

*Respects*  
**THE GLOBE**  
*Respected*  
**GLOBALLY**



**Arçelik A.Ş.** / **60<sup>th</sup>** Year

**2015**  
**ANNUAL REPORT**



We remain deeply saddened by the untimely death of Koç Holding Chairman Mustafa V. Koç.

Mustafa V. Koç leaves behind a substantial, highly successful and proud legacy from his 32-year professional career, which included 13 years as Chairman of Koç Holding.

During his tenure as Chairman, groundbreaking investments were undertaken with determination. The Holding's position in the domestic market was reinforced through successful acquisitions. Koç corporate banner was planted in new countries and our international operations expanded. The Holding's and nation's overseas revenues significantly increased through large-scale export projects. Mustafa V. Koç's global vision turned the Holding into one of the world's leading corporations and Koç Holding achieved the honor of being the only Turkish firm on the Fortune 500 list.

During his life, Mustafa V. Koç was committed to the motto of Holding founder Vehbi Koç, "I exist as long as my country exists and prospers". He was not only a leader who took on ambitious business ventures, but also a pioneer in social responsibility projects, which he wholeheartedly embraced to contribute to the nation's social advancement.

Always a firm believer in Turkey's bright future, Mustafa V. Koç leaves behind a permanent mark with his vision, philanthropy, leadership and most important of all, humanitarian values. He was truly a man of the people. A leader who energized and supported his employees, he was also a source of inspiration with his global perspective, determination, values and business ethics.

Going forward, we shall transform Koç Holding from a company with international operations into a truly global company in line with his values, broad vision and dynamism...

We will remember him with respect, affection and gratitude.

**KOÇ GROUP**



**Mustafa V. Koç**  
(1960-2016)





Honesty, integrity, and superior business ethics are the foundations of our business conduct.

We conduct our business based on good intentions, mutual benefit, and fair treatment in all our relationships. We are committed to conforming at all times to the highest ethical and legal standards. We are a leader in serving our society and safeguarding the interests of future generations. Protection of the environment and promotion of a higher level of environmental awareness are our duty to both our country and our planet.

Vehbi KOÇ

*Respects*  
**THE GLOBE**  
*Respected*  
**GLOBALLY**

Arçelik Group's vision of "Respects The Globe, Respected Globally" aims to achieve profitable and sustainable growth; to increase market share in its target market; the globe; to reach more consumers in a fast-changing world with innovative products and services; to safeguard the future with corporate responsibility; and to integrate and optimize the components of the global organization while becoming a global group.

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JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

- Groundbreaking ceremony of the Refrigerator Factory in Thailand, Arçelik A.Ş.'s 15<sup>th</sup> manufacturing facility worldwide, was held.
- Arçelik A.Ş. was listed in the A List: The CDP Climate Performance Leadership Index 2014 which reveals world's best-performing companies within the Carbon Disclosure Project.
- 25<sup>th</sup> anniversary of Beko plc., Arçelik A.Ş. company in UK, was marked.
- Arçelik A.Ş. received the "e-Waste Hero" award with the two new recycling facilities in Eskişehir and Bolu and its AEEE Management System.
- Çerkezköy Electric Motors Plant received the "Advanced Special Award for TPM Achievement" from JIPM (Japan Institute of Plant Maintenance) as the one and only from the electric motors industry. Bolu Cooking Devices Plant also received the "Special Award for TPM Achievement".

- 6. International Beko Dealers Meeting hosted 1240 authorized dealers from all around the world in Istanbul.
- Arçelik was recognized as the Patent League Leader and received the award as the Company with the Highest Number of International Patent Applications at the 4<sup>th</sup> Turkish Patent Awards.
- Arçelik A.Ş. opened up an R&D center at Cambridge Science Park, the first science park in the UK, hosting many globally-operating technology companies and run by the Trinity College, University of Cambridge.
- With the official opening of Beko Balkans D.D.O in Belgrade, the number of Beko sales and marketing companies around the world reached 28.
- Arctic Refrigerator Factory in Romania manufactured its 25 millionth refrigerator.
- Arçelik A.Ş. formed a partnership with CoVii, an R&D company with expertise in digital user interfaces.
- Arçelik A.Ş. 2014 Sustainability Report was issued in compliance with Global Sustainability Initiative's GRI G4 core application level.
- Arçelik A.Ş. was listed in Borsa Istanbul Sustainability Index.





JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

- A special campaign for the 60<sup>th</sup> year of Arçelik A.Ş. , “Whatever You Do, Do It With Love” was launched.
- Arçelik A.Ş. was listed in MSCI’s Global Sustainability Index. The company was among the three companies classified as ‘AA’, the highest rate, and also the only white goods manufacturer in this group.
- Arçelik A.Ş. became a member of “AllSeen Alliance“, a cross-industry consortium dedicated to improve the Internet of Things.
- Arçelik A.Ş. once again attended the IFA Trade Show in Germany and exhibited its most innovative products and technologies at huge booths dedicated to Beko and Grundig brands.
- Eurobasket 2015 was held in a number of European countries and cities with Beko as the Presenting Sponsor.

- Arçelik A.Ş. attended the ‘Climate Action and Green Competitiveness’ Event hosted by the World Bank in Washington.
- Arçelik A.Ş. supported the 4<sup>th</sup> Innovation Week - Turkey event as a strategic partner.
- Beko was the first household appliances brand to be awarded with the ‘Green Brands’ quality award in Germany.
- Arçelik A.Ş. was awarded with “R&D Leadership” and “Technology Development Leadership” awards by the Turkish Exporters Assembly.
- In the International IMP<sup>3</sup>rove Innovation Awards, Arçelik A.Ş. was the only Turkish finalist in the category of large corporations.
- Arçelik A.Ş. established Beko Malaysia Appliances in Malaysia and Vietbeko Co., Ltd. in Vietnam as affiliates.
- Arçelik A.Ş. increased its grade in MSCI Global Sustainability Index series to “AAA” in 2015.
- Arçelik A.Ş. represented Turkey at the United Nations Climate Change Conference (COP21) in Paris.
- Arçelik A.Ş. , was granted with the “Carbon Disclosure Leadership” award by Carbon Disclosure Project Turkey 2015.

## Esteemed Shareholders,

I greet you with respect. I hope our meeting to evaluate the results of the previous year will be productive. Before I begin, I would like to take a moment to remember, with grace and compassion, my son and Chairman of the Board, Mustafa V. Koç, whose sudden death left us with indescribable pain. Once more, I wish condolences and endurance to everyone at Koç Group. I would like to thank all our shareholders, dealers, business partners and employees, who have stood by us and shared sincerely our sorrow.

In 2015, there were important developments in terms of the world economy and markets. The world economy failed to show the expected growth performance. Generally, we witnessed a moderate growth in developed countries and a slowdown in developing economies. While the US economy was able to increase the level of employment, in December the US Federal Reserve Bank's first interest rate increase in 9 years stood out as the most critical development of the year. This development eliminated the major uncertainty that has been hanging over global markets for some time. The European Central Bank announced at the end of the year that they had decided to sustain the monetary expansion program to counteract low inflation and stimulate growth.

Other important developments were the slowdown in China, the world's second biggest economy, and Japan's failure to show any signs of economic recovery. Oil prices dropped and commodity prices decreased due to the slowdown in China, the recovery of the US dollar and an increase in the amount of supply. This development created pressure on the economies of developing countries that export commodities and raw materials, such as Brazil, Russia and South Africa.



Beyond the general trends shaping the global economy in 2015, we witnessed an increase in political and geopolitical risks, particularly in regions close to our country. The effect of the refugee crisis spreading from the Middle East to Europe was one of the main topics that received close attention.

While estimating a gradual recovery for the world economy in 2016, we observe that expectations for a steady and permanent growth are still limited.

It is expected that global capital movements will be shaped according to the interest rate increases of the FED. The slowdown in China, which has transformed from investment and production to a consumption and service based economy, will be followed closely together with the movements of the Chinese currency.

The Turkish economy managed to perform well under challenging conditions and its growth for the end of 2015 is estimated to have been close to 4%. Our current deficit narrowed due to the effect of the rise in exchange rates and the drop in oil prices. Inflation exceeded targets, standing at 8.8%. We bear in mind the positive facts that in a year including two general elections, the budget deficit remained extremely low and fiscal discipline was maintained.

We expect 2016 to be a positive year for the Turkish economy and the global business. We expect that moderate growth in the economy will be maintained as domestic demand and the boom in export markets continue.



## Dear Respected Shareholders,

In 2015, Arçelik A.Ş. experienced a steady and healthy growth. Our financial turnover increased to TRY 14.17 billion and our profits after tax were TRY 893 million. Our company offers products and services in over 130 countries, with 27,000 employees worldwide, 10 brands and 15 production sites located in Turkey, China, South Africa, Romania, Russia and Thailand. Arçelik has held its leading position in Turkey and maintained its third place in Europe's white goods sector.

We are proud of the fact that Beko continues to be the brand with the highest growth in terms of market share in Europe and that, in 2015, it attained the leading position in the standalone white goods market. As well as our pioneering position in UK, we are continuing to rank in the top places of many European markets. Arctic and Defy maintain market leadership by far in Romania and South Africa respectively.

Alongside growth in Europe, Arçelik continues to strengthen its global presence with breakthroughs in new countries. Our Beko refrigerator factory, the foundations of which were laid in Thailand last year, started test manufacturing and we are moving forward with firm steps towards our targets in this region.

As I have always underlined, our Company has been a pioneer in its sector with 100% domestic capital and advanced technology. Its global achievements have made it a source of pride and the shining star of both our Group and our country.

Arçelik A.Ş. has been creating value for our country's economy for 60 years, and the most important factors in this achievement are: experienced and competent employees, superior quality products, reputable brands, a powerful financial structure, an extensive sales force and service network, technology and the skills to do business with many different cultures.

The essential principles of Arçelik are profitable and sustainable growth, creating jobs, payment of taxes, creating value for our shareholders, pioneering R&D studies and consideration to natural, environmental and social factors.

In the period ahead, I am absolutely confident that our company will show growth in the markets where it operates and will further strengthen its position by entering new regions.

I would like to offer my sincere thanks, first to our founder, the deceased Vehbi Koç, and secondly to Mustafa V. Koç, whose untimely death has caused great sadness. He will be gratefully remembered for his contributions to our Group and Arçelik. Finally, I would like to thank our shareholders, dealers, services, suppliers, employees, unions and customers for the trust they have placed in us.

I salute all of you once more with respect, together with confidence that our successful performance will continue throughout 2016.

**RAHMI M. KOÇ**  
Chairman  
Arçelik A. Ş.



## Dear Shareholders, Business Partners and Employees,

I would like to start by sharing my deepest condolences for the sudden loss of Mustafa V. Koç, former Chairman of Koç Holding, who will be fondly remembered. Mustafa V. Koç, a distinguished and visionary business leader, invested unprecedented effort to develop business, society, arts and sports in our country and enabled our group to transform into a powerful industrial conglomerate with a global vision. In addition to his service to the country, he was a role model for many for all kinds of reasons including his modesty, geniality, dynamism and determination. I would like to extend my sincere sympathy to the Koç family, Koç Group and Arçelik. We will cherish his memory and remain committed to reaching his highest targets.

Leveraging this meaningful legacy, I want to introduce you an overview of the global and Turkish economy, along with an outlook of our industry and our activities in 2015. A year of many achievements for Arçelik. Despite the economic instabilities in the world and in Turkey, we secured a steady growth.

The global economy and financial markets have gone through turbulent times; the US Federal Reserve (Fed) increased the interest rate in December for the first time in

nine years, mostly due to positive developments in the US economy, opening the door to a long-awaited new era. The European Central Bank (ECB), struggling with low inflation and weak growth, decided to continue with monetary expansion and kept the interest rates on deposits on the negative side. The lowest growth of the Chinese economy in the last 25 years and the slowing down of its wheels added to the generally worrying outlook. Japan on the other hand entered into another economic recession due to poor internal demand and the Bank of Japan's (BOJ) continual easing of monetary policies. Commodity markets fell mostly owing to Fed's monetary policies, and also to the slump in Chinese economy unaided by the strengthening US Dollar currency. Not to mention that the oil prices also plummeted. The USD appreciated against many currencies of the world.

The global economic growth in 2015 is estimated to be at around three percent. The International Monetary Fund's (IMF) most current estimate for 2016 growth is 3.4 percent. Expectations are for a moderate recovery in developed economies and a loss of acceleration in developing economies. The trend-setters of the year will be Fed's monetary policy, developments in the Chinese economy, commodity markets and Turkey's relations with Russia and Iran, as well as the Central Bank of Turkey's (TCMB) monetary policy and structural reforms of the government on a national level. Regarding the Turkish economy, we estimate that the current deficit will continue to shrink provided that the strong internal demand continues and commodity prices are contained at low levels.

### Limited growth in the global white goods industry

By the end of 2015, the global white goods industry is estimated to grow by one percent in terms of quantity but shrink seven percent in value (USD). The global TV market is even worse with two percent decline in quantity and 13 percent contraction in value (USD).

In Europe, our primary market, the white goods market, contracted by one percent year on year. If we take a closer look, the Western European market grew by five percent with the positive effect of all countries in the region, especially Spain, UK and Germany. The Eastern European market decreased by 19 percent, adversely affected by the weakening Russian and Ukrainian markets. The Polish and Romanian markets recorded growth.

Political turmoil in the Middle East and North Africa continued to put great pressure on the economy. The white goods market in South Africa contracted. Turkey protected its position as the largest manufacturing center of Europe in white goods. Exports as of the end of 2015 were seven percent higher than the previous year with 18.08 million units cleared in six major appliances. Our home market also grew by 5.7 percent up to 7.09 million units.

The estimated growth rates in 2016 will be three to five percent for the white goods market in Turkey and two percent for the international markets. Our consolidated turnover is forecasted to improve approximately by 10 percent, which will correspond to an 11 percent improvement of the EBITDA (Earnings Before Interest Taxes Depreciation and Amortization).

### **Strengthening leading position in our home market, and securing a consistent global growth path**

Arçelik is the leader in home technologies in Turkey and the third largest in Europe. Arctic and Defy maintain their market leaderships by far in Romania and South Africa, respectively. Beko has been an undefeated champion of market share growth in European white goods market for seven years in a row, and has carved the top position in the free-standing segment. Beko's market share continued to increase in other major markets including Germany, Italy, Spain, Russia and Poland.

We are launching operations in new regions in line with our strategic objectives. In addition to the Beko Balkans office in Belgrade, new offices in Malaysia and Vietnam now bring the number of worldwide sales & marketing offices up to 27. In line with our ambitious objectives in South East Asia, the Thailand Refrigerator Plant, constructed since early 2015, rolled over its first test production by the end of the year.

Grundig, the only European brand to offer products in all categories of home electronics, sustained its expansion in the white goods markets of Germany, Scandinavia and the UK. We offered Grundig white goods range to consumers in Spain, Italy, Belgium, Croatia, France, Austria, Malta, South Korea and South Africa.

In addition to our global performance, we also strengthened our leading position in Turkey. We opened new concept stores all around Turkey to fortify the largest retail store network in the country.

### **Robust and steady growth reflected in financial results**

Despite the downturn in critical markets and the economic turmoil we achieved a robust and steady growth in 2015, both in terms of income as well as operational profitability.

In 2015, our consolidated turnover totalled at TRY 14.17 billion, an improvement of 13.2 percent YoY, with 59.6 percent of our sales revenues generated in international markets. Our net profit reached TRY 893 million. Market capitalization of the company was USD 3.2 billion as of the end of the year.

### **Expanding R&D ecosystem**

We are acting bold to empower our global R&D organization; opened an R&D center at Cambridge University Science Park in the UK, in addition to our current hub in Taiwan. Over 1000 professionals are now employed in our ten R&D

centers, eight of them being in Turkey. We look forward to opening two new R&D centers one in Germany and the other in USA.

In our home country, we hold an undisputed leadership in terms of new patent certifications for many years. We are the R&D leader in our industry in Turkey with total patent applications exceeding 2000. One third of Turkey's international patent applications to the World Intellectual Property Organization (WIPO) belong to Arçelik and for the last 10 years, we have been the only company from Turkey to be listed in the top 200 chart of the WIPO in terms of patent applications. Based on the last four years' annual reports published by the European Patent Office (EPO), half of the registered applications from Turkey are also from us.

Our R&D experience and innovative competences enable us to evolve our product line to meet all market and requirements as we develop business models that will perfectly prepare us for the Internet of Things and tomorrow's digital world. We strive to deliver high energy-saving products, water-efficient designs and smart user interfaces; we care for wellness and life style of consumers, which also entails top performance and premium sound quality.

2015 was no exception to our innovative offerings: take the smart home concept HomeWhiz for example. It is one practical idea to remotely control your white goods via mobile devices or TVs. Or our groundbreaking Capsule Turkish Coffee Machine to exponentially introduce Turkish coffee culture to the world. VUX (Virtual User eXperience), takes touch screen control technology one step further and allows controlling products via projection technology. Europe's first dishwasher with an automatic dosing system; a refrigerator with a super fast Ice Maker to reduce ice-making time by half (as low as 40 minutes). You may also want to explore our futuristic ovens with a glass front cover also designed as a touch screen and our magical StainExpert washing machine which offers stain-specific washing programs.

### **In a nutshell, we are leading innovation and our commitment has been recognized with multiple awards**

Innovation is not only limited to products and services but also integrated with our business processes. Our entire value chain is re-crafted with a smart and innovative perspective. Our R&D consultancy team consists of world-famous academicians and entrepreneurs who have proven their skills and abilities in major global enterprises. In addition to our in-house R&D resources, we are collaborating with some of the very best universities and research institutions worldwide including MIT and Cambridge. We are redefining our capabilities in digital user interfaces thanks to our partnership with COVIL, a computer vision & graphics specialist.

In addition to the 'R&D Leadership' and 'Leadership in Technology Development' awards, which we received at the Turkey Innovation Week organized by the Turkish Exporters' Assembly, we were further encouraged by being the only Turkish finalist in the category of large corporations in the International IMP<sup>3</sup>rove Innovation Awards. We will continue to lead innovation, create an innovation ecosystem and support all smart ideas and initiatives.

### **Sustainability-centric initiative on a global scale**

We integrate sustainability into our core business processes to boost our competitive edge. We expand our investments to develop innovative and energy-efficient products and improve product life-cycles. We also continue supporting global initiatives against climate change. We attended the 'Climate Action and Green Competitiveness' Event, organized by the World Bank in Washington, in an effort to highlight the importance of global collaboration, continuous investments and innovation in the struggle against climate change. We also attended the COP21 Climate Change Convention in Paris, as a representative of Turkey's white goods industry.

We participated in UNEP's 'Energy-Efficient Appliances and Equipment Global Partnership Program in Thailand and South Africa. Arçelik is the first and sole company in its sector which both produces EEE and owns its WEEE recycling plants. As a result of recycling of high energy consuming old products in WEEE plants which are located in Eskişehir and Bolu, a saving equal to the annual energy generation of 6 wind turbines each with a capacity of 2.5 Megawatts is realized in 2014 and 2015, which also meant a contribution to the country's economy.

Our focus on sustainability brought us multiple awards and we are excited to confirm that we are moving in the right direction. For the 4<sup>th</sup> consecutive year, we were granted with the Carbon Disclosure Leadership Award from the CDP-Carbon Disclosure Project. We also received 'AAA' rating, the highest in the MSCI Global Sustainability Index Series. We are among the 29 companies listed in the BIST sustainability index.

### **Streamlining brand perception with sponsorships**

We continue strengthening our global identity by supporting sports events & clubs. Thanks to our cooperation with FC Barcelona, Beko brand is represented at the highest level of football and recognized by millions of fans around the globe. In basketball, we have been sponsoring major tournaments since 2009. Most recently in 2015, Beko was the presenting partner of the FIBA EuroBasket. Beko continued to sponsor Beşiktaş in Turkey, the Beko Basketball Bundesliga in Germany and LegaBasket in Italy. Beko and Grundig sponsored major national and international golf tournaments in Turkey. And last but not the least, Grundig brand remained a sponsor for the Fenerbahçe Women's Volleyball Team and the Norwegian Handball League.

### **Creating value in our operating regions**

In addition to our commercial achievements, many of our employees volunteered to join a number of local and international social responsibility projects. Koç Group is forging ahead with a solution oriented approach in Turkey with the "I Support Gender Equality for My Country" Project. In this regard, Arçelik represented Koç Holding at the G(irls)20 Summit, which places an emphasis on the impact of economically empowering girls and women around the world. In addition, our employees and dealers demonstrated solid commitment to the HeForShe campaign organized by UN Women and sponsored by Koç Holding as a local partner in Turkey.

### **Proud with our global companies for their presence and history**

2015 was a year to celebrate important anniversaries for many of our subsidiary offices worldwide. We marked the 60<sup>th</sup> anniversary of Arçelik A.Ş., 70<sup>th</sup> anniversary of Grundig, 25<sup>th</sup> anniversary of Beko plc in the UK, 45<sup>th</sup> anniversary of Arctic in Romania, and 110<sup>th</sup> anniversary of Defy in South Africa.

### **Firm steps towards the future**

We are getting stronger in our current operating markets and will continue investing for a stable growth in new geographies. We will utilize new lines of business, partnerships and brand acquisition opportunities and create new success stories. We will improve the skills of our global human resources and maximize the effectiveness of our global organization.

The four pillars of Arçelik's track-record and its future are our employees, authorized dealers and services, suppliers and business partners. In conclusion, I would like to extend my thanks to our customers for their trust in our products, as well as to our stakeholders and shareholders for their unfailing support.



**Hakan BULGURLU**  
General Manager  
Arçelik A.Ş.



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(Convenience translation of a report originally issued in Turkish)

## INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Board of Directors of Arçelik A.Ş.,

### Report on the Audit of the Annual Report of the Board of Directors in accordance with the Independent Auditing Standards

We have audited the annual report of Arçelik Anonim Şirketi and its subsidiaries (together referred to as "the Group") for the year ended December 31, 2015.

#### *The responsibility of the Board of Directors on the Annual Report*

In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Markets Board ("CMB"), the management of the Group is responsible for the preparation and fair presentation of the annual report consistent with the financial statements and for the internal controls considered for the preparation of a report of such quality.

#### *Responsibility of the Independent Auditor*

Our responsibility is to express an opinion, based on the independent audit we have performed on the Group's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Group's financial statements thereon which auditor's report dated February 2, 2016 has been issued.

Our independent audit has been performed in accordance with the Independence Auditing Standards as endorsed by CMB and Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the historical financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

#### *Opinion*

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited financial statements, in all material respects.

#### **Independent auditor's responsibilities arising from other regulatory requirements**

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention which causes us to believe that the Group will not be able to continue as a going concern in the foreseeable future.

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

Ethem Kütüçüoğlu, SMMM  
Partner

March 2, 2016  
Istanbul, Turkey

- Consolidated net sales revenue of Year 2015 has reached to TRY 14.166 billion, corresponding to an increase by 13.2% in total consolidated sales when compared to 2014.

Operating Profit  
**1,157**  
TRY million

Net Profit  
**893**  
TRY million

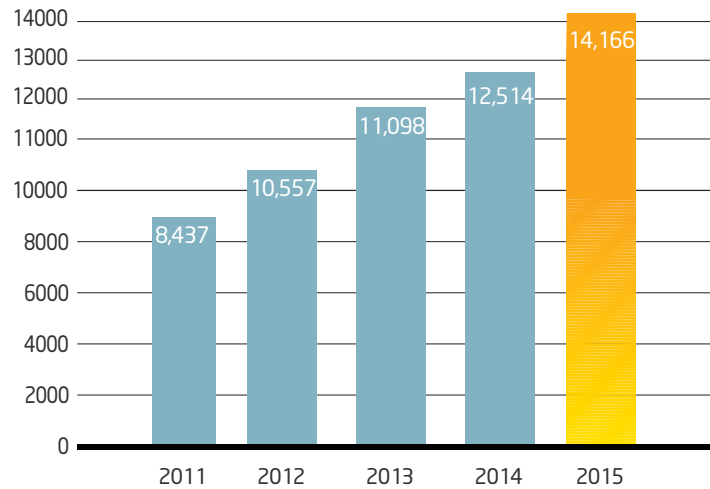
- Consolidated operating profit of the company in 2015 has reached to TRY 1,157 and net profit has reached to TRY 893 million, market value of the company was realized as TRY 9,44 billion as of the end of year.

- 59.6% of consolidated sales in Year 2015 are generated by international sales.

Net Sales  
**2015**  
**14,166**  
TRY Million

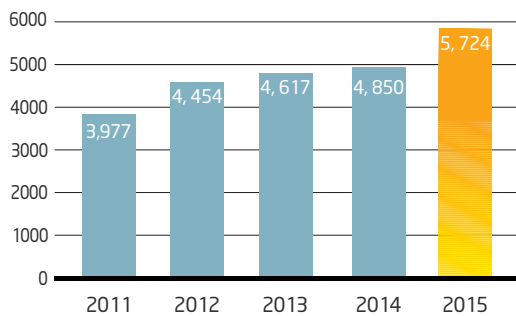
### Net Sales

( TRY Million )



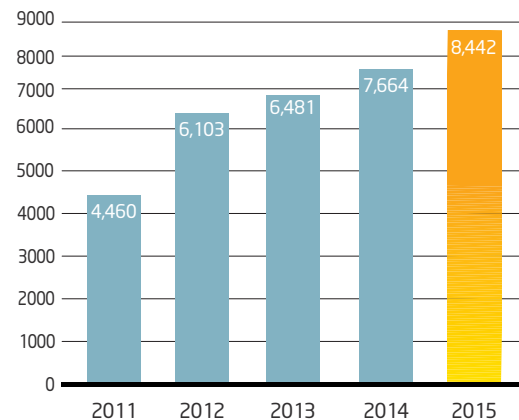
### Net Sales - Turkey

( TRY Million )



### Net Sales - International

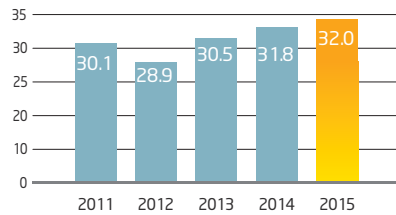
( TRY Million )





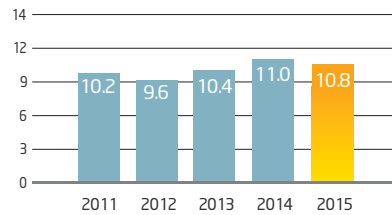
### Gross Profit Margin

(%)



### Earnings before Interest, Taxes and Depr. & Amort. (\*)

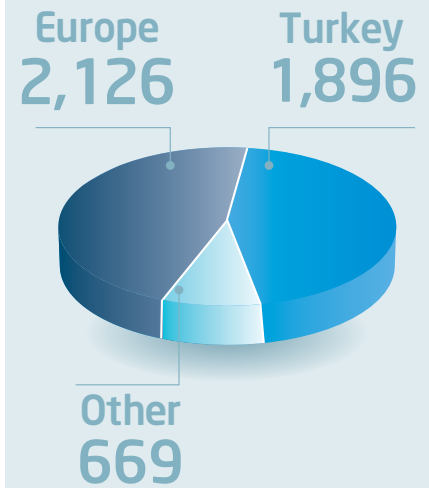
(%)



### Regional Distribution of Net Sales

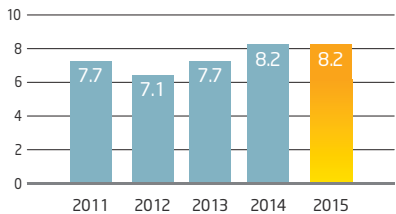
Milyon Euro

2015



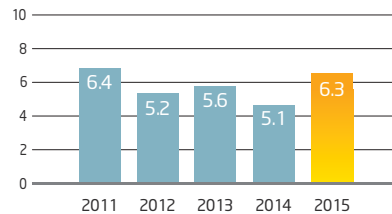
### Operating Profit Margin (\*)

(%)



### Net Profit Margin

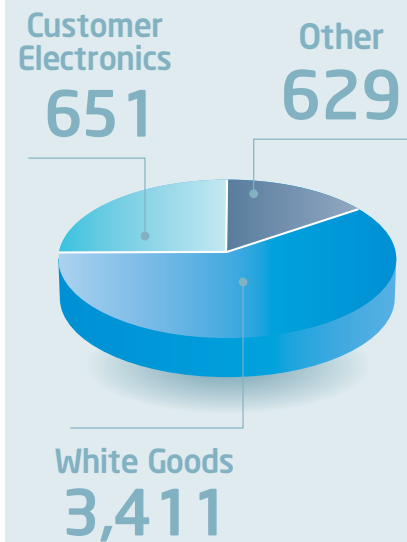
(%)



### Net Sales by Product Group

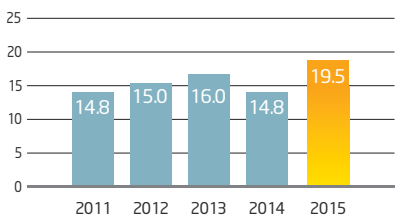
Milyon Euro

2015



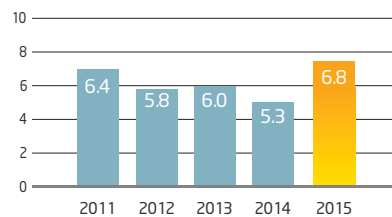
### Return on Equity

(%)



### Return on Assets

(%)



(\*) Operating profit margin and EBITDA margin were calculated by deducting the impact of foreign exchange rate gains and losses from trade receivables and payables, credit finance income and charges, and cash discount expense, and adding incomes and expenses from fixed asset sales in order to maintain consistency with the presentation of previous term.

EUR million	2015	2014	2013	2012	2011
<b>INCOME STATEMENT</b>					
Net sales	4,692	4,307	4,395	4,581	3,633
Gross profit	1,502	1,369	1,342	1,323	1,094
Operating profit	383	352	338	326	278
Profit before tax	260	252	295	270	265
Net Profit	296	220	247	237	233
Depreciation and Redemption	122	119	120	113	94
<b>BALANCE SHEET</b>					
Year-end cash and cash equivalent	682	575	431	740	480
Inventory	673	753	677	680	626
Current assets	2,960	3,003	2,608	2,865	2,466
Tangible assets	647	643	626	682	592
Total assets	4,324	4,394	3,886	4,349	3,764
Total short-term liabilities	1,648	1,571	1,393	1,676	1,445
Total liabilities	2,852	2,835	2,476	2,679	2,269
Minority shares	6	15	26	36	43
Equity	1,471	1,559	1,409	1,670	1,494
<b>CASH FLOW</b>					
Net cash flow from operating activities	571	345	152	293	-37
Net cash flow from investment activities	-198	-145	-188	-178	-349
Net cash flow before financial activities	372	200	-36	115	-386
Dividends paid	116	122	160	150	113
Capital expenditures	217	159	207	209	157
<b>SHARE-BASED DATA</b>					
Dividends (Euro)	0.128	0.178	0.176	0.228	0.191
Year-end- share price (Euro)	4.40	5.32	4.14	4.98	2.50
Price-earning ratio	10.59	16.43	13.73	15.06	8.16
Dividends/net profit (%)	29.4	56.7	50.2	67.6	59.2
Year end market value	2,971	3,593	2,796	3,362	1,692
<b>PERSONNEL INFORMATION</b>					
Number of employees	26,337	24,876	23,392	22,552	21,960
Blue collar	21,760	20,517	19,222	18,598	18,153
White collar	4,577	4,359	4,170	3,954	3,807

(\*) Operating profit was calculated by deducting the impact of foreign exchange rate gains and losses from trade receivables and payables, credit finance income and charges, and cash discount expense, and adding incomes and expenses from fixed asset sales in order to maintain consistency with the presentation of previous term.

According to our financial statements for the term 01.01.2014 – 31.12.2014, dividend distribution started as of 01.04.2015 pursuant to decision of the Ordinary General Assembly of Shareholders convened on 23.03.2015. The cash dividends totaling to TRY 350,000,000 are allocated from current year earnings and other capital reserves in the form of funds exceeding five years.

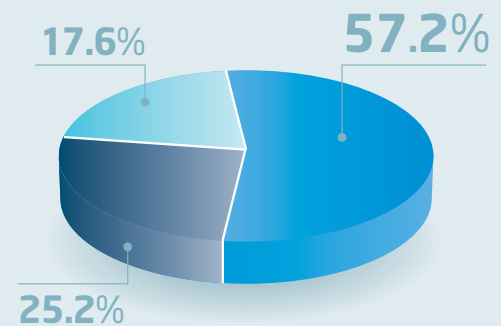
As of 2015, the fully paid-up issued capital of the company was TRY 675,728,205, which is divided into 67,572,820,500 registered shares, each with a nominal value of 1 Kurus. The registered capital of the company is TRY 1,500,000,000.

There are no preference shares. Each share with a nominal value of 1 Kurus is entitled to one vote in the General Assembly.

Shareholders	Amount of Shares (TRY)	Share Percentage (%)
Koç Holding A.Ş.	273,742,027	40.5
Koç Group, Other	113,026,127	16.7
<b>Koç Group, Total</b>	<b>386,768,154</b>	<b>57.2</b>
Teknosan Büro Makina ve Levazımı Tic. ve San. A.Ş.	81,428,337	12.0
Burla Ticaret ve Yatırım A.Ş.	37,571,663	5.6
Other Shareholders	169,960,051	25.2
<b>TOTAL</b>	<b>675,728,205</b>	<b>100.0</b>

Shareholders have not made any transactions through non-public shares in 2015.

Koç Group Burla Group Other



The amount of dividends distributed over the revenues from 2010 to 2014, the distributable profit as of the concerning years and their ratio to the capital are as follows.

Dividend Payment Year	Issued Capital (Thousand TRY)	Dividends (Thousand TRY)	Gross Dividend of per Nominal Share of TRY 1	Dividend Payout Ratio (%)	Earnings (TRY) Per Nominal Share of TRY 1
2010	675,728	250,000	0.36997	37.0	0.7652
2011	675,728	300,000	0.44397	44.4	0.75
2012	675,728	355,000	0.52536	52.5	0.777
2013	675,728	300,000	0.44396	44.4	0.885
2014	675,728	350,000	0.51796	51.8	0.913

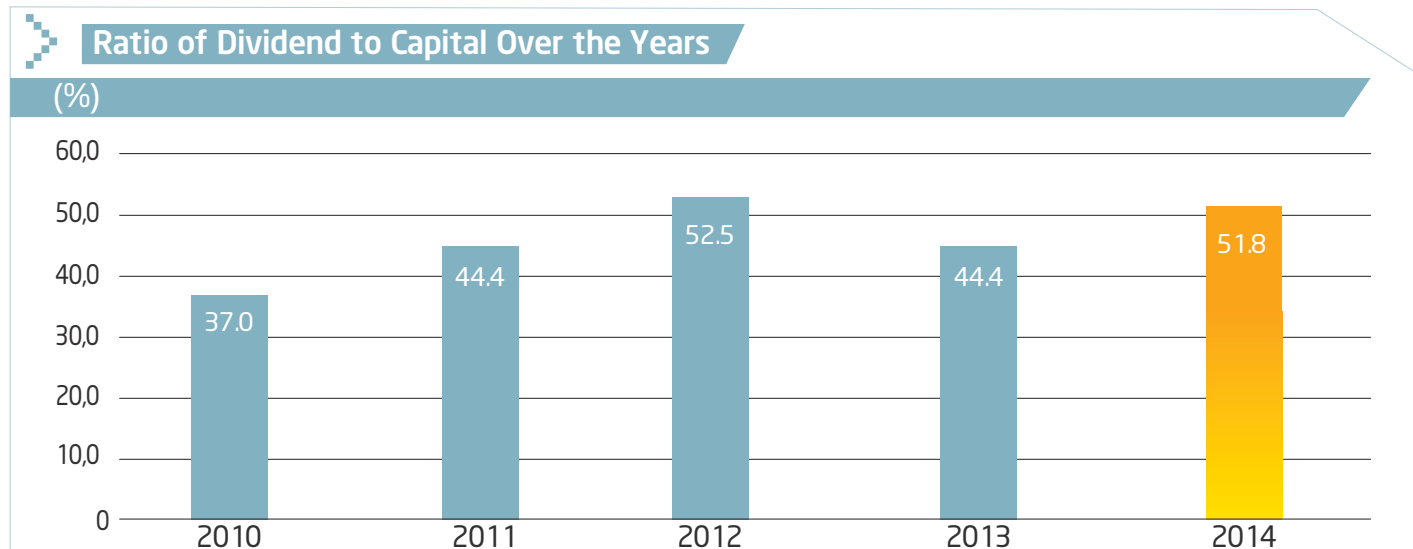
## Ratio of Dividend to Capital Over the Years

Dividend Distribution Policy of Arçelik A.Ş. for 2013 and following years; Our Company exercises dividend distribution pursuant to the provisions of Turkish Commercial Code, Capital Market Regulations, Tax Regulations and other relevant regulations as well as the provisions of our Articles of Association related to distribution of dividends. The distribution of dividends is based on a balanced and consistent policy between shareholders and Corporate interests in accordance with Corporate Governance Principles.

As a principle, 50% of the distributable term profit (calculated as per the Capital Market Regulations) is distributed in the form of cash and/or bonus shares to the extent allowed by the relevant regulations and financial facilities as long as they have provisions in the existing resources specified in our legal records on the basis of market expectations, long-term corporate strategy, investment and finance policies, profitability and cash position.

The purpose is to distribute dividends within maximum one month after the General Assembly meeting, which also decides on the date of distribution of dividends. General Assembly or Board of Directors (if authorized) may decide on distribution of dividends in installments in accordance with the Capital Market Regulations.

The Articles of Association of the Company states that "The Board of Directors may distribute dividend advance provided that it is authorized by the General Assembly, and that it complies with the Capital Market Regulations."

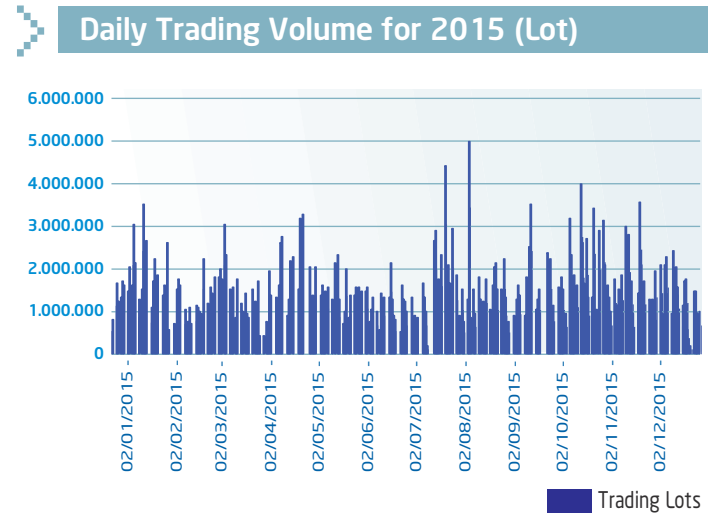
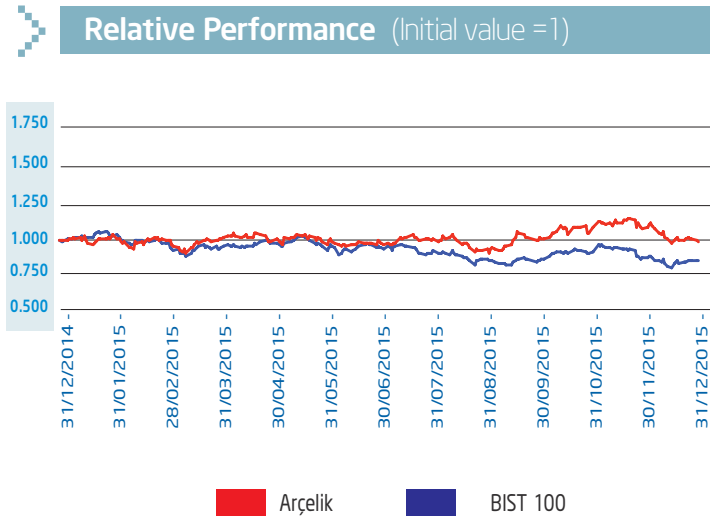


Company shares are traded in IMKB and Borsa Istanbul since January 1986. The last five-year performance of shares in the stock exchange is summarized in the following table.

Share Data	2015	2014	2013	2012	2011
Lowest price (TRY) (*)	13.25	10.08	8.68	5.16	4.65
Highest price (TRY) (*)	16.70	15.01	13.43	10.56	7.28
End-of-year price (TL) (*)	13.97	14.47	11.29	10.42	5.16
End-of-year price (TL)	13.97	15.00	12.15	11.70	6.12
Issued capital (TRY Thousand)	675,728	675,728	675,728	675,728	675,728
Market Value (TRY Thousand)	9,439,923	10,135,923	8,210,098	7,906,020	4,135,457
Market Value (USD Thousand)	3,246,637	4,371,005	3,846,740	4,435,106	2,189,347

(\*) Corrected to capital.

The following graphic shows the share performance between 01.01.2015 and 31.12.2015. Accordingly, share price of the Company decreased by 3.5% while BIST 100 index by 16%.



The daily average transaction volume of company shares in 2015 was 1,532 thousand lots. As of the end of 2015, approximately 74.7% of the shares of the Company that are traded in Borsa Istanbul are retained by foreign investors.

Following is the list of Borsa Istanbul indexes that feature the Company as of the end of 2015. For the purposes of index calculations, the retainment rate is 25% and share weight in BIST 100 is 1.5624%.

Arçelik A.Ş. is listed in BIST Star, BIST 30, BIST 50, BIST 100, BIST All, BIST Corporate Governance, BIST Sustainability, BIST Dividends, BIST Dividends 25, BIST Industrial, BIST Metal Goods, Machinery, BIST Istanbul Indexes.

As a result of the revision made by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., the first corporate governance rating of our company, which was made public through the disclosure of material events as of 30.07.2009, the note was increased from 8.21 out of 10 (82.09%) to 8.55 out of 10 (85.53%) on 30.07.2010; to 8.59 out of 10 (85.91%) on 01.08.2011; to 9.11 out of 10 (91.07%) on 30.07.2012; to 9.28 out of 10 (92.80%) on 29.07.2013; to 9.41 out of 10 (94.11%) on 23.07.2014; and to 9.48 out of 10 (94.80%) on 22.07.2015. The Company has been included in BIST Corporate Governance Index since 31.07.2009.

"BIST Sustainability Index" features companies that are traded in Borsa Istanbul and that demonstrate top performance in terms of corporate sustainability and the index has been calculated since 04.11.2014 and now includes Arçelik A.Ş.

## Risk Management and Activities of Risk Management Committee

Arçelik A.Ş. Board of Directors conducts its businesses in a transparent, accountable, fair and responsible manner. A Chairman and a Vice Chairman are elected by and among the Board Members. Also, Chairman and Members of Board committees are elected.

Board of Directors creates internal control systems involving risk management and information systems and processes that may minimize the effects of risks which may affect the stakeholders (especially the shareholders) of the company by taking the opinion of Board of Directors committees into account.

With the decision taken by Arçelik A.Ş. Board of Directors at the meeting on 16.07.2010 for the purpose of ensuring efficient operation of committees within the body of Board of Directors in accordance with Article 378 of Turkish Trade Law number 6102 ad Corporate Governance Communiqué of Capital Market Board; a Risk Management Committee was formed in order to carry out activities with the aim of early identification of risks that may jeopardize the existence, development and continuity of the company, application of relevant actions concerning identified risks and managing risks. Mr. K. Kaynak Küçükpınar, independent member of the Board of Directors, is the chairman of this committee. Other member of the committee is Mr. Fatih K. Ebiçlioğlu, a member of the Board of Directors.

The Risk Management Committee convened 6 meetings in 2015. The Risk Management Committee's task is offering proposals and recommendations to the Board of Directors on early detection and evaluation of strategic, financial and operational risks which may effect the company, determination of their impacts and possibility, managing the risks in accordance with the company's corporate risk taking policy, risk reporting, taking the measures against detected risks, considering the decision making process, creating and integrating effective internal control systems.

A Corporate Risk Management Directorate was formed under the Assistant General Manager of Finance and Accounting for corporate risk management. Corporate Risk Management Directorate reports to the Risk Management Committee and ensures that strategic, financial, operational, compliance, investment, brand and external risks which may impact the company are managed in accordance with the corporate risk-taking profile of the company; and ensure risk coordination and supervision through the created risk management system.

## Internal Control and Internal Auditing

Internal Audit Department, which is formed under the Assistant General Manager of Finance and Accounting for the purpose of healthy execution of internal auditing mechanism, reports information to the Auditing Committee at the meetings held during the year. Committee constantly supervises the execution and effectiveness of system and presents to Board of Directors the issues and suggested solutions regarding the risk management and internal control mechanism when required.

## Corporate Risk Management

Arçelik A.Ş. Corporate Risk Management strategy is about ensuring business continuity and creating a global competitive edge by means of risk management, which is implemented Arçelik A.Ş. Corporate Risk Management strategy is about ensuring business continuity and creating a global competitive edge by means of risk management, which is implemented company-wide and by suppliers in line with processes, human resources, knowledge and technology.

Arçelik A.Ş. aims at establishing a corporate risk management structure in all its activities, also covering the group companies and becoming one of the best global practices.

Risk management approach of Arçelik A.Ş. aims at identifying which risks to focus in achieving the goals, and managing risk-containing innovations and changes by knowing the risks. Company raises risk awareness of the employees, and encourages them to speak about risk-creating issues and to manage their own risks. It enhances the company image by ensuring that consumers are served better, and generalizes risk management over all stages of all functions and operations.

Arçelik A.Ş. has conducted difference analysis studies between the existing Corporate Risk Management practices and the targeted maturity level by taking into account risk management principles, international standards and best practices and set its short, mid and long-term roadmap according to the development potential understood from the study.

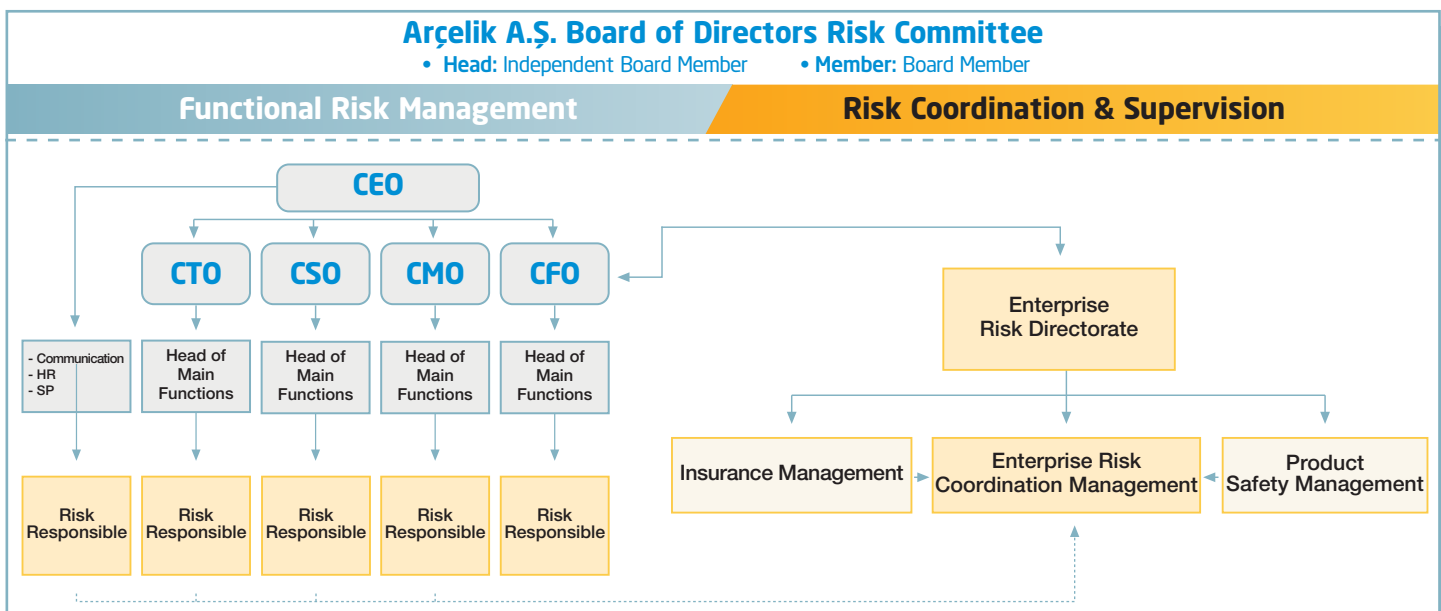
Corporate Risk Management process is developed to preserve the existing corporate values, create new values for stakeholders, manage opportunities and ensure communications between processes for risks defined in all functions in accordance with the risk levels accepted by the Board of Directors and senior management of the company.

Corporate Risk Management process is implemented in integration with all business processes in all plants, central units and foreign affiliates of the company under guidance of the road map. Activities carried out within the scope of Corporate Risk Management process in 2015 are summarized below:

## Risk Coordination and Supervision

Global risk coordination and supervision of central and group companies of Arçelik A.Ş. are carried out by Corporate Risk Management Directorate under the Assistant General Manager of Finance and Accounting.

Arçelik A.Ş. risk management organization is displayed in the table below:



## Functional Risk Management

Directors that form the senior management of Arçelik A.Ş. and country managers of group companies are responsible for the management of risks associated with their organizations or execution of tasks assigned to their organizations for the mitigation of risks associated with other organizations. Risk managers assigned in these organizations are responsible for risk communications between the functions they represent and Corporate Risk Management Directorate in their respective processes.

## Training

Directors that form the senior management organization of Arçelik A.Ş., country managers of group companies and risk responsables assigned in all organizations are given corporate risk management trainings and certified accordingly by the global risk management consultants. Regular trainings on implementing the process aims at increasing risk awareness and culture throughout the organization and include new employees into the process.

## Corporate Risk Management Systems

Systems are in place to ensure risk management is executed company-wide in the most suitable manner with the strategies and goals. Corporate Risk Management Manual describes how the process will be implemented so as to know, understand and manage risks, and ensure continuity; ensures that employees understand their roles and responsibilities; and ensures that communications with partners, suppliers, customers and 3rd parties take place in accordance with risk management approach.

Corporate Risk Management efforts are reported to the Risk Management Committee on a two month and annual basis.

Data on consolidated corporate risks and business unit risks are followed up and managed under different categories via risk management software.

Consolidated Risk Inventory is populated with priority risks which are determined by reviewing all risks and may impact primary goals of the company.

Risks at Arçelik A.Ş. are defined in 5 main categories, which are strategic, compliance-related, external, financial and operational.



Evaluations on priority risks and follow up of important actions are carried out by Arçelik A.Ş. senior management under leadership and guidance of the Board of Directors. Risk management and all activities related to risks are regularly reported to Risk Management Committee, the Committee continuously follows up them.

Special management processes are established for certain risks:

### Risks on Receivables

In terms of International Receivables Risk Management, risks on receivables of Arçelik A.Ş. and group companies are reported to "Local Credit Risk Management Committee" and "Central Credit Risk Management Committee" (which consists of the senior management), and are approved upon checking and analyzing in accordance with the methodology determined.

There are Consolidated Receivable Insurance Policies that cover the group including all affiliates for the purpose of compensating the losses arising from actualization of risks on receivables. It is possible to determine the credit rating of customers (which is the basis of their risk assessment) and consolidated risks on receivables can be monitored in ERP environment in line with the rules determined in Global Risk Management Procedure for the purpose of minimizing the risks on receivables.

In addition to global and local policies, the entire process is managed for financial assets such as letter of credit and performance bond, and customer risks are checked in the system on an individual order basis.

### Product Safety

Product Safety Department and Product Safety Committee were established in 2015 to ensure the safety of manufactured and supplied product more efficiently and minimize the risks.

Product Safety Department regularly reviews the products to prevent any possible risks during the product life cycle before they are launched. It evaluates and audits the design, quality, manufacturing and supply processes in terms of product safety and coordinates with the Product Safety Committee.

Product Safety Committee evaluates the data collected on these processes and ensure that proper decisions are made for product and safety improvement. Roles and responsibilities of the Product Safety Committee and product safety risk evaluation and corrective action process is defined by a procedure.

### Insurance Management

Insurance Management is responsible for identifying and managing current and possible operational risks.

Insurance management process basically consists of the processes for detecting operational risks, measuring and evaluating, monitoring, controlling, decreasing and reporting them.

The Group's insurance and operational activities are monitored as per the predefined rules on behalf of Arçelik Group and transferable risks are transferred to local and international insurance companies. When a risk is realized, Insurance Policies are in place in various branches covering the group companies and the affiliates to compensate for possible losses.

Modeling efforts are in place to ensure that the best risk transfer methods applicable as per the local and international regulations are used and the policies are issued to offer the best possible coverage for operational risks. The policies are revised based on changing conditions and more effective use of the capital is ensured.

Within the scope of the implementations, in-house various trainings are organized on risk and insurance processes as required.

### Financial Risks

These risks are divided into three categories; namely Liquidity Risk, Interest Rate Risk and Foreign Exchange Risk and managed in accordance with the following implementation principles.

#### Liquidity Risk

Balance sheet and cash flow are coherently managed, it is striven to ensure the deadlines of receivables and payables are coherent, operating capital management goals are set clearly in order to preserve short-term liquidity and balance sheet rates are kept at certain levels. For mid- and long-term liquidity management, the company's cash flow estimations are based on markets and sector dynamics; and the cash flow cycle is monitored and tested according to various scenarios.

A certain amount of excessive cash is kept in order to be prepared against shocks due to financial market fluctuations, and a foreign cash pool is used as a reserve to meet the needs of affiliates.



## Interest Rate Risk

Variations in interest rates create an important risk on financial results due to their impact on interest rate-sensitive assets and liabilities. This risk is managed by using balance-sheet internal methods by balancing the quantities and terms of interest rate-sensitive items or by using derivative financial tools when necessary.

In this context, we attach importance to ensuring coherence between not only the deadlines of receivables and payables but also interest rate change periods. In order to receive the minimum impact from variations in interest rates, we harmonize interest rate change periods of financial liabilities and assets on one hand, and establish an internal balance between "fixed interest rate/variable interest rate" and "short-term/long-term" aspects of these liabilities.

In an environment where global interest rates are at historical low points, we have obtained an R&D financial loan from European Investment Bank totaling to EUR 100 million over a fixed rate, and issued bonds for the international markets totaling to USD 500 million with 10 years term over a fixed coupon rate of 5% and EUR 350 million with 7 years term over a fixed coupon rate of 3.875% to ensure prolongation of deadlines and balance between fixed rates and variable rates in the liabilities portfolio.

## Foreign Exchange Risk

As a result of Arçelik A.Ş. presence in a wide geography, operations are being carried out over different currencies. As of the end of 2015, the company carries out operations over 24 currencies and it is one of the most important financial risks.

The commercial relationship between the parent company and affiliates is managed on the basis of functional currency of affiliates pursuant to relevant regulations. This minimizes the foreign exchange risks on the affiliate side and the risks are managed at the parent company side. Foreign exchange risk is monitored on the basis of functional currency for each affiliate. It is aimed at keeping the ratio of the said position amounts over the equity at a certain range.

The main principle of managing foreign currency risk is to maintain a near-zero foreign exchange position so as to receive the minimal impact from variations in foreign exchange rates.

As in other risk items, the management of foreign exchange risk is preferably based on internal balance sheet methods as much as possible. However, the foreign exchange position is maintained at targeted levels by using derivative financial instruments when necessary.



## Crisis Management Program and Crisis Management Tools

Crisis management program and tools are developed for Arçelik A.Ş. and all its foreign affiliates on a country basis with the purposes of managing unexpected situations arising from actualization of possible risks without causing any damages to the company and stakeholders.

Crisis Management program is established to swiftly and effectively manage unexpected potential situations and crises; eliminate the impacts of actual crises on company's premises, operations, finances, reputation and stakeholders; and sustain the business continuity. The program is aimed at ensuring that internal and stakeholder communications take place effectively, and resources are distributed and coordinated effectively and timely in the event of crisis.

The program defines the structures, roles and responsibilities, reporting and action timing, coordination and communication, and decision-making processes for crisis management teams, emergency response teams and corrective action teams established for Arçelik A.Ş. and foreign affiliates.

There are guides issued for the purpose of coordinating the actions of teams as planned in the event of a crisis or emergency; help them easily access all the required information; and improve the performance of operations. These documents describe various tools to help finish the actions completely such as checklists, meeting work flows, reporting guides, contact information and training programs that keep the crisis management team ready at all times.

Our globally experienced project consultants have delivered field trainings and online interactive trainings in order to ensure that all methods and resources developed are embraced and kept updated within Arçelik A.Ş. and all foreign affiliates. The procedures and tools developed are introduced, and trainings are given on how to use these materials during and before possible crises within the scope of these activities. It was ensured that foreign affiliates participate in the online trainings simultaneously.



Arçelik, widely recognized as Turkey's lovemark and warmest brand, is a leading brand of Turkey's durable consumer goods market with a green and innovative approach, design and technology excellence. Arçelik offers a wide product range of white goods, built-in products, electronic products, small home appliances, fitted kitchens, combi, air conditioners and system air-conditioners with the strongest and most common service and sales network in Turkey.



Beko makes lives easier in Turkey with white goods, solo and built-in products, home appliances, air-conditioners and electronic products. It is a global product and the choice of 440 million consumers in more than 130 countries. Beko is also Europe's number two white goods brand.



Bloomberg is a 132 year-old long-established German brand with a range of solo products and built-in white goods. Bringing technology, ease of use and environment friendly features with aesthetic design; the brand offers its products with the slogan of 'In Harmony with You'.



Arctic is the best-known and long-established domestic brand of Romania and the leader of white goods market.



Since 1945, Grundig offers high-quality and modern products designed to make the lives of consumers more comfortable. The brand completed its transition from the position of manufacturer of consumer electronics to household electrical appliances by offering products for all rooms in a house with the introduction of its white goods category to the product range.



The brand of people that desire to meet their durable consuming requirements in the most economic way.



Flavel, an established white goods brand of UK and Ireland, has a low-cost portfolio of solo and built-in products.



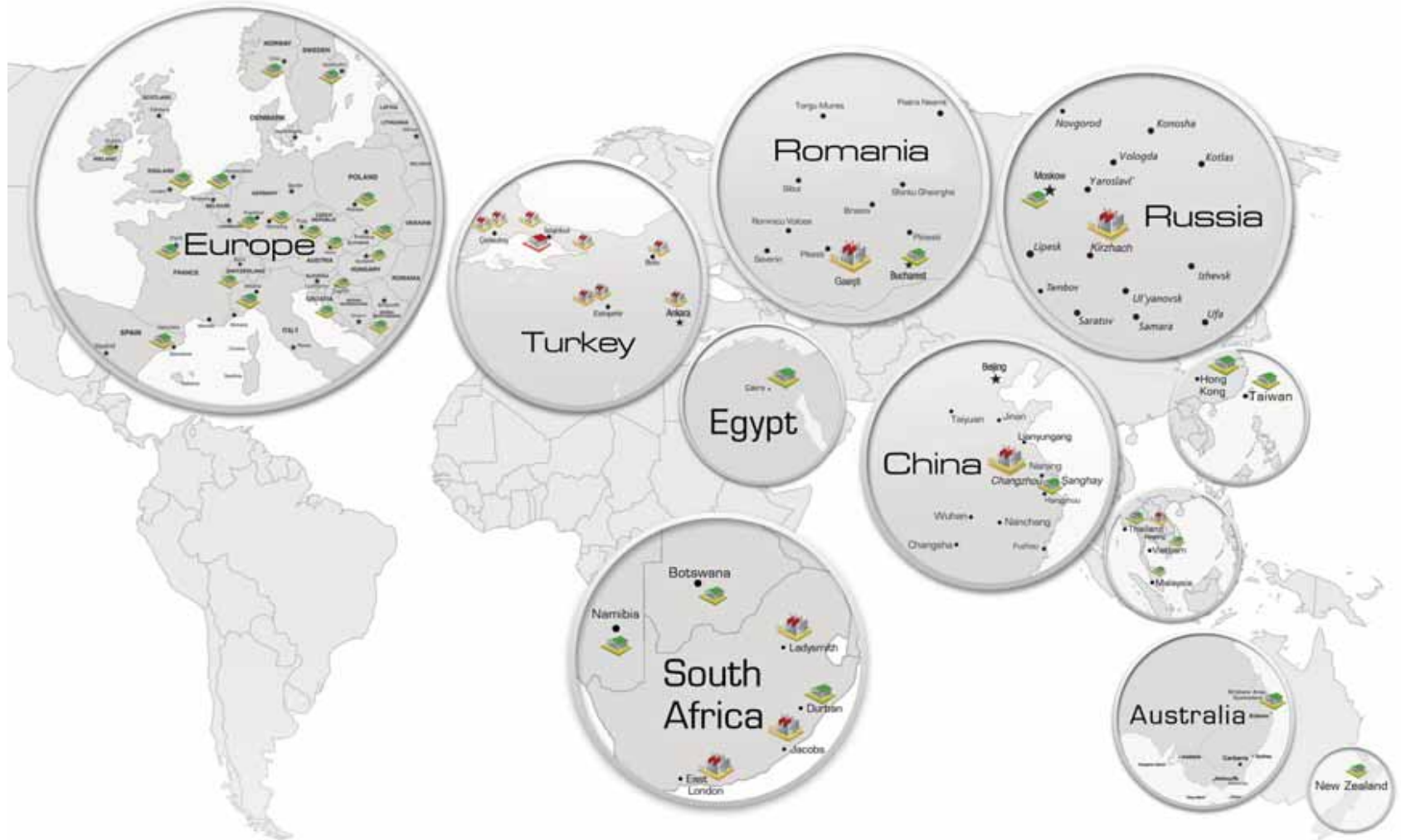
Elektrabregenz is a well-established Austria brand whose history dates back 123 years.



It is the traditional brand for freestanding cookers in the UK market. The company's product range includes gas and/or electrical range cookers and built-in appliances with traditional and contemporary designs.



It is the leader brand of home appliances market in South Africa.



**Headquarters**  
Turkey/Istanbul



**Production Plants- R&D Centers**

Refrigerator Plant  
Washing Machine Plant  
Electronics Plant  
Cooking Appliances Plant  
Dishwasher Plant  
Electric Motors Plant  
Compressor Plant  
Tumble Dryer Plant  
Refrigerator Plant  
Refrigerator and Washing Machine Plant  
Washing Machine Plant  
Cooking Appliances and Tumble Dryer Plant  
Cooling Appliances Plant  
Refrigerator Plant  
Refrigerator Plant

Eskişehir  
İstanbul, Tuzla  
İstanbul, Beylikdüzü  
Bolu  
Ankara  
Tekirdağ, Çerkezköy  
Eskişehir  
Tekirdağ, Çerkezköy  
Romania, Gaeşti  
Russia, Kirzhach  
China, Changzhou  
South Africa, Jacobs  
South Africa,  
South Africa, East London  
Thailand, Rayong (\*)



**International Sales and Marketing – R&D Offices**

Ardutch B.V. Taiwan  
Beko A and NZ Pty Ltd.  
Beko Deutschland GmbH  
Beko Egypt Trading LLC  
Beko Electronics España S.L.  
Beko France S.A.S.  
Beko Italy SRL

Taiwan  
Australia, New Zealand  
Germany  
Egypt  
Spain  
France  
Italy

**15 PRODUCTION FACILITIES IN 6 COUNTRIES, 28 SALES AND MARKETING ORGANIZATION OPERATING IN 30 COUNTRIES, PRODUCTS AND SERVICES IN OVER 130 COUNTRIES.**

Beko LLC.  
Beko Plc.  
Beko Slovakia S.R.O.  
Beko S.A.  
Beko Shanghai Trading Company Ltd.  
Beko Ukraine LLC.  
Changzhou Beko Electrical Appliances Co. Ltd.  
Defy Appliances Ltd.  
Defy (Botswana)(Proprietary )Ltd.  
Defy (Namibia)(Proprietary) Ltd.  
Elektra Bregezn AG  
Grundig Multimedia A.G.  
Grundig Intermedia GmbH  
Grundig Nordic No AS  
Grundig Nordic AB.  
SC Arctic SA  
Beko Hong Kong Ltd.  
Beko Balkans,  
Beko Thai Co., Ltd.  
Beko Malaysia Appliances  
Vietbeko Co., Ltd.  
Beko R&D Office  
Beko Plc. R&D Center  
METU Technopolis R&D Center

Russia  
UK, Republic of Ireland  
Slovakia  
Poland, Czech Republic  
China  
Ukraine  
China  
Republic of South Africa  
Botswana  
Namibia  
Austria  
Switzerland  
Germany, Croatia  
Norway  
Sweden  
Romania  
Hong Kong, China  
Serbia  
Thailand  
Malaysia  
Vietnam  
Taiwan  
UK  
Ankara, Turkey

(\*) Beko Thai Co. Test productions were realized at the end of year 2015 and production activities were started in January 2016.



### Arçelik A.Ş.,

It holds a strong position of leadership in Turkey and maintains its undisputed market leadership with Arctic in Romania and Defy in South Africa.

**Beko** is the **second largest** brand in European white goods market in total and the leading free-standing white goods brand. It is also,

- **Number two** brand of the white goods market in **England**,
- Leading brand of the white goods market in **Poland**,
- Leading brand in free-standing white goods market in **France**
- **Number two** brand of the free-standing white goods market in **Italy**.

## International Markets

### White Goods

Global white goods market grew by 1% in terms of numbers but shrunk by 7% in terms of USD in 2015.

Turkey maintained its position of being the greatest manufacturing center of Europe in terms of white goods. According to BESD data, exports as of the end of 2015 were 7% more than the last year with 18.08 million units in six main product groups and internal market grew by 5.7% to 7.09 million units.

Arçelik A.Ş. was the number-three white goods manufacturer in Europe, maintained its leading position in Turkey as well as an undisputed market leadership with Arctic in Romania and Defy in South Africa.



### Beko

2015 was an exciting new era that was full of successful marketing activities to strengthen the Beko brand equity by big global partnerships, successful marketing events and 360 degree global communication platforms. Beko, in determined continuance of its efforts to innovate and develop new technologies, continues to improve the daily lives of consumers with new products.

Beko continued to leverage its strong commitment to sports through the partnerships with FC Barcelona and FIBA's EuroBasket 2015 tournament. Through the partnership with FC Barcelona, it is estimated that Beko has reached 1 billion viewers and 350 million fans globally. Great achievements of FC Barcelona in the 2014/2015 season have also contributed to the increased global brand awareness. Beko has run a global communication campaign, named as "Join our team", with the FC Barcelona stars including Lionel Messi, Neymar Jr., Gerard Piqué, Luis Suárez and Andrés Iniesta working together, both on the pitch and at home, showing how they inspire and support each other as a team in sports as well as in day to day life. The campaign gives the message of "Only by supporting each other, we can get the best out of one another. That's the winning spirit of FC Barcelona and also the spirit of Beko". In this campaign Beko transfers the idea of teamwork in sports to the everyday life by positioning Beko products as essential members of a "team at home".



### Consumer Electronics

In 2015, it is estimated that the global TV market shrunk by 2% in terms of numbers and 13% in terms of USD as compared to the previous year.

Becoming prominent with its quality and design in consumer electronics and having the brand recognition in many countries of the world, Grundig maintained its position as one of the top five brands in German TV market.

Beko has heavily activated this campaign globally, more than 50 countries communicated the campaign in mass media and supported with 360 degrees communication including in-store, PR, social media and events throughout the year. Beko has reached over 50 million views across Beko and FCB online channels with the campaign. In the 2014-2015 season's FC Barcelona vs. Real Madrid (El Clasico) match, the biggest game in world football, Beko successfully initiated the world's biggest online fan wave ever, with fans from 135 countries around the globe uploading their videos to be seen on the LED boards at Camp Nou and to win FC Barcelona prizes.

Beko has also been one of the key supporters of basketball in the world since 2006. Its investment in basketball has continued and it became the main partner of the FIBA EuroBasket 2015 which took place in France, Croatia, Germany and Latvia between 5<sup>th</sup> and 20<sup>th</sup> of September 2015. It was a global event broadcasted in more than 100 countries worldwide and reached to a cumulative TV audience of 189 million. A fully integrated campaign was designed and executed by Beko with a 360 degree approach including fan zones and commercial displays, on-court activation, media coverage and digital strategy.

In IFA, the biggest technology fair of Europe organized in Berlin in September 2015, Beko introduced its smart, flexible and environmentally friendly products designed to make consumers' daily lives easier, with the slogan of "Inspired by You". Having received appreciation for its innovative and technological products, Beko introduced its "New Design Line Products" and "Small Domestic Appliances Range" to the final consumer for the first time. Beko- FC Barcelona partnership has also been highlighted intensively in the booth, in line with the global "Join our team" campaign. In 2015, two times more trade visitors visited Beko booth comparing with 2014.

With all these marketing efforts Beko is moving ahead around the world with sustained communication platforms on top of its international growth fuelled by the company's dynamic leadership and customer centricity which brings new products, new solutions, and new possibilities to homes.



## Arctic

A domestic brand of Arçelik A.Ş. in Romania, Arctic, offers family-oriented and value-added benefits and services to its customers. It is one of the most well-known brands in Romania, with a strong heritage, enjoying a favorable perception among its consumers, for over 45 years. Arctic is a story about success, evolution, trust, expertise, the company remaining an icon for the local industry over the decades and a valid brand choice for old and new generations.

Arctic brand holds the leading position on the local white goods market with a market share of 25% in 2015. Arctic offers a full range of home appliances, from refrigerators, freezers, washing machines, dishwashers, to cooking appliances, hoods and built-in products.

During the past years, Arctic has come up with new approaches, mainly targeting the young generation, as part of the strategy to refresh and rejuvenate the brand. In 2015, the marketing strategy was built on 2 key pillars: Product marketing, that focused extensively on developing relevant

product content covering all phases of the consumer interaction with the brand, off-line & on-line. In addition to that, pre and after sales services, along with the tactical campaigns wrapped up the communication, providing an integrated and consistent brand experience in the key consumer touchpoints.

Digital marketing was the second pillar, with the main objective of redesigning the owned media platforms in order to facilitate a superior consumer experience through easy to use, responsive navigation structures, educational content and live support. Reshaping the digital infrastructure was an essential step to furtherly addresses the changing needs of the digital consumer.

2015 was also the year that brought Arctic a remarkable performance, ranking 3<sup>rd</sup> among the 100 most powerful Romanian brands and 1st in the durable goods category, achievement that confirms the brand dynamics and evolution within recent years.





## Elektribregenz

Elektribregenz is a well-established Austria brand whose history dates back 123 years. The company became part of Arçelik A.Ş. family in 2002 with the extensive sales network. Arçelik Group is one of the major players in Austrian market and also operates in the country with its Beko and Grundig brands.

Elektribregenz brand is perceived by consumers as an aesthetic, creative, technologically superior and Green Brand. The company's "innovation" tagline started with the "SURF" oven and later on updated with the Steam-Assisted "SURF" technology. Having introduced SURF technology to Austria, Elektribregenz continues to be one of the most sought-after brands in the market, especially with its cooking appliances and also provides the Austrian consumers energy efficient refrigerators and new built-in products.

In 2015 Elektribregenz launched new built in cooking range, washing & drying products with new designs in all categories.

The company has launched its new built-in refrigerators featuring easy installation, higher energy efficiency and new design products during the Futura Fair in Salzburg. Entering into the oven category of furniture market with its new induction hobs, the brand also continued to promote tumble dryers and washing machines featuring higher energy efficiency. Thanks to the environmental technologies, Elektribregenz was granted to the "Green Brands" award for the second time in 2014/ 2015 being the only home appliances brand in Austria.

In 2015, Elektribregenz concentrated at the marketing activities on TV, online and also print advertisements to promote its new products and technologies. For the end-user and dealership communication campaign, the company has put emphasis on its pure steam oven, I-Cook oven, dishwashers with six liter water consumption, SBS refrigerator with four doors, the hybrid dryers and also the 11 zone induction hob.

Main communication focus for 2015 continued with the well known local broadcast TV station and the cook-show "Koch mit! Oliver" which is the best known TV cook show in Austria with an alignment of TV-spots and Online-promotions.

The company, in 2014, adopted a soft-change in the logo and the marketing claim with a launch event in Salzburg. The logo stands alone as "Elektribregenz" and the claim has changed to "Fürs Leben gebaut, gebaut fürs Leben" meaning that "Built for Life. Built for Living".



## Blomberg

Blomberg celebrated its 132<sup>nd</sup> establishment anniversary in 2015. The brand brings technology, ease of use and environmentally friendly features with an aesthetic design. Aiming to keep in harmony with all aspects of life, Blomberg offers nature friendly products that provides electric and water savings with 'In Harmony With Nature' slogan, aesthetic and stylish products with 'In Harmony With Home' slogan, practical products with 'In Harmony With You' and prudential products with 'In Harmony With Future' for its customers. Blomberg continues to receive appreciation of its customers for its environmentally friendly products including its A+++ - 30% washing machines, A+++ refrigerators, A+++ -10% dishwashers, A+++ drying machines and A-40% built-in ovens.





## Defy

Defy Appliances (Pty) Ltd is South Africa's largest manufacturer and distributor of home appliances with a unit market share of 38.3% in 2015. Defy became part of Arçelik A.Ş. family in 2011 and markets its products under the Defy brand. In addition to South Africa, Defy also exports to a variety of markets, including Africa and the Indian Ocean Islands. Defy's history can be traced back for almost 110 years. Since its establishment in 1905, the company has maintained its relevance through product innovation, operational efficiency, superior quality and the strongest aftercare solution in Southern Africa. Through the relationship with Arçelik A.Ş. and the groups investment, Defy is equipped to create inspiring designs with cutting-edge technology whilst maintaining environment protection sensitivity.

Defy has pioneered manufacturing of gas stoves, washing machines, tumble dryers, continuous clean ovens and convection ovens in South Africa. As the life-styles of our consumers transform, Defy continues to deliver service with a full range of superior products for kitchen, laundry, climatization and cooling and small appliances. The company's head office is in Jacobs, Durban, South Africa and it is also the site for the manufacturing of all our cooking solutions and tumble dryers. The Ezakheni (Ladysmith) factory manufactures electric chest freezers and electric refrigerators while the East London factory manufactures electric refrigerators. All factories have been accredited in terms of ISO 9001-2009. Defy also markets cooker hoods, dishwashers, washing machines, microwave ovens, gas stoves, air-conditioners and small domestic appliances.

Defy has the strongest appliance brand positioning in Southern Africa, with the slogan 'Believe in Better' associated strongly with the evolution of our products superior quality and innovation. Consumers regard Defy as the most reliable appliance brand and ranks highly within our consumers brand repertoire during their purchase decision making. The companies operations include its own sales, warehousing, distribution and after sales service infrastructure.

Defy launched a strong brand communication plan in 2015 with 5 key sell out based initiatives supported with strong equity building campaigns using the "Believe in Better" platform. Defy launched a brand ambassador programme providing employment to 60 dedicated permanent staff positioned in 60 outlets. This activity delivered a 30% revenue growth in 2015 with an expansion plan that will cover 75 outlets in 2016. In addition Defy focused on transforming 50 strategic outlets with retail assets and world class displays.

Defy turned 110 years in 2015 and this milestone was celebrated with internal and external activities. Defy launched a major 'through the line' activity to engage with consumers and was well supported by all their customers. This activity received big brand awareness and built further brand equity for Defy. In 2015 Defy received 5 Major Awards from the Industry and from recognition from Consumers.

In 2015, Defy was granted with 5 awards; namely Sunday Times MDA 2015, Small Home Appliances - TGI Iconic Brand Award, Cooking Solutions-TGI Iconic Brand Award, Refrigerator - TGI Iconic Brand Award, Kwazulu Natal- Top Brand Award 2015 and Top 500 Business Award.

In 2015 Defy successfully launched the Grundig brand into South Africa with major domestic appliances to start, focussing exclusively in the independent retail channel i.e. 27 outlets and plan to expand the outlet universe to 50 outlets by the end of 2016. In 2015 Defy Appliances officially launched its new 800T steel transfer press, the largest in Africa at their Jacobs factory. This investment was significant and improved output by 30%. Since 2011 Arçelik A.S has invested in plant and capacity upgrades across 3 manufacturing sites in South Africa. Defy employed 2679 staff as at the end of December 2015 and has created an additional 300 jobs and increased production by more than 25% since the acquisition by Arçelik.

Defy intends to maintain its strong leadership position in South Africa with world class capability, a robust innovation pipeline, strong operational disciplines and consumer centric solutions. The company aims to transfer this toolbox of success into more African markets in 2016 and beyond.

## Grundig

Since 2007, Grundig brand has been part of Arçelik A.Ş. Thanks to its high commitment to quality and a strong consumer orientation that helped it gain over 98% brand awareness rating in Germany, Grundig became one of the "leading manufacturers in Europe offering the widest product range in home electronics category" after entering the German white goods market in 2013. The brand continues to grow while remaining faithful to its product and brand values – Grundig summarizes its brand through the slogan of "Grundig cares for the things you love".

With this in mind, Grundig remains true to its brand attributes and brand identity including its Germanic heritage and extensive experience of the market, giving importance to the expectations and needs of the consumers at all times, modern designs, perfectness in the details, high standards and sensitivity and responsibility against the environment.

Its product portfolio ranges from connected audio devices and 65 inch Ultra HD TVs to hair styling devices, vacuum cleaners and kitchen appliances up to the range of white goods including ovens, dishwashers and washing machines. Grundig products are sold in 65 countries as part of Arçelik A.Ş. 's global distribution network.

In 2015, Grundig concentrated on innovation, product range extensions, quality and new investments. In line with the smart home concept being more and more popular in the white goods market, it combined its products with a significant experience in technology and offered the HomeWhiz range to the consumers. Extension of HomeWhiz platform to cover the TV products in addition to the white goods and creation of a smart-home concept to cover all

products gave Grundig a unique position among the manufacturers of white goods.

At IFA 2015 Grundig has really gone the extra mile, with a 3,500 m<sup>2</sup> booth presenting more than 500 white goods and home electronics products as well as new technologies and Smart TV applications like VUX, HomeWhiz, UHD, Curved and OLED and it was differentiated from the competitors especially with the "cloud gaming" designed in-house by Arçelik and gained full appreciation from the consumers.

Grundig also shows a strong commitment to sports and supports many projects. Since February 2013, the Nuremberg Stadium is called the Grundig Stadium.

Grundig have been operating in Scandinavian region in electronic products category for many years. White goods product category was launched in Norway in 2014 and thus, Grundig became the single brand to meet the needs of Norwegian people for all home appliances.

Increasing the investment in the communication activities through the launching of white goods product range, Grundig became the name sponsor Norwegian Handball League in 2014, the natural source of pride of Norwegian people. Supporting the development of the future generations, the brand supported handball league as it believes in the power of sports and aimed to make contribution to the development of this sport in the country and increase the awareness of sports especially among the youth generation. White goods launches continued in 2015 in Italy, France, Spain, Austria, Belgium, Croatia and South Africa.



## White Goods

Turkey maintained its position of being the greatest manufacturing center of Europe in terms of white goods in 2015. As of the end of 2015, the figures mark a growth of over 7% compared to the previous year in exports with 18.08 million units and a growth of 5.72% in the local market with 7.09 million units. Having the widest service network in Turkey with its strong authorized dealers and after sale service branches, Arçelik A.Ş. maintained its leadership in the industry with its market share of over 49% in white goods, built-in products and air-conditioners and of around 22% in LCD TV in 2015.

Efforts regarding the high-segment product groups continued in 2015. The innovative face of Arçelik A.Ş. was highlighted in these efforts not only by campaigns for this segment but also by introducing unique features like FullFresh + which keeps vegetables fresh for up to 30 days.

The fresh look of Beko dishwashers was also introduced. Acquaintense feature which allows high washing pressure and top-quality cleaning of strong stains through an additional washing blade on the lower blade mechanism was launched by Beko. New range of glass-door white and black dishwashers was also launched.

With new living spaces created in parallel with the effect of urban transformation and increasing urbanization, demand for built-in devices has increased as well. Oven, furnace and fume hood categories in built-in devices category are still the product groups growing with the highest pace. Sales of built-in products increased by 18% compared to the previous year, exceeding 2 million units. Arçelik A.Ş. maintains its leading position in this growing market with sales exceeding 1 million units.

As the leader in the industry, Arçelik A.Ş. continued to focus on energy efficiency and environmental consciousness and collected a huge amount of old, inefficient products and replaced them with energy efficient products through the Big Change Campaign which was initiated in 2014 and continued in 2015. The number of old and inefficient products collected through this campaign in the last 2 years is close to half a million.

## Consumer Electronics

Consumer electronics market slowed down especially in the second half of the year, mainly due to the price effect of the sudden increase in exchange rates and the decrease in consumer confidence index and 2015 results are a modest increase in terms of numbers and a decrease in turnover.

Arçelik A.Ş. improves its position as a retailer with a strong sales channel and strong brands and focuses on consumer electronics in accordance with a leap and grow strategy. In this sense, wholesales increased by 34% and retail sales increased by 37% in Consumer Electronics in 2015. Brand investments on Consumer Electronics brands including Arçelik, Beko, Grundig and Altus and new product launches help the Company strengthen its market position. The Company also continues to improve the product variety at the dealer channel as well as the customer traffic through strategic brand cooperation and investments on new concept stores.

In 2015, TV market growth decelerated as compared to the previous year with a growth of 2% in terms of numbers. However, the turnover growth was 6% with the effect of fast increase in the penetration of products in Ultra HD segment and the increase in average sales prices. Arçelik A.Ş. achieved an increase in market share in its main area of activity, the TV market, with all its brands and grew by 16% in total in 2015. With the new Curved Ultra HD TV technology investment, four new product groups were launched and the sales in 102 and plus inch screen sales grew by 70% with the new Quad Core Smart TV platform and Product Design Improvements.



Arçelik 65" and 55" Curved Ultra HD TVs launched in September marked a high performance in high-segment products with a thin and curved metal design and new generation smart features as well as HVEC technology allowing 4K images via satellite. Launch of Ultra HD ConnectTV series in October and Barcelona Football Team Sponsorship by Beko have positively effected the Beko brand image and leveraged an increase in the market share. A sponsorship agreement was made with Tivibu and a pay-per-view Europe League game was broadcast using ALL-IN-ONE 4K technology without any extra receiver or command, for the first time in Turkey. In the last quarter of the year, Grundig brand has been reorganized with a different product range and the brand position has been moved up at chain store and traditional channels. With the exchange campaign started in September, TVs were highly demanded and an all-time installation record was set in October.

In 2015, double-digit reduction continued in the PC industry, high growth in the Tablet segment came to an end and the transition to Mobile Phone added to the shrinking of the market. Increase of average sales price kept the reduction of revenues at single digits. Arçelik A.Ş. increased the pace of collaboration and communication with alternative brands in line with its PC retailer identity, focused specifically on the Notebook category and increased its market share with a revenue growth of 26%.

In Telecom industry, as a result of the increase in smart phones and large screen models, the market achieved a growth of 25% in 2015. The share of wallets in electronic products reached 61%. Arçelik A.Ş. has made a strong leap as a retailer and increased its average sales price by 39% and retail sales revenues 2.5 times on this channel. This leap and grow strategy has been effective with brand collaborations as well as marketing, display and communication investments and Apple product sales has increased four times thanks to the launches and campaigns with Apple.

Regarding the Payment Systems industry, despite the gradual delay of the regulations for use of New-Gen Cash Registers to 2016, the launch of new 300 TR Mobile Cash Registers in November and renewal campaign in December have increased the retail sales revenues in 2015 by three times and the market leader position of Beko brand has been even more firm with a market share of 63%.



## Arçelik

In 2015, Arçelik, leading home technologies company in Turkey and an expert brand with green, eco-friendly and innovative designs and technologies, continued to invest its acquired values and focused on promoting its brand image for a stronger position. Arçelik is the first brand to come to minds in Turkey and was selected as the "Lovemark (Turkey's Lovemark)" in 2015, as it was in the last seven years. Arçelik is also the "sincere brand" and "Turkey's most reputable brand" in white goods industry.

Arçelik celebrated its 60<sup>th</sup> anniversary in 2015 with the highly acclaimed "Whatever you do, do it with love" campaign. The campaign is based on the achievements of individuals who love their jobs and it is directly associated with the brand identity and corporate culture of Arçelik. The campaign highlights the strong passion and loyalty of Arçelik for innovation for the last 60 years and strengthens the emotional connection with the consumers. The campaign song with the title "Whatever you do, do it with love" was highly acclaimed by millions of music lovers.

Arçelik continues to offer innovations based on the unique harmony of technology and design and the Piano range was the highlight of 2015. The Piano range including built-in ovens, furnaces, dishwashers, refrigerators, dryers and washing machines once again proved the design expertise of Arçelik. Achievements gained as a result of the innovative products and communication efforts prove that the perception of "it's worth paying more" coming along with the design makes the increase in the brand value sustainable.

Arçelik also initiated the recycling campaign in 2015 as the most comprehensive campaign for White Goods renewal in Turkey. This campaign once again highlighted the top-level dedication to efficient use of resources and sustainability in line with the vision of "Respects the Globe, Respected Globally".

Arçelik strengthened its assertion in technology and design also in 2015 with its innovative products and campaigns making "the first" and "the best":

Cross Steam Iron with transverse steam channel design ensures that the clothes are ironed without any wear and even the deepest wrinkles are perfectly removed.

New-design Telve ensures a perfectly foamy coffee experience every time.

Refrigerators with Fullfresh+ technology keep the fruits and vegetables fresh up to 30 days.

Efforts to communicate the availability of various brands in Arçelik stores aim at highlighting the company's retailer identity.

Arçelik played an active role in digital world in order to maintain good relations with the consumers out of the stores. Social media communication through digital channels aiming at younger generations has provided high visibility.

## Beko

In 2015, Beko continued to enjoy a strong growth as a brand and a significant increase was marked as the preferred brand, especially among the younger generations.

Positive effects of sponsorship for Barcelona and Beşiktaş football teams were much clearly detected in 2015 and FCB/BJK players were successfully used in the campaigns to benefit from the leverage impact of these sponsorships. Beşiktaş Legendary Eagles digital game project was granted with the Bronze Apple award in the Digital Campaign Durable Consumer Goods category at 2015 Crystal Apple Awards.

Beko continues to offer solutions and eco-friendly products to meet the varying expectations of consumers from different cultures, not only in Turkey but on a global scale. Beko operates in global white goods and built-in markets as well as the local small home appliances, electronics and air conditioning markets.

As of the January-October 2015 period, Beko was the leading brand in solo white goods markets in 27 countries including Turkey and the fastest growing brand in Europe. Beko continues to operate as a successful brand that is preferred by 440 million people in more than 130 countries.





## Grundig

In 2015, Grundig Turkey's operations were reorganized and managed as a separate business unit in line with Grundig's sustainable growth strategy. A new business strategy was developed for Grundig to increase penetration through uplifting the brand position, differentiating the product range and channel diversification. In this sense, brand position of Grundig Turkey was aligned with Global, new technologies and design alternatives were added to the product range and Dealer Sales Channel display and personnel training investments were increased in addition to the focus on "Grundig Turkey Family" membership system. In line with the strategy of growth at alternative technology channels, launch communication activities were planned in addition to store displays and promoter investments. In cooperation with Youth Holding, young people were offered a chance to experience Grundig products at Youth Stores at university campuses. Grundig Notebook renewal campaign from September to December supported the increase in retail sales and the price index.

In 2015, Grundig continued to focus on PC category and created an upper segment product portfolio with "Performer Notebook" range supported by Intel 5-gen processors and Nvidia 9-gen video cards. "Grundig Slimbook" range, making a difference with its elegant design and competitiveness, was expanded with 25-mm-thin 15.6" HD display. In the tablet segment, the range was simplified and the new tablet range with Retina resolution, IPS screen, additional colors, Quad Core processor and 8MP camera was launched.

Grundig adds to the differentiation with the new Audio products added to the Sound Systems product range. It makes consumers live new experiences with GSB 500, GSB 120 and GSB 800 Soundbar Home Theater models in White and black, its Bluetooth wireless sound systems. TR 1200, a table radio with retro design, made a difference and created appreciation by the consumers.

Regarding the TV product range, the main areas of focus were design and display & audio quality and the new Finearts Ultra HD Curved TV and Vision UHD ranges were launched; a unique experience was offered especially with Metallic/Chrome designs and 3D audio technology.



Arçelik A.Ş. 's Plants continue to realize projects for decreasing water, energy consumption and waste with "Efficiency in Manufacturing".

Refrigerator Plant - Eskişehir, Turkey

Cooking Devices Plant - Bolu, Turkey

Dishwasher Plant - Ankara, Turkey

Washing Machine Plant - Çayırova / İstanbul, Turkey

Dryer Plant - Çerkezköy / Tekirdağ, Turkey

Electronics Plant - Beylikdüzü / İstanbul, Turkey

Compressor Plant - Eskişehir, Turkey

Electric Motor Plant - Çerkezköy / Tekirdağ, Turkey

Arctic Cooling Appliances Plant- Gaesti, Romania

Washing Machine Plant - Changzou, China

Refrigerator and Washing Machine Plant - Kirzhach, Russia

Cooking Devices and Dryer Plant - Jacobs, S. Africa

Refrigerating Appliances Plant - Ezakheni, Ladysmith, S. Africa

Refrigerator Plant - East London, S. Africa

Refrigerator Plant Thailand, Rayong (\*)

(\*) Beko Thai Co. Test productions were realized at the end of year 2015 and production activities were started in January 2016.

R&D and innovation competencies play a significant role on Arçelik A.Ş.'s achievements in global markets. Thanks to the innovative skills and technological competence that come with 24 years of R&D experience, Arçelik A.Ş. designs innovative and eco-friendly products with high added value and offers them to global markets to make a difference. Arçelik A.Ş. employs more than thousand R&D personnel in 7 R&D centers in Turkey as well as ODTÜ Technopolis R&D office, Taiwan R&D center and UK R&D office which started its activities at UK Cambridge Science Park in 2015 and develops products to meet the expectations of consumers from various regions of the world. Arçelik A.Ş. is Turkey's patent leader and the only company from Turkey to be in the top 200 list by the World Intellectual Property Organization (WIPO).

Arçelik A.Ş.'s R&D efforts in 2015 were focused on reducing the environmental effects of its products including power and water consumption as well as noise power levels in line with the vision of "Respects the Globe, Respected Globally". Arçelik A.Ş. continues to be the "best" and "first" to offer many things to consumers in Turkish and global markets. Fast pace of global digitalization has triggered a process of change and transformation of the industry. In this sense, one of the priorities of Arçelik A.Ş.'s R&D agenda is development of technologies, that enable communication of all devices to ease the lives of our consumers .

## Innovation

Innovation is an essential and integral element of Arçelik A.Ş. corporate culture and of doing business as well as one of the building blocks of its global vision marked by a sustainable and profitable growth strategy, brand and customer-focused business model.

Arçelik A.Ş. acts with an innovation-focused culture in all its business processes and this is what lies beneath the achievements in global markets. Arçelik A.Ş. keeps a close eye on demographic, technologic and environmental developments for digital future investments and focuses developing on superior and fast products marked by energy and water efficiency, outstanding design and user interfaces, high quality sound.

In Arçelik A.Ş., the Innovation Directorate directly reporting to the General Manager. Arçelik A.Ş. attaches great importance to innovation in its agenda and creates the environment required to ensure systematic assessment of innovative ideas to achieve faster results. In this sense, the company works with an R&D Advisory Board consisting of globally-known academicians and entrepreneurs. The company has a versatile course of action and achieves faster results thanks to the technology development activities and collaborations with universities and research institutions in addition to its internal R&D resources. Furthermore, the company participates in many important local and international events related with innovation.





## Intellectual Property Rights

Arçelik A.Ş. gives importance on protecting technologies as well as developing them and has been the patent leader of Turkey for many years. More than 1/3 of patent applications to the World Intellectual Property Organization (WIPO) from Turkey are by Arçelik A.Ş.

Arçelik A.Ş. is the only company from Turkey to be in the top 200 list of International Patent applications to World Intellectual Property Organization in the last 10 years. Based on the annual reports issued by European Patent Office (EPO) in the last four years, half of the applications registered by EPO from Turkey are by Arçelik A.Ş.

Based on the patent applications in 2014, Arçelik A.Ş. was granted with "Patent League Champion" and "Highest Number of International Patent Applications" awards by Turkish Patent Office. Arçelik A.Ş. protects its technology base with inventions and patent applications and shares its knowledge with the public through conferences and articles in science magazines. Many research reports were issued in national and international magazines as well as through conferences in 2015.

## White Goods & Built-in Products

Arçelik A.Ş. capitalizes on its R&D experience and skills to develop products to match all requirements in all markets, reflect its findings through market analyzes to its products and offers products and solutions that meet, even exceed consumer expectations.



Some of the innovative products offered in 2015 are;

- The Capsule Turkish Coffee Machine, protected with 21 patents and offered to promote Turkish coffee culture among coffee lovers all around the world,
- Energy efficient dishwasher consuming 5.5 liters of water,
- Everfresh+ refrigerators which keep fruits and vegetables fresh for up to 30 days,
- Auto Ice Making feature which reduces ice making time by half (40 minutes),
- Ice-maker with 5kg/24h ice-making capacity, integrated with the refrigerator,
- Quiet NoFrost Combi refrigerator with 34 dBA noise power level,
- NoFrost Refrigerator with "A" sound quality label,
- Gas cooker burner with 65% burning efficiency,
- World's first T and wall-type hood with an "A" sound quality certificate, 90-cm wide,
- Washing machines with StainExpert feature, providing stain-specific tumbler movement, water amount and water temperature optimized washing programs,
- Heat pump dryer, granted with Energy Star award in the US market,
- A+++ certified hybrid dryer with heater and heat pump, 8 kg capacity, fast drying function

## Consumer Electronics

In line with new technologies Arçelik A.Ş. designed new generation Ultra HD (4K: 3840x2160) TVs. Quad-core processors used in these designs allow viewing 4K broadcasts, decoding of HEVC (High Efficiency Video Coding) standard video coding algorithms and fast user interaction. Support for two separately controllable tuners allows the user to view one channel and simultaneously record another channel, share video with smart phones, tablets or other mobile devices via wireless connection and other features which exceed the expectations of consumers.

As a result of the efforts for achieving perfect video quality, micro dimming feature crystallizes the details in dark scenes and ensures a unique viewing experience on a television.

Arçelik A.Ş. produced the 65” curved TV prototype developed as a result of the improvements in panel technologies and exhibited at IFA and the product was highly acclaimed in the market.

In line with the extension of Smart TV product range, the number of applications at Arçelik App Store exceeded 300 for better performance, variety and content. “My Video Screen” application developed within the scope of this project allows users to collect videos selected from Facebook, Twitter or Youtube accounts in a single list and view them.

A new user interface (U/I) was developed for easier use of menus which became more and more complex in line with what TVs are capable of.

With TVs compatible with SAT-IP technology, users can now watch satellite broadcasts over Wi-Fi without physical cabling to the TV.

Regarding the cash register segment where Arçelik A.Ş. is the market leader, widely used EMV-based integrated EFT-POS cash register product range was supported with a new model with a smaller form factor and touch screen user interface. The product was acclaimed by the market with contactless payments with NFC as well as remote connection to external devices via Wi-Fi/Bluetooth.

Arçelik A.Ş. continues its efforts on improvements for safe operation of EFT-POS cash registers via Arçelik TSM (Trusted Service Manager) as well as increasing the number of banks/finance institutions included in the system. Arçelik A.Ş. is the current leader with 17 bank applications as compared to its competitors.



## Innovation and Collaborations

Arçelik A.Ş. continues to boost and expand its collaboration network in line with open innovation principles as stated in its R&D mission.

Arçelik A.Ş. took a significant step to expand its global R&D organization and established an R&D center in UK, a leading country in research and development. Cambridge Science Park, the first Science Park in UK and managed by the University of Cambridge Trinity College and hosting many leading technology companies of the world, now also hosts our R&D center focused on research and development for white goods industry including software design, new materials and advanced manufacturing technologies. Arçelik A.Ş. is a member of University of Cambridge Strategic Technology and Innovation Management (STIM) consortium. The R&D Office in UK is a step in starting collaborations with Cambridge University as well as other reputable universities in UK and expansion of the collaboration network to cover all of UK.

Arçelik A.Ş.'s 12 projects in 7<sup>th</sup> Framework Program makes it number one among private Turkish companies and the company maintains its leading position in Horizon 2020 program, with a total of 6 projects, 4 of which were approved in 2015. Arçelik has partnerships with more than 400 partners including universities, research institutes and industrial companies from 20 different countries in its projects including nanotechnology, innovative material technologies, home entertainment systems, future plants, future internet, cold food chain and logistics. Arçelik A.Ş. is also among the leaders in the international Eureka program with five completed Eureka projects as well as nine ongoing projects and new proposal pending for assessment and approval.

Arçelik A.Ş. is a member of MIT Media Lab (Massachusetts Institute of Technology), an outstanding US university, and has access to interdisciplinary, human-oriented, radical innovation projects managed here. Arçelik A.Ş. also works on Internet of Things, estimated to be among the concepts which will shape the future, and is a premier member of AllSeen Alliance working for safe and integrated operation of billions of devices, services and applications from many industries.

Koç University – Arçelik Research Center for Creative Industries (KUAR) was founded by Koç University and Arçelik A.Ş. in 2015 with the purposes of producing output which will help the creative industries in the country gain a competitive advantage in international markets. A total of 1000 m2 workshops used by Koç University experts and academics for applied developments ensure collaboration with other units of the university for concept development, feasibility evaluation and technology transfer. An outstanding achievement by KUAR in 2015 is the output of two papers issued at ACM CHI 2016, a well-known conference on Human Machine Interaction (HMI) which was held this year in Silicon Valley.

Arçelik A.Ş. sponsored the “Home Appliances and Consumer Electronics” category of New Ideas, New Businesses (YFYI) Project Contest organized by ODTÜ Technopolis with the purposes of encouraging younger generations for entrepreneurship and innovation. The contest has two categories; YFYI IDEA open to all ideas and YFYI PRO for 0-3 year old start-ups. The final was held at ODTÜ Culture & Congress Center on December 5<sup>th</sup>, 2015.

## Awards and Events

Arçelik A.Ş. was granted with “Patent League Leader” and “Company with Highest Number of International Patent Applications” awards at the Turkish Patent Awards Ceremony, held for the fourth time.

Arçelik A.Ş. was granted with “Best Home Appliances R&D Center Award” at “Private Sector R&D Centers Summit & Fair” held in Ankara for the fourth time as well as the second position in Turkey based on 2014 R&D Centers Performance Index.

At IFA, organized from September 4<sup>th</sup> to 9<sup>th</sup>, 2015 in Berlin and recognized as one of the important events related with the industry, the booth designated for Arçelik A.Ş., Beko and Grundig brands was one of the largest stands and many new product technologies were exhibited. Products exhibited at the fair included refrigerators, washing machines, dishwashers, dryers, built-in ovens and other white goods as well as HomeWhiz home network application providing TV, smart phone and tablet connectivity via Wi-Fi network, connected refrigerator with 4 in-cabin cameras allowing you see the contents of the refrigerator while shopping, VUX (Virtual User Experience) systems which takes touch screen control technology one step further, Europe's first dishwasher with a liquid detergent auto-dosing unit, refrigerator which reduces ice-making time down to 40 minutes from 80 minutes, washing machine with a prosmart inverter engine which minimizes power and water consumption and Fine Arts Curved TVs with the new smart TV platform UltraHD 4K.

Arçelik A.Ş. has been a strategic partner of Turkey Innovation Week organized by Turkish Exporters' Assembly from 3<sup>rd</sup> to 5<sup>th</sup> of December at Istanbul Congress Center and supported its ambition in innovation with many awards. Arçelik A.Ş. was granted with “R&D Leadership” and 'Leadership in Technology Development' awards as well as the only Turkish finalist in the category of large corporations in the International IMP<sup>3</sup>rove Innovation Awards. Among the products exhibited at Arçelik stand in the foyer area, the greatest attention was on VUX (Virtual User Experience) system which allowed control of the hood, dishwasher and oven using the control area projected on various parts of the tabletop. VUX system expands the ever-shrinking living space and ensures ease of use by providing a user interface which uses surfaces independently, can be moved to other parts of the tabletop when necessary and can be changed in terms of dimensions.



### "3-Door French Door No-Frost Refrigerator"

- Fresh vegetables up to 30 days with special crisper design
- Daily ice-making capacity of 5 kg with network-supplied automatic ice machine
- New No-Frost system;
  - Faster cooling and freezing, longer storage periods for foods thanks to higher humidity in coolant section
  - Preventing the mixture of smells in coolant and freezing sections and ensuring the protection of the foods in the coolant section against freezing
- Protection of the freshness of the green-leafy vegetables in vegetable sections and prolonging the storage lives through blue light technology
- Clean and neat appearance with internal water dispenser
- Adjustable rear-suspended shelves for easy accommodation of varying sizes of foods
- With an electronic control panel;
  - Individual temperature setting of compartments
  - "Eco Fuzzy" function for extra power savings when the refrigerator is not in use
  - Door-open alarm
- A+ and EnergyStar power rating
- Large capacity of 625 liters
- Side and roof LED lighting
- Hygiene practices;
  - Smell filter system preventing the smell occurrence.
  - Ionizer system which provides fresh air for longer preservation of foods. (ion+)



### Curved UHD TV

- 55" and 65" screen
- UHD resolution ( 3840 x 2160 )
- UltraLogic 4K Smart TV platform
- Curved screen
- 4-core processor
- Watching 4K (UHD) broadcasts without any external device with HEVC support
- Displaying the details even in dark environments with MicroDimming
- New app store
- Fan Cloud and SnapNStore applications
- Netflix support
- Projecting the display of the external device (Android OS) to TV (Miracast)

### Beko Better

#### Dryer

- Competitive interface with LCD screen matching the trends and brand characteristics

### Beko Better

#### Washing Machine

- Competitive interface with LCD screen matching the trends and brand characteristics
- Special washing programs; Stain and Batch cleaning programs

### Washing Machine/Dryer

#### Wet Washing Machine/Dryer

- A washing machine/dryer with 8 kg washing and 5 kg drying capacity, 10% more savings compared to the next best machine with the same capacity
- Power savings with anti-friction brushless engine technology



### AqualIntense® Strong Washing Technology Dishwasher

- AqualIntense®; additional spray arm which creates a power zone in the lower basket
- Fullsize (60cm) Beko Middle and Upper Segment product portfolio
- Products with A++, A+++ and A+++(-10%) energy efficiency class
- 180-degree rotating arm and 360-degree cap at the right hand side of the dishwasher ensures access of water to all sections and an intense washing
- AqualIntense® activated by a special function ensures intense washing with high water pressure, especially at the section of pots and pans
- Operating tests indicate AqualIntense® function ensures better cleaning up to 5 times compared to intense 70° program especially for dry minced meat, egg, pudding & brownie stains



### Hybrid Dryer

- Fastest dryer of its segment with a capacity of drying 8 kg in 115 minutes at "A+" energy rating (8 kg in standard use, with heat pump, A+++ energy efficiency)
- Class A condensation efficiency with special insulation and minimum levels of emitted humidity
- Power savings with anti-friction brushless engine technology





### Built-in Oven with PizzaPro™

- PizzaPro™ function can be heated to 310 °C like a stone oven; cook stone-oven pizza at home in 5 minutes
- Multifunction built-in oven with 12 cooking functions
- Easy-to-use sliding LED display
- 6-level wire rack and 2-level telescopic rail system for ease of use
- Halogen lighting inside the oven
- "Oleophobic Nano Clean Zone" full glass inner door that repels dirt and stain
- A energy class for minimum energy consumption
- 82 L of usable internal oven capacity.

### A Sound Quality Hood

- With this product, Arçelik A.Ş. was certified by SLG Laboratories as the world's first ever and only manufacturer of a hood with "Excellent A Sound Quality".
- In-funnel insulation system and optimized software parameters ensure that the disturbing audio frequencies are minimized
- 745 m<sup>3</sup>/h suction capacity
- Electronic touch-display
- A energy efficiency
- 4-level suction (1 intense ventilation mode)
- Eco Silent technology (Minimum noise level: 43 dBA, Maximum noise level: 53 dBA, intensive ventilation mode noise level: 65 dBA)
- 2x4W LED lamps for lighting
- Funnel-connected or carbon filter use
- Washable cassette filter
- Filter saturation warning
- Air cleaning function
- Function of reverting to previous settings after 10 minutes of intensive operation
- Auto-close function after 20 minutes of operation
- Remote control function



## Supply Chain

The secure supply chain approach was made an important part of the company management systems to secure international deliveries against unlawful interferences; to become an unpreferred company with precautionary measures; to protect our employees, products and brands, and to maintain the supply chain sustainability. In this scope, as a result of external audits in 2014, Arçelik A.Ş. Supply Chain was certified with ISO 28000 Supply Chain Security Management Systems Certificate for storage and transport processes of finished goods which are subjected to Export, and became also the first company in Turkey with an accredited ISO 28000 certificate. In 2015, follow-up audits made at Çayırova Supply Chain Center and Ankara, Beylikdüzü, Bolu, Çayırova, Çerkezköy, Eskişehir and Pelitli product warehouses were completed with success and the certification continuity was granted.

In cooperation with the Ministry of Customs and Trade, our efforts regarding to fulfill shortages of custom system "BILGE" were accelerated to make the "On-site Custom Clearance for Export" system running. The first export process in which customs procedures will be completed at Arçelik A.Ş. facilities is predicted for the first month of 2016.

In 2015, Eskişehir and Gaziantep Dealer Shared Warehouses serving for Turkish Market Authorized Dealers were put into service in addition to the current ones. At "Dealer Shared Warehouses", faster, more flexible and better quality service is provided to customer.

Through "Automatic Loading & Unloading" systems set between the operation and distribution warehouses loading and unloading times were shortened, shipment durations were reduced. System deployment continued in 2015 and the Automatic Loading & Unloading system was set between Bolu Operations Manufacturing Warehouse and Distribution Warehouse to decrease cycle time of product transfer and to reduce cost. Shorter cycle time provided significant savings in transportation and man/hour costs.

Within the scope of Istanbul Anatolian Consolidation Project, consolidation of 85000 m<sup>2</sup> storage area all around Istanbul in a single campus will provide;

- Increase in equipment and labor efficiency,
- Mixed product loading optimization in product dispatches to international customers,

- Decreasing the lead time for improved customer satisfaction,
- Optimization of vehicle occupancy,
- Efficiency of the synergy created by shared use of utilities inside the campus,
- Faster services and cost savings by consolidating of warehouse maintenance, technical support and revaluation operations at a single location.

With feasibility studies, Warehouse m<sup>2</sup> capacity utilization was optimized. This is estimated to ensure cost advantages. Construction and moving to campus are targeted to be completed as of March 2016 and full-capacity operation of the campus is scheduled for April 2016.

## Global Purchasing

Arçelik A.Ş. Purchasing, reorganized for the changing global needs and expansion of Arçelik's manufacturing network, is a dynamic organization with 180 personnel at purchasing offices in six countries. In 2014, Arçelik A.Ş. Purchasing Directorate was certified with "CIPS (Chartered Institute of Purchasing & Supply) Corporate Certificate along with only 130 other global organizations after a review of 110 criteria in five main categories, namely "Leadership & Organization", "Strategy", "Human", "Processes & Systems", "Performance Measurement & Management".

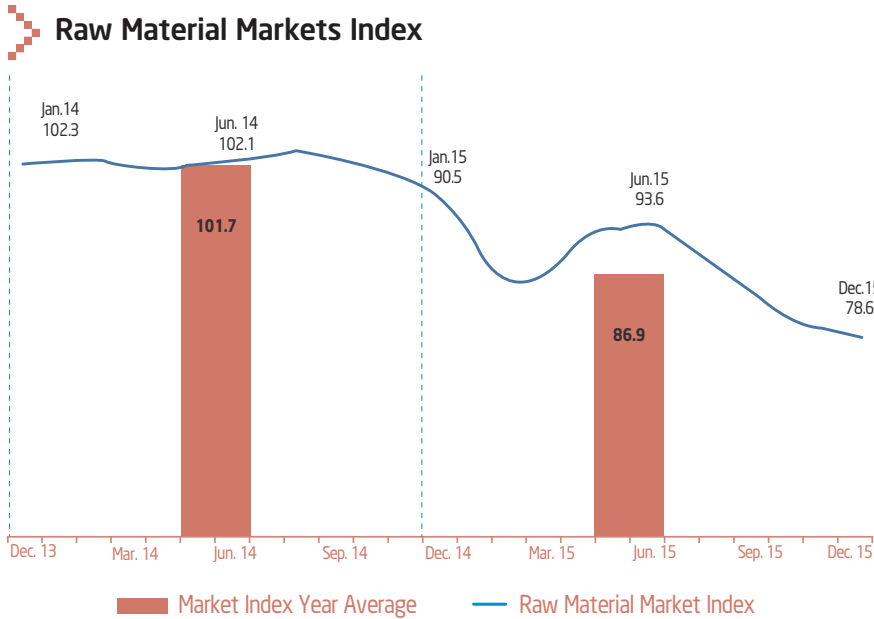
The mission of Arçelik Purchasing is to procure the resources in a manner to meet the expectations of customers, create a competitive edge for Arçelik and create value; in accordance with market-focused (customer) quality, cost, logistics and cooperation conditions and in consideration of risk management, environment and energy efficiency issues.

Risk management is of significant importance in purchasing activities and category strategies. Basic objectives of Arçelik Purchasing organization are achieving the most competitive conditions and effectively monitoring all elements of costs including the fluctuations in raw material prices, changes in economic parameters in the local and global locations and amendments to the customs regulations.

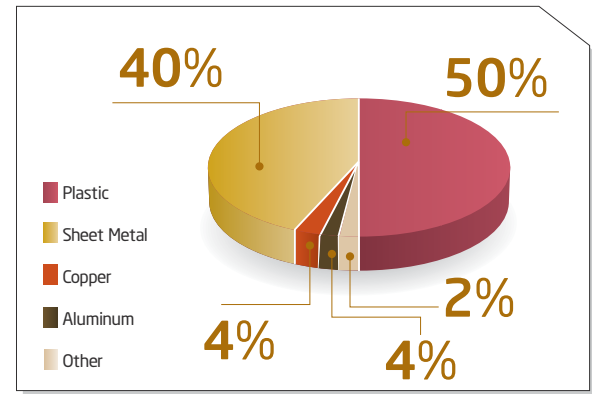


## Raw Material

2015 was a very dynamic year for the global raw material markets. Commodity markets were closely monitored and managed with dynamic price agreements. Raw material procurement opportunities both in regional scale and in emerging economies were closely monitored in order to ensure a sustainable competitive cost structure.



**Distribution of Raw Material Purchases**



\* The reference market index is 100 as of 2011 December.

## Responsible Purchasing

Arçelik A.Ş. is among the first companies to sign the Corporate Social Responsibility Code of Conduct issued by European Committee of Domestic Equipment Manufacturers (CECED) in 2005. Arçelik A.Ş. is part of Koç Group which signed UN Global Compact.

Therefore, as required by a responsible purchasing policy, Arçelik A.Ş. expects the following from its suppliers:

- Unconditional compliance to business ethics applicable for its relevant operations,
- Notification of business ethics to all its employees and ensuring that they act accordingly,
- Continuous access to business ethics by the employees.

Responsible Purchasing Policy issued in 2015 is available for the suppliers on Arçelik Supplier Portal ([www.supplier.Arçelik.com](http://www.supplier.Arçelik.com)) and the corporate web site of Arçelik A.Ş. ([http://www.arçelikas.com/page/866/Is\\_Etigi](http://www.arçelikas.com/page/866/Is_Etigi))

In this sense, Arçelik A.Ş. audited 15 local and 15 international suppliers in 2015 through an independent audit company on business ethics and occupational safety. Follow-up audits for areas of improvement detected at initial audits are scheduled for the first half of 2016. Business ethics and occupational safety audits will continue in 2016.

## Supplier BTP (Business Transparency Project) Program

A sustainability report provides many benefits for the companies in terms of communication and management as well as reputation. GRI (Global Reporting Initiative) is one of the most prestigious global organizations which provide assistance in this field.

GRI started Business Transparency Project (BTP) program in 2015 with the purposes of encouraging deployment of sustainability reports in the supply chain and increasing the visibility of adapting companies on international platforms. The purpose of the program is to increase the sustainability performance of the businesses in the supply chain and meet the relevant expectations of the manufacturers by ensuring that these businesses are capable of implementing sustainability reports and well-performing companies are recognized on an international scale as best-practice performers. Arçelik A.Ş. Purchasing is fully integrated with the program and started the process for its suppliers in 2015.

Within the scope of this program financed by the European Commission and Swiss Government, 14 Arçelik A.Ş. suppliers are provided with a set of trainings, workshops and consultancy services in a 14-step one-year process. Arçelik A.Ş. intends to have these suppliers generate their sustainability reports in 2016.

## Thailand Purchasing Organization

With the new manufacturing facility being operational in Thailand, an organization integrated with central Purchasing was created. In 2015, 280 new suppliers (130 direct material/150 indirect material and investments) were visited in Thailand and the surrounding locations. Considering the conditions of supply, global supplier network was assessed and 30 new suppliers providing competitive advantages were approved and added to the global supplier network. With deployment of new supply resources at Arçelik A.Ş. facilities in other locations, maximized benefits are expected.

## Korea Suppliers Day

Arçelik A.Ş. , Arçelik Headquarters and Far East Purchasing departments organized the Arçelik Suppliers Day in Seoul in cooperation with Korea Trade-Investment Promotion Agency (KOTRA), a state institution established to help Korean suppliers find clients all around the world and boost Korean economy.

At this organization, Arçelik Headquarters and Far East Purchasing teams evaluated more than 400 potential Korean suppliers in addition to its current suppliers and invited 70 suppliers to the organization. After the presentations on the size and general organization of Arçelik A.Ş. as well as its general strategies, potential ways of doing business with these new companies were assessed.

A memorandum of understanding (MOU) was signed by Arçelik A.Ş. and KOTRA. Within the frame of this memorandum, joint long-term efforts will be made to improve the supplier resources of Arçelik A.Ş. in South Korea.



## Iran Suppliers Day

With expectation on partial relief of sanctions on Iran in 2016, an Arçelik Suppliers day was organized on September 1st, 2015 at Azadi Hotel in Tehran. The purpose of this event was determination of general capabilities, competencies, quality standards, references, products and industry shares of the companies based on Arçelik standards. 34 representatives from 21 companies were present at the event and a potential supplier pool of 171 companies was created.



## Supplier Improvement Activities

The priority of Arçelik A.Ş. Purchasing is to create a portfolio of effective and synergetic suppliers focused on the basic elements of competition and continually improving to reduce the manufacturing time and operational cycle. Arçelik A.Ş. is also focused on cooperating with the suppliers based on mutual trust and an approach of shared objectives. In this sense, Supplier Development Department continued its efforts to improve the infrastructure and technical competencies of suppliers in 2015 and visited 1050 suppliers to provide assistance.

An important aspect of supplier improvement is the training provided to the suppliers. In 2015, 40 sessions of training was provided for the suppliers on Gage R&R, SMED, process competency, time analysis, government incentives, energy efficiency, quality and manufacturing efficiency, totaling to 1072 man/hour.

Furthermore, efficiency projects organized with the suppliers provide shared benefits and improve the quality performance of the suppliers. In 2015, 150 projects were implemented with 95 suppliers. 15 of them are for increasing the labor efficiency and 37 of them provided savings in labor costs.

The most important element of Arçelik A.Ş. 's performance-based supporting industry management is the supplier awards system. In this frame, 10 suppliers were granted with performance awards and one with a special award in 2015.

## Consumer Services

The singular goal of all the efforts and investments made by the Arçelik Call Center is not only to provide the company's customers a high level of modern service on a 24/7 basis, but also to ensure a smooth dialog between them and Arçelik, respond to their proposals and requests more rapidly and maximize their level of satisfaction. One of the primary functions of the Arçelik Call Center is to contribute to the development of new products that meet customer expectations by providing a smooth flow of information in the form of suggestions and complaints to the relevant units of the Company.

Thanks to its state-of-the-art facilities exceeding its competitors, which give the Company an advantage, Arçelik Call Center's unique position is sustained by the variety of communication channels it has established with its consumers. Arçelik responds to a majority of its consumer requests, which it receives through both traditional communication channels such as fax and post and modern ones such as telephone and e-mail, instantly by phone. Committed to raising its level of service each day, Arçelik Call Center also conducts customer satisfaction surveys to tap into its customers and considers feedback surveys to be an opportunity to improve its operations.

Arçelik Call Center, which since 1991 has maintained a high level of dialog with its domestic customers and has striven to achieve high levels of customer satisfaction, has continued to expand its abroad call center services network since 2008 in order move closer to its goal of becoming an international call center and has begun to provide pre- and post-sale call center services in Germany and Austria from Turkey for all brands.

Through the consumer satisfaction surveys conducted for Austrian and German markets, not only domestic market, but also foreign markets were listened and assessing their opinions and expectations were taken as a goal.

Having assumed responsibility for the management of online sales and social media communication operations, "Arçelik Call Center Management" has continued to implement its strategy of being with its customers at all times.

One of most striking call center social responsibility projects of the previous years is the Home Agent Project. By implementing this project, the Company has offered employment opportunities not only to many young people with disabilities, but to those employees who prefer working from home with a new working system.

An important opportunity for management to expand its know-how in different industries was that Arçelik Call Center started to provide technical assistance for cash register POS device that entered into market as a new product merging bank POS devices with cash register devices with Statement No. 69 and No. 70 "Payment Recording Devices" of Law No. 3100 of Ministry of Finance in 2013.

In 2015, Consumer Services Directorate provided field service with 11,700 personnel, about 5,500 of which were technicians and 5,700 vehicles at about 536 authorized service locations operating under the authority of 10 regional managements throughout Turkey. Authorized Services provide over 13 million services annually for all the brands of Arçelik A.Ş. The ability to handle both the delivery and installation of a product with a single service call is one of the competitive advantages of the technical service.

Authorized services are sufficiently trained, experienced, technically competent and regularly audited as per the required clothing, hygiene and courtesy rules. After-service surveys are used to regularly measure customer satisfaction and corrective and preventive actions are taken based on feedbacks.

Quality and availability of after-sales services positively effect the market recognition of Arçelik A.Ş. brands and their market share. Many applications related with consumers basically target keeping the customer satisfaction level as high as possible.

After-sales service processes are certified with "ISO 10002 Customer Satisfaction Quality Management System Certificate".

In 2015, a mobile automation system was developed and activated for after-sales services on site to support the innovative and tech-savvy image of the Company. This application allows uninterrupted and instant access for authorized service technicians to information on the consumer's house. In this sense, we are better equipped to provide the right services at first instance and our image of high quality services is increased. Now each house we visit is a service office and point of sale and each service

technician is a point of communication capable of instantly accessing and sharing information.

The technical staff is certified by the Technical Services and Training Division, which operates under the Consumer Services. In 2015, a total of 310,000 man/hour training was provided in Turkey and abroad. Training modules that are based and focused on measurement in education have been put into practice and distance education activities have been accelerated as an innovative implementation. Technical support and training activities in all countries of sale throughout the world are conducted within Consumer Services and thus, a new organization has been established. Technical support activity has been conducted for 20000 domestic model products and 40000 foreign model products that are sold by years. On the other hand, academy formation process is still on progress in foreign countries; in 2015, technical training was provided in 49 countries including Turkey. "International Academy" was established under the Central Academy for international service trainings.

Devices and tools providing troubleshooting solutions for products and reducing the warranty costs have been designed within Technical Services. Cooling system unblocking and gas leakage test devices are at patent levels. Besides, devices with high environmental effects like disinfection by ozonization in water dispensers were also designed and commissioned for service works. The company also works with technological innovation companies for troubleshooting solutions and in this sense, a collaboration was started for LCD-LED panel repair in 2014 and expanded in 2015. In addition to Istanbul; Ankara, Izmir and Adana units were commissioned. White goods strap and cover systems specifically designed to minimize transport damages were put to use.

Arçelik A.Ş. spare parts department provides services to our customers with 355,000 different spare parts in total. Each year, spare parts range is increased by about 20,000 units. Web Ambar software with the authorized service planning module and storage and stock management functions was developed and deployed to manage the increasing diversity of spare parts by our authorized services. Alternative transport methods are used to deliver the spare parts to the authorized services and consumers faster and create a difference in services.



## Corporate Social Responsibility Approach

Sustainable use of the earth's limited resources is not only the responsibility of individuals, governments and nongovernmental organizations (NGOs), but companies as well. The company carries out its activities with a view to create a more livable world for next generations.

Responsibilities towards "Sustainable Development", environmental awareness and social sensitivity and operating in full compliance with laws, ethical standards and human rights constitute the "Corporate Social Responsibility" of the Company.

Drawing its strength from the corporation values and the principle of "I exist only if my country exists" determined by dear deceased Vehbi Koç, the founder, the Company strives to fulfill its responsibilities together with its employees and all of its business partners.

## Corporate Governance Approach

The Company's corporate values, ethical approach, good governance philosophy and business ethics principles guide the employees to fulfill their responsibilities.

In line with international business standards, for long-term productivity and success of the Company, it is inevitable to convey four principles of corporate governance: accountability, responsibility, openness and transparency and equality, which build trust between stakeholders and corporations, to its activities.

Arçelik A.Ş. is conscious of the fact that the methodology for fulfilling the promises on trust and stabilization against the Company's stakeholders, especially investors can be achieved by sound corporate governance. The positive impacts of Company's performance on "Corporate Governance Principles" are clearly observed in especially meetings conducted with corporate investors. The company not only depends on its business results and robust capital structure to achieve its profitability targets, but also on its "Corporate Reputation", an important asset that has been established over many years.

## Corporate Governance Principles Compliance Report

### SECTION I: Statement of Compliance with Corporate Governance Principles

Implementation and actualization of Corporate Governance Principles, which were issued by Capital Markets Board (CMB) under decision number 35/835 on 04.07.2003 and shared with the public on July 2003, is important especially for the creditworthiness and financial opportunities of publicly traded corporations. The said principles that reveal the quality of corporate governance have been adopted by the Company. As per CMB resolution No. 48/1588 on 10.12.2004, it has been decided that the companies traded at Istanbul Stock Exchange (ISE) shall include their statements related to their conformance with mentioned Corporate Governance Principles in their annual reports and on their websites (if any), beginning from their 2004 annual reports. In accordance with the above mentioned resolution, Arçelik A.Ş. has set up an in-house team to examine the compliance with these principles, and in consequence of these studies as of 2004, information on Compliance with Corporate Governance has been included in its annual reports and on its website. Corporate Governance Principles have been revised with Corporate Governance Communique of CMB no. No: II-17.1, which was published in the Official Gazette dated 03.01.2014.

While fully complying with the obligatory principles, which are in effect in 2015, within the scope of Corporate Governance Communiqué No: II-17.1, the Company has also complied with the majority of nonobligatory principles. Although also the full compliance with nonobligatory principles is aimed, full compliance is not yet achieved due to reasons such as challenges encountered in the implementation of some principles, on-going discussions both in our country and international platform about compliance with some principles and some principles that not well-suit to current structures of market and company. Studies on the principles which are not yet put into practice still carries on and it is planned to carry into practice upon the finalization of administrative, legal and technical infrastructure works that will contribute to the efficient governance of our company. Comprehensive works performed within the frame of corporate governance principles within the structure of our company and in the related sections principles which have not been complied yet and if any, conflicts of interest arisen due to this have been explained below.

Primary studies in the field of Corporate Governance within 2015 are the studies of compliance with corporate governance principles of CMB and Capital Market Law containing new regulations and communiques prepared based in this Law. Amendments in articles of association required to comply with New Turkish Commercial Code and Capital Market Law have been accepted in our Ordinary General Assembly dated 28.03.2013. Our Board of Directors and committees of the Board of Directors are established in compliance with the regulations in Corporate Governance Communique. Established Board of Directors' Committees efficiently conduct their operations. Compliance opinion was obtained from CMB for nominees of independent board members and announcement to the public was performed. Remuneration policy for Board of Directors and Top Managers were determined again and submitted for the approval of shareholders at Ordinary General Assembly dated 27.03.2014. Prepared general assembly information document and general assembly information such as privileged shares, voting rights, organizational changes which are obligatory to be explained as per the principles, resumes of nominees for Board Members, remuneration policy for Board of Directors and Top Managers and other information that needs to be explained have been submitted for our investor's information 3 weeks before the General Assembly dated 23.03.2015. All of our related party transactions have been submitted for the information of Board of Directors and with the approvals of our independent board members; the continuity of the said transactions has been decided. Furthermore necessary revisions have been performed in terms of full compliance with principles by revising our company's website and annual report.

Also in the forthcoming period, necessary works are going to be performed by considering the improvements and implementations in legislation for compliance with the principles.

While our Company's corporate governance rating was 9.41 on a 10 point scale (94.11%) as announced to public under our disclosure of material events on 23.07.2014 and given by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA), and it was increased to 9.48 on a 10 points scale (94.80%) after the revision performed by SAHA on 22.07.2015. Our Corporate Governance Rating has been determined as a result of an evaluation made under four main topics (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted based on CMB's Corporate Governance Principles and current distribution based on main topics are provided below:

Main Sections	2014 Rating	2015 Rating
Shareholders	9.50	9.51
Public Disclosure and Transparency	9.63	9.64
Stakeholders	9.60	9.88
Board of Directors	9.11	9.18
<b>Total</b>	<b>9.41</b>	<b>9.48</b>

The report issued by SAHA on the corporate governance rating is available on our Company's website at [www.arcelikas.com](http://www.arcelikas.com) address. In the report dated 22.07.2015, SAHA has made the following assessment:

"In consideration of Arçelik A.Ş.'s determination to apply corporate governance principles, its willingness to manage this process dynamically and continuously, and finally the improvements effected during the twelve months lapsed since July 2014, the corporate governance rating of the company is updated and confirmed as above."

Our Company has been included in ISE (BIST) Corporate Governance Index since 31.07.2009.

### Corporate Governance Principles Not Yet Implemented

Arçelik A.Ş. believes in the importance of fully complying with the Corporate Governance Principles. However, full compliance with some non-obligatory principles has not yet been achieved due to reasons such as challenges which may be encountered in the implementation and may cause the delay of company activities, on-going discussions both in our country and international platform about compliance and not well-suited to current structures of market and company. For example,

- Concerning the principle no. 1.5.2; minority rights were not entitled to the ones having lower than one out of twenty of the capital with articles of association, the rights were provided within the frame of general regulations in the legislation.
- Concerning the principle no. 4.3.9; no target ratio or target time is determined for woman member ratio in the Board of Directors and evaluation studies are still ongoing regarding the issue. Detailed information regarding the issue is provided in part 5.1.
- Concerning the principle no. 4.4.7, there isn't any restriction for the members of the board of directors to handle other tasks apart from the company.

Efforts for full compliance with the Corporate Governance Principles have been continued by preparing a corporate governance action plan concerning the areas that still need improvement in corporate governance implementations as determined in the Corporate Governance Rating Report for Arçelik A.Ş. prepared by SAHA.

## SECTION II: SHAREHOLDERS

### 2.1. Investor Relations Department

Through the resolution of Board of Directors dated 12.03.2015, it was decided to assign the tasks of Investor Relations Department to Finance Director Doğan Korkmaz and Capital Markets Regulation Compliance Manager Faik Bülent Alagöz under the supervision of Assistant General Manager of Finance and Accounting Polat Şen and assign Polat Şen as the member of Corporate Governance Committee.

Licenses of the persons within Investor Relations Department as of 2015 are provided below:

Name-Surname	Title	Type of License Certificate	License Certificate No.
Polat Şen	Assistant General Manager - Finance and Accounting	-	-
Doğan Korkmaz	Finance Director	Capital Market Activities Advanced Level / Corporate Governance Rating Specialty	206438/701256
Faik Bülent Alagöz	Capital Market Regulation Compliance Manager	Capital Market Activities Advanced Level / Corporate Governance Rating Specialty	203781/700495

Contact information of responsible persons of Investor Relations Department in 2015 are below:

**Polat Şen**

Assistant General Manager - Finance and Accounting  
0212 314 31 00  
polat.sen@arcelik.com

**Doğan Korkmaz**

Finance Director  
0 212 314 31 85  
dogan.korkmaz@arcelik.com

**Faik Bülent Alagöz**

Manager - Capital Market Regulation Compliance  
0212 314 31 03  
bulent.alagoz@arcelik.com

**Fax: 0212 314 34 90**

**E-mail: yatirimciiliskileri@arcelik.com - investorrelations@arcelik.com**





Activities carried out in 2015 in order to provide detailed information to investors about the Company's operations is summarized in the following table:

• Number of investor conferences attended in Turkey and abroad	12
• Number of investors interviewed	316
• Number of teleconferences organized for the disclosure of financial results as of the end of 2014 and the first 9 months of 2015	4
• Number of press meetings organized in Turkey and abroad	9

Major activities executed in Investor Relations Department are as follows:

- Keeping the records of shareholders in a proper, secure and up-to-date manner,
- Responding to shareholders' oral or written queries for information regarding the company, excluding undisclosed information that is considered confidential and trade secret,
- Ensuring that the General Assembly is conducted in accordance with applicable legislation, articles of association and other in-house regulations,
- Preparing documents to be used by shareholders during General Assembly Meeting,
- Keeping records of voting results and ensuring that all reports related to resolutions are delivered to shareholders,
- Observing and monitoring all issues regarding public disclosures, including applicable legislation and the company's disclosure policy,
- Attending meetings held at company headquarters as well as other local and international meetings organized by various organizations and informing investors of these meetings,
- Providing information to analysts who make assessments about the company,
- Responding to information requests made by academicians who carry out research about the company and industry,
- Preparing the content, both in Turkish and English, to be posted on the investor relations section of the company's corporate website (www.arcelikas.com), updating the page as frequently as possible, and ensuring that shareholders are able to access company information easily and quickly via Internet,
- Making available up-to-date information on information and statements which may affect the use of shareholders' rights on the corporate web site,
- Filing material events disclosures through the Public Disclosure Platform (PDP), in accordance with the CMB Communiqué no. II-15.1,
- Monitoring changes in the applicable legislation related to the Capital Market Law and bring these to the attention of concerned units in the company,
- Representing the company at the Capital Markets Board, Istanbul Stock Exchange, and Central Registry Agency (CRA).

The report prepared regarding the activities conducted by Investor Relations Department within 2015 was first submitted to the Corporate Governance Committee to review on 15.02.2016.

## 2.2. Use of Shareholders' Rights to Obtain Information

In the use of rights of shareholders, the legislation, article of association and other in-house regulations are applied, as well as necessary precautions are taken to ensure the use of these rights and all shareholders receive equal treatment. In Arçelik A.Ş., Investor Relations Unit is operated under the authority of Assistant General Manager of Finance and Accounting. The primary objective of the company is to ensure that shareholders exercise their right to obtain information in a fair and complete process. Furthermore, the Company enables its shareholders to exercise their rights, which they are entitled to as partners, fully and as soon as possible.

In the Company no discrimination is applied among shareholders in the use of their right to obtain and evaluate information. Each shareholder has right to obtain and evaluate information.

The queries directed to Investor Relations Unit, excluding undisclosed information that is considered confidential and trade secret, are responded either via phone or in written by obtaining information from the highest authority of related subject. As explained in Part 3.1 of this report, every kind of information and statement, which may affect the use of shareholders' rights are included on the website.

With the intent of extending the shareholders' rights to obtain information and enable them to exercise their rights in an accurate way, up-to-date financial statements as well as necessary information and documents are provided on the Company's website ([www.arcelikas.com](http://www.arcelikas.com)) both in English and in Turkish. During this period, oral or written information requests addressed by the shareholders have been responded orally or in written without discrimination among shareholders within the frame of Capital Markets Regulation.

Material event disclosures required to be submitted to the PDP along with financial statements and other company information are submitted in an electronic environment with electronic signatures.

Notwithstanding that the Company Articles of Association do not include any provisions regarding the right to demand special auditor as an individual right, as per Article 438 of Turkish Commercial Code, each shareholder, in case it is necessary for being able to exercise the shareholder right and if the right for obtaining or evaluating information had been exercised previously, may demand general assembly to clarify specific matters through with a special audit even if it is not included in the agenda. The company has also not received such a request during the period. In addition, the operations of Arçelik A.Ş. are periodically audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, an independent auditing firm (a member firm of Ernst & Young Global Limited), as well as by auditors elected during General Assembly.

### 2.3. General Assembly

In order to ensure attendance of maximum number of shareholders, announcements of invitation to the General Assemblies are made through all available means of communication, including electronic media, at least three weeks in advance. Our Articles of Association has been issued accordingly.

In addition the announcements of General Assemblies and announcements and disclosures, which are required by the applicable legislation, the following matters are notably announced to our shareholders on our Company's website as well:

- a) The total number of shares and voting rights, which reflect the shareholding structure of the company, as of the date of announcement,
- b) Changes in management and activities at the company or the company's subsidiaries and affiliates that would have a crucial impact on any activities, and which took place in the previous accounting period or are planned in the next accounting period,

- c) In the event that the agenda of the General Assembly contains any items which stipulate the discharge, change or election of any members of the Board of Directors, the justification for these and information on the individuals who would be nominated for the Board of Directors;
- d) Requests of shareholders, Capital Markets Board (CMB) and/or other institutions and organizations related to the company for any items to be included on the agenda,
- e) In the event that the agenda of the General Assembly contains any items that stipulate for an amendment to any of the articles of association, the list of previous and current items to the articles of association alongside the relevant Board of Directors' resolution.

Concerning the fulfillment of the obligation stipulated in paragraph (c), résumés of individuals who shall be nominated for the Board of Directors; their employment history for the past ten years and reasons for leaving their prior employment; the nature and prominence of their relationships with the company and the company's affiliates whether they can be considered independent or not, and in the event that these individuals are elected as members of the Board of Directors, information on similar issues to affect the company operations.

All shares of the company's capital stock are nominative. An informative document regarding the agenda items shall be prepared and disclosed to the public on the company's corporate website and PDP prior to the General Assembly. General Assemblies are held open to the public, including stakeholders and members of the media, provided that they do not have the right to speak at the meeting as per Company's Articles of Association.

The Company has held 1 General Assembly in 2015. During the Ordinary General Assembly, which was held on March 23, 2015, during which the Company's 2014 operations were discussed, 59,320,198,275 shares (87.79%) of 67,572,820,500 shares, which is the total of Company's capital, were represented physically and on electronic environment. Company's shareholders (either in person or by proxy), stakeholders and members of media attended the meeting. Representatives from several intermediary institutions and banks providing settlement and custody services also attended the meeting as observers. During General Assembly Meetings, questions directed by shareholders were answered. In cases when the question being asked is not related to the agenda or is too complicated to be answered during the meeting, the answers thereto are provided by Investor Relations Unit in writing. No question was asked requiring such a written response in the General Assemble dated March 23, 2015.

- According to the Articles of Association, the General Assembly was announced at least three weeks before the General Assembly in PDP, in the Turkish Trade Registry Gazette, on the company's corporate website, in Electronic General Assembly System, on e-company in an effort to reach the highest possible number of shareholders besides the procedures stipulated through the legislation.
- All announcements comply with Corporate Governance Principles.
- Starting with the invitation date of the General Assembly, financial statements and reports, including the annual report, the proposal for dividend distribution, information on the agenda of the General Assembly, supplementary documents pertaining to the agenda, the current Articles of Association, the text and reasons of amendments, if any, to the Articles of Association are all made available to shareholders at the company headquarters and on the company's corporate website for the convenience and open review of shareholders.
- The company prepares a clear agenda of the General Assembly to avoid any ambiguities and misunderstandings. Such information consists of references and citations pertaining to the agenda items to be discussed.
- Examples for powers of attorney are announced and posted on the company's corporate website for shareholders represented by proxy.
- Voting procedure is announced prior to the meeting and shareholders are duly informed via the company's corporate website.
- During the General Assembly held on March 23, 2015, the company did not receive any requests from shareholders for any additional items to be included on the agenda.

General Assemblies are conducted with minimum costs and simplest method and as not to cause inequality among shareholders. By facilitating the participation of shareholders residing both in the country and abroad, they are enabled to participate in General Assembly.

Besides, all documents that may be needed by foreign shareholders in order to be informed about the General Assembly and agendas are translated into English and sent via the banks performing the barter and holding transactions of such shareholders and are also posted on the company's corporate website.

The company makes every effort to hold its General Assembly close to the city center for greater participation and convenience. The number of participants is tracked annually and the meeting venue is designated according to the number of participants. The Ordinary General Assembly was held on 23.03.2015 at the following address: "Divan İstanbul Elmadağ, Asker Ocağı Caddesi No:1 34367 Şişli İstanbul". The location of the General Assembly was easily accessible to all shareholders. Invitations to the General Assembly are issued by the Board of Directors according to the provisions of the Turkish Commercial Code (TCC), Capital Market Law and the Articles of Association. Resolutions made by the Board of Directors for the convention of General Assemblies are shared with the public via disclosures filed with the PDP.

As per the regulations of CMB, it is obligatory to disclose financial statements to the public within 11 weeks after the end of accounting period. However, the company discloses its financial statements much earlier. The financial statements for 2015 year-end were disclosed during the 5th week. Following the disclosure of financial results, preparations for General Assembly are started and General Assembly is conducted upon the finalization of required legal procedures. This year's General Assembly will be conducted within three months after the accounting period. During the General Assembly, subjects included in the agenda are conveyed to shareholders in detail and fairly with a clear and understandable method; proper discussion environment is created where shareholders are provided with equal opportunities to express their opinions and raise questions. For the featured subjects included in the agenda, related board members, related other persons, authorized persons and auditors who are responsible for preparing the financial statements participate in General Assembly in order to answer the questions and provide necessary information.

The shareholders are also given the opportunity to make comments and recommendations regarding the remuneration of the company's Board of Directors and top managers.

The General Assembly is provided with information on processes, if any, based on the permission acquired by shareholders having the governance control, members of Board of Directors, managers with the responsibility of administration and their spouses and second degree blood and kinship relatives at the General Assembly to perform tasks within the Company's area of operation in line with articles 395 and 396 of Turkish Commercial Code.

As per clause 4 of the article 415 of the new Turkish Commercial Code no. 6102 and the clause 1 of the article 30 of the Capital Market Law no. 6362, it is no longer a requirement to store share certificates to acquire the right to participate in the general assembly and the right to vote. Therefore, our partners who wish to participate in the General Shareholders' Meeting are not required to block their shares before the Central Registry Agency.

At the General Assembly, votes of shareholders on the agenda subjects are recorded in the minutes of meeting. Each agenda topic is voted separately at the meeting. The General Assembly is conducted under the supervision of a Commissioner from the Ministry of Customs and Trade.

General Assembly is informed about donations and aids which are made by the Company to foundations and associations for social relief with a separate agenda topic. At the ordinary general assembly held in 2015, information on the donations and aids in 2014 was provided with a separate agenda topic and the upper limit for donations in 2015 was determined to be TL 17,000,000 and there has been no change in the donation policy.

The minutes of General Assembly are posted on the corporate website and are also made available to shareholders at the company's headquarters and given upon request.

## 2.4. Voting and Minority Rights

The voting procedures at the General Assembly are announced to shareholders at the beginning of the meeting. Applications, which cause inconvenience for the exercise of voting right, are avoided in the Company and each shareholder, including residing abroad, is provided with the opportunity to exercise his/her voting right in the most appropriate and convenient manner.

The company's Articles of Association does not include any special voting privileges. Each share has one voting right. Any legal entity, which is the affiliate of The Company, does not exist among the Company's shareholders. The Articles of Association do not contain any provisions preventing a non-shareholder from voting by proxy.

Shareholders representing the minority rights compose the Management together with majority shareholders by their participation at General Assembly. In 2015, our company has not received any criticism or complaint concerning this issue. Minority rights are determined to be no lower than one out of twenty of the capital with articles of association.

## 2.5. Dividend Rights

The dividend distribution policy approved by the shareholders as 6th Agenda article in Ordinary General Assembly held on 27.03.2014 has been determined as:

"Our company performs dividend distribution within the frame of the provisions of Turkish Commercial Code, Capital Market Regulations, Tax Regulations and other relevant regulations and the article regarding dividend distribution in our Articles of Association. The distribution of dividends is based on a balanced and consistent policy between shareholders and corporate interests in accordance with Corporate Governance Principles. As a principle, 50% of the distributable term profit, calculated according to the Capital Market Regulations, is distributed in the form of cash and/or bonus shares to the extent allowed by the relevant regulations and financial facilities as long as they have provisions in the existing resources specified in our legal records on the basis of market expectations, long-term corporate strategy, investment and finance policies, profitability and cash position. The purpose is to distribute dividends within maximum one month after the General Assembly meeting, which also decides on the date of distribution of dividends. General Assembly or Board of Directors, if authorized, may decide on distribution of dividends in installments in accordance with the Capital Market Regulations. The Articles of Association of the Company states that The Board of Directors may distribute dividend advance provided that it is authorized by the General Assembly, and that it complies with the Capital Market Regulations."

Dividend distribution policy of the Company is included in the Annual Report and posted on the company's corporate website.

The company's profit distribution process is carried out in accordance with TCC (Turkish Commercial Code) and CMB, within statutory periods. At March 23, 2015 dated Ordinary General Assembly, it has been decided to distribute gross dividend rate at the rate of 51.796% (net 44.027%) based on 2014 financial results and as of April 1, 2015, dividend distribution has started. The Articles of Association do not grant any privileges regarding profit sharing.

## 2.6. Transfer of Shares

The Articles of Association do not include any provisions which obstruct the free transfer of shares and restricting the transfer of shares. CMB regulations are applied in terms of takeover of Company's nominative shares treated in the stock market.

## SECTION III: PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1. Corporate Web Site and Its Content

The Company uses its corporate website (www.arcelikas.com) actively in order to communicate more effectively and rapidly and to be constantly in touch with its shareholders, in accordance with CMB's Principles. The information provided here is updated regularly. The information posted on the company's website is the same as and/or consistent with the material event disclosures made in accordance with the applicable laws, they are complete and do not contain any contradictory information.

In addition to the information required to be publicly disclosed by the applicable laws, the company's website provides the following information: trade registry information, the latest partnership and management structure, the notification that the company has not issued any privileged shares, the latest version of the company's Articles of Association together with dates and numbers of the Turkish Trade Registry Gazettes that contain the amendments made; material event disclosures, financial statements, annual reports, prospectuses and IPO circulars, agendas of General Assembly and list of attendants and minutes, proxy voting form, dividend distribution policy, disclosure policy, ethical rules of the company and answers to frequently asked questions. Accordingly, such information for the last 5 years is available on the company's website.

The company's website is provided both in Turkish and English in compliance with the content and design required by CMB's Principles. It is the responsibility of the Investor Relations Department to prepare, update and contribute to the content posted on the Investor Relations section of the company's website. The Company makes every effort to provide investors of its corporate website with better service.

The company is controlled by the main partner Koç Holding A.Ş., Koç Family and the companies owned by the same.

### 3.2. Annual Report

The Company Board of Directors prepares the company's annual reports in sufficient detail to ensure that the public is able to access complete and accurate information about the company's activities and as per the information listed in Corporate Governance Principles.

In addition to the information required to be included by the applicable law and in other parts of Corporate Governance Principles, annual reports contain the following;

- a) Information about positions held by members of Board of Directors outside the company in their résumés and their declaration of independence,
- b) Information on the names of members of the committees of the Board of Directors, the frequency of meetings and the functions carried out,
- c) Information about corporate social responsibility activities conducted by the company that have social and environmental consequences and the social benefits of employees and their vocational trainings.

## SECTION IV - STAKEHOLDERS

### 4.1. Informing Stakeholders

Stakeholders are third parties who are directly involved with the Company. The company provides information to its stakeholders on matters of interest by organizing meetings or using teleconferences. Taking into account the fact that engagement stakeholders would provide long-term benefits to the company, the Company respects the rights of its stakeholders that are protected by laws, mutual arrangements and contracts. The corporate governance structure of the Company allows all its stakeholders, including employees and representatives, to communicate their concerns regarding illegal or unethical practices to the company's top management. Evaluating the complaints received by the Company is among the tasks of Audit Committee. Furthermore Internal Audit Department also evaluates the complaints and communicates them to the Audit Committee.

Composing the dealership organization of the Company in Turkey and company employees, nearly 3,000 dealers constitute a major stakeholders group that is directly in relation with the Company. The company regularly informs its employees through the practices, communiques, circular letters, regulations and written notifications and at the same time it holds regular "Dealer Meetings" throughout the year to keep its dealers up-to-date on practices and campaigns, company policies, targets and recent economic developments as well as to create a more effective system by listening to the dealers' problems and concerns.

Besides, we have various efforts to increase collaboration with our 5000 direct and indirect suppliers whom we consider a significant link of our supply chain and stakeholders. The primary ones among those efforts are technology and innovation collaboration days, supplier days, supplier trainings, audits, visits, Arçelik corporate website and our supplier portal. As part of these efforts, a general briefing about Arçelik's vision, strategy, business goals and future actions is made, and our expectations from our suppliers in terms of sustainability is communicated.

Employee relations, which are managed by collective bargaining, are carried out through union representatives. The Company is a member of Metal Industrialists Union (MESS) and the blue-collar employees of the Company are the members of Turkish Metal Union. The Collective Bargaining Agreement, which covers all Arçelik employees who are the member of union and is effective from September 1, 2014 through August 31, 2017, was signed in December 15, 2014.

### 4.2. Stakeholders' Participation in the Company's Management

Particularly through suggestion system, call center, web site, face-to-face regular meetings for both employees as internal customers and dealers as external customers; mechanism and models supporting the participation of the stakeholders, particularly the company employees and the dealers, to the company management are included and developed in a way not to interrupt the operations of the company.

To encourage the participation of the stakeholders in the management, their demands determined through the tools like "suggestion, survey" are reflected on the operations of the company. Opinion and approval of the Labor Union are obtained for the implementation changes regarding the rights provided to the employees and working conditions and environment and the decisions are taken collectively. The Company also encourages its dealers, who are in close contact with the company, to participate in the company's management by organizing "Dealer Meetings".

The Company considers customer and supplier satisfaction among its top priorities. The Company monitors customer satisfaction regularly and issues reports. The Company cherishes the confidentiality of customer and supplier data, which are considered as trade secrets. Customer satisfaction policy of the company given below is shared with the stakeholders in writing and business and all management processes are shaped within the frame of this policy.

As Arçelik A.Ş. we adopt a customer-oriented approach which accepted as the main principle that customer request and suggestions for all of our brands we provide service to are easily communicated from each channel without profile discrimination (call center, e-mail, [www.arcelik.com.tr](http://www.arcelik.com.tr), [www.beko.com.tr](http://www.beko.com.tr), [www.grundig.com.tr](http://www.grundig.com.tr), [www.altus.com.tr](http://www.altus.com.tr), fax, letter, social media, dealer), collected on a single traceable, reportable, transparent and safe information pool, these records are handled and evaluated in compliance with the legal regulations in an objective, fair and confidential way and processes are continuously controlled to bring perfect customer experience. In parallel with our approach, all processes are integrated into the management system and a structure controlling each other is established and thus, management targets are set via this system.

The singular goal of all the efforts and investments made by the Arçelik Call Center is not only to provide the company's customers a high level of modern service on a 24/7 basis, but also to ensure a smooth dialog between them and Arçelik, respond to their proposals and requests more rapidly and maximize their level of satisfaction. One of the primary functions of the Arçelik Call Center is to contribute to the development of new products that meet customer expectations by providing a smooth flow of information in the form of suggestions and complaints to the relevant units of the Company.

Thanks to its state-of-the-art facilities, which give the Company an advantage, Arçelik Call Center's unique position is sustained by the variety of communication channels it has established with its consumers. Arçelik responds to a majority of its consumer requests, which it receives through both traditional communication channels such as fax and post and modern ones such as telephone and e-mail, instantly by phone. Committed to raising its level of service each day, Arçelik Call Center also conducts customer satisfaction surveys to tap into its customers and considers feedback surveys to be an opportunity to improve its operations.

Arçelik Call Center, which since 1991 has maintained a high level of dialog with its domestic customers and has striven to achieve high levels of customer satisfaction, has continued to expand its abroad call center services network since 2008 in order move closer to its goal of becoming an international call center and has begun to provide pre- and post-sale call center services in Germany and Austria from Turkey for all brands. Through the consumer satisfaction surveys conducted for developing countries such as Serbia and Macedonia apart from Austrian and German markets, not only domestic market, but also foreign markets were listened and assessing their opinions and expectations were taken as a goal.

Having assumed responsibility for the management of online sales and social media communication operations, Arçelik Call Center Management has continued to implement its strategy of being with its customers at all times.

One of the most striking call center projects in 2014 was Arçelik Service Cloud project. Through this project, we converted our service network in Turkey into a call center model and it was allowed to manage the communication between distributed service points and customers from a single center. Our project was granted "Most Successful Koç Members" award under the category of "Creators of Customer Happiness" in Koç Holding through its performance and vision. In 2015, the efficiency of Arçelik Service Cloud system was increased with implemented projects.

An important opportunity for management to expand its know-how in different industries was that Arçelik call-center started to provide technical assistance for cash register pos device that entered into market as a new product merging bank pos devices with cash register devices with the Communique on "Payment Recording Devices" of the Ministry of Finance in 2013. In 2014, we increased our experience in that field and the optimum organizational structure was developed and thus, quality after sale services performance was achieved in compliance with SLA contracts executed with the banks.

In 2015, Consumer Services under the roof of Consumer Services Directorate provided field service with 11,700 personnel, about 5,500 of which were technicians and 5,700 vehicles at about 536 authorized service locations operating under the authority of 10 regional managements throughout Turkey.

The technical staff is certified by the Technical Services and Training Division, which operates under the Consumer Services. We accelerated the oriented training and certification activities by using techniques based on measurement in education and besides, technologies based on e-learning were put into use. The entire technical staff was provided with the trainings under relevant profession groups within the field of our industry and certified as per the law no. 6331.

Russia and Spain Academies were launched abroad and activities for education in the native language were started. New organizational structuring was engaged to manage the technical support activities and training processes in the foreign countries more efficiently.

Innovative devices, designs of which were made within Technical Services Department, were put into use of the authorized services. Thus, it was aimed to reduce the expenses and increase the satisfaction.

Authorized services provide over 13 million services annually for all the brands of Arçelik A.Ş. The ability to handle both the delivery and installation of a product with a single service call is one of the competitive advantages of the technical service.

Authorized service performance system is being implemented to provide more quality service to the customers and increase the satisfaction. Performance system is consisted of measurable criteria and performed based on authorized service and technicians. Performance results are shared with the Authorized Services quarterly and development and action plans are prepared for the areas needs to be improved. Premium system is applied for the authorized services according to the performance results to increase the efficiency of the performance system.

General meetings are organized with the Authorized Services for 2 times a year with the participation of the top management. During these meetings, company policies and strategies are shared and studies are conducted for a sustainable cooperation by getting the opinion and suggestions of the Authorized Services.

In 2012, there were some organizational changes in order to meet and go beyond the expectations of the customers and stakeholders in spare parts process. Strategic plans were developed for Planning, Remuneration, Supply and Storage processes. Through these improvement activities, our inventory turnover was increased and ratio of meeting the customer demands which are among the essential targets of the company was increased. Action plans were developed to serve for our vision always targeting the highest consumer satisfaction as to increase the ratio of meeting the demands more and more in years. A planning software was developed and put into use to provide the highest level of service to the consumers and for the authorized services to make efficient spare parts planning. Thus, levels of the authorized services to provide services at one time increase and it's ensured that they reach a customer satisfaction level befitting the modern and innovative service level as we target. Within the scope of the sustainable cooperation activities, inventory levels of the authorized services can be controlled and they have an efficient inventory management thanks to this software.

### 4.3. Human Resources Policy

Taking firm steps towards becoming a global company by adopting the vision of Respects the Globe, Respected Globally, the company always aims the highest and considers "its human resources to be its most important capital" that will carry the Company into the future.

Human Resources Policy of Arçelik A.Ş. which had been determined in accordance with the strategies of the Company, common values and business ethics, has been documented and shared with the employees working in Turkey and in abroad subsidiaries.

Human Resources Director is responsible for determination and management of the principles of the company's human resources policy and employee management.

Arçelik A.Ş. uses various criteria in recruitment and competences used in this sense are listed below.

- Grow
  - think globally
  - shape the market with innovation
  - focus on customers
  - execute with excellence
- Respect
  - listen deep
  - welcome diversity
  - earn trust
  - build collaboration
- Lead
  - inspire and empower
  - promote high performance and accountability
  - develop capability
  - impact for collective success

Our fundamental principles which direct the Human Resources Policy are given below and in Human Resources practices we act in line with these principles.

- There is a global-local balance in human resources systems and practice. As an international company, local laws, practices and requirements are respected. Country's legal regulations take precedence in situations where Human Resources Policies and Practices conflict with local legislations.
- Human Resources Policy of Arçelik A.Ş. is fully aligned with the company's business strategies and also responds to future needs on top of current organizational requirements.
- All Human Resources Policies and Practices respect and support human rights and oblige the company to avoid any discrimination and create equal opportunities for its employees. Arçelik A.Ş. does not discriminate based on ethnic origin, race, nationality, disability, political affiliation, religion, age, gender or sexual orientation. This principle is accepted company-wide and a formal complaint from the employees regarding that they have experienced any discrimination has never been received. Arçelik A.Ş. Code of Conduct and Codes of Practice, Arçelik A.Ş. Personnel Regulation and all relevant policies put forward binding rules and the company ensures that these rules are implemented to permanently prevent any discrimination and in-house physical, mental and emotional abuse likely to occur between the employees.



- Fairness, consistency and trust lies at the heart of all human resources practices implemented. In line with this principle, job definitions, salaries, criteria of performance and reward system intended for the employees are announced to the employees in accordance with the determined schedule and it's ensured that all employees are informed equally. Same principles are taken into account in the trainings provided to the employees by Arçelik A.Ş. and training programs are developed and announced to the employees in a wide variety as to address the improvement needs of all employees.
- Career plans of employees are made in accordance with knowledge, skills and competences. Annual human resources planning meetings are held in order to identify the critical positions and potential employees that would carry the company to the future, and performances of potential employees are monitored in order to support their development and make them ready for their possible future roles. There are succession plans in place for all management positions and potential employees are positioned in these plans. This helps us develop candidates to managerial positions and also prevent any interruptions in the corporate management in case of any possible changes in these positions. In 2015, 12 percent of our employees in Turkey have gone through rotation, assignment and promotion processes. This rate is 2 times the rate is 2014.
- For the purpose of improving Human Resources Standards continuously, Human Resources Practices are revised systematically and regularly and in light of latest developments and the feedback received, Human Resources processes are re-structured.
- Internal communication implementations put into use for the employees to be informed continuously about the developments and participate in the decision processes more actively have great importance. The company has created a platform which enables employees to be constantly in touch and encourages further creativity and communication through the intranet system renewed in 2012. We continuously inform our employees through our internal communication implementations like internal announcements published online, newsletter and e-mails. Through Communication and Exchange Meetings organized at different levels, Arçelik employees express their opinions on the functionality of the main processes of the company and active support is ensured to reach the primary business targets.
- In Arçelik A.Ş., opinions of the relevant union are obtained and mutual understanding is ensured before the decisions to be taken regarding the human resources policy changes and system revisions intended for the

union member employees. All of the union member employees are informed of the changes.

- Personal information of the employees is kept confidentially within the frame of the legal legislations.

Arçelik A.Ş. aims to meet the business needs during the recruitment and replacement processes in current time and in the future and equal opportunities are provided to all candidates with suitable education, knowledge, skill, competence and experience in line with the ethical principles. The fact that the current employees were graduated from 107 different universities emphasizes the importance that company gives to the principle of equality.

Total employee number in Turkey and abroad by 2015 year-end is given in the following table.

Number of employees by 2015 year-end	Total
Turkey	17,558
Abroad	8,779
<b>Total Arçelik Group</b>	<b>26,337</b>

The average length of service and age of employees in Turkey is 7.6 years and 33.4 years, respectively.

Approach of the company for the training and development process is that Company's performance is improved by working with continuous development principle in parallel with the company's vision and business targets. It's aimed to use the in-house resources in an efficient and effective way while planning the development needs of the employees in the current time and in future in line with the business requirements.

In 2015, the company provided 398,983 hour of trainings in total, average of 23 hours per person.

Arçelik A.Ş. believes that organizational success is based on team work and collaboration along with the individual successes. In this direction, the company uses different development and management systems to improve the performance of the employees in compliance with the company targets.

Arçelik A.Ş. evaluates, rewards and ensures the recognition within the company any success, invention and/or suggestion that provide benefit in order to increase the motivation, commitment and productivity of the employees, put into use the best practices and encourage the rising critical behaviors. The company determines a fair employment policy through the approach, laws and competitive understanding in compensation management.

Arçelik A.Ş. gives importance to the impact of the employee engagement on the company's business results and monitors the employee engagement regularly through the independent surveys and develops improvement activities according to the surveys results. Survey was renewed also in 2015. Good practices that were engaged in previous years have been continued and new projects were triggered by determining the fields need to be improved. As a result of the studies conducted in this sense, all Talent Management processes are managed on a global and integrated platform running on cloud technology. Leadership culture and climate studies continued in 2015, and focused on increasing the training, development, rewarding and recognition processes for all of the employees throughout the company.

## Industrial Relations

Arçelik A.Ş. respects and supports the rights of its employees to organize and form unions in accordance with the company's industrial relations policy. The company pays strict attention to maintaining the peaceful working environment it has created on the basis of mutual trust between its employees and unions and by respecting the applicable law and collective bargaining agreements. The Company takes local conditions, customs and practices, which are specific to the regions and countries in which it operates, into account in order to maintain the peaceful working environment it has created, even though these local conditions, customs and practices are not included in the agreements into which the company has entered.

Within the frame of Industrial Relations Policy, labor unions are not considered as adverse parties but as social stakeholders. Therefore, the Company always attaches great importance to be on good terms with labor unions and to act in concert. Providing better working conditions for the social stakeholders is an important goal of the Company. Accordingly, besides conforming to law, social aids such as better working conditions, occupational health and safety, maternity, death, education and marriage supports are included in collective bargaining agreements and care is taken for their implementation.

Arçelik A.Ş. provides the following social benefits to its employees in Turkey in accordance with the provisions of the collective bargaining agreements:

- 4 bonus payments every year,
- Fuel allowance,
- "Leave allowance" before annual leaves,
- "Special allowance" before religious holidays,
- Monthly child allowance,
- Childbirth, marriage, death, military service and education allowances as payments made per case.

- Transportation and daily food allowances, which are offered in-kind,
- Annual leave entitlements are specified under collective bargaining agreements. Irrespective of whether they are members of a labor union or not, the employees are entitled to annual leaves longer than those provided under the law.
- Starting positions and wages of union employees are determined based on the type of work they will perform according to the collective bargaining agreement.

The Collective Bargaining Agreement, which covers all Arçelik employees who are the member of union and is effective from September 1, 2014 through August 31, 2017, was signed in December 15, 2014.

As of 2015, Arçelik A.Ş. employees are offered daycare services. Daycare support is provided for Arçelik A.Ş. female employees with a child from 0 to 66 months old and male employees required to take care of his child alone.

## Occupational Health and Safety

Starting from the "value given to the employee" that is one of the most important factors in the corporate vision, Arçelik A.Ş. provides integrity between the Occupational Health and Safety Policy and relevant legislation and business processes and encourages the integration of the planned and systematic studies within the scope of the Occupational Health and Safety and aims to prevent the occupational accident and disease based losses and to make improvements constantly.

### Arçelik Occupational Health and Safety Policy

Arçelik and its employees comply with all applicable national and international occupational health and safety laws and regulations and create a safe and healthy working environment in line with occupational health and safety management system based on continuous improvement. We perform our activities to

- analyze and decrease the occupational health and safety risks arising in the working environment,
- conduct training activities in order to develop and increase the awareness in occupational health and safety issues,
- take measures to achieve a zero work accident rate and a zero occupational disease rate and increase productivity

accompanying the Quality and Environmental Management Systems and we strive to set a model in durable goods sector with regard to occupational health and safety efforts.

In accordance with this policy, occupational health and safety is included as a criterion among other target criteria set for departments and individuals as part of the Performance Management System. The efforts regarding the Occupational Health and Safety Action Plan issues and projects ensure compliance with occupational health and safety legislation and prevent possible occupational accidents and diseases.

In 2015, the Accident Frequency Rate, which indicates the frequency of occurred occupational accident based on the total actual working time, was realized as 3.71 with an improvement of 45% and the Accident Gravity Rate, which indicates the working day loss occurred due to occupational accidents based on the total working time, was realized as 0.040 with an improvement of 55%.

Arçelik A.Ş. always provides guidance to its employees regarding occupational health and safety on a regular basis and encourages them to communicate among themselves and with their managers on issues related to occupational health and safety. In 2015, totally 175,107 man-hours of training on Occupational Health and Safety was provided with a comprehensive participation in all Arçelik facilities by occupational safety specialists and occupational physicians.

Adopting “zero accident rate and zero occupational disease rate” objective in terms of Occupational Health and Safety, Arçelik A.Ş. continues its efforts by involving employees at every level of the company and allocating the necessary resources to achieve desired targets.

In 2015, at the First Occupational Health and Safety Awards organize by MESS, Arçelik A.Ş. won the First Award with the “Ergonomic Risk Measurement and Mapping Project” implemented at the Refrigerator Plant at “Plants with 500 or More Employees” category and was listed as ‘Recommended Application’ category with the ‘Ergonomics Project - Ergonomics System Software and Application’ at the Dishwasher Plant.

#### 4.4. Ethical Rules and Corporate Social Responsibility

The company aims to ensure customer satisfaction, offer world-class products and services of universal quality by using limited natural resources efficiently, and contribute to economic and social development. Accordingly, the company strives to be a global symbol of credibility, continuity and respectability in the eyes of all of its customers, shareholders, employees, suppliers, dealers and authorized services; in other words, all of its stakeholders.

We accept the standards established by Vehbi Koç, the founder of Koç Group, as our guiding principles;

- Our Customers are the focus of everything we do,
- Always to be the best is our ultimate goal,
- Our most important capital is our human resources,
- Our goal is to create wealth for continuous development,
- We strive to strengthen Turkish economy from which we derive our own strength,
- Superior business ethics and honest working principles are the foundations of our business conduct

The company has based its Code of Ethical Conduct on the above mentioned principles in order to provide its employees and others who represent the Company with a guiding document that would help them when making decisions. This Code of Ethical Conduct is disclosed to public in detail on our Company’s website.

Our company expects from all its employees to behave in a manner that would contribute to the cultural integrity of our company and strengthening and development of its reputation and corporate structure. All of the employees, including temporary workers, are under obligation to follow the company’s Code of Ethical Conduct.

Code of Ethical Conduct booklet is given to Arçelik A.Ş. employees in exchange for their signatures, at the day of their employment. Also, Arçelik Code of Ethical Conduct is assigned to all our white collar and blue collar employees in the form of digital trainings, and in the course of their training, their rate of accomplishment is monitored regularly.

The company expects from all of its stakeholders to comply with business ethics and all related policies.

“Code of Ethical Conduct of Arçelik A.Ş.” includes the following sections:

- Company-Employee Relations
- External Relations
  - Stakeholders, Shareholders, Government, Customers, Suppliers, Dealers, Authorized Dealers, Authorized Services
  - Competitors and Competitor Relations
  - Social Responsibility
  - Global Responsibility
- Code of Conduct Required To Be Followed by Employees
- Occupational Health and Safety Approach
- Code of Conduct Application Principles
  - Obligation to Report Transgressions
  - Code of Conduct Committee
  - Disciplinary Practices

It is under the responsibility of the management to display the required level of effort and leadership, to announce the Code of Conduct to all employees, to ensure that the employees put required level of importance on those policies, and to ensure that the all employees act in alignment with the Code of Conduct all the time.

Arçelik A.Ş. is one of the first companies to sign the corporate social responsibility Code of Conduct drafted by the European Committee of Domestic Equipment Manufacturers (CECED). The Code of Conduct secures the subscribing company to achieve a sustainable performance concerning working conditions, environmental laws and standards which are regulated by national laws and international conventions.

Furthermore, the Company has its production facilities audited by an independent audit firm within a program based on the criteria of BSCI (Business Social Compliance Initiative) and Sedex (Suppliers Ethical Data Exchange) Social Responsibility Organizations, widely accepted in EU and obtains compliance reports in consequence of these audits.

The company has adopted an approach which focuses on protecting and preserving the environment and natural resources in cooperation with its partners both during production and non-production activities while at the same time developing and manufacturing innovative products. The company monitors the compliance of its operations with all domestic and international legal obligations, which call for the protection of the environment and human health. The company regularly organizes training programs for its employees to extend the sentiment about the protection of environment and natural resources and combating with climate change and carries out projects with Public and Non-Governmental Organizations in Turkey and abroad to raise awareness of the public and maintains its support for carried out projects and efforts.

The Company carries out many different projects in the countries, where it operates, in the fields of education, sports, culture and art to support social development. Acting with corporate citizenship awareness, the Company provides the sustainability of the projects thanks to voluntarily supports of its employees and business partners. The policies and projects implemented by the Company are included in the explained in the "Social Responsibility" sections of the Annual Report.

The Company expands its global presence day by day in line with its vision and continues to develop by integrating the sustainability into the processes with the conscious of its responsibilities. Sustainability approach of the company is to act by looking after the social, economic, environmental and ethical dimensions of its operations, to follow-up these

dimensions by integrating them into the corporate business targets and to manage its operations with sustainability principles within the frame of corporate policy and strategies. The company evaluates the risks and opportunities regarding the sustainability and expectations of the stakeholders as important inputs for its operations.

The highest level of responsibility for the sustainability management belongs to the Sustainability Committee in the company. Sustainability Committee bears the mission of determining the corporate sustainability and climate change policy and strategies, ensuring the integration with the company's business processes, monitoring the performance and increasing the efficiency. Sustainability Committee meets 2 times every year. 8 working groups were established to enable the members of Sustainability Committee to control and coordinate the sustainability activities regarding their own responsibility fields, ensure implementation and deployment of Sustainability Committee decisions and report the related developments. These are Environmental Coordination, Energy Coordination, Climate Change Coordination, Green Chemistry Coordination, Occupational Health and Safety, Human Rights and Business Ethics, Value Chain Management and Sustainability Reporting Committees.

Top sustainability issues if Arçelik A.Ş. are innovative and environmentally friendly products, risk management, business ethics, environmental approach in production processes, talent management, occupational health and safety, sustainability management in value chain, quality and safety of the products, sales and after sale services and contribution to social development.

With the aim of presenting its priorities, practices and business results in the field of sustainability to its stakeholders in an efficient and transparent way, Arçelik A.Ş. publishes an annual "Sustainability Report" in accordance with Global Reporting Initiative (GRI) Reporting Principles since 2008. Arçelik A.Ş. 2014 Sustainability Report including the areas of "Management Approach", "Talent Management", "Environmental and Energy Management", "Combating with Climate Change", "Management of Natural Resources and Waste Management", "Sustainability Management in the Value Chain" and "Social Development" was prepared at GRI G4 "core" application level. The Company's efforts on climate change are explained in the Annual Report's "Corporate Responsibility – Eco-friendly Approach in Product and Manufacturing" section.

Arçelik A.Ş. is listed in Borsa Istanbul (BIST) Sustainability Index created on 04.11.2014. The Company was listed in MSCI Global Sustainability Index Series in 2015 and graded as "AAA", the highest grade. Arçelik A.Ş. shares the Annual Report and Sustainability Report with public through the corporate website at [www.arcelikas.com](http://www.arcelikas.com).

**SECTION V: BOARD OF DIRECTORS****5.1. Structure and Formation of Board of Directors****Members of Board of Directors (MBD)**

MBD Name-Surname	Independence Status	Date of assignment	Period of Duty	Functions in Board of Directors and Committees	Tasks our of the Company
Rahmi M. Koç	Not Independent Member	23.03.2015	1 year	Chairman of the Board, Chairman of the Executive Committee	Board Membership for Group and Non-group Companies
Mustafa V. Koç	Not Independent Member	23.03.2015	1 year	Vice Chairman of the Board, Executive Committee Member	Board Membership for Group and Non-group Companies
Semahat S. Arsel	Not Independent Member	23.03.2015	1 year	Board Member, Executive Committee Member	Board Membership for Group Companies
Ömer M. Koç	Not Independent Member	23.03.2015	1 year	Board Member, Executive Committee Member	Board Membership for Group Companies
Ali Y. Koç	Not Independent Member	23.03.2015	1 year	Board Member, Executive Committee Member	Board Membership for Group Companies
Levent Çakıroğlu	Not Independent Member	23.03.2015	1 year	Board Member	Board Membership for Group Companies
Robert Sonman	Not Independent Member	23.03.2015	1 year	Board Member	Board Membership for Non-group Companies
Fatih K.Ebiçlioğlu	Not Independent Member	23.03.2015	1 year	Board Member, Risk Management Committee Member	Board Membership for Group Companies
Kutsan Çelebican	Independent Member	23.03.2015	1 year	Board Member, Chairman of Audit Committee	Consultant, independent member of the board of directors for Koç Holding A.Ş. and Tüpraş A.Ş.
Tunç Uluğ	Independent Member	23.03.2015	1 year	Board Member, Chairman of Corporate Governance Committee	Independent member of the board of directors for Aygaz A.Ş.
Mehmet Barmanbek	Independent Member	23.03.2015	1 year	Board Member, Audit Committee Member, Corporate Governance Committee Member	Independent member of the board of directors for Ford Otomotiv Sanayi A.Ş.
K. Kaynak Küçükpınar	Independent Member	23.03.2015	1 year	Board Member, Chairman of Risk Management Committee	

The above table provides information on non-executive Board Members as per the definitions in CMB Corporate Governance Principles.

As per the Articles of Association, the activities of the Company are carried out by a Board of Directors that compose of at least five members who will be elected with the resolution of General Assembly within the framework of Turkish Commercial Code and the regulations of Capital Markets Board. 23.03.2015 dated General Assembly of the Company has taken a resolution that the Board of Directors shall compose of 12 members together with 4 independent members.

In accordance with the Structure of Board of Directors regulation included in the Article 4.3 of Capital Markets Board's Corporate Governance Principles, arrangements that are required for including independent members in the Board of Directors, have been accepted at 29.03.2012 dated General Assembly by making necessary amendments in the Articles of Association.

The Board Members are determined in such a way to function efficiently and in a constructive manner, make quick and rational decisions and organize the activities of the committees effectively.

Within the scope of 395 and 396 Articles of Turkish Commercial Code, the approval regarding the Board Members to carry out the activities which are included in the company's field of activity on their own or behalf of others and to participate in the companies that carries out such activities has been obtained at 23.03.2015 dated General Assembly.

Tasks of Board Chairman and General Manager are performed by two different persons. The Company pays attention that the Board Members have enough time to deal with the Company's activities; however there is no restriction for them to handle other task or tasks apart from the Company. Especially since the business experiences and sector specific knowledge of independent members have a significant contribution to the Board of Directors, such restriction is not deemed necessary. Prior to General Assembly, personal background as well as previous positions of the member is submitted for shareholders' information. The Annual Report provides the resumes of Board Members, General Manager and Assistant General Managers.

Tasks of Candidate Nomination Committee and Compensation Committee are carried out by Corporate Governance Committee in our company. Number of independent member nominees submitted to the Corporate Governance Committee for General Assembly dated 23.03.2015 is 4, independence declarations and resumes of these persons were evaluated in the Resolution of the Board of Directors dated 16.01.2015 of Corporate Governance Committee dated 15.01.2015 and it was decided that all of them are determined to be independent member nominees. By getting the approval of Capital Market Board through the letter dated 05.02.2015 for 4 independent member nominees (Kutsan Çelebican, Tunç Uluğ, Mehmet Barmanbek ve Kadri Kaynak Küçükpınar) and these 4 nominees are selected as independent members of board of directors for 1 year by the General Assembly dated 23.03.2015. There isn't any situation occurred removing the independence within the activity period for 2015.

Following the General Assembly meeting dated 23.03.2015 in which Members of the Board of Directors are selected; Chairman and Vice Chairman of the Board of Directors are determined to decide on the assignment of the duty.

The entire of the members of the Board of Directors have worked professionally in various industries for long years and they are experienced. The company benefits from the accumulation of knowledge and experiences of the members of the Board of Directors at the highest level. Members of the Board of Directors can share and express their opinions freely away from any effect.

We believe that ensuring the diversity of accumulation of knowledge, experience and opinion before the Board of Directors will make positive contribution to the efficient operation of the Board of Directors and to the company activities. Our evaluation studies are still ongoing to determine a target ratio for the woman members of the board of directors that is a tool to ensure that different opinions are represented in the Board of Directors. Currently, Ms. Semahat S. Arsel participates in the Board of Directors as woman member in compliance with the Corporate Governance Principles.

Member of the Board Mustafa V. Koç passed away on January 21st, 2016.

## 5.2. Principles of Activity of the Board of Directors

Board of Directors holds meeting when it is required for the activities of the Company. In 2015, Board of Directors had 4 meetings and took 38 decisions. Independent board members have approved all resolutions. Different opinions expressed in the meetings of Board of Directors and reasons for counter votes are registered in decision record. Detailed reasons of the members who voted against are disclosed to the public. In the Board of Directors, each member has one voting right. However, in the meetings of the Board of Directors held in 2015, no disclosures on this matter have been made to public since there was no such opposition or expressed different opinion.

The Agenda of the Board of Directors are determined by the notification of matters that it is clearly decreed to be concluded by the resolution of the Board of Directors within the Company's Article of Association, made by related departments to Company's Top Management and the Board Members. In addition, the Agenda of the Board of Directors are also determined by the notification of any Board Member made to the Top Management of the Company about taking a decision on a matter of high concern. The subjects desired to be discussed in the meeting of the Board of Directors are collected at the department of Assistant General Manager, Finance and Accounting and the agenda is determined by consolidation.

Arçelik A.Ş. has appointed Assistant General Manager, Finance and Accounting for determining the agenda of Board of Directors' Meetings, issuing resolutions of Board of Directors, informing Board Members and providing communication.

The meetings of the Board of Directors are held in the headquarters of the Company or in a suitable place where the headquarters are located. Significant resolutions of the Board of Directors are announced to the public by Public Disclosure Platform (PDP) and are posted on Company's website in both Turkish and English.

The company has subsidiaries and affiliate companies. Since we believe that it will be for the benefit of the Company, to have the Board Members manage these companies, there are no restrictions on this matter.

The regulations of Company's Board Members are clearly determined in the Articles of Association. Authorities are included in the Company's signatory circular in more detail.

The Board of Directors takes a leading part in maintaining efficient communication among shareholders, settling and resolving disputes and for this purpose the Board of Directors

works in close cooperation with Corporate Governance Committee and Investor Relations Unit.

"Manager Liability Insurance" is available for the members of the Board of Directors and top managers in our company.

## 5.3. The Number, Structure and Independence of the

Committees Established Under the Board of Directors According to Articles of Association, the Board of Directors may establish advisory, coordination, audit and similar nature committees or sub-committees composing of its members and/or non-members on the subjects it deems suitable provided that relevant legislation provisions are followed.

In the election of members of committees established after 23.03.2015 dated Ordinary General Assembly, the provisions specified in Article 4.5 of CMB's Corporate Governance Principles were followed.

"The Audit Committee" in charge of ensuring reliable fulfillment of duties and responsibilities of the Board of Directors was established. The Audit Committee regularly carries out its activities in compliance with Capital Markets Regulation and CMB's Corporate Governance Principles. All members of the Audit Committee have been elected from among independent board members. This Committee was composed of 2 members and Kutsan Çelebican has been appointed as the Chairman and Mehmet Barmanbek has been appointed as the member. An in-house Audit Committee has been established for the purpose of auditing the operation of accounting and reporting systems to be in compliance with related law and regulations, public disclosure of financial statements, the operation and efficiency of internal audit system and it has held 5 meetings in 2015.

In accordance with the Corporate Governance Principles issued by Capital Markets Board, an in-house Corporate Governance Committee has been established for the purpose of monitoring the compliance of the Company, performing activities for improving the compliance and providing advices to the Board of Directors. Tasks of Candidate Nomination Committee and Compensation Committee are also carried out by Corporate Governance Committee. The chairman and one member of this committee were elected from among independent board members on March 24, 2015. Tunç Uluğ has been appointed as the Chairman of the Corporate Governance Committee and Mehmet Barmanbek and Investor Relations Department Manager Polat Şen were appointed as members. The Corporate Governance Committee has held 6 meetings in 2015.

From among the independent members, K. Kaynak Küçükpınar has been elected as the Chairman and Fatih K. Ebiçlioğlu has been appointed as the member of Risk Management Committee which has been established for the purpose of early detection and evolution of strategic, operational, financial and all other miscellaneous risks that may affect our Company, calculating the effects and probabilities, managing these risks in accordance with the Company's corporate risk taking profile, reporting, considering in decision-making mechanisms and accordingly providing advices and suggestions to the Board of Directors for creating and integrating efficient internal control systems. The Risk Management Committee has held 6 meetings in 2015.

In order to offer efficient coordination between the Board of Directors and the management structure, an Executive Committee has been formed, tasked with increasing the efficiency of the Board of Directors, ensuring efficiency in the subjects of business development and investment in areas aligned with strategic aims, and to offer suggestions and recommendations in that respect. As the Board of Directors could not convene in a time and frequency required, the aim of this committee is to inform the Board of Directors by following up the Company as well as industrial improvements closely when required; to ensure coordination between the Corporate management structure and the Board of Directors; to develop proper strategies for the Company and to make recommendations for the efficiency of the activities. Rahmi M. Koç has been appointed as the Chairman of the Executive Committee and Mustafa V. Koç, Semahat S. Arsel, Ömer M. Koç and Ali Y. Koç have been appointed as the members.

The duties, operation principles and the members of these committees were disclosed to the public by posting on the Company's website ([www.arcelikas.com](http://www.arcelikas.com)).

#### **5.4. Risk Management and Internal Control Mechanism**

Arçelik A.Ş. Board of Directors conducts its businesses in a transparent, accountable, fair and responsible manner. A Chairman and a Vice Chairman are elected by and among the Board Members. Also, Chairmen and Members of Board Committees are elected.

Board of Directors creates internal control systems involving risk management and information systems and processes that may minimize the effects of risks which may affect the stakeholders (especially the shareholders) of the company by taking the opinion of Board of Directors Committees into account.

With the Decision of Arçelik A.Ş. Board of Directors dated 16.07.2010 and in accordance with Article 378 of Turkish Commercial Code number 6102; a Risk Management Committee was formed in order to carry out activities with the aim of early identification of risks that may jeopardize the existence, development and continuity of the company, application of relevant actions concerning identified risks and managing risks. Mr. K. Kaynak Küçükpınar, independent member of the Board of Directors, is the chairman of this committee. Other member of the committee is Mr. Fatih K. Ebiçlioğlu, a member of the Board of Directors.

The Risk Management Committee convened 6 meetings in 2015. The Risk Management Committee's task is offering proposals and recommendations to the Board of Directors on early detection and evaluation of strategic, financial and operational risks which may effect the company, determination of their effects and possibility, managing the risks in accordance with the company's corporate risk taking policy, risk reporting, taking the measures against detected risks, considering the decision making process, creating and integrating effective internal control systems.

A Corporate Risk Management Directorate was formed under the Assistant General Manager of Finance and Accounting for Corporate Risk Management. Corporate Risk Management Directorate reports to the Risk Management Committee and ensures that strategic, financial, operational, compliance, investment, brand and external risks which may impact the company are managed in accordance with the corporate risk-taking profile of the company; and ensure risk coordination and supervision through the created risk management system.

Internal Audit Department, which is formed under the Assistant General Manager of Finance and Accounting for the purpose of healthy execution of internal auditing mechanism, reports information to the Auditing Committee at the meetings held during the year. Committee constantly supervises the execution and effectiveness of system and presents to Board of Directors the issues and suggested solutions regarding the risk management and internal control mechanism when required.



## 5.5. Strategic Targets of the Company

The Board of Directors of the company keeps the risk, growth and return equilibrium of the Company at an optimum level through the strategic decisions taken and manages and represent the Company by primarily looking after the Company's long-term interests with a smart and cautious risk management approach.

The Board of Directors determines the strategic targets of the Company, identifies the needed human and financial resources and audits the performance of management.

The Board of Directors audits the compliance of the Company's activities with legislation, Articles of Association, internal regulations and created policies.

Mission and Vision as well as Main Business Targets of the company are indicated below:

The mission of the company is to develop, manufacture, offer and provide products, which meet the customer needs by going beyond their expectations, make life easier and which are affordable, user-friendly and reliable, to provide after-sales services and continuously develop and grow in target markets by ensuring the satisfaction and long-term loyalty of the customers and employees and utilizing the resources in most efficient manner and meeting the expectations of stakeholders in line with corporate values, targets and strategies of Koç Group.

The company has adopted the vision of "Respects the Globe, Respected Globally". Company "Respects the Globe" because it is environmentally friendly, respects human beings and carries responsibility. The Company is "Respected Globally" because it always aims beyond the highest.

The Company's main business goals are as follows:

- Realizing sustainable growth and increasing our share in the current markets and getting into new markets
- Perpetuating the profitability level that will enable sustainable growth
- Being R&D, innovation, quality, design, brand and customer oriented
- Improving the capabilities for offering pioneering, innovative and environment and climate sensitive products, solutions and technologies during the product life cycle to provide added value for customers and society

- Developing and retaining global organization and capabilities by managing the differences with human-oriented approach.

The Board of Directors evaluates and approves the Company's vision and main business goals. These goals are shared with the public in the annual reports, on the company's website and through meetings or statements by means of various communications channels as well as PDP.

As per the Company's Articles of Association, during the Board Meetings, which are held periodically, Company's targets and performed activities are followed as also covering previous period performances. The current situation of the Company is revised and in case it is deemed necessary in consequence of current situations, new targets and strategies are developed.

## 5.6. Financial Rights

Covering every kind of right, interest and remuneration, which are provided to the Board Members and top managers and the criteria and remuneration policies that are used to determine these, the "Remuneration Policy for the Board Members and Top Managers" of our Company has been submitted to the examination of our shareholders on our website through the "Information Document" issued three weeks prior to 29.03.2012 dated Ordinary General Assembly and put into practice upon the approval of the General Assembly. The aforementioned policy which discusses 2014 activities and disclosed to the public through our company's web site, is also put on the agenda of Ordinary General Assembly in which 2015 activities shall be discussed and will be submitted to the opinion of the shareholders. Payments made within the framework of Remuneration Policy for the Board Member and Top Managers are evaluated by Corporate Governance Committee and the Board of Directors every year. In the footnotes of our financial statements, the payments made to the Board Members and top managers collectively are announced to the public in parallel with common practices. There is no transaction that may cause conflict of interest such as granting loans and credits to our Board Members or managers, giving guarantees in favor of them.

Stock options or payment plans based on Company's performance are not utilized for the compensation of Independent Board Members.

Manufacturing respect to people and environment is one of Arçelik A.Ş.'s priorities. In order to minimize the environmental impact of processes and products and to perform the required improvements, the performance in this area is constantly monitored. The efforts of Arçelik A.Ş. in this respect are held up as examples on a global scale.

All the way from the beginning of the process of manufacturing, Arçelik A.Ş. operates with an approach to produce more with fewer resources. Efficiency and sustainability are attached utmost importance while creating business processes. In line with its vision of "Respects the Globe, Respected Globally", Arçelik A.Ş. aims to protect the environment and natural resources and make them sustainable with its environment friendly operations and its more efficient products that consume less energy, water and resources.

Arçelik A.Ş. implements the Environmental and Energy Management System in all its processes and establishes annual improvement goals based on its vision in order to decrease the environmental impact. The company gives priority to efforts aimed at reducing emissions and energy consumption from its operations, reducing wastes at their sources and waste recycling. It constantly improves its processes through expenditures and investments towards protecting and improving the environment.

Based on the Total Quality principle, Arçelik A.Ş. complies with all international product and management standards that it is subject to; primarily the ISO 14001 Environmental Management System which is integrated with the ISO 9001 Quality Management System and ISO 50001 Energy Management System. Arçelik A.Ş. initially received BS 7750 Environmental Management System Standard in 1994 for its Dishwasher Plant just two years after it was introduced as the first Environmental Management Standard of the world. Afterwards, upon BS 7750 Standard's recognition as ISO 14001 in 1996, Arçelik A.Ş. has started to apply ISO 14001 Environmental Management System Standard and ISO 50001 Energy Management System Standard since 2012.

As part of ISO 14001 and ISO 50001 Management Systems, Arçelik A.Ş. has ensured to control environmental impacts, improve energy performance, comply with legal environmental and energy regulations and other conditions, improve continuously and prevent environmental pollution. Through the efforts within 2014, the plants of Arçelik A.Ş. in Romania, Russia and China completed their first certification processes for ISO 50001 Energy Management System.

The efficiency and sustainability of Arçelik A.Ş. management systems have been taken under guarantee through Internal System Audits regularly conducted in addition to the audits initiated by the independent institutions which hold international accreditation.



In 2010, after winning the first prize in “European Business Awards - Management Category” in Turkey, which takes place biannually, Arçelik A.Ş. proved once again the effectiveness of its environmental management activities and that it has made sustainability an essential part of the company’s vision and all business processes. Arçelik A.Ş. also made it to the finals in the “Management” category in European side and became the first non-European Union company to achieve this success.

Furthermore, Arçelik A.Ş. has been monitoring its greenhouse gas emissions since 2006. Arçelik’s greenhouse gas emissions have been monitored by an independent accredited body within the framework of ISO 14064-1 Verification and Reporting of Greenhouse Gas Emissions Standard since 2010. These efforts were also continued in 2015 and 2014 greenhouse gas emissions were verified by an independent accredited body at the level of “reasonable assurance”.

Arçelik A.Ş. has also calculated greenhouse gas emissions emitted from domestic logistics activities of its products since 2014. The studies has also been continued in 2015 and Arçelik’s greenhouse gas emissions emitted from its product logistics activities been verified by an independent accredited body within the framework of ISO 14064-1 at the level of “limited assurance”.

Arçelik’s eco-friendly approach was as adopted as a result of controlled environmental impacts which it took under control throughout the “product life cycle”, the technological superiority it achieved and the management systems it implemented.

Environmental performance is regularly monitored by determining environmental aims and objectives intended to control the environmental impacts and decrease the resource usage to leave a clean and healthy environment for future generations. Environmental activities and performance results are reported to Arçelik’s top management and the relevant stakeholders.

## Compliance with National and International Environmental and Energy Legislations

Arçelik A.Ş. continuously monitors its compliance with all legislations it is obligated to comply throughout the product life cycle. “ISO 14001 Environmental Management System Standard” and “ISO 50001 Energy Management System Standard” are used as basis for monitoring the compliance with the legislations. In order to ensure the protection of the environment and human health, Arçelik A.Ş. has established many procedures based on the legal regulations and Environmental and Energy Policy and ensure that its operations completely complies with these procedures and legal regulations.

Within this framework, Arçelik A.Ş. fully complies with the following directives concerning the industry in Europe;

- WEEE - Directive on Waste Electrical and Electronic Equipment,
- RoHS - Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment
- Ecodesign Framework Directive for Energy-Related Products
- REACH - Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals.
- Energy Efficiency Law and Regulation on Energy Efficiency in the use of Energy Resources and Energy.

### *WEEE - Directive on Waste Electrical and Electronic Equipment*

In February 2003, European Union issued WEEE I Directive 2002/96/EC regulating reuse, recycling, recovery and disposal of the products introduced to the market by electrical and electronic product manufacturers. Then, the WEEE II (Recast) Directive was issued on July 24, 2012, and the new directive entered into force in August 13, 2012. It is obligatory for European Union countries to convey this new WEEE Directive (2012/19/EU) to their national legislations until February 14, 2014.

To comply with WEEE Directive in EU countries, Arçelik Group fulfills its legal obligations through the mechanisms of collection and recycling. Arçelik Group is a member of many collection systems which collect and dispose the products at the end of their economic lives. Arçelik Group supports the harmonization of the WEEE Directive in the non-EU countries as well. In the meantime, it has made necessary arrangements and complied with WEEE II (Recast) Directive.

"Waste Electrical and Electronic Equipment Control (WEEE) Regulation" was promulgated in the Official Gazette dated May 22, 2012 and No. 28300 in Turkey. Arçelik A.Ş. is conducting necessary studies in order to perform its obligations within the framework of the WEEE Regulation. In 2014, Arçelik A.Ş. established two recycling plants in Bolu and Eskişehir within the scope of WEEE (Waste Electrical and Electronic Equipment Control Regulation) and became the company to minimize the environmental impacts during the product life cycle in the industry. The recycling plant in Eskişehir is the first recycling plant in Turkey which meets all technical requirements required for the plants to operate refrigerator/coolers/air conditioners and which has the ability to collect the CFC (chlorofluorocarbon) gases harmful to the ozone layer that exists in old refrigerators.

Arçelik A.Ş. has started Turkey's largest renewal campaign with "Let's return to nature" motto in 2014 and has initiated renewal campaign in 2015. In this campaign the products collected by Arçelik and Beko dealers and authorized services are transferred to the licensed recycling plants in Eskişehir and Bolu. As result of performance of these recycling plants in 2014 and 2015, equivalent annual energy production saving of 2.5 Megawatt powered 6 wind plant is obtained, contributed to the national economy.

### *RoHS - Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment*

Put into effect for European Union member countries in 2006, RoHS Directive 2002/95/EC restricts the use of certain hazardous substances in electrical and electronic equipment.

Performing necessary tests within the company and at accredited laboratories, Arçelik A.Ş. has achieved full compliance even before the effective date of the directive by establishing the Compliance Management System to ensure that the suppliers are in compliance with this directive. Furthermore, Arçelik A.Ş. has complied with the 2011/65/EU RoHS Recast Directive which superseded the 2002/95/EC directive on January 2, 2013.

### *Ecodesign Framework Directive for Energy-Related Products*

Ecodesign Framework Directive for Energy-Related Products by European Commission aims to improve environmental performance of the products through their entire "product life cycle" by systematically integrating environmental characteristics even from the initial stages of design. Arçelik A.Ş. manufactures its products in compliance with this EU Directive. The abovementioned directive was promulgated and became effective in Turkey on 07.10.2010. Arçelik A.Ş. closely collaborated with the Ministry of Science, Industry and Technology during the issuance of this directive.



## ***REACH - EU Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals***

One of the most extensive legal regulations of EU which is effective since 2007, REACH Regulation regarding the registration, evaluation, authorization and restriction of chemicals sets liabilities through all stages of production and distribution chain from manufacturers of raw materials to the retailers.

Arçelik A.Ş. adopts and supports REACH Regulation as one of their most important legal procedures to protect the environment and human health as the Regulation aims to ensure the flow of necessary chemical safety data of all chemical substances from their manufacturer to the user industry and the availability of this flow to the consumers. At Arçelik A.Ş. , REACH applications are followed and carried out by an expert team. All necessary preparations are coordinated by this unit and constant communication is maintained with the suppliers, which ensure the development of a perfectionist process in compliance with the REACH Regulation. Detailed information about the operations of Arçelik A.Ş. concerning REACH can be obtained from reachinfo@arcelik.com.

## ***Energy Efficiency Law and Regulation on Energy Efficiency in the Use of Energy Resources and Energy***

Within the scope of “Energy Efficiency Law” no. 5627 which was promulgated in 2007 and basically aimed to use the energy efficiently, prevent the wastage, minimize the burden of the energy costs on the economy and increase the efficiency in energy use and energy resources for the protection of the environment, Arçelik A.Ş. employs engineers who participated in “Energy Manager Certification Program” carried by an authorized institution or YEGM (General Directorate of Renewable Energy) in its plants with higher energy consumption values than the declared limit. Many energy efficiency projects are carried out each year under the coordination of the energy managers and production-based energy consumption is continuously reduced. Similarly, as stipulated in the energy efficiency law, Arçelik A.Ş. plants officially declare their energy consumption details in March every year.

Arçelik A.Ş. has been the first company to comply with international directives on environment and energy much earlier than they were integrated in Turkish legislation. Considering the environmental impacts of the products, energy consumption comes into prominence. In line with EU directives on electrical and electronic household appliances, Arçelik A.Ş. designs and manufactures low energy consuming products. Highly energy efficient products were launched in Turkey much earlier than the said EU eco-design directives were integrated into Turkish legislation.

Arçelik A.Ş. was also the first Turkish household appliances company to produce refrigerators (in 1995) without ozone depleting CFC gases much earlier than 2006, deadline set for Turkey in Montreal Protocol.

### **Refrigerant Use Table**

R134a Started	R600a Started	R600a Continued to be used
1995	1997	2015



Arçelik A.Ş. uses refrigerant gases not harmful to the ozone in all refrigerators produced in its plants. 41 million refrigerators were manufactured in total by the end of 2015 with refrigerant gas (R600a) based on hydrocarbon that is environmentally friendly, not harmful to the ozone and has the lowest impact on the global warming (lowest greenhouse gas impact).

Arçelik A.Ş. prioritizes the energy efficiency in the products and manufactures products more efficient than the most efficient energy class defined in the energy label. It developed 30% more efficient refrigerator than A+++ energy class and put into use the 50% more efficient washing machine than A+++ energy class. It manufactured products 10% more efficient than A+++ energy class in dishwasher and dryer. As a result of the sustainable R&D efforts, it brought an oven design that is 45% more efficient than A energy level.

International Energy Agency (IEA) declared that online electronic devices used throughout the world wastes the electric power for about 80 billion dollars each year. Thanks to the activities reducing the power consumption on the products within the fame of compliance with the regulation related to Standby between 2009-2013, Arçelik A.Ş. made contributions to the country's economy and environment by making saving equivalent to the total energy to be consumed by about 850 thousand A energy class refrigerators in a year.

Arçelik A.Ş. , will support Efficient Appliances and Equipment Global Partnership Programme led by UNEP, contributing to the programme for its preparatory phase. UNEP and Arçelik partnership will be the first of its kind for Arçelik, globally. In line with this corporate commitment, Arçelik A.Ş. and Defy Appliances Ltd., Arçelik's subsidiary in South Africa, will support development of estimates on the benefits and policy status of the transition to energy efficient household refrigerators, particularly in the Republic of South Africa. Arçelik and Defy will also contribute to the development of performance standards, monitoring and verification schemes, test methods and the installation of test facilities for energy efficient refrigerators and give support to the global action campaign to promote the global transition to energy efficient refrigerators.

Adopting the principle of environmental approach through the product's life cycle, Arçelik A.Ş. will continue to carry out its activities in full compliance with legal regulations concerning the protection of the environment, as it did in the past.

Arçelik A.Ş. makes necessary contributions for combating climate change. The company is a member of the Climate Platform in Turkey Arçelik A.Ş. has signed the "2°C Communiqué" which draws attention to the efforts made for climate change; it also participated in the World Climate Summit held in Durban in 2011 and Doha in 2012 at the CEO level and shared information regarding its efforts for struggling with climate change in two different sessions.

Arçelik A.Ş. also participated in the World Climate Conference held in Warsaw at the end of 2013 and followed developments concerning climate change. The company also undertook active roles in working groups within the Ministry of Environment and Urban Planning before World Climate Conference held in Lima in 2014. Arçelik also participated in the World Climate Conference held in Paris in 2015 and represented the home appliances sector of our

country in two different panel sessions at the Energy Day held at 7<sup>th</sup> December. In the session titled "Focus on initiatives - Fuel Efficiency and Appliances" organized by SE4All Initiative of United Nations and World Bank Ragıp Balcıoğlu, Arçelik Group CCO for Global Sales attended as a speaker. And Fatih Özkadı, Arçelik Group Sustainability and Corporate Affairs Director attended as a speaker in "Energy Efficiency: The Game Changer - Interactive Energy Efficiency Accelerator" titled panel session hosted by U4E initiative of UNEP and Global Environment Facility (GEF). Arçelik A.Ş. has also made a committed to "Responsible corporate engagement policy" program in scope of "Road to Paris 2015 Project" which is a global project related to combat climate change launched by CDP.



The most reputable and known environment initiative of the world, CDP reports how the climate change, water and deforestation risks are managed by the companies in a global scale and discloses such information to the public and international investors. Arçelik A.Ş. won "Turkey's Carbon Disclosure (CDP) Leader" award in 2012 and Arçelik furthered this success by receiving "Climate Performance Leaders in Turkey" award in 2013 within the scope of CDP's activities in Turkey. In 2014, Arçelik entitled to be listed in global "The A List: The CDP Climate Performance Leadership Index 2014". by achieving the A performance score that is the highest degree in CDP Performance Rating. In 2015 Arçelik A.Ş. continues its success in this area and takes part in the CDP Turkey 2015 Carbon Disclosure Leaders.

**Arçelik A.Ş. is a green company** that has achieved “the highest level of energy efficiency” with a large majority of its products.



**No-Frost Combi Refrigerator,  
“The Most Energy-Efficient Product in the World”**

- The most energy efficient refrigerator in its class with A+++ energy level

New No-Frost System;

- Faster cooling and freezing,
- Longer storage periods for foods thanks to higher humidity in coolant section,
- Preventing the mixture of smells in coolant and freezing sections and ensuring the protection of the foods in the coolant section against freezing.

Hygiene practices;

- Protection of the freshness of the green-leafy vegetables in vegetable sections and prolonging the storage lives through blue light technology,
- Smell filter system preventing the smell occurrence (Hygiene+)
- Ionizer system in refrigerator and extends the lifespan of food with fresh air (ion +)
- Multiflow system blows air to every shelf
- 640 lt of Gross Volume
- White LED illumination

**“A+ Energy Class” 90 cm Wall Type Hood**

- 750 m<sup>3</sup>/h ventilation capacity
- 4-stage power setting (1 intense)
- Maximum noise level: 55 dBA
- Electronic touch-display
- A+ energy efficiency
- Eco Silent technology
- High-performance brushless engine reducing energy consumption by 80% compared to standard engines
- 2 x 2W LED lighting
- Funnel-connected or carbon filter use options
- Washable cassette filters
- Filter-full indicator
- Air cleaning function
- Intense suction (10 min)
- Auto shot off mode (20 min)
- Remote command feature





**“Best Energy Efficiency of Its Class”**

**A+++ No-Frost Wardrobe Type Refrigerator**

- Best energy efficiency of its category with A+++ energy level

New No-Frost System;

- Faster cooling and freezing,
- Longer storage periods for foods thanks to higher humidity in coolant section,
- Preventing the mixture of smells in coolant and freezing sections and ensuring the protection of the foods in the coolant section against freezing.

Hygiene practices;

- Protection of the freshness of the green-leafy vegetables in vegetable sections and prolonging the storage lives through blue light technology,
- Smell filter system preventing the smell occurrence (Hygiene+)
- Ionizer system that eliminates airborne bacteria in refrigerator and extends the lifespan of food with fresh air (ion +)
- Multiflow system blows air to every shelf
- 520 lt of Gross Volume
- White LED illumination

**55” UHD “A+” Smart TV**

- UHD ( 3840 x 2160 ) resolution
- 55” / 139 cm screen size
- Low energy consumption with A+ Energy level
- UltraLogic 4K Smart TV platform
- 4-core processor
- Watching UHD(4K) broadcasts without an additional box with HEVC support
- Watching and recording two channels from the same tuner with Twin Triple Tuner feature
- Going online via applications with Smart Inter@ctive TV feature
- Connecting to different web sites over TV with “Open browser” feature
- Football app on TV-specific app store (Fan Cloud)
- Sharing the broadcast image on social media networks (SnapNStore)
- Display of smart device (Android OS) screens on TV without a cable (Miracast Screen Share)
- Netflix support
- Wireless connection to external audio systems with Bluetooth feature







### Built-in Oven at “A++ Energy Class”

- Built-in Oven with 520Wh energy consumption with Eco Turbo cooking mode at A++ energy class.
- “Quietest Built-in Oven in Europe” with a noise level of 41 dBa.
- Minimized heat loss with detailed energy and flow analysis, thermal simulations, control algorithms, isolation optimization and special door design.
- Stand by compatible electronic touch control system.
- Large, animated electronic oven display.
- Easily removable side wall wire racks with 5 positions.
- Single “Telescopic Tray System” providing ease of use.
- Heat preservation function.
- “Oleophobic Nano Clean Zone” full glass inner door that repels dirt and stain.
- “Catalytic Side and Back Wall” for easy cleaning
- “Mobile Top Heater” for easy cleaning
- 71 lt gross volume.

### Washing Machine 70% More Efficient Than “A+++ Energy Class”

- Washing machine with the lowest energy consumption in 9-kg segment with A+++ -70% energy class
- Power savings with anti-friction brushless engine technology
- Less water consumption with the water jet system spraying detergent and water
- Detection of volume of clothes with smart algorithms
- Use of only the required amount of water with advanced sensors
- Increased washing performance, less water and energy consumption with the tumbler pattern specifically designed for sensitive washing and glass color
- Auto program choosing the optimum washing algorithm through smart sensors detecting the type and volume of clothes



### Washing Machine with “75% Energy-Efficient Cold Washing Program”

- 40°C cotton washing program provides the same performance with 75% less energy consumption
- Power savings even in cold water with anti-friction brushless engine technology
- Less water consumption with the water jet system spraying detergent and water
- Increased washing performance, less water and energy consumption with the tumbler pattern specifically designed for sensitive washing and glass color



### Dryer 10% More Efficient Than “A+++ Energy Class”

- Dryer with the lowest energy consumption in 8 kg heat-pump dryer segment with an inverter compressor and brushless engine
- Lower drying time with the “fast” function provided by the inverter compressor
- Silent night mode option provided by the brushless engine technology
- Class A condensation efficiency with special insulation and minimum levels of emitted humidity
- Special drying program for “hand-washed” woolen clothes
- Large LCD screen displays the program cycle, program time and remaining time; delay option and time-adjusted anti-wrinkle option
- Water tank full alert, child lock and filter cleaning alert for ease of use



## Supply Chain

Arçelik A.Ş. carries out comprehensive activities on the subject of the climate change which it sees as a fundamental risk for the sustainable future of the world and the company within the scope of extended producer responsibility.

In order to manage the risks and opportunities related to greenhouse gas emission, within the framework of product life cycle, greenhouse gas emission resulting from production processes is being measured since 2010. Extending the efforts in this field, with "Scope 3 Emission Calculations (Logistic)" Project; greenhouse gas emissions from logistics operations have been followed up according to ISO 14064-1 Greenhouse Gas Emissions Calculation and Reporting Standard and verified at the "limited assurance" level by an independent accredited company as of 2013. The studies have also been continued in 2015 and Arçelik's 2014 greenhouse gas emissions emitted from its product logistics activities have been verified by an independent accredited body within the framework of ISO 14064-1 at the level of "limited assurance".

By the effective use of "Dynamic Routing" application in Turkey and loading quantities catalogue in export as well as internal transportation route studies has increased vehicle utilization, and route planning is done at the optimum level. Within this scope, besides reducing costs, carbon emissions are also reduced. In addition, by dynamic routing, process efficiency is increased and labor force optimization is achieved.

Eco-friendly maritime transportation rate continued to increase and reached 82% as of 2015. Meanwhile, transportation between plants and port done via motorway, has been made via railway, therefore greenhouse gas emissions were reduced.



## Consumer Services

“Dynamic Routing” system, which we use during the transportation of the spare parts used in our services we provide for the customers to the end user, improved the distance and reduced fuel consumption considerably.

Instead of collecting products from multiple points (dealers) during the delivery of the products, which our customers purchased, “Joint Dealer Warehouses” were introduced and the delivery and installation services were provided together, which contributed to the reduction of fuel consumption.

Through the home agent project of Call Center Management, a part of our operations can be managed from home. Thus, quantity of carbon dioxide emission to the environment was reduced by saving from fuel through the improvement in personnel carriage processes and at least two hours that would be wasted in the traffic by the personnel are recovered as an advantage for the employee.

“Ozone Generator” was introduced to the disinfection of water coolers, which completely eliminated the use of chemicals. In this way, a saving of TRY 400,000 per year and 4 million liters of water was achieved in comparison to the classical chemical cleansing on customer side.

The commercial air conditioning services which we provide through 110 services around Turkey meet the special needs of chain stores and corporate customers related to exploration, installation, maintenance and supply service.

Expanding their field of activity in 2015, the Commercial Air Conditioning services launched sales and after sales processes for the chiller group in which a single device (chiller) is able to meet air conditioning needs up to 3000 kW. Water cooling groups have been introduced as an alternative product range where the VRS systems cannot offer a practical solution to very large capacity needs such as shopping malls, sports facilities and industrial plants.

“Waste Electrical and Electronic Equipment Control (WEEE) Regulation” was promulgated in the Official Gazette dated May 22, 2012 and No. 28300. Arçelik A.Ş. Consumer Services carry out necessary studies along with company's internal stakeholders to fulfill the obligations within the framework of AEEE Regulations. First implementation was performed within year 2014 and waste electric and electronic appliances were collected from consumers as to deliver to the recycling plants in 2015.



**We are aware of our responsibilities. We are working to leave a better world to future generations. Our corporate vision, culture, values and ethical principles guide us as we fulfill these responsibilities.**

Arçelik A.Ş. not only creates value to the employment and growth in the countries in which it operates, but also supports the development of social, cultural, environmental and sports activities.

Contributing to social projects in accordance with its sustainable development principle will continue to be one of the priorities of Arçelik A.Ş.

### **Arçelik A.Ş. Family and Voluntariness**

Arçelik A.Ş. considers developing and implementing sustainable projects aimed at improving social standards and solving issues in the light of corporate values and culture as one of its main responsibilities.

Volunteerism is one of the core values of Arçelik A.Ş. The Company adapted maintaining the sustainability of the projects with the contribution and local embrace that will be provided by the volunteers composed of the large family of Arçelik A.Ş. as a significant success criteria.

### **Electrical Household Appliances Technical Training Program - Arçelik Laboratories - Turkey**

Believing that educational activities can create the greatest added value in the improvement of the society, Arçelik A.Ş. developed the "Electrical Household Appliances Technical Service Program" in order to reinforce the connection between manpower and employment, and to raise manpower with knowledge about the most recent developments and emerging technologies in Turkish electrical household appliance industry. For this, Arçelik A.Ş. has implemented an industry-first in Turkey under Electrical Household Appliances Technical Service Staff category for establishing and maintaining training-employment relationship.

For this, Arçelik Laboratories equipped with state-of-the-art measurement devices and equipment related to electrical household appliances technical service in a total of 9 schools in Istanbul, Diyarbakır, Trabzon, İzmir, Ankara, Bursa and Tatvan as of 2011-2014 academic years.

This project which started with 4 vocational schools in 2011-2012 semester and reached 9 vocational schools in Turkey as of 2015-2016 semester supported 115 graduates in 2013, 112 in 2014 and 252 in 2015. In this semester, 446 students are educated in these departments; 230 11<sup>th</sup> grade and 216 12<sup>th</sup> grade. 59 teachers assigned for Arçelik Electrical Household Technical Service departments were provided with 19,200 man/hour of technical training in 2011 at Arçelik Academy and the trainings are ongoing based on requirements. The aim is to educate these students to a level that enables them to serve as technicians under white goods and air conditioner product groups with the knowledge they obtained in Arçelik Laboratories.





## For My Country: "I Support Gender Equality"- Turkey

In accordance with an approach of global citizenship, Koç Group creates shared values with "My Country" projects to act in cooperation and collaboration to solve social issues.

Arçelik A.Ş. Family supports Koç Holding's "For My Country; I Support Gender Equality" project. The purpose of the project is to create awareness on the reasons and consequences of gender inequality and develop an egalitarian approach in culture and social life as a role model.

### • HeForShe Campaign

UN Women started the global HeForShe campaign in December 2014 to reach out to men for being advocates of a global change in terms of gender equality and women's rights. Koç Group was the main supporter of HeForShe campaign in Turkey. Arçelik A.Ş. provided support at the highest level for HeForShe campaign organized by Koç Holding with its employees, dealers and authorized services.

Arçelik A.Ş. conducted various communication efforts to start the change at the company within the scope of the project. The employees took photographs beside HeForShe panels with campaign slogans written on boards and shared them in social media to reach out to men to advocate gender equality and women's rights and sign a petition. Arçelik A.Ş. Authorized Dealers and Services supported the campaign with photographs beside HeForShe stands.





### • G(irls)20 Summit

Arçelik A.Ş. participated in the G(irls)20 Summit organized in Istanbul on 5-6 October, 2015 with the purposes of underlining the strategic importance of women's labor in reaching global economic targets within "I Support Social Gender Equality In My Country" project. Arçelik A.Ş. General Manager Hakan Bulgurlu represented Koç Holding as a speaker of 'Male Champions of Change' panel and confirmed the support of the company. Arçelik A.Ş., in accordance with the Group's policies, develops strategies the help women exist in the business world on a larger scale. Young women are given priority for internship, more women are recruited and a significant increase is targeted in the number of women top level managers. On the other hand, projects are implemented to support women in their professional and family lives and trainings are provided for career planning.

### • Information Seminars for Employees

Within the scope of "I Support Social Gender Equality In My Country" project, voluntary company representatives were trained for a raised awareness on social gender equality through "Information" seminars in coordination with AÇEV. In 2015, 38 Arçelik A.Ş. employees were trainers within the project. Volunteers entitled to be seminar trainers will train all employees through training events. Awareness seminars for people employed at eight campuses in Turkey are ongoing. The project offers information seminars for Company managers in coordination with KOÇ-KAM and UNESCO.

### • Voluntary Dealer Trainings

Arçelik A.Ş. dealers continued to support "I Support Social Gender Equality In My Country" project in 2015. The training was provided with the attendance of 40 voluntary representatives of the project in coordination with Turkey Family Health Planning Foundation (TAP Foundation). In the first part of the training, the participants were informed on the project and they discussed project proposals at the workshop.

After the basic training to make the dealers advocates of "Social Gender Equality", they are expected to develop solutions to problems and increase the attendance of stakeholders at a local level. They will organize TAPV seminars to meet local requirements and implement projects in cooperation with local organizations.



## “No Barriers For My Country” - Turkey

Arçelik A.Ş. also supported the “Management of Turkish Sign Language Teacher Trainings” project implemented by Association for the Hearing-Impaired and Their Families (IED), Boğaziçi University and Koç Companies as of 2014 aimed at increasing the number of sign language teachers, which is very limited in Turkey and assisted the “Sign Language Training” from November 30 to January 15, 2016. Company employees attended the seminar as volunteers and one Arçelik employee entitled to be a sign language taught as of 2015 was an intern teacher.



## Arçelik A.Ş. Search and Rescue Team - Turkey

Arçelik A.Ş. Search and Rescue Team consists of volunteer personnel who are determined to provide all victims of natural disasters, emergencies and extraordinary circumstances with the right service swiftly together with the trained and experienced teams. Being a very important member of Koç Holding Search and Rescue Team, Arçelik A.Ş. Search and Rescue Team is listed high in the nongovernmental organizations list, from which Disaster and Emergency Management Authority (AFAD) will officially request support in case of a disaster.

In 2015; Çerkezköy, Eskişehir and Söğüt Search and Rescue Teams completed level to training coordinated with Disaster and Emergency Management Presidency.

The team consisting of 13 Arçelik Authorized Dealer employees were trained on Basic Disaster Information and Light Search Operations by Arçelik Search and Rescue Team and Koç Search and Rescue Team.

## International Support Activities

In addition to creating new job opportunities locally, production plants, sales and marketing offices of Arçelik A.Ş. operating in different countries also carry out social responsibility projects and support activities ranging from education to health, environment and sport, to contribute to the social development of their countries/cities.



## Beko - China

Beko, in cooperation with "Yi Jia Yi", one of the leading charity organizations in China, donated 20 washing machines for families in need in Changzhou.





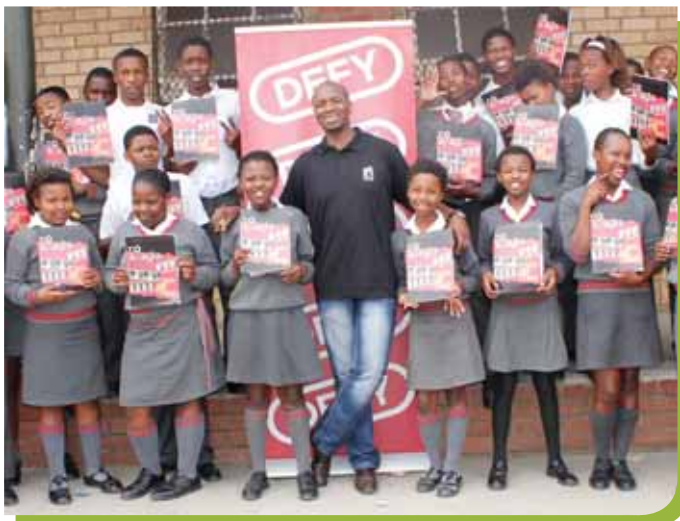


## Defy - South Africa

### • AmaZulu Community Trust



AmaZulu Community Trust was founded in 2009 in order to improve communities in South Africa by using the power of football. Football can be used as a mean to start life skills programs, HIV/AIDS trainings and incentives. 2 children with extraordinary skills are supported by a scholarship program established by Defy. Children under scholarship program were entitled to receiving education in the best schools of the region free of charge.



### • Focus on the Family

Defy sponsored the “No Apologies” program, which has a budget of 1,000,000 Rand and pursues the goal of changing the ways of thinking and behaviors of the youth and encouraging them in making the right choices in their lives. In 2014, Defy has reached to around 4590 children through this program.

### • Cheshire Homes

Cheshire Homes was founded to help disabled individuals in their daily life. Cheshire Homes volunteers work to create a warm and comfortable environment to assist disabled individuals support themselves and continue their treatment. In 2015, Defy provided household appliances for four Cheshire Homes in Durban.



### Beko - Russia

Aiming at supporting the development of society in addition to economic activities, the Russian affiliate of Beko, LLC plays an important role in the formation of cities. This is made possible by organizing various social events at Kirzhach - Vladimir region where the production plant is situated. In October, the plant gave a little present to the local people and opened “Beko kindergarten” at Kirzhach city center.

A tree-planting event is organized within the plant by the attendance of employees and their families under the name “Green Saturday”.

In 2014, it was decided to make donation to “Children Heart”, a charity fund, instead of buying Christmas presents to business partners in order to support children, who has serious heart problems and are in need of urgent surgery. Special Christmas cards were sent to business partners in order to congratulate their new year and inform them about the donation.



## Beko Poland

### • The Noble Box Project

Beko supports the “SZLACHETNA PACZKA / The Noble Box Project” created to support and give hope to poor families in Poland especially during the Christmas period. The project is implemented by SPRING Association, a non-profit organization founded around 10 years ago to give presents to poor families during Christmas period. Project brings poor families and the donators and volunteers together. Beko employees selected two families for the third time within the scope of the project and gave them refrigerator, iron, toys for the kids, clothes, school equipment, and many other small things which are needed on daily basis.

### • Social Welfare Home

Social Welfare Home is a charity association helping poor families, and Beko supports the association by donating various products each year. In addition to Beko's corporate support, Beko employees also contribute to Social Welfare Home by donating their unused clothes, toys, books and equipment. This organization is not a one-time event. It is spread over the year with an aim at distributing the donated goods to those who need them.

### • Contribution in Sports

In addition to charity activities, Beko also contributed to sports in 2015. For this, Beko Poland has been the third-time name sponsor of Beko Elk Triathlon, which is a part of the 26th Olympic Distance Polish Championship organized as a means of qualification to ETU European Clubs Championship. With a preference of sponsoring different sports activities, Beko Poland supports children's football teams such as Gwarek Wieliczka and Górnik Wieliczka; swimming teams such as Warsaw Master Team; Speedway drivers such as Pawel Przedpelski; swimmers such as Sebastian Karas who wants to swim across La Manche Channel; and dancing tournaments such as Beko Dancing Cup.



### • Cooperation with McDonalds Fund

Beko support the “A home out of home” project implemented by McDonalds Fund for children in treatment at hospitals by donating washing machines. These places ensure that families of children in treatment can spend time with their children by creating accommodation facilities for them. In addition, refrigerator and microwave ovens were donated to a children's hospital built in Warsaw.

## Arctic - Romania

Arctic is one of the largest employers in Romania and is involved in many educational and other projects to support social development. In 2015, a number of projects were implemented to support the education system and good practices and transfer accumulated knowledge to young people.

### • First Cooling Systems Class - Gaeşti

Arctic provides technical material, educational material, research and development support to many high schools and universities and opened a Cooling Systems Operator Class with twenty five students in 2015 at Gaesti Vocational High School.

### • APPMathon Technology Contest

Arctic organizes a one-day event for students since 2007 with the names "Be creative for future design" and "I Love my Future" and now in 2015 as "App Mathon". The program is intended to encourage entrepreneurship of tech-savvy students and increase their performance. In this program, the students develop smart sensors and applications to make life easier for a whole day. The ideas include a solution to provide circulation of air when the door of a refrigerator is opened, sensors which detect the date of use of products, remotely opening refrigerator door as well as;

### • Open Doors Event

This event assists university students at the start of their career. In this program, students visit the plant, learn about Arctic vision and corporate culture and join creative workshops and contests on durable consumer goods.

In 2015, 150 students visited the plant within the frame of educational activities targeting local primary and high schools.

### • Supporting the employees

With the program "Arctic helps you organize your backpack", Arctic helps especially blue-collars gain more effective life skills through continued education.

This campaign initiated in 2013 for the employees of the plant later expanded as a support model covering all Arctic employees. The campaign "You can support too", employees donate toys, clothing, food and cash to those in need throughout the year.

### • Supporting Gaeşti Hospital

Arctic considers supporting local organizations as a significant element of its social responsibility approach. In this sense, Gaeşti Hospital offering services for the inhabitants of 16 cities in the region is supported with products. Arctic donates refrigerators, washing machines, dishwashers and dryers for renovation of the hospital and provision of better services for the inhabitants in hygiene conditions.

### • Eco-friends Campaign

The campaign started in 2012 and continued in 2015 to preserve natural resources, waste management, energy consumption and reducing waste.

### • History Preservation Vila Project Protocol

Arctic attached great importance to preservation of social and cultural assets and supports the renovation of Gaeşti's historical sector.



Beko believes that sports has the values that match the company's dynamic and energetic structure, and plays an important role in development of the youth. The power of sports to reach and touch the lives of many is an exact match for Beko's vision as a global brand. Beko supports social development through sports and makes new investments in this field day by day.

In 2015, Beko actively used FCB and Beşiktaş Football Club sponsorships through communication on various channels and dealer events. Photos of Beşiktaş players with Beko products were posted on digital channels; they were liked by the fans and consumers and positive feedbacks were taken.

Beko was the "Presenting Sponsor" 2015 France-Croatia-Germany-Latvia Eurobasket after 2009 Poland - Eurobasket, 2010 Turkey - FIBA Basketball World Cup, 2011 Lithuania - Eurobasket, 2013 Slovenia - Eurobasket and 2014 Spain - FIBA Basketball World Cup.

Beko also sponsored many important national and international golf tournaments held in Turkey in 2015, as it did in the previous years.

### **Beko - FC Barcelona**

Beko has become the new sponsor of FC Barcelona under the contract sign on June 30<sup>th</sup>, 2014 at Barcelona Camp Nou Stadium. Bringing two global brands together, this sponsorship agreement will result in featuring of Beko logo on the left arm of jerseys and back of training kits of FC Barcelona for 4 years.

### **Beko - Beşiktaş Professional Football A Team**

Beko sponsored Beşiktaş JK football team between 1988 and 2004. Now, before the start of 2014-15 season, the company and the club signed an agreement that named Beko as the Jersey Back Sponsor of Beşiktaş Professional Football A Team, with which the company has special ties. The Company has acted on the "Legendary Sponsor" perception of the fans and created a TV spot for stronger ties with BJK supporters. The spot communicated through TV and digital channels was very much loved and positive feedbacks were taken.



## Beko Basketball Bundesliga - Germany

The German Basketball League, one of the leading basketball leagues in Europe, has been organized under the name of "Beko Basketball Bundesliga" from the start of the 2009-2010 season.

## Beko Basketball Bundesliga - Italy

In 2012, Beko became the name sponsor of Italian Basketball League following name sponsorships of German, Russian and Lithuanian leagues. Since the start of sponsorship in 2012-2013 basketball season, Italian Basketball League One has been named as "Beko Lega Basket Serie A".

## Grundig

Grundig continued its "Bundesliga Official Technology Partnership" in 2014. The Grundig logo has been a permanent display item during all Bundesliga and Bundesliga 2 broadcasts since 2012/2013 season. This continued in 2014/2015 season as well. Grundig brand is also the name sponsor of Norwegian Women's and Men's Handball Leagues.

Grundig continued its sponsorship with Fenerbahçe Women's Volleyball Team and sponsored many important national and international golf tournaments in 2015.



## Environmental Awards-Achievements

- Eskişehir Compressor Plant was granted with the “ESO Technology Development” award by Eskişehir Chamber of Industry Technology Awards with the “Eco-Compressor - Most Efficient Refrigerator Compressor Project”.
- Arçelik A.Ş. received the “e-Waste Hero” award at the Istanbul Electric and Electronic Waste Summit, with the two new recycling facilities in Eskişehir and Bolu and its WEEE Management System.
- Beko A++ Dishwasher DIN 5930 was graded as “Gut (Good)” by the German Stiftung Warentest Magazine based on economic, automatic and short program performance as well as usability, safety and noise level.
- Arçelik A.Ş. was granted with the first place in the waste management category within the scope of the Sustainability Academy Sustainable Business Processes Awards with “Leading Company in the Management of Waste Electric and Electronic Goods (WEEE)” project.
- Arçelik A.Ş. won the CDP Turkey 2015 Carbon Disclosure Leadership Award.
- Beko was the first household appliances brand to be awarded with the “Green Brands” quality award in Germany.
- Arçelik A.Ş. attended the United Nations Paris Climate Conference (COP21) as a speaker and signed the “Paris Pledge for Action” organized by University of Cambridge Institute for Sustainability Leadership.
- Arçelik A.Ş. made a pledge in the field of “responsible corporate engagement in climate policy” within the scope of “Road to Paris 2015 Project” initiated by CDP for United Nations Paris Climate Conference (COP21).
- Within the scope of European Union Environment Awards Turkey 2015 Program, the Compressor Plant was granted with the first place in products/services category with Eco-Compressor - Most Efficient Refrigerator Compressor project and the Dishwasher Plant was named among the finalists in the process category with “Zero Phosphate Slop with Nanotechnological Surface Application” project.

## Corporate Awards-Achievements

- Beko was named as the brand which increased its reputation the most in 2014 within the scope of ‘The ONE Awards’ distributed based on the “Reputation and Brand Value Performance Survey” research made by Marketing Türkiye and Akademetre.
- Çerkezköy Electric Motors Plant received the “Advanced Special Award for TPM Achievement” from JIPM (Japan Institute of Plant Maintenance) as the one and only from the Electric Motors industry and Bolu Cooking Devices Plant received the “Special Award for TPM Achievement”.
- Arçelik A.Ş. was granted with 2 IF Design Awards with VUX (Virtual User eXperience) technology and Luminist Cast Oven, a modern and user-friendly cooking system.
- Arçelik A.Ş. was the first Turkish company to be certified with ISO 28000 “Supply Chain Security Management Systems” certificate.
- Arçelik A.Ş. , Beko, Arçelik and Grundig products received two golden, five silver, five bronze and four iron awards from A’Design Awards in Italy.
- Arçelik A.Ş. was recognized as the Turkish Patent League Leader and received the award for the “Company with Highest Number of International Patent Applications”.
- Arçelik Telve received the Red Dot “High Quality of Design” award.
- Arçelik A.Ş. was awarded at the UX Design Awards by International Design Center Berlin (IDZ) for VUX (Virtual User eXperience).
- Arçelik A.Ş. was granted with 3 awards with its 2014 Activity Report by ARC Awards, including the “Golden Award” in durable consumer goods sector, as well as the “Honorary Award” for its 2013 Sustainability Report.

- Arçelik was named as Turkey's lovemark in white goods and consumer electronics categories in 2015, as a result of the annual "Turkey's Lovemarks" research by MediaCat and Ipsos.
- Arçelik was awarded in the "Best Technology Manufacturer" category based on the research made by Shopping Center Investors Association (AYD) and BAREM.
- Arçelik A.Ş. was awarded for Telve at the annual Good Design Awards by Chicago Athenaeum Architecture and Design Museum and Metropolitan Arts Press Ltd. Museum.
- Arçelik A.Ş. was granted with "R&D Leadership" and "Leadership in Technology Development" awards within the scope of the Fourth Turkey Innovation Week organized by Turkish Exporters' Association.
- Arçelik A.Ş. was the only Turkish finalist in the category of large corporations in the International IMP3rove Innovation Awards.
- Arçelik A.Ş. was one of the 29 companies listed in 2015 Borsa Istanbul Sustainability Index.
- Arçelik A.Ş. was graded with the highest "AAA" grade in its sector by the MSCI (Morgan Stanley Capital International) Global Sustainability Index Series, a leading global index.
- First place award was granted in the category of plants with 500 or more employees by MESS Occupational Health and Safety Awards for the Ergonomic Risk Measurement and Mapping Project implemented at Eskişehir Refrigerator Plant. The Ergonomics Software and Implementation Project implemented at Çayırove Washing Machine Plant was also named among the Recommended Applications.
- Grundig GTA 38261 G Drying Machine and Beko WYA 71483 LE Dishwasher were named "Test Champion (Test Sieger)" by the Stiftung Warentest Consumer Magazine.
- Grundig KM 6330 Programmable Coffee Machine, Grundig HS 6430 Curl Sensation Hairstyler and Grundig, Arçelik and Beko vapor irons were named as "testwinner" by Haus & Garten Test Magazine.
- Grundig Tea Maker TM 8280 was granted with the gold medal in "Perfect Product" and "Best Product" categories in the Germany's leading "Kitchen Innovation of the Year 2015" contest.



Arçelik A.Ş. sets higher goals year by year with the strength coming from its employees. The global competitive edge is backed by a competent staff supported with innovative human resources practices.

Arçelik A.Ş. manages its global organization in the most effective manner and supports it with innovative practices. The Company makes process reviews and improvements in order to ensure that all human resources systems and tools are implemented under the same strategy in all locations, local and foreign.

### New Organization and Regional Structuring

The organization is continually updated to create the global structure capable of supporting Arçelik A.Ş.'s sustainable growth strategy. 2015 has seen radical changes in the organization and these changes have been successfully implemented with strong talent management processes. Regional structuring has been started and Asia Pacific, Eastern Europe, Northern Europe and Africa, Middle East and Near East regions have been established. Turkey's Sales & Marketing organization has been restructured in accordance with the growth strategy and these units have been united as a single unit. Sustainability and Official Relations organization has been established.

Arçelik A.Ş. sets ambitious goals year by year with the strength and confidence coming from geographical and cultural diversity and strengthens its global competitive position. The company implements the following approaches to human resources practices in order to contribute to the development of its employees.

- Integrated human resources systems and tools
- Encouragement of a creative and innovative environment
- Talent management and career planning
- Development management

### Integrated Human Resources Systems and Tools

The aim is to ensure that human resources pool is managed and developed in the most effective manner by enabling continuity and growth in Arçelik A.Ş. through use of methods such as performance management, potential identification and development, and leadership development. Competency of an employee is evaluated in terms of development needs in the current role as well as leadership competencies that would be required in the future, and the results of evaluation are used as inputs to development and talent management, and career management processes.

Process integration is important for the integration between organizational development and employee development. For this purpose, the ongoing global database building is aimed at increasing the effectiveness of talent management processes even more.

### Encouragement of a Creative and Innovative Environment

The foundation of Arçelik's innovation culture is being engaging, inclusive, open to internal and external stakeholders, and respectful to intellectual property. Arçelik's leadership profile prioritizes customer orientation, innovative ideas, turning diversity into opportunity and developing cooperation.

In 2014, an Innovation Directorate is formed (reporting to the CEO) in order to ensure centralized coordination of internal innovation activities and planning of radical products and services. The Directorate aims at implementation and development of systems in order to actualize different business ideas and support innovation culture within the company.

The Innovation Directorate runs the "internal entrepreneurship" program (Turning Technology Into Business – TTIB), an innovation program created by multidisciplinary elements and supporting innovative team projects. This program supported by local and international consultants provides project funding for innovative business models and various products by top level management. This program also ensure multidisciplinary communication and allows the employees to follow their passions to establish an culture of innovation within the company. 65 employees were trained and 13 projects were handled under this program until now.





Under TTIB program, participants from various disciplines and functional units create project teams of 5-7 people. Project groups develop business concepts in a term of two to three months through training and coaching on entrepreneurship, customer analysis, leadership and business plan development. Coaching process is managed by Ken Morse, an entrepreneurship coach from MIT, one of the best colleges of USA, and ex-Founding Director of MIT Entrepreneurship Center. The results of the process are presented to top management. Projects eligible for funding progress to the next level for pilot project phase. This program also ensure multidisciplinary communication and allows the employees to follow their passions to establish a culture of innovation within the company.

With employees in 15 plants and 30 countries, Arçelik spends time for focused team efforts in order to support local needs and enhanced product ideas. Electronic platforms are being used to collect ideas from employees, and enable them share ideas and make discussions. We create opportunities for innovative projects by conducting activities that address needs in different markets on the basis of consumer insight. Central R&D researches are allowed to spend 5% of their time on development of technologies and concept products of their choice with the purposes of encouraging a creative and innovative environment and support internal entrepreneurship.

Human resources department has provided more 24 thousand 52 hours of innovation trainings to 869 people in order to raise awareness on innovation and support projects in this field.

The "Invention Day", which is held for the 15th time, is aimed at awarding innovative ideas and inventors. In 2015, 413 people were awarded under this organization. Being held with the participation of the entire senior management team, the Invention Day also serves as a meeting where Arçelik shares its progress and goals in this field.

Innovative works which make a difference are also encouraged by Arçelik Award process. In this sense, works which create a difference are awarded through the Top Performers awards and these innovative efforts are recognized for their contributions to Arçelik A.Ş. vision and company objectives. Top Performers is an award process for recognizing, appreciating and awarding innovative works, supporting exemplary behaviors and achievements.

The award process is inclusive of all Arçelik A.Ş. employees, local and international, and there are five award categories. These categories are:

- Creative and Innovative Works which develop a new idea or a proposal,

- Development of Cooperation which creates a shared benefit in cooperation within the company or other Group companies,
- Customer Satisfaction which creates shared solutions based on current and future expectation of internal / external customers,
- Making Difference which helps increase of efficiency, cost reduction, profitability and increased reputation by offering different solutions to current applications,
- Creating Value for the Environment and Society which helps the environment and the communities from a perspective of social responsibility!

In 2015, 548 projects were evaluated in five categories and 32 projects were awarded as Top Performers; 228 employees working for these projects were also awarded at the ceremony

## Talent Management and Career Planning

Arçelik A.Ş. focuses on talent management activities under the principle of "developing global organization and talents by managing diversities" that supports its vision. The company aims at recruiting the best talented young professionals as well as the experienced ones in order to enhance its own capabilities. The company believes that individual achievements are the foundation of organizational success. In this context, the company implements different talent management systems to evaluate and identify employees' performances and competencies in line with its goals.

Arçelik Career, Facebook and LinkedIn Pages which were created in 2013 for the purpose of attracting talented people, ensuring continuous and effective communication with potential candidates and actively share brand values and human resources activities with our target audience in line with our goals and values were continued to be developed in 2014 and 2015. The number of followers of these platforms where the company shares contents related to its corporate values, achievements, practices and working environment have been rapidly increasing. Number of actual followers are 90 thousand 42 in Facebook and 44 thousand 760 in LinkedIn.

Performance management at Arçelik is implemented as a system that measure and identify individual achievements of employees according to objective criteria. Goal setting process that covers all employees is tightly linked with corporate strategies and business goals. Employees are subjected to follow-up interviews with their managers where they receive feedback on their yearly performances and have the opportunity to review their areas of development in order to achieve their goals. Performance system is managed through regular briefings and follow-up meetings with employees throughout the year.

Arçelik defines all of its employees as talents and improves its processes and systems to help them make career plans in accordance with their talents. Career management is based on the concept of integrally assessing the skills, talents and performance of the employees and guide them to use their talents in the most effective and efficient manner. Arçelik A.Ş. reviews the development of its employees, defines the potential employees who can help the organization reach its strategic objectives, supports them with development plans and makes them ready for their posts at annual Human Resources Planning meetings. Short-term and long-term backup plans are created for all positions to keep the leadership line running and potential employees are matched with these plans to recruit the future manager staff of the company. In 2015, significant organizational changes were made at Arçelik A.Ş. with success thanks to this long-standing process. In 2015, 12 percent of the employees in Turkey underwent a rotation, appointment and promotion process. This ratio is 2 times the ratio in 2014.

Arçelik A.Ş. believes that company and employees share a common responsibility towards personal development and career management. In this context, the company implements an "Internal Job Posting System" where vacant internal positions are announced. This helps company announce all vacant positions internally and enable employees take initiatives towards their career development. Internal Job Posting System is also integrated to our blue collar staff for the purpose of supporting career management of our employees.

## Development Management

Arçelik A.Ş. strives to constantly improve the performance of company and employees in line with the development policy, business priorities, strategies and goals of the company. For this purpose, Arçelik A.Ş. designs and implements development programs that support and strengthen its global structure.

While focusing on facilitating the fulfillment of corporate goals and improving the performance, Arçelik A.Ş. also attaches importance to improvement of knowledge, skills and competencies in order to keep personal competencies up-to-date. For this, the company prepares orientation, foreign language, leadership and personal development programs as well as technical and functional trainings.

Leadership competencies are evaluated in the assesment center and development of employees is supported through global management development and leadership programs in order to train effective leaders that will strengthen the global organization.

- **Managerial Skills Development Program / Managing Teams / Leadership Journey:** This program is established in order to enable newly appointed managers adapt to their new roles and support their development. The program involves on-the-job training methods supported by coaching sessions. Managers from local and foreign organizations can participate in this 1-year program. The program was held in 2015 with the participation of 88 people.
- **Managerial Skills Development Program / Managing Managers / Leadership Synergy:** The program aims at raising managers' awareness on new perspectives, new behaviors and new values required for those that "manage the managers", and providing them with critical knowledge and skills. The program is designed as training enriched with conceptual and empirical aspects. Managers and directors from local and foreign organizations can participate in this program. The program was held in 2015 with the participation of 33 people.
- **Senior Leadership Program / Leadership Impact:** The program is designed for senior manager, whose role is to "manage functions and higher levels." The program aims at raising managers' awareness on new perspectives, new behaviors and new values required for their roles, and having them embrace Arçelik Leadership Competencies and the required critical leadership styles in order to create a common climate and culture. The program is supported with inventory studies, coaching sessions and group coaching. The long-running two-year program was attended by 40 senior managers (director / country manager) from local and international organizations as of 2015.
- **Arçelik Mentorship Program:** This program was created for the purpose of having the experienced Arçelik A.Ş. managers share their knowledge, skills and experiences in order to support personal, career and professional development of newly assigned managers and internationally assigned employees. The program was held in 2015 with the participation of 54 employees from local and foreign organizations.
- **International Management Development Program / Global Manager:** This is a training program designed to prepare candidates of international assignments to their new roles and support their development. These trainings, namely Global Manager, are designed and implemented jointly with Koç University. The program was held with the participation of 25 employees working in global organization.

- **Arçelik Talent Programs / Leadership Insight:** This is a development program designed and commissioned in 2012 for potential internal candidates of Arçelik management positions. The program aims at developing the participants in different areas through trainings, experience sharing meetings and workshops. As of 2015, 78 employees from local and foreign organizations attended the program.
- **Leader and Business - Leader and Effective Team:** This is a development program designed for potential employees, who are not in a managerial role, to prepare them to their higher level role and support their development. The program was held in 2015 with the participation of 19 people.
- **Leader and Strategy / Leading with Strategic Impact:** This program is designed to support the development of potential managers, who are candidates to senior management positions. The program was held in 2015 with the participation of three employees.
- **International Leadership Programs:** This program is developed to provide participation of potential managers for top-level positions and support their development through international global leadership programs. In 2015, one employee attended the Advanced Leadership Program at Harvard University, 10 employees attended Harvard's online innovation program and three employees attended the leadership program at Silicon Valley.
- **Internal Coaching:** Coaching is provided for managers to help them get ready for top-level posts. As of 2015, 14 managers benefit from the Internal Coaching process. 15 internal coaches serve as Coaches within the scope of the Internal Coaching process.
- **Competency Trainings and Functional Development Programs:** Competency trainings consist of development solutions that are based on corporate competencies that are expected from all employees and managers organization-wide, and that are aimed at helping employees and managers develop a competency to a level expected on a title basis.

The said competency trainings are identified, agreed upon and planned on the basis of indicators on strengths and weaknesses of an employee related to competencies demonstrated when working to achieve the business targets expected from them as determined according to annual

business performance of the employee, which is evaluated in performance interviews with managers and employees.

Functional development programs is a suite of development solutions that consist of necessary trainings designed for employees to help them achieve their objectives by demonstrating the required qualities. Market-Oriented Product Development Program, which addresses Purchase, Marketing Academy and Procurement departments, Sales Academy, Supply Chain Academy and Project leadership Academy are globally commissioned development programs designed in this manner. Preparation works for Fiscal Processes & Finance Academy and Technical Academy are underway as of 2015 and the projects are scheduled for completion in 2016.

Additionally, we regularly conduct seminars in various topics addressing the development of employees. "Personal Leadership" seminar for blue-collar employees was held in 2015. In addition to these programs, employees are encouraged to participate in voluntary activities within the scope of social projects.

- **Company Orientation Programs:** Arçelik A.Ş. company orientation is a five-day program, in which all white collar staff is involved within the first six months of their employment. Being held five times a year, Arçelik A.Ş. orientation program reaches a total of 250 white collar staff throughout the year. The program begins with presentations delivered by functions in our Sütluçe Head Office and is followed by various plant and store visits as well as classroom trainings. All newly employed white collar employees that participate in the orientation program are assigned with e-learning courses (namely "Arçelik Company Orientation", "Arçelik A.Ş. Codes of Ethical Conduct", and "IT E-Orientation") and their completion rates are regularly monitored.

In 2013, we have deployed an adaptation process, "Warm Up", for the purpose of accelerating the adaptation time of new employees to the company and processes. The goal is to support the newly employed people in order to speed up their adaptation create their loyalty and increase their motivation. For this purpose, we give a warm welcome to new employees through human resources sharing meetings and employee-manager interviews. We have also established the "Co-mate" mentorship practice within the scope of "Warm Up" process and we improve and actively use it for the last two years and we believe this is critical to Generation Y, who constantly demands guidance and feedback.

Arçelik A.Ş. Management System is continuously developed with the aim of reaching excellence in all business processes and sustaining productivity, which helps us to compete on an international level.

## Business Excellence

Arçelik A.Ş. Business Excellence approach is considered as unified systems, in which we manage our business processes and business results in line with our vision. We have adopted a management approach that is based on management systems and methodologies through the model described below in line with the goal of improving process effectiveness, efficiency and continuity in order to reach better level.

- EFQM (European Foundation for Quality Management) Excellence Model
- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 50001 Energy Management System
- ISO 14064-1 Greenhouse Gas Reporting System
- ISO 10002 Customer Satisfaction Management System
- ISO 27001 Information Security Management System
- ISO 28000 Supply Chain Security Management System
- CIPS (Chartered Institute of Procurement & Supply) Procurement and Supply Management
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 17025 Laboratory Management System
- PCI-DSS Payment Card Industry – Data Security Standard
- ISO 20000 Information Technology Service Management System
- ISO 22301 Business Continuity Management System
- Six Sigma (Process Improvement)
- Total Productive Maintenance (TPM)
- BSCI (Business Social Compliance Initiative) and Sedex (Suppliers Ethical Data Exchange) Social Responsibility Systems

Arçelik A.Ş. started quality efforts through implementation of Quality Circles in the early 1980s. These efforts then incorporated and developed under Total Quality umbrella in the early 1990s. Having been entitled to Quality Prize by European Foundation for Quality Management (EFQM) and Quality Award by TÜSİAD - Kalder (Turkish Society for Quality), Arçelik A.Ş. adopts an excellence approach (Total Quality Management) in all processes that result in the final product.

All the management systems defined by international standards (ISO 9001 Quality, ISO 14001 Environment, ISO 50001 Energy, ISO 14064-1 Greenhouse Gas Reporting, ISO 10002 Customer Satisfaction, ISO 27001 Information Security, ISO 28000 Supply Chain Security, CIPS

Procurement and Supply Management, OHSAS 18001 Occupational Health and Safety - Electronic Plant, ISO 17025 Laboratory Management System - Central Calibration and Washing Machine EMC Laboratories, PCI-DSS Data Security - Ankara Teknokent, ISO 20000 IT Service Management - Ankara Teknokent, ISO 22301 Business Continuity Management - Ankara Teknokent) are certified by independent auditing firms. Compliance with mentioned standards is assessed and developed through periodical internal and external audits.

Arçelik A.Ş. uses Six Sigma Methodology in order to reach excellence by increasing productivity across all business processes to stay competitive in international markets. By implementing the Six Sigma Methodology, Arçelik A.Ş. aims to:

- Improve the processes,
- Make the processes transparent and manageable,
- Establish a decision-making mechanism based on data,
- Develop a platform for continuous growth in profitability,
- Harmonize its organizational targets and process objectives,
- Maintain customer focus,
- Create a common language and improve creativity.

Being a productive maintenance management based on a team work that covers all levels, units and functions of the organization from senior management to the lowest level employee, the Total Productive Maintenance (TPM) has been implemented by Arçelik A.Ş. since 1996. The purpose of TPM is to eliminate all factors that has a direct or indirect negative impact on productivity and to make the most effective use of resources.

Arçelik A.Ş. production plants have been audited based on the social responsibility criteria of BSCI (Business Social Compliance Initiative) and Sedex (Suppliers Ethical Data Exchange), which are used commonly across the European Union, by an independent auditing firm and received compliance reports.





We provide products and services that meet or exceed customer expectations in global markets and certify them according to the following standards.

## System Standard Conformity Certificates:

TS EN ISO 9001:2008, TSE  
ISO 14001:2004, SGS  
ISO 50001:2011, BSI  
ISO 14064-1:2006, BSI  
ISO 10002:2004, SGS  
ISO/IEC 27001:2013, BSI, DENETİK  
ISO 28000:2007, SGS  
CIPS Corporate Certificate, CIPS  
OHSAS 18001:2007, SGS  
TS EN ISO/IEC 17025:2010, TÜRKAK  
PCI-DSS:V3.0, BİZNET  
ISO 20000:2011, DENETİK  
ISO 22301:2012, DENETİK

## Product Standard Conformity Certificates:

TSE - Turkey  
IEC, ISO - All Regions  
CE, HAR, UPC (TV), CEN, CENELEC - EU  
UL, ETL, AHAM, Energy Star - USA  
TÜV, VDE, GS, DIN - Germany  
IRAM - Argentina  
AGA, AS, CBA, Energy Safe Victoria, JAS-ANZ, AS/NZS - Australia  
ORS (TV) - Austria  
CCC, GB - China  
DEMKO, Stofa (TV), YouSee (TV), ETA - Denmark  
Levira (TV) - Estonia  
FIMKO, FICOM (TV) - Finland  
SABS, SANS - South Africa  
KETI - South Korea  
ZIK - Croatia  
ISI - India  
KEMA, Digitenne (TV), Ziggo (TV) - Netherlands  
IQS - Iraq  
ITS, BEAB, INTERTEK, BSI, ASTA, FREEVIEW (TV) - UK  
ISRI - Iran  
TDT (TV) - Spain  
SII - Israel  
SEMKO, Boxer (TV), ComHem (TV), Canal Digital (TV) - Sweden  
SEV - Switzerland  
IMQ, DGTVi (TV) - Italy  
CSA, cUL - Canada

KUWAIT STD. - Kuwait  
NOM - Mexico  
ES - Egypt  
NEMKO, Riks (TV), Canal Digital (TV) - Norway  
EAC - Russia  
Kvalitet - Serbia  
PSB - Singapore  
SASO - Saudi Arabia  
UkrSEPRO - Ukraine  
NZS - New Zealand  
HDMI, Dolby, SRS, UHD, DivX HD, CI+, DLNA, Wi-Fi, YouTube/Adobe, USB, Skype (TV) - All Regions



Rahmi M. Koç

Chairman

He has completed his university education at John Hopkins University (USA), Department of Business Administration. He commenced his working career at Otokoç Company of Koç Group in 1958. He served at various senior official positions in Koç Holding. After becoming the Chairman of the Administrative Board in 1980, he was assigned as Koç Holding, Chairman of Board of Directors in 1984. He has been carrying on his work as the Honorary President of Koç Holding since 2003. Having served as the Chairman of the International Chamber of Commerce between 1995 and 1996, Rahmi M. Koç then worked at various positions such as Vice Chairman of Vehbi Koç Foundation Board of Trustees, Chairman of Koç University Board of Trustees, Founder and Chairman of Board of Rahmi M. Koç Museology and Culture Foundation, Vehbi Koç Foundation American Hospital Chairman of Board of Directors, Founder Member and Honorary President of TURMEPA/Turkish Marine Environment Protection Association, Honorary President of TÜSIAD High Advisory Board, Member of TISK Advisory Board, Honorary Member of Foreign Policy Association, New York Metropolitan Art Museum Honorary Member of Board of Trustees, and Founder Member of Global Relations Forum Association. Under the CMB's Corporate Governance Principles, Mr. Rahmi M. Koç, who is not assigned to executive function, is not an independent member.



Mustafa V. Koç

Vice Chairman

Mustafa V. Koç, third-generation member of Koç Family, studied high-school at Lyceum Alpinum Zuoz in Switzerland in 1980. He was then graduated from USA's George Washington University, Business Administration Department in 1984. He started his career as a Consultant at Tofaş in 1984 and served as Sales Manager and Deputy General Manager at Ram Dış Ticaret. In 1992, he joined Koç Holding and served at various Assistant Chairman and Chairman positions. He was assigned as a Board Member in 2001 and Deputy Chairman of the Board in 2002. He served as Koç Holding Board Chairman from 2003 to 2015. Mustafa V. Koç was the Chairman of the High Advisory Board at Turkish Industry and Business Association from 2005 to 2010. From 2011 to 2015, he was the Honorary Chairman of TÜSIAD High Advisory Board and Member and Honorary Chairman of TÜSIAD Presidency Council. Mustafa V. Koç was the Honorary Council of Finland in Istanbul from 2006 to 2013 and member of Istanbul Chamber of Industry and Foreign Economic Relations Board as well as Kuwait International Bank Advisory Committee, JP Morgan International Council, Rolls-Royce International Advisory Committee, Council on Foreign Affairs and Bilderberg Meetings Executive Committee. He was granted with Cavaliere D'Industria by the Italian Government in 2005 and International Leonardo Award in 2012. Mustafa V. Koç served as a Board Member of Koç Foundation, which managed the social and cultural contributions of the Koç Family recognized by reputable institutions including World Monuments Fund, Carnegie Fund and BNP Paribas as well as a Member of the Board of Trustees of Turkish Education Volunteers Foundation. Mustafa V. Koç, born in 1960, passed away on January 21st, 2016. Mustafa Koç, married and with two daughters, was fluent in German and English.



Semahat S. Arsel

Member

Commencing her working life as the Member of Koç Holding Board of Directors in 1964, Semahat Arsel, along with this duty, continues her other duties such as the Chairman of Board of Directors of Vehbi Koç Foundation, Divan Group's Chairman of Board of Directors, President of Semahat Arsel Nursing Education and Research Center, and Vice President of Florance Nightingale Foundation. She is at the same time the founder of Koç University, School of Health. Under the CMB's Corporate Governance Principles, Mrs. Semahat Arsel, who is not assigned to executive function, is not an independent member.



Ömer M. Koç

Member

He graduated from Columbia College (USA) with a BA degree in 1985. He worked in Kofisa Trading for one year. He earned his MBA degree from Columbia Business School (1989). After working at Ramerica Intl. Inc., he joined Koç Group in 1990 and served at positions such as Director at Gazal A.Ş., Finance Coordinator at Koç Holding, Vice President and then President of Energy Group. He became a Member of Board of Directors of Koç Holding in 2004. He has been working as the Vice Chairman of Board of Directors since May 2008. He is at the same carrying on his duties as the President of Turkish Education Foundation, President of Geyre Foundation, Chairman of Board of Directors of Yapı Kredi Culture Art and Publishing, and Chairman of Tüpraş Board of Directors. Under the CMB's Corporate Governance Principles, Mr. Ömer M. Koç, who is not assigned to executive function, is not an independent member.



Ali Y. Koç

Member

He had his university education at Rice University (USA), Faculty of Business Administration and then at Harvard University (USA) postgraduate program. He attended to the Manager Training Program at American Express Bank between 1990 and 1991 and worked as an Analyst in Morgan Stanley Investment Bank between 1992 and 1994. He served at the senior management of Koç Holding as the New Business Development Coordinator and Head of Information Group between 1997 and 2006. He worked as the Head of Koç Holding Corporate Communication and Information Group between 2006 and 2010. He has been a Member of Koç Holding Board of Directors since 30 January 2008. Under the CMB's Corporate Governance Principles, Mr. Ali Y. Koç, who is not assigned to executive function, is not an independent member.



Levent Çakıroğlu

Member

He completed his undergraduate study at Ankara University, Faculty of Political Sciences, School of Business Administration and received his M.A. degree from the University of Illinois. He commenced his working career in the Ministry of Finance as an Account Expert in 1988. He worked as a part-time Instructor at Bilkent University between 1997-1998 and Vice Chairman of Financial Crimes Investigation Board of the Ministry of Finance. He joined Koç Group in 1998 as the Finance Group Coordinator and served as Koçtaş General Manager between 2002 and 2007, and Migros General Manager between 2007 and 2008, General Manager of Arçelik A.Ş. between 2008 and 2015 and President of Koç Holding Durable Goods Group since between 2010 and 2015. He was assigned as Assistant CEO of Koç Holding in February 2015 and he serves as Koç Holding CEO since April 2015. Under the CMB's Corporate Governance Principles, Mr. Levent Çakıroğlu, who is not assigned to executive function, is not an independent member.



**Robert Sonman**

Member

Robert Sonman earned his graduate and M.A. degrees from McGill University (Canada) in architecture. He is currently the Chairman of Board of Directors in Burla Group Companies which are shareholders in Arçelik A.Ş. He has been a Member of Board of Directors of Arçelik A.Ş. since April 1994. He speaks English and French. Under the CMB's Corporate Governance Principles, Mr. Robert Sonman, who is not assigned to executive function, is not an independent member.



**Dr. Fatih K. Ebiçlioğlu**

Member

Following his bachelor's degree in International Relations Department of Ankara University and master's degree in Finance Department in Commonwealth University, he received doctoral degree in Finance-Accounting Department in Ankara University. He worked as Junior Accountant in 1989-1992, and as Accountant and Chief Accountant in 1992-2002 in the Ministry of Finance. In addition to these, he worked as a part-time lecturer in Hacettepe, Bilkent and Atılım Universities in 1998-2002. He joined Koç Holding as Financial Group Coordinator in 2002 and worked as Koç Holding Control Group Coordinator in 2004-2005 and Arçelik Deputy General Manager in 2005-2015. He has been working as Koç Holding Head of Durable Consumer Group since February, 2015. Dr. Fatih K. Ebiçlioglu has no executive authorities and isn't an independent member as per CMB Corporate Governance Principles.



**Kutsan Çelebician**

Member

He completed his university education at Ankara University, Faculty of Political Sciences. He commenced his working life at Ministry of Finance as an Account Expert in 1969, and served as Vice General Director of Treasury in the Ministry of Finance between 1979 and 1982 and then assigned to World Bank (IBRD) as Assistant Executive Director. He joined Koç Group in 1987 and retired from Koç Group as of December 2001 where he had served as Finance Coordinator, Vice Chairman and Chairman of Finance Group. He currently runs his finance consultancy business. He is a member of Koç Holding Board of Directors since 2013. As of March 29, 2012, he serves as independent member in the Board of Directors of Arçelik A.Ş.



**Tunç Uluğ**

Member

Tunç Uluğ was graduated from Robert College. He received his Master degree in Mechanical Engineering from University of Columbia in 1964. He worked at Bechtel Co. in USA for 3 years and started working at Koç Group in 1967. He became General Manager in the various Koç Group Companies and served as Vice President and President between 1981- 1997 and retired from in 1997. As of March 29, 2012, he serves as independent member in the Board of Directors of Arçelik A.Ş.



**Mehmet Barmanbek**

Member

He graduated from Ankara University Faculty of Political Sciences in 1963. He was Head Account Expert in Ministry of Finance between 1963-1977. He became Ford Otomotiv Sanayi A.Ş. Financial Affairs Manager in 1977 and was Assistant General Manager between 1986-2002 and retired in 2002 from that position. As of March 29, 2012, he serves as independent member in the Board of Directors of Arçelik A.Ş.



**K. Kaynak Küçükpınar**

Member

He graduated from Napoli Technical University, Italia, Faculty of Shipbuilding Mechanical Engineering in 1968. He started his career in 1970 in Tofaş Turkish Automobile Factory. He was Purchasing Director of Tofaş Factory in 1975 and Assistant General Manager (Assistant Manager of Factory) of Tofaş A.Ş. between 1986-1993. He was Mako Elektrik Sanayii A.Ş. General Manager between 1994 -2000. He retired in 2001 and he was Member of Mako A.Ş. Board of Directors until the end of 2002. As of March 28, 2013, he serves as independent member in the Board of Directors of Arçelik A.Ş.



Hakan Hamdi Bulgurlu

Arçelik A.Ş. General Manager

Following his bachelor's degree in Economy and Mechanical Engineering Departments of Texas University, Hakan Bulgurlu completed the joint MBA program of Northwestern University, Kellogg School of Management and Hong Kong University of Science and Technology. He started his professional life in Ram Foreign Trade Inc. in 1995. He worked as the Sales Manager in Ram Pacific until 1996. After serving in various management positions in Strategic Planning and Marketing Departments respectively in Arçelik, Beko Electronics, Atılım A.Ş. and Beko Ticaret between 1996-2000, he was assigned as Ram Pacific Company Manager in 2000 and Ram Pacific General Manager in 2002. He worked as Arçelik-LG Air Conditioner General Manager between 2007-2010. He served as the Deputy General Manager Responsible for Sales in Arçelik A.Ş. Europe, USA, Asia-Pacific in 2010. Hakan Bulgurlu was assigned as Arçelik A.Ş. General Manager as of February 17, 2015. He has been acting as the Chairman of the Executive Board of Foreign Trade Association of Turkey (TURKTRADE) since 2012. He is the Founding Chairman of Turkey-Hong Kong Business Council, which was established under DEİK (Foreign Economic Relations Board) in 2011.



C. Can Dinçer

Assistant General Manager,  
Turkey Trade

Can Dinçer got his bachelor's degree in Mechanical Engineering Department in Istanbul Technical University in 1989 and master's degree in Department of Business in Stevens Technology Institute, USA in 1993. Having started his professional life as a Trainee in Arçelik A.Ş. Finance Department in 1993, Mr. Dinçer served as the Regional Sales Manager in Export Department in 1995. He worked as International Sales Manager - CIS and Other Countries between 2000-2005, as International Sales Director - European Foreign Markets between 2005-2009 and as Sales Director - Europe, USA, Asia-Pacific between 2009-2012 and as Sales Director - Subsidiaries, USA, Asia-Pacific between 2012-2015. Can Dinçer has been serving as the Assistant General Manager - Turkey Trade since February 2015.



C. Ş. Oğuzhan Öztürk

Assistant General Manager  
Production and Technology

Cemal Şeref Oğuzhan Öztürk graduated from Aeronautical Engineering at Istanbul Technical University, and earned his Master's degree from the Faculty of Mechanical Engineering at the same university. He began his business career as a Research Assistant at the Material Sciences and Production Technology Application and Research Center at Istanbul Technical University in 1982. Öztürk joined Arçelik A.Ş. as a Quality Control Engineer at the Eskişehir Compressor Plant in 1987. After serving in various managerial positions across quality, manufacturing and product development processes at Arçelik A.Ş. Compressor and Refrigerator Plants, he was appointed as Arçelik A.Ş. Refrigerator Product Director, S.C. Arctic S.A. General Manager, Arçelik A.Ş. Washing Machine Product Director, Grundig Elektronik A.Ş. General Manager and Arçelik A.Ş. Supply Chain Director. Öztürk served as Assistant General Manager responsible for Purchasing and Supply Chain at Arçelik A.Ş. between 2010 and 2015. Oğuzhan Öztürk is the Assistant General Manager "Production and Technology" since October 2015.

Ahmet İhsan Ceylan	Supply Chain Director
Ali Tayyar	Accounting Director - Headquarters and Plants
Arel Atakol	Country Manager - Serbia Beko Balkans General Manager
Barış Orbay	Arçelik Sales Director
Brigitte Petit	Country Manager France - Beko France S.A.S. General Manager
Buket Çelebioven	Human Resources Director
Cann Song	Country Manager China - Beko Electrical Appliances Co. Ltd. General Manager (by proxy)
Cem Kural	R&D Director
Cemil İnan	Product Director - Refrigerator
Doğan Korkmaz	Finance Director
E. C. Murat Büyükerk	Regional Director - Africa, Middle East, Near East
Erkan Duysal	Innovation Director
Erhan Akdoğan	Retail Development Director
Evren Albaş	Product Sourcing Director
Fatih Özkadı	Sustainability and Corporate Affairs Director
Fikri Özdemir	Product Director - Electronics
Federico Mangiacotti	Country Manager Italy - Beko Italy S.R.L. General Manager
Hakan Kozan	Country Manager South Africa - Defy Appliances Pty Ltd. General Manager
Haldun Dingeç	Product Director - Dishwasher
Hasan Ali Yardımcı	Country Manager Romania - Arctic S.A. General Manager
Hüseyin Öner	Information Technologies Director
Hilmi Cem Akant	Country Manager Spain - Beko Electronics Espana S.L. General Manager
Hüseyin Şerif Beyaztaş	Consumer Services Director
Giulio Ambrosi	Regional Director - Asia Pacific





**Mehmet Ragıp Balcıoğlu**

Assistant General Manager,  
International Trade

After receiving his bachelor's degree from Industrial Engineering Department of Istanbul Technical University in 1989, Ragıp Balcıoğlu completed Executive MBA Program in Koç University in 1996. Ragıp Balcıoğlu started his professional life as Marketing Manager in Data Hidrolik Makine Sanayi A.Ş. in 1990. Working as an Imported Materials Planning and Purchasing Specialist between 1992-1996 in Arçelik A.Ş., Mr. Balcıoğlu was assigned as Trade Manager in Beko UK in 1996. Balcıoğlu was assigned as Product Marketing Manager in 2003 and then respectively assigned as Product Marketing Unit Director in 2004 and as Product Management and Procurement Director in 2006. Balcıoğlu worked as Sales Director between 2008-2010, as Country Manager - UK and Ireland, Beko PLC General Manager between 2011-2015 and has been working as Assistant General Manager - International Trade since February, 2015.



**Polat Şen**

Assistant General Manager  
Finance and Accounting

Polat Şen received his bachelor's degree in English Department of Economics in Marmara University in 1998 and master's degree in International Finance Department in Bradford University in 1999. Starting his professional life as Junior Auditor in Koç Holding A.Ş. Control Group Department in 2000, Mr. Şen worked as Senior Auditor in Koç Holding A.Ş. between 2002-2004. Mr. Şen was assigned as Arçelik A.Ş. Internal Audit Manager in 2004, as Financial Affairs Group Director in Grundig Electronics / Grundig Multimedia B.V. in 2008, and he worked as Grundig Multimedia B.V. Financial Affairs Director between 2009-2010. He served as the Purchasing Director between 2010-2015 and has been working as Assistant General Manager - Finance and Accounting since February 2015.



**Tülin Karabük**

Assistant General Manager  
Marketing

Tülin Karabük graduated from Business Administration Department at Boğaziçi University in 1986. She received her MBA degree from Wales University. She started her business career at Ekom Eczacıbaşı Dış Ticaret A.Ş. in 1987. She later served in various top management positions as Assistant General Manager, responsible for sales and marketing, member of board of directors at 3M A.Ş., KVK A.Ş. and Turkoell Group. In September 2009, she began to serve as Arçelik A.Ş. Assistant General Manager responsible for Sales in Europe, America, and Asia-Pacific. Karabük has served as Assistant General Manager responsible for Marketing at Arçelik A.Ş. since September 2010.

İhsan Somay	Accounting Director - Sales and Marketing
İsmail Hakkı Sağır	Asisting General Manager - Production and Technology (retired in October, 2015)
İsmail Kürşat Coşkun	Country Manager Austria - Elektra Bregenz A.G. General Manager
Maciej Mienik	Regional Director - Eastern Europe
Mehmet Savaş	Product Director - Dryer and Electric Motors (left the job in December 31)
Mehmet Emin Bulak	Purchasing Director
Mehmet Tüfekçi	Marketing Director - Turkey
Mete Karaer	Country Manager Ukraine - Beko LLC Ukraine General Manager
Monica Iavorschi	Marketing Director - International / Brand and Consumer Trends Director (by proxy)
Mustafa Esenlik	Production Technologies Director
Murad Şahin	Regional Director - Northern Europe Grundig Multimedia, Beko Deutschland GmbH General Manager
Mike Goadby	Country Manager Australia - Beko A and NZ Pty Ltd. General Manager
Nihat Bayız	Product Management Director
Orhan Sayman	Regional Director - Direct Sales, Europe, USA
Özkan Çimen	Corporate Risk Director
R.C Oğuzkan Şatiroğlu	Beko Sales Director
Serdal Korkut Avcı	Industrial Design Director
Salih Arslantaş	Product Director - Washing Machine
Onur Dostel	Country Manager Egypt - Beko LLC Egypt General Manager
Sibel Kesler	Budget, Reporting and Analysis Director
Teresa Arbuckle	Country Manager England - Beko PLC General Manager
Abdi Ayhan Önder	Product Director - Cooking Appliances
Ufuk Rıza Sivrikaya	Country Manager Malaysia General Manager Beko Appliance Malaysia
Utku Barış Pazar	Strategic Planning Director
Zafer Üstüner	Regional Director - Russia & CIS Beko LLC General Manager

## AGENDA FOR ORDINARY GENERAL ASSEMBLY MEETING OF ARÇELİK A.Ş. TO BE HELD 25 MARCH 2016

1. Opening and election of the Chairman of the Meeting,
2. Reading, discussing and approving the 2015 Annual Report prepared by the Company Board of Directors,
3. Reading the Summary of Independent Audit Report for 2015 accounting period,
4. Reading, discussing and approving the Financial Statements related to the 2015 accounting period,
5. Acquittal of each member of the Board of Directors in relation to the activities of Company in 2015,
6. Acceptance, acceptance after amendment or refusal of the offer of the Board of Directors in accordance with the Company's profit distribution policy regarding the distribution of the profits of 2015 and the date of the distribution of profits,
7. Acceptance, acceptance after amendment or refusal of the Board of Directors' offer for amending Article 3 entitled 'Purpose and Subject' of the Company Articles of Association,
8. Determining the number and duty term of the Members of the Board of Directors, making elections in accordance with the determined number of members, selecting the Independent Members of the Board of Directors,
9. Informing and approval of the Shareholders about the Remuneration Policy for the Members of the Board of Directors and Top Managers and the payments made within the scope of the policy in accordance with the Corporate Governance Principles,
10. Determining annual gross salaries of the members of the Board of Directors,
11. Approval of the Independent Auditing Institution selected by the Board of Directors in accordance with the Turkish Commercial Code and the Capital Markets Board regulations,
12. Informing the shareholders about the donations made by the Company in 2015 and determining an upper limit for donations to be made in 2016,
13. Informing the shareholders about the collaterals, pledges, mortgages and surety granted in favor of third parties and the income and benefits obtained in 2015 by the Company and subsidiaries in accordance with Capital Markets Board regulations,
14. Authorising the shareholders holding management capacity, the Members of the Board of Directors, top managers and their spouses and relatives by blood and marriage up to the second degree within the framework of the articles 395th and 396th of Turkish Commercial Code and informing shareholders about transactions performed within the scope during 2015 as per the Corporate Governance Communiqué of Capital Markets Board,
15. Wishes and opinions.

**Esteemed Shareholders,**

According to the financial statements for the accounting period 01.01.2015 and 31.12.2015, prepared by our Company within the framework of the Communiqué of the Capital Markets Board (CMB), numbered Series: II-14.1, and in compliance with the International Financial Reporting Standards, and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited); a "(Consolidated) Net Profit" of TL 892,992,826.47 has been provided of which TL 891,140,905.33 is net profit belonging to equity holders of the parent. Our profit distribution policy approved in the General Assembly on 27.03.2014, prepared on basis of the market expectation, long-term corporate strategy, investment and finance policies as well as profitability and cash position, our proposal for profit distribution has been explained below. The payment of dividend will commence on April 1, 2016 in accordance with the decision to be adopted by the general assembly.

In accordance with Capital Markets Law and Capital Markets regulations, it was established that a distributable profit of TL 891,140,905.33 has been obtained, the sum of TL 900,794,688.86, which includes the addition of TL 9,653,783.53 consisting of the donations made to the tax-exempt foundations and associations, was the first dividend base and in official records it was seen that there was a total distributable profit of TL 639,829,282.17, including TL 384,046,494.51 as net profit after tax.

The 5 % portion of legal reserves which has to be allocated according to Turkish Commercial Code article 519, will not be allocated for 2015 since legal reserves amount as of 31.12.2015 according to Tax Procedure Law reached 20% of the capital.

Following decisions have been made: From the consolidated profit calculated in accordance with CMB regulations,

TL 262,000,000.00 first dividend payable to shareholders

and total of,

TL 262,000,000.00  
TL 22,821,358.98

Gross Dividend to be distributed to the shareholders;  
10% 2nd group reserves and

on the basis of our legal records;

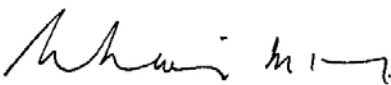
The distributable cash dividend TL 262,000,000.00 and the 2nd group reserves TL 22,821,358.98 shall be funded from current year profits,

After the deduction of dividend to shareholders and allocated second legal reserves from the current year profit, of the remaining TL 606,319,546.35 will be allocated as extraordinary reserves in accordance with the Capital Markets Board regulations.

- To our shareholders which are full taxpayer institutions or limited taxpayer institutions obtaining dividend through a workplace or permanent representatives in Turkey; dividend to be paid at the rate of 38.8% and TL 0.38773 gross= net cash for shares at the nominal value of TL 1.00;
- And gross cash dividend of TL 0.38773 and net cash dividend of TL 0.32957 for shares with a nominal value of TL 1.00 at the rate of 32.9% to be paid to our other shareholders,

and to begin the payment of dividend on April 1, 2016 is submitted to approval of General Assembly which will be held on 25th March 2016 Friday to approve 2015 accounting period.

With our kind regards,



Rahmi M. Koç  
Chairman of the Board

## OLD TEXTS

### Article 3 – PURPOSE AND SUBJECT

The Company has been established with the intent of carrying out all commercial and industrial activities related to the the establishment and operation of recycling facilities manufacturing, sales and marketing including also virtual platform, leasing, importing and exporting of refrigerators, deep-freezers, washing machines, dishwashers, thermo-siphons, vacuum cleaners, polishers, air conditioners, coolers and equipments, radios, televisions, audio and video recorders and sets, ovens, stoves, hair dryers, mixers and all kinds of similar home appliances operating with or without electric power or other power source and bath tub and fitted kitchens, home furniture, carpets and equipments and appliances included in the home economy and their commercial and industrial types, and compressors, electric motors, carburetors, power transfer devices which form the main and auxiliary components of the above; mobile telephones, mobile telephone lines and components, electronic devices and their parts and components; transportation and passenger vehicles and their motors and other parts and equipments for generation, usage, transportation and distribution of energy and to achieve its goal the Company may perform these activities both on ts own and may get into partnership for manufacturing, may realize the manufacturing with its own brands or other brands and may realize for and on behalf of others.

For this purpose the Company especially may perform following activities in the country and abroad;

A) Operate as an agent, broker, representative and dealer and authorize others to do same.

B) Establish marketing, transportation, commitment, warehousing and entrepot organizations; conduct staff training activities; setup and use computer systems; perform these singularly or jointly.

C) To realize Company's objective, the Company may acquire every kind of movable and immovable properties, may have constructed and manufactured or may acquire every kind of real or individual rights on these, may lease, may operate acquired or leased properties, may lease out and sell. Company may take every kind of real or individual warranty including commercial enterprise pledge as well, may set pledge and other miscellaneous limited property rights over others' real properties in its favor and may transfer or release these for securing the rights and receivables of Company. On condition to comply with the principles determined by Capital Markets Board, Company may establish real rights in favor of third parties and may have them released.

D) To realize Company's objective, the Company may take out loan from local and foreign individuals, companies and banks, may enter into every kind of financial, commercial and economical undertaking against third parties, on condition to comply with the principles determined by Capital Markets Board may issue every kind of bonds and miscellaneous capital market instruments in the country and abroad and may make investment in securities, derivatives and miscellaneous capital market instruments. On condition to comply with the principles determined by Capital Markets Board may go bail and provide warranty in favor of third parties. If necessary, the Company may accept to establish right of mortgage and/or lien in favor of itself over movable and immovable properties of others, may release the pledges established in its favor, may waive a lien and may accept establishing bail and warranty by third parties in its favor.

E) The Company may perform abovementioned activities on its own or through national or foreign real person and legal entities, provided that other provisions of this Articles of Association are reserved. In case the Company deems necessary for this purpose, may establish ordinary partnerships, commercial companies or other miscellaneous legal entities in the country or abroad or in part or whole, may make the acquisition of ordinary partnerships or other miscellaneous legal entities which had established with the same purpose and without the purpose of performing brokerage operations and operating security portfolio, with the participation purpose the Company may acquire, transfer the shares of these to the companies, commercial banks, financial leasing, consumer loan and factoring companies which had established with the same purpose and may participate into ordinary partnerships. The regulations of Capital Markets Board on transfer of concealed gain are reserved.

## NEW TEXTS

### Article 3 – PURPOSE AND SUBJECT

The Company has been established with the intent of carrying out all commercial and industrial activities related to the the establishment and operation of recycling facilities manufacturing, sales and marketing including also virtual platform, leasing, importing and exporting of refrigerators, deep-freezers, washing machines, dishwashers, thermo-siphons, vacuum cleaners, polishers, air conditioners, coolers and equipments, radios, televisions, audio and video recorders and sets, ovens, stoves, hair dryers, mixers and all kinds of similar home appliances operating with or without electric power or other power source and bath tub and fitted kitchens, home furniture, carpets and equipments and appliances included in the home economy and their commercial and industrial types, and compressors, electric motors, carburetors, power transfer devices which form the main and auxiliary components of the above; mobile telephones, mobile telephone lines and components, electronic devices and their parts and components; transportation and passenger vehicles and their motors and other parts and equipments for generation, usage, transportation and distribution of energy and to achieve its goal the Company may perform these activities both on its own and may get into partnership for manufacturing, may realize the manufacturing with its own brands or other brands and may realize for and on behalf of others.

For this purpose the Company especially may perform following activities in the country and abroad;

A) Operate as an agent, broker, representative and dealer and authorize others to do same.

B) Establish marketing, transportation, commitment, warehousing and entrepot organizations; conduct staff training activities; setup and use computer systems; perform these singularly or jointly.

C) To realize Company's objective, the Company may acquire every kind of movable and immovable properties, may have constructed and manufactured or may acquire every kind of real or individual rights on these, may lease, may operate acquired or leased properties, may lease out and sell. Company may take every kind of real or individual warranty including commercial enterprise pledge as well, may set pledge and other miscellaneous limited property rights over others' real properties in its favor and may transfer or release these for securing the rights and receivables of Company. On condition to comply with the principles determined by Capital Markets Board, Company may establish real rights in favor of third parties and may have them released.

D) To realize Company's objective, the Company may take out loan from local and foreign individuals, companies and banks, may enter into every kind of financial, commercial and economical undertaking against third parties, on condition to comply with the principles determined by Capital Markets Board may issue every kind of bonds and miscellaneous capital market instruments in the country and abroad and may make investment in securities, derivatives and miscellaneous capital market instruments. On condition to comply with the principles determined by Capital Markets Board may go bail and provide warranty in favor of third parties. If necessary, the Company may accept to establish right of mortgage and/or lien in favor of itself over movable and immovable properties of others, may release the pledges established in its favor, may waive a lien and may accept establishing bail and warranty by third parties in its favor.

E) The Company may perform abovementioned activities on its own or through national or foreign real person and legal entities, provided that other provisions of this Articles of Association are reserved. In case the Company deems necessary for this purpose, may establish ordinary partnerships, commercial companies or other miscellaneous legal entities in the country or abroad or in part or whole, may make the acquisition of ordinary partnerships or other miscellaneous legal entities which had established with the same purpose and without the purpose of performing brokerage operations and operating security portfolio, with the participation purpose the Company may acquire, transfer the shares of these to the companies, commercial banks, financial leasing, consumer loan and factoring companies which had established with the same purpose and may participate into ordinary partnerships. The regulations of Capital Markets Board on transfer of concealed gain are reserved.


OLD TEXTS	NEW TEXTS
<p>F) The Company may perform every operation that are necessary to perform abovementioned matters written in above paragraphs and may perform import, export and every kind of trade.</p> <p>G) On condition that not to constitute a contradiction against the regulations of Capital Markets Board on transfer of concealed gain, to provide necessary material disclosures and informing shareholders about donations made within the year at General Assembly, the Company may provide donation and aid to foundations, associations, universities and similar establishments under the determined principles in a way that not hinder its own purpose and subject.</p> <p>H) On condition to comply with regulations of Capital Markets Board on transfer of concealed gain, the Company may perform every kind of transactions and use any possessions including registry, annotation, type classification allotment, amalgamation, partition, release and donation related to parceling at land offices concerning every kind of real properties and may perform renunciation for road and green area transactions, furthermore may provide its alienation and may gratis release and donate mentioned real properties.</p> <p>I) The Company may acquire, rent land, sea and air transportation vehicles and may sell and rent out owned vehicles. On condition to comply with regulations of Capital Markets Board, the Company may establish every kind of real and individual rights on these including pledge and pawn in favor itself and/or of third parties and may release them.</p> <p>J) The Company may register every kind of licenses, letter patents, patents, useful model, know how, brand, trade titles, company names and other all miscellaneous intellectual property rights that are related to its purpose under its name and may acquire and transfer, on condition to comply with the regulations of Capital Markets Board provide as warranty and may make license agreements related to them.</p> <p>K) For realizing Company's objective, the Company may make every kind of industrial and commercial investments that it deems suitable in the country and abroad, accordingly may establish factory, facility and sales office in the country and abroad and may provide services for architecture, engineering, design, software, accounting, call center and data storage.</p> <p>L) On condition to comply with regulations of Capital Markets Board on transfer of concealed gain, the Company may join the tenders in the country and abroad on its own or by establishing partnerships with third parties.</p> <p>M) The Company, on condition to comply with regulations of Capital Markets Board on transfer of concealed gain, may collaborate with companies that provide radio, TV programs production and broadcast services, operate TV studios and produce and sell required equipment and if necessary may terminate its collaboration.</p> <p>N) The Company may establish and/or have established every kind of laboratories and research centers required for R&amp;D activities.</p> <p>O) In compliance with the legislation relating to the electricity market, within the framework of auto-producer license, in essence for meeting its own need for electricity and heat energy; it may conduct activities relating to building generation facilities, generating electricity and heat energy and in case generated energy exceeds its own need, to sell the electricity or heat energy, and/or the relevant capacity to other licensed legal persons or independent consumers within the framework of related legislation, and on condition not for commercial purposes to import installation and all related equipment and fuel.</p> <p>P) The Company may provide energy manager training, may prepare and implement energy study and efficiency increasing projects (VAP), may provide consultancy and energy manager services for buildings.</p>	<p>F) The Company may perform every operation that are necessary to perform abovementioned matters written in above paragraphs and may perform import, export and every kind of trade.</p> <p>G) On condition that not to constitute a contradiction against the regulations of Capital Markets Board on transfer of concealed gain, to provide necessary material disclosures and informing shareholders about donations made within the year at General Assembly, the Company may provide donation and aid to foundations, associations, universities and similar establishments under the determined principles in a way that not hinder its own purpose and subject.</p> <p>H) On condition to comply with regulations of Capital Markets Board on transfer of concealed gain, the Company may perform every kind of transactions and use any possessions including registry, annotation, type classification allotment, amalgamation, partition, release and donation related to parceling at land offices concerning every kind of real properties and may perform renunciation for road and green area transactions, furthermore may provide its alienation and may gratis release and donate mentioned real properties.</p> <p>I) The Company may acquire, rent land, sea and air transportation vehicles and may sell and rent out owned vehicles. On condition to comply with regulations of Capital Markets Board, the Company may establish every kind of real and individual rights on these including pledge and pawn in favor itself and/or of third parties and may release them.</p> <p>J) The Company may register every kind of licenses, letter patents, patents, useful model, know how, brand, trade titles, company names and other all miscellaneous intellectual property rights that are related to its purpose under its name and may acquire and transfer, on condition to comply with the regulations of Capital Markets Board provide as warranty and may make license agreements related to them.</p> <p>K) For realizing Company's objective, the Company may make every kind of industrial and commercial investments that it deems suitable in the country and abroad, accordingly may establish factory, facility and sales office in the country and abroad and may provide services for architecture, engineering, design, software, accounting, call center and data storage.</p> <p>L) On condition to comply with regulations of Capital Markets Board on transfer of concealed gain, the Company may join the tenders in the country and abroad on its own or by establishing partnerships with third parties.</p> <p>M) The Company, on condition to comply with regulations of Capital Markets Board on transfer of concealed gain, may collaborate with companies that provide radio, TV programs production and broadcast services, operate TV studios and produce and sell required equipment and if necessary may terminate its collaboration.</p> <p>N) The Company may establish and/or have established every kind of laboratories and research centers required for R&amp;D activities.</p> <p>O) In compliance with the legislation relating to the electricity market, within the framework of auto-producer license, in essence for meeting its own need for electricity and heat energy; it may conduct activities relating to building generation facilities, generating electricity and heat energy and in case generated energy exceeds its own need, to sell the electricity or heat energy, and/or the relevant capacity to other licensed legal persons or independent consumers within the framework of related legislation, and on condition not for commercial purposes to import installation and all related equipment and fuel.</p> <p>P) The Company may provide energy manager training, may prepare and implement energy study and efficiency increasing projects (VAP), may provide consultancy and energy manager services for buildings.</p> <p><b>R) The Company may establish, operate, run, transfer or take over to establish a training and personnel certification individually or in partnership with local, foreign, public or private natural and legal persons in connection with its scope of business, and may provide qualification assessment and professional competence system services in joint works with the 3rd party individuals and entities in connection with its field of activity on a fair, objective and neutral basis.</b></p>

January 18<sup>th</sup>, 2016

## Statement of Independence

I hereby represent that, I will run as a candidate for the "independent member" position in the Arçelik A.Ş. (the Company) Board of Directors within the scope of the criteria determined under legislation, articles of association and the Corporate Governance Communique of the Capital Markets Board, and that in this regard;

- a) Between the company, partnerships controlling and having significant influence in company management, or shareholders having management control of the company and significant influence in company management, and legal entities controlling management of shareholders and me, my spouse and my secondary relatives by blood and marriage; there has been no employment relation in an executive position; there is no individual or joint ownership of capital or more than 5% of voting rights and preferred shares or no important commercial relationship has been established,
- b) For the past five years, I have not served as a shareholder (5% and more) or an executive who takes important tasks and responsibilities and to become a board member, in companies from and to which the Company considerably purchases or sells products and services especially including company audit (including tax auditing, statutory auditing and internal audit), rating and consultancy services, within the framework of the contracts made and during the periods in which products and services are purchased and sold;
- c) I have necessary professional education and training, knowledge and experience required for properly fulfilling the duties that I will undertake on becoming an independent board member;
- ç) Except for being academician in accordance with legislation, I will not work as full time employee in state institutions and organizations after being elected as a member;
- d) I am deemed to be resident in Turkey according to Income Tax Law (I.T.L.) dated 31/12/1960 and numbered 193;
- e) I have strong ethical standards, professional reputation and experience to make positive contributions to company operations; to protect my neutrality in case of conflict of interests between company and shareholders and to decide independently by considering the rights of stakeholders;
- f) I will be able to allocate enough time to follow up the process of company operations and fulfil all requirements of the duties I undertake, in full;
- g) I have not carried out a duty as board member in the Company's Board of Directors for more than six years, within last ten years;
- ğ) I am not serving as an independent board member in more than three companies whose management is controlled by shareholders controlling the Company and Company management and in more than five companies traded on the exchange; and
- h) I am not registered and announced on behalf of and in the name of the legal entity elected as board member.


NAME & SURNAME: KUTSAN CELEBICAN  
SIGNATURE: 

January 18<sup>th</sup>, 2016

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NAME & SURNAME: TDNS LLUC  
SIGNATURE: 

January 18<sup>th</sup>, 2016

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NAME & SURNAME:  
SIGNATURE:

Mehmet Başarboğa  



January 18<sup>th</sup>, 2016

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NAME & SURNAME:  
SIGNATURE:

Kadri Kaynak Küçükpınar  




### DEPENDENT COMPANY REPORT PREPARED WITHIN THE SCOPE OF 199<sup>TH</sup> ARTICLE OF TURKISH COMMERCIAL CODE

As per the 199<sup>th</sup> Article of 6102 numbered Turkish Commercial Code entered into force on July 1, 2012, the Board of Directors of Arçelik A.Ş. is obliged to prepare a report on relations in previous activity year with controlling company and its dependent companies within first three months of the current activity year and to include the conclusion of this report in the annual report. The necessary declarations of Arçelik A.Ş. on transactions performed with related parties are included in the 35 numbered financial report footnote.

In February 29, 2016 dated Report, prepared by the Board of Directors of Arçelik A.Ş. following declaration was included: "It has been concluded that in all transactions made within 2015 with controlling company and its dependent companies, based on the situations and conditions to the best of our knowledge at the time of transaction or taken precaution or avoiding to take the precaution, in every transaction a proper counter performance has been provided and there was no precaution taken or avoided to be taken that may damage the company and there was no transaction or precaution that may require balancing in this context."





Güney Bağımsız Denetim ve  
SMMM AŞ  
Eski Büyükdere Cad.  
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İstanbul - Turkey

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ey.com  
Ticaret Sicil No : 479920  
Mersis No: 0-4350-3032-6000017

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

**Independent auditors' report on the consolidated financial statements**

To the Board of Directors of Arçelik Anonim Şirketi;

We have audited the accompanying consolidated balance sheet of Arçelik A.Ş. ("Arçelik" or "the Company") and its Subsidiaries (together will be referred to as the "Group") as at December 31, 2015 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

***Management's responsibility for the financial statements***

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

***Independent auditors' responsibility***

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

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

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



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

**Opinion**

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Arçelik A.Ş. and its Subsidiaries as at December 31, 2015 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

**Reports on other responsibilities arising from regulatory requirements**

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 2, 2016.
- 2) In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2015 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with subparagraph 4, Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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



Ethem Kutucular, SMMM  
Partner

February 2, 2016  
İstanbul, Türkiye

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2015

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

	Notes	December 31, 2015	Audited December 31, 2014
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	5	2,167,627	1,621,221
Trade receivables			
-Due from related parties	35	8,950	22,371
-Trade receivables, third parties	9	4,781,575	4,411,527
Derivative instruments	8	16,293	7,783
Inventories	11	2,140,057	2,124,946
Prepaid expenses	21	74,944	68,741
Current income tax assets	22	27,014	57,988
Other current assets	24	179,678	145,365
<b>Subtotal</b>		<b>9,396,138</b>	<b>8,459,942</b>
Assets held for sale		10,114	11,815
<b>Total current assets</b>		<b>9,406,252</b>	<b>8,471,757</b>
<b>Non-current assets:</b>			
Financial investments	6	539,176	698,488
Trade receivables			
-Trade receivables, third parties	9	13,205	24,423
Derivate instruments	8	144,742	17,803
Associates	12	209,881	195,311
Investment properties	13	-	5,929
Property, plant and equipment	14	2,055,675	1,812,746
Intangible assets			
-Goodwill	16	163,450	169,195
-Other intangible assets	15	1,007,480	922,000
Deferred tax assets	33	198,647	77,353
<b>Total non-current assets</b>		<b>4,332,256</b>	<b>3,923,248</b>
<b>Total assets</b>		<b>13,738,508</b>	<b>12,395,005</b>

The consolidated financial statements as at and for the year ended December 31, 2015 have been approved for issue by the Board of Directors on February 2, 2016.

The accompanying notes form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2015

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

	Notes	December 31, 2015	Audited December 31, 2014
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Financial liabilities	7	1,035,741	719,862
Short term portion of long term financial liabilities	7	1,149,001	1,082,761
Trade payables			
-Due to related parties	35	413,983	203,022
-Trade payables, third parties	9	1,676,411	1,578,420
Derivative instruments	8	3,263	3,811
Employee benefit obligations	23	156,910	163,623
Other payables			
-Due to related parties	35	12,982	10,003
-Other payables, third parties	10	155,537	114,915
Current income tax liabilities	33	13,062	18,154
Provisions			
- Other provisions	19	334,536	263,992
Other current liabilities	24	284,871	272,240
<b>Total current liabilities</b>		<b>5,236,297</b>	<b>4,430,803</b>
<b>Non-current liabilities</b>			
Financial liabilities	7	3,268,907	2,964,986
Other payables			
-Due to related parties	35	60,674	57,823
Provisions			
-Provision for employee benefits	20	192,470	174,896
-Other provisions	19	126,052	93,775
Deferred tax liabilities	33	149,635	245,422
Other non-current liabilities		28,636	28,602
<b>Total non-current liabilities</b>		<b>3,826,374</b>	<b>3,565,504</b>
<b>Total liabilities</b>		<b>9,062,671</b>	<b>7,996,307</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2015

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

	Notes	December 31, 2015	Audited	December 31, 2014
<b>EQUITY</b>				
Paid-in capital	25	675,728		675,728
Adjustment to share capital	25	468,811		468,811
Share premium		889		889
Other comprehensive income/expense not to be reclassified to profit or loss				
-Actuarial gain/loss arising from defined benefit plans		(57,615)		(44,552)
-Non-current assets revaluation fund		75,747		67,241
Other comprehensive income/loss to be reclassified to profit or loss				
-Financial assets revaluation fund		374,201		525,549
-Foreign currency hedge of net investments in foreign operations		(259,170)		(216,342)
-Cash flow hedges		1,413		412
Currency translation differences		324,618		178,569
Contribution to shareholders' equity related to merger	25	14,507		14,507
Restricted reserves	25	307,051		275,430
Retained earnings		1,839,690		1,792,299
Net income for the period		891,141		617,084
Attributable to:				
Equity holders of the parent		4,657,011		4,355,625
Non-controlling interest		18,826		43,073
<b>Total equity</b>		<b>4,675,837</b>		<b>4,398,698</b>
<b>Total liabilities and equity</b>		<b>13,738,508</b>		<b>12,395,005</b>
Commitments, contingent assets and liabilities	18			

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2015

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

	Notes	2015	Audited	2014
Net sales	4,26	14,166,100		12,514,033
Cost of sales	4,26	(9,630,207)		(8,535,201)
<b>Gross profit</b>		<b>4,535,893</b>		<b>3,978,832</b>
General administrative expenses	27	(602,068)		(532,789)
Marketing, selling and distribution expenses	27	(2,722,014)		(2,356,247)
Research and development expenses	27	(125,173)		(102,055)
Other income from operating activities	29	471,267		216,137
Other expenses from operating activities	29	(275,148)		(235,089)
<b>Operating profit</b>		<b>1,282,757</b>		<b>968,789</b>
Income from investment activities	30	17,857		16,264
Expenses from investment activities	30	(2,781)		(1,377)
Income from associates (net)	12	24,403		18,156
<b>Operating income before financial income</b>		<b>1,322,236</b>		<b>1,001,832</b>
Financial income	31	782,555		476,126
Financial expenses	32	(1,319,670)		(746,336)
<b>Profit before tax</b>		<b>785,121</b>		<b>731,622</b>
<b>Tax income/(expense)</b>				
- Taxes on income	33	(97,286)		(80,892)
- Deferred tax income/(expense)	33	205,158		(12,752)
<b>Net income for the period</b>		<b>892,993</b>		<b>637,978</b>
<b>Attributable to:</b>				
Non-controlling interest		1,852		20,894
<b>Equity holders of the parent</b>		<b>891,141</b>		<b>617,084</b>
<b>Earnings per share (kr)</b>	34	<b>1.319</b>		<b>0.913</b>

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

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

	2015	Audited	2014
Net income for the period	892,993		637,978
<b>Other comprehensive income /(expense):</b>			
<b>Items not to be reclassified to profit or loss</b>	<b>(13,063)</b>		<b>(37,661)</b>
Actuarial gain/ loss arising from defined benefit plans (Note 20)	(16,810)		(47,206)
Tax effect	3,362		9,441
	(13,448)		(37,765)
Share of other comprehensive income of associates not to be reclassified to profit or loss	385		104
<b>Items to be reclassified to profit or loss</b>	<b>(32,690)</b>		<b>13,508</b>
Foreign currency hedge of net investments in foreign operations	(53,536)		(6,958)
Tax effect	10,707		1,392
	(42,829)		(5,566)
Fair value increase/ decrease on financial assets (Note 6)	(159,312)		159,314
Tax effect	7,964		(7,966)
	(151,348)		151,348
Share of other comprehensive income of associates to be reclassified to profit or loss	1,002		(9)
Currency translation differences	160,485		(132,265)
<b>Other comprehensive loss (net of tax)</b>	<b>(45,753)</b>		<b>(24,153)</b>
<b>Total comprehensive income</b>	<b>847,240</b>		<b>613,825</b>
<b>Attributable to:</b>			
Non-controlling interest	7,782		21,087
<b>Equity holders of the parent</b>	<b>839,458</b>		<b>592,738</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

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

	Other comprehensive income / (expense) reclassified to profit or loss			Other comprehensive income / (expense) to be reclassified to profit or loss			Retained earnings			Equity holders of the parent	Non-controlling interest	Total equity				
	Paid-in capital	Adjustment to share capital	Share premium	Contribution to shareholders' equity due to merger	Actuarial gain / losses arising from defined benefit plans		Non-current assets revaluation		Financial assets fund				Currency translation differences	Restricted reserves	Accumulated profit	Net income for the period
					Actuarial gain / losses arising from defined benefit plans	Non-current assets revaluation	Hedge fund	Financial assets fund								
<b>Balance at January 1, 2015</b>	675,728	468,811	889	14,507	(44,552)	67,241	(215,930)	525,549	178,569	275,430	1,792,299	617,084	4,355,625	43,073	4,398,698	
Effect of adjustments related to the prior years	-	-	-	-	-	-	-	-	-	-	61,780	-	61,780	-	61,780	
<b>Comprehensive income</b>	-	-	-	-	-	-	-	-	-	-	-	891,141	891,141	1,852	892,993	
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	(151,348)	-	-	-	-	(151,348)	-	(151,348)	
Financial assets' fair value increase (net) in foreign operations (net)	-	-	-	-	-	-	(42,829)	-	-	-	-	-	(42,829)	-	(42,829)	
Share of other comprehensive income of associates	-	-	-	-	385	-	1,002	-	-	-	-	-	1,387	-	1,387	
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(13,448)	-	-	-	-	-	-	-	(13,448)	-	(13,448)	
Currency translation differences	-	-	-	-	-	8,506	-	146,049	-	-	-	-	154,555	5,930	160,485	
<b>Total other comprehensive income</b>	-	-	-	-	(13,063)	8,506	(41,827)	(151,348)	146,049	-	-	-	(51,683)	5,930	(45,753)	
<b>Total comprehensive income</b>	-	-	-	-	(13,063)	8,506	(41,827)	(151,348)	146,049	-	-	891,141	839,458	7,782	847,240	
Transfers	-	-	-	-	-	-	-	-	-	31,621	585,463	(617,084)	-	-	-	
Transactions with non-controlling shareholders (Note 3)	-	-	-	-	-	-	-	-	-	-	(249,852)	-	(249,852)	(32,204)	(282,056)	
Subsidiary acquisition (Note 3)	-	-	-	-	-	-	-	-	-	-	-	-	-	175	175	
Dividends paid	-	-	-	-	-	-	-	-	-	-	(350,000)	-	(350,000)	-	(350,000)	
<b>As of December 31, 2015</b>	675,728	468,811	889	14,507	(57,615)	75,747	(257,757)	374,201	324,618	307,051	1,839,690	891,141	4,657,011	18,826	4,675,837	

The accompanying notes form an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

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

	Other comprehensive income / (expense) reclassified to profit or loss			Other comprehensive income / (expense) to be reclassified to profit or loss			Retained earnings			Equity holders of the parent	Non-controlling interest	Total equity			
	Paid-in capital	Adjustment to share capital premium	Contribution to shareholders' equity due to merger	Actuarial gain / losses arising from defined benefit plans	Non-current assets revaluation fund	Hedge fund	Financial assets fund	Currency translation differences	Restricted reserves				Accumulated profit	Net income for the period	
Balance at January 1, 2014	675,728	468,811	889	14,507	(6,891)	70,002	(210,355)	374,201	308,266	248,809	1,521,038	597,845	4,062,850	75,906	4,138,756
<b>Comprehensive income</b>															
Net profit for the period	-	-	-	-	-	-	-	-	-	-	617,084	617,084	617,084	20,894	637,978
<b>Other comprehensive income</b>															
Financial assets' fair value increase (net)	-	-	-	-	-	-	151,348	-	-	-	-	-	151,348	-	151,348
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	-	(5,566)	-	-	-	-	-	(5,566)	-	(5,566)
Share of other comprehensive income of associates	-	-	-	-	104	-	(9)	-	-	-	-	-	95	-	95
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(37,765)	-	-	-	-	-	-	-	(37,765)	-	(37,765)
Currency translation differences	-	-	-	-	-	(2,761)	-	(129,697)	-	-	-	-	(132,458)	193	(132,265)
<b>Total other comprehensive income</b>	-	-	-	-	(37,661)	(2,761)	(5,575)	151,348	(129,697)	-	-	-	(24,346)	193	(24,153)
<b>Total comprehensive income</b>	-	-	-	-	(37,661)	(2,761)	(5,575)	151,348	(129,697)	-	617,084	617,084	592,738	21,087	613,825
Transfers	-	-	-	-	-	-	-	-	-	26,621	571,224	(597,845)	-	-	-
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	37	37	37	(37)	-
Dividends paid	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)	(300,000)	(300,000)	(53,883)	(353,883)
<b>As of December 31, 2014</b>	<b>675,728</b>	<b>468,811</b>	<b>889</b>	<b>14,507</b>	<b>(44,552)</b>	<b>67,241</b>	<b>(215,930)</b>	<b>525,549</b>	<b>178,569</b>	<b>275,430</b>	<b>1,792,299</b>	<b>617,084</b>	<b>4,355,625</b>	<b>43,073</b>	<b>4,398,698</b>

The accompanying notes form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

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

	Notes	2015	Audited	2014
<b>Operating activities:</b>				
<b>Net income from continued operations</b>		<b>892,993</b>		<b>637,978</b>
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>				
Taxes expense	33	(107,872)		93,644
Depreciation and amortization		369,823		346,293
Changes in provisions	38	123,147		96,848
Interest expenses	32	388,817		314,010
Interest income	31	(22,972)		(23,142)
Income from associates (net)	12	(24,403)		(18,156)
(Income)/loss from derivative instruments (net)	31, 32	(176,744)		(98,585)
Foreign exchange (gains)/losses (net)	31, 32	341,146		68,196
Other financial (income) / expense (net)	31, 32	6,868		9,731
Income from claims and incentives	29	(82,081)		(42,735)
Dividend income from financial investments	30	(12,865)		(12,944)
(Gain)/loss from sales of tangible and intangible assets (net)	30	(2,211)		(1,943)
<b>Net cash flow from operating activities before changes in operating assets and liabilities</b>		<b>1,693,646</b>		<b>1,369,195</b>
<b>Changes in operating assets and liabilities (net):</b>				
Trade payables and due to related parties		308,940		136,542
Other non-current liabilities		(12,874)		(8,263)
Other current assets and liabilities		166,316		(34,229)
Inventories		(30,689)		(140,281)
Trade receivables and due from related parties		(325,237)		(265,710)
Payments of employee termination benefit obligation	20	(32,997)		(24,693)
Cash provided from incentives		70,366		52,091
Corporate and income taxes paid		(114,765)		(81,603)
<b>Cash flows from operating activities</b>		<b>1,722,706</b>		<b>1,003,049</b>
<b>Investing activities:</b>				
Subsidiary acquisition, cash excluded	3	(1,327)		-
Acquisition of tangible and intangible assets		(640,492)		(453,167)
Cash provided from sales of tangible and intangible assets		18,844		3,925
Dividends received	12	11,410		14,100
Dividends received from financial investments	30	12,865		12,944
<b>Cash flows from investing activities</b>		<b>(598,700)</b>		<b>(422,198)</b>
<b>Financing activities:</b>				
Proceeds from bank borrowings		3,496,842		1,494,043
Repayment of bank borrowings		(3,266,729)		(2,016,173)
Dividends paid	34	(350,000)		(353,883)
Acquisition of minority interest	3	(282,056)		-
Interest paid		(385,787)		(305,833)
Interest received		22,196		23,293
Bond issued		-		991,201
Derivative instruments		40,748		17,783
Other financial (expense) / income, net	31, 32	(6,868)		(9,731)
<b>Cash flows from financing activities</b>		<b>(731,654)</b>		<b>(159,300)</b>
<b>Net increase/(decrease) in cash and cash equivalents before currency translation differences</b>				
		<b>392,352</b>		<b>421,551</b>
Currency translation differences (net)		153,278		(66,754)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>545,630</b>		<b>354,797</b>
<b>Cash and cash equivalents at January 1</b>	<b>5</b>	<b>1,620,523</b>		<b>1,265,726</b>
<b>Cash and cash equivalents at December 31</b>	<b>5</b>	<b>2,166,153</b>		<b>1,620,523</b>

The accompanying notes form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi ("Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates fourteen manufacturing plants in Turkey, Romania, Russia, China and Republic of South Africa. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 25).

The Company's head office is located at:  
Karaağaç Caddesi No: 2-6  
Sütlüce 34445 Beyoğlu İstanbul / Turkey

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa İstanbul ("BIST") since 1986. As of December 31, 2015, the publicly listed shares are 25.15% of the total shares. (December 31, 2014: 25.19%)

The average number of personnel employed by categories in the Group in 2015 is 4,421 white - collar (2014: 4,233) and 21,707 blue - collar (2014: 20,801) totaling to 26,128 (2014: 25,034).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
<b>Continuing operations as of reporting date</b>			
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan") *	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. ("Beko Australia") *	Australia, New Zealand	Sales	Consumer Durables
Beko Appliances Malaysia Sdn Bhd. ("Beko Malaysia")	Malaysia	Sales	Consumer Durables
Beko Balkans D.O.O ("Beko Balkans")	Serbia	Sales	Consumer Durables/Electronics
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. ("Beko France")	France	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. ("Beko Hong Kong")	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer Durables/Electronics
Beko LLC. ("Beko Russia")	Russia	Production/Sales	Consumer Durables/Electronics
Beko Plc. ("Beko UK") *	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer Durables/Electronics
Beko S.A. ("Beko Polska") *	Poland, Czech Republic	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer Durables/Electronics
Beko Thai Co. ("Beko Thailand")	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC. ("Beko Ukraine")	Ukraine	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer Durables
Computer Vision Interaction S.A. ("CoVii")	Portugal	R&D	Software
Defy Appliances (Proprietary) Ltd. ("Defy")	Republic Of South Africa	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Ltd. ("Defy Botswana")	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Ltd. ("Defy Namibia")	Namibia	Sales	Consumer Durables
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer Durables/Electronics
Grundig Multimedia A.G. ("Grundig Switzerland")	Switzerland	Sales	Electronics
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig Intermedia GmbH ("Grundig Intermedia") (*)	Germany, Croatia	Sales	Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Consumer Durables/Electronics
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer Durables/Electronics
Vietbeko Limited Liability Company ("Vietbeko")	Vietnam	Sales	Consumer Durables
<b>Ceased operations as of reporting date</b>			
Archin Limited ("Archin")	Hong Kong, China	-	-
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Defy (Swaziland) (Proprietary) Ltd. ("Defy Swaziland")	Swaziland	-	-
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	-	-
Grundig Magyarország Kft. ("Grundig Hungary")	Hungary	-	-
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	-	-
Raupach Wollert GmbH ("Raupach")	Germany	-	-

\* Branches of the Subsidiary, which operate in a different country, are separately presented.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Associates	Country of incorporation	Core business	Nature of business
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik-LG")	Turkey	Production/Sales	Consumer Durables
Koç Finansman A.Ş. ("Koç Finansman")	Turkey	Finance	Consumer Finance
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Sales	Foreign Trade
Tanı Pazarlama İ.H.A.Ş. ("Tanı Pazarlama")	Turkey	Consultancy	Marketing /Communication

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

#### 2.1 Basis of presentation

##### Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, ("TAS/TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on June 13, 2013 which is published on Official Gazette numbered 28676. TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision.

Consolidated financial statements have been prepared under the historical cost convention except for the derivative instruments and available for sale financial assets presented at fair values and revaluations related to the differences between carrying value and fair value of tangible and intangible assets arising from business combinations.

##### New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of January 1, 2015. The effects of these standards and interpretations on the the Group's financial position and performance have been disclosed in the related paragraphs.

##### The new standards, amendments and interpretations which are effective as at January 1, 2015 are as follows:

##### TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments had no effect on the financial position or performance of the Group.

##### Annual Improvements to TAS/TFRSs

In September 2014, POA issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle."

##### Annual Improvements - 2010–2012 Cycle

##### TFRS 2 Share-based Payment:

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### *TFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of TAS 39 (or TFRS 9, as applicable).

#### *TFRS 8 Operating Segments*

The amendments clarify that: i) An entity must disclose the judgements made by management in applying the aggregation criteria in TFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

#### *TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets*

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

#### *TAS 24 Related Party Disclosures*

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. . In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

#### **Annual Improvements – 2011–2013 Cycle**

#### *TFRS 3 Business Combinations*

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

#### *TFRS 13 Fair Value Measurement*

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of TAS 39 (or TFRS 9, as applicable). The amendment is effective prospectively.

#### *TAS 40 Investment Property*

The amendment clarifies that IFRS 3, not the description of ancillary services in TAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

The amendments did not have a significant impact on the consolidated financial statements of the Group.

#### **Standards issued but not yet effective and not early adopted**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

#### TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

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

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

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

In April 2015, POA of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with TFRS 9 or
- Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

#### TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

#### TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10 and TAS 28)

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments are not applicable for the Group will not have significant impact on the financial position or performance of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### TAS 1: Disclosure Initiative (Amendments to TAS 1)

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

#### Annual Improvements to TFRSs - 2012-2014 Cycle

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- TFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- TFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with TFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- TAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- TAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

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

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

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

#### Annual Improvements – 2010–2012 Cycle

##### IFRS 13 Fair Value Measurement

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

#### Annual Improvements – 2011–2013 Cycle

##### IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IFRS 9 Financial Instruments - Final standard (2014)

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

#### IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

#### IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IAS 7 'Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Company/Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

#### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TRY, which is the functional currency of Arçelik and the presentation currency of the Group.

#### Financial statements of subsidiaries operating in countries other than Turkey

Financial statements of subsidiaries operating in countries other than Turkey are adjusted to the TAS/IFRS promulgated by the POA to reflect the proper presentation and content. Subsidiaries' assets and liabilities are translated into TRY from the foreign exchange rate at the reporting date and income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet date rates are included in the "currency translation difference" under the shareholders' equity.

#### Consolidation principles

- (a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/IFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.
- (b) Subsidiaries are the Companies controlled by Arçelik when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
- (c) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The statement of financial position and statements profit or loss of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Arçelik and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Arçelik and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Arçelik in its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The table below sets out all Subsidiaries included in the scope of consolidation discloses their direct and indirect ownership, which are identical to their economic interests, as of December 31, 2015 and 2014 (%) and their functional currencies:

	Functional currency	December 31, 2015		December 31, 2014	
		Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
<b>Continuing operations as of balance sheet date:</b>					
Arctic	Romanian Lei ("RON")	96.72	96.72	96.72	96.72
Ardutch	Euro ("EUR")	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar ("TWD")	100.00	100.00	100.00	100.00
Beko Australia	Australian Dollar ("AUD")/ New Zealand Dollar ("NZD")	100.00	100.00	100.00	100.00
Beko Balkans <sup>(1)</sup>	Serbian Dinar ("SRD")	100.00	100.00	-	-
Beko China	Chinese Yuan ("CYN")	100.00	100.00	100.00	100.00
Beko Deutschland	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Espana	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira ("EGP")	100.00	100.00	100.00	100.00
Beko France	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Hong Kong	US Dollar ("USD")	100.00	100.00	100.00	100.00
Beko Italy	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Malaysia <sup>(7)</sup>	Malaysian Ringgit ("MYR")	100.00	100.00	-	-
Beko Polska	Polish Zloty ("PLN")/ Czech Koruna ("CZK")	100.00	100.00	100.00	100.00
Beko Russia	Russian Ruble ("RUB")	100.00	100.00	100.00	100.00
Beko Slovakia	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Shanghai	Chinese Yuan ("CNY")	100.00	100.00	100.00	100.00
Beko Thailand <sup>(2)</sup>	Thai Baht ("THB")	100.00	100.00	100.00	100.00
Beko UK <sup>(3)</sup>	British Pound ("GBP")/ Euro ("EUR")	100.00	100.00	50.00	50.00
Beko Ukraine	Ukrainian Hryvna ("UAH")	100.00	100.00	100.00	100.00
CoVii <sup>(4)</sup>	Euro ("EUR")	51.00	51.00	-	-
Defy	South African Rand ("ZAR")	100.00	100.00	100.00	100.00
Defy Botswana	Botswana Pula ("BWP")	100.00	100.00	100.00	100.00
Defy Kindoc <sup>(5)</sup>	South African Rand ("ZAR")	-	-	100.00	100.00
Defy Namibia	Namibian Dollar ("NAD")	100.00	100.00	100.00	100.00
Defy Trust <sup>(5)</sup>	South African Rand ("ZAR")	-	-	100.00	100.00
Elektra Bregenz	Euro ("EUR")	100.00	100.00	100.00	100.00
Grundig Multimedia	Euro ("EUR")	100.00	100.00	100.00	100.00
Grundig Intermedia	Euro("EUR")/ Croatian Kuna ("HRK")	100.00	100.00	100.00	100.00
Grundig Norway	Norwegian Krone ("NOK")	100.00	100.00	100.00	100.00
Grundig Sweden	Swedish Krona ("SEK")	100.00	100.00	100.00	100.00
Grundig Switzerland	Swiss Franc ("CHF")	100.00	100.00	100.00	100.00
Vietbeko <sup>(8)</sup>	Vietnamese Dong ("VND")	100.00	100.00	-	-
<b>Ceased operations as of balance sheet date:</b>					
Archin	-	100.00	100.00	100.00	100.00
Beko Cesko	-	100.00	100.00	100.00	100.00
Blomberg Werke <sup>(6)</sup>	-	-	-	100.00	100.00
Defy Swaziland	-	100.00	100.00	100.00	100.00
Grundig Austria	-	100.00	100.00	100.00	100.00
Grundig Hungary	-	100.00	100.00	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00
Grundig Slovakia <sup>(5)</sup>	-	100.00	100.00	100.00	100.00
Raupach	-	100.00	100.00	100.00	100.00

<sup>(1)</sup> Founded as a sales company in February 2015.

<sup>(2)</sup> Founded as a production and sales company in December 2014. The company completed it's test production by the end of 2015 and started productive activities as of January 2016.

<sup>(3)</sup> On June 29, 2015, the Group acquired an additional 50% interest in the voting shares of Beko UK, increasing its ownership interest to 100% (Note 3).

<sup>(4)</sup> Acquired in 2015 (Note 3).

<sup>(5)</sup> Liquidated in 2015

<sup>(6)</sup> Merged with Beko Deutschland.

<sup>(7)</sup> Founded as a sales company in October 2015.

<sup>(8)</sup> Founded as a sales company in November 2015.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (d) Associates are companies in which the Group has attributable interest of more than 20% and less than 50% of the ordinary share capital held for the long-term and over which a significant influence is exercised. Associates are accounted for using the equity method.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. Subsequent to the date of the caesura of the significant influence, the investment is carried either at fair value when the fair values can be measured reliably or otherwise at cost when the fair values cannot be reliably measured.

The table below sets out all Associates and shows their direct and indirect ownership as of December 31, 2015 and 2014 (%):

	2015	2014
Arçelik - LG	45.00	45.00
Koç Finansman	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Tanı Pazarlama	32.00	32.00

- (e) Available-for-sale investments, in which the Group has attributable interests below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured are carried at fair value. Any financial investment that is who has no fair value quoted in a stock exchange or whose fair value is not measured reliably are carried at cost value.
- (f) The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as "non-controlling interest" in the consolidated statements of financial position and consolidated statements of profit or loss.

#### Going concern

The Group prepared consolidated financial statements in accordance with the going concern assumption.

#### Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

#### Comparatives and restatement of prior periods' financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current year consolidated financial statements and the significant changes are explained.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended December 31, 2014, foreign exchange losses amounting to TRY 62,554 and other financial expenses amounting to TRY 9,731 which was reported under cash flows from operating activities is reclassified to cash flows from financing activities and currency translation differences amounting to TRY 32,741 and TRY (105,026) respectively.

#### 2.2 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

#### 2.3 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are summarized below:

##### Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group, and the companies controlled by Koç Holding are considered and referred to as related parties (Note 35).

The Group recognizes sales and purchases related to its Subsidiaries made through Ram Dış Ticaret as intra-group transactions; thus these transactions are eliminated in the consolidated financial statements.

##### Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 9).

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities (Note 29).

The Group collects some of its receivables via factoring. The Group follows related receivables in its consolidated financial statements since the collection risk of these receivables belongs to the Group until these ceded receivables are collected by the factoring company. Advance taken from factoring company against these receivables is recorded as factoring payable in "Financial Liabilities" account. Factoring expenses are accounted as accrual base in finance expenses account.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average basis for each purchase. Cost elements included in inventories are materials, labor and factory overheads. The cost of borrowings is not included in the costs of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale (Note 11).

#### Financial instruments

##### Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (a) Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's loans and receivables comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position.

##### (b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the related investments within 12 months of the balance sheet date.

##### (c) Financial instruments at fair value through profit or loss - derivative instruments

Derivative instruments are initially recognized at the transaction cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. A financial instrument acquired to be sold or repurchased in the further periods is recognized in this group. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Group's financial instruments at fair value through profit or loss consist of forward contracts and currency swaps.

#### Financial liabilities

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of profit or loss over the period. Borrowing costs are charged to the statement of profit or loss when they are incurred (Note 7). Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the consolidated financial statements.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

#### Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated statement of profit or loss. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred statements of profit or loss on the disposal of the foreign operation (Note 36).

#### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less (Note 5). For the purpose of consolidated statements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than three months, excluding the interest accruals.

#### Investment properties

Buildings held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated with the straight-line depreciation method over their useful lives (Note 13).

Investment properties are reviewed for impairment losses. Where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is the higher of discounted net value of future cash flows from the use of the related investment property or fair value less cost to sell.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets, except for land due to their indefinite useful life. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land and land improvements	10 - 50 years
Buildings	30 - 50 years
Machinery, equipment and moulds	2 - 25 years
Motor vehicles and fixtures	4 - 10 years
Leasehold improvements	3 - 10 years

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

Gains or losses on disposals of property, plant and equipment are included in income/expense from investment activities.

Subsequent costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company (Note 14). All other costs are charged to the statements of profit or loss during the financial year in which they are incurred.

#### Other intangible assets

Other intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note 15).

##### a) Brands

Internally generated brand are not recognized as intangible assets as their costs cannot be distinguished from the cost of improvement of operations as a whole. Brands that are acquired separately are accounted for at their acquisition cost, and brands that are acquired as a part of business combination are accounted for at their fair value at the acquisition date in the financial statements.

The Group assessed the useful life of brand as indefinite since there is no foreseeable limit to the period over which a brand is expected to generate net cash inflows for the Group.

A brand is not subject to amortization as it is considered to have an indefinite useful life. A brand is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount when the carrying amount of the brand exceeds its recoverable amount.

##### b) Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis from 2 to 10 years.

##### c) Computer software and rights

Computer software and rights are recognized at their acquisition cost. They are amortized on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. Their estimated useful lives are between 4 -15 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### *d) Trademark licenses and patents*

Separately acquired trademark licenses and patents are carried at their acquisition costs. Trademark licenses and patents acquired in a business combination are accounted for at their fair values at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (5 years).

#### **Business combinations and goodwill**

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses.

Business combinations realized before January 1, 2010 have been accounted for by using the purchase method in the scope of IFRS 3 "Business combinations" prior to amendment. The cost of a business combination is the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquire and in addition, any costs directly attributable to the business combination. If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after acquisition date; in case the adjustment is measurable and more probable than not, than cost of business combination at acquisition date is adjusted.

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements.

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 16). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Any excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

IFRS 3 "Business Combinations", which is effective for the periods beginning January 1, 2010, is applied for business combinations realized in 2011.

The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### Financial leases

##### (1) The Group as the lessee

#### Finance 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 and the interest element is charged as expense to the consolidated statement of profit or loss. Depreciation on the relevant asset is also charged to the consolidated statement of profit or loss over its useful life.

#### Operational leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

##### (2) The Group as the lessor

#### Operational leases

Assets leased out under operating leases are classified under property, plant and equipment in the consolidated statement of financial position and rental income is recognized on a straight-line basis over the lease term.

#### Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which requires substantial period of time to get ready for its intended use or sale shall be capitalized over the cost of the asset (Note 15). Other borrowing costs shall be recognized as an expense in the period it incurs (Note 31 and Note 32).

#### Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries of the Group operate.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 33).

The principal temporary differences arise from the carrying values of property, plant and equipment and available-for-sale-investments and their historical costs, various provisions and unused tax allowances and exemptions.

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 it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized directly in equity is recognized in equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company recognizes deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilized.

The Company recognizes deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard and are recognised as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused investment tax credits can be utilised.

#### Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

#### Employment termination benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise (Note 20).

#### Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income/ expenses and other operating income/ expenses in the consolidated statements of profit or loss, except for the effective portion of the foreign currency hedge of net investments in foreign operations.

#### Revenue recognition

Revenues are recognized on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity. Net sales represent the fair value of goods shipped less actual and estimated sales discounts and returns. Sales taxes such as Value Added Taxes ("VAT") excluded from revenue.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### Incentives for investments, research and development activities

Gains arising from incentives for investment and research and development activities together with government grants are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group. Vested government grants related with expense or capitalization realized in previous accounting periods, are recognized in statements of profit or loss when collectible.

#### Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Note 25).

#### Paid-in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' and Associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies.

#### Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. No provision is recognized for operating losses expected in later periods.

#### Warranty expenses

Warranty expenses includes repair and maintenance expenses for products sold and labor and material costs of authorized services' for products under the scope of the warranty terms without any charge to the customers. Based on estimations using past statistical information warranty services and returns of products, warranty expenses are recognized for the products sold in the period for possible utilizations of warranties in the following future periods (Note 19).

#### Assembly provisions

As a result of forecasts that are based on past experience and future expectations, assembly provisions expenses are recognized in the period, which the products are sold to dealers but not yet installed in the sites of the end customers, against the costs of future free of charge aforementioned installments (Note 19).

#### Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities (Note 18).

Contingent liabilities are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. If an outflow of resources has become probable, contingent liabilities are recognised in the financial statements. Contingent assets are not recognised in financial statements but disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### Earnings per share

Earnings per share presented in the consolidated statements of profit or loss are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings or inflation adjustments. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

#### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the steering committee that makes strategic decisions. Board of Directors has been identified as the sole authority to decide on the operations (Note 4).

#### Reporting of cash flows

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

#### 2.4 Critical accounting estimates, judgments, and assumptions

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

##### *Impairment test for intangible assets which have indefinite useful lives and goodwill:*

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill stated in Note 2.3, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the methods of value in use and royalty relief. Certain estimates were used in these calculations (Notes 15 and 16). Impairment was not identified as a result of these tests.

##### *The fair value of the available-for-sale financial instruments:*

The fair value of the available-for-sale financial instruments that are not traded in an active market have been calculated by using references to the uncollusive market transactions, the fair values of the similar instruments and the discounted cash flows analysis (Note 6).

##### *Waste Electrical and Electronic Equipment Control*

The principal environmental protection regulation specific to domestic appliances market, the Group complies with, is the European Union WEEE ("Waste Electrical and Electronic Equipment") Directive, which makes manufacturers responsible at a European level for the financing of treatment, recovery and disposal of waste electrical and electronic products. Under this framework, countries have their own legal regulations in line with the Directive cited above, and responsibilities of the producers are implemented accordingly. In Turkey and European Union countries where the Group operates, the Group meets its responsibilities for financing and organizing the handling of waste electrical and electronic appliances through national compliance schemes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 3 - BUSINESS COMBINATIONS

#### a) Subsidiary acquisition

On June 26, 2015 the Group has acquired 51% of the shares of CoVii company. CoVii is located in Portugal and its main activities are software development and R&D.

This acquisition will allow to The Group, to present innovative products to the market with the softwares developed by CoVii. For the purchase of CoVii's 51% shares, EUR 543,232 of the EUR 1,034,335 has been paid in cash at the closing date. The remaining amount will be paid with 4 equal instalments starting at the end of the second year following the closing date. As of December 31, 2015, the EUR 973,320 which is the difference between the purchase price and the total fair value of net identifiable assets has been booked as goodwill.

Purchase price and the fair values of acquired assets and liabilities as of the acquisition date are as follows:

Consideration in cash	1,620
Deferred consideration	1,465
<b>Total consideration transferred</b>	<b>3,085</b>
Cash and cash equivalents	293
Other assets	21
Tangible assets	228
Intangible assets	660
Borrowings	(656)
Trade and other payables	(12)
Tax and other provisions	(37)
Other liabilities	(140)
<b>Total fair value of identifiable net assets</b>	<b>357</b>
Share of non controlling interest	(175)
Goodwill (Note 16)	2,903
<b>Total consideration</b>	<b>3,085</b>

In the consolidated statement of profit or loss, CoVii has no contribution to consolidated sales after the date of acquisition.

Had the financial statements of CoVii been consolidated since January 1, 2015, there would be no change in the consolidated sales of Arçelik Group.

As of December 31, 2015, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 274.

The details of cash outflow due to acquisition are as follows:

Total consideration in cash	1,620
Cash and cash equivalents – acquired	(293)
<b>Cash outflow due to acquisition of subsidiary (net)</b>	<b>1,327</b>

#### b) Transactions with non-controlling shareholders

On June 29, 2015, the Group acquired an additional 50% interest in the voting shares of Beko UK (of which the Group had already controlling interest), increasing its ownership interest to 100%. Cash consideration of TRY 282,056 equivalent of GBP 67.5 million was paid to the non-controlling shareholders. The carrying value of the net assets of Beko UK was TRY 64,408. Following is a schedule of additional interest acquired in Beko UK:

Cash consideration paid to non-controlling shareholders	282,056
Carrying value of the additional interest	(32,204)
<b>Difference recognised in retained earnings</b>	<b>249,852</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 4 - SEGMENT REPORTING

The reportable segments of Arçelik have been organized by management into white goods and consumer electronics. White goods reportable segment comprises washing machines, dryers, dish washers, refrigerators, ovens, cookers and the services provided for these products. The consumer goods reportable segment comprises televisions primarily with flat screens, computers, cash registers, other electronic devices and the services provided to consumers for these products. Other sales comprise the revenues from air conditioners, home appliances and furniture and kitchen gadgets except products included in white goods and consumer electronics.

Arçelik's reportable segments are strategic business units that present various products and services. Each of these segments is administrated separately due to the necessity of different technologies and marketing strategies.

Gross profitability is evaluated regarding the performance of the operational segments. Information about the operational segments is as follows:

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2015 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	10,298,964	1,965,642	1,901,494	14,166,100
Gross profit	3,578,365	433,094	524,434	4,535,893
Depreciation and amortization	301,418	60,468	14,875	376,761
Capital expenditures	556,120	83,580	15,863	655,563

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2014 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	9,069,234	1,828,612	1,616,187	12,514,033
Gross profit	3,079,885	442,293	456,654	3,978,832
Depreciation and amortization	289,681	50,454	12,527	352,662
Capital expenditures	388,532	62,326	11,012	461,870

c) Sales revenue grouped geographically based on the location of the customers for the years ended December 31 are shown as below:

2015	Turkey	Europe	Africa	Other	Total
Total segment revenue	5,724,498	6,419,597	1,126,966	895,039	14,166,100
2014	Turkey	Europe	Africa	Other	Total
Total segment revenue	4,850,044	5,851,550	1,063,892	748,547	12,514,033

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2015	December 31, 2014
Cash in hand	451	331
Cash at banks		
- demand deposits	210,540	212,473
- time deposits	1,872,026	1,335,556
Cheques and notes	55,456	67,688
Other	27,680	4,475
<b>Cash and cash equivalents in cash flow statement</b>	<b>2,166,153</b>	<b>1,620,523</b>
Interest income accruals	1,474	698
	<b>2,167,627</b>	<b>1,621,221</b>

The maturity breakdown of cash and cash equivalents is as follows:

Up to 30 days	2,130,848	1,426,870
30-90 days	36,779	194,351
	<b>2,167,627</b>	<b>1,621,221</b>

### NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale investments

	December 31, 2015		December 31, 2014	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	3.98	537,684	3.98	696,996
Other		1,492		1,492
		<b>539,176</b>		<b>698,488</b>

The details of financial investments for the years ended December 31, are as follows:

	2015	2014
<b>As of January 1</b>	<b>698,488</b>	<b>539,170</b>
Change in fair value	(159,312)	159,314
Acquisition	-	4
<b>As of December 31</b>	<b>539,176</b>	<b>698,488</b>

The unrealized loss (net) arising from the changes in the fair value of the available for sale investments amounting to TRY 151,348 (December 31, 2014: unrealized loss amounting to TRY 151,348) net of deferred tax effect amounting to TRY 7,964 (December 31, 2014: TRY 7,966) have been recognized in consolidated shareholders' equity under the "revaluation funds" in the year ended December 31, 2015.

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A.Ş., as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81.8%. Since the shares of Yapı ve Kredi Bankası are traded in Borsa İstanbul, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted cash flow method and comparisons with recent similar local or international acquisitions realized. In the aforementioned discounted cash flow method, Turkish Lira based discount rate of 16.7% (2014: 13.8%), as to growth rate 4.9% (2014: 4.0%) has been taken into consideration.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 7 - FINANCIAL LIABILITIES

#### a) Short-term financial liabilities

	December 31, 2015	December 31, 2014
Short-term bank borrowings	995,638	719,267
Payables from factoring activities(*)	39,628	-
Other	475	595
<b>Total short-term financial liabilities</b>	<b>1,035,741</b>	<b>719,862</b>
Short-term portion of long-term bank borrowings and interest accruals	1,119,002	1,057,375
Interest accruals of long-term bond issued (**)	29,999	25,386
<b>Total short-term portion of long-term financial liabilities</b>	<b>1,149,001</b>	<b>1,082,761</b>

(\*) Factoring liabilities are amounting to TRY 18,902 denominated in EUR, TRY 18,708 denominated in GBP and TRY 2,018 denominated in USD and interest rates are between 0.65% -1% for EUR, 0.91% - 1.5% for USD and 1.59% for GBP.

#### (\*\*) Long term bonds issued:

##### 2014:

The Company issued bond amounting to EUR 350 million, quoted in Ireland Stock Exchange, with re-offer yield 4% and annual interest payment on September 16, 2014. Maturity of the bond is September 16, 2021 and coupon rate is 3.875%.

##### 2013:

The Company issued bond amounting to USD 500 million, quoted in Ireland Stock Exchange, with re-offer yield 5.125% and semi-annual interest payment on April 3, 2013. Maturity of the bond is April 3, 2023 and coupon rate is 5%.

As of December 31, 2015, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	10.6	639,551,321	639,551
EUR	0.7	96,414,061	306,365
CNY	4.4	110,000,000	49,000
SEK	1.3	2,090,757	722
			<b>995,638</b>

As of December 31, 2014, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	9.7	402,805,596	402,806
EUR	1.0	82,667,374	233,180
ZAR	7.6	250,000,000	49,997
CNY	5.6	82,127,556	30,534
SEK	1.3	9,297,654	2,750
			<b>719,267</b>

#### b) Long-term financial liabilities

	December 31, 2015	December 31, 2014
Long-term bank borrowings	722,634	840,800
Long-term bonds issued	2,545,989	2,123,584
Other	284	602
	<b>3,268,907</b>	<b>2,964,986</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 7 - FINANCIAL LIABILITIES (Continued)

As of December 31, 2015, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	11.8	1,381,151,557	1,381,152
EUR	2.6	89,098,357	283,119
ZAR	9.1	750,000,000	141,548
RUB	8.7	904,255,822	35,817
			<b>1,841,636</b>
Short-term portion of long-term loans and interest accruals			(1,119,002)
			<b>722,634</b>

As of December 31, 2014, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	12.0	1,117,519,701	1,117,520
EUR	2.4	210,684,056	594,277
ZAR	8.6	750,000,000	149,991
RUB	8.7	904,255,822	36,387
			<b>1,898,175</b>
Short-term portion of long-term loans and interest accruals			(1,057,375)
			<b>840,800</b>

As of December 31, 2015, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	502,551,654	1,461,219
EUR	4.0	350,820,921	1,114,769
			<b>2,575,988</b>
Interest accruals of long-term bonds issued			(29,999)
			<b>2,545,989</b>

As of December 31, 2014, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	501,230,584	1,162,304
EUR	4.0	349,794,853	986,666
			<b>2,148,970</b>
Interest accruals of long-term bonds issued			(25,386)
			<b>2,123,584</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 7 - FINANCIAL LIABILITIES (Continued)

The payment schedule of the principal amounts of long-term bank borrowings and bonds is as follows:

	December 31, 2015	December 31, 2014
2016	-	427,232
2017	581,408	288,203
2018	70,613	62,682
2019	70,613	62,682
2021	1,112,160	987,245
2023	1,453,800	1,159,450
	<b>3,288,594</b>	<b>2,987,494</b>

The analysis of borrowings and bonds issued in terms of periods remaining to contractual re-pricing dates is as follows:

	December 31, 2015	December 31, 2014
Up to 6 months	1,301,147	2,259,040
6 - 12 months	934,766	51,788
1-5 years	581,086	286,945
Over 5 years	2,565,960	2,146,695
	<b>5,382,959</b>	<b>4,744,468</b>

### NOTE 8 - DERIVATIVE INSTRUMENTS

Valuation of outstanding derivative instruments which were transacted by the Group for foreign exchange risk management purposes are made through marketing to market value at the date of valuation and the fair value of these instruments are disclosed as asset or liability in the statement of financial position.

	December 31, 2015			December 31, 2014		
	Contract amount	Fair value assets/(liabilities)		Contract amount	Fair value assets/(liabilities)	
<i>Held for trading:</i>						
<i>Short-term derivative instruments</i>						
Forward transactions	739,561	1,807	(259)	423,290	2,780	(956)
Foreign currency swap contracts	2,126,087	14,486	(3,004)	1,206,428	5,003	(2,855)
	<b>2,865,648</b>	<b>16,293</b>	<b>(3,263)</b>	<b>1,629,718</b>	<b>7,783</b>	<b>(3,811)</b>
<i>Long-term derivative instruments</i>						
Cross-currency fixed interest rate swap (*)	1,960,174	144,742	-	1,631,796	17,803	-

(\*) In order to mitigate foreign exchange risk and to naturally hedge principal and interest payments of the long term bond issued in 2013 in US Dollars against the major foreign currencies that sales and collections are performed in, the Company entered into cross currency fixed interest rate swap amounting to EUR 202.8 million with 4.65% interest rate in return for USD 270 million and amounting to GBP 57.5 million with 5% interest rate in return for USD 90 million in April, 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2015	December 31, 2014
<b>Short-term trade receivables:</b>		
Trade receivables	2,840,338	2,635,678
Notes receivables	1,794,339	1,635,494
Cheques receivables	271,172	253,209
<b>Short-term trade receivables (gross)</b>	<b>4,905,849</b>	<b>4,524,381</b>
Provision for doubtful receivables	(110,601)	(97,019)
Unearned credit finance income	(13,673)	(15,835)
<b>Short-term trade receivables (net)</b>	<b>4,781,575</b>	<b>4,411,527</b>

As of December 31, 2015, the Group has offsetted TRY 382,302 (December 31, 2014: None) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

The movements of provision for doubtful receivables for the years ended December 31, are as follows:

	2015	2014
<b>As of January 1</b>	<b>97,019</b>	<b>113,281</b>
Current year additions (Note 29)	17,344	16,985
Provisions no longer required (Note 29)	(1,770)	(7,091)
Write-offs (*)	(4,111)	(27,141)
Acquisitions	7	-
Currency translation differences	2,112	985
<b>As of December 31</b>	<b>110,601</b>	<b>97,019</b>

(\*) Doubtful receivables, for which no possibility of collection is foreseen and no further cash inflow are expected, are written off from the records along with the related provisions.

	December 31, 2015	December 31, 2014
Long-term trade receivables	13,205	24,423
	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Short-term trade payables:</b>		
Trade payables	1,597,265	1,526,520
Debt accruals	93,743	61,882
Unearned credit finance charges	(14,597)	(9,982)
	<b>1,676,411</b>	<b>1,578,420</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 10 - OTHER PAYABLES

	December 31, 2015	December 31, 2014
Taxes and duties payable	142,777	102,613
Dividend payables to shareholders	4,558	4,155
Deposits and guarantees received	3,935	5,385
Other	4,267	2,762
	<b>155,537</b>	<b>114,915</b>

### NOTE 11 - INVENTORIES

	December 31, 2015	December 31, 2014
Raw materials and supplies	946,661	950,651
Work in progress	83,611	68,229
Finished goods	925,878	906,004
Trade goods	250,979	258,020
<b>Inventories (gross)</b>	<b>2,207,129</b>	<b>2,182,904</b>
Provision for impairment on inventories	(67,072)	(57,958)
<b>Inventories (net)</b>	<b>2,140,057</b>	<b>2,124,946</b>

There are no inventories pledged as security for liabilities (December 31, 2014: None).

Allocation of the provision for impairment on inventories in terms of inventory type is as follows:

	December 31, 2015	December 31, 2014
Raw materials and supplies	54,784	47,210
Finished goods	10,723	8,344
Trade goods	1,565	2,404
	<b>67,072</b>	<b>57,958</b>

Movements of provision for impairment on inventories for the periods ended December 31 are as follows:

	2015	2014
<b>As of January 1</b>	<b>57,958</b>	<b>60,187</b>
Current year additions (Note 29)	14,123	4,952
Realized due to sales of inventory	(4,911)	(6,872)
Write-offs	(1,363)	-
Currency translation differences	1,265	(309)
<b>As of December 31</b>	<b>67,072</b>	<b>57,958</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 12 - ASSOCIATES

	December 31, 2015		December 31, 2014	
	%	TRY	%	TRY
Koç Finansman	47.0	89,851	47.0	84,279
Arçelik - LG	45.0	98,875	45.0	91,568
Ram Dış Ticaret	33.5	13,107	33.5	12,338
Tanı Pazarlama	32.0	8,048	32.0	7,126
		<b>209,881</b>		<b>195,311</b>

The movements of associates for the years ended December 31, are as follows:

	2015	2014
<b>As of January 1</b>	<b>195,311</b>	<b>192,404</b>
Shares of income/loss of associates	24,403	18,156
Shares of other comprehensive income/loss of associates	1,387	95
Gross profit elimination on inventory	190	(1,244)
Dividends received	(11,410)	(14,100)
<b>As of December 31</b>	<b>209,881</b>	<b>195,311</b>

*Shares of income/loss from associates:*

	2015	2014
Koç Finansman	13,888	16,427
Arçelik - LG	6,800	(1,562)
Ram Dış Ticaret	2,793	2,699
Tanı Pazarlama	922	592
	<b>24,403</b>	<b>18,156</b>

*Aggregated summary figures of the financial statements of associates:*

	December 31, 2015	December 31, 2014
Total assets	3,810,042	2,973,065
Total liabilities	3,334,872	2,531,164
	<b>2015</b>	<b>2014</b>
Net sales	2,050,453	1,624,099
Profit/loss for the period (net)	56,303	38,622

### NOTE 13 - INVESTMENT PROPERTIES

	2015	2014
<b>As of January 1</b>		
Cost	14,966	15,651
Accumulated depreciation	(9,037)	(9,305)
<b>Net carrying value</b>	<b>5,929</b>	<b>6,346</b>
<b>Net carrying value at the beginning of the period</b>	<b>5,929</b>	<b>6,346</b>
Disposals	(6,373)	-
Currency translation differences	553	(278)
Depreciation for the period	(109)	(139)
<b>Net carrying value at the end of the period</b>	<b>-</b>	<b>5,929</b>
<b>As of December 31</b>		
Cost	-	14,966
Accumulated depreciation	-	(9,037)
<b>Net carrying value</b>	<b>-</b>	<b>5,929</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	January 1, 2015	Acquisitions	Additions	Disposals	Transfers	Currency Translation Differences	December 31, 2015
<b>Cost</b>							
Land	16,277	-	28,834	-	189	2,639	47,939
Land improvements	37,526	-	3,071	-	7	1	40,605
Buildings	595,944	-	5,013	(563)	2,686	11,733	614,813
Machinery, equipment and moulds	3,441,984	371	176,007	(64,999)	80,355	34,329	3,668,047
Motor vehicles and fixtures	421,415	-	37,373	(4,641)	31,984	5,319	491,450
Leasehold improvements	44,146	-	2,994	-	835	660	48,635
Construction in progress	46,585	-	250,166	(1,645)	(116,056)	361	179,411
	<b>4,603,877</b>	<b>371</b>	<b>503,458</b>	<b>(71,848)</b>	<b>-</b>	<b>55,042</b>	<b>5,090,900</b>
<b>Accumulated depreciation</b>							
Land improvements	(22,539)	-	(1,815)	-	-	-	(24,354)
Buildings	(212,424)	-	(13,395)	103	-	(3,903)	(229,619)
Machinery, equipment and moulds	(2,250,099)	(143)	(221,611)	57,300	-	(18,872)	(2,433,425)
Motor vehicles and fixtures	(268,681)	-	(39,673)	4,226	-	(3,651)	(307,779)
Leasehold improvements	(37,388)	-	(2,396)	-	-	(264)	(40,048)
	<b>(2,791,131)</b>	<b>(143)</b>	<b>(278,890)</b>	<b>61,629</b>	<b>-</b>	<b>(26,690)</b>	<b>(3,035,225)</b>
<b>Net book value</b>	<b>1,812,746</b>						<b>2,055,675</b>

There is no mortgage on property, plant and equipment as of December 31, 2015 (December 31, 2014: None).

	January 1, 2014	Additions	Disposals	Transfers	Currency Translation Differences	December 31, 2014
<b>Cost</b>						
Land	15,936	495	-	564	(718)	16,277
Land improvements	34,892	2,716	(82)	-	-	37,526
Buildings	624,830	21,480	(104)	4,765	(55,027)	595,944
Machinery, equipment and moulds	3,329,608	163,864	(55,369)	74,134	(70,253)	3,441,984
Motor vehicles and fixtures	371,100	27,316	(5,043)	31,524	(3,482)	421,415
Leasehold improvements	40,830	3,315	(6)	188	(181)	44,146
Construction in progress	49,040	108,751	-	(111,175)	(31)	46,585
	<b>4,466,236</b>	<b>327,937</b>	<b>(60,604)</b>	<b>-</b>	<b>(129,692)</b>	<b>4,603,877</b>
<b>Accumulated depreciation</b>						
Land improvements	(20,976)	(1,641)	78	-	-	(22,539)
Buildings	(207,798)	(13,734)	58	-	9,050	(212,424)
Machinery, equipment and moulds	(2,128,060)	(212,111)	53,841	(197)	36,428	(2,250,099)
Motor vehicles and fixtures	(237,165)	(38,653)	4,813	197	2,127	(268,681)
Leasehold improvements	(35,448)	(1,957)	6	-	11	(37,388)
	<b>(2,629,447)</b>	<b>(268,096)</b>	<b>58,796</b>	<b>-</b>	<b>47,616</b>	<b>(2,791,131)</b>
<b>Net book value</b>	<b>1,836,789</b>					<b>1,812,746</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 15 – OTHER INTANGIBLE ASSETS

	January 1, 2015	Acquisitions	Additions	Disposals	Currency Translation Differences	December 31, 2015
<b>Cost</b>						
Brands	547,786	-	-	-	29,412	577,198
Development costs	602,281	-	136,396	-	-	738,677
Computer software and rights	148,337	1,473	15,711	(51)	2,717	168,187
Trademark licenses and patents	20,243	-	-	-	2,552	22,795
	<b>1,318,647</b>	<b>1,473</b>	<b>152,107</b>	<b>(51)</b>	<b>34,681</b>	<b>1,506,857</b>
<b>Accumulated amortization</b>						
Development costs	(276,385)	-	(81,875)	-	-	(358,260)
Computer software and rights	(100,091)	(813)	(15,886)	10	(1,612)	(118,392)
Trademark licenses and patents	(20,171)	-	-	-	(2,554)	(22,725)
	<b>(396,647)</b>	<b>(813)</b>	<b>(97,761)</b>	<b>10</b>	<b>(4,166)</b>	<b>(499,377)</b>
<b>Net book value</b>	<b>922,000</b>					<b>1,007,480</b>

Net carrying value of the development costs as of December 31, 2015 is TRY 380,417 (December 31, 2014: TRY 325,896) and capitalized development costs excluding amount of borrowing cost capitalized in the period is TRY 128,257 (January 1 – December 31, 2014: TRY 109,243).

As of December 31, 2015 total amount of borrowing costs capitalized is TRY 8,139 (December 31, 2014: TRY 2,334).

	January 1, 2014	Additions	Disposals	Currency Translation Differences	December 31, 2014
<b>Cost</b>					
Brands	561,598	-	-	(13,812)	547,786
Development costs	490,704	111,577	-	-	602,281
Computer software and rights	126,022	22,356	(217)	176	148,337
Trademark licenses and patents	21,071	-	-	(828)	20,243
	<b>1,199,395</b>	<b>133,933</b>	<b>(217)</b>	<b>(14,464)</b>	<b>1,318,647</b>
<b>Accumulated amortization</b>					
Development costs	(205,467)	(70,918)	-	-	(276,385)
Computer software and rights	(86,663)	(13,509)	33	48	(100,091)
Trademark licenses and patents	(20,997)	-	-	826	(20,171)
	<b>(313,127)</b>	<b>(84,427)</b>	<b>33</b>	<b>874</b>	<b>(396,647)</b>
<b>Net book value</b>	<b>886,268</b>				<b>922,000</b>

The carrying values of the brands of the Group are as below:

	December 31, 2015	December 31, 2014
Grundig (*)	281,424	242,755
Defy (*)	196,695	208,431
Beko	81,040	81,040
Other brands(*)	18,039	15,560
	<b>577,198</b>	<b>547,786</b>

(\*) Values of brands in their original currencies are same as of December 31, 2015 and 2014 and the difference arises from foreign currency translation.

#### Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2015. Sales forecasts which are based on financial plans approved by the board of directors covering a three to five-year period were considered in the determination of the brand value. Sales forecasts beyond the three and five-year period are extrapolated with 3% expected growth rate. The estimated royalty income is calculated by applying the expected 2% to 3% royalty rate. The royalty income calculated with the aforementioned method has been discounted with 7.11% to 9.76% discount rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 16 – GOODWILL

	2015	2014
<b>As of January 1</b>	<b>169,195</b>	<b>172,706</b>
Acquisitions (Note 3)	2,903	-
Currency translation differences	(8,648)	(3,511)
<b>As of December 31</b>	<b>163,450</b>	<b>169,195</b>

#### *Goodwill impairment test*

Goodwill is subject to impairment test every year. The recoverable amounts of cash generating units are determined on value in use basis.

As of December 31, 2015, goodwill over Defy acquisition and other acquisitions are TRY 153,735 (December 31, 2014: TRY 162,768) and TRY 9,715 (December 31, 2014: TRY 6,427) respectively.

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the value in use as of December 31, 2015:

The projection period for the purposes of goodwill impairment testing is taken as 5 years between January 1, 2016 and December 31, 2020.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 3.0% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 7.11% - 9.76% is used as after tax discount rate in order to calculate the recoverable amount of the unit.

The post-tax rate was adjusted considering the tax cash outflows and other future tax cash flows and differences between the cost of the assets and their tax bases.

#### *Defy Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test*

Recoverable value of cash generating unit is 73% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

#### *EBITDA growth expectations*

In original assumption, five year compound average growth rate of EBITDA is 15.8%. Had the compound average growth rate been assumed to be 14%, the recoverable amount would have been calculated as 53% above the goodwill included book value of cash generating unit and resulting no impairment provision.

#### *Long term growth rate*

Originally, the long term growth rate is assumed to be 3%. Had the rate been assumed to be 2%, the recoverable amount would have been 54% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

#### *Discount rate*

Originally, the discount rate is assumed to be 9.8%. Had the rate been assumed to be %10.8, the recoverable amount would have been 45 % above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 17 - GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The grants obtained by the Company in nature are as follows:

- 100% exemption from customs duty on machinery and equipment to be imported,
- Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
- Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
- Inward processing permission certificates,
- Cash refund from Tübitak - Teydeb for research and development expenses,
- Taxes and funds exemptions for R&D centers which are regulated under research and development law.
- Discounted corporate tax incentive,
- Insurance premium employer share incentive,
- Brand support incentive (known as "Turquality") given by Republic of Turkey Ministry of Economy.

Grants which are accounted for under other income from operating activities for year ended December 31, 2015 are as follows:

- Research and development incentive premiums taken or certain to be taken amounts to TRY 5,081 (2014: TRY 3,873).
- Brand support incentive (known as "Turquality") received from Republic of Turkey Ministry of Economy amounts to TRY 70,237 (2014: TRY 35,572).

### NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2015, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 274,539,501 (December 31, 2014: USD 117,667,707). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

Future minimum rentals payable under non-cancellable operating lease are as follows:

	December 31, 2015	December 31, 2014
Up to 1 year	27,360	22,068
1-5 years	40,921	35,054
Over 5 years	6,959	12,501
<b>Operating lease commitments</b>	<b>75,240</b>	<b>69,623</b>

#### Derivative instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of December 31, 2015 and December 31, 2014 are as follows:

	Purchase commitments	Sales commitments
<b>December 31, 2015</b>		
TRY	60,104	231,511
USD	1,445,742	185,995
EUR	619,234	992,191
AUD	9,287	74,039
CZK	-	22,650
CNY	15,995	66,769
DKK	-	12,755
ZAR	-	157,228
GBP	30,105	413,498
SEK	47,599	29,703
CHF	88,656	-
CAD	-	4,189
NOK	-	7,290
PLN	-	63,762
ROL	170,190	-
RUB	9,631	44,759
RSD	-	13,442
NZD	-	9,498
	<b>2,496,543</b>	<b>2,329,279</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

December 31, 2014	Purchase commitments	Sales commitments
TRY	-	160,517
USD	1,065,730	42,429
EUR	387,762	783,601
AUD	-	64,240
CZK	-	18,528
ZAR	-	85,589
GBP	-	291,848
SEK	16,861	36,971
CHF	56,139	-
NOK	11,286	4,983
PLN	-	53,041
RON	114,747	-
RUB	7,968	59,274
	<b>1,660,493</b>	<b>1,601,021</b>

	December 31, 2015	December 31, 2014
Collaterals obtained	2,831,414	2,594,287

Collaterals/ pledges/ mortgages ("CPM") position of the Group as of December 31, 2015 and December 31, 2014 are as follows:

CPM's given by the Company	December 31, 2015	December 31, 2014
A. CPM's given for Company's own legal personality	598,529	591,335
B. CPM's given on behalf of fully consolidated companies	43,112	163,593
C. CPM's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPM's	-	-
i) Total amount of CPM's given on behalf of the majority shareholder	-	-
ii) Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
<b>Total</b>	<b>641,641</b>	<b>754,928</b>

TRY equivalents of collaterals, pledges and mortgages give as of December 31, 2015 and December 31, 2014 are as follows on original currency basis are as follows:

CPM's given by the Company	December 31, 2015	December 31, 2014
USD	522,553	568,176
TRY	50,081	43,772
EUR	45,015	122,079
Other currencies	23,992	20,901
	<b>641,641</b>	<b>754,928</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 19 – OTHER PROVISIONS

	December 31, 2015	December 31, 2014
<b>Other short-term provisions</b>		
Warranty provision	178,460	145,034
Assembly provision	64,693	47,369
Provision for transportation cost	18,654	14,688
Provision for returns	9,522	8,471
Provision for lawsuit risks	8,980	8,256
Other	54,227	40,174
	<b>334,536</b>	<b>263,992</b>
<b>Other long-term provisions</b>		
Warranty provision	124,817	92,339
Other	1,235	1,436
	<b>126,052</b>	<b>93,775</b>

The movements of warranty and assembly provisions for the years ended December 31, are as follows:

	2015	2014
<b>Warranty provision</b>		
<b>As of January 1</b>	<b>237,373</b>	<b>241,091</b>
Additions	423,781	311,526
Disposals	(373,396)	(308,444)
Currency translation differences	15,519	(6,800)
<b>As of December 31</b>	<b>303,277</b>	<b>237,373</b>
<b>Assembly provision</b>		
<b>As of January 1</b>	<b>47,369</b>	<b>53,712</b>
Additions	244,991	200,267
Disposals	(227,667)	(206,610)
<b>As of December 31</b>	<b>64,693</b>	<b>47,369</b>

### NOTE 20 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

	December 31, 2015	December 31, 2014
Provision for employment termination benefits	171,630	160,984
Provision for vacation pay liability	20,840	13,912
	<b>192,470</b>	<b>174,896</b>

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of full TRY 3,828.37 as of December 31, 2015 (December 31, 2014: full TRY 3,438.22) for each period of service.

The provision for employee termination benefits is not funded, as there is no funding requirement

In accordance with Turkish Labor Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future, The provision made for present value of determined social relief is calculated by the prescribed liability method, All actuarial gains and losses are accounted in equity as other comprehensive income or loss.

TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans, The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension, This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 20 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS (Continued)

Accordingly, the following demographic and financial actuarial assumptions were used in the calculation of the total liability:

	2015	2014
Net discount rate (%)	4.60	3.50
Turnover rate related the probability of retirement (%)	96.04	96.04

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY 4,092.53 (January 1, 2015: full TRY 3,541.37) which is effective from January 1, 2016 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

Movements in the provisions for employment termination benefits for the years ended December 31, are as follows:

	2015	2014
<b>As of January 1</b>	<b>160,984</b>	<b>117,328</b>
Interest expense	12,337	10,529
Actuarial losses	16,810	47,206
Service cost	14,045	10,384
Payments during the year	(32,997)	(24,693)
Currency translation differences	451	230
<b>As of December 31</b>	<b>171,630</b>	<b>160,984</b>

There are defined benefits having the attributes of employment termination benefits in the foreign subsidiaries of the company. The geographical distribution of provision for employment termination benefits is as follows:

Turkey	169,340	158,974
Non - Turkey	2,290	2,010
	<b>171,630</b>	<b>160,984</b>

The sensitivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of 31 December 2015 is below:

Sensitivity level	Net discount rate		Turnover rate related the probability of retirement	
	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase
Rate	(%4.1)	(%5.1)	(%95.54)	(%96.54)
<b>Change in employee benefits liability</b>	<b>7,706</b>	<b>(7,098)</b>	<b>(7,676)</b>	<b>8,307</b>

### NOTE 21 – PREPAID EXPENSES

	December 31, 2015	December 31, 2014
Short-term prepaid expenses	57,786	50,708
Advances given for fixed assets	13,083	10,049
Advances given for inventories	4,075	7,984
	<b>74,944</b>	<b>68,741</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 22 – CURRENT INCOME TAX ASSETS

	December 31, 2015	December 31, 2014
Prepaid taxes and funds	27,014	57,988

### NOTE 23 – EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2015	December 31, 2014
Payables to personnel	73,756	60,532
Social security payables	69,458	65,871
Accruals for bonuses and premiums	13,696	37,220
	<b>156,910</b>	<b>163,623</b>

### NOTE 24 - OTHER ASSETS AND LIABILITIES

	December 31, 2015	December 31, 2014
<b>Other current assets:</b>		
Taxes and funds deductible	83,348	55,756
Value added tax and private consumption tax receivable	76,753	75,589
Income accruals	9,927	4,874
Other	9,650	9,146
	<b>179,678</b>	<b>145,365</b>
<b>Other current liabilities:</b>		
Accruals for customer premiums	247,938	236,423
Advances received	30,091	30,345
Other	6,842	5,472
	<b>284,871</b>	<b>272,240</b>

### NOTE 25 - EQUITY

#### Paid-in capital

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr1, Registered and issued share capital of the Company is as follows:

	December 31, 2015	December 31, 2014
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

Companies in Turkey may exceed the limit on registered share capital in the event of the issuance of bonus shares to existing shareholders.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 25 – EQUITY (Continued)

The shareholding structure of the Company is as follows:

	December 31, 2015		December 31, 2014	
	Share %	Amount	Share %	Amount
<b>Shareholders:</b>				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Semahat S. Arsel	2.72	18,397	2.72	18,397
Suna Kiraç	2.60	17,542	2.60	17,542
Rahmi M. Koç	2.44	16,474	2.44	16,474
Mustafa V. Koç	0.91	6,177	0.91	6,177
<b>Total Koç Family members and companies owned by Koç Family members</b>	<b>51.93</b>	<b>350,909</b>	<b>51.93</b>	<b>350,909</b>
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.17	1,137	0.13	893
Other	25.15	169,960	25.19	170,204
<b>Paid-in capital</b>	<b>100.00</b>	<b>675,728</b>	<b>100.00</b>	<b>675,728</b>
Adjustment to share capital (*)		468,811		468,811
<b>Total share capital</b>		<b>1,144,539</b>		<b>1,144,539</b>

(\*) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the TAS/TFRS promulgated by the POA. "Adjustment to share capital" has no use other than being transferred to paid-in share capital.

All of the shareholders of the Company have equal rights and there are no preference shares outstanding.

#### Contribution to shareholders' equity related to the merger

Contribution to shareholders' equity related to the merger with Grundig Elektronik A.Ş. at June 30, 2009.

#### Restricted reserves

The Turkish Commercial Code ("TCC") stipulates that the general legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. Other legal reserve is appropriated out of 10% of the distributable income after 5% dividend is paid to shareholders. Under the TCC, general legal reserves can only be used for compensating losses, continuing operations in severe conditions or preventing unemployment and taking actions for relieving its effects in case general legal reserves does not exceed half of paid-in capital or issued capital.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 25 – EQUITY (Continued)

The details of these restricted reserves are as follows:

	December 31, 2015	December 31, 2014
General legal reserves	83,690	83,690
Other legal reserves	223,361	191,740
	<b>307,051</b>	<b>275,430</b>

As agreed in the ordinary general meeting dated March 23, 2015, the decision to pay dividend as cash has been taken and the payment was made in April 2015 (previous year in April 2014). The dividend details are as follows: 51.8% (2014: 44.4%) corresponding to gross TRY 0.51796 (full) (2014: TRY 0.44396 (full)) (net amount being equal to gross amount) per share of TRY 1.00 (full) nominal value to the institutional shareholders who are full taxpayers and to the limited liable taxpayers who obtain dividends through a business or permanent representative in Turkey; 44.0% (2014: 37.7%) corresponding to gross TRY 0.51796 (full) (2014: gross TRY 0.44396 (full)) and net TRY 0.44027 (full) (2014: net TRY 0.37737 (full)) per share of TRY 1.00 (full) nominal value to the other shareholders.

#### Retained earnings

Accumulated profits other than net profit for the period are reported in this account. Extraordinary reserves which are not restricted and accordingly considered as accumulated profit is accounted in this account.

#### Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No, II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

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

As of December 31, 2015 total amount of current year income in the statutory records and other reserves that can be subject to the dividend distribution of the Company is TRY 645,220 (December 31, 2014: TRY 607,719).

### NOTE 26 - SALES AND COST OF SALES

	2015	2014
Domestic sales	6,113,517	5,179,326
Foreign sales	9,791,584	8,762,311
<b>Gross sales</b>	<b>15,905,101</b>	<b>13,941,637</b>
Discounts	(1,739,001)	(1,427,604)
<b>Net sales</b>	<b>14,166,100</b>	<b>12,514,033</b>
Cost of sales	(9,630,207)	(8,535,201)
<b>Gross profit</b>	<b>4,535,893</b>	<b>3,978,832</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 27 -RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING, AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2015	2014
<b>Marketing, selling and distribution expenses:</b>		
Transportation, distribution and storage expenses	802,411	719,196
Warranty and assembly expenses	668,772	511,793
Personnel expenses	430,142	356,957
Advertising and promotion expenses	426,751	429,891
License expenses	42,574	42,103
Depreciation and amortization expenses	26,629	24,423
Energy expenses	8,256	8,049
Other	316,479	263,835
	<b>2,722,014</b>	<b>2,356,247</b>
<b>General administrative expenses:</b>		
Personnel expenses	297,603	276,405
Depreciation and amortization expenses	44,061	36,306
Insurance expenses	39,108	38,009
Information technology expenses	36,112	31,813
Legal consultancy and audit expenses	24,596	23,193
Rent expenses	19,050	27,576
Duties, taxes and levies	18,822	16,929
Donations	9,984	9,207
Repair and maintenance expense	5,972	2,038
Energy expenses	5,858	5,535
Other	100,902	65,778
	<b>602,068</b>	<b>532,789</b>
<b>Research and development expenses (*) :</b>		
Depreciation and amortization expenses	81,835	72,061
Personnel expenses	24,655	20,209
Energy expenses	2,846	2,927
Other	15,837	6,858
	<b>125,173</b>	<b>102,055</b>

(\*) Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 171,595 in 2015 (2014: TRY 141,571).

### NOTE 28 - EXPENSES BY NATURE

	2015	2014
Raw materials, supplies and trade goods	8,369,061	7,453,544
Changes in finished goods, work in process and trade goods	(28,215)	(83,562)
Personnel expenses	1,530,542	1,345,640
Transportation, distribution and storage expenses	882,598	781,102
Warranty and assembly expenses	668,772	511,793
Advertising and promotion expenses	426,751	429,891
Depreciation and amortization expenses	369,823	346,293
Foreign exchange loss arising from trading activities	168,871	152,027
Energy expenses	106,674	100,809
Repair and maintenance expenses	73,014	68,669
Insurance expenses	48,575	45,075
License expenses	42,574	42,103
Legal consultancy and audit expenses	37,516	32,727
Cash discounts expenses	25,107	16,199
Provision expense for doubtful receivables	17,344	16,985
Provision expense for impairment on inventories	14,123	4,952
Credit finance charges arising from trading activities	1,789	14,695
Other	599,691	482,439
	<b>13,354,610</b>	<b>11,761,381</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 29 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2015	2014
<b>Other income from operating activities:</b>		
Foreign exchange gains arising from trading activities	306,004	114,034
Income from claims and grants	82,081	42,735
Credit finance income arising from trading activities	17,246	15,508
Reversals of provisions	6,040	2,900
Reversal of provisions for doubtful receivables	1,770	7,091
Other	58,126	33,869
	<b>471,267</b>	<b>216,137</b>
<b>Other expenses from operating activities:</b>		
Foreign exchange losses arising from trading activities	(168,871)	(152,027)
Cash discounts expenses	(25,107)	(16,199)
Provision expense for doubtful receivables	(17,344)	(16,985)
Provision expense for impairment on inventories	(14,123)	(4,952)
Credit finance charges arising from trading activities	(1,789)	(14,695)
Other	(47,914)	(30,231)
	<b>(275,148)</b>	<b>(235,089)</b>

### NOTE 30 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2015	2014
<b>Income from investment activities:</b>		
Dividends received from financial investments	12,865	12,944
Income from sales of property plant and equipment	4,992	3,320
	<b>17,857</b>	<b>16,264</b>
<b>Expenses from investment activities:</b>		
Loss from sales of property plant and equipment	(2,781)	(1,377)
	<b>(2,781)</b>	<b>(1,377)</b>

### NOTE 31- FINANCIAL INCOME

	2015	2014
Foreign exchange gains (*)	437,958	281,812
Gains on derivative instruments	321,269	171,133
Interest income	22,972	23,142
Other	356	39
	<b>782,555</b>	<b>476,126</b>

(\*) Foreign exchange gains are related to cash and cash equivalents, financial borrowings and other liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 32 - FINANCIAL EXPENSES

	2015	2014
Foreign exchange losses (*)	(779,104)	(350,008)
Interest expenses	(388,817)	(314,010)
Losses on derivative instruments	(144,525)	(72,548)
Other	(7,224)	(9,770)
	<b>(1,319,670)</b>	<b>(746,336)</b>

(\*) Foreign exchange losses are related to cash and cash equivalents, financial borrowings and other liabilities.

### NOTE 33 - TAX ASSETS AND LIABILITIES

	December 31, 2015	December 31, 2014
Corporation and income taxes	99,123	78,248
Prepaid tax	(86,061)	(60,094)
<b>Tax liabilities (net)</b>	<b>13,062</b>	<b>18,154</b>
Deferred tax assets	198,647	77,353
Deferred tax liabilities	(149,635)	(245,422)
<b>Deferred tax assets/(liabilities), net</b>	<b>49,012</b>	<b>(168,069)</b>

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

The corporation tax rate is 20% in Turkey (December 31, 2014: 20%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

Income tax expense for the years ended December 31 is as follows:

	2015	2014
<b>Tax income/(expenses)</b>		
- Current period tax expense	(97,286)	(80,892)
- Deferred tax expense	205,158	(12,752)
<b>Tax income/(expenses), net</b>	<b>107,872</b>	<b>(93,644)</b>

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TAS/IFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for TAS/IFRS and Tax Laws.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 33 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/liabilities provided using principal tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Property, plant and equipment and intangible assets	1,538,662	1,430,132	(328,536)	(302,199)
Available-for-sale investments	393,896	553,209	(19,694)	(27,659)
Unearned credit finance income/expense (net)	49,288	38,932	(9,858)	(7,786)
Derivative instruments	145,296	19,471	(29,057)	(3,882)
Unused tax advantages (*)	(2,679,899)	(409,035)	289,226	63,664
Provision for warranty, assembly and transportation expenses	(282,602)	(193,785)	58,459	40,053
Provision for employment termination benefits	(169,396)	(158,974)	33,879	31,795
Provision for impairment on inventories	(58,662)	(50,774)	11,799	10,148
Provision for doubtful receivables	(2,275)	(4,889)	436	1,182
Other	(184,727)	(115,317)	42,358	26,615
<b>Deferred tax assets/(liabilities), net</b>			<b>49,012</b>	<b>(168,069)</b>

(\*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of December 31, 2015 the tax advantage of TRY 254,274 (December 31, 2014: TRY 23,959) from which the Company predicts to benefit in the foreseeable future, is recognized as deferred tax asset in the consolidated financial statements and five year projections approved by the Company management are taken into consideration in the determination of related amount.

	2015	2014
<b>Balance as of January 1</b>	<b>(168,069)</b>	<b>(154,856)</b>
Deferred tax income/(expense) recognized in statement of profit or loss	205,158	(12,752)
Deferred tax income recognized directly in the shareholders' equity	11,326	1,475
Currency translation differences	597	(1,936)
<b>Balance as of December 31</b>	<b>49,012</b>	<b>(168,069)</b>

Group's total deductible loss of which deferred tax assets have not been calculated are TRY 429,154. Maturity analysis of this amount is as follows:

	December 31, 2015
2016	16,876
2017	18,638
2018	27,192
2019	38,295
2020 and after	328,153
	<b>429,154</b>

Subsidiaries' accumulated and undistributed profits are being used in financing investments and working capital requirements, and the dividend payments are subject to Group management's approval. Complete distribution of these accumulated profits is not anticipated as of balance sheet date, and consequently no resulting deferred tax liability is accrued. As of December 31, 2015, total gross accumulated distributable but undistributed profits of subsidiaries to parent entities amounts to TRY 717,765 (December 31, 2014: TRY 657,898).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 33 - TAX ASSETS AND LIABILITIES (Continued)

Reconciliation between tax expenses for the years ended December 31, 2015 and 2014 and calculated tax expense using corporate tax rate in Turkey (20%) is as follows:

	2015	2014
Profit before tax	785,121	731,622
<b>Tax expense calculated using 20% local tax rate</b>	<b>(157,024)</b>	<b>(146,324)</b>
Exemptions	49,530	42,343
Effect of unused tax losses for which no deferred tax asset was recognized	(7,579)	(4,624)
Expenses not deductible for tax purposes	(9,690)	(15,371)
Impact of different tax rates in other countries	(2,147)	(4,411)
Adjustments with no tax effects	7,865	4,953
Utilization of previously unrecognized tax advantages	232,788	33,581
Other	(5,871)	(3,791)
<b>Taxation income/(expense) recognized in statement of profit or loss</b>	<b>107,872</b>	<b>(93,644)</b>

### NOTE 34 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income per share by the weighted average number of shares that have been outstanding during the year.

The Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. In earnings per share calculation, this bonus share issuance is accepted as shares issued. Hence, weighted average stock share, which is used in the calculation of earnings per share, is acquired by retrospective application of bonus share issue.

Earnings per share and dividends paid in terms of share groups are as follows:

	December 31, 2015	December 31, 2014
Net income	891,141	617,084
Weighted average number of ordinary shares with nominal value (Kr each one)	67,572,820,500	67,572,820,500
<b>Earnings per share (Kr) (*)</b>	<b>1.319</b>	<b>0.913</b>
Dividends distributed to the equity holders of the parent	350,000	300,000
<b>Gross dividend distributed per share (Kr) (*)</b>	<b>0.518</b>	<b>0.444</b>

(\*) The earnings and dividends paid per diluted and basic shares do not differ since the shareholders have equal rights on the shares and there is no preferred share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 35 - RELATED PARTY DISCLOSURES

#### (i) Balances with related parties

	December 31, 2015	December 31, 2014
<b>(a) Due from related parties:</b>		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. (1)	6,343	9,534
Yapı ve Kredi Bankası A.Ş. (1)	1,223	7,362
Koçtaş Yapı Marketleri Ticaret A.Ş. (1)	1,191	1,709
Other	193	3,766
	<b>8,950</b>	<b>22,371</b>

#### (b) Due to related parties:

##### Current:

Arçelik-LG (2)	213,400	60,754
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	110,971	68,701
Ram Dış Ticaret (2)	45,020	48,259
Koç Holding A.Ş. (3)	15,999	5,880
Bilkom Bilişim Hizmetleri A.Ş. (1)	11,098	5,006
Other	17,495	14,422
	<b>413,983</b>	<b>203,022</b>

(1) Koç Holding group companies

(2) Associates

(3) Parent company

	December 31, 2015	December 31, 2014
<b>Other payables to related parties – Current:</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	12,982	10,003
<b>Other payables to related parties – Non Current:</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	59,359	57,823
Other	1,315	-
	<b>60,674</b>	<b>57,823</b>

(\*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under other liabilities to related parties, amounts to TRY 81,040 as of December 31, 2015. (December 31, 2014: TRY 81,040).

Maturity breakdown of gross future minimum payables of other payables to related parties is as follows:

	December 31, 2015	December 31, 2014
<b>Other payables to related parties (gross)</b>		
Up to 1 year	16,477	13,321
1 to 5 years	67,411	52,769
Over 5 years	-	13,217
	<b>83,888</b>	<b>79,307</b>
Future finance charges on other liabilities	(10,232)	(11,481)
<b>Present value of other payables to related parties (net)</b>	<b>73,656</b>	<b>67,826</b>

Maturity analysis of the present value of other payables to related parties is as follows:

	December 31, 2015	December 31, 2014
Up to 1 year	12,982	10,003
1 to 5 years	60,674	45,021
Over 5 years	-	12,802
	<b>73,656</b>	<b>67,826</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 35 - RELATED PARTY DISCLOSURES (Continued)

#### (c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries <sup>(1)</sup>	519,044	738,976
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#### (d) Krediler:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	18,815	19,114
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<sup>(1)</sup> Koç Holding group companies

#### (e) Derivative instruments

	Contract amount	Fair value assets/(liabilities)
<b>December 31, 2015</b>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	816,151	293 (914)
<b>December 31, 2014</b>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	428,405	3 (395)

#### (ii) Transactions with related parties

	2015	2014
<b>(a) Sales of goods and services:</b>		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	30,136	31,351
Yapı ve Kredi Bankası A.Ş.	13,562	18,285
Koçtaş Yapı Marketleri Ticaret A.Ş.	13,147	13,960
Zer Merkezi Hizmetler ve Ticaret A.Ş.	4,292	3,006
Arçelik-LG	3,605	3,437
Other	2,619	6,078
	<b>67,361</b>	<b>76,117</b>
<b>(b) Purchases of goods and services:</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	727,967	738,818
Arçelik-LG	379,830	247,424
Ram Dış Ticaret	150,380	162,513
Bilkom Bilişim Hizmetleri A.Ş.	103,610	13,761
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. <sup>(1)</sup>	65,595	36,855
Ram Sigorta Aracılık Hizmetleri A.Ş. <sup>(2)</sup> (*)	44,901	24,837
Setur Servis Turistik A.Ş. <sup>(1)</sup>	30,223	29,158
Koç Holding A.Ş. <sup>(**)</sup>	31,924	17,745
Other	61,762	73,977
	<b>1,596,192</b>	<b>1,345,088</b>

The Group purchases direct and indirect materials and receives service from Zer Merkezi Hizmetler A.Ş. The average payment term is around sixty days.

The Group purchases air conditioners, produced by Arçelik-LG. Purchasing conditions are determined in line with sales conditions.

(\*) The amount is composed of accrued premiums in the period ending December 31, 2015 in scope of policies signed between insurance companies with the intermediary role of Ram Sigorta Aracılık Hizmetleri A.Ş. which is operating as insurance agency.

(\*\*) The amount contains finance, legal consultancy, planning, tax consultancy, senior management service costs invoiced by our Parent Company "Koç Holding A.Ş." regarding their related services according to the concealed gain distribution described in Regulation No:11 Intra-Group Services of Transfer Pricing General Communiqué No:1.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 35 - RELATED PARTY DISCLOSURES (Continued)

(c) Other purchases:	2015	2014
Temel Ticaret ve Yatırım A.Ş. (*) <sup>(2)</sup>	282,056	-

(\*) The Group purchased Beko UK's 50% shares from Temel Ticaret ve Yatırım A.Ş. at June 29, 2015 for TRY 282,056.

<sup>(1)</sup> Koç Holding group companies

<sup>(2)</sup> Company controlled by Koç family members

#### (d) Key management compensation:

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the year ended December 31, 2015 amounts to TRY 51,289 (December 31, 2014: TRY 39,255). Compensation includes only short-term benefits. For the year ended at December 31, 2015, the amount of redundancy payments made to the senior executives is TRY 9,000 (December 31, 2014: None).

(e) Other transactions:	2015	2014
<i>Interest income:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	11,151	11,657
<i>Interest expense:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	10,839	5,075

### NOTE 36 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

#### *Hedging operations and derivative instruments*

#### *Liquidity Risk*

The risk of failure in settling financial liabilities is eliminated by managing the balance sheet and expected cash flows in harmony. In this context; the maturities of the financial liabilities are kept in line with the maturities of assets to eliminate any duration mismatch and in order to maintain short term liquidity, net working capital objectives are set and balance sheet ratios are aimed to be kept at particular levels.

Cash flow estimations for midterm and long term liquidity management of the Group are made by taking into account financial market and sector dynamics and cash flow cycle is observed and is tested by various scenarios.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 36 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2015 is as follows:

<b>Total financial liabilities (non-derivative):</b>	<b>Carrying value</b>	<b>Contractual cash-flows</b>	<b>Up to 3 months</b>	<b>3 months- 12 months</b>	<b>1 year- 5 years</b>	<b>More than 5 years</b>
Financial liabilities	5,453,649	6,412,282	1,097,682	1,291,737	1,232,082	2,790,781
Trade payables	2,090,394	2,106,599	2,063,348	43,251	-	-
Other payables, related parties	73,656	83,888	4,143	12,334	67,411	-
Other payables, third parties	155,537	155,537	154,515	1,022	-	-
	<b>7,773,236</b>	<b>8,758,306</b>	<b>3,319,688</b>	<b>1,348,344</b>	<b>1,299,493</b>	<b>2,790,781</b>

<b>Derivative instruments</b>	<b>Carrying value</b>	<b>Contractual cash-flows</b>	<b>Up to 3 months</b>	<b>3 months- 12 months</b>	<b>1 year- 5 years</b>	<b>More than 5 years</b>
Derivative cash inflows		2,876,276	1,437,014	52,337	209,347	1,177,578
Derivative cash outflows		(2,570,550)	(1,428,634)	(42,796)	(172,005)	(927,115)
<b>Derivative instruments (net)</b>	<b>157,772</b>	<b>305,726</b>	<b>8,380</b>	<b>9,541</b>	<b>37,342</b>	<b>250,463</b>

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2014 is as follows:

<b>Total financial liabilities (non-derivative):</b>	<b>Carrying value</b>	<b>Contractual cash-flows</b>	<b>Up to 3 months</b>	<b>3 months- 12 months</b>	<b>1 year- 5 years</b>	<b>More than 5 years</b>
Financial liabilities	4,767,609	5,652,697	1,038,717	913,649	1,273,052	2,427,279
Trade payables	1,781,442	1,791,803	1,772,635	19,168	-	-
Other payables, related parties	67,826	79,307	3,234	10,087	52,769	13,217
Other payables, third parties	114,915	114,915	113,047	1,868	-	-
	<b>6,731,792</b>	<b>7,638,722</b>	<b>2,927,633</b>	<b>944,772</b>	<b>1,325,821</b>	<b>2,440,496</b>

<b>Derivative instruments</b>	<b>Carrying value</b>	<b>Contractual cash-flows</b>	<b>Up to 3 months</b>	<b>3 months- 12 months</b>	<b>1 year- 5 years</b>	<b>More than 5 years</b>
Derivative cash inflows		2,005,082	815,486	41,740	166,961	980,895
Derivative cash outflows		(1,848,024)	(814,292)	(37,653)	(149,688)	(846,391)
<b>Derivative instruments (net)</b>	<b>21,775</b>	<b>157,058</b>	<b>1,194</b>	<b>4,087</b>	<b>17,273</b>	<b>134,504</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

## NOTE 36 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

### Interest Rate Risk

Changes in interest rates create significant risks over financial results with due to the impact on interest sensitive assets and liabilities. These exposures are managed with inter balance sheet methods by maintaining a balance in terms of amount and maturity between interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

In this context, matching of not only maturities of receivables and payables but also contractual re-pricing dates is crucial. In order to minimize the exposures to interest rate volatility, contractual re-pricing date of financial liabilities and receivables and "fixed interest/ floating interest", "short-term/ long-term" balance within liabilities are structured coherently.

Average effective annual interest rates of statement of financial position accounts as of December 31, 2015 and 2014 are as follows:

	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	CZK	SEK	EGP	NOK	NAD	CHF	AUD	NZD	THB	BWP	UAH	VND	
<b>December 31, 2015</b>																					
<b>Current Assets</b>																					
Cash and cash equivalents	-	0.59	1.21	0.25	1.26	10.41	2.29	5.25	0.00	-	4.52	0.13	5.00	0.10	0.50	2.95	0.76	1.00	8.50	1.00	
Trade receivables	2.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Current Liabilities</b>																					
Short-term bank borrowings	10.59	0.72	-	-	-	-	4.35	-	-	1.25	-	-	-	-	-	-	-	-	-	-	-
Trade payables	9.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Non-Current Liabilities</b>																					
Long term bank borrowings	11.85	2.62	-	-	-	8.71	-	9.13	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term bonds issued	-	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>December 31, 2014</b>																					
<b>Current Assets</b>																					
Cash and cash equivalents	-	1.61	1.47	0.25	2.83	11.75	1.15	5.25	1.53	0.00	-	4.57	-	-	-	-	-	-	-	-	-
Trade receivables	2.28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Current Liabilities</b>																					
Short-term bank borrowings	9.70	0.99	-	-	-	-	5.60	7.58	-	-	1.33	-	-	-	-	-	-	-	-	-	-
Trade payables	8.37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Non-Current Liabilities</b>																					
Long term bank borrowings	11.98	2.42	-	-	-	8.71	-	8.63	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term bonds issued	-	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 36 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Analysis of financial instruments of the Company which are sensitive to interest rate changes is as follows:

	2015	2014
<b>Financial instruments with fixed interest rates</b>		
Time deposits	1,050,725	914,251
Borrowings and bonds issued	4,814,462	2,900,827
Other	40,387	1,195
<b>Financial instruments with variable interest rates</b>		
Time deposits	822,775	422,003
Borrowings	598,800	1,865,585

At December 31, 2015, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes would have been TRY 2,240 (2014: TRY 14,436) lower/ higher as a result of lower/higher interest income/expense arised from time deposits and borrowings with variable interest rates.

#### **Funding risk**

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

#### **Credit risk**

The Group is exposed to credit risk arising from receivables from credit financed sales and deposits with banks.

Credit risk of receivables from third parties is managed by securing receivables with collaterals covering receivables at the highest possible proportion. Methods used are as follows:

- Bank guarantees (guarantee letters, letter of credits etc.),
- Credit insurance (Global insurance policies, Eximbank and factoring insurance etc.),
- Mortgages,
- Cheques-notes negotiated.

In credit risk control, for the customers which are not secured with collaterals, the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors. Individual risk limits are set in accordance and the utilization of credit limits is regularly monitored.

For banks, the ratings of the independent rating institutions are taken into consideration.

Same credit risk management principles are used for the management of the financial assets. Investments are made to instruments with highest liquidity and credit note of the company of transaction is taken into consideration.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 36 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of December 31, 2015 and December 31, 2014 are as follows:

December 31, 2015	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
<b>Maximum exposed credit risk as of reporting date <sup>(1)</sup></b>	<b>8,950</b>	<b>4,794,780</b>	<b>2,084,040</b>	<b>161,035</b>
Secured portion of the maximum credit risk by guarantees, etc. <sup>(2)</sup>	-	(3,592,264)	-	-
A. Net book value of financial asset either are not due or not impaired	8,950	4,345,094	2,084,040	161,035
- Secured portion by guarantees, etc.	-	(3,222,520)	-	-
B. Financial assets with renegotiated conditions	-	51,233	-	-
- Secured portion by guarantees, etc.	-	(43,077)	-	-
C. Net book value of overdue but not impaired financial assets	-	354,592	-	-
- Secured portion by guarantees, etc.	-	(282,806)	-	-
D. Net book value of the impaired assets	-	43,861	-	-
- Overdue (Gross book value)	-	154,462	-	-
- Impairment (-)	-	(110,601)	-	-
- Secured portion of the net value by guarantees, etc.	-	(43,861)	-	-
<b>December 31, 2014</b>				
<b>Maximum exposed credit risk as of reporting date <sup>(1)</sup></b>	<b>22,371</b>	<b>4,435,950</b>	<b>1,548,727</b>	<b>25,586</b>
Secured portion of the maximum credit risk by guarantees, etc. <sup>(2)</sup>	-	(3,509,767)	-	-
A. Net book value of financial asset either are not due or not impaired	22,371	4,028,144	1,548,727	25,586
- Secured portion by guarantees, etc.	-	(3,177,039)	-	-
B. Financial assets with renegotiated conditions	-	52,113	-	-
- Secured portion by guarantees, etc.	-	(44,882)	-	-
C. Net book value of overdue but not impaired financial assets	-	319,701	-	-
- Secured portion by guarantees, etc.	-	(251,854)	-	-
D. Net book value of the impaired assets	-	35,992	-	-
- Overdue (Gross book value)	-	133,011	-	-
- Impairment (-)	-	(97,019)	-	-
- Secured portion of the net value by guarantees, etc.	-	(35,992)	-	-

<sup>(1)</sup> Amounts showing the maximum credit risk exposed as of reporting date by excluding guarantees in hand and other factors that increase the credit quality.

<sup>(2)</sup> Major part of guarantees is composed of mortgages and trade receivable insurances.

#### a) Credit quality of financial assets which are not overdue and not impaired and receivables which are re-negotiated

	December 31, 2015	December 31, 2014
Group 1	7,392	5,828
Group 2	4,324,138	3,926,722
Group 3	73,747	170,078
	<b>4,405,277</b>	<b>4,102,628</b>

Group 1 - New customers (customers for a period less than 3 months).

Group 2 - Existing customers with no defaults in the past (customers for a period of more than 3 months).

Group 3 - Existing customers with some defaults in the past of which were fully recovered.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 36 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

#### b) Aging analysis of the receivables which are overdue but not impaired

	December 31, 2015	December 31, 2014
0-1 month	116,510	123,183
1-3 months	165,005	136,199
3-12 months	38,950	46,274
1-5 years	34,127	14,045
	<b>354,592</b>	<b>319,701</b>

#### c) Geographical concentration of the trade receivables

	December 31, 2015	December 31, 2014
Turkey	2,826,024	2,464,317
Europe	1,314,972	1,389,038
Other	662,734	604,966
	<b>4,803,730</b>	<b>4,458,321</b>

#### Foreign exchange risk

Since the Group operates in a diverse geographical area, operations are performed using multiple currencies. Therefore, foreign exchange risk is one of the most significant financial risks that the Group is exposed to.

Trade relations between the Company and its subsidiaries are structured within the framework of relevant legislations and managed centrally by subsidiaries' functional currencies. Thus, foreign currency risk born by the subsidiaries is minimized.

Foreign exchange risk is followed based on functional currency of each subsidiary. It is aimed to set the ratio of foreign exchange risk position over equity at a predetermined interval.

The main principle of foreign currency risk management is to minimize the impact of foreign exchange fluctuations by maintaining foreign exchange asset position close to zero.

Inter balance sheet methods are preferred for the management of foreign currency risk as in other risk items. However, when necessary, derivative instruments are also used for maintaining foreign currency position at a predetermined level.

#### Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bank loans as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in equity in foreign currency hedge of net investments in foreign operations fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of December 31, 2015 a portion of bank borrowings amounting to EUR 150,000,000 (before tax) was designated as a net investment hedging instrument (December 31, 2014: EUR 150,000,000).

#### Foreign currency position

Assets and liabilities denominated in foreign currency held by the Group before consolidation adjustments are as follows:

	December 31, 2015	December 31, 2014
Assets	3,408,875	3,257,933
Liabilities	(3,892,464)	(3,633,544)
<b>Net position of financial statement</b>	<b>(483,589)</b>	<b>(375,611)</b>
Net position of derivative instruments	503,552	398,562
<b>Foreign currency position (net)</b>	<b>19,963</b>	<b>22,951</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 36 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currencies, other than the functional currencies of the Company and its subsidiaries are accepted as foreign currencies. The original currencies are presented in thousands ('000). The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2015 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	CAD	THB	CNY	CHF	TRY Equivalent
<b>Current Assets</b>																	
Trade receivables	397,859	153,391	99,841	1,088,041	84,794	220,846	24,807	101,767	674,127	41,963	33,871	-	1,249	-	13,341	-	2,540,959
Monetary financial assets	184,376	41,625	89	10	-	21	-	4,246	-	8,302	5	4	-	175	-	-	712,316
Other	13,216	38,887	121	-	-	-	-	-	-	-	8	-	-	-	-	-	155,600
<b>Total Assets</b>	<b>595,451</b>	<b>233,903</b>	<b>100,051</b>	<b>1,088,051</b>	<b>84,794</b>	<b>220,867</b>	<b>24,807</b>	<b>106,013</b>	<b>674,127</b>	<b>50,265</b>	<b>33,884</b>	<b>4</b>	<b>1,249</b>	<b>175</b>	<b>13,341</b>	<b>-</b>	<b>3,408,875</b>
<b>Current Liabilities</b>																	
Trade payables	133,365	148,153	1,853	-	-	-	199	165,883	18,228	-	4,542	-	-	128	-	175	933,449
Financial liabilities	27,891	6,666	-	-	-	-	-	-	-	-	-	-	-	-	-	-	108,008
Other monetary liabilities	13	4,650	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,561
<b>Non-Current Liabilities</b>																	
Financial liabilities	416,757	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,778,087
Other monetary liabilities	-	20,415	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,359
<b>Total Liabilities</b>	<b>578,026</b>	<b>679,884</b>	<b>1,853</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>199</b>	<b>165,883</b>	<b>18,228</b>	<b>-</b>	<b>4,542</b>	<b>-</b>	<b>-</b>	<b>128</b>	<b>-</b>	<b>175</b>	<b>3,892,464</b>
<b>Net Position of Financial Statement</b>	<b>17,425</b>	<b>(445,981)</b>	<b>98,198</b>	<b>1,088,051</b>	<b>84,794</b>	<b>220,867</b>	<b>24,608</b>	<b>(59,870)</b>	<b>655,899</b>	<b>50,265</b>	<b>29,342</b>	<b>4</b>	<b>1,249</b>	<b>47</b>	<b>13,341</b>	<b>(175)</b>	<b>(483,589)</b>
Off-balance sheet derivative assets (*)	288,370	497,228	7,000	-	-	-	-	137,818	-	-	4,390	-	-	-	-	-	2,480,832
Off-balance sheet derivative liabilities	(312,245)	(63,969)	(96,147)	(1,130,000)	(85,000)	(192,500)	(22,000)	(86,000)	(670,000)	(30,000)	(35,000)	-	(2,000)	-	-	-	(1,977,280)
Net position of off-balance sheet items	(13,875)	433,260	(89,147)	(1,130,000)	(85,000)	(192,500)	(22,000)	51,818	(670,000)	(30,000)	(30,610)	-	(2,000)	-	-	-	503,552
<b>Net Asset/(Liability) Position of Foreign Currency</b>	<b>3,550</b>	<b>(12,722)</b>	<b>9,051</b>	<b>(41,949)</b>	<b>(206)</b>	<b>28,367</b>	<b>2,608</b>	<b>(8,053)</b>	<b>(14,101)</b>	<b>20,265</b>	<b>(1,268)</b>	<b>4</b>	<b>(751)</b>	<b>47</b>	<b>13,341</b>	<b>(175)</b>	<b>19,963</b>
Net Asset/(Liability) Position of Foreign Currency Monetary Items	4,209	(484,868)	98,077	1,088,051	84,794	220,867	24,608	(59,870)	655,899	50,265	29,334	4	1,249	47	13,341	(175)	(639,189)
Fair Value of Financial Instruments Used for Foreign Exchange Hedge																	157,772
Hedged Amount of Foreign Currency Assets	312,245	63,969	96,147	1,130,000	85,000	192,500	22,000	86,000	670,000	30,000	35,000	-	2,000	-	-	-	1,977,280
Hedged Amount of Foreign Currency Liabilities	148,370	497,228	7,000	-	-	-	-	137,818	-	-	4,390	-	-	-	-	-	2,004,192

(\*) Loans designated as hedging instrument against the foreign currency risk arisen from the conversion of net investments in foreign operation at subsidiaries located in Europe, is included in off balance sheet derivative assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

NOTE 36 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Net foreign currency positions against the functional currencies are as follows:

December 31, 2015	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	CAD	THB	CNY	CHF	TRY Equivalent
Against TRY	8,468	29,139	9,187	(41,949)	(206)	28,346	2,808	15,683	-	-	(1,207)	-	(751)	175	13,341	(175)	160,330
Against EUR	-	666	-	-	-	-	-	-	4,127	-	-	-	-	-	-	-	2,715
Against RUB	2,068	(452)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,257
Against PLN	41	15	-	-	-	21	-	-	-	-	-	-	-	-	-	-	176
Against GBP	(68)	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(210)
Against RON	213	(1,281)	70	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,747)
Against CZK	477	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,516
Against NOK	6,218	(80)	-	-	-	-	-	(23,735)	-	20,265	-	-	-	-	-	-	19,943
Against SEK	(4,710)	(38)	-	-	-	-	(191)	-	-	-	-	-	-	-	-	-	(15,139)
Against CNY	365	2,192	588	-	-	-	-	-	-	-	-	-	-	-	-	-	10,062
Against ZAR	(269)	(2,269)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,452)
Against AUD	(186)	365	-	-	-	-	-	-	-	-	-	4	-	-	-	-	478
Against EGP	(3)	(34,531)	(794)	-	-	-	-	-	-	-	-	-	-	-	-	-	(103,827)
Against HRV	(4,969)	(5,954)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(33,101)
Against CHF	88	602	-	-	-	-	(9)	-	-	-	-	-	-	-	-	-	2,027
Against BWP	-	-	-	-	-	-	-	-	(18,228)	-	-	-	-	-	-	-	(3,441)
Against NZD	(333)	-	-	-	-	-	-	-	-	-	(61)	-	-	-	-	-	(1,187)
Against USD	184	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	585
Against RSD	(1,709)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,431)
Against HUF	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(19)
Against THB	(2,319)	(804)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,707)
Against MYR	-	(294)	-	-	-	-	-	-	-	-	-	-	-	(74)	-	-	(861)
Against VND	-	-	-	-	-	-	-	-	-	-	-	-	-	(54)	-	-	(4)
	3,550	(12,722)	9,051	(41,949)	(206)	28,367	2,608	(8,053)	(14,101)	20,265	(1,268)	4	(751)	47	13,341	(175)	19,963

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 36 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2014 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
<b>Current assets</b>															
Trade receivables	364,245	131,977	87,255	1,388,861	94,891	182,413	19,494	120,510	369,286	26,358	31,140	-	-	1,584	1,971,374
Monetary financial assets	283,501	26,901	1,392	3	(1)	-	-	2,820	1	6,004	147	542	-	-	871,426
Other	40,928	128,384	536	-	-	-	-	1	-	-	-	-	2,467	-	415,133
<b>Total assets</b>	<b>688,674</b>	<b>287,262</b>	<b>89,183</b>	<b>1,388,864</b>	<b>94,890</b>	<b>182,413</b>	<b>19,494</b>	<b>123,331</b>	<b>369,287</b>	<b>32,362</b>	<b>31,287</b>	<b>542</b>	<b>2,467</b>	<b>1,584</b>	<b>3,257,933</b>
<b>Current liabilities</b>															
Trade payables	101,257	211,702	1,617	-	-	-	10	66,392	12,725	-	3,519	-	14,710	-	811,466
Financial liabilities	35,951	10,228	-	-	-	-	-	-	-	-	-	-	-	-	125,125
Other monetary financial liabilities	41	4,427	-	-	-	-	-	-	-	-	-	-	-	-	10,382
<b>Non-Current liabilities</b>															
Financial liabilities	524,911	495,119	-	-	-	-	-	-	-	-	-	-	-	-	2,628,747
Other monetary financial liabilities	-	24,936	-	-	-	-	-	-	-	-	-	-	-	-	57,824
<b>Total liabilities</b>	<b>662,160</b>	<b>746,412</b>	<b>1,617</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>66,392</b>	<b>12,725</b>	<b>-</b>	<b>3,519</b>	<b>-</b>	<b>14,710</b>	<b>-</b>	<b>3,653,544</b>
<b>Net position of Financial Statement</b>	<b>26,514</b>	<b>(459,150)</b>	<b>87,566</b>	<b>1,388,864</b>	<b>94,890</b>	<b>182,413</b>	<b>19,484</b>	<b>56,939</b>	<b>356,562</b>	<b>32,362</b>	<b>27,768</b>	<b>542</b>	<b>(12,243)</b>	<b>1,584</b>	<b>(675,611)</b>
Off-balance sheet derivative assets (*)	262,660	459,584	-	-	-	-	-	57,008	-	-	-	-	-	-	1,823,475
Off-balance sheet derivative liabilities (*)	(277,804)	(18,297)	(81,157)	(1,473,000)	(81,000)	(182,000)	(16,000)	(125,000)	(350,000)	-	(34,000)	-	-	-	(1,424,913)
Net position of off-balance sheet items	(15,144)	441,287	(81,157)	(1,473,000)	(81,000)	(182,000)	(16,000)	(67,992)	(350,000)	-	(34,000)	-	-	-	398,562
<b>Net asset/(liability) position of foreign currency</b>	<b>11,370</b>	<b>(17,863)</b>	<b>6,409</b>	<b>(84,136)</b>	<b>13,890</b>	<b>413</b>	<b>3,484</b>	<b>(11,053)</b>	<b>6,562</b>	<b>32,362</b>	<b>(6,232)</b>	<b>542</b>	<b>(12,243)</b>	<b>1,584</b>	<b>22,951</b>
Net asset/(liability) position of foreign currency monetary items	(14,414)	(587,534)	87,030	1,388,864	94,890	182,413	19,484	56,938	356,562	32,362	27,768	542	(14,710)	1,584	(790,744)
Fair value of financial instruments used for foreign exchange edge															21,775
Hedged amount of foreign currency assets	277,804	18,297	81,157	1,473,000	81,000	182,000	16,000	125,000	350,000	-	34,000	-	-	-	1,424,913
Hedged amount of foreign currency liabilities	112,660	459,584	-	-	-	-	-	57,008	-	-	-	-	-	-	1,400,370

(\*) Loans designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation at subsidiaries located in Europe, is included in off balance sheet derivative assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 36 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Net foreign currency positions against the functional currencies are as follows:

December 31, 2014	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD Equivalent	TRY
Against TRY	7,183	21,189	(327)	(84,136)	13,890	413	3,494	(4,490)	-	-	(2,769)	-	(11,375)	1,584	71,439
Against EUR	-	7,101	-	-	-	-	-	-	19,287	-	-	-	-	-	20,325
Against RUB	1,990	4,038	-	-	-	-	-	-	-	-	-	-	-	-	14,977
Against PLN	(61)	17	-	-	-	-	-	-	-	-	-	-	-	-	(133)
Against GBP	(266)	58	-	-	-	-	-	-	-	-	-	-	-	-	(616)
Against RON	(346)	521	1,552	-	-	-	-	-	-	(71)	-	-	(868)	-	5,769
Against CZK	(2,356)	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,646)
Against NOK	(418)	(62)	-	-	-	-	-	(6,563)	-	32,433	-	-	-	-	9,007
Against SEK	6,025	(11)	-	-	-	-	(10)	-	-	-	-	-	-	-	16,966
Against CNY	1,464	(11,012)	5,184	-	-	-	-	-	-	-	-	-	-	-	(2,764)
Against ZAR	(2,569)	(9,931)	-	-	-	-	-	-	-	-	-	-	-	-	(30,275)
Against AUD	(125)	(182)	-	-	-	-	-	-	-	-	-	542	-	-	210
Against EGP	4	(20,054)	-	-	-	-	-	-	-	-	-	-	-	-	(46,492)
Against UAH	(117)	(10,575)	-	-	-	-	-	-	-	-	-	-	-	-	(24,852)
Against CHF	909	1,040	-	-	-	-	-	-	-	-	-	-	-	-	4,976
Against BWP	-	-	-	-	-	-	-	-	(12,725)	-	-	-	-	-	(2,546)
Against NZD	-	-	-	-	-	-	-	-	-	-	(3,463)	-	-	-	(6,543)
Other	53	-	-	-	-	-	-	-	-	-	-	-	-	-	149
	<b>11,370</b>	<b>(17,863)</b>	<b>6,409</b>	<b>(84,136)</b>	<b>13,890</b>	<b>413</b>	<b>3,484</b>	<b>(11,053)</b>	<b>6,562</b>	<b>32,362</b>	<b>(6,232)</b>	<b>542</b>	<b>(12,243)</b>	<b>1,584</b>	<b>22,951</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 36 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2015 and December 31, 2014, if related currencies had appreciated by 10% against TRY with all other variables held constant, profit before tax and other comprehensive income (before tax) as a result of foreign exchange losses on the translation of foreign exchange position is presented in the tables below. Secured portions include impact of derivative instruments.

December 31, 2015	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(129,674)	129,673	(128,553)	128,553
Secured portion from USD risk	125,975	(125,975)	125,975	(125,975)
<b>USD Net effect</b>	<b>(3,699)</b>	<b>3,698</b>	<b>(2,578)</b>	<b>2,578</b>
EUR net asset/liability	53,201	(53,202)	55,402	(55,402)
Secured portion from EUR risk	(52,073)	52,073	(4,409)	4,409
<b>EUR Net effect</b>	<b>1,128</b>	<b>(1,129)</b>	<b>50,993</b>	<b>(50,993)</b>
GBP net asset/liability	42,232	(42,232)	46,370	(46,370)
Secured portion from GBP risk	(38,339)	38,339	(38,339)	38,339
<b>GBP Net effect</b>	<b>3,893</b>	<b>(3,893)</b>	<b>8,031</b>	<b>(8,031)</b>
RUB net asset/liability	4,310	(4,310)	24,503	(24,503)
Secured portion from RUB risk	(4,476)	4,476	(4,476)	4,476
<b>RUB Net effect</b>	<b>(166)</b>	<b>166</b>	<b>20,027</b>	<b>(20,027)</b>
RON net asset/liability	-	-	57,110	(57,110)
Secured portion from RON risk	-	-	-	-
<b>RON Net effect</b>	<b>-</b>	<b>-</b>	<b>57,110</b>	<b>(57,110)</b>
PLN net asset/liability	6,360	(6,361)	10,165	(10,165)
Secured portion from PLN risk	(6,376)	6,376	(6,376)	6,376
<b>PLN Net effect</b>	<b>(16)</b>	<b>15</b>	<b>3,789</b>	<b>(3,789)</b>
CZK net asset/liability	2,599	(2,599)	4,464	(4,464)
Secured portion from CZK risk	(2,265)	2,265	(2,265)	2,265
<b>CZK Net effect</b>	<b>334</b>	<b>(334)</b>	<b>2,199</b>	<b>(2,199)</b>
NOK net asset/liability	815	(815)	1,332	(1,332)
Secured portion from NOK risk	(729)	729	(729)	729
<b>NOK Net effect</b>	<b>86</b>	<b>(86)</b>	<b>603</b>	<b>(603)</b>
SEK net asset/liability	(2,068)	2,068	952	(952)
Secured portion from SEK risk	1,790	(1,790)	1,790	(1,790)
<b>SEK Net effect</b>	<b>(278)</b>	<b>278</b>	<b>2,742</b>	<b>(2,742)</b>
NZD net asset/liability	1	(1)	1	(1)
Secured portion from NZD risk	-	-	-	-
<b>NZD Net effect</b>	<b>1</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>
ZAR net asset/liability	12,379	(12,379)	53,752	(53,752)
Secured portion from ZAR risk	(12,645)	12,645	(12,645)	12,645
<b>ZAR Net effect</b>	<b>(266)</b>	<b>266</b>	<b>41,107</b>	<b>(41,107)</b>
AUD net asset/liability	6,207	(6,207)	5,993	(5,993)
Secured portion from AUD risk	(6,475)	6,475	(6,475)	6,475
<b>AUD Net effect</b>	<b>(268)</b>	<b>268</b>	<b>(482)</b>	<b>482</b>
DKK net asset/liability	2,137	(2,137)	2,137	(2,137)
Secured portion from DKK risk	(1,276)	1,276	(1,276)	1,276
<b>DKK Net effect</b>	<b>861</b>	<b>(861)</b>	<b>861</b>	<b>(861)</b>
CAD net asset/liability	262	(262)	262	(262)
Secured portion from CAD risk	(419)	419	(419)	419
<b>CAD Net effect</b>	<b>(157)</b>	<b>157</b>	<b>(157)</b>	<b>157</b>
THB net asset/liability	-	-	25,392	(25,392)
Secured portion from THB risk	-	-	-	-
<b>THB Net effect</b>	<b>-</b>	<b>-</b>	<b>25,392</b>	<b>(25,392)</b>
EGP net asset/liability	-	-	(1,380)	1,380
Secured portion from EGP risk	-	-	-	-
<b>EGP Net effect</b>	<b>-</b>	<b>-</b>	<b>(1,380)</b>	<b>1,380</b>
UAH net asset/liability	-	-	(1,492)	1,492
Secured portion from UAH risk	-	-	-	-
<b>UAH Net effect</b>	<b>-</b>	<b>-</b>	<b>(1,492)</b>	<b>1,492</b>
CNY net asset/liability	594	(594)	7,729	(7,729)
Secured portion from CNY risk	-	-	-	-
<b>CNY Net effect</b>	<b>594</b>	<b>(594)</b>	<b>7,729</b>	<b>(7,729)</b>
CHF net asset/liability	(51)	51	19,927	(19,927)
Secured portion from CHF risk	-	-	-	-
<b>CHF Net effect</b>	<b>(51)</b>	<b>51</b>	<b>19,927</b>	<b>(19,927)</b>
BWP net asset/liability	-	-	254	(254)
Secured portion from BWP risk	-	-	-	-
<b>BWP Net effect</b>	<b>-</b>	<b>-</b>	<b>254</b>	<b>(254)</b>
RSD net asset/liability	-	-	252	(252)
Secured portion from RSD risk	-	-	-	-
<b>RSD Net effect</b>	<b>-</b>	<b>-</b>	<b>252</b>	<b>(252)</b>
MYR net asset/liability	-	-	983	(983)
Secured portion from MYR risk	-	-	-	-
<b>MYR Net effect</b>	<b>-</b>	<b>-</b>	<b>983</b>	<b>(983)</b>
VND net asset/liability	-	-	870	(870)
Secured portion from VND risk	-	-	-	-
<b>VND Net effect</b>	<b>-</b>	<b>-</b>	<b>870</b>	<b>(870)</b>
	<b>1,996</b>	<b>(1,999)</b>	<b>236,781</b>	<b>(236,781)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 36 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

December 31, 2014	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(106,472)	106,472	(106,342)	106,342
Secured portion from USD risk	102,330	(102,330)	102,330	(102,330)
<b>USD Net effect</b>	<b>(4,142)</b>	<b>4,142</b>	<b>(4,012)</b>	<b>4,012</b>
EUR net asset/liability	49,789	(49,789)	49,225	(49,225)
Secured portion from EUR risk	(46,583)	46,583	(4,272)	4,272
<b>EUR Net effect</b>	<b>3,206</b>	<b>(3,206)</b>	<b>44,953</b>	<b>(44,953)</b>
GBP net asset/liability	31,490	(31,490)	37,328	(37,328)
Secured portion from GBP risk	(29,185)	29,185	(29,185)	29,185
<b>GBP Net effect</b>	<b>2,305</b>	<b>(2,305)</b>	<b>8,143</b>	<b>(8,143)</b>
RUB net asset/liability	5,589	(5,589)	20,519	(20,519)
Secured portion from RUB risk	(5,927)	5,927	(5,927)	5,927
<b>RUB Net effect</b>	<b>(338)</b>	<b>338</b>	<b>14,592</b>	<b>(14,592)</b>
RON net asset/liability	-	-	42,334	(42,334)
Secured portion from RON risk	-	-	-	-
<b>RON Net effect</b>	<b>-</b>	<b>-</b>	<b>42,334</b>	<b>(42,334)</b>
PLN net asset/liability	6,215	(6,215)	14,616	(14,616)
Secured portion from PLN risk	(5,304)	5,304	(5,304)	5,304
<b>PLN Net effect</b>	<b>911</b>	<b>(911)</b>	<b>9,312</b>	<b>(9,312)</b>
CZK net asset/liability	1,857	(1,857)	4,027	(4,027)
Secured portion from CZK risk	(1,853)	1,853	(1,853)	1,853
<b>CZK Net effect</b>	<b>4</b>	<b>(4)</b>	<b>2,174</b>	<b>(2,174)</b>
NOK net asset/liability	607	(607)	1,340	(1,340)
Secured portion from NOK risk	(498)	498	(498)	498
<b>NOK Net effect</b>	<b>109</b>	<b>(109)</b>	<b>842</b>	<b>(842)</b>
SEK net asset/liability	1,684	(1,684)	3,490	(3,490)
Secured portion from SEK risk	(2,011)	2,011	(2,011)	2,011
<b>SEK Net effect</b>	<b>(327)</b>	<b>327</b>	<b>1,479</b>	<b>(1,479)</b>
NZD net asset/liability	98	(98)	98	(98)
Secured portion from NZD risk	-	-	-	-
<b>NZD Net effect</b>	<b>98</b>	<b>(98)</b>	<b>98</b>	<b>(98)</b>
ZAR net asset/liability	7,131	(7,131)	47,747	(47,747)
Secured portion from ZAR risk	(7,000)	7,000	(7,000)	7,000
<b>ZAR Net effect</b>	<b>131</b>	<b>(131)</b>	<b>40,747</b>	<b>(40,747)</b>
AUD net asset/liability	5,245	(5,245)	4,803	(4,803)
Secured portion from AUD risk	(6,424)	6,424	(6,424)	6,424
<b>AUD Net effect</b>	<b>(1,179)</b>	<b>1,179</b>	<b>(1,621)</b>	<b>1,621</b>
DKK net asset/liability	1,224	(1,224)	1,224	(1,224)
Secured portion from DKK risk	-	-	-	-
<b>DKK Net effect</b>	<b>1,224</b>	<b>(1,224)</b>	<b>1,224</b>	<b>(1,224)</b>
JPY net asset/liability	(23)	23	(24)	24
Secured portion from JPY risk	-	-	-	-
<b>JPY Net effect</b>	<b>(23)</b>	<b>23</b>	<b>(24)</b>	<b>24</b>
CAD net asset/liability	316	(316)	316	(316)
Secured portion from CAD risk	-	-	-	-
<b>CAD Net effect</b>	<b>316</b>	<b>(316)</b>	<b>316</b>	<b>(316)</b>
EGP net asset/liability	-	-	(604)	604
Secured portion from EGP risk	-	-	-	-
<b>EGP Net effect</b>	<b>-</b>	<b>-</b>	<b>(604)</b>	<b>604</b>
UAH net asset/liability	-	-	(707)	707
Secured portion from UAH risk	-	-	-	-
<b>UAH Net effect</b>	<b>-</b>	<b>-</b>	<b>(707)</b>	<b>707</b>
CNY net asset/liability	-	-	8,342	(8,342)
Secured portion from CNY risk	-	-	-	-
<b>CNY Net effect</b>	<b>-</b>	<b>-</b>	<b>8,342</b>	<b>(8,342)</b>
CHF net asset/liability	-	-	14,112	(14,112)
Secured portion from CHF risk	-	-	-	-
<b>CHF Net effect</b>	<b>-</b>	<b>-</b>	<b>14,112</b>	<b>(14,112)</b>
BWP net asset/liability	-	-	(437)	437
Secured portion from BWP risk	-	-	-	-
<b>BWP Net effect</b>	<b>-</b>	<b>-</b>	<b>(437)</b>	<b>437</b>
	<b>2,295</b>	<b>(2,295)</b>	<b>181,263</b>	<b>(181,263)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 36 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and exports performed to / from Turkey for the year ended as of December 31, 2015 and 2014 are as follows:

	December 31, 2015		December 31, 2014	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	971,546,139	3,087,185	1,011,511,187	2,936,214
USD	306,330,827	890,688	292,747,790	639,712
GBP	257,782,584	1,108,646	252,617,572	907,677
Other		582,728		572,583
<b>Total exports</b>		<b>5,669,247</b>		<b>5,056,186</b>
EUR	372,605,376	1,128,992	361,979,041	1,049,355
USD	828,830,857	2,238,364	904,811,376	1,978,888
GBP	1,099,171	4,502	1,023,431	3,671
Other		6,023		31,775
<b>Total imports</b>		<b>3,377,881</b>		<b>3,063,689</b>

#### Capital Risk Management

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

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

The gearing ratios as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
Total financial liabilities (Note 7)	5,453,649	4,767,609
Cash and cash equivalents (Note 5)	(2,167,627)	(1,621,221)
Net financial liabilities	3,286,022	3,146,388
Equity	4,675,837	4,398,698
<b>Total capital invested</b>	<b>7,961,859</b>	<b>7,545,086</b>
<b>Gearing ratio</b>	<b>41%</b>	<b>42%</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 37 - FINANCIAL INSTRUMENTS

#### *Fair value of financial instruments*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

#### *Financial Assets*

The carrying values of financial assets including cash and cash equivalents which are accounted with their costs are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

#### *Financial Liabilities*

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term.

As of December 31, 2015 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 4,417,908 (December 31, 2014: TRY 4,047,145) (Note 7), and TRY 4,437,055 (December 31, 2014: TRY 4,070,145) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in market interest rates.

#### **Fair value hierarchy table**

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

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as of December 31, 2015 is as follows:

<b>Financial assets carried at fair value in statement of financial position</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative instruments (assets) (Note 8)	-	161,035	-
Financial investments (Note 6)	-	537,684	-

#### **Financial liabilities carried at fair value in statement of financial position**

Derivative instruments (liabilities) (Note 8)	-	3,263	-
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Fair value hierarchy table as of December 31, 2014 is as follows:

<b>Financial assets carried at fair value in statement of financial position</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative instruments (assets) (Note 8)	-	25,586	-
Financial investments (Note 6)	-	696,996	-

#### **Financial liabilities carried at fair value in statement of financial position**

Derivative instruments (liabilities) (Note 8)	-	3,811	-
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 38 - SUPPLEMENTARY CASH FLOW INFORMATION

Statements of cash flows are presented within the consolidated financial statements.

Details of "changes in provisions" line presented in the consolidated statements of cash flows are as follows:

	December 31, 2015	December 31, 2014
<b>Changes in provisions:</b>		
Warranty provision	50,385	(3,718)
Provision for employment termination benefits	26,382	20,913
Provision for assembly and transportation cost	21,290	(1,403)
Provision for doubtful receivables	17,344	16,985
Provision for impairment on inventories	14,123	4,952
Accrual for customer premiums	11,515	24,338
Provision for vacation pay liability	6,928	4,079
Return provisions	1,051	(952)
Provision for legal claims	(2,346)	1,603
Accrual for bonuses and premiums	(23,525)	30,051
	<b>123,147</b>	<b>96,848</b>

### NOTE 39 – EVENTS AFTER BALANCE SHEET DATE

None.



## General Information

Reporting Period	:	01.01.2015 - 31.12.2015
Trade Name	:	Arçelik A.Ş.
Trade Registry and Number	:	İstanbul Trade Registry, No: 54957
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