013: TL 49.221.970) and has been divided into 4.922.196.986 (December 31, 2013: 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 | 31 st December 2014 | | 31 st December 2013 | |
|-----------------------|--------------------------------|--------------|--------------------------------|--------------|
| | 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 4.041.090, representing 8.21% of the share capital in the free float belongs to Çelet Holding A.Ş. and the share with a nominal value of TL 2.744.094, representing 5.57% belongs to Melih Çelet. (See Note 30/b)

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS DATED 31ST DECEMBER 2014

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

1.3. Affiliates and Subsidiaries

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

| Affiliate | Field of Activity | Location | 31 st December 2014 | 31 st December 2013 |
|------------------------------------|-------------------|--------------------|--------------------------------|--------------------------------|
| | | | Participation Rate % | Participation Rate % |
| Marfar Deri San.ve Tic.Ltd.Şti. | Textile | Istanbul-Turkey | 50% | 50% |
| Samsonite Seyahat Ür. A.Ş. | Textile | Istanbul-Turkey | 40% | 40% |
| Subsidiary | | | | |
| 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% | - |

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. (31.12.2014) | 4.143 | - |
| Samsonite Seyahat Ürünleri A.Ş (31.12.2014) | 12.025.657 | 34.684.754 |
| Leather Fashion Limited | - | - |
| Sedesa Deri San. ve Tic. Ltd. Şti. (31.12.2014) | 23.893 | - |
| Desa International Ltd. (31.12.2014) | GBP 4.851 | - |
| Desa SMS Ltd. (31.12.2014) | GBP 318.815 | GBP 85.817 |
| Desa International (UK) Ltd. (31.12.2014) | GBP 4.324 | GBP 125.110 |
| Desa Deutschland GmbH | EURO 305.406 | EURO 27.079 |

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
 NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS DATED 31ST DECEMBER 2014
 (All amounts expressed in "TL" unless otherwise stated.)

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, 2013 are negligible. Therefore, financial statements of these affiliates and subsidiaries have not been subjected to consolidation with the Company's financial statements of the same term.

Financial statements dated December 31, 2014 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 March 2, 2015 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 | 31 st December 2014 | 31 st December 2013 |
|------------------|--------------------------------|--------------------------------|
| USD | 2.3189 | 2.1343 |
| EUR | 2.8207 | 2.9365 |

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 are 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, 2014 and the notes related thereto have been prepared and presented comparatively with the previous period financial statements and notes.

The receivable from Yapı Çimento ve Toprak San. A.Ş. amounting to TL 6.472 presented in the account of "Receivables from Non-Related Parties" in the Company's Statement of Financial Position dated December 31, 2013 has been classified in the account of "Receivables from Related Parties".

2.7. New and Revised International Financial Reporting Standards

a) Standards commenced to be applied in 2014 as well as new standards and interpretation not applied yet

New and Amended Standards and Interpretations

The accounting policies which have been based on in preparation of the financial statements pertaining to the year ended on December 31, 2014 have been applied consistently with those used in previous year excluding new and amended TFRS and TFRIC interpretations summarized hereunder which

are effective as from January 1, 2014. The impacts of these standards and interpretations on the financial position and performance of the Company are in respective paragraphs.

New standards, amendments and interpretations effective as from January 1, 2014 are as follows:

Investment Entities (Amendments to TFRS 10, TFRS 12 and TMS 27)

TFRS 10 has been amended in order to provide an exemption from the provisions with respect to the consolidation of subsidiaries for the entities that meet the definition of an "investment entity". Under the exemption provided for the consolidation provisions, the investment entities are required to measure their subsidiaries at fair value pursuant to the provisions of TFRS 9 *Financial Instruments* standard. In cases where the entities do not apply TFRS 9, they should measure their subsidiaries at fair value under the provisions of TAS 39 *Financial Instruments: Recognition and Measurement* standard. The said amendments have not had a significant impact on the financial position and performance of the Company.

TAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment provides clarification for the meaning of the expression "availability of a legally enforceable right with respect to offsetting the recognized amounts" as well as for the application field of TAS 32 netting principle in settlement systems (i.e. clearing houses) where the accrual does not take place concurrently and gross payment is made. The said amendments have not had a significant impact on the financial position and performance of the Company.

TAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

Following the amendment in TFRS 13 *Fair Value Measurement* standard, the amendment made in TAS 36 *Impairment of Assets* standard has clarified some disclosure provisions with respect to the recoverable amounts of impaired non-financial assets. The amendments in TAS 36 requires the disclosure of recoverable amounts of the non-financial assets only when an impairment takes place or the impairment is reversed. The said amendments have impacted the disclosure provisions and have not had a significant impact on the financial position and performance of the Company.

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

The amendment in TAS 39 *Financial Instruments: Recognition and Measurement* standard provides a narrow-scope exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The said amendments have not had a significant impact on the financial position and performance of the Company.

TFRIC Interpretation 21 Levies

This interpretation clarifies that the liability with respect to the levy should be recognized at the moment when the event obligating the payment by the entity occurs in accordance with the relevant laws. Furthermore, this interpretation clarifies that the liability with respect to the levy can be recognized progressively if the event obligating the payment under the relevant laws occurs over a period of time. A levy triggered on reaching a minimum threshold shall not be recognized as a liability before such minimum threshold is not reached. The said interpretation has not had a significant impact on the financial position and performance of the Company.

TAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendment)

Within the scope of the amendment made in this standard, the complication with respect to the recognition of some employee contributions has been diminished and if the employee contributions to the benefit plans are determined within the scope of the plan, directly related with the service and independent of service years, such contributions are allowed to be reduced from the cost of service during the period in which the service is provided. The amendment has not had a significant impact on the financial position and performance of the Company.

Improvements to TFRS

"Annual Improvements to TFRS" issued for the standards in effect are presented hereunder. The amendments other than those impacting "the Decision Justifications" of the Standards are effective as from July 1, 2014.

Annual Improvements – 2010-2012 Cycle

TFRS 2 Share Based Payments

The definitions related with vesting conditions have been amended and performance condition as well as service condition have been defined in order to eliminate the problems. The said amendment has not had a significant impact on the financial position and performance of the Company.

TFRS 3 Business Combinations

The contingent consideration not classified as equity in a business combination is measured at fair value and recognized as profit or loss in following periods whether it is included in the scope of TFRS 9 *Financial Instruments* or not. The said amendment has not had a significant impact on the financial position and performance of the Company.

TFRS 8 Operating Segments

The amendments are as follows: i) Operating segments can be combined/ consolidated consistently with the basic principles of the standard. ii) If the reconciliation of the operating segment assets to the entity's total assets is reported to the executive authorized to make decisions with respect to the entity's operations, than such reconciliation should be disclosed. The said amendment has not had a significant impact on the financial position and performance of the Company.

TFRS 13 Fair Value Measurement Decision Justifications

As explained in Decision Justifications, it shall be possible to state short-term trade receivables and payables with no stated interest rate in invoice amounts in cases where the discounting affect is immaterial. The said amendment has not had a significant impact on the financial position and performance of the Company.

TAS 16 Tangible Assets and IAS 38 Intangible Assets

The amendments in TAS 16.35(a) and TAS 38.80(a) have clarified that revaluation can be made as follows: i) the gross carrying value of the asset is adjusted so that it is consistent with the market value thereof or ii) the market value of net carrying value of the asset is determined and the gross carrying value thereof is adjusted so that its net carrying value is consistent with the market value thereof. The said amendment has not had a significant impact on the financial position and performance of the Company.

TAS 24 Related Party Disclosures

The amendment clarifies that an entity providing key management personnel services is a related party subject to related party disclosures. The said amendment has not had a significant impact on the financial position and performance of the Company.

Annual improvements – 2011-2013 Cycle

TFRS 1 First Time Adoption of International Reporting Standards

Under the amendment, the entities using IFRS financial statements for the first time are allowed to apply early new or revised standards that are not yet mandatorily effective. The said amendment has not had a significant impact on the financial position and performance of the Company.

TFRS 3 Business Combinations

The amendment clarifies that i) not only the joint ventures but also the joint arrangements are excluded from the scope of TFRS 3 and ii) such exemption of scope is applicable for the recognition in financial statements of the joint arrangement. The said amendment has not had a significant impact on the financial position and performance of the Company.

TFRS 13 Fair Value Measurement

It has been clarified that the scope of the portfolio exemption defined in TFRS 13 is applicable not only for financial assets and financial liability but also for other contracts included in scope of TAS 39. The said amendment has not had a significant impact on the financial position and performance of the Company.

TFRS 40 Investment Property

It has been clarified the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The said amendment has not had a significant impact on the financial position and performance of the Company.

b) 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 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, 2015. 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 and 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 and performance of the Company.

c) 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 guidances 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 14 Regulatory Deferral Accounts

IASB has commenced a comprehensive project on Rate Regulated Activities in 2012. As a part of the project, IASB has issued a limited scope Standard in order to provide an interim solution for those among the rate-regulated entities which would adopt IFRS for the first time. This Standard permits an entity

which is a first-time adopter of IFRS to continue to recognize its regulatory deferral accounts in accordance with its previous generally accepted accounting principles on initial adoption of 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 and performance of the Company.

IFRS 15 Contracts with Customers

This new Standard changes the guidances 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 guidances 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.

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 requires 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 and performance of the Company.

Equity Method in Consolidated Financial Statements (Amendments to TAS 27)

The amendments allows 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 and 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 and performance of the Company.

Improvements to IFRS

“Annual Improvements to IFRS – 2012-2014 Cycle” issued for the standards in effect are presented hereunder. The amendments are effective as from January 1, 2016. It is not expected that the amendment would have a significant impact on the financial position and performance of the Company.

Annual improvements – 2012-2014 Cycle

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.

d) Resolutions issued by POA

In addition to the above mentioned ones, POA has issued the following resolutions on Implementation of Turkish Accounting Standards. “Financial statement templates and guidebook” has been valid as from the issuance date, however, other resolutions shall be implemented as to be valid in annual reporting periods beginning after December 31, 2012.

2013-1 Financial Statement Templates and Guidebook

POA has issued “Financial statement templates and guidebook” on May 20, 2013 for the purpose of enabling financial statements to be uniform and facilitating the audit thereof. Financial statement templates contained in this regulation have been issued for the purpose of constituting a sample for the financial statements to be prepared by the Companies liable for implementing TAS excluding the organizations established to carry out banking, insurance business, individual retirement or capital markets activities.

2013-2 Recognition of Business Combinations Subjected to Common Control

According to the resolution, it has been decreed that (i) the business combinations subjected to common control should be recognized via pooling of interest method (ii) therefore goodwill shall not be included in financial statements and (iii) while applying the pooling of interest method, the financial statements should be restated as if combination has taken place as from the beginning of reporting period term when the common control has emerged and submitted comparatively as from the beginning of reporting term when the common control has emerged. The said resolution have had no impact on the financial position and performance of the Company.

2013-3 Recognition of Perpetual Bonds

The cases when the perpetual bonds have to be recognized as financial payable and when as financial instrument based on equity have been clarified. The said resolution have had no impact on the financial position and performance of the Company.

2013-4 Recognition of Reciprocal Shareholding Investments

An entity's holding of its own shares in another entity in which it has shareholding investment has been defined as a reciprocal shareholding relation and recognition of reciprocal shareholding has been evaluated depending on the type of investment and the different recognition principles implemented. Under the said resolution, the issue has been evaluated under the following three main topics and recognition principles of each have been determined.

- i) The case where the subsidiary owns the equity instruments of the parent company;
- ii) The case where the affiliates or the joint venture owns the equity instruments of the investor company;
- iii) The case where the equity instruments of the entity are owned by another entity in which it has an investment recognized within the scope of TAS 39 and TRFS 9.

The said resolution have had no 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.

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

- 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 of 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, 2013: 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 form 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 measure 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 express 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 group 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 derivate 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. 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: Current 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) Clarification

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

NOTE 3 – BUSINESS COMBINATIONS

None. (December 31, 2013: 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, 2014 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.

| | 31 st December 2014 | 31 st December 2013 |
|--|--------------------------------|--------------------------------|
| Equity Security | 33 | 33 |
| GSD Holding A.Ş. | 33 | 33 |
| Affiliates | 10.000 | 10.000 |
| Marfar Deri San. ve Tic. Ltd. Şti. | 40.000 | 40.000 |
| Associations Capital Subscription (-) | (30.000) | (30.000) |
| Subsidiaries | 7.685.475 | 2.655.331 |
| 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 | 1.709.405 |
| Desa International (UK) Ltd. | 2.891.695 | 924.762 |
| Desa Deutschland GMBH | 72.760 | - |
| Total | 7.685.475 | 2.665.364 |

It has been resolved to raise the capital of Desa International (UK) Limited domiciled in U.K., a 100% subsidiary of the Company amounting to GBP 330.001 (TL 924.762) up to GBP 887.001 (TL 2.891.695) through increasing thereof by GBP 557.000 (TL 1.966.933) and to raise the capital of Desa SMS Limited domiciled in U.K., a 100% subsidiary of the Company amounting to GBP 610.001 (TL 1.709.405) up to GBP 1.454.001 (TL 4.689.823 TL) through increasing thereof by GBP 844.000 (TL 2.980.418).

b) Investments valued by equity method are as follows:

As of December 31, 2014;

| | Location | Share Percentage | Value at Cost | Parent company Profit/Loss share | Parent company retained and outstanding 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.

As of December 31, 2013;

| | Location | Share Percentage | Value at Cost | Parent company Profit/Loss share | Parent company retained and outstanding profit /loss share | Affiliate retained adjustment share (*) | Net Value |
|------------------------------|----------|------------------|---------------|----------------------------------|--|---|-----------|
| Samsonite Sey. Ürünleri A.Ş. | Turkey | 39,99 % | 1.539.980 | 770.510 | 343.735 | (344.545) | 2.309.680 |

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 2.309.680.

(*) Adjustment share relating to retained profit and loss amounting to TL 861,374 TL at financial statements of affiliate is 344.545 TL and is reflected to Company's equity as retained loss adjustment.

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

| Samsonite Seyahat Ürünleri A.Ş. | 31 st December 2014 | 31 st December 2013 |
|--|--------------------------------|--------------------------------|
| Total assets | 12.025.657 | 8.598.876 |
| Total liabilities | (2.812.266) | (2.824.699) |
| Net assets | 9.213.391 | 5.774.177 |
| Net profit / loss | 3.439.117 | 1.926.300 |
| Affiliate net profit/loss share (39,99%) | 1.375.629 | 770.510 |
| Profit/Loss share of investment valued by equity method | 1.375.629 | 770.510 |

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, 2013 – Not available)

NOTE 6 – RELATED PARTY DISCLOSURES

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

| | 31 st December 2014 | 31 st December 2013 |
|-------------------|--------------------------------|--------------------------------|
| Trade receivables | 5.047.691 | 6.313.114 |
| Other receivables | - | 60.024 |
| Prepaid expenses | 1.392 | - |
| Total | 5.049.083 | 6.373.138 |

Details of "trade receivables" from related parties are as follows:

| | 31 st December 2014 | 31 st December 2013 |
|---|--------------------------------|--------------------------------|
| Group companies and Shareholders | 5.054.524 | 6.325.354 |
| Adesa Deri | 4.225.355 | 3.665.869 |
| Desa SMS | 142.548 | 1.632.294 |
| Desa Deutschland GmbH | 618.321 | - |
| Desa International UK Ltd | - | 895.106 |
| Marfar Deri | 28.928 | 26.436 |
| Desa International | 26.637 | 71.382 |
| Yapı Çimento | 8.957 | 6.515 |
| Çelet Holding | 3.378 | - |
| Real Person Shareholders | 400 | - |
| Sedesa Deri | - | 1.783 |
| Serga Deri | - | 12.708 |
| Perabayt Bil. Paz. A.Ş. (*) | - | 13.261 |
| Deferred Financial Income /Expense (-) | (6.833) | (12.240) |
| Total | 5.047.691 | 6.313.114 |

(*) Burak Çelet, a shareholder of Perabayt Bilişim Paz. A.Ş. has disposed all of his shares in the entity at the rate of 2.17% on March 24, 2014.

Trade receivables from related parties arise from sales of goods by the Company and the terms thereof ranges between 30 – 60 days approximately (December 31, 2012: Average term is 30 days).

Details of "prepaid expenses" from related parties are as follows:

| Group companies and Shareholders | 31 st December 2014 | 31 st December 2013 |
|----------------------------------|--------------------------------|--------------------------------|
| Adesa Deri | 85 | - |
| Sedesa Deri | 1.307 | - |
| Total | 1.392 | - |

Details of "other receivables" from related parties are as follows:

| | 31 st December 2014 | 31 st December 2013 |
|--------------------------------------|--------------------------------|--------------------------------|
| Receivables from shareholders | - | 60.024 |
| Burçak Çelet | - | 13.002 |
| Melih Çelet | - | 8.681 |
| Burak Çelet | - | 38.074 |
| Nihal Çelet | - | 267 |
| Total | - | 60.024 |

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

| | 31 st December 2014 | 31 st December 2013 |
|---------------------------------------|--------------------------------|--------------------------------|
| Trade payables | 8.105.510 | 5.026.979 |
| Other payables | - | - |
| Deferred incomes from related parties | 3.016.611 | 741.122 |
| Total | 11.122.121 | 5.768.101 |

| | 31 st December 2014 | 31 st December 2013 |
|--|--------------------------------|--------------------------------|
| | Trade | Trade |
| Trade payables | 6.405.406 | 5.026.979 |
| Samsonite Seyahat Ürünleri | 4.360.596 | 4.417.538 |
| Adesa Deri | 1.978.996 | 424.522 |
| Desa International UK Ltd | 12.074 | - |
| Serga Deri | 74.726 | 49.234 |
| Sedesa Deri | 5.749 | 8.646 |
| Real person shareholders | 956 | - |
| Desa Int. | - | 454 |
| Çelet Holding | - | 129.390 |
| Deferred financing income (-) | (27.691) | (2.805) |
| Other payables | - | - |
| Deferred incomes from related parties | 3.016.611 | 741.122 |
| Adesa | 3.016.611 | 741.122 |
| | 9.422.017 | 5.768.101 |

c) Transactions with Related parties:

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

| Group company | 31 st December 2014 | | 31 st December 2013 | |
|--|--------------------------------|--------------------|--------------------------------|--------------------|
| | Purchases | Sales | Purchases | Sales |
| Adesa Deri | - | 113.174.364 | - | 101.283.677 |
| Samsonite Seyahat Ürünleri | 11.112.899 | - | 8.292.864 | - |
| Desa International (UK) Ltd | 278.539 | 109.234 | 234.593 | 292.882 |
| Desa SMS Ltd | - | 152.244 | 138.398 | 200.355 |
| Marshall Farmer | 143.984 | - | - | - |
| Desa Deutschland | - | 209.913 | - | - |
| Perabayt Bilişim Pazarlama DışTic A.Ş. | - | - | - | 8.780 |
| Total | 11.535.422 | 113.645.755 | 8.665.855 | 101.785.694 |

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

| | 31 st December 2014 | 31 st December 2013 |
|---|--------------------------------|--------------------------------|
| Interest expenses paid to shareholders | - | 69.689 |
| Rents paid to Group Companies | 14.387 | 11.862 |
| Rents paid to shareholders | 755.865 | 532.493 |
| Service charges paid to Group Companies | 1.073.267 | 832.369 |
| Interest expenses paid to Group Companies | - | 4.975 |
| Total paid | 1.984.566 | 1.451.388 |
| Office rent received from shareholder | 14.400 | 14.400 |
| Services billed to shareholder | 60.000 | 60.000 |
| Interest income received from Group Companies | 160.698 | 14.852 |
| Office rent received from affiliate | 699.112 | 494.427 |
| Service charges billed to affiliates | 2.037.030 | 1.709.110 |
| Office rent received from Group Companies | 9.000 | 9.250 |
| Interest incomes collected from Group Companies | - | 20.740 |
| Total collected | 2.980.240 | 2.322.779 |

e) Benefits to Top Executives:

Total of wages and other similar benefits provided to top executives is TL 1.617.938 as of December 31, 2014 (December 31, 2013 - TL 1.560.573)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

| | 31 st December 2014 | 31 st December 2013 |
|---|--------------------------------|--------------------------------|
| Trade receivables from related parties | 5.047.691 | 6.313.114 |
| Trade receivables from related parties (Note 6) | 5.047.691 | 6.313.114 |
| Other trade receivables | 3.261.803 | 5.715.517 |
| Buyers | 510.124 | 3.361.557 |
| Notes receivables | - | 158.896 |
| Credit card receivables | 2.772.066 | 2.263.424 |
| Doubtful trade receivables | 2.855.876 | 2.027.874 |
| Provisions for doubtful trade receivables (-) | (2.855.876) | (2.027.874) |
| Deferred finance expense (-) | (1.549) | (56.146) |
| Rediscount of credit card receivables (-) | (18.838) | (12.214) |
| Trade receivables (Net) | 8.309.494 | 12.028.631 |

Movement table of provision for doubtful receivables is as follows:

| | 31 st December 2014 | 31 st December 2013 |
|--|--------------------------------|--------------------------------|
| Beginning of period | (2.027.874) | (1.944.518) |
| Provision allocated in the period / adjustment (+) | (833.808) | (83.550) |
| Provision collected in the period (-) | 5.806 | 194 |
| End of period | (2.855.876) | (2.027.874) |

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

| | 31 st December 2014 | 31 st December 2013 |
|--|--------------------------------|--------------------------------|
| Receivables overdue up to 90 days | - | - |
| Receivables overdue more than 90 days | - | - |
| Receivables overdue more than 180 days | (2.855.876) | (2.027.874) |
| End of period | (2.855.876) | (2.027.874) |

b) Short-term trade payables

| | 31 st December 2014 | 31 st December 2013 |
|--|--------------------------------|--------------------------------|
| Trade payables to related parties | 6.405.406 | 5.026.979 |
| Trade payables to related parties (Note 6) | 6.405.406 | 5.026.979 |
| Other trade payables | 39.861.170 | 35.926.685 |
| Suppliers | 26.157.541 | 26.254.650 |
| Cheques and notes payable | 14.150.654 | 9.940.364 |
| Deferred financing income (-) | (447.025) | (268.329) |
| Total | 46.266.576 | 40.953.664 |

NOTE 8 - RECEIVABLES AND PAYABLES FROM FINANCIAL ACTIVITIES

Not available. (December 31, 2013: Not available)

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

a) Other short-term receivables

| | 31 st December 2014 | 31 st December 2013 |
|---|--------------------------------|--------------------------------|
| Other receivables from related parties | - | 60.024 |
| Receivables from shareholders (Note 6) | - | 60.024 |
| Other receivables from non-related parties | 73.980 | 37.186 |
| Receivables from Tax Office | 55.785 | 37.186 |
| Deposits and guarantees given | 14.945 | - |
| Receivables from execution office | 3.250 | - |
| Total | 73.980 | 97.210 |

b) Other long-term receivables

| | 31 st December 2014 | 31 st December 2013 |
|---|--------------------------------|--------------------------------|
| Other receivables from non-related parties | 301.369 | 501.690 |
| Deposits and guarantees given | 301.369 | 501.690 |
| Total | 301.369 | 501.690 |

c) Other short-term payables

| | 31 st December 2014 | 31 st December 2013 |
|--|--------------------------------|--------------------------------|
| Other payables to related parties (Note 6) | - | - |
| Other payables to non-related parties | 2.437.953 | 2.136.265 |
| Taxes and funds payable | 971.072 | 810.052 |
| SSI premiums payable | 1.460.692 | 1.257.149 |
| Matured, delayed or deferred tax by installments and other liabilities | 6.189 | 69.064 |
| Total | 2.437.953 | 2.136.265 |

d) Other long-term payables

There is no other long-term payables. (December 31, 2013: Not available)

NOTE 10 - INVENTORIES

Details of inventories are as follows;

| | 31 st December 2014 | 31 st December 2013 |
|----------------------------|--------------------------------|--------------------------------|
| Raw materials and supplies | 41.298.673 | 38.004.592 |
| Semi-finished goods | 26.871.334 | 22.730.512 |
| Finished goods | 31.394.816 | 31.278.935 |
| Trade goods | 14.093.645 | 11.648.262 |
| Other inventories | 2.561.178 | 2.189.740 |
| Total | 116.219.646 | 105.852.041 |

Total insurance amount on inventories is TL 122.195.846. (December 31, 2013 – TL 93.106.280)

NOTE 11 - BIOLOGICAL ASSETS

Not available. (December 31, 2013: Not available.)

NOTE 12 - PREPAID EXPENSES AND DEFERRED INCOMES

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

| | 31 st December 2014 | 31 st December 2013 |
|---|--------------------------------|--------------------------------|
| Prepaid expenses of related parties (Note 6) | 1.392 | - |
| Order advances given to related parties | 1.392 | - |
| Prepaid expenses of non-related parties | 2.214.742 | 2.874.505 |
| Order advances given to suppliers | 1.342.909 | 1.524.555 |
| Work advances | 608.394 | 948.432 |
| Prepaid expenses for future months | 642.110 | 475.561 |
| Provision for doubtful receivables related to work advances | (304.534) | (304.534) |
| Provision for doubtful receivables related to order advances given to suppliers | (81.887) | (108.966) |
| Advances given to personnel | 7.750 | 339.457 |
| Total | 2.216.134 | 2.874.505 |

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

| | 31 st December 2014 | 31 st December 2013 |
|--|--------------------------------|--------------------------------|
| Order advances received from related parties (Note 6) | 3.016.611 | 741.122 |
| Adesa Deri | 3.016.611 | 741.122 |
| Other payables to non-related parties | 1.508.131 | 277.378 |
| Order advances received | 1.508.131 | 236.475 |
| Other advances | - | 40.903 |
| Total | 4.524.742 | 1.018.500 |

NOTE 13 - INVESTMENT PROPERTIES

Not available. (December 31, 2013: 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, 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 | - | - | 14.319.152 |
| Machinery, Equipment | 4.861.822 | 226.976 | (34.328) | - | 5.054.470 |
| Vehicles | 1.120.493 | 302.890 | - | - | 1.423.383 |
| Fixtures | 13.156.415 | 1.010.521 | (3.346) | - | 14.163.590 |
| Leasehold improvements | 18.959.180 | 1.998.334 | - | - | 20.957.514 |
| Total | 57.303.804 | 3.574.682 | (37.674) | - | 60.840.812 |
| Accumulated depreciation | | | | | |
| 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) |
| Total | (29.465.943) | (4.172.065) | 37.261 | (180.286) | (33.781.033) |
| Net Value | 27.837.861 | | | | 27.059.779 |

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

b) Movements of tangible fixed assets as of December 31, 2013 are as follows:

| Cost | 01 st January 2013 | Entry | Exit | Transfer/ Adjustment | Valuation Surplus | 31 st December 2013 |
|---------------------------------|-------------------------------|--------------------|------------------|----------------------|-------------------|--------------------------------|
| Lands and Parcels (*) | 4.910.000 | - | - | - | - | 4.910.000 |
| Land improvements | - | - | - | 12.703 | - | 12.703 |
| Buildings (*) | 14.283.191 | - | - | - | - | 14.283.191 |
| Machinery, Equipment | 4.717.433 | 157.344 | - | (12.955) | - | 4.861.822 |
| Vehicles | 1.108.302 | 40.690 | (28.499) | - | - | 1.120.493 |
| Fixtures | 12.420.790 | 835.538 | (111.493) | 11.580 | - | 13.156.415 |
| Leasehold improvements | 18.217.803 | 864.458 | (111.753) | (11.328) | - | 18.959.180 |
| Total | 55.657.519 | 1.898.030 | (251.745) | - | - | 57.303.804 |
| Accumulated depreciation | | | | | | |
| Land improvements | - | (638) | - | (5.460) | - | (6.098) |
| Buildings | (1.238.291) | (189.956) | - | - | (180.285) | (1.608.532) |
| Machinery, Equipment | (2.911.778) | (400.956) | - | - | - | (3.312.734) |
| Vehicles | (841.530) | (87.440) | 19.316 | - | - | (909.654) |
| Fixtures | (7.929.278) | (1.328.889) | 67.610 | - | - | (9.190.557) |
| Leasehold improvements | (12.143.468) | (2.369.439) | 69.079 | 5.460 | - | (14.438.368) |
| Total | (25.064.345) | (4.377.318) | 156.005 | - | (180.285) | (29.465.943) |
| Net Value | 30.593.174 | | | | | 27.837.861 |

Total insurance amount on fixed assets is TL 106.479.446 as of December 31, 2013.

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

Not available. (December 31, 2013: Not available)

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

Not available. (December 31, 2013: 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, 2014 are as follows:

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

b) Movements of intangible fixed assets as of December 31, 2013 are as follows:

| Cost | 01 st January 2013 | Entry | Exit | 31 st December 2013 |
|---------------------------------|-------------------------------|-----------------|------|--------------------------------|
| Rights | 1.135.012 | - | - | 1.135.012 |
| Total | 1.135.012 | | | 1.135.012 |
| Accumulated depreciation | | | | |
| Rights | (274.282) | (84.913) | - | (359.195) |
| Total | (274.282) | (84.913) | - | (359.195) |
| Net Value | 860.730 | | | 775.817 |

NOTE 18 – GOODWILL

Not available. (December 31, 2013: Not available)

NOTE 19 – RESEARCH AND EVALUATION OF MINERAL RESOURCES

Not available. (December 31, 2013: Not available)

NOTE 20 – LEASING TRANSACTIONS

a) Financial Leasing Transactions

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

| | 31 st December 2014 | 31 st December 2013 |
|--|--------------------------------|--------------------------------|
| Financial leasing payables | 105.005 | - |
| Deferred leasing interest payables (-) | (2.787) | - |
| Financial leasing payable (Net) (*) | 102.218 | - |

(*) Whole of TL 102.218 is financial leasing payables in Euro as of December 31, 2014. (December 31, 2013: Not available) (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:

| | 31 st December 2014 | 31 st December 2013 |
|--|--------------------------------|--------------------------------|
| Car rental expenses | 357.910 | 428.887 |
| Shop rental expenses | 23.040.385 | 18.964.979 |
| Administrative buildings rental expenses (*) | 927.722 | 834.124 |
| Total | 24.326.018 | 20.227.990 |

(*) 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:

| | 31 st December 2014 | 31 st December 2013 |
|--------------------------------------|--------------------------------|--------------------------------|
| Less than a year | 17.821.879 | 12.376.181 |
| More than a year – Less than 5 years | 24.077.965 | 24.916.293 |
| More than 5 years | 3.406.353 | - |
| Total | 45.306.197 | 37.292.474 |

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

| | 31 st December 2014 | 31 st December 2013 |
|--------------------------------------|--------------------------------|--------------------------------|
| Less than a year | 222.765 | 225.314 |
| More than a year – Less than 5 years | 136.059 | 235.754 |
| Total | 358.824 | 461.068 |

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 722.512. (December 31, 2013: TL 518.077). The term of contracts for leasing is one year or less.

NOTE 21 – PREFERRED SERVICE CONTRACTS

Not available. (December 31, 2013: Not available)

NOTE 22 – IMPAIRMENT OF ASSETS

Since Desa International Limited and Leather Fashion which are subsidiaries as of December 31, 2014 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 29.602.000 as of December 31, 2014 under those licenses and benefited from VAT incentive related to those purchases. (December 31, 2013 – USD 34.365.117).

b) Right to benefit from the Turquality incentive amounting to TL 2.354.265 has been entitled during the period of 12 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 2.608.556 has been entitled as from December 31, 2013.)

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. Right to benefit from incentive in the amount of TL 824.392 has been entitled to the Company as from December 31, 2014. (December 31, 2013: TL 689.591)

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 applicable for workers in Çorlu factory, Sefaköy factory and stores and recorded as revenue as of December 31, 2014 is TL 1.617.893. (December 31, 2013: TL 1.477.726)

NOTE 24 – BORROWING COSTS

The total borrowings costs suffered as from December 31, 2014 are amounting to TL 4.058.368 and are registered directly as expenses. (December 31, 2013: TL 10.439.290 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:

| | 31 st December 2014 | 31 st December 2013 |
|-----------------------|--------------------------------|--------------------------------|
| Provisions for Leaves | 1.844.095 | 1.822.712 |
| Total | 1.844.095 | 1.822.712 |

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

| | 2014 | 2013 |
|--|------------------|------------------|
| Beginning of period | 1.822.712 | 1.740.767 |
| Increase within the Period (+) | 21.383 | 81.945 |
| Provisions cancelled within the Period (-) | - | - |
| End of period | 1.844.095 | 1.822.712 |

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

| | 31 st December 2014 | 31 st December 2013 |
|------------------------|--------------------------------|--------------------------------|
| Provision for Lawsuits | 510.281 | 272.720 |
| Other | 52.698 | - |
| Total | 562.979 | 272.720 |

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

| | 31 st December 2014 | 31 st December 2013 |
|------------------------------------|--------------------------------|--------------------------------|
| Provisions for seniority indemnity | 2.496.143 | 2.076.116 |
| Total | 2.496.143 | 2.076.116 |

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 3.438,22 as of December 31, 2014 (December 31, 2013: TL 3.254,44).

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, 2014, 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 2.86 % (December 31, 2013: 4.76 %) according to the assumptions of an annual inflation of 5.00 % (December 31, 2013: 5.00%) and of a discount rate of 8.00% (31st December 2013: 10.00%). 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:

| | 31 st December 2014 | 31 st December 2013 |
|----------------------------|--------------------------------|--------------------------------|
| Beginning of period | 2.076.116 | 1.838.958 |
| Service cost | 1.842.563 | 1.147.060 |
| Interest cost | 96.977 | 78.122 |
| Indemnities paid | (1.649.057) | (1.183.270) |
| Actuarial (Gain) / Loss | 129.544 | 195.246 |
| End of period | 2.496.143 | 2.076.116 |

d) Guarantees Received and Given

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

| | 31 st December 2014 | 31 st December 2013 |
|----------------------|--------------------------------|--------------------------------|
| Letters of Guarantee | 450.000 | 518.000 |
| Guarantee Checks | - | 30.000 |
| Surety Bonds | 760.000 | 560.000 |
| Total | 1.210.000 | 1.108.000 |

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

| | 31 st December 2014 | 31 st December 2013 |
|-----------------------------|--------------------------------|--------------------------------|
| Letters of Guarantee | 7.619.034 | 7.651.910 |
| TL | 3.968.728 | 4.398.948 |
| USD | 1.226.612 | 1.086.256 |
| EURO | 2.423.694 | 2.166.706 |
| Surety Bonds Given | 9.224.297 | 8.537.200 |
| USD | - | 8.537.200 |
| EURO (*) (**) | 9.224.297 | - |
| Mortgage Bonds | - | 12.805.800 |
| USD | - | 12.805.800 |
| Deposits Given | 30 | 30 |
| TL | 30 | 30 |
| Total | 16.843.361 | 28.994.940 |

(*) TL 8.955.723 out of TL 9.224.297, the amount of the surety bonds in Euro given by the Company has been provided as the collateral for loans totally amounting to EUR 3.175.000 extended by Eximbank. (December 31, 2013: TL 8.537.200 TL (USD 4.000.000)).

(**) The Company has given surety bonds of TL 268.574 (Euro 95.215) to İş Finansal Kiralama A.Ş.

dc) The Company’s guarantee/pledge/mortgage position table is as follows as of December 31, 2014 and December 31, 2013.

| GPMs given by the Company | 31st December 2014 | 31st December 2013 |
|--|--------------------------------------|--------------------------------------|
| A. Total Amount of GPMs given on behalf of its own Legal Entity | 16.843.331 | 28.994.910 |
| B. Total Amount of GPMs given in favor of Ventures included in Full Consolidation | - | - |
| C. Total Amount of GPMs given to Guarantee Liability of Other 3 rd Parties for purposes of carrying out Ordinary Business Activities | - | - |
| D. Total Amount of Other GPMs Given | 30 | 30 |
| 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 3 rd Parties not included in Item C | 30 | 30 |
| Total | 16.843.361 | 28.994.940 |

Ratio of other GPMs given by the Company to the equity of the Company is 0.000044% as of December 31, 2014. (December 31, 2013: 0.000047%)

dd) Forward exchange and option contracts: See Note 46

NOTE 26 – COMMITMENTS

Not available. (December 31, 2013: Not available)

NOTE 27 – PAYABLES WITHIN EMPLOYEE BENEFITS

| | 31 st December 2014 | 31 st December 2013 |
|----------------------------|--------------------------------|--------------------------------|
| Accrued Wages of Employees | 3.272.386 | 3.552.557 |
| Total | 3.272.386 | 3.552.557 |

NOTE 28– OTHER EXPENSES BASED ON THEIR NATURE

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

| | 1 st January 2014 31 st December 2014 | 1 st January 2013 31 st December 2013 |
|---------------------------------------|--|--|
| Wage Expenses | (62.400.830) | (56.925.279) |
| For Production Cost | (32.954.047) | (30.429.052) |
| For General Management | (7.674.334) | (7.685.950) |
| For Marketing, Sales and Distribution | (21.139.196) | (18.043.633) |
| For Research and Development | (633.253) | (766.644) |
| Depreciation Expenses | (4.249.700) | (4.462.231) |
| For Production Cost | (687.883) | (663.448) |
| For General Management | (987.256) | (1.232.881) |
| For Marketing, Sales and Distribution | (2.568.288) | (2.565.902) |
| For Research and Development | (6.273) | - |
| Total | (66.650.530) | (61.387.510) |

NOTE 29– OTHER ASSETS AND LIABILITIES

Details of other current assets are as follows:

| | 31 st December 2014 | 31 st December 2013 |
|-------------------------------------|--------------------------------|--------------------------------|
| Accrued Turquality Incentive Income | 3.401.282 | 1.623.504 |
| Other VAT | 186.022 | 287.013 |
| Other current assets | 42.697 | 41.100 |
| Total | 3.630.001 | 1.951.617 |

NOTE 30 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Equity Details

Equity of the Company as of December 31, 2014 is TL 68.103.414 (December 31, 2013 – TL 63.617.168) and its details are as follows:

| | 31 st December 2014 | 31 st December 2013 |
|---|--------------------------------|--------------------------------|
| Paid in capital | 49.221.970 | 49.221.970 |
| Adjustment Differences of Capital Accounts | 5.500.255 | 5.500.255 |
| Revaluation and Measurement Gains/Losses | 9.023.029 | 9.194.301 |
| Actuarial (Gain) / Loss relating to Employee Benefits | (437.062) | (333.427) |
| Reserves on Retained Earnings | 952.952 | 952.952 |
| Previous Period Profit/Loss | (918.883) | 2.002.042 |
| Net Profit/Loss for the Period | 4.761.153 | (2.920.925) |
| Equity | 68.103.414 | 63.617.168 |

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, 2013: TL 49.221.970) and has been divided into 4.922.196.986 (December 31, 2013: 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, 2014 and December 31, 2013 are as follows at their book value:

| | 31 st December 2014 | | 31 st December 2013 | |
|--------------------|--------------------------------|-------------------|--------------------------------|-------------------|
| 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 |
| Total | 100,00% | 49.221.970 | 100,00% | 49.221.970 |

(*)The share with a nominal value of TL 4.041.090, representing 8.21% of the capital in the free float belongs to Çelet Holding A.Ş. and the share with a nominal value of TL 2.744.094, representing 5.57% 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, 2014. (December 31, 2013: TL 5.500.255)

d) Revaluation and Measurement Gains/Losses

The tangible fixed asset revaluation surplus of TL 9.023.029 (December 31, 2013: TL 9.194.301) 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 |
| Depreciation Impact as of December 31, 2014 | (360.572) | 18.029 | (342.543) |
| Total | 9.497.926 | (474.897) | 9.023.029 |

As of December 31, 2013:

| | 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 |
| Depreciation Impact as of December 31, 2013 | (180.285) | 9.014 | (171.271) |
| Total | 9.678.213 | (483.912) | 9.194.301 |

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

| | 31 st December 2014 | | 31 st December 2013 | |
|--|--------------------------------|------------------|--------------------------------|------------------|
| Opening balance (Net) | | (333.427) | | (177.230) |
| Remeasurement Losses of Current Period Defined Benefit Plans (Net) | | (103.635) | | (156.197) |
| Current Period Actuarial Difference | (129.544) | | (195.246) | |
| Deferred Tax of Current Period Actuarial Difference | 25.909 | | 39.049 | |
| Total | | (437.062) | | (333.427) |

f) Reserves on Retained Earnings

| | 31 st December 2014 | 31 st December 2013 |
|------------------------|--------------------------------|--------------------------------|
| Primary Legal Reserves | 952.952 | 952.952 |
| Total | 952.952 | 952.952 |

g) Previous Period Profit/Loss

| | 31 st December 2014 | 31 st December 2013 |
|--|--------------------------------|--------------------------------|
| Accumulated Profit / Loss Opening | 2.002.042 | 2.457.251 |
| Transfer from Retained Net Profit / Loss | (2.920.925) | 3.006.185 |
| Affiliates Capital Adjustment | - | (344.545) |
| Dividend Distribution | - | (3.000.000) |
| Primary Legal Reserves | - | (113.680) |
| Retained Tax Adjustments | - | (3.169) |
| Previous Period Profit/Loss | (918.883) | 2.002.042 |

NOTE 31 - REVENUE

| | 1 st January 2014 31 st December 2014 | 1 st January 2013 31 st December 2013 |
|---------------------------------|--|--|
| Domestic Sales | 165.982.669 | 139.327.638 |
| Export Sales | 117.362.179 | 102.864.819 |
| Other Incomes | 85.261 | 309.438 |
| Gross Sales | 283.430.109 | 242.501.895 |
| Returns (-) | (6.315.734) | (5.982.776) |
| Sales Discounts (-) | (62.629.799) | (51.395.376) |
| Discounts (-) | (3.192.988) | (1.974.331) |
| Net Sales | 211.291.588 | 183.149.412 |
| Cost of Sales (-) | (135.296.503) | (114.479.281) |
| Operating Income (Net) | 75.995.085 | 68.670.131 |

NOTE 32 - CONSTRUCTION CONTRACTS

Not available. (December 31, 2013: Not available)

NOTE 33 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

| | 1 st January 2014 31 st December 2014 | 1 st January 2013 31 st December 2013 |
|--|--|--|
| General Administrative Expenses | (13.223.701) | (12.924.945) |
| Marketing, Sales and Distribution Expenses | (62.440.487) | (53.706.644) |
| Research and Development Expenses | (1.500.297) | (1.728.476) |
| Total | (77.164.485) | (68.360.065) |

a) Details of general administrative expenses are as follows:

| | 1 st January 2014 31 st December 2014 | 1 st January 2013 31 st December 2013 |
|--|--|--|
| Personnel Expenses | (7.674.334) | (7.685.950) |
| Consultancy Expenses | (1.401.149) | (551.609) |
| Depreciation Expenses | (987.256) | (1.232.881) |
| Rental Expenses | (963.476) | (946.274) |
| Travel and Transport Expenses | (568.696) | (491.883) |
| Utility and Fuel Oil Expenses | (410.064) | (368.885) |
| Taxes and Other Legal Duties | (288.891) | (212.646) |
| Insurance, Repair & Maintenance Expenses | (242.045) | (132.820) |
| Non-deductible Expenses | (121.317) | (60.740) |
| Communication Expenses | (117.738) | (110.995) |
| Stationery and Advertising Expenses | (72.502) | (77.311) |
| Donations and Grants | (70.150) | (160.247) |

| | | |
|---|---------------------|---------------------|
| Representation and Entertainment Expenses | (37.420) | (108.187) |
| Employee Benefits | - | (534.049) |
| Other | (268.123) | (250.468) |
| Total | (13.223.701) | (12.924.945) |

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

| | 1st January 2014 31st December 2014 | 1st January 2013 31st December 2013 |
|---|--|--|
| Real Estate Rental Expenses | (23.040.385) | (18.964.979) |
| Personnel Expenses | (21.139.196) | (18.043.633) |
| Advertising Expenses | (3.094.600) | (2.966.344) |
| Maintenance & Repair Insurance Expenses | (2.744.962) | (1.128.519) |
| Depreciation Expenses | (2.568.288) | (2.565.902) |
| Bank Charge Expenses | (2.191.865) | (1.924.987) |
| Utility Expenses | (1.607.931) | (1.592.087) |
| Cargo Expenses | (1.522.624) | (1.796.678) |
| Product, Repair and Export Duty Expenses | (652.467) | (587.434) |
| Shelf, Sign and Printed Material Expenses | (646.852) | (732.317) |
| Travel Expenses | (443.582) | (357.904) |
| Transport Expenses | (393.560) | (171.719) |
| Taxes and Other Legal Duties | (369.176) | (384.733) |
| Overseas Fair Attendance Expenses | (359.523) | (251.336) |
| Insurance Expenses | (285.981) | (305.064) |
| Phone, Fax and Data Line | (110.671) | (212.260) |
| Representation and Entertainment Expenses | (32.836) | (74.400) |
| Promotion Expenses | (16.567) | (14.817) |
| Employee Benefits | - | (647.399) |
| Other | (1.219.421) | (984.132) |
| Total | (62.440.487) | (53.706.644) |

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

| | 1st January 2014 31st December 2014 | 1st January 2013 31st December 2013 |
|---|--|--|
| Design and Modeling Expenses | (682.734) | (762.914) |
| Personnel Expenses | (633.253) | (766.644) |
| Travel Expenses | (99.383) | (78.691) |
| Representation and Entertainment Expenses | (25.033) | (65.736) |
| Maintenance Repair Expenses | (19.670) | (3.993) |
| Utility Expenses | (17.236) | (13.892) |
| Depreciation Expenses | (6.273) | - |
| Employee Benefits | - | (11.035) |
| Other | (16.715) | (25.571) |
| Total | (1.500.297) | (1.728.476) |

NOTE 34 - OTHER OPERATING INCOMES AND EXPENSES

a) Details of other operating incomes are as follows:

| | 1st January 2014 31st December 2014 | 1st January 2013 31st December 2013 |
|---------------------------------|--|--|
| Exchange Profits | 5.035.732 | 1.736.622 |
| Subsidy (SSI and Withholding) | 2.442.286 | 2.167.317 |
| Subsidy (Turquiality and ITKIB) | 2.354.265 | 1.616.416 |
| Cancelled Import | 1.813.746 | 766.037 |
| Cargo Logistics Service Incomes | 1.387.743 | 1.004.063 |
| Rental Incomes | 744.022 | 444.658 |
| Deferred Finance Incomes | 555.319 | 344.231 |
| Expense Contribution Incomes | 499.752 | 679.416 |
| Damages Income | 192.847 | - |
| Interest Incomes | 161.312 | 41.955 |

| | | |
|--|-------------------|------------------|
| Price Differences | 134.105 | 22.085 |
| Provisions No Longer Required | 38.833 | 9.607 |
| Advertising and Marketing Support Contribution Fee | 15.671 | 4.480 |
| Delay Interest Incomes | - | 8.341 |
| Other | 321.876 | 944.757 |
| Total | 15.697.507 | 9.789.985 |

b) Details of other operating expenses are as follows:

| | 1st January 2014 31st December 2014 | 1st January 2013 31st December 2013 |
|---|--|--|
| Exchange Losses | (5.066.446) | (2.974.496) |
| Provision Expenses (Trade Receivables) | (833.808) | (83.550) |
| Rediscount Expense | (298.354) | (319.823) |
| Provision for Lawsuits Expenses | (237.561) | (42.038) |
| Commission Expenses | (145.174) | - |
| Previous Period Expenses | (66.814) | (12.139) |
| Provision Expenses (Order advances given) | (5.948) | (10.521) |
| Sales Premium Commission | - | (246.297) |
| Other | (21.542) | (22.184) |
| Total | (6.675.647) | (3.711.048) |

NOTE 35 - INCOMES AND EXPENSES FROM INVESTING ACTIVITIES

| | 1st January 2014 31st December 2014 | 1st January 2013 31st December 2013 |
|-------------------------------|--|--|
| Income from Fixed Asset Sales | 36.285 | 179.161 |
| Total | 36.285 | 179.161 |

NOTE 36 - EXPENSES CLASSIFIED ON KIND BASIS

See, Note 33

NOTE 37 - FINANCING EXPENSES

| | 1st January 2014 31st December 2014 | 1st January 2013 31st December 2013 |
|-------------------------------------|--|--|
| Loan Interest Expense | (1.810.375) | (1.843.138) |
| Loan Exchange Difference Expenses | (2.737.205) | (6.680.453) |
| Loan Exchange Difference Incomes | 1.794.559 | - |
| Import / Export Costs | (458.236) | (267.810) |
| Credit Card Commission | (413.106) | (322.197) |
| Bank Charges | (251.143) | (186.847) |
| Bank Letter of Guarantee Commission | (145.386) | (125.061) |
| Forward Transaction Loss | - | (999.500) |
| Other Financial Expenses | (37.494) | (14.284) |
| Total | (4.058.368) | (10.439.290) |

NOTE 38 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

See, Note 30/c

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

Not available. (December 31, 2013: Not available)

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

| Current Tax Liability | 31 st December 2014 | 31 st December 2013 |
|-------------------------------------|--------------------------------|--------------------------------|
| Provision for Current Corporate Tax | (199.084) | - |
| Prepaid taxes and funds | - | 197.690 |
| Total Tax Asset/(Liability) | (199.084) | 197.690 |

| Tax Expense in Income Statement | 1 st January 2014 31 st December 2014 | 1 st January 2013 31 st December 2013 |
|--|--|--|
| Provision for current corporate tax | (219.377) | - |
| Deferred tax income / (expense) | (225.476) | 179.691 |
| Total tax income / (expense) | (444.853) | 179.691 |
| Tax income / (expense) for continuing operations | (444.853) | 179.691 |
| Tax income / (expense) for discontinued operations | - | - |
| Total tax income / (expense) | (444.853) | 179.691 |

In Turkey, corporate tax rate is 20%. (2013: 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 2013) 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 177.036 for the current period (December 31, 2013: deferred tax asset of TL 13.516) with the following details;

| | Total Temporary Differences 31 st December 2014 | Deferred Tax Asset/Liability 31 st December 2014 | Total Temporary Differences 31 st December 2013 | Deferred Tax Asset/Liability 31 st December 2013 |
|--|---|--|---|--|
| Rediscount of Buyers | 1.549 | 310 | 53.582 | 10.716 |
| Rediscount of Receivables from Related Parties | 6.833 | 1.367 | 12.197 | 2.439 |
| Rediscount of Credit Cards | 18.838 | 3.768 | 12.214 | 2.443 |
| Rediscount of Notes Receivable | - | - | 2.607 | 521 |
| Expense Accruals | 70.045 | 14.009 | 500.932 | 100.186 |
| Provision for Doubtful Receivables | 952.564 | 190.513 | 863.034 | 172.607 |
| Currency Valuation Differences | - | - | 86.181 | 17.236 |
| Provision for Leaves | 1.844.095 | 368.819 | 1.822.712 | 364.542 |
| Provision for Seniority Indemnity | 2.496.143 | 499.229 | 2.076.116 | 415.224 |
| Provision for Liabilities/Expenses | 510.281 | 102.056 | 272.720 | 54.545 |
| Provision for Financial Investments Impairment | 3.107.074 | 621.415 | 3.107.074 | 621.415 |
| Deferred Tax Asset | 9.007.422 | 1.801.484 | 8.809.369 | 1.761.874 |
| Rediscount of Suppliers | (98.550) | (19.710) | (99.946) | (19.989) |
| Rediscount on Notes payables | (348.475) | (69.695) | (168.383) | (33.677) |
| Rediscount of Payables to Related Parties | (27.691) | (5.538) | (2.805) | (561) |
| Fixed Assets Depreciations | (3.859.041) | (771.808) | (4.380.398) | (876.080) |
| Fixed Assets Increment Value | (9.497.925) | (474.896) | (9.678.213) | (483.911) |
| Financial Liabilities Reduction and Exchange Differences | (70.146) | (14.029) | (47.195) | (9.439) |
| Income Accruals | (3.114.216) | (622.843) | (1.623.504) | (324.701) |
| Deferred Tax Liability | (17.016.044) | (1.978.520) | (16.000.444) | (1.748.358) |
| Deferred Tax Asset (Net) | | (177.036) | | 13.516 |

| Deferred Tax Asset / Liability Movements | 31 st December 2014 | 31 st December 2013 |
|--|--------------------------------|--------------------------------|
| Opening Balance as of 1 st January | 13.516 | (214.238) |
| Deferred Tax Income / (Expense) | (225.476) | 179.691 |
| Actuarial (Gain) / Loss | 25.909 | 39.049 |
| Deferred Tax for Revaluation Surplus (Note 30/c) | 9.015 | 9.014 |
| Closing Balance at the End of Period | (177.036) | 13.516 |

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 | 1 st January 2014 31 st December 2014 | 1 st January 2013 31 st December 2013 |
|--|--|--|
| Net profit / (loss) for the period | 4.761.153 | (2.920.925) |
| Weighted average number of ordinary shares issued | 4.922.196.986 | 4.922.196.986 |
| (Each 1 Kr) | | |
| Profit/(loss) per share from continuing and discontinued operations | 0,0010 | (0,00059) |
| Net profit / (loss) for the period | 4.761.153 | (2.920.925) |
| Less: Profit from discontinued operations during the year | | |
| Net income for the period for calculation of profit per share from continuing operations | 4.761.153 | (2.920.925) |
| Profit / (loss) per share from continuing operations | 0,0010 | (0,00059) |
| Profit from discontinued operations within the period | | |
| Diluted profit/(loss) per share | 0,0010 | (0,00059) |
| Profit / (loss) per share from continuing operations | 0,0010 | (0,00059) |
| Profit per share from discontinued operations | | |

NOTE 42 – SHARE-BASED PAYMENTS

None. (December 31, 2013: Company has paid dividend amounting to TL 3.000.000.)

NOTE 43 – INSURANCE CONTRACTS

Not available. (December 31, 2013: 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:

| | 1 st January 2014 31 st December 2014 | 1 st January 2013 31 st December 2013 |
|---|--|--|
| Financial Expenses | (942.646) | (6.680.453) |
| Loan Exchange Difference Expenses (Note 37) | (942.646) | (6.680.453) |
| Operating Income / Expense | (30.714) | (1.237.874) |
| Foreign Exchange Gains (Note 34/a) | 5.035.732 | 1.736.622 |
| Foreign Exchange Losses (Note 34/b) | (5.066.446) | (2.974.496) |

NOTE 45 – FINANCIAL REPORTING IN HIGH INFLATION ECONOMIES

Not available. (December 31, 2013: Not available)

NOTE 46 – DERIVATIVE FINANCIAL INSTRUMENTS

The details of liabilities relating to derivative financial instruments resulting from the forward contracts concluded by the Company between December 31, 2014 and December 31, 2013 are as follows:

| | 31 st December 2014 | 31 st December 2013 |
|---|--------------------------------|--------------------------------|
| Valuation Differences in respect of Forward Contracts | - | 131.189 |
| Total | - | 131.189 |

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, 2014 and December 31, 2013:

| | 31 st December 2014 | | 31 st December 2013 | |
|-----------------------|--------------------------------|------------------|--------------------------------|----------------|
| Cash | | 257.339 | | 270.352 |
| - TL | 248.205 | | 260.559 | |
| - USD | 2.085 | | 2.133 | |
| - EUR | 7.049 | | 7.587 | |
| - GBP | - | | 73 | |
| Banks | | 1.184.195 | | 465.217 |
| Time Deposit | | | | |
| - TL | 910.000 | | - | |
| Demand Deposit | | | | |
| - TL | 263.660 | | 457.070 | |
| - USD | 1.199 | | 4.361 | |
| - EUR | 1.541 | | 1.753 | |
| - GBP | 7.786 | | 2.024 | |
| - CHF | 9 | | 9 | |
| Total | | 1.441.534 | | 735.569 |

There is a blocked account of TL 8.700 in bank deposits of the Company as of December 31, 2014. (December 31, 2013: TL 9.250)
The Company has time deposit of TL 910.000 with maturity date January 2, 2015 and gross interest rate thereof is 10%. (December 31, 2013: Not available)

c) Financial borrowings

| | 31 st December 2014 | | 31 st December 2013 | |
|---|--------------------------------|-------------------|--------------------------------|-------------------|
| Short-Term Borrowings | | 19.688.649 | | 11.994.541 |
| - Bank Loans | 19.522.662 | | 11.920.898 | |
| - Credit Card Payables | 63.769 | | 73.643 | |
| - Financial Leasing Payables (Net) | 102.218 | | - | |
| Short-Term Parts Of Long-Term Borrowings | | 6.953.979 | | 8.879.386 |
| - Bank Loans | 6.953.979 | | 8.879.386 | |
| Total Short-Term Borrowings | | 26.642.628 | | 20.873.927 |
| Long-Term Borrowings | | 14.964.065 | | 21.386.373 |
| - Bank Loans | 14.964.065 | | 21.386.373 | |
| Total Borrowings | | 41.606.693 | | 42.260.300 |

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

| | 31 st December 2014 | | | 31 st December 2013 | | |
|--------------|--------------------------------|-------------------|----------------------|--------------------------------|-------------------|----------------------|
| Currency | 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 | 4.812.606 | 10.271.544 | 0,95 – 4,59 |
| EURO | 4.182.431 | 11.797.382 | 1,19 – 3,36 | - | - | - |
| TL | - | 5.781.170 | 9,50 – 15,72 | - | 1.649.354 | 8,46 – 9,35 |
| Total | | 19.522.662 | | | 11.920.898 | |

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:

| | 31 st December 2014 | | | 31 st December 2013 | | |
|--------------|--------------------------------|------------------|----------------------|--------------------------------|------------------|----------------------|
| Currency | Amount in Foreign Currency | Amount in TL | Effective Interest % | Amount in Foreign Currency | Amount in TL | Effective Interest % |
| USD | 1.483.245 | 3.439.498 | 4,66 | 2.375.863 | 5.070.804 | 4,51 – 4,70 |
| EURO | 1.245.961 | 3.514.481 | 4,51 | 1.296.980 | 3.808.582 | 4,57 |
| Total | | 6.953.979 | | | 8.879.386 | |

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

| | 31 st December 2014 | | | 31 st December 2013 | | |
|--------------|--------------------------------|-------------------|----------------------|--------------------------------|-------------------|----------------------|
| Currency | Amount in Foreign Currency | Amount in TL | Effective Interest % | Amount in Foreign Currency | Amount in TL | Effective Interest % |
| USD | 3.184.520 | 7.384.584 | 4,66 | 4.845.070 | 10.340.833 | 4,51 – 4,70 |
| EURO | 2.687.092 | 7.579.480 | 4,51 | 3.761.465 | 11.045.540 | 4,57 |
| Total | | 14.964.065 | | | 21.386.373 | |

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, 2014

| 31.12.2014 | Receivables | | | | Deposit in Banks |
|---|-------------------|------------------|-------------------|----------------|------------------|
| | Trade Receivables | | Other Receivables | | |
| | Related Party | Other Party | Related Party | Other Party | |
| Maximum credit risk incurred as of reporting date (A+B+C+D+E) (1) | 5.047.691 | 3.261.803 | - | 375.349 | 1.184.195 |
| - <i>Guaranteed part of maximum risk through security etc.</i> | - | 15.798 | - | - | - |
| A. Net book value of financial assets undue or not impaired | 5.047.691 | 3.261.803 | - | 375.349 | 1.184.195 |
| - <i>Guaranteed part through security etc.</i> | - | 15.798 | - | - | - |
| B. Book value of financial assets of which conditions have been re-discussed, otherwise which would be considered as overdue or impaired (2) | - | - | - | - | - |
| C. Net book value of assets overdue, but not impaired (3) | - | - | - | - | - |
| - <i>Guaranteed part through security etc.</i> | - | - | - | - | - |
| D. Net book values of impaired assets | - | - | - | - | - |
| - Overdue (gross book value) | - | 2.855.876 | - | - | - |
| - Impairment (-) | - | (2.855.876) | - | - | - |
| - <i>Guaranteed part of net value through security etc.</i> | - | - | - | - | - |
| - Undue (gross book value) | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - |
| - <i>Guaranteed part of net value through security etc.</i> | - | - | - | - | - |
| E. 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, 2013

| 31.12.2013 | Receivables | | | | Deposit in Banks |
|--|-------------------|------------------|-------------------|----------------|------------------|
| | Trade Receivables | | Other Receivables | | |
| | Related Party | Other Party | Related Party | Other Party | |
| Maximum credit risk incurred as of reporting date (A+B+C+D+E) (1) | 6.313.114 | 5.715.517 | 60.024 | 538.876 | 465.217 |
| - Guaranteed part of maximum risk through security etc. | - | 10.293 | - | - | - |
| A. Net book value of financial assets undue or not impaired | 6.313.114 | 5.715.517 | 60.024 | 538.876 | 465.217 |
| - Guaranteed part through security etc. | - | 10.293 | - | - | - |
| B. Book value of financial assets of which conditions have been re-discussed, otherwise which would be considered overdue or impaired (2) | - | - | - | - | - |
| C. Net book value of assets overdue, but not impaired (3) | - | - | - | - | - |
| - Guaranteed part through security etc. | - | - | - | - | - |
| D. Net book values of impaired assets | - | - | - | - | - |
| - Overdue (gross book value) | - | 2.027.874 | - | - | - |
| - Impairment (-) | - | (2.027.874) | - | - | - |
| - Guaranteed part of net value through security etc. | - | - | - | - | - |
| - Undue (gross book value) | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - |
| - Guaranteed part of net value through security etc. | - | - | - | - | - |
| E. 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.

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 700.000 as of December 31, 2014. (December 31, 2013: TL 10.293)

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, 2013: 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, 2014 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, 2013: 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, 2013: 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, 2013: 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, 2014 and December 31, 2013. 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 60 days. (December 31, 2013 - 50 Days)

Current Period:

| 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) |
|---|-------------------|---|------------------------|--------------------------|-------------------------|------------------------|
| Non-Derivative Financial Liabilities | 85.494.387 | 85.915.472 | 45.164.235 | 24.135.088 | 16.616.149 | - |
| Bank Loans | 41.504.475 | 43.162.869 | 9.342.763 | 17.203.957 | 16.616.149 | - |
| Leasing Liabilities | 102.218 | 105.005 | 62.986 | 42.019 | - | - |
| Trade Payables | 47.966.680 | 48.441.396 | 41.821.740 | 6.619.656 | - | - |
| Other Payables | 2.437.953 | 2.437.953 | 2.437.953 | - | - | - |

December 31, 2014

Previous Period:

December 31, 2013

| 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) |
|---|-------------------|---|------------------------|--------------------------|-------------------------|------------------------|
| Non-Derivative Financial Liabilities | 85.350.229 | 85.571.363 | 55.901.601 | 8.283.389 | 21.386.373 | - |
| Bank loans | 42.260.300 | 42.213.105 | 12.748.098 | 8.078.634 | 21.386.373 | - |
| Trade Payables | 40.953.664 | 41.221.993 | 41.048.675 | 173.318 | - | - |
| Other Payables | 2.136.265 | 2.136.265 | 2.104.828 | 31.437 | - | - |
| Other Liabilities | - | - | - | - | - | - |
| Derivative Financial Liabilities | 131.189 | 131.189 | 131.189 | - | - | - |
| Derivative Cash Inflows | - | - | - | - | - | - |
| Derivative Cash Outflows | 131.189 | 131.189 | 131.189 | - | - | - |

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.

| 31.12.2014 | 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 |
| 4.Current Assets (1+2+3) | 7.228.200 | 78.415 | 1.541.355 | 745.280 | 218 | 57.961 |
| 5.Trade Receivables | - | - | - | - | - | - |
| 6a. Monetary Financial Assets | - | - | - | - | - | - |
| 6b. Non-Monetary Financial Assets | - | - | - | - | - | - |
| 7.Other | 35.130 | 13.677 | 1.000 | 165 | - | - |
| 8.Fixed Assets (5+6+7) | 35.130 | 13.677 | 1.000 | 165 | - | - |
| 9.Total Assets (4+8) | 7.263.330 | 92.092 | 1.542.355 | 745.445 | 218 | 57.961 |
| 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) | - | - |
| 13.Short-Term Liabilities (10+11+12) | (45.710.834) | (6.060.535) | (10.518.636) | (549.443) | (502) | (30.261) |
| 14.Trade Payables | - | - | - | - | - | - |
| 15.Financial Liabilities | (14.964.064) | (3.184.520) | (2.687.092) | - | - | - |
| 16a. Other Monetary Liabilities | - | - | - | - | - | - |
| 16b. Other Non-Monetary Liabilities | - | - | - | - | - | - |
| 17. Long-Term Liabilities (14+15+16) | (14.964.064) | (3.184.520) | (2.687.092) | - | - | - |
| 18.Total Liabilities (13+17) | (60.674.898) | (9.245.055) | (13.205.728) | (549.443) | (502) | (30.261) |
| 19. Net Asset / (Liability) Position of Off-Balance Sheet Derivatives in Foreign Currency (19a-19b) | - | - | - | - | - | - |
| 19a. Amount of Off-Balance Active Derivatives in Foreign Currency | - | - | - | - | - | - |
| 19b. Amount of Off-Balance Passive Derivatives in Foreign Currency | - | - | - | - | - | - |
| 20. Net Asset/(Liability) Position in Foreign Currency (9-18+19) | (53.411.568) | (9.152.963) | (11.663.963) | 196.002 | (284) | 27.700 |
| 21. Monetary Items Net Asset / (Liability) Position in Foreign Currency (IFRS 7.B23 (=1+2a+5+6a-10-11-12a-14-15-16a)) | (53.938.825) | (9.220.953) | (11.731.842) | 152.090 | (498) | (30.261) |
| 22. Total Fair Value of Financial Instruments Used for Currency Hedging | - | - | - | - | - | - |
| 23. Amount of Hedged Part of Foreign Currency Assets | - | - | - | - | - | - |
| 24. Amount of Hedged Part of Foreign Currency Liabilities | - | - | - | - | - | - |
| 25.Export | 114.546.075 | 640.276 | 32.789.841 | 5.720.373 | - | - |
| 26.Import | 69.666.947 | 7.547.547 | 18.050.360 | 184.506 | 47.242 | 246.165 |

(*) The equivalents of respective export and import amounts in Turkish Lira are expressed at market exchanges rate in effect on purchase or sales dates.

| 31.12.2013 | Equivalent in TL (Functional Currency) | USD | Euro | CHF | GBP | OTHER |
|--|--|---------------------|--------------------|-----------------|-------------------|---------------------|
| 1.Trade Receivables | 6.728.385 | 5.845 | 1.283.450 | - | 839.283 | - |
| 2a. Monetary Financial Assets (including Cash and Bank Accounts) | 17.940 | 3.045 | 3.183 | 4 | 598 | - |
| 2b. Non-Monetary Financial Assets | - | - | - | - | - | - |
| 3.Other | 443.628 | 44.283 | 104.900 | 615 | 11.279 | - |
| 4.Current Assets (1+2+3) | 7.189.953 | 53.173 | 1.391.553 | 619 | 851.160 | - |
| 5.Trade Receivables | - | - | - | - | - | - |
| 6a. Monetary Financial Assets | - | - | - | - | - | - |
| 6b. Non-Monetary Financial Assets | - | - | - | - | - | - |
| 7.Other | - | - | - | - | - | - |
| 8.Fixed Assets (5+6+7) | - | - | - | - | - | - |
| 9.Total Assets (4+8) | 7.189.953 | 53.173 | 1.391.553 | 619 | 851.160 | - |
| 10.Trade Payables | (20.633.503) | (1.398.048) | (3.317.746) | (56.025) | (75.794) | (21.597.431) |
| 11.Financial Liabilities | (19.150.930) | (7.188.469) | (1.296.980) | - | - | - |
| 12a. Other Monetary Liabilities | - | - | - | - | - | - |
| 12b.Other Non-Monetary Liabilities | (4.429) | (1.783) | - | - | (178) | - |
| 13.Short-Term Liabilities (10+11+12) | (39.788.862) | (8.588.300) | (4.614.726) | (56.025) | (75.972) | (21.597.431) |
| 14.Trade Payables | - | - | - | - | - | - |
| 15.Financial Liabilities | (21.386.373) | (4.845.070) | (3.761.465) | - | - | - |
| 16a. Other Monetary Liabilities | - | - | - | - | - | - |
| 16b. Other Non-Monetary Liabilities | - | - | - | - | - | - |
| 17. Long-Term Liabilities (14+15+16) | (21.386.373) | (4.845.070) | (3.761.465) | - | - | - |
| 18.Total Liabilities (13+17) | (61.175.235) | (13.433.370) | (8.376.191) | (56.025) | (75.972) | (21.597.431) |
| 19. Net Asset / (Liability) Position of Off-Balance Sheet Derivatives in Foreign Currency (19a-19b) | - | - | - | - | - | - |
| 19a. Amount of Off-Balance Active Derivatives in Foreign Currency | - | - | - | - | - | - |
| 19b. Amount of Off-Balance Passive Derivatives in Foreign Currency | - | - | - | - | - | - |
| 20. Net Asset/(Liability) Position in Foreign Currency (9-18+19) | (53.985.282) | (13.380.197) | (6.984.638) | (55.406) | 775.188 | (21.597.431) |
| 21. Monetary Items Net Asset / (Liability) Position in Foreign Currency (IFRS 7.B23 (=1+2a+5+6a-10-11-12a-14-15-16a)) | (54.424.481) | (13.422.697) | (7.089.558) | (56.021) | 764.087 | (21.597.431) |
| 22. Total Fair Value of Financial Instruments Used for Currency Hedging | - | - | - | - | - | - |
| 23. Amount of Hedged Part of Foreign Currency Assets | - | - | - | - | - | - |
| 24. Amount of Hedged Part of Foreign Currency Liabilities | - | - | - | - | - | - |
| 25.Export | 118.847.410 | 223.815 | 28.250.573 | - | 10.084.842 | - |
| 26.Import | 73.345.469 | 34.365.117 | - | - | - | - |

(* 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, 2013.

Exchange rate sensitivity analysis tables as of December 31, 2014 and December 31, 2013 are as follows:

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

December 31, 2013

| Exchange Rate Sensitivity Analysis Table | | | | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Current Period | Profit/Loss | | Equity | |
| | Appreciation of Foreign Currency | Depreciation of Foreign Currency | Appreciation of Foreign Currency | Depreciation of Foreign Currency |
| In case of 10% change in USD exchange rate: | | | | |
| 1 - Net asset/liability in USD | (2.855.736) | 2.855.736 | - | - |
| 2 - Amount protected from USD risk (-) | | | | |
| 3 - USD Net Effect (1+2) | (2.855.736) | 2.855.736 | - | - |
| In case of 10% change in Euro exchange rate: | | | | |
| 4 - Net asset/liability in Euro | (2.051.045) | 2.051.045 | - | - |
| 5 - Amount protected from Euro risk (-) | | | | |
| 6 - Euro Net Effect (4+5) | (2.051.045) | 2.051.045 | - | - |
| In case of 10% change in Swiss Franc exchange rate on average: | | | | |
| 7 - Net asset/liability in Swiss Franc | (13.241) | 13.241 | - | - |
| 8 - Amount protected from Swiss Franc risk (-) | | | | |
| 9 - Swiss Franc Net Effect (7+8) | (13.241) | 13.241 | - | - |
| In case of 10% change in British Pound exchange rate on average: | | | | |
| 10 - Net asset/liability in British Pound | 272.199 | (272.199) | - | - |
| 11 - Amount protected from British Pound risk (-) | | | | |
| 12 - British Pound Net Effect (10+11) | 272.199 | (272.199) | - | - |
| In case of 10% change in Norwegian Krone exchange rate on average: | | | | |
| 13 - Net asset/liability in Norwegian Krone | (750.705) | 750.705 | - | - |
| 14 - Amount protected from Norwegian Krone risk (-) | | | | |
| 15 - Norwegian Krone Net Effect (10+11) | (750.705) | 750.705 | - | - |
| TOTAL (3+6+9+12+15) | (5.398.528) | 5.398.528 | - | - |

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 | 26.549.068 | 11.994.540 |
| Financial Liabilities | Financial Leasing Payables | 102.218 | - |
| Floating Rate Financial Instruments | | | |
| Financial Liabilities | Bank Loans | 14.955.407 | 30.265.760 |

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 475.771. (December 31, 2013: TL 151.329)

48.4 Sensitivity Analysis for Other Risks:

Not available. (December 31, 2013: 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 |
|--------------------------------------|--|-------------------------|-------------------------------------|---|---|------------|--------------|------|
| 31st December 2014 | | | | | | | | |
| Financial Assets | | | | | | | | |
| 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 |
| Financial investments | - | - | 7.685.475 | - | - | 7.685.475 | 7.685.475 | 4 |
| Financial Liabilities | | | | | | | | |
| Financial Payables | - | - | - | - | 41.606.693 | 41.606.693 | 41.606.693 | 47 |
| Trade Payables | - | - | - | - | 47.966.680 | 47.966.680 | 47.966.680 | 7 |
| Other Payables | - | - | - | - | 2.437.953 | 2.437.953 | 2.437.953 | 9 |
| 31st December 2013 | | | | | | | | |
| Financial Assets | | | | | | | | |
| Cash and cash equivalents | 735.569 | - | - | - | - | 735.569 | 735.569 | 47 |
| Trade receivables | - | 12.028.631 | - | - | - | 12.028.631 | 12.028.631 | 7 |
| Financial investments | - | - | 2.665.364 | - | - | 2.665.364 | 2.665.364 | 4 |
| Financial Liabilities | | | | | | | | |
| Financial Payables | - | - | - | - | 42.260.300 | 42.260.300 | 42.260.300 | 47 |
| Trade Payables | - | - | - | - | 40.953.664 | 40.953.664 | 40.953.664 | 7 |
| Other Payables | - | - | - | - | 2.136.265 | 2.136.265 | 2.136.265 | 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, 2014 and December 31, 2013 are as follows:

December 31, 2014

| Assets | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|---------|-------------------|-------------------|
| Financial Investments | - | - | 7.685.475 | 7.685.475 |
| Investments Valued by Equity Method | - | - | 3.685.309 | 3.685.309 |
| Total Assets | - | - | 11.370.784 | 11.370.784 |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Derivative Financial Instruments | - | - | - | - |
| Total Assets | - | - | - | - |

December 31, 2013

| Assets | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|----------------|------------------|------------------|
| Financial Investments | - | - | 2.665.364 | 2.665.364 |
| Investments Valued by Equity Method | - | - | 2.309.680 | 2.309.680 |
| Total Assets | - | - | 4.975.044 | 4.975.044 |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Derivative Financial Instruments | - | 131.189 | - | 131.189 |
| Total Assets | - | 131.189 | - | 131.189 |

NOTE 50 – EVENTS AFTER THE REPORTING PERIOD

Not available. (December 31, 2013: 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, 2013: Not available)

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

Not available. (December 31, 2013: 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

02.02.2015 – Store Closing

In line with our efficiency focused working principles, 3 stores in total with the title of;

1- “Desa Deri Sanayi ve Ticaret A.Ş. Maltepe Carrefour Shopping Center Branch” in the address Maltepe Carrefour Alışveriş Merkezi Cevizlik Mah. Tugay Yokuşu No:73 Mağaza No:55 Maltepe/İSTANBUL,

2- “Desa Deri Sanayi ve Ticaret A.Ş. Torium Shopping Center Branch” in the address Torium Alışveriş Merkezi Saadetdere Mah. 137. Sk. Haramidere Sanayi Sitesi Karşısı 1. Kat D-59 Esenyurt /İSTANBUL

3- “Desa Deri Sanayi ve Ticaret A.Ş. Gaziantep Forum Shopping Center Samsonite Branch” in the address Gaziantep Forum Alışveriş Merkezi Yaprak Mah. İstasyon Cad. No:76 GF Blok L13/14 Şehitkamil/ Gaziantep were closed.

05.02.2015 – Store Closing

In line with our efficiency focused working principles, our “Desa Deri Sanayi ve Ticaret A.Ş. İstanbul Deniz Otobüsleri Samsonite Branch” in the address İstanbul Deniz Otobüsleri Kennedy Cad. Hızlı Feribot İskelesi No:8A Yenikapı/Fatih/İSTANBUL was closed.

23.02.2015 – Store Closing

In line with our efficiency focused working principles, our “Desa Deri Sanayi ve Ticaret A.Ş. Kızılay Alışveriş Merkezi 2 Numaralı Branch” in the address Kızılay Mahallesi Atatürk Bulvarı No:96 Mağaza No:119 Kızılay/Çankaya-ANKARA was closed.

DESA

DESA

Headquarters and Factory

Halkalı Cad. No: 208

34295 Sefaköy / İstanbul

T. (0212) 473 18 00 (pbx) / (0212) 698 98 12 - 697 57 96

Çorlu Tannery

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

T. (0282) 686 31 39-40 / (0282) 686 40 11

Düzce Factory

1. Organize Sanayi Bölgesi 250 Ada

4. Parsel Beykoz - Düzce

T. (0380) 553 73 01 (7 Hat) / (0380) 553 73 08

Desa Call Center

444 33 72 (444 DESA)

www.desa.com.tr - desa@desa.com.tr

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ANTALYA

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AYDIN

Desa Söke

AFYON

Desa İkbal

BALIKESİR

Desa Susurluk

BOLU

Desa-Highway

BİLECİK

Desa Bozöyük

BURSA

Desa Korupark

DENİZLİ

Desa Forum

DİYARBAKIR

Desa Ceylan Karavil Sitesi

ESKİŞEHİR

Desa Espark

GAZİANTEP

Desa Sankopark
Desa Forum

İSTANBUL

Desa Ataköy Galeria
Desa Beylikdüzü Migros
Desa Beyoğlu
Desa Capitol
Desa Nişantaşı Abdi İpekçi
Desa Suadiye
Desa Olivium
Desa Fabrika
Desa Maltepe Carrefour
Desa Carousel
Desa İdealtepe
Desa Nautilus
Desa Palladium
Desa İstinyepark
Desa Optimum

Desa Viaport

Desa Ataköy Konakları
Desa Torium
Desa Marmara Forum
Desa Airport
Desa Göztepe
Desa Starcity
Desa Buyaka
Desa Cevahir
Desa Hilton
Desa Akbatı
Desa Akasya
Desa Mall Of
Desa Rings
Desa Özdilek
Desa Forum
Desa Kozyatağı Cr.

İZMİR

Desa Egs
Desa Agora
Desa Forum
Desa Bornova
Desa Optimum
Desa Novada

İSKENDERUN

Desa PrimeMall
KAYSERİ
Desa Forum

KONYA

Desa Kent Plaza

MERSİN

Desa Forum

SAMSUN

Desa Lovelet

TEKİRDAĞ

Desa Çorlu Avantaj
Desa Orion

DESA FRANCHISE

Desa Go Muğla
Desa Go Marmaris
Desa Go Alanya
Desa Go Ordu
Desa Go Şanlıurfa
Desa Go Profilo

İNGİLTERE

Desa Covent Garden

DESA SAMSONITE

Ankara, AnkaMall Samsonite
Ankara, Kentpark Samsonite
Ankara, Esenboğa Samsonite
Antalya, Havalimanı Samsonite
Gaziantep, Sankopark Samsonite
Gaziantep, Forum Samsonite
İstanbul Forum Samsonite
İstanbul, Ataköy Konakları Samsonite
İstanbul, İstinyepark Samsonite
İstanbul Palladium Samsonite
İstanbul, Göztepe Samsonite
İstanbul Akbatı Samsonite
İstanbul, City's Samsonite
İstanbul, İdo Yenikapı Samsonite
İzmir, Optimum Samsonite
İzmir, Agora Samsonite
Konya, Kentpark Plaza Samsonite
Bodrum, Palmarina Samsonite
İstanbul, Marmara Park Samsonite
İstanbul, Akasya Samsonite
Antalya, Deepo Samsonite

SAMSONITE JV

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İstanbul, Cevahir
İstanbul, Atatürk Havalimanı
İstanbul, Atatürk Havalimanı 2
İstanbul, Viaport
İstanbul, Buyaka
İstanbul, Marmara Forum
Bursa, Carrefour
Ankara, Armada
Muğla, Dalaman Havalimanı
İzmir, Adnan Menderes Havalimanı İç Hatlar
İzmir, Adnan Menderes Havalimanı Dış Hatlar

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