

Respects
THE GLOBE
Respected
GLOBALLY



Arcelik A.Ş.
2014
ANNUAL REPORT



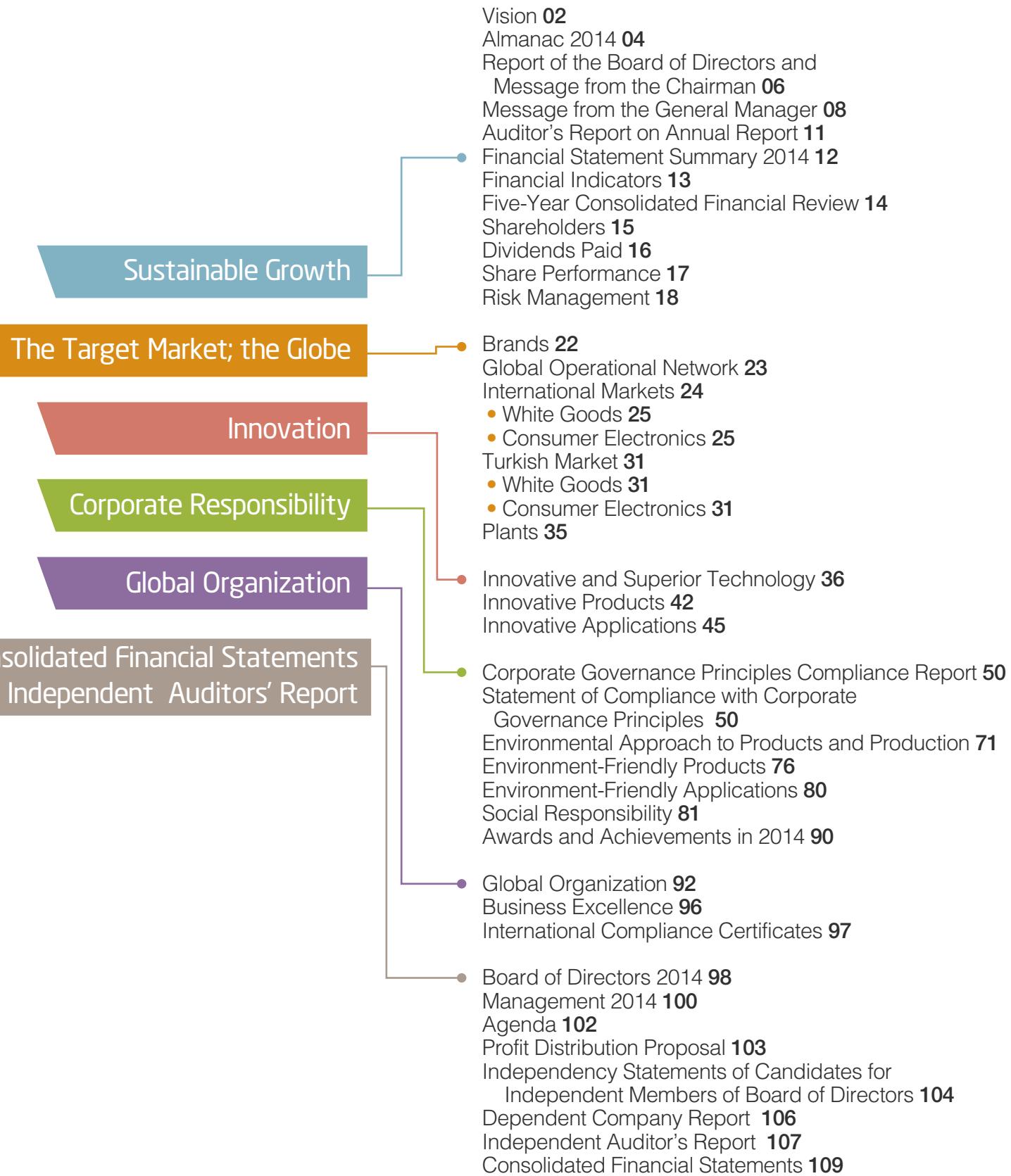
Honesty, integrity, and superior business ethics are the foundations of our business conduct.

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
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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.





"OUR BIGGEST AWARD IS YOU."



JANUARY

FEBRUARY

MARCH



MAY

JUNE

- Arçelik A.Ş. attended International Consumer Electronics Show-CES organized in Las Vegas with the Grundig brand.
- Arçelik A.Ş. received a total of seven awards including three first place awards and four second place awards in "IMMIB Stars of Export 2013" awards.
- Arçelik A.Ş. Çerkezköy Electric Motors Plant manufactured the 1 millionth Turkish Coffee Machine.
- Arctic Romania Refrigerator Plant received the "TPM Special Award".
- Solidarity Cooking Marathon Project carried out by Beko in Spain received three awards in "Global Mercury Excellence Awards", one of the most famous corporate communications awards of the world.
- Seven different products of Arçelik A.Ş. were given awards within the scope of "IF Design", one of the most prestigious design awards of the world.
- Arçelik A.Ş. entitled to "Authorized Economic Operator Certificate" by The Ministry of Customs and Trade.
- Leisure Patricia Urquiola collection designed by the globally-renowned designer Patricia Urquiola is premiered in Istanbul.
- Beko introduced its products to Thailand market within the scope of HomeWorks Expo, organized in Bangkok, capital city of Thailand.
- Beko exhibited its products in the 47th Cairo International Fair.

- Second BMS (Backlight - Module-Set) panel production line launched in Beylikdüzü Electronics Plant.
- Blomberg attended 2014 Architectural Digest Home Design Show held in New York.
- Beko attended Eurocucina International Kitchen Furniture Exhibition held in Milan, Italy.
- World premiere of Cast by Patricia Urquiola collection designed by Patricia Urquiola took place in Eurocucina International Kitchen Furniture Exhibition held in Milan.
- Eskişehir Compressor Plant manufactured the 50 millionth compressor.
- Arçelik A.Ş. is entitled to "CIPS Corporate Certification", a global accreditation issued to around 130 companies globally in order to ensure excellence in purchase management.
- Arçelik Authorized Dealers Assembly is held in Antalya with the participation of authorized dealers from all over Turkey.
- Beko and FC Barcelona entered into a four-year partnership that brought two global brands together. The new logo of Beko is affixed on the new team jersey and training kit of Barcelona.
- Beko introduced its products to consumers in an event held in Bangladesh.
- Arçelik A.Ş. awarded 386 inventor engineers that undersigned important projects in the field of building technology and developing innovative products within the scope of the "16th Invention Day".
- Elektrobregenz is entitled to the "Green Brand" award for the second time in Austria.

**JULY****AUGUST****SEPTEMBER****OCTOBER****NOVEMBER****DECEMBER**

- Arçelik A.Ş. is entitled to five design awards within the scope of "Red Dot", one of the most prestigious design contests of the world.
- China Washing Machine Plant, Russia Refrigerator and Washing Machine Plant and Romania Refrigerator Plant are entitled to ISO 50001 Energy Management certifications.
- 2014 FIBA Basketball World Cup is held in Madrid, Spain under "Presenting Sponsorship" of Beko.
- Grundig signed a sponsorship agreement with Norwegian Handball Federation (NHF) and gave its name to both women's and men's leagues.
- Beko and Grundig exhibited their innovative, stylish, high-tech products at IFA, one of the world's biggest electronics and electrical household appliances.

- Arçelik A.Ş. is entitled to 5 awards within the scope of the "26th Crystal Apple 2014 Turkey Advertising Awards" with Arçelik and Beko brands.
- Arçelik became the co-sponsor of the 2nd Istanbul Design Biennial.
- Arçelik A.Ş. became one of the 15 companies listed under "BIST Sustainability Index", which is based on environmental, social and corporate governance performances of companies.
- Defy opened its New Side by Side Refrigerator line at East London Plant.
- Arçelik is selected as "The Most Popular Brand" in both white goods and consumer electronics fields and a category-independent survey, which is conducted for the first time, within the scope of "Turkey's Lovemarks" research.
- 13 products of Arçelik A.Ş. are entitled to awards within the scope of "Good Design Awards" presented by Chicago Athenaeum Museum of Architecture and Design and Metropolitan Arts Press Ltd. Museum.
- Arçelik A.Ş. is given "R&D Leadership" and "Leadership in Technology Development" awards within the scope of the Third Turkey Innovation Week organized by Turkish Exporters' Association.
- Arçelik A.Ş. became the winner in "Innovation Strategy" category of InovaLIG Innovation Leaders Awards within the scope of Turkey Innovation Week.
- 2013 Sustainability Report of Arçelik A.Ş. is issued in accordance with the new G4 reporting guidelines of GRI - Global Reporting Initiative.



“

Arçelik continued its steady and strong growth in 2014, increasing its sales by 13% which reached a consolidated turnover of TL 12.5 billion and after-tax profit of TL 638 million.

”



Esteemed Shareholders,

I sincerely welcome you and hope we have a productive meeting where we will review the results of the last year.

In 2014, we continued to feel the impacts of long-lasting global economic stagnation. In spite of the positive developments in the US housing and employment markets, global growth expectations continue to remain limited due to stagnation in the Eurozone and Japan and to economic slowdown in China and India, the two main drivers of growth. Last year we witnessed a strengthening US dollar in financial markets and regression in the prices of goods and services, particularly oil. This had a positive impact on importing countries, including Turkey, but imposed pressures on developing countries such as Brazil, Russia and South Africa which export finished products and raw materials.

In addition to these developments, the global agenda of the last year featured political tensions amongst Turkey's neighbors in the region and a global fight against epidemics.

One of the most important things to be closely monitored by the financial markets in 2015 will certainly be the interest rate hike process of the US Federal Reserve Bank. We might also see a regression in Russia's economy due to decreasing oil prices along with strident measures to be taken to protect against such a scenario. When the possible impacts of these developments on the global economy are taken into account, we can reasonably expect to experience an optimistic yet cautious recovery process in 2015 as compared to the previous year.

Estimates indicate that Turkey's economy grew by 3% on an export basis in 2014. The country's current deficit recovered as a result of the positive impacts of the decrease in oil prices, but the rate of inflation increased significantly. The inflation rate was reported as 8.2% in 2014, and we hope that it will decrease this year. The national economy shows signs of improvement for 2015, and we anticipate that the trend in a reducing current deficit will continue and that growth will be higher than last year albeit at a limited rate. We expect growth in the economy due to an increase in domestic consumer demand, and we recognize that continued increases in exports are very important for steady growth and employment.

Arçelik continued its steady and strong growth in 2014, increasing its sales by 13% which reached a consolidated turnover of TL 12.5 billion and after-tax profit of TL 638 million.

With 10 different brands, our company is now the third-largest company in white goods industry in Europe. In addition to being a long-standing market leader in Turkey, our company holds leading position in the UK, Romania and South Africa, and is also amongst the highest positions in many European countries.

In addition to our growth in Europe, Arçelik continues to expand its global presence through investments in developing countries. For this purpose, and in order to achieve our goals set for Southeast Asia, we have laid the foundations of a new plant in Thailand.

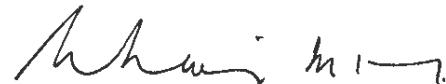
Like I always say, having a 100% paid capital which does not buy licenses but instead produces its own technology; Arçelik has always been the pride of our Group and our country with many global achievements. This success is backed by our trained and highly professional work force, design and R&D capabilities, strong brands, healthy financial structure, flexible way of doing business, and ability to make fast decisions.

Our steady growth coupled with maximized profitability help us to operate with the aim of paying taxes to the state, distributing dividends to our shareholders, supporting research and development activities, making investments, and contributing to solving environmental and social problems.

I share with you my excitement of celebrating the 60th anniversary of Arçelik in 2015. This, along with constant positive actions of the Company in continuing investments and growth, allow us to recognize our impressive development and stand proud of our results.

In closing, first I would like to extend my sincere thanks to the late Vehbi Koç, founder of our company and to all our living and deceased shareholders, dealers, services, employees, trade unions, suppliers, sub-industries, customers, and other stakeholders who have helped bring Arçelik to where it is now.

I extend my kindest regards to you all, hoping to achieve positive results in 2015.



RAHMI M. KOÇ
Chairman
Arçelik A.Ş.



Esteemed Shareholders, Business Partners and Colleagues,

We have completed another productive year in which we have accomplished our goals that support our global vision. 2014 has been a very active year with many developments in the global economy.

In 2014 we have witnessed a recovery in the US economy and a regression in the Eurozone. The European Central Bank has put in place several actions such as a low interest rate policy and monetary expansion program as measures to reinvigorate Europe's economy. China has become one of the largest economies in the world, but their growth rate showed a slowdown. On the other hand, the greater Asia region continued to support global growth with the contribution of developing countries. Estimates indicate that global economic growth in 2014 has been 3.3%. It is anticipated that governments and the European Central Bank will continue implementing policies that support growth, and the global economy will gain strength in 2015. The US Federal Reserve Bank is expected to implement interest rate hikes by mid-year. It is expected for our country to have new opportunities due to the historically record-low levels of good prices.

When regional fluctuations are taken into account with regard to the global economy, we can see just how important our Company's strategy to diversify across markets will become.

Global white goods market has grown.

The global white goods market grew by an average of 4% between 2009 and 2014. As estimates show that the developing countries taking the biggest share of this growth. It is estimated that the global white goods market reached USD 185 billion in 2014 with an increase of nearly 2.4% as compared to 2013, and the global LCD TV market reached USD 134 billion with an increase of 1.6%.

The white goods market in Europe, our main market, grew by 4.6% as compared to last year. In detail, the Western European market grew around 4% with the positive impacts of all countries, especially Germany, UK and France. The Eastern European market, on the other hand, grew by 5.6% as a result of the recovery in the Russian white good market in the last quarter along with general strong growth in the region.

Political disturbances in Middle East and North Africa imposed significant pressure on economic activities. The Egyptian white goods market reduced by more than 10% whereas the white goods market reduced by 3% in South Africa, the largest and most developed economy of the African continent.

Turkey continued to be the biggest production center of Europe's white goods industry. As of the end of 2014, the export figures in six main products reached 16.9 million units, an increase of 5% compared to 2013, and the domestic market reached 6.7 million units, a decrease of 1.8%.

We continue to strengthen the position of our brands in our marketplaces and expand our global presence.

We continue to create a competitive edge in our marketplaces, increase our market share, and strengthen the position of our brands in line with our growth strategy focusing on brands. Each year we continue to increase our average sales prices by increasing the share of our high-end, high-capacity products in our sales portfolio and also by increasing our market share.

Having preserved our strong leadership position in the white goods, built-in products, and air conditioner markets in Turkey, we continued to remain as one of the strongest market leaders in Romania with our Arctic brand and in South Africa with Defy brand. Our global brand, Beko, has been the brand which increased its market share the most

in European white goods market within the last 7 years and thus became the second biggest brand in European white goods market. Having preserved its long-lasting leadership position in the UK, Beko has also become the number one brand in France's solo white goods market.

In addition to our high performance in European markets, we continued to preserve our strong position in the Middle East and Turkic Republics, and we enhanced our activities in Africa and Gulf Countries with our Beko brand. We continued our business development activities in regions far from home in line with our market diversification goals, increasing exports to Southeast Asia and completing the launch of our Beko brand in Singapore and Thailand.

With the inclusion of white goods in the overall product range, our Grundig brand has become the only European manufacturers to offer products in all categories of household electronics. Grundig continued its growth in the white goods markets of Scandinavian countries and offered a white goods product range to UK consumers in 2014. Being known for its quality and design in consumer electronics and having a high brand awareness in many countries, Grundig continued to be one of the top five brands in Germany's TV market.

Steady growth reflected in financial results.

In addition to growing turnover, we managed to increase our operational profitability in the last fiscal year. We grew by 13% in 2014 and reached a consolidated turnover of TL 12.5 billion. As much as 61% of our sales came from international markets. Our net profit reached TL 638 million. The share value of our company increased by 28% compared to the previous year, and our market value grew to TL 10.14 billion as of the end of 2014. Following our first bond export in 2013, which successfully attracted many international investors, we issued 7-year Eurobonds totaling EUR 350 million in 2014.

We made investments to further strengthen our global position.

The leading white goods manufacturer of South Africa, Defy's East London Refrigerator Plant opened a new production line for new side-by-side refrigerators. We expedited our efforts to penetrate in Southeast Asia market, which has been our focal point for a while, and we laid the foundation of our refrigerator plant in Thailand to serve the countries of that region.

Our R&D and innovation competencies play an important role in our achievements.

A 24-year R&D history coupled with innovation and technology competencies enable us to design and bring to all our markets value-added, innovative and environmentally-friendly products that will differentiate us in our business. We develop products that meet the

expectations of consumers in different regions thanks to eight R&D centers in Turkey, an R&D office in Taiwan and more than 1,000 R&D employees worldwide. We are still the patent leader in Turkey and the only Turkish company amongst the top 200 international companies.

In 2014, as a result of R&D efforts to reduce environmental impacts of our products we developed; A-45% energy class built-in oven with a low noise level of 41dBA; A+++ -10% energy class dryer; A+++ -70% energy class washing machine; A+++ -10% energy class dishwasher; A+++ -30% energy class no-frost refrigerator and A+++ energy class tall deep freezer.

Following the development of a refrigerator and washing machine designed specifically for the Chinese market, we have added a pizza oven designed specifically for the Italian market as well as a solar-powered refrigerator for rural areas lacking electricity in South Africa. Thus, our innovative products are designed with specific markets in mind, further adding value to the lives of our customers. Some of the other innovative products launched in 2014 include: a no-frost refrigerator with Everfresh® technology that keeps fruits and vegetables fresh for up to 30 days in a special compartment with a humidity up to 90%; a washer-dryer with AirDry technology that ensures drying without water consumption; a dishwasher with IonFresh technology that eliminates any unpleasant odors; and a VUX interface that combines innovative competencies with the power of design to provide a single point of control for dishwasher, cooker and range hood. We make a difference in our business by ensuring that innovation is an inseparable part of our corporate culture and business model and by producing innovative solutions at every stage.

We also pioneer incentives in innovation and support the establishment of an innovation ecosystem. Following the awards we received during Turkish Innovation Week organized by the Turkish Exporters' Assembly in 2012 and 2013, our leadership in this field was once more recognized with the awards that we received in "R&D Leadership", "Technology Development Leadership", and "InovaLIG-Innovation Strategy" in 2014.

We are proud to mark our achievements with numerous awards.

We are proud to have our products, brands and production plants recognized by many national and international awards in the fields of innovation, efficiency and design. Arçelik has been awarded "the most favorite brand of Turkey" award as a token of appreciation of our consumers, who love us and see us in a place above all categories, in a category-independent survey conducted for the first time within the scope of "Turkey's Lovemarks" research. We have received many awards in prestigious design competitions such as Design Turkey, Good Design, and iF



Message from the General Manager

Arcelik A.S.
2014
ANNUAL REPORT

Design, and our Arctic Refrigerator Plant in Romania received “TPM Special Award” from JIPM (Japan Institute of Plant Maintenance). This made Arctic has become the second production plant in the world home appliances sector to win this award after Eskişehir Refrigerator Plant.

We manage all business processes as a whole, in line with sustainability principles.

We manage our social, environmental, and economic performances as a whole, in line with sustainability principles. In addition to producing outstanding products, we strive to increase efficiencies in terms of energy and materials usage and to promote the sustainability of resources in all processes along our value chain—from supply to distribution. To support projects for combatting climate change since 2011, we continued to be the spokesperson of the Climate Platform, which is founded to pioneer the realization of implementing national and international policies related to climate change. We also continued our participation in the Carbon Disclosure Project (CDP), which is accepted as the most respected and widespread environmental initiative where organizations disclose their greenhouse gas emissions and strategies towards climate change to international investors. The efforts we have exhibited in the field of climate change have resulted in our company obtaining a highest-possible A performance score from CDP and being listed in the “The A List: CDP Climate Performance Leadership Index 2014”.

Our successful performance has also resulted in our company being listed amongst Borsa İstanbul’s Sustainability Index, launched in 2014 with 15 companies as a platform to inform investors of corporate sustainability policies and practices. Also, as a token of our commitment to quality and efficiency in business processes, we were awarded “CIPS Corporate Certification” issued to only 130 companies in the world in recognition of excellence in purchasing management.

We do business by knowing our social responsibilities.

We conducted a wide range of social responsibility projects, from education to health care and from environment to sports, in order to contribute to social development. Our employees, authorized dealers and services volunteered in these projects. We reached 450 students in nine schools within the scope of our Electrical Household Appliances Technical Training Program aimed at strengthening the relationship between vocational education and employment. We continued our support in our “No Barriers for My Country” project with Koç Holding aimed at contributing to the professional and social lives of handicapped persons. We support social development both in Turkey and throughout the world through sports, and we continue to make investment in sports in this pursuit. We were honored as the “Presenting Sponsor” of FIBA World Basketball Cup

in Spain, and our Beko brand continued to be named as the sponsor of the German and Italian basketball leagues, considered to be amongst the world’s top-flight leagues. We signed a Jersey-Back Sponsorship with Turkey’s Beşiktaş football team, and we gave our name to Norway’s women’s and men’s handball leagues. Our Grundig brand continued to be the Official Technology Partner of Bundesliga as well as the official sponsor of Fenerbahçe women’s and men’s volleyball teams, and both our Grundig and Beko brands sponsored many important national and international golf tournaments organized in Turkey.

Beko's new logo introduced a new direction to its brand journey. Beko and FC Barcelona became teammates.

This year, Beko introduced a new direction to its brand journey by changing its logo. Being considered as the manifestation of the dynamic structure and belief in change, the new logo emphasizes “improvement” and “evolution towards the future” as represented by the Beko brand. We are proud to announce that Beko signed a global sponsorship agreement and became partners with FC Barcelona, the most famous football club in the world. We consider this agreement as a symbol of Beko’s remarkable growth in recent years. It also marks the first occasion officially introducing our new logo. As a result, for the first time FC Barcelona’s jerseys bore our brand on their left sleeves.

We strive to achieve new things together.

We will continue to be pioneers of change and innovation in 2015 when we will celebrate our 60th anniversary. The most important assets of our company are our corporate culture, our impressive 60-year history, and our invaluable human resources. These give us the power and confidence to continue to ensure that Arçelik is always in leading position. The key pillars of our Company strategy are brand, design, quality, technology, and innovation. We will continue to make investments in these fields without any compromise. Our competitive edge will help us penetrate more markets and reach more consumers, covering more distance along our global journey. We will act by acknowledging and accepting our environmental and social responsibilities, and we will continue to be a pioneering force in Turkey and an important player in the world in terms of sustainability. Our employees, authorized dealers, services, suppliers, and business partners are the ones who empower Arçelik to set goals for the future and to remain successful. I would like to extend my sincere thanks and gratitude to our customers, who have always shown their trust in us, and to all our stakeholders and shareholders whose unflagging support us at all times.


LEVENT ÇAKIROĞLU
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 ("the Company") and its subsidiaries (together referred to as "the Group") for the year ended December 31, 2014.

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 Market 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 there on which auditor's report dated January 30, 2015 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. 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



February 27, 2015
Istanbul, Turkey



- Consolidated net sales revenue of the year 2014 has reached to TRY 12,514 million, corresponding to an increase by 12.8% in total consolidated sales when compared to 2013.
- Consolidated operating profit of the year 2014 has been TRY 1,024 million, and net profit has been TRY 638 million.

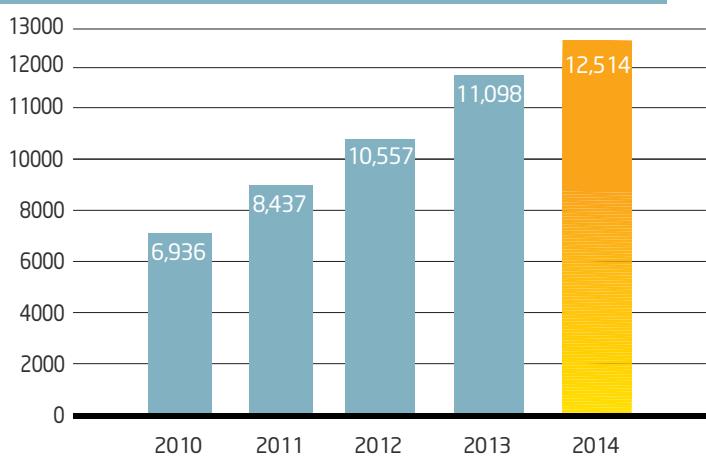
- 61% of consolidated sales in the year 2014 are counted for international sales.



**Net Sales
2014**
12,514
TRY Million

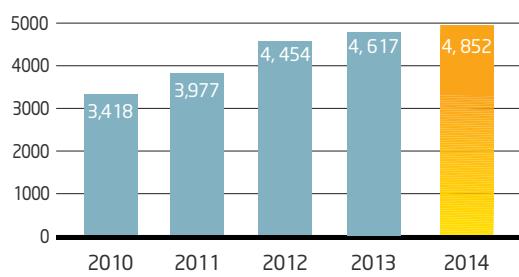
Net Sales

(TRY Million)



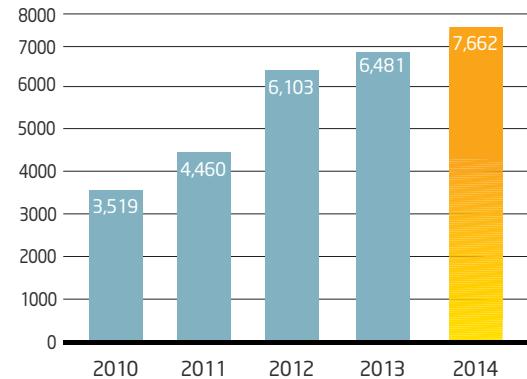
Net Sales - Turkey

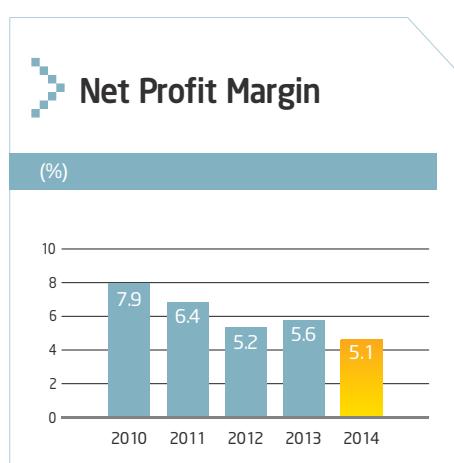
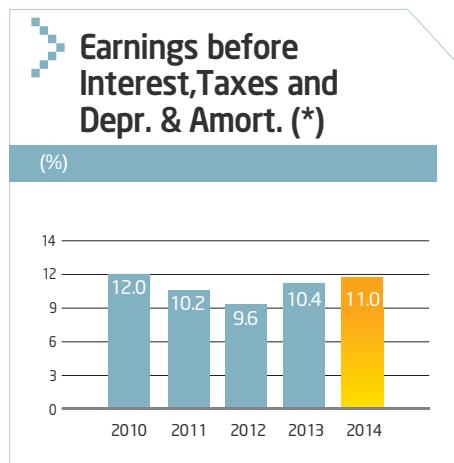
(TRY Million)



Net Sales - International

(TRY Million)





(*) Operating profit margin and EBITDA margin were calculated by deducting the impact of foreign exchange gains and losses arising from trade receivables and payables, credit finance income and charges and cash discount expense and adding income and expenses from sale of property plant and equipment in order to maintain consistency with the presentation of 2010 - 2011 periods.



	EUR million	2014	2013	2012	2011	2010
INCOME STATEMENT						
Net sales	4,307	4,395	4,581	3,633	3,487	
Gross profit	1,369	1,342	1,323	1,094	1,040	
Operating profit (*)	352	338	326	278	321	
Profit before tax	252	295	270	265	330	
Net profit	220	247	237	233	276	
Depreciation and amortisation	119	120	113	94	97	
BALANCE SHEET						
Year-end cash and cash equivalent	575	431	740	480	643	
Inventory	753	677	680	626	482	
Current assets	3,003	2,608	2,865	2,466	2,314	
Tangible assets	643	626	682	592	611	
Total assets	4,394	3,886	4,349	3,764	3,573	
Total short-term liabilities	1,571	1,393	1,676	1,445	1,143	
Total liabilities	2,835	2,476	2,679	2,269	1,910	
Minority shares	15	26	36	43	32	
Equity	1,559	1,409	1,670	1,494	1,663	
CASH FLOW						
Net cash flow from operating activities	320	152	293	-37	425	
Net cash flow from investment activities	-145	-188	-178	-349	-76	
Net cash flow before financial activities	175	-36	115	-386	349	
Dividends paid	122	160	150	113	55	
Capital expenditures	159	207	209	157	127	
SHARE-BASED DATA						
Dividends (Euro)	0.178	0.176	0.228	0.191	0.186	
Year-end share price (Euro)	5.32	4.14	4.98	2.50	3.81	
Price-earnings ratio	16.43	13.73	15.06	8.16	10.19	
Dividends/net profit (%)	56.7	50.2	67.6	59.2	48.3	
Year-end market value	3,593	2,796	3,362	1,692	2,572	
PERSONNEL INFORMATION						
Number of employees	24,876	23,392	22,552	21,960	18,388	
Blue collar	20,517	19,222	18,598	18,153	15,297	
White collar	4,359	4,170	3,954	3,807	3,091	

(*) Operating profit was calculated by deducting the impact of foreign exchange gains and losses arising from trade receivables and payables, credit finance income and charges and cash discount expense and adding income and expenses from sale of property plant and equipment in order to maintain consistency with the presentation of 2010 - 2011 periods.

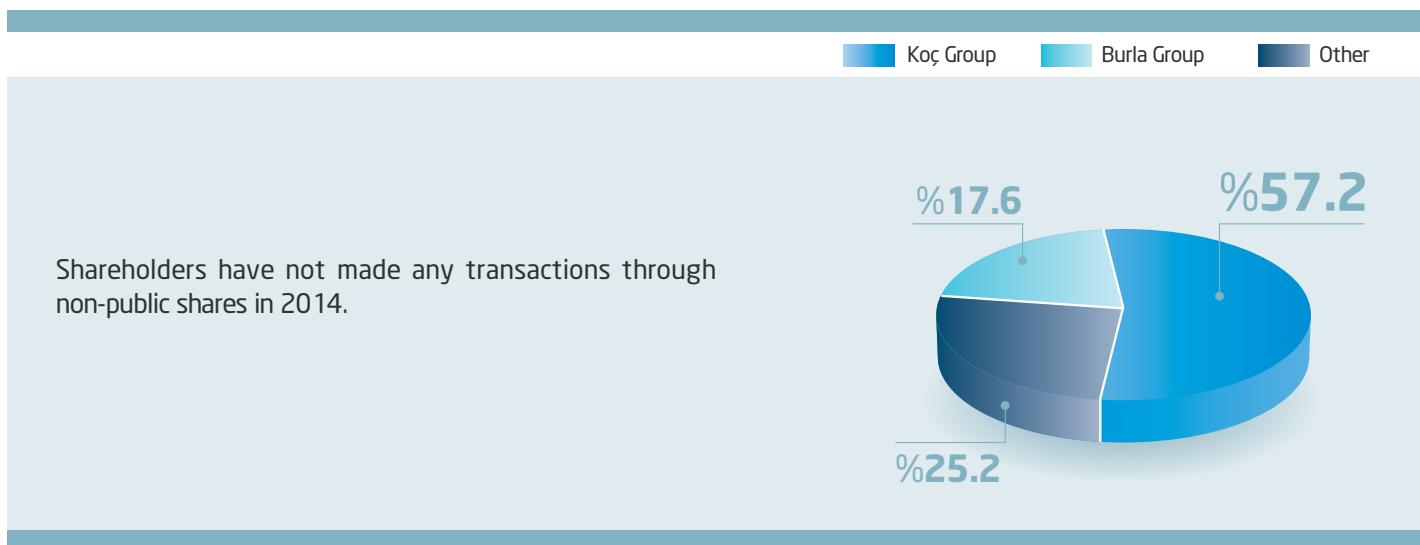


According to our financial statements for the term 01.01.2013 – 31.12.2013, the dividend distribution started as of 01.04.2014 pursuant to decision of the Ordinary General Assembly of Shareholders convened on 27.03.2014. The cash dividends totaling to TRY 300,000,000 are allocated from current year earnings and contingency reserves.

As of 2014, 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 Kr. 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 Kr. is entitled to one vote in the General Assembly.

Shareholders	Amount of Shares		Share Percentage (%)
		(TRY)	
Koç Holding A.Ş.	273,742,027		40.5
Koç Group, Other	112,782,595		16.7
Koç Group, Total	386,524,622		57.2
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	170,203,583		25.2
TOTAL	675,728,205		100.0





The amount of dividends distributed over the revenues from 2009 to 2013, the distributable profit as of the concerning years and their ratio to the capital are as follows.

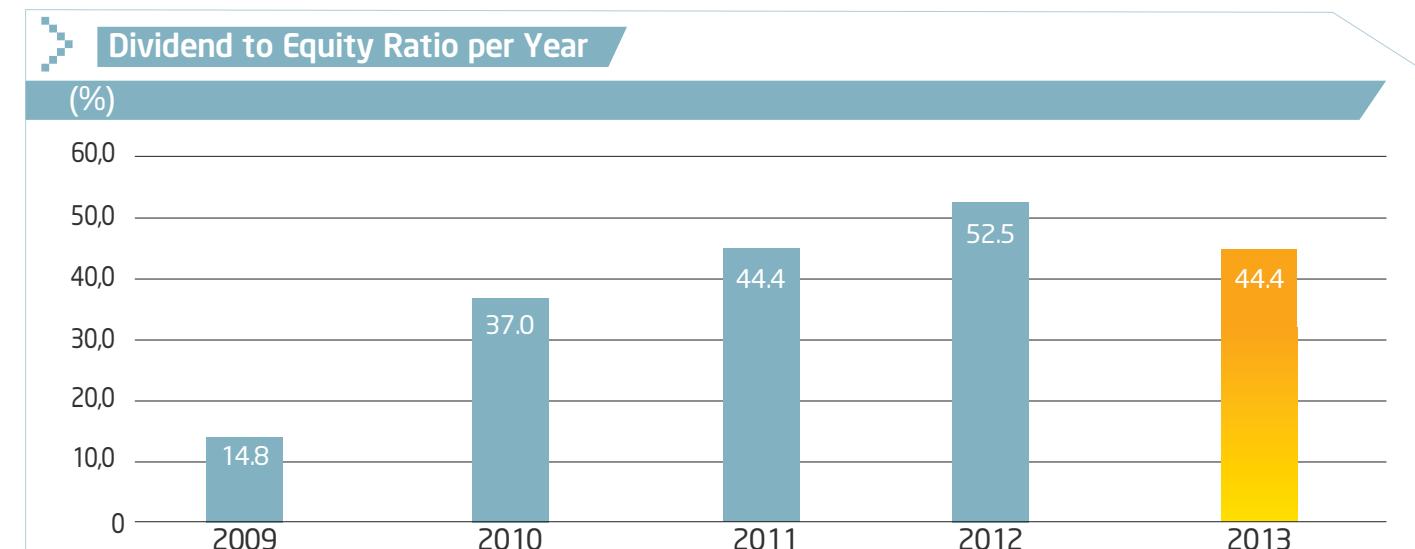
Dividend Payment Year	Issued Capital (Thousand TRY)	Dividends (Thousand TRY)	Gross Dividend of per Nominal Share of TRY 1	Dividend Payout Ratio (%)	Earnings (TRY) Per Nominal Share of TRY 1
2009	675,728	100,000	0.14799	14.8	0.8493
2010	675,728	250,000	0.36997	37.0	0.7652
2011	675,728	300,000	0.44397	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

➤ Ratio of Dividend to Capital Over the Years

Our General Assembly convened on 27.03.2014 defined our Dividend Distribution Policy for the year 2013 and the succeeding years as follows: 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 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 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'.



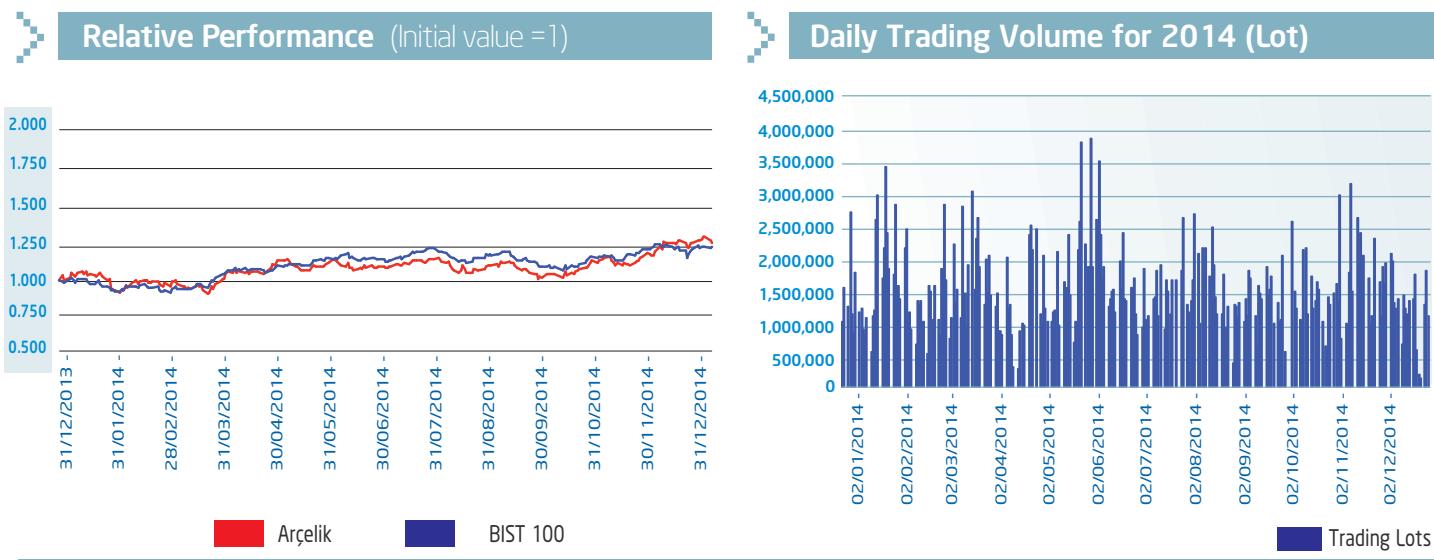


Company shares are traded in IMKB and Borsa Istanbul since January 1986. The last 5-year performance of shares in the stock exchange is summarized in the following table.

Share Data	2014	2013	2012	2011	2010
Lowest price (TRY) (*)	10.45	8.99	5.35	4.82	4.22
Highest price (TRY) (*)	15.55	13.91	10.95	7.55	6.98
Year-end price (TRY) (*)	15.00	11.70	10.80	5.34	6.48
Year-end price (TRY)	15.00	12.15	11.70	6.12	7.80
Issued capital (TRY Thousand)	675,728	675,728	675,728	675,728	675,728
Market Value (TRY Thousand)	10,135,923	8,210,098	7,906,020	4,135,457	5,270,680
Market Value (USD Thousand)	4,371,005	3,846,740	4,435,106	2,189,347	3,409,237

(*) Corrected as per distribution of dividends.

The following graphic shows the share performance between 01.01.2014 and 31.12.2014. Accordingly, share price of the company increased by 28% and BIST 100 index by 26%.



The daily average transaction volume of company shares in 2014 was 1,537 thousand lots. As of the end of 2014, approximately 77.4% 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 2014. For the purposes of index calculations, the retention rate is 25% and share weight in BIST 100 is 1.5123%.

Arçelik A.Ş. is listed in BIST National, 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, 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; and to 9.41 out of 10 (94.11%) on 23.07.2014. Our Company has been included in IMKB 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. The index has been calculated since 04.11.2014 and now includes our Company.



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 appointed among the Board Members. Also, Chairmen and Members of Board committees are appointed. Furthermore, the General Manager participates in the Board of Directors as the executive member.

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 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 Küçükpinar, independent member of the Board of Directors, is the chairman of this committee. Other member of the committee is Mr. O. Turgay Durak, a member of the Board of Directors.

The Risk Management Committee has convened 6 meetings during 2014 and has the duty of evaluating the basis of Arçelik A.Ş. Risk Management System and risk reporting; reviewing the Risk Reports issued periodically for this purpose; and presenting their opinions on the measures that must be taken if there is anything not complying with the limits defined in the Risk Management System. Reporting activities and committee evaluations are submitted to the Board of Directors.

Risk Management Committee implements Enterprise Risk Management Program in order to assist Arçelik A.Ş. in achieving its growth goals, meet expectations of internal and external stakeholders, raise risk awareness in the organization, increase profitability and create competitive advantages by considering the organization-wide factors such as strategies, processes, people, technology and knowledge.

A Corporate Risk Management Directorate was formed under the Assistant General Manager of Finance and Accounting within the scope of Corporate Risk Management Program. 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 in line with specified purposes) are managed in accordance with the corporate risk-taking profile of the company; and risk coordination and supervision are in place.

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 increasing profitability and creating 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. Then, the Company established Corporate Risk Management Program and set its short, mid and long term road map according to the development potential understood from the study.

Corporate Risk Management Program is developed so as 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.

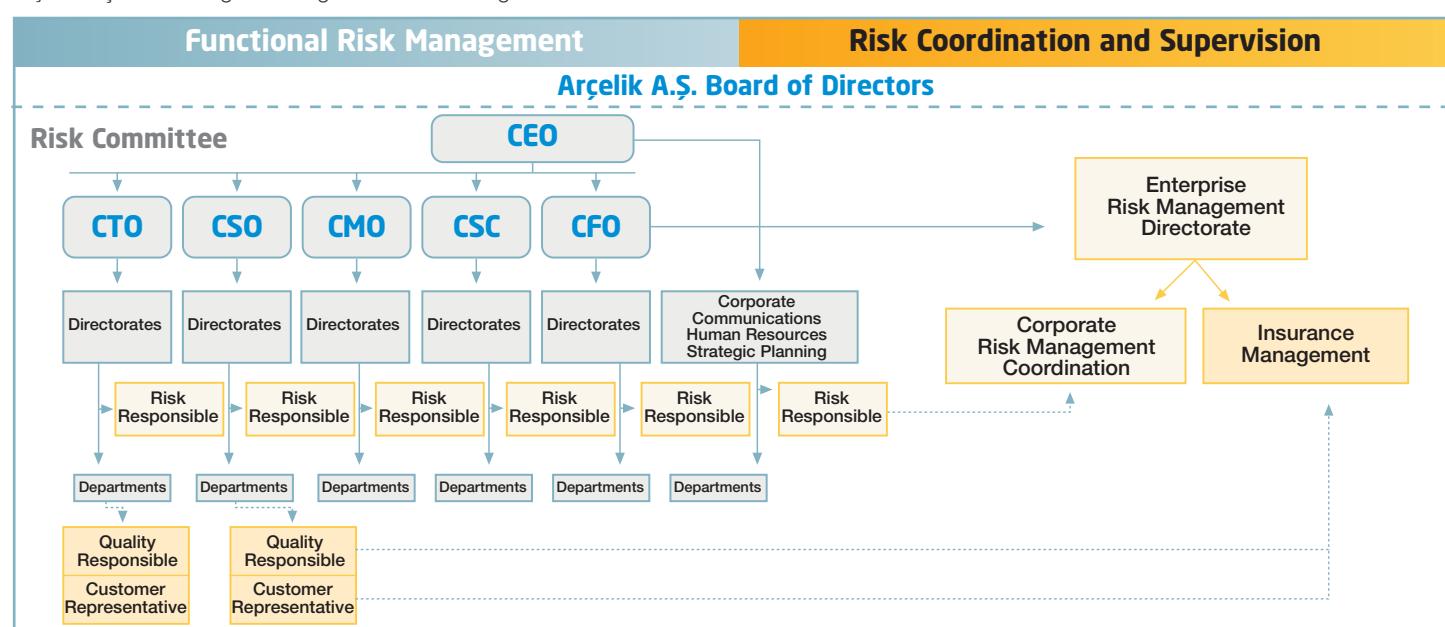
Corporate Risk Management Program is implemented in integration with all business processes in all plants, central units and foreign affiliates of the company under guidance of the road map.

Activities carried out within the scope of Corporate Risk Management Program in 2014 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 chart is given below:



Training

Directors that form the senior management organization of Arçelik A.Ş., company heads of group companies and risk managers assigned in all organizations are given corporate risk management trainings and certified accordingly by the global risk management consultants.

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; and supports risk awareness and culture by ensuring 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.

Functional Risk Management

Directors that form the senior management of Arçelik A.Ş. and company heads 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. 63 senior managers, senior specialist in Arçelik A.Ş. and group companies are assigned as risk managers for managers and employees.

Progress on corporate risk management is reported to the Risk Management Committee on a two-month and annual basis.

Data on consolidated corporate risks and risks associated with the business units is followed up and managed under different categories via risk database and software.

Consolidated Risk Inventory is populated with priority risks (which are determined by reviewing all risks) that 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. Consolidated corporate risks are distributed over the categories as follows:





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

Special management processes are established for certain risks:

Risks on Receivables

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.

Financial Risks

These risks are divided into three categories: Liquidity Risk, Interest Rate Risk and Foreign Exchange Risk. And these are managed in accordance with the following principles.

Liquidity Risk

The risk of failure to fulfill financial liabilities is eliminated through coherent management of balance sheet and cash flow. For this, 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.

For this purpose, we have recently obtained a 7-year R&D financial loan from European Investment Bank totaling to EUR 100 million over a fixed rate of 2.6290%; and issued bonds for the international markets to ensure prolongation of deadlines and balance between fixed rates and variable rates in the liabilities portfolio. One of the bonds was totaled to USD 500 million with 10 years term over a fixed coupon rate of 5%. The other bond was totaled to EUR 350 million with 7 years term over a fixed coupon rate of 3.875%.

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 2014, the company carried out operations over 23 currencies. Therefore, foreign exchange risk 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, thereby minimizing the foreign exchange risks on the affiliate side and managing the risks on 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 this 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. The purpose is to manage 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 situations and crises; eliminate the impacts of these crises on company's premises, operations, finances, reputation and stakeholder; 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 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. Awareness is raised on how these activities are perceived in different countries by having foreign affiliates participate in the online trainings simultaneously.



The expert brand of Turkish durable consumer goods industry that has leadership, environmental friendship, innovativeness, design and technological superiority and the first name that comes to mind when it is asked the number one 'brand' in Turkey. A brand with the most powerful, common, expert sales and after-sales-service of Turkey besides its wide product range including white goods, built-in products, electronic products, small home appliances, fitted kitchens, combi, air conditioners and system air-conditioners.



Beko is a global brand that is the smart preference of 440 million people in over 100 countries; that offers smart solutions with its white goods, solo products, built-in products, small home appliances, air-conditioners and electronic products in Turkey to facilitate the life that centers around the change inspired by the consumers.



seit 1883

A 131 year-old long-established German brand that has 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 to its consumers with the slogan of 'In Harmony with You'.



The most known and long-established domestic brand of Romania and the leader of white goods market.



Since 1945, Grundig means high-quality and modern products designed to make the lives of consumers more comfortable. It 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 economical way.



One of white goods brands of the UK and Ireland markets. It has freestanding and built-in white goods product range providing affordable solutions for customers to meet their requirements.



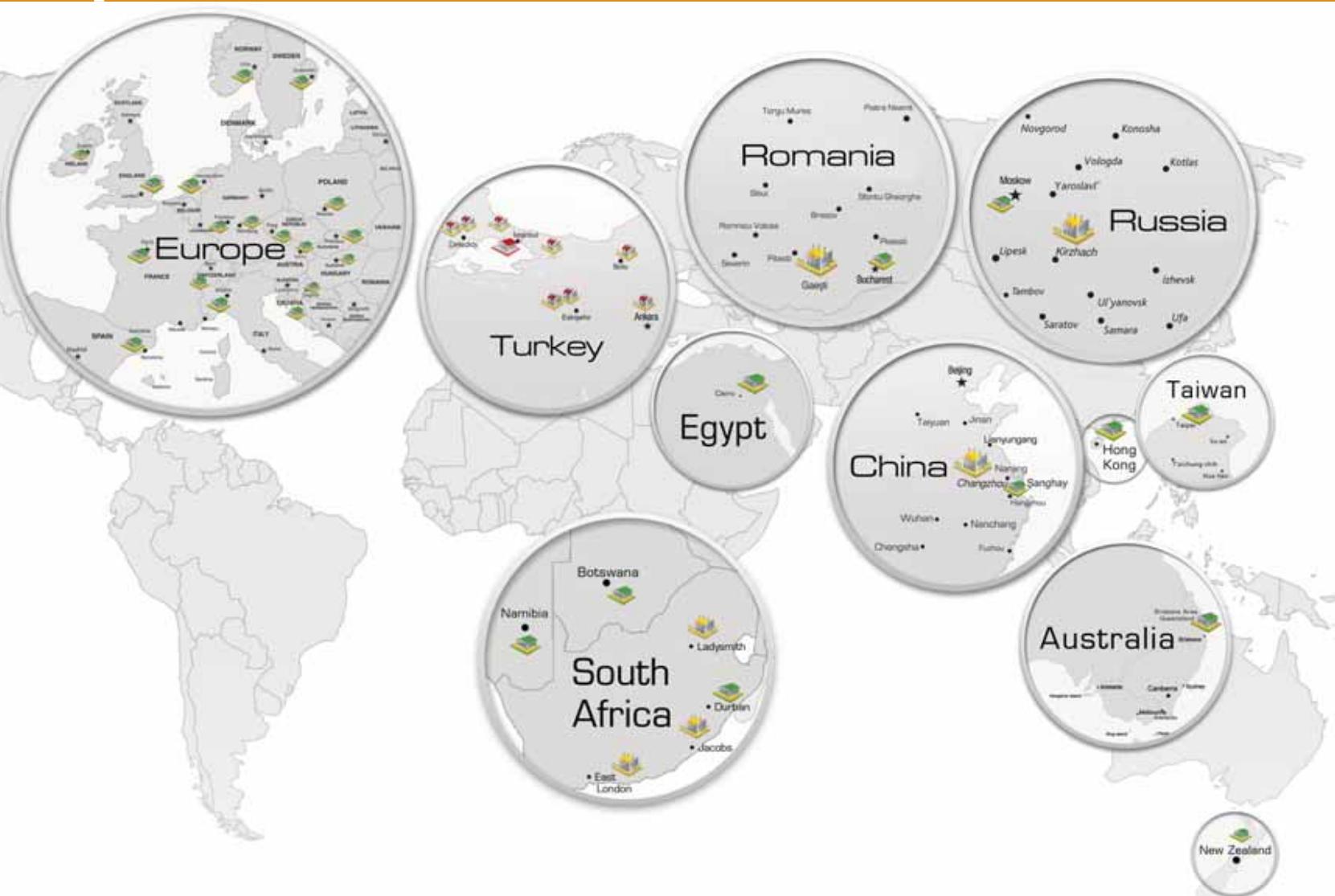
The 121-year-old well-established brand from Austria, one of the most popular brand in white goods industry.



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.



**15 PRODUCTION FACILITIES IN 6 COUNTRIES,
A SALES AND MARKETING ORGANIZATION OPERATING IN 26 COUNTRIES, PRODUCTS
AND SERVICES IN OVER 130 COUNTRIES (*)**



Headquarters
Turkey/Istanbul



International Sales and Marketing

Taiwan
Australia, New Zealand
Germany
Egypt
Spain
France
Italy
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



Production Plants-Turkey

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

Eskişehir
İstanbul, Tuzla
İstanbul, Beylikdüzü
Bolu
Ankara
Tekirdağ, Çerkezköy
Eskişehir
Tekirdağ, Çerkezköy



Production Plants-International

Refrigerator Plant
Refrigerator and Washing Machine Plant
Washing Machine Plant
Cooking Appliances and Tumble Dryer Plant
Cooling Appliances Plant
Refrigerator Plant

Romania, Gaești
Russia, Kirzhach
China, Changzho
South Africa, Jacobs
South Africa, Ezakheni, Ladysmith
South Africa, East London

(*) Beko Thai Co., Ltd. (Rayong Thailand) founded as a production, sales and marketing company in December 2014 and planned to start production by the end of 2015.



Arçelik A.Ş.,

It holds the position of strong leadership in Turkey and maintained its undisputed market leadership with Arctic brand in Romania and Defy brand in South Africa.

Beko, 2nd largest brand in Europe,

- **Leader** brand of white goods market in **England**,
- **First** brand in freestanding white goods markets in **Poland and France**,
- **Fastest growing** brand of the market in **Germany** by increasing its market share more than twice in the last 5 years,
- **Second** brand in refrigerator, deep freezer and dryer markets in **France**,
- **Leader** brand in refrigerator and deep-freezer markets in **Belgium**,
- **Leader** of deep-freezer market in **Spain and Israel**.

International Markets

White Goods

The global white goods industry grew by an average of 4% between 2009 and 2014.

Most of this growth took place in developing countries. In 2014, it is estimated that the global white goods industry reached a worth of \$185 billion, increasing by nearly 2.4% compared to 2013.

In Europe, our main market, the market for white goods achieved a growth of 4.6% on the basis of units in six main product groups compared to the previous year. The growth was 4% in the Western Europe market, while it reached 5.6% in the Eastern Europe market as a result of the rapid growth experienced in the last quarter.

Throughout the Middle East and North Africa region, civil disturbance created intensive pressure on markets. The shrinkage in Egypt white goods market exceeded 10%, while in South Africa, which has the largest and the most developed economy of the continent, the market shrunk by 3%.

Turkey has maintained its position as the largest manufacturing centre for white goods in Europe. According to Turkish White Goods Manufacturers Association's (BESD) data, as of the end of December 2014, exports were 5% more than they were in the previous year, consisting of 16.9 million units in six main product groups. However, the internal market shrunk by 1.8%, amounting to 6.7 million unit sales. Arçelik holds a position of strong leadership in Turkey, and it has maintained its undisputed market leadership with its Arctic brand in Romania and Defy brand in South Africa.



Consumer Electronics

In 2014, it is estimated that the world LCD TV market achieved a growth rate of 1.6% compared to the previous year, reaching \$134 billion.

Standing out with its quality and design in consumer electronics, and having accomplished a high level of brand recognition in many countries around the world, Grundig has maintained its position as one of the top 5 brands in the German TV market.



Beko

2014 was a year of change for Beko. An exciting new era was started in the brand's ongoing journey with the aim of leading the change to help consumers achieve an easier and better life.

Inspired by consumers, Beko unveiled a new chapter of its global brand strategy with a new logo and visual identity. The new logo aims to reflect Beko's dynamic structure and belief in change. A global campaign kicked off and it was named "Change for the Better".

Arçelik A.Ş. continues its steady growth in the world market through its international brand Beko, which reaches to consumers in more than 100 countries worldwide. In 2014, Beko became the second largest white goods brand in Europe. While Beko is the UK's best-selling large home appliance brand, as well as the market leader in many other countries around the world. While growing globally, Beko supports social development through sports and continues its investments and new sponsorships in this area.



In 2014, Beko signed a global partnership agreement with FC Barcelona, which is one of the most popular and supported football clubs in the world. With this agreement, Beko became the worldwide sponsorship partner of FC Barcelona for the next four years and has placed its corporate logo onto the sleeve of team jerseys and training kits – a first for any commercial brand.

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 a presenting sponsor of the "FIBA Basketball World Cup", which was organized in 6 different cities around Spain between 30 August and 14 September 2014. Beko will continue its communication through basketball in 2015 as being a "Presenting Partner" of FIBA European Basketball Championship to be held in 4 countries across Europe, in which are France, Germany, Croatia and Latvia, between 5 September and 20 September 2015.

In IFA, the biggest technology fair of Europe organised in Berlin in September 2014, Beko introduced its smart 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 special "Built-in Cooking Series" named as "Cast Line" designed by Patricia Urquiola, a worldwide famous designer and architect. The new Beko visual identity and logo were also launched at the IFA Fair.

In 2014, Beko products continued to be ranked among the best white goods brands by the reputable European consumer magazines, test and research institutions, thanks to their superior quality performance, ease of use, energy efficiency and value for money.



Arctic

Domestic brand of Arçelik A.Ş. in Romania, Arctic offers family-oriented and value-added products and services to its customers. It is one of the most well-known brands in Romania, with a strong heritage and a favorable perception for over 40 years. Arctic holds the leading position on the Romanian white goods market with a market share of 33% in 2014 by writing a success, change, trust and expertise story. It has a full range of home appliances from refrigerators, freezers, washing machines, to cooking appliances, hoods and built-in products. Arctic is the leader of the refrigerator and washing machines segment, also holding the second position in cooking products category.

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 2014, Arctic has made a step forward in supporting its promise to consumers, that of providing solutions adapted to their

needs and lifestyle and launched an innovative product, the after-sales card, Arctic Dolce Vita. This product which accounts for a unique package of services covering warranty, installation, maintenance and interventions, meant to offer consumers more comfort while using their Arctic products for a 10-year span. Arctic Dolce Vita campaign was the driver of Arctic communication in 2014 and supports the brand strategy with the main objective of constantly improving the brand perception and modernizing the brand image.

2014 was also the year that brought Arctic a notable performance, ranking 5th among the 100 most powerful Romanian brands and 1st in the durable goods category. This achievement was the result of the dynamics of the brand, the strong communication campaigns and brand investments within recent years.





Elektrabregenz

Dating back to 121 years from now, Elektrabregenz is a long-established Austrian brand that joined Arçelik A.Ş. in 2002 with its wide sales network. Being an important factor in Austria white goods market, Arçelik A.Ş. also operates with Beko brand in the market as well. Elektrabregenz is perceived as an aesthetic, creative, technologically superior, environmentally friendly brand by customers. 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, Elektrabregenz continues to be one of the most sought-after brands in the market. It drew attention with its highly energy efficient refrigerators and new built-in products that it offered to Austrian consumers in 2013. In 2014, Elektrabregenz launched new pyrolytic oven range washers and dryers. It prepares to launch new design product families in the main categories in 2015.

In 2014, Elektrabregenz concentrated on marketing campaigns on TV and at radio, online, outdoor channels and leaflet advertisings to promote its new products and technologies, and the company has put emphasis on its steam oven, I - Cook oven, dishwashers with six liter water consumption, SBS refrigerator with four doors and A+++ energy saving heat pump assisted tumble dryers. The brand's Nova type washing machines continued to be sold under Austria's high-end market segment.

Main communication focus for 2014 was the relationship with 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. Elektrabregenz started product

promotion during spring time with a "cashback point" campaign and in autumn time a "30 days send-back" campaign for the satisfaction of the end users.

Elektrabregenz changed its logo in 2014 and completed its marketing activities with a launching event in Salzburg. The logo stands alone as "Elektrabregenz" and the claim has changed to "Fürs Leben gebaut, gebaut fürs Leben" meaning that "Built for Life. Built for Living". Elektrabregenz has launched its new built-in refrigerators featuring easy installation, higher energy efficiency and different designs. Putting the new induction hobs on the market, the brand also continued to promote tumble dryers and washing machines featuring higher energy efficiency. Thanks to the environmental technologies, Elektrabregenz was granted "Green Brand" award for the second time in 2014 and it is the only home appliances brand in Austria.



Blomberg

Blomberg celebrated its 131st establishment anniversary in 2014. The brand brings together 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 white goods. The leader of South Africa's white goods market, Defy became the part of Arçelik A.Ş. family in 2011. The company offers its products under the Defy and Ocean brand names. In addition to South Africa, Defy also exports to a variety of markets, including the continent of Africa and the Indian Ocean Islands. Defy's history can be traced back for almost 100 years. Since its establishment in 1932, the company always closely followed global trends with the sense of creating inspiring designs and constantly expanded its cutting-edge technology limits while maintaining environment protection sensitivity.

During the past 80 years Defy has taken a leading role in appliance manufacturing, pioneering amongst others the manufacturing of gas stoves, washing machines, tumble dryers, continuous clean ovens and convection ovens in South Africa. Defy offers the consumer a full range of kitchen and laundry appliances, and also participates in the room air conditioner market. Having its head office is in Jacobs, Durban, Defy manufactures free-standing stoves, built-in ovens, hobs, and tumble dryers in its Jacobs factory. Ezakheni (Ladysmith) manufactures electric chest freezers and electric refrigerators and East London 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 'You can rely on Defy' associated very strongly with consistent product quality and meaningful product innovation. Arousing respect with its all-time reliable brand identity, efficient after sales services and superior quality, this brand is the leader of South Africa's home appliances leader with over 14 million home appliances. Defy also supports its brand position further through its own sales, warehousing, and distribution and after sales service functions.

Defy Appliances officially launched its new side-by-side refrigerator production line at its East London, Wilsonia Plant in November 2014.

Defy emphasizes a strong interactive relation with the brand by also entering into digital field and in its above-the-line activities improves its support with the promotion of recently launched products while providing product placement in TV, womens magazines and radio. This year Defy launched its "Believe in Better" campaign whereby local hero Siya Xuza joined as the Defy Ambassador. A new TV advert was created which linked Siya's story to Defy's story about "Believing in Better."

Grundig

Since 2007, Grundig brand has been part of Arçelik A.Ş. Especially in German market, thanks to its high commitment to quality and a strong consumer orientation Grundig gained over 98% brand awareness and became one of the leading manufacturers in Europe offering the widest product range in home electronics category after launching its white goods product range in 2013.

The brand continues to grow while keeping 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 German 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 audio devices and 65 inch Ultra HD TVs to hair styling devices, vacuum cleaners and small home 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 2014 Grundig focused on innovation, product range extension, quality, new investments. Grundig keeps environmental sustainability among its priorities with "WeCare" slogan and realized energy-efficient ovens, refrigerators, dishwashers, washing machines and dryers, which satisfy the tastes and discerning needs of consumers.

At IFA 2014 Grundig had a 3,500 m² booth presenting more than 150 new home electronics devices for the introduction of new Technologies such as VUX, connected appliances, UHD, Curved, OLED and Smart TV applications such as "Football Application" designed by Arçelik and gained full appreciation from the consumers and differentiated its competitors.

Grundig also shows a strong commitment to sports and supports many projects. Since February 2013, the Nuremberg Stadium is called the Grundig Stadium. In addition to an exclusive partnership with Nuremberg's football club for several years, Grundig added its sponsorship with the German premier league "Bundesliga". In 2014, Grundig further widened its investment into football by sponsoring eight times champion Borussia Dortmund and technically outfitted BVB stadium with more than 500 high end TV screens. The company is present at football stadiums throughout Germany with its LED boards which will also be used for public viewing events.

Grundig have been operating in Scandinavian region in electronic products category for long 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 of handball league in 2014, that is 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 young generation.

Besides, in England white goods were launched in the previous months and products and technologies were introduced with the participation of the press and distributors.



White Goods

Turkey maintained its position of being the greatest manufacturing center of Europe in terms of white goods in 2014. As of the end of 2014, a growth of over 5% was achieved compared to the previous year in export with 16.9 million units and in internal market, it shrunk by 1.8% with 6.7 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, air-conditioners and of around 22% in LCD TV in 2014.

Within product ranges, rate of preference has increased to high end products. New design products were launched both by Arçelik and Beko brands and besides, the products were equipped with additional features along with the design. The leader products in energy saving was started to be expanded in the range. The company entered water purifying devices industry with competitive products and campaigns. Rapid growth is aimed within this developing industry.

Sales of 9 kg. washing machine that the company put to the market in line with its targets and applications for upper segment product group increased considerably when compared to previous year. In 2014, 8 kg washing machines that are 50% more energy efficient than A+++ energy class, with wide LCD screen, 12 kg and 10 kg washing capacity and 1400 RPM in standard dimensions and drying machines that are 10% more energy efficient than A+++ energy class were commissioned.

Appearance change was completed in Arçelik dishwashers for the models with 4 programs or more. First dishwasher in the world that prevents unpleasant smells from developing without using any harmful gases or chemicals through natural methods was commissioned by Arçelik. Thanks to the IonFresh technology, unpleasant smells arising from the dirty dishes kept in the machine are prevented. Furthermore, 5-program dishwasher with a new appearance was included in the product range within 2014.

With new living spaces created in parallel with new homes constructed 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 product groups growing with the utmost speed. Sales of built-in products increased by 14% compared to the previous year, reaching up to 2 million units. Arçelik A.Ş. kept its leadership in the market.

Product range was established in compliance with the new energy regulation for air conditioners that entered into force at the beginning of 2014 was launched to the market. The product range includes air conditioner having the first and only A+++ energy class manufactured in Turkey. The leadership continues in the industry with the share over 50%.

As the leader in the industry, Arçelik A.Ş. focuses on spreading the energy efficiency and environmental consciousness and collected at a huge amount of old, inefficient products and replaced them with energy efficient products through Big Change Campaign realized in 2014. Within the scope of "Transformation Project for Energy Efficient Products in White Goods" actualized with United Nations Development Program, GEF, TURKBESD, T.R. Ministry of Energy and Natural Resources, T.R. Ministry of Science, Industry and Technology in order to increase the usage of energy efficient products and encourage the access of the consumers to those products, Arçelik A.Ş. offered refrigerators, washing machines and drying machines that are more efficient than A energy level to the consumers with important discount rates.

Consumer Electronics

Consumer electronics industry had a limited growth in the first half of 2014 due to the credit card installment restriction and exchange rate increase and started to rise as of the end of second quarter with the increase in demands and closed the year with a strong growth.

Focusing on the industry with sales channels and brands, Arçelik A.Ş. continued its sustainable growing strategy that it put into effect since 2013. In this sense, the company strengthened its position in the market by making investments in Arçelik, Beko, Grundig and Altus brands through with it participates in the consumer electronics industry and renewing its product range. Retail investments were accelerated store renewal in the point of sales in the channel and new brand cooperations.

In 2014, TV market had a strong growth over 10% with base effect of the shrinkage experienced in the previous year. Especially, high increases were observed in large screen TV sales during World Cup and new ultra HD technology products were started to be launched into the market. Arçelik A.Ş. achieved a turnover growth over the market with a ratio of 22% in especially retail market through 5 new product family launching and panel manufacturing technology in TV industry and reached over 60% in terms of product mixture for 102 cm and above segment.



Arçelik 65" and 55" Ultra HD TVs that were launched in March-April became an important player in the upper segment products with both its thin metal design and new generation smart features and upscale technology allowing to watch HD images with a 8 times higher resolution. Furthermore, the company put up competitively affordable models for sale on large screen with the slogan of "No-one Will Be Left Without LED TV" before World Cup in June and through Football App developed by R&D as a first in the world, it was enabled to follow-up the match statistics interactively while watching TV broadcast. At the same time, it launched Select-Watch TV technology with Beko brand enabling to watch the desired movie or series over smart TV without requiring any additional box or remote control.

Furthermore, it created difference by engaging new product series with Grundig and Altus brands in this period. Through the changing campaign made in the last quarter of the year, TV became one of the most demanded products and high assembly growth was achieved.

In 2014, computer industry shrunk by 20% but on the other hand, tablet segment achieved a growth over 50%. There wasn't any growth in terms of turnover due to the decrease in average selling price. Arçelik A.Ş. completed the year with a growth of 20% in terms of unit and turnover with Grundig product investments in computer industry and brand diversification strategy in the channel.

Particularly, as a result of the product design and communication investments made with Grundig brand, the company achieved growth of 100% in middle-upper segment in product mixture and increased its market share. Investments were continued in innovative segment with Grundig DUO model having full HD and touch screen features engaged in two-in one segment of Notebook-tablet. Grundig achieved a growth of 50% in Bluetooth Speaker category with its own innovative product range and awarded designs in audio systems and put forward its ambition in that field. Particularly, Grundig Soundbar home theater system commissioned at the second half of the year gained the appreciation of the consumers with its 3D surround feature and high bass power.

In Telecom industry, as a result of the increase in smart cell phones and large screen models, the market achieved a growth of 30% in 2014. Arçelik A.Ş. had an important leap as a sales channel and managed to increase its sales in terms of units for 2 times and in terms of turnover for 3 times. Marketing investments and process improvements made on supply chain side along with the brand collaborations were effective in this leap and growth.



Arçelik

The expert brand of Turkish durable consumer goods industry that has leadership, environmental friendliness, innovativeness design and technologic superiority, Arçelik was chosen as "Lovemark" in 2014 both in white goods and consumer electronic categories as for the last 7 years. Besides, Arçelik was granted "Lovemark" title also in category independent evaluation made for the first time in 2014. Being the first name to come to mind when it is asked the number one "brand" in Turkey. Arçelik supported its worldwide expressions with its energy efficient products and maintained its leadership in energy saving lane with its products respectful of nature.

Concentrating on the sustainability of its power and positive image by investing in its own values, Arçelik conducts studies to strengthen the perception in trust – innovation – technology – design in that direction. Arçelik proved to be a reliable brand. Technology has always been its priority and will continue to be that way. Proving its assertion in the design after Çeliknaz was introduced to our lives, Arçelik continues its accelerated efforts in that field since 2012. Achievements gained as a result of the innovative products and communication efforts prove that the perception of "it's worth to pay more" coming along with the design makes the increase in the brand value sustainable.

First example for that in 2014 was the highly important collaboration with Patricia Urquiola who was granted many international awards and selected as the designer of the year for many times. Arçelik became the first brand to make collaboration with a designer in the industry. Having a deserved reputation with trends and exceptional designs it created around the world, Patricia Urquiola is an artist who became famous with the products she designed for many worldwide known brands. The artist made her first designs in home technologies for Arçelik and brought Arçelik a step forward with "Leisure Built-in Series" carried into effect. Arçelik continues to create difference in built-in products with Leisure Built-in Series that adds elegance and prestige to the kitchens.

Second action of Arçelik to gain more strength in 2014 was to bring the subject of environment and energy efficiency that is indispensable for the industry to the communication over the next generations with an emotional tone. Arçelik used the slogan of "We Design Future with Love" for its world record holder products.

Within the scope of third action, Arçelik continued to be the leader brand of cooking platform with TV show entitled as "Magical Tastes".

Arçelik strengthened its assertion in technology and design also in 2014 with its innovative products and campaigns making "the first" and "the best":

'Arçelik Ultra HD TV' comes into prominence with its 8 times more realistic image quality than HD.

Amusing with its power and silence, the most silent vacuum bag sweeper with high suction power in its class was launched through "Arçelik Tornado Series" with its silent storm technology and acoustic design.

Thanks to the "Arçelik Ice Cream Machine", a refrigerator that makes ice cream, you can have fresh, pure and special ice creams.

Through the Changing Campaign that was the greatest renewal action in Turkey, old white goods or televisions regardless of their brands were picked up and replaced with the new products.

Arçelik played active roles in digital world in order to have good relations with the consumers out of the stores. Especially, mothers and their children came together for Mother's Day as a surprise on TVs on the windows of Arçelik stores and it achieved 8.7 million views in only 1 week on digital platform.

Beko

In 2014, Beko continued its strong growth and experienced successful changes. Centering around the change inspired by the consumers, Beko renewed its logo by opening a brand new and very special page. Furthermore, it became the sponsors of Barcelona and Beşiktaş football clubs.

Beko is inspired by the changing needs, insights and life styles of the people and continues to provide technologies, environmentally friendly products to the people with the best and advantageous and smart solutions and to make the life easier and continues its steady growth in global scale.

Beko maintained its position as the second largest brand in European market and added freestanding white goods market of Poland to its leadership in the white goods market of England ongoing for years. Finally, Beko became the leader in France freestanding white goods market in the first half of 2014 and the fastest growing brand of the market by increasing its market share for more than two times in the last five years in Germany that is the greatest white goods market of Europe.

Beko crowned its success by becoming the "White Goods Brand Increasing Its Reputation Most" in the research of "2014 Reputation and Brand Value Performance Evaluation" in "The One Marketing Awards".

Beko continues its activities as a successful brand that is preferred by 440 million of people in more than 100 countries.





Grundig

Grundig takes steps towards being an electronics brand preferred by consumers, especially by young consumers, with its products suitable to technology trends of today. Grundig draws attention particularly with its tablet and notebook models. With 21 mm width and 1.8 kg weight, "Grundig Slimbook" laptop having reasonable price and aesthetic look, it created difference from equivalent products in competition. Communication efforts concerning Slimbook series increased sales of other models, as well.

"Grundig Style Tab Tablet Family" in electronic product range is up for being most convenient multimedia friend of children. Web, videos, photos, applications and many more things can be taken everywhere with Grundig Style Tab Family. Most convenient Google applications are offered with their licenses. Gmail, Google Maps, YouTube as well as thousands of free applications, games, books and music are available for easy use.

Grundig 8"GTB 790, 10"GTB 1010 and 11.6" Grundig Duo models were launched in the market with "Grundig Tablet Family" slogan and introduced to consumers that seek alternative products in each size. Touch screen quality, Ips screen saturation, upgradeable memory and performance of products created difference from their rivals and ensured their easy prominence.

Besides, "11.6" Grundig Duo "GNB 1160 CV B8" and "GNB 1161 CV i3" are ideal products for consumers seeking both a tablet and a laptop. With its detachable keyboard with 7 mm thickness and touch screen pen option, they are first tablets with Windows 8 and have a memory upgradeable to 32 GB. Grundig included "GNB 1150 Trendbook" in its notebook product range in 2014 and achieved a successful sales graphic through a new product in 11.6" screen.

Through Grundig Notebook change campaign conducted in October, it increased its performance by 71% compared to 2013 in retail sales. Furthermore, it also ensured increase in price index.

Grundig had a successful year again in 2014 as always with its Audio products that were newly added to the product range of audio systems. It makes consumers live new experiences with Bluetooth wireless sound systems GSB 500, GSB 120 and black and white Soundbar Home Theater GSB 800. TR 1200, table radio with retro design, created difference and appreciation with its four color options.

Especially for reaching young people, its main target; Grundig started a Facebook page in social media and ensured constant communication. Furthermore, "Fenerbahçe Men's Volleyball Team Sponsorship", which started in 2011, continued in 2013-2014 season as well.

In 2014, Grundig extended its name sponsorship with Fenerbahçe Women's Volleyball Team and sponsorship with Fenerbahçe Men's Volleyball Team for 1 year. Both team won CEV European Cups in 2014 and added a new one to their international successes.

In 2014, Grundig actively participated in traditional KoçFest activities that are ongoing for 9 years and a good communication was ensured with young people through entertainment, sport organizations and concerts held in 6 universities.

Through Grundig Brand Ambassadors Project initiated in 2014, direct communication was ensured with the young people that are the main target group of the brand in 7 provinces and 15 universities and an opportunity was obtained to introduce Grundig brand and its product range within universities more actively.

Manufactured with superior technologies, Arçelik A.Ş.'s products and services originate from 14 manufacturing plants in Turkey, Romania, Russia, China and South Africa and meet millions of consumers in over 130 countries.

Having the goal of developing and offering environmentally friendly, efficient, innovative in terms of technology and design, easy-use products in line with its "Sustainable Development" approach, Arçelik A.Ş. carries out efforts to fulfill its responsibilities concerning solutions for issues threatening the future such as "global warming", "decreasing natural resources" and "lack of water". Resource saving is one of issues of top priority for Arçelik A.Ş. in its product development processes.

Controlling environmental effects of products during their life cycles in Arçelik A.Ş. is approached as a process starting from designing step. For this purpose; units carrying out R&D and industrial design activities also carry out efforts concerning design of products, technology, product developing and product enhancement in Arçelik A.Ş.

Realizing cost-decreasing, quality and process enhancement projects and increasing its competitive superiority with its elastic manufacturing structure, Arçelik A.Ş. has a manufacturing technology and quality in international standards in its plants. It manages its processes managed on the basis of "Total Quality" philosophy in line with Quality Management, Environmental Management System, Energy Management System, Occupational Health and Safety Management Systems.

Arçelik A.Ş.'s all manufacturing plants operating in Turkey, Romania, Russia and China have ISO 9001, ISO 14001 and ISO 50001 certificates. Greenhouse gas inventory emitted from Company's headquarter and manufacturing campuses in Turkey is calculated in accordance with ISO 14064-1 Greenhouse Gas Emission Standard and audited and certified by an independent organization.

As a result of the efforts made by Arçelik A.Ş. in energy efficiency field, 9 manufacturing plants in total, were awarded with "Platinum" certificate top level in "Energy Efficient Green Factories".

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

- | | |
|---|---|
|  Refrigerator Plant - Eskişehir, Turkey |  Electric Motors Plant - Çerkezköy/ Tekirdağ, Turkey |
|  Cooking Appliances Plant - Bolu, Turkey |  Arctic Cooling Appliances Plant - Gaesti, Romania |
|  Dishwasher Plant - Ankara, Turkey |  Washing Machine Plant - Changzou, China |
|  Washing Machine Plant - Çayırova/İstanbul, Turkey |  Refrigerator and Washing Machine Plant - Kirzhach, Russia |
|  Tumble Dryer Plant - Çerkezköy/Tekirdağ, Turkey |  Cooking Appliances and Tumble Dryer Plant - Jacobs, S. Africa |
|  Electronics Plant - Beylikdüzü/İstanbul, Turkey |  Cooling Appliances Plant - Ezakheni, Ladysmith, S. Africa |
|  Compressor Plant - Eskişehir, Turkey |  Refrigerator Plant - East London, S. Africa |



With the goal of developing and offering adding value to customers, leading, innovative and environmentally friendly products and solutions, one of the most important foundations for Arçelik A.Ş. to achieve these goals is that it has a full command of its own product and technology. Arçelik A.Ş. R&D Department was established in 1991 with foresight, belief and support of the top management of Koç Holding and Arçelik A.Ş. Today, there are over 1000 employees in seven different R&D centers and METU Technopark and Taiwan R&D offices.

As a consequence of our efforts for 23 years; we continue to develop environment friendly and innovative products that improve the life standards; deliver "the best" and "the first", and produce the most silent, least energy and water consuming products in the world.

Besides, creating processes in which we can develop innovative ideas to develop environment friendly, easy to use and comforting products and technologies in compliance with the expectations of different users and emerging standards, offer products and services beyond the expectations by visiting the consumers even in their homes and observing their living habits is an important part of our R&D and innovation vision.

Innovation

Arçelik A.Ş. has always been the leader of innovation with its products and services since its establishment in 1955. Innovation has been the key strategy of our goal for sustainable growth from past to present. In parallel with this strategy, there are many innovation examples in all processes of the company. Innovation activities are

conducted by always focusing on the customer. We develop "the first" and "the best" products in the world with product innovation. We are developing products with new features, and different life facilitating products and services for different consumer habits and different standards in different regions of the world. By establishing collaborations with universities and public institutions in our technology development activities, we can make multi-directional moves in our innovation processes and achieve faster and more effective results. We play active role in platforms supporting the innovation and we are partners of many important organizations regarding innovation both in Turkey and abroad. We care about "Open Innovation" as a part of our mission and accordingly we actualize innovation with all our stakeholders, particularly with our customers and suppliers.

Innovation is at the heart of our company. Innovation processes are a part of our culture and daily lives. Innovation process is adopted by all of our employees from the top management to the sales units, which are in face-to-face contact with the customers, as an important part of company culture. We established Innovation Directorate through an organizational structuring in 2014.

The ongoing activities for years and the results we have achieved in the field of innovation are crowned with three important awards in "Turkey Innovation Week" organized for the third time by Turkish Exporters Assembly in 2014. Arçelik A.Ş. was granted "R&D Leadership" and "Leadership in Technology Development" awards in this organization and became the first in the category of "Innovation Strategy" in InovaLIG Innovation Leaders Program Award Ceremony, the first innovation development program.





Intellectual Property Rights

Arçelik A.Ş. is a leader company in Turkey that creates its own technology and protects its own technology with patent applications. In the list issued by Turkish Patent Institute, our company has been ranked "Patent Champion" by far for years. Having an active role in development of R&D culture in Turkey, Arçelik A.Ş. maintains its R&D activities in our country and in the world successfully.

With its annual traditional "Invention Day", Arçelik A.Ş. awarded 387 inventors that succeed in manufacturing technology and developing innovative products in 2014 as well. Invention Day has been held for 16 years as an activity where Arçelik A.Ş. emphasizes the importance it attaches to R&D efforts.

Protecting its inventions with patent applications, Arçelik A.Ş. still has more than one out of three international patent applications made to World Intellectual Property Organization from Turkey. It continues to be the only Turkish company listed in top 200 of "top 500 company" list published by World Intellectual Property Organization with those patent applications for the last five years. According to 2011, 2012 and 2013 Annual Reports of European Patent Organization (EPO), half of applications from Turkey patented by EPO belong to Arçelik A.Ş.

Arçelik A.Ş. protects its technological expertise with inventions and patent applications while it shares its efforts with public through conferences and by publishing in scientific magazines. The company published many studies in national and international magazines, conferences and seminars in 2014 as well.

White Goods and Built-in Products

We continue to offer "The best" and "The first" products and services to our consumers in our existing markets for sustainable leadership. With its environment friendly and energy efficient products manufactured as a result of R&D efforts, Arçelik A.Ş. maintained its position on the front line against the competitors in this activity year.

In IFA, one of the most important consumer electronics fairs, organized in Germany in September, 2014; the innovative products such as washing machine with CoolHygiene® technology providing 70% energy saving and perfect hygiene even under 20°C, dishwasher with Auto GlassShield® technology prolonging the lives of glasses for more than 20 times, refrigerator with Everfresh+® chamber providing freshness up to 30 days, refrigerator with HomeCream® icecream maker, television with Babywatch and Voice Remote features were introduced to the consumers.

Innovative Dishwasher: Having been designed to prevent the unpleasant smells due to keeping the dirty dishes inside the dishwasher, the mass production of IonFresh technology has started. Additionally, self-cleaning filter system (a first in the world) has been extended in usage. This system enables the filter to clean itself automatically and increases the washing performance and ease of use. Aquaintense fan is designed to create intense washing area to ensure that heavy dirty dishes are cleaned with high performance. This product was also exhibited in IFA 2014 fair.

Air cooled washer dryer: As a result of studies on washing and drying machine with 9 kg washing, 6 kg drying capacity, energy consumption was reduced to A-10%, water repellent finishing feature is developed even more, bringing stain-repellent and softness features. This product was also exhibited in IFA 2014 fair.

Heat pump dryer consuming the least energy in the world: Drying machine that has inverter compressor heat pump technology and that uses 10% less energy than A+++ energy class was exhibited in IFA 2014. This product is one of the least energy consuming dryers of the world in 8 kg class.

Most silent washing machine in the world: Tested by VDE, the 1200 RPM washing machine with 8 kg capacity. It's determined to be the product with the lowest noise level measured by VDE in this class until now. This product maintained its position as the most silent machine of the world among the products with 1200 RPM 8 kg capacity in 2014 as well. As a result of the activities conducted on this machine with Dresden University and SLG (Germany), "A" Level Sound Quality was reached for the first time in the world in both washing and spinning steps in 2014.

Most silent condensing dryer in the world: Our condensing dryer, which is considered as "The Most Silent dryer of the World" with 60 dBA was measured by SLG institute and certified with "A" Level Sound Quality for the first time in the world as a result of the activities conducted in 2014 and exhibited in IFA 2014.

Innovative built-in oven: As a result of the efforts made in 2014, built-in ovens with A+ class according to the new oven energy regulation and A++ class that is the lowest energy consumption level in the world are developed and approved by VDE. We maintain our title as "The Most Silent Oven in the World" with 41 dBA noise level. Accessories and algorithms were developed for yogurt making and fresh cheese making (a first for ovens) in household type ovens and introduced in IFA 2014 fair.

Innovative refrigerator: In 2014, the activities continued for No-Frost combi refrigerator having A+++ - 20% energy index value which was brought to A+++ - 30% energy level. Along with this product, static combi refrigerator having

A+++ -30% energy index value and Side by Side products with A+++ energy level were exhibited in IFA 2014 fair. Our products (which are the least energy consuming No-Frost and static combi models in the world) consume 72% less energy than A class and contain vacuum insulation panel, variable-speed compressor and advanced heat exchangers.

Our EverFresh vegetable feature, which extends the food shelf life up to three times, is introduced to the consumers in 2014. This feature was initially intended for a single product, and now studies have been completed for extending its usage to two-door products as well.

Another important output of the activities conducted in energy efficiency in 2014 was the completion of efforts of development of hermetic compressors with coefficient of performance for cooling (COP) 2.04 W/W. Prototypes were prepared and the value of 2.04 W/W was achieved in interior measurements. With this COP value obtained in standard ASHRAE (American Society of Heating Refrigeration and Air Conditioning Engineers) declaration conditions, world's most energy efficient compressor prototype has been prepared.

Reducing the noise level, which is becoming more important in the field of refrigerators, are among the subjects taken under action in 2014. In addition to reducing the noise level, noise quality that the consumers face during usage is also an important parameter. With the activities performed in 2014 with Dresden University and SLG on this matter, the static combi refrigerators with a capacity that exceeds 350 L has reached "A" Level Sound Quality for the first time in the world, they have been certified and introduced to the visitors of IFA 2014 fair.



Consumer Electronics

In parallel with the developments in product and manufacturing technologies in the world, Arçelik A.Ş. Electronics Plant accelerated its new product development activities and new manufacturing technologies investments also in 2014.

In line with the new technologies in electronics industry, the first BMS (Backlight Module System) televisions (which are our own design) in low and intermediate end levels of 22", 28", 32", 40", 48" screen sizes were introduced. Smart TV feature was included in the low end products of 40", 48" screen sizes from the same frame family. For the first time in 40", 48" screen sizes, BMS 3D TVs were introduced.

Thin D-LED, 3D, Full HD and Smart products in 42", 48", 49", 55" screen sizes were introduced in middle and top segments whereas new frames with 48" and 55" screen sizes are introduced as Ultra HD instead of Full HD in top segment. In parallel with the increase in the design competence in this field, the second BMS panel production line was commissioned last year to increase the capacity in manufacturing plants. As of the at the end of activity year, usage ratio of BMS panels in the televisions manufactured in Electronics Plant has reached to around 85% and it's foreseen to exceed 95% within the next year.

In order to compete in Ultra HD (3840x2160) resolution market, Arçelik A.Ş. has developed the first Ultra HD television with HDMI 2.0 support and dual-core processor. At the same time our products are given the capability of 60 fps video streaming and a new feature called "live sharing", which enables sending an image on smartphone or tablet to TV wirelessly.

Fan Cloud app introduced in Arçelik App Store within the scope of the project drew attention of sports fans. TV users are provided with support for Netflix, a popular Video on Demand (VoD) service in Europe. "Snap and Store" app enabling the sharing of an image on the screen developed within the scope of this project and "My TV Cloud" app enabling that TV audience play the videos and images uploaded to the cloud are also introduced in Arçelik Application Store.



Following the developments in panel technologies closely, Arçelik A.Ş. exhibited 55" (OLED) and 65" (LED) curved TV prototypes in IFA fair and these products were highly appreciated by the consumers.

Smart Home/Connected Home projects aiming to enable the communication of devices like dishwasher, refrigerator, washing machine, dryer, oven, coffee machine used at home in line with the demands of customers, technologies and new trends again in electronics industry are being developed by METU Technopark R&D Office.

Our EMV based integrated EFT-POS cash register product range still used commonly in cash register devices in which we are the market leaders will be supported with a new model with smaller form factor and touch screen user interface. NFC contactless payment feature and Wi-Fi/Bluetooth wireless connection to external devices are added.

Activities intended for increasing the number of bank/financial institutions included in the system and to enable EFT-POS cash registers to operate safely over Arçelik TSM (Trusted Service Manager) are still ongoing. Compared to the competitors, we are currently the leaders with 16 bank applications.



Innovation and Collaborations

Arçelik A.Ş. also makes long-term strategic collaborations with over 50 national and international universities and research centers. Adopting open innovation principles, the company sets the pace for the other companies in Turkey with its practices in this field for many years.

Arçelik A.Ş. continues to strengthen its R&D activities in international levels through various projects, platforms and funds and plays active roles in organizations. Arçelik A.Ş. actively participates in the innovative projects platform of EU for many years. By increasing the number international collaborations, the company maintained its leading position in Horizon 2020 Program and EUREKA programs.

Arçelik A.Ş. became the company having the highest number of projects in Turkish private sector in the 7th Framework Program with 12 projects on progress and completed. On the other hand, the project titled as "Falcon - Feedback mechanisms across the life cycle for customer-driven optimization of innovative product-service design" and "ProRegio - Customer-driven design of product-services and production networks to adapt to regional market requirements" in which Arçelik A.Ş. also took place under the title of FoF (Factories of Future) in Horizon 2020 newly started by EU were entitled for EU support. It's planned to start the projects as of 2015. Besides, we have started three projects, namely "UltraHD4U-Television with 4K Ultra High Resolution From End to End for Europe", "SHINE - Development of Inner Surface Coating with Heat Reflector to Reduce Energy Consumption in Ovens" and M2M Grids Project - Intermachine Cyber-Physical Information Ecosystem" accepted in Eureka program in 2014.

The company became the member of STIM consortium (Strategic Technology and Innovation Management Consortium) within Cambridge University in 2014. Through this membership, it was aimed to expand the research and collaboration network with member companies in the consortium and technology management center in Cambridge University.

Awards and Events

Arçelik A.Ş. is given "R&D Leadership" and "Leadership in Technology Development" awards within the scope of the Third Turkey Innovation Week organized by Turkish Exporters' Association in 2014. Arçelik A.Ş. was also ranked number one under "Innovation Strategy" category in InovaLIG Innovation Leaders Program Award Ceremony, the first innovation development program organized on the third day of the event, and received "Innovation Strategy" award.

Arçelik A.Ş. was granted "Innovation Grand Prize" in "Young Turkey Summit" organized with strategic partnership and collaboration of Yıldız Technical University, T.R. The Ministry of Youth and Sports, T.R. The Ministry of Science, Industry and Technology, Istanbul Metropolitan Municipality, Turkish Exporter's Association and Istanbul Chamber of Industry under the theme of "Think Innovative, Manage Future" with the participation of 3 thousands students from the universities in 81 provinces of Turkey and 165 countries.

Arçelik won the "Jury Special Award" with the "Enhanced Interface and Multitasking-Enabled Network LED TV (Enhanced Connected TV)" within the scope of the 12th Innovation and Creativity Awards organized by TESİD in 2014.



Arçelik A.Ş. was granted two awards in "Energy Efficiency in the Industry" (SENVER) Project Contest organized each year by the Ministry of Energy and Natural Resources in Energy Efficiency Forum and Fair, one of the most important events in Energy Efficiency Week. Arçelik A.Ş. was granted "The Most Efficient Product" (EVU) award with "A+++10% dryer" under the category of "The Most Efficient Product" (EVU) and Jury's Special Award with Dishwasher Plant under the category of "The Most Efficient Industrial Plant" (EVET).

Apart from these awards and successes, the company participated in many events in 2014 and exchanged information and experience within R&D and innovation ecosystem. Some of them are as follows:

January 2014, German-Turkish Year of Education, Research and Innovation Opening Event: During the event in which Mr. Fikri Işık, The Minister of Science, Industry and Technology and Mr. Prof. Dr. Johanna Wanka, The Minister of Training and Research in Federal Republic of Germany also participated, Arçelik A.Ş. R&D Director Cem Kural on behalf of Arçelik A.Ş. and Turkish industry made a representation with a theme of "R&D Trends in a Developing Country".

March 2014, Workshop for Performance Evaluation of R&D Centers and Collaboration with Technology Transfer Offices, Kocaeli: Arçelik A.Ş. was given the most successful R&D Center Award in the durable consumer goods industry in the event, which was opened by Fikri Işık, the Ministry of Science, Industry and Technology.

March 2014, Future Internet Assembly (FIA), Athens: Arçelik A.Ş. participated in the congress with ROMEO project. Demonstrations of the solutions developed through the project activities were exhibited in ROMEO project stand in congress exhibition area and the solutions were shared with the visitors.

April 2014, R&D Advisory Board Meeting: The second step of the event which we organized in 2013 for the first time with the participation of academicians from different countries in 2014 where information was exchanged regarding the technologies required to focus on in short, medium and long term.

April 2014, 1st European Conference on the Future Internet, Brussels: 1st European Conference on the Future Internet was organized in Brussels. Arçelik A.Ş. was participated in conference organization committee and also exhibited its projects in the exhibition area during the conference.

May 2014, 7th National Congress of University Industry Collaboration Centers Platform, Kayseri: In the event organized in the campus of Erciyes University, Arçelik R&D Director Cem Kural participated in the panel themed Technological Entrepreneurship as speaker.

May 2014, ITEA3 Kick Off Event, Izmir: Arçelik A.Ş. participated in the event with Enterprise Testimonial presentation. During the presentation, experiences regarding EUREKA projects in which Arçelik Electronics Enterprise R&D Center participated were shared and information was provided for participation in the projects and methods required to be followed in ITEA3 cluster activities particularly.

September 2014, ITEA3 Project Days, Amsterdam: The company participated in ITEA3 project ASSUME consortium presented in project draft preparation days.

September 2014, 2nd European Conference on the Future Internet, Munich: Arçelik A.Ş. exhibited EU 7th FP project in the exhibition area during the conference. In this context, ROMEO project solutions were shared with the visitors during the conference and detailed information was provided regarding the subject.

September-November 2014, Fraunhofer Turkish-German Days, Istanbul, Nuremberg, Stuttgart: It's organized to start a new and sustainable German-Turkish R&D collaboration, partnerships and practice-based project besides information and experience exchange and increasing the innovation speed in both countries. Key subjects of Fraunhofer Turkish-German Days were innovative materials, digital life, internet of things, communication and built-in systems, R&D, Production, Industry 4.0 and City of Future. Arçelik A.Ş. R&D teams were represented with a wide participation in the events held in different cities in Germany and Istanbul and sessions were organized on potential collaborations, common project building.

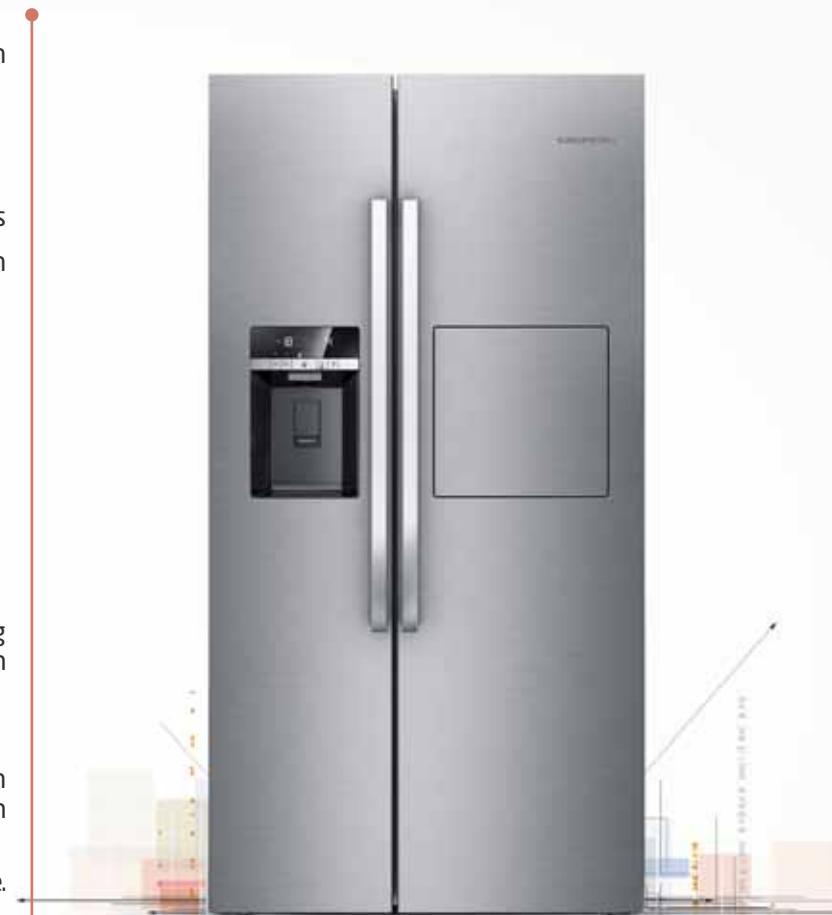
October 2014, ICT Proposer's Day 2014, Florence: ICT Proposer's Day 2014 event was organized by Italy holding the presidency of EU and European Commission in Florence in October, 2014. In the event, Arçelik A.Ş. participated in the public and private section collaboration for the Internet of future project exhibition area with its Flspace and ROMEO projects. Here, meetings were held for both new collaborations and project partnerships and information was provided regarding the projects to the visitors.

November 2014, NESSI Member's and International Cooperation Day, Barcelona: NESSI Member's and International Cooperation Day was held in Barcelona with 110 participants from 36 countries. In order to participate in the project proposals to be prepared for the calls within the scope of Horizon 2020 program, Arçelik A.Ş. had mutual discussions with the participants regarding the subjects during the event.



"Side-by-side No-Frost Refrigerator with Glass Water Tank"

- Glass water tank with 2.8 liter capacity that prevents smell/bacterial growth while feeding ice machine and water source.
- Automatic ice machine covering lower volumes in freezing section with its thin design
- Water/Ice dispenser
- Through electronic control panel;
 - Capability to separately adjust the temperature of compartments
 - "Eco Fuzzy" function enabling additional energy saving when the refrigerator is not used
 - Open door alarm
- A++ class energy performance
- Large volume with 640 liters.
- White LED lighting.
- New No-Frost system;
 - Faster cooling and freezing, longer storage periods for foods thanks to higher humidity in fresh food section.
 - Preventing the mixture of smells in fresh food and freezing sections and ensuring the protection of the foods in the fresh food 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.
 - Antibacterial odour filter system preventing the smell occurrence.
 - Ionizer system that eliminates airborne bacteria in refrigerator and extends the lifespan of food with fresh air. (ion+)



Ionfresh, First Dishwasher In The World That Prevents Unpleasant Smells From Developing Without Using Any Harmful Gases Or Chemicals

- Aesthetic appearance with white screen touch pad system and design
- Energy saving with A+++ energy consumption
- Ionizer system integrated with special fan dryer system eliminating the unpleasant smells arising from the dirty dishes kept in the machine
- Thanks to the ionizer system, prevention of the unpleasant smells in the machine by ion loaded air, wrapping the unpleasant smell molecules, increasing the molecule weights, absorbing their energies and decreasing the movement capabilities
- The feature of operating for three minutes per hour as long as there is power, preventing unpleasant smells and creating a sense of freshness
- When necessary, activating or deactivating with the function button
- Intense washing performance in a short time with express function





65"- 55" Finearts TV

- 4K UHD 3840x2160 resolution
- HDMI 2.0
- HDCP 2.2
- Dual CI+ 1.3
- Dolby Stereo
- Dual-core CPU
- Triple tuner
- The ability to watch HD digital terrestrial, cable and satellite broadcasts without requiring additional box thanks to DVB T2/C/S2 feature
- The ability to connect to the internet and applications with Smart Inter@ctive TV feature
- The ability to connect to different internet sites over TV with "Open browser" feature
- Fan Cloud (football app) on TV-specific app store
- Netflix support
- Linux Operating System

Washing Machine and Dryer

- Wide LCD screens, touch buttons and new technology using interfaces with audio feedback
- Aesthetic appearances suited to trends and brand characters.

Washing Machine

- Product technology that adjust liquid detergent amount and washing program automatically according to the laundry type, amount and dirt level,
- Inverter Motor Technology providing high energy efficiency and lifespan performance,
- Special washing programs tested by independent institutions providing hygiene and special textile care; Delicate-20, Hygiene-20, Woolmark approved wool program,
- Washing capacities of 10 kg and 11 kg,
- Washing machine with 8 kg 1200 RPM capacity having 45/66dBA noise level certified by German SLG institute with "A" noise quality.

Dryer

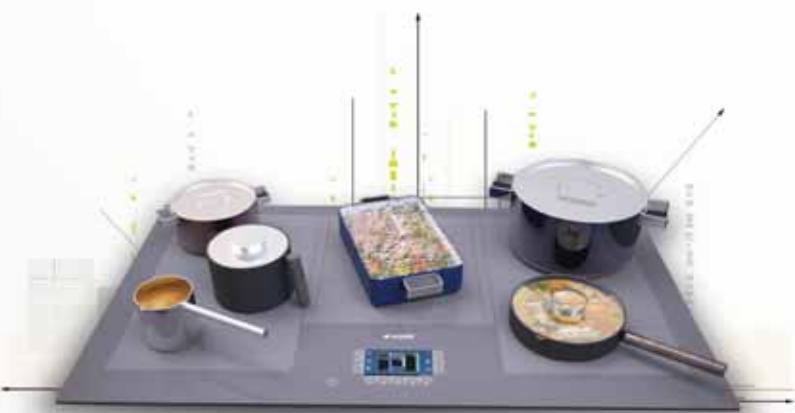
- Heat pump Dryer with 7 kg capacity and A++ energy class with a depth of 54 cm, a first in the world,
- Innovative products that shine out with quiet product feature;
 - In 8 kg condensing products segment; variable-speed brushless motor technology and 60 dBA sound level that shines out with special isolation design and certified by German SLG institute with "A" noise quality,
 - 58 dBA sound level that will create competition in the market with "Quiet" program that has brushless motor technology,
- Special textile program providing woolen product drying feature,
- Tank full, filter cleaning, child lock warning icons and ease of use with auto anti-crease feature.





Divide&Cook Built-in Oven

- With its special divider that simply separate the oven in three different-sized cavities, while managing the cooking times and temperatures separately.
- The temperature of the upper and lower cavities can be set with a difference as big as 70°C.
- The divider allows for up to three different sized cavities on a single oven.
- Saves time and energy. Save up to 40% of your time and energy on cooking when cooking in a smaller cavity for a smaller dish.
- Multi-function Built-in Oven with 13 cooking functions.
- Provides opportunity to cook pizza in 5 minutes by using pizza stone accessory with pizza cooking function under special high temperature.
- Programmable animated text LC display.
- Automatic cooking menus.
- 2-level telescopic system.
- Interior lighting with 2 square halogen lamps.
- Easy clean grey enamel.
- "Oleophotic Nano Clean Zone" for full glass inner door.
- Minimum energy consumption with A energy class.
- 80 lt. usable oven cavity.



90 cm Built-in Induction Hob

- Provides a cooking area of 90 cm.
- Individually controllable induction zones up to 11 by adjusting according to different cooking times and temperatures.
- Provides opportunity to cook in different sizes of pans and pots, 11 cooking zones can be combined to create larger cooking areas.
- Thanks to Full-color TFT LCD screen, precise temperature setting can be made easily for each induction zones.
- 18 different level temperature setting for each cooking zone.
- Booster function for quick heating.
- Automatic pan recognition.
- Electronic child lock.
- Residual heat indicator.
- Overflow safety.
- Automatic shut-off.
- Overheat safety system.
- Cleaning lock.
- Color: Zara gray.



Supply Chain

The importance of integrating a secure supply chain approach into the company's management systems has been recognized to be able to secure our international deliveries against unlawful interferences; to become an unpreferred company with deterrent measures; to protect our employees, products and brands, and to maintain the supply chain continuity.

It was decided to strengthen our operational efforts with ISO 28000 Security Management Systems for Supply Chain and integrate the approach into our way of doing business. The activities started in January 2014 under this decision were completed in November 2014 with external audits performed in Çayırova Supply Chain Headquarters, Ankara, Beylikdüzü, Bolu, Çayırova, Çerkezköy, Eskişehir, Pelitli Finished Product Warehouses and relevant campuses. This process, in which we have put forward our vision at the top level with our ISO 28000 policy, is managed through risk analysis, objectives, goals and action plans.

Our operational processes are reinforced with job definitions, trainings, documentation, action plans, communication channels and physical investments. All export storage and shipment areas can be monitored 24/7 for proactive response through camera, alarm and access control systems. Through updated contracts and inspections, transport companies that are responsible for our deliveries have been included in the process and their progress is being monitored. A management system based on continuous improvement has been established by creating feedback mechanism at each stage with performance measurement and monitoring, system evaluation, corrective and preventive actions, internal audit and management review processes. As a result of the audits, Arçelik A.Ş. Supply Chain was entitled to obtain ISO 28000 Security Management Systems for Supply Chain Certificate in finished product storage and transport processes for export operations and became the first company to have accredited ISO 28000 certificate in Turkey.

Activities were conducted to spread Arçelik standards and good practices in supply chain implementations of our developing global organization. Supply chain infrastructure analyses were performed for new markets to be entered by Arçelik and projects were put into practice so as to meet Arçelik standards in such markets. Improvements were made in logistics processes (storage, transport etc.) of Group companies and foreign manufacturing plants through the projects aiming to increase customer service level and reduce logistics costs in 2014.

As of March 2014, Arçelik A.Ş.. was entitled to "Authorized Economic Operator Certificate", which is given to persons or entities who are deemed trustworthy in Turkey as per the standards pursuant to "Regulations on Facilitation of Customs Proceedings" issued by the Ministry of Customs and Trade. With this certificate, it was allowed to finalize the customs procedures without going to Customs Administration in Turkey and perform the customs procedures in foreign

countries more faster and only with declaration through mutual agreements and thus the company became stronger in international competition.

ISO 27001 Information Security Management System Certificate was also obtained as a prerequisite for Authorized Economic Operator Certificate. Our efforts in the field of information security have been strengthened through this certificate, which is obtained to manage any kind of risks against our business continuity and information assets of Arçelik.

Dealer Shared Warehouses were introduced in 2014 in Diyarbakır and İstanbul European side in addition to the previous ones. In Dealer Shared Warehouses; more rapid, more flexible and more qualified services are offered to consumers.

With "Automatic Loading-Unloading" systems installed between plant and distribution warehouses, loading-unloading and shipment times were shortened, and cost saving was achieved.

It was ensured that multi-modal systems are being used for export transports other than maritime and usage rates are increasing day by day. Apart from traditional transportation methods, this is based on the efficient and joint use of maritime, land and railways for a single transport to create efficiency and save time. For pre-transportation, to be able to have shorter two-way transportation of containers between warehouses and ports, it was aimed to have warehouse practices that are closer to the ports which are supplied by one way shipments from other warehouses.

On Time In Full delivery ratios used for measuring customer service levels are still accepted as "the best" in the industry also in 2014.

Global Purchase

It can clearly be seen that we continue our growth and strengthen our global position in the industry as Arçelik A.Ş. Impact of global purchase organization, powerful supplier network and the ecosystem established by them for years is great for Arçelik A.Ş. to reach this position.

In parallel with rapid growth and increase in the number of manufacturing locations, Arçelik A.Ş. Purchase, headquartered in İstanbul, has a global purchase organization that has purchasing offices in 6 different countries with 150 employees.

With our global purchase structure; developments in raw material markets, changes in parity values in locations where we supply and manufacture materials, local economic fluctuations and customs legislation changes affect our material costs and competitiveness of Arçelik A.Ş. considerably. Interpreting these impact areas correctly and taking correct actions is becoming more important every day.



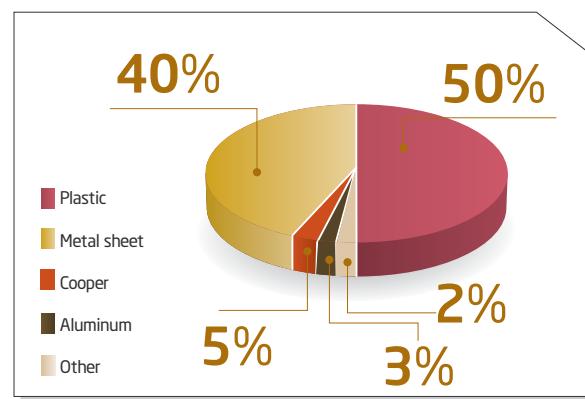
Raw Material

Raw material market prices that were stable in the first half of 2014 tended to decrease in the second half of the year. Purchase contract terms are dynamically managed against price changes by tracking changes in commodity markets closely. Additionally, sustainability of our competitive cost structure was maintained as a result of increasing purchase from low-cost regions.

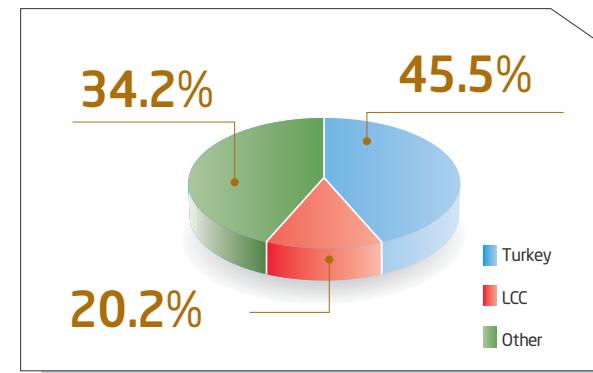
Raw Material Market Index



Raw Material Cost Breakdown



Rate of Material Purchase from Low Cost Countries



Sustainable Purchase

In line with "Respects the Globe, Respected Globally" vision of Arçelik A.Ş., our activities are carried out with a sustainable approach and respect people and environment. Environment and human rights gained importance as much as economic data. Arçelik A.Ş. is aware of its responsibilities regarding its suppliers for a Sustainable Purchase. In this sense, the company informs and inspects its suppliers in every platform.

Purchase department receives positive scores in sustainability index evaluations conducted by independent companies and takes necessary actions for development activities. In 2014, the company made a pilot business ethics audit with an independent auditing institution to develop business ethics audits particularly for suppliers. Business ethics audits will continue in 2015 as well.

From the beginning of the collaboration between Arçelik A.Ş. and suppliers, our environment and business ethics requirements for the suppliers are shared in Arçelik Suppliers Portal (www.supplier.arcelik.com), Arçelik A.Ş.'s corporate website (http://www.arcelikas.com/page/866/Workplace_Code_of_Conduct) and contracts, and self-assessment is performed for the suppliers in terms of environment and business ethics. We take Business Ethics and Environment into account in audits of our suppliers and in 2014, 234 suppliers were audited in total.

By getting support from an accredited foreign institution, which is expert on purchasing, trainings were planned according to mid- and long-term roadmap in compliance with the business seniorities in Purchase Academy program, covering local and foreign employees. 3000 hours of training were provided in total in 2014 and the trainings will continue in 2015 as well.

Supplier Development Efforts

Supplier development efforts continued increasingly in 2014 and Sub-Industry Development Department provided more support for improvement of infrastructures and technical competences of the suppliers. Within this frame, 1200 visits were made to the suppliers in 2014.

Around 100 suppliers were provided with trainings on various subjects. Trainings included Gage R&R, process competence, time survey, government incentives, energy efficiency and efficiency in manufacturing.

Additionally, development is made within the framework of win-win principle by carrying out efficiency projects in order to improve the quality performance of suppliers with "target based" supplier management method. Within this frame, 140 projects were realized with 90 suppliers in 2014.

The efforts to expand the measurement and evaluation of performance indicators such as quality, logistics, technical competence, cooperation, efficiency etc. of sub-industries continued.

The most important part of our performance-based sub-industry management is supplier rewarding system. In this context, 9 suppliers were granted performance awards and 2 suppliers were granted special awards in 2014.

CIPS (Chartered Institute of Purchasing &Supply) Certificate

Arçelik A.Ş. Purchase Directorate applied to obtain CIPS Corporate Certificate", which is held by around 130 companies in the world in order to ensure the perfection in purchase management and as a result of the audits conducted by CIPS (Chartered Institute of Purchasing &Supply), and the company was entitled to obtain CIPS Corporate Certificate in March, 2014.

Arçelik A.Ş. Purchase Directorate has completed the process in a short time as its current purchasing policies, processes and practice models are at a level to meet the expectations, and became one of the companies obtaining the certificate in the fastest way in CIPS certification process.

During the evaluation made by CIPS company, Arçelik A.Ş. Purchase Processes were examined under 110 different criteria and 5 main groups as "Leadership and Organization", "Strategy", "Human", "Process and Systems" and "Performance Measurement and Management".

Compliance of the suppliers with Business Ethics and the responsibility of Arçelik A.Ş. on the subject were also reviewed in 5 criteria out of 110 and it was evaluated as a successful process.





Consumer Services

The only goal of all the efforts and investments made by Arçelik Call Center is not only to provide the company's customers with a high level of modern service on a 24/7 basis, but also to ensure a smooth dialogue between them and Arçelik, respond to their suggestions 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 a competitive edge over its competitors, 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 has maintained a high level of dialogue with its domestic customers and striven to achieve high levels of customer satisfaction since 1991, has continued to expand its foreign 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. With 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 in all platforms where its customers are.

One of most striking call center social responsibility projects of the previous years is the Home Agent Project. By implementing this project, Arçelik A.Ş. has offered employment opportunities not only to many young people with disabilities, but to those employees who prefer working from their 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 2014, Consumer Services Directorate provided field service with 11,300 personnel, 5,400 of which were technicians and 5,600 vehicles at 533 authorized service locations operating under the authority of 10 regional managements throughout Turkey. Authorized services provide nearly 10.2 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.

The technical staff is certified by the Technical Services and Training Division, which operates under the Consumer Services Directorate. In 2014, totally 350,000 man-hours of training have been provided at home 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 35000 foreign model products that are sold by years. On the other hand, academy formation process is still on progress in foreign countries and training academies in Russia and Spain were commissioned in 2014.

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.

Arçelik A.Ş. Spare Parts Department provides services to our customers with 335,000 different spare parts in total. Each year, spare parts range is increased by about 15,000 units. Although it's not obligatory to provide spare parts service for the products over 10 years as per the law, customer satisfaction was ensured by providing 225,000 services for 13,500 different spare parts in a year. Spare parts planning software was developed and deployed to manage the increasing diversity in our authorized services. This helped us increase the level of providing services to our consumers at one time and increase consumer satisfaction, accordingly. Furthermore, the company helped authorized services make spare part planning and control their stock levels.



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.

As the complement of its activities being performed in economic, social and environmental fields, Arçelik A.Ş. publishes a separate annual report under the name of "Sustainability Report". The report covers sustainable profitability of Arçelik A.Ş. as well as the company's activities performed together with all of its shareholders in the direction of innovative product development and manufacturing approach which is focused on the protection of natural resources, improving social standards, efficient corporate governance, human rights and implementation of ethical principles for business.



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

PART 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 abovementioned 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 Communiqué 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 2014, 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 2014 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 in 2014. 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 27.03.2014. 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 9.28 on a 10 point scale (92.80%) as announced to public under our disclosure of material events on 29.07.2013 and given by Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA), and it was increased to 9.41 on a 10 points scale (94.11%) after the revision performed by SAHA on 23.07.2014. 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	2013 Rating	2014 Rating
Shareholders	8.98	9.50
Public Disclosure and Transparency	9.19	9.63
Stakeholders	9.67	9.60
Board of Directors	9.39	9.11
Total	9.28	9.41

The report issued by SAHA on the corporate governance rating is available on our Company's website at www.arcelikas.com address. In the report dated 23.07.2014, SAHA has made the following assessment:

"Arçelik was graded with the score of 9.41 as a result of Corporate Governance Rating conducted by our company. Considering the importance that Arçelik gives to the corporate governance principles, willingness to execute this as a continuous and dynamic process and improvements realized in that direction, the corporate governance rating score of the company was updated as given above."

Our Company has been included in ISE 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 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-suiting 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, as explained in part 5.1 below, 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.



PART II: SHAREHOLDERS

2.1. Investor Relations Department

Through the resolution of Board of Directors dated 24.06.2014, 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 Fatih Kemal Ebicioğlu and Fatih Kemal Ebicioğlu as the member of Corporate Governance Committee.

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

Name-Surname	Title	Type of License Certificate	License Certificate No.
Fatih Kemal Ebicioğlu	Assistant General Manager - Finance and Accounting	Capital Market Activities Advanced Level / Corporate Governance Rating Specialty	204598/701403
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
Turhan Sarı	Capital Market Regulation Compliance Specialist	Corporate Governance Rating Specialty	700489

Contact information of responsible persons of Investor Relations Department:

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 Activities carried out in 2014 in order to provide detailed information to investors about the Company's operations is summarized in the following table:

• Number of investor conferences held in Turkey and abroad	11
• Number of investors interviewed	271
• Number of teleconferences organized for the disclosure of financial results as of the end of 2013 and the first 9 months of 2014	4
• Number of press meetings organized in Turkey and abroad	11

Major activities executed in Investor Relations Unit 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,
- 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 regularly, and ensuring that shareholders are able to access company information easily and quickly via the Internet,
- Providing up-to-date information and announcements on the company's corporate website which would have an impact on the use of shareholders' rights,
- 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 2014 were first submitted to the Corporate Governance Committee to review on 12.01.2015. Then, 2014 Investor Relations Department Annual Report was submitted to the Board of Directors on 19.01.2015.

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) 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 within 2014. During the Ordinary General Assembly, which was held on March 27, 2014, during which the Company's 2013 operations were discussed, 60,775,164,017 shares (89.94%) 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 27, 2014.

- 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 27, 2014, 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 27.03.2014 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 2014 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 2014, information on the donations and aids in 2013 was provided with a separate agenda topic and the upper limit for donations in 2014 was determined to be 15,000,000 TL 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 2014, 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 27, 2014 dated Ordinary General Assembly, it has been decided to distribute gross dividend rate at the rate of 44.396% (net 37.737%) based on 2013 financial results and as of April 1, 2014, dividend distribution has started. The Articles of Association do not grant any privileges regarding profit sharing.

According to the Company's Articles of Association, General Assembly may distribute dividends in advance, in compliance with the Capital Markets Board regulations and related legislation.

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.



PART 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. List of ultimate real person controlling shareholders was put on our corporate website.

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.

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,
- 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.

In maintaining the balance between providing transparency and protecting the interests of the company, employees are urged to follow the rules regarding the use of inside information. All the necessary measures and precautions are taken for the prevention of insider trading. The "Principles of Business Ethics", which are published across the company, clearly outline the code of conduct expected of Arçelik A.Ş. employees.

Any company-owned information obtained during the course of employment and which the company does not want to be disclosed to any third parties except those who are intended to receive the information, and which are designated as trade secret, is considered as "Company Proprietary Information." All employees protects company proprietary information during and after their employment at Arçelik A.Ş. and may not use any such information directly or indirectly. The employees of Arçelik A.Ş. may not engage in any activity which would allow them to gain personal benefit by purchasing and selling Arçelik A.Ş. shares or those issued by any other Koç Group company, using the inside information they have obtained during the course of their employment.

In case Company's Top Managers who have access to the information that may affect the value of capital market instruments perform purchase and sales transaction through the capital market instruments of the company, these transactions are disclosed to the public. Disclosures are also posted on the company's website.



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 Arçelik A.Ş. 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 direct and indirect 4500 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. Arçelik A.Ş. is the 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. Arçelik A.Ş. cherishes the confidentiality of customer and supplier data, which the company considers to be 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, www.beko.com.tr, www.grundig.com.tr, www.altus.com.tr, fax, letter, social media, dealer), collected on a single trackable, 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 dialogue 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 dialogue 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.

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 Communiqué 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 2014, Consumer Services under the roof of Consumer Services Directorate provided field service with 11,300 personnel, about 5,400 of which were technicians and 5,600 vehicles at about 534 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 Directorate. 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. Strategical 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 management of the relations with the employees.

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

- Grow
 - We think globally
 - We shape the market with innovation
 - We focus on customers
 - We execute with excellence
- Respect
 - We listen deep
 - We welcome diversity
 - We earn trust
 - We built collaboration
- Lead
 - We inspire and empower
 - We promote high performance and accountability
 - We develop capability
 - We create 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 by Arçelik A.Ş. 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.
 - 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 81 different universities emphasizes the importance that company gives to the principle of equality.
- Total employee number in Turkey and abroad by 2014 year-end is given in the following table.
- | Number of employees by 2014 year-end | Total |
|--------------------------------------|---------------|
| Turkey | 16,718 |
| Abroad | 8,158 |
| Arçelik Group | 24,876 |
- The average length of service and age of employees in Turkey is 7.5 years and 33 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 2014, the company provided 471.719 hour of trainings in total, average of 28 hours per person. The total training hour is increased for 50% compared to the previous year.
- 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.



Arcelik A.Ş. gives importance to the impact of the employee commitment on the company's business results and monitors the employee commitment regularly through the independent researches and develops improvement activities according to the research results. Research was renewed also in 2014. 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, leadership culture and climate studies continued in 2014, Blue Collar Production model was renewed, Shift Supervisor and Blue Collar Safe Behavior trainings were put into effect, it was focused on increasing the internal communication activities for all of the employees throughout the company and strengthening the social activities intended for the motivation.

Industrial Relations

Arcelik 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. Arcelik A.Ş. 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, Arcelik A.Ş. 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.

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

- Arcelik A.Ş. employees receive 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 Arcelik employees who are the member of union and is effective from September 1, 2014 through August 31, 2017, was signed on December 15, 2014.

Occupational Health and Safety

Starting from the "value given to the employee" that is one of the most important factors in the corporate vision, Arcelik 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.

Arcelik 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.

In 2014, the Accident Frequency Rate, which indicates the frequency of occurred occupational accident based on the total actual working time, was realized as 6.69 with an improvement of 10% 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 0.088 with an improvement of 5%.

Arcelik 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 2014, totally 143.753 man-hours of training on Occupational Health and Safety was provided with a comprehensive participation in all Arcelik 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, Arcelik A.Ş. continues its efforts by involving employees at every level of the company and allocating the necessary resources to achieve desired targets.

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 abovementioned 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 strengthening and development of the Company's philosophy and corporate standing. 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.

The company considers corporate social responsibility to be an integral part of the company's core business functions and carries out its activities according to the principle of "sustainable growth".

Providing its customers with quality and innovative products and services, following the general principles of ethics, laws and human rights, displaying sensitivity to the environment and needs of society at every location in which it operates, together with the company's commitment to "sustainable development" constitute the main components of "Corporate Social Responsibility" philosophy.



The company which performs its operations in full compliance with applicable laws, ethical standards and human rights, is one of the first companies to sign the 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 international conventions. Furthermore, Arçelik A.Ş. has its domestic and abroad 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 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 acting with the sense of "Sustainability". Acting with corporate citizenship awareness, the Company provides the sustainability of the projects thanks to voluntarily supports of its employees and business partners. Through this approach, the company develops programs and carries out numerous projects to contribute to the education of young people in different regions in which it operates. The policies and projects implemented by the Company are included in the explained in the "Social Responsibility" sections of the Annual Report.

Arçelik A.Ş. 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 of the 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 established with the participation of the top management of Arçelik A.Ş. 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. Sub-committees were established to enable the members of Arçelik A.Ş. Sustainability Committee to control and coordinate the sustainability activities regarding their own responsibility fields. Arçelik A.Ş. Sustainability Sub-Committees are; Environmental Coordination Committee, Energy Coordination Committee, Climate Change Coordination Committee, Green Chemistry Coordination Committee, Occupational Health and Safety Committee, Human Resources and Business Ethics Committee and Value Chain Management Committee. Sustainability Sub-Committee is consisted of managers and/or specialists responsible for sustainability issues. Sub-Committees ensures that the decisions taken in Sustainability Committee are implemented and expanded and reports the developments. Sustainability Committee convenes 2 times a year. Year-end outputs are evaluated through "Arçelik A.Ş. Sustainability Activities Year-End Report" and targets of next year are determined. Primary sustainability subjects determined within the frame of the sustainability management studies 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, contribution to the sales and after sale services and 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 a separate annual report under the name of "Sustainability Report" since 2008. Arçelik A.Ş. Sustainability Report including the areas of "Management Approach", "Talent Management", "Environmental and Energy Management", "Combatting with Climate Change", "Management of Natural Resources and Waste Management", "Sustainability Management in the Value Chain", "Social Development" was prepared in 2011-2012 years in alignment with the Global Reporting Initiative (GRI) G3 policies, on the level of "B+". The company carried the studies in that field a step forward and prepared the 2013 Sustainability Report at core implementation level of new G4 Reporting Guidelines which is the latest reporting framework of Global Reporting Initiative (GRI).

"BIST Sustainability Index" features companies that are traded in Borsa İstanbul and that demonstrate top performance in terms of corporate sustainability and the index has been calculated since 04.11.2014 and includes our Company.

Arçelik A.Ş. shares the Annual Report and Sustainability Report with public through the corporate website at www.arcelikas.com.



PART V: BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

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. The General Manager of the Company can be elected as Board Member. 27.03.2014 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.

The Board of Directors includes both executive and non-executive members according to the definition stipulated in CMB's Corporate Governance Principles. The non-executive members of the Board of Directors do not occupy any other position in the company and do not involve themselves in the daily operations and ordinary activities carried out at the company. Non-executive members are in the majority in the Board of Directors. Mr. Levent Çakiroğlu is the only executive member included in the Board of Directors in 2014.

Members of Board of Directors (MBD)						
MBD Name-Surname	Whether it's executive or not	Independence status	Date of assignment	Period of duty	Functions in Board of Directors and in the Committees	
Rahmi M. Koç	Non-executive	Not independent	27.03.2014	1 year	Chairman Chairman of the Executive Committee	
Mustafa V. Koç	Non-executive	Not independent	27.03.2014	1 year	Vice Chairman Member of Executive Committee	
Semahat S. Arsel	Non-executive	Not independent	27.03.2014	1 year	Board Member Member of Executive Committee	
Ömer M. Koç	Non-executive	Not independent	27.03.2014	1 year	Board Member Member of Executive Committee	
Ali Y. Koç	Non-executive	Not independent	27.03.2014	1 year	Board Member Member of Executive Committee	
O. Turgay Durak	Non-executive	Not independent	27.03.2014	1 year	Board Member Member of Executive Committee Member of Risk Management Committee	
Robert Sonman	Non-executive	Not independent	27.03.2014	1 year	Board Member	
Levent Çakiroğlu	General Manager	Not independent	27.03.2014	1 year	Board Member	
Kutsan Çelebicam	Non-executive	Independent	27.03.2014	1 year	Board Member Chairman of Audit Committee	
Tunç Uluğ	Non-executive	Independent	27.03.2014	1 year	Board Member Chairman of Corporate Governance Committee	
Mehmet Barmanbek	Non-executive	Independent	27.03.2014	1 year	Board Member Member of Audit Committee Member of Corporate Governance Committee	
K. Kaynak Küçükpinar	Non-executive	Independent	27.03.2014	1 year	Board Member Chairman of Risk Management Committee	



Within the scope of 395th and 396th 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 27.03.2014 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.

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 27.03.2014 is 4, independence declarations and resumes of these persons were evaluated in the Resolution of the Board of Directors dated 21.01.2014 of Corporate Governance Committee dated 20.01.2014 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 20.02.2014 for 4 independent member nominees (Kutsan Çelebicancı, Tunç Uluğ, Mehmet Barmanbek ve Kadri Kaynak Küçükpinar) and these 4 nominees are selected as independent members of board of directors for 1 year by the General Assembly dated 27.03.2014. There isn't any situation occurred removing the independence within the activity period for 2014.

Following the General Assembly meeting dated 27.03.2014 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 experiences persons in the industry in which the company operates. The company benefits from the accumulation of knowledge and experiences of the members of the Board of Directors at the highest level. Member 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, Mrs. Semahat S. Arsel participates in the Board of Directors as woman member in compliance with the Corporate Governance Principles.

Resume of the General Manager as the member of Board of Directors and the resumes of other members of Board of Directors are given in section of "2014 Board of Directors" of Annual Report in 2014.

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 2014, Board of Directors had 4 meetings and took decisions. 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 2014, 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.

Arcelik 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 27.03.2014 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 has held 5 meetings in 2014 for evaluating the financial statements.

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. All members of the Corporate Governance Committee was elected from among independent board members on April 3, 2014. Tunç Uluğ has been appointed as the Chairman of the Corporate Governance Committee and Mehmet Barmanbek has been appointed as the member. Fatih Kemal Ebiçoğlu, head of Investor Relations Department, was determined as the member of Corporate Governance Committee as per article 11 of the Corporate Governance Communique on June 24, 2014. In-house Corporate Governance Committee has held 7 meetings in 2014.

From among the independent members, K. Kaynak Küçükpinar has been elected as the Chairman and O. Turgay Durak 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. Risk Management Committee has held 6 meetings in 2014.

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, Ali Y. Koç and O. Turgay Durak 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).



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 appointed among the Board Members. Also, Chairmen and Members of Board committees are appointed. Furthermore, the General Manager participates in the Board of Directors as the executive member.

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 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 Küçükpinar, independent member of the Board of Directors, is the chairman of this committee. Other member of the committee is Mr. O. Turgay Durak, a member of the Board of Directors.

Risk Management Committee has held 6 meetings in 2014. Risk Management Committee provides advices and suggestions to Board of Directors in terms of early diagnosis and assessment of strategical, financial, operational etc. risks; management and reporting of those risks in accordance with corporate risk taking profile of the Company; application relevant actions concerning the risks identified; regarding the risks in decision-making mechanisms; creating effective internal control mechanisms and their integration in this direction.

Risk Management Committee implements Enterprise Risk Management Program in order to assist Arçelik A.Ş. in achieving its growth goals, meet expectations of internal and external stakeholders, raise risk awareness in the organization, increase profitability and create competitive advantages by considering the organization-wide factors such as strategies, processes, people, technology and knowledge.

An Enterprise Risk Management Directorate was formed under the Assistant General Manager of Finance and Accounting to conduct Enterprise Risk Management Program. Enterprise 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 risk coordination and supervision are in place.

Internal Auditing 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.

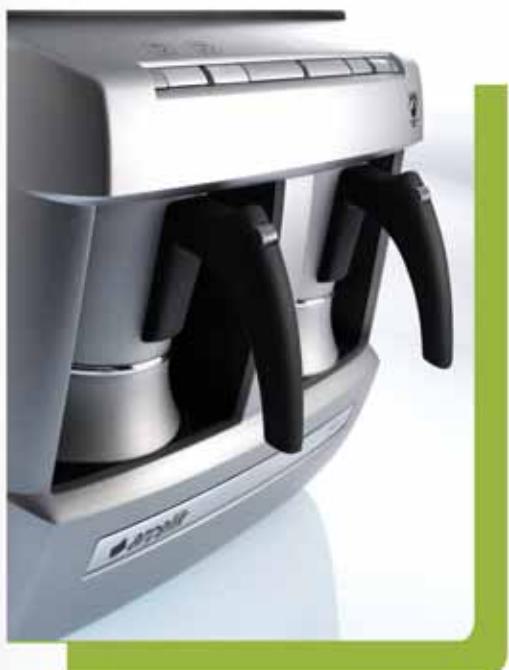
The Board of Directors evaluates and approves the Company's vision and main business goals. These goals are shared with the public in the annual reports, on the company's website and through meetings or statements by means of various communications channels.

As 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, 28.03.2013 and 27.03.2014 dated Ordinary General Assembly and put into practice upon the approval of the General Assembly. The aforementioned policy disclosed to the public through our company's web site, is also put on the agenda of Ordinary General Assembly in which 2014 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. 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.

Predicating itself on the Total Quality principle, Arçelik A.Ş. fulfills 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 2010 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 and these efforts were also continued in 2014 and 2013 greenhouse gas emissions were verified by an independent accredited body at the level of "reasonable assurance".

Arçelik's eco-friendly approach was 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 makes necessary arrangements for compliance 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.

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, infrastructure works have been performed and 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 1995	R600a Started 1997	R600a Continued to be used 2014	
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Arçelik A.Ş. uses refrigerant gases not harmful to the ozone in all refrigerators produced in its plants. 37 million refrigerators were manufactured in total by the end of 2014 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 frame 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 and serves as the spokesperson and leader of this organization. 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 A.Ş. was among
"The A List: The CDP Climate
Performance Leadership Index 2014".**



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.





Arcelik A.S. 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"

- New No-Frost system that is the record holder in energy category by consuming 30% less energy than the A+++ class;

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,
- Antibacterial 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

"A+" 3D Smart TV

- FHD (1920 x 1080) resolution
- 42" - 49" Passive 3D and 55" Active 3D Support
- Low energy consumption with A energy class
- First 3D Smart TV products manufactured in BMS line
- Dual CI+ 1.3
- Dolby Stereo
- Dual-core CPU
- Triple tuner
- The ability to watch HD digital terrestrial, cable and satellite broadcasts without requiring additional box thanks to DVB T2/C/S2 feature
- The ability to connect to the Internet and applications with Smart Inter@ctive TV feature
- The ability to connect to different Internet sites over TV with "Open browser" feature
- Fan Cloud (football app) on TV-specific app store
- Sharing the broadcast image on social media networks (SnapNStore)
- Netflix support
- Wireless connection to external audio systems with Bluetooth feature





A dishwasher that is "10% more efficient than the A+++ energy class"

- A+++ -10% energy efficiency, the lowest energy consumption in its class.
- Automatic door opening feature.
- Special aluminum insulation having also noise absorption feature which is only used by Arcelik for energy optimization.
- Closed fan drying system which is specific to Arcelik increases drying efficiency and lowers energy consumption.
- Smart filter system pushes the need to clean the filter up to 1 year
- Corrosion is prevented through the automatic glass protection system and the life of glasses is increase more than 20 times.

"A+++ -50% Energy Efficient" Washing Machine

- "One of the Least Energy Consuming Washing Machines in Europe" which consumes 50% less energy than the A+++ energy class with 8 kg capacity.
- Weighs the amount of clothes put in it through smart algorithms.
- Takes just the necessary amount of water through its advanced sensors.
- Uses the detergent efficiently through the Aquafusion™ technology.
- Increases the movement of the clothes through the glass, paddle and drum which has the Aquawave™ pattern and ensures better washing performance.





A Dryer that is "10% more efficient than the A+++ energy class"

- "The Least Energy Consuming Dryer in Europe" in the 8 kg heat pump products with its inverter compressor and variable speed brushless motor technology and A+++ -10% energy level.
- Drying time advantage with the "Quick" option in certain programs with its inverter compressor.
- "Silent - Night Mode" in certain programs thanks to the brushless motor technology.
- The machine has Class A condensation efficiency thanks to its special insulation design and emits minimum amount of humidity to the environment in which it operates.
- Offers solutions such as drying the woolen garments and fashion program thanks to its innovative special programs.
- Its large LCD display allows you to watch the program cycles, program time and time left until the program ends, to delay the program and offers a time adjustable anti-crease option with its large LCD interface.
- Provides ease of use with tank full, filter cleaning, child safety warning indicators.

Built-in Oven that is "45% more efficient than the A energy class"

- "Europe's Least Energy Consuming Built-in Oven" which saves 45% more energy in comparison to A class and which consumes 580Wh energy in the Eco Turbo cooking mode.
- "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.
- Programmable animated LC display.
- 5-level removable side racks.
- 1-level telescopic system.
- Heat preservation function.
- "Oleophotic Nano Clean Zone" for full glass inner door.
- 71 lt. usable oven cavity.





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 its efforts within that scope, Arçelik A.Ş. initiated "Scope 3 Emissions Calculation Project(Logistic)" in 2013 aimed at calculation of its greenhouse gas emissions emitted from product transportation activities in Turkey. As a result of this Project, Arçelik 2013 Scope 3 emissions emitted from product transportation activities in Turkey have been calculated and verified by an independent third party according to ISO 14064-1 standart at "limited assurance" level in 2014.

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 is also reduced. In addition, by dynamic routing, process efficiency is increased and labor force optimization is achieved.

In export transportation, product groups with suitable dimensions were loaded together and orders with high utilization rates were increased. Thus, besides realizing the transportation with less shipment, labor, cost, and time, losses arising from the storage and interim transportation were eliminated and greenhouse gas emissions were reduced by increasing the direct delivery opportunities through product sets suitable for customer demands. In addition, ecofriendly maritime transportation mode usage was increased by 3% from last year and reached 81%.

Purchasing

Arçelik A.Ş. prohibited materials specifications which was prepared by considering national and international legal rules and all customers prohibited material specifications is published in our supplier portal (www.supplier.arcelik.com) and Arçelik A.Ş. corporate web site (www.arcelikas.com), and compliance with this specification is included in our supplier contracts. Moreover, environmental analysis reports and test results are taken from our suppliers and RoHS compliance verifications are carried out with the analysis devices in our production plants.





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 2013, 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.





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 İstanbul, Diyarbakır, Trabzon, İzmir, Ankara, Bursa and Tatvan as of 2011-2014 academic years.

The curriculum used in these laboratories was redesigned with the Ministry of National Education and the teachers were educated in Arçelik Academy. As of 2014, 460 students and 54 teachers in a total of nine schools benefited from training within the scope of Arçelik Electrical Household Appliances Technical Education Program which was established under Electrical Household Technical Service Department of Electrical - Electronic Technologies Field. It is planned to have 208 graduates by the end of 2014 - 2015 academic year.





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.

Within the scope of the program, the students are offered internship opportunities in Arçelik A.Ş. authorized services. Students who accomplish certain stages and desire to work in Arçelik A.Ş. Authorized Services or within the Company are employed upon certification. Following the first group of graduates from schools in Istanbul and Diyarbakir, 17 of these students were employed in Arçelik Authorized Services in 2013, and 18 of them were employed in 2014, a total of 35 graduates.

"No Barriers For My Country" - Turkey

Arçelik A.Ş. family supports the "No Barriers for my Country" project which is carried out by Koç Holding, UNDP (United Nations Development Program) and AYDER (Alternative Life Association) and carries out various projects aimed at improving the life quality of disabled people.



- **Seminar for Accurate Approach to Disabled Persons**

Arçelik A.Ş. employees completed the "Voluntary Trainer" education with the support of AYDER. In 2013, 27 Arçelik Voluntary Trainers gave "Accurate Approach to Disabled Persons" seminars to increase the awareness of other employees about the project and to inform them about the subject matter. As of the end of 2014, a total of 13,885 Arçelik A.Ş. employees were reached through 210 trainings.

During 2014, many activities were performed within the scope of this project for our Arçelik A.Ş. offices and dealers to make them more disable friendly. An idea pool was created for disable friendly product portfolio. Arçelik continued to support disabled employment and disabled employees working from home.

- **We Read Books for You**

Arçelik A.Ş. employees carry out the "We Read Books for You" project in cooperation with Boğaziçi University Technology and Education Laboratory for the Visually Impaired (GETEM). Arçelik A.Ş. supports this activity by reading books to "Audio Library" created for the visually impaired persons. The volunteers read the books which are requested by the visually impaired or the books of their own choosing. Volunteers make the records by using special software installed on their computers and a headphone with a microphone supplied to them.

The promotional video which was prepared to inform Arçelik A.Ş. authorized dealers about this project and have their support was broadcast on Dealer TV. "Volunteer Trainers" and Arçelik A.Ş. employees who read books within the scope of this project were rewarded for this achievement at the "Pyramid Climbers Awards" platform.

A promotional video was prepared to encourage employees to volunteer to the “We Read Books for You” project and the video was shared with the employees online. Training seminars were organized in all campuses with the support of GETEM. 253 employees were given book reading training within this scope.

By the end of 2014, Arçelik employees have completed reading of 16 books and continued to read 15 books within the scope of project.



• Photography Training for the Physically Disabled Persons

Arçelik A.Ş. implemented the “Photography Training for the Physically Disabled” project in cooperation with Solidarity Association for the Physical Disabled (BEDD) and Fotoğrafmetre Association.

With the photography training, Arçelik A.Ş. aims at introducing photography to the physically disabled people have them receive a specific training on this subject and enable them look from a brand new perspective to the world by providing them with a new hobby.

The training to be given by the expert photographers from Fotoğrafmetre Association consists of 6 courses including technical knowledge and outdoor shoot trainings. The project was implemented with the participation of 14 physically disabled members of BEDD and participants were given the opportunity to practice their learnings in different locations of Istanbul.

The first of the trainings took place with the participation of trainers from BEDD and Fotoğrafmetre Association, and volunteers from Arçelik A.Ş. Technical specifications and operation of camera were explained in detail to the participants of training. The first outdoors shoot of training took place in Rahmi M. Koç Museum. Trainees got the chance to have fun and take pictures of different objects in the museum. Members of Arçelik A.Ş. Photography Club also participated in the shoots and shared their experiences with trainees.

• Project for the Management of Sign Language Teacher Trainings

Arçelik A.Ş. supported “Management of Sign Language Teacher Trainings” project, which is aimed at increasing the number of sign language teachers, which is very limited in Turkey. The “Management of Turkish Sign Language Teacher Trainings” program was implemented between September 5th and October 19th, 2014 under cooperation of Association for the Hearing-Impaired and Their Families (IED), Boğaziçi University and Koç Companies.

Hearing-impaired people, whose native language is sign language, participated in the training and learned how to become trainers. Two hearing-impaired employees of Arçelik A.Ş. also participated in this course by successfully completing a very difficult test. In addition to 3 hearing-impaired teachers, academics of Boğaziçi University also attended as the trainers in the 106-hour course. Participants, who completed the course, were given their certificates at the ceremony held on November 29th, 2014. Arçelik A.Ş. aims at spreading the sign language skills to its disabled personnel and then the entire staff.





Activities for the Protection of Environment and Nature - Turkey

"Earth and Leaf" Painting Contest

Cooking Devices Plant of Arçelik A.Ş. in Bolu supported TEMA Foundation's "Earth and Leaf" Painting Contest within the scope of its awareness activities towards protection of environment and nature for long years.

The "Earth and Leaf" painting contest, organized for the 6th time in 2014, aims at creating awareness on the protection of earth and the environment for students and making them think about what can be done on this matter. 156 students from 23 schools used watercolor and pastel techniques to depict their awareness on world's ecosystem, importance of nature and erosion in their paintings within the scope of contest.

Award ceremony and exhibit of the contest took place in Culture Center of Provincial Directorate of Culture and Tourism on June 5th, World Environment Day. The winning students were awarded with laptops, DVD players, tablets and audio players.



Ankara Dishwasher Plant "Memorial Forest"

Ankara Dishwasher Plant of Arçelik A.Ş. created a memorial forest with 2,000 trees by Ankara highway to leave a precious legacy to the next generations. Created with the contribution of the employees, the irrigation and maintenance of "Arçelik Memorial Forest" continued in 2014.



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 Republic of Turkey, Prime Minister Disaster and Emergency Management Authority (AFAD) will officially request support in case of a disaster.

In 2014, search and rescue team members from Arçelik A.Ş. Bolu, Çerkezköy and Eskişehir sites participated in emergency trainings and drills organized by their local Civil Defense Unit of Disaster and Emergency Management Presidency, Fire Authority officials and relevant NGOs, and shared their experiences in this field. Also, the team participated in various operations and meetings organized under coordination of Disaster and Emergency Management Authority during the year.

Search and Rescue Teams were established for Beylikdüzü and Sütlüce sites with the addition of new volunteers. Team members successfully completed their first level trainings given by the trainers from Sakarya Civil Defense Unit, thereby helping Arçelik Search and Rescue Team become stronger and bigger.

Support on Darülaceze Life School Project

Being the largest charity institution of Turkey, Darülaceze commenced Darülaceze Life School Project with ten teachers, who are selected among its residents, with the purpose of sharing their life experiences with the future generations.

A group of 25 people consisting of Arcelik senior managers and Istanbul dealers organized the trainings under a program of eight weeks within the scope of the project. Each lesson of the life school featured the life of a different resident, who shared their experiences.



International Support Activities

In addition to creating new job opportunities locally, production plants, sales and marketing offices of Arcelik A.S. 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.

Elektrabregenz - Austria

Being one of the most known brands of Austria, Elektrabregenz supported the organization called ProJuventute, which aims at protecting homeless and needy children in line with its social responsibility approach. In addition to donating products to the orphanages renovated by ProJuventute, Elektrabregenz also gave its support in creating social awareness and more support through its contributions to the programs carried out by the same organization.

This proactive cooperation between Elektrabregenz and ProJuventute is prolonged until 2015 for the purpose of developing trust and maintaining consistency and sustainability.

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. Defy cooperates with AmaZulu Community Trust in carrying out the development projects in Ezakheni, Durban and East London areas, with the aim of creating improvement in these regions. The most important of these activities is the life skills program to support underprivileged individuals. 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. In 2013, 2680 students participated in the skills program and 23 trainers participated in the life skills training sessions. In 2014, 100 academics and 8 trainers have completed the skills program in the East London area. The program is planned to roll out in Durban and Ezakheni regions.



• Ethelbert Children's Home

Ethelbert Children's Home is a shelter for 65 children separated from their family due to physical and/or sexual abuse, negligence or divorce, or left orphan due to HIV/AIDS. Ethelbert is not an orphanage. Most of the children brought here have families. The ultimate goal of this center is to ensure that the children are united happily with their parents after they receive rehabilitation. Ethelbert Children's Home consists of six houses where two caregivers and a maximum of 12 children reside. Boys, girls and children under five are placed in separate houses. Ethelbert has the capacity to give care to a maximum of 65 children. However, this number often varies due to the placement of children with rehabilitated parents or foster/adoptive parents. In addition to donating domestic appliances and electronic devices to meet the needs of Ethelbert Children's Home, Defy also continues to provide financial contribution whenever and wherever needed.



• Umbilo Secondary School

Having been established in 1924 in Wentworth region, the historical Umbilo Secondary School accommodates approximately 1000 students. With Defy being sponsor of school renovation project, painting works have begun in classrooms. Umbilo Secondary School is located close to Defy Jacobs plant and through the involvement of this school, Defy aims to enrich the lives of its community in which it operates.

• 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, which is expected to be benefited by 51 schools located in Ezakheni, East London and Jacobs regions. In addition, the local hero Siya Xuza also gave a speech in the school to inspire the students and share the story of the commercial "Believe in Better".



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.

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 in 2014 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.

• Support For the Hospital

In addition to these charity activities, Beko has been supporting the hospital at Piekary Slaskie in south Poland in terms of equipment for the last two years. In 2014, the company has donated 20 different products such as refrigerator, washing machine and air conditioner to the hospital.

• Contribution in Sports

In addition to charity activities, Beko also contributed to sports in 2014. 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 Polish supports children's football teams such as Gwarek Wieliczka and Górnik Wieliczka; swimming teams such as Warsaw Master Team; Speedway drivers such as Paweł Przedpelski; swimmers such as Sebastian Karas who wants to swim across La Manche Channel; and dancing tournaments such as Beko Dancing Cup.

Beko - China

Beko has launched its first charity event in cooperation with "Yi Jia Yi", one of the leading charity organizations in China, in July 2014. The event targets disabled families and charity organizations in Beijing, Shanghai and Guangzhou in the hope to improve the quality of their lives. Beko has donated 150 washing machines to the needing families and charity organizations.

Beko - Ukraine

Acting in line with its social responsibilities, Beko Ukraine LLC participated in annual Christmas market event of IWCK (International Women's Club of Kiev) and donated Beko branded SDA product for selling purposes. The fund raised in this event is donated to orphans, who suffered from the military conflict in Eastern Ukraine.

Beko - Australia / New Zealand

In line with the principle of supporting social development, Beko gives support to the works of The Rising Foundation, a foundation that conducts guidance programs in order to bring out the potential of children in New Zealand.

Beko Australia and New Zealand supports "Hands Across the Water Charity". The tsunami disaster in 2004 left countless Thai children homeless and alone. Across The Water is founded by a group of Australian benefactors by the end of 2005 in order to help Thai children under risk.

Grundig - Germany

Undersigning activities in the field of education, Grundig replaced traditional blackboards at schools with Grundig e-Boards and offered technologies that improve and facilitate education lives of students. Grundig also supports various projects that aim at helping children in many regions of the world, particularly in Bavaria, Germany. Since 2009, for every TB 7930 and TB 8030 sonic toothbrush sold, the company donates a certain amount to a charity fund led by Bayerischer Rundfunk, a Bavarian public services publisher.





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.

Beko started to support basketball by sponsoring Turkish Basketball League in 2006. Following the "Presenting Sponsorship" of 2009 Poland - European Basketball Championship, 2010 Turkey - FIBA World Basketball Championship, 2011 Lithuania and 2013 Slovenia European Basketball Championships, Beko has been the "Presenting Sponsor" of 2014 FIBA World Basketball Championship and main sponsor of FIBA Women's World Basketball Championship.

In addition to basketball sponsorships, Beko signed a giant sponsorship agreement with FC Barcelona, the one of the world's biggest football clubs, in 2014. The company also signed an agreement with Beşiktaş Football Club and Beko logo was featured on the jerseys. Beko also sponsored many important national and international golf tournaments held in Turkey.

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.

Beko - FC Barcelona

Beko has become the new sponsor of FC Barcelona under the contract sign on June 30th, 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 Football Cup - FA Cup England

Beko is the official sponsor of FA Cup, the oldest and most prestigious national cup of the world and the most important tournament of English football. The partnership, which was active in 2012-2013 and 2013-2014 seasons, gave Beko the chance to carry out advertisement and promotion activities under wide visual rights of FA Cup.



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 2009-10 season.

Beko Basketball League - Lithuania

Beko also became the sponsor of the Lithuanian Basketball League in 2011. The Lithuanian Basketball League has been organized under the name of "Beko LKL League" since 2013-14 season.

Beko Basketball League - 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 2012-13 basketball season, Italian Basketball League One has been named as "Beko Lega Basket Serie A".

Beko - Australia / New Zealand

Beko Australia and New Zealand has continued its sponsorships in many different sports events. In 2014, Beko was the name sponsor of Will Davison's #9 Mercedes-Benz AMG E63 V8 Supercar; hat sponsor of MEX Maintenance Software; brand sponsor of Color Run Marathon with "Beko Cleaning Zone"; 2014 white goods main sponsor of NRL Auckland Nines, a rugby event; official sponsor of Ocean Thunder Surf Boat Series; and Surf Lifesaving QLD surf season sponsor.



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 and Men's Volleyball Teams and sponsored many important national and international golf tournaments in 2014.

Environmental Awards-Achievements

- Arçelik A.Ş. received the "Most Efficient Product" award with A+++ -10% energy efficient dryer and the "Most Efficient Industrial Plant" award with Dishwasher Plant at the "Industrial Energy Efficiency Project Contest" organized by the Ministry of Energy and Natural Resources within the scope of Energy Efficiency Week.
- Beko DPU 8341 X model heat-pump dryer is named as the recommended product among nine products within the scope of the evaluation conducted by "60 Millions,de Consommateur", a French consumer Magazine.
- Beko DSFN 6839 model dishwasher is named as the "Best Energy and Water Efficient Dishwasher of 2014" under the "Best Household Appliances" category by "Home + Living" magazine of Singapore.
- Blomberg DWT 54100SS model dishwasher is named as the "Product with the Fastest Cycle" with its 85-minute program in the recommendation list of USA Consumer Reports Magazine.
- With a rating of 86%, Beko is named as the "3rd Most Trustworthy Brand" as a result of the survey conducted by French "Que Choisir Test Magazine" for 18 brands among 27,500 consumers in 2014.
- French "Que Choisir Test Magazine" named Beko WDA 96160 model washer-dryer as the "Best Product".
- Beko WD 105614 model washer-dryer is given the "2014 Best Choice" award by "Home + Living" magazine of Singapore.
- Beko WDA 91440W model washing machine with dryer (which is introduced to Singapore market) is named as the "Best Choice of 2014" in "Best Two-In-One Washing Machine" category by "Home + Living" magazine of Singapore.
- Grundig GKN 16820W model combi refrigerator is named as the "Best Buy" product after outperforming the competitors in the tests conducted by "Which?" magazine, one of the leading magazines of UK.
- Beko DSN 6832 FX30 A+++ dishwasher is rated as "Good" in "max. 60 cm width" category in the tests conducted by Stiftung Warentest (StiWa) magazine.
- GI 35385 XT dishwasher, FSN 9862 freezer, BES 4513 X oven, KSBN 7475 MT refrigerator, TKF 83320 A dryer and WAE 81460 CT washing machine products of Elektrabregenz receiver the "Green Brand Award" for the second time in Austria.
- China Washing Machine Plant, Russia Refrigerator and Washing Machine Plant and Romania Refrigerator Plant are entitled to ISO 50001 Energy Management Standard Certifications.
- As a result of the evaluations made by Germany's leading test institutions Stifting Warentest (StiWa), Beko DPU 7306 XE and Bloomberg TKF 7455 AGE 50 dryers are rated as "Good".
- USA Consumer Reports magazine named Blomberg DWT 55300SS model dishwasher as the "Recommended Product for Consumers".
- "dTest" magazine of Czech Republic named Beko DPU7380X model dryer as the "Good Choice". The price and performance balance of the product was rated as "Good".
- "ATLAS BLDC Washing Machine Motor Project" of Arçelik A.Ş. received the second place award under "Large-Scale Business R&D and Product Improvement" category within the scope of Efficiency Project Awards of the Ministry of Industry.

Corporate Awards-Achievements

- Arçelik A.Ş. won the first place awards under "White Goods", "Other Electrical-Electronic Production and Distribution Equipment" and "Iron-Steel Goods" categories; and the second place awards under "Nationwide Electrical-Electronics", "TV Receivers", "Small Household Appliances" and "İMİMB General Exports" categories within the scope of "Stars of Export 2013" contest, organized for the seventh time in 2014 by Istanbul Minerals and Metals Exporters' Associations (İMİB).
- Arçelik won the "Jury Special Award" with the "Enhanced Interface and Multitasking-Enabled Network LED TV (Enhanced Connected TV)" within the scope of the 12th "Innovation and Creativity Awards" organized by Turkish Electronic Industrialists' Association (TESİD).
- The "7th European Nanoelectronics Forum" organized in Barcelona featured the UltraHD-4U Project, in which Arçelik is one of the administrative and R&D partners. UltraHD-4U project received the "First Place Award" in the organization.

- "Cooking for Solidarity Marathon" organized in 2013 under leadership of the Spaniard Chef Martin Berasategui, the brand ambassador of Beko, received three awards within the scope of "Global Mercury Excellence Awards", which is one of the most prestigious global awards in the field of public relations and corporate communications. The Marathon received gold medal under "Special Event" category, silver medal under "Brand Awareness" category and bronze medal under "Celebrity Campaign" category, under which only Beko was awarded. This event is also given "Social Entrepreneurship Award" by World City Foundation, an organization under protection of the Ministry of Culture.
- Grundig Side by Side Refrigerator, Beko Combi Refrigerator, Grundig BT Speaker, Cast Beko Hood, Beko Cast Iron Built-In Oven, Cyclone Cooking System and Grundig Slide Microwave Oven received seven awards under product design category within the scope of "IF Design", one of the most prestigious design awards of the world.
- Blomberg KQD 1251 refrigerator received the "Most Innovative Product of 2014" award within the scope of "Product of the Year", which is determined by the votes of 2.000 people in Israel.
- Arçelik A.Ş. Procurement Directorate is entitled to "CIPS Corporate Certification", which is a global accreditation issued to around 130 companies globally in order to ensure excellence in purchase management.
- Arçelik A.Ş. ranked sixth company under "Highest Exporter of 2013" within the scope of Export Champions organized by Turkish Exporters' Association.
- Arçelik A.Ş. is entitled to "Authorized Economic Operator Certificate", which is given to persons or entities who are deemed trustworthy in Turkey, pursuant to "Regulations on Facilitation of Customs Proceedings" issued by the Ministry of Customs and Trade.
- 2013 Annual Report was ranked as 74th in the "Top 100 Activity Reports" determined by the League of American Communication Professionals (LACP), and received five awards including the "Gold Award" under durable consumer goods segment. Arçelik A.Ş. was one of the Top 20 Annual Reports Applied from Turkey in 2013, and ranked as the 28th company in "Top 80 Annual Reports of Europe, Middle East and Africa Region". The report received gold award under "The Best Annual Reports" category and silver award under "The Best Financial Data in an Annual Report" category. Arçelik A.Ş. 2012 Sustainability Report received the "Platinum Award", the highest award under "Sustainability Reports" category.
- Five products of Beko, Grundig and Cast brands of Arçelik A.Ş. are entitled to five design awards within the scope of "Red Dot", one of the most prestigious design contests of the world and a globally recognized quality approval. Red Dot Design Awards jury presented awards to Grundig - Fine Arts - Ultra High Definition TV, Grundig - GSB 110 - Bluetooth Speaker, Grundig - GSB 120 - Bluetooth Speaker, CAST - Built-in Oven and Beko - 84cm Refrigerator.
- Arçelik A.Ş. is entitled to five awards within the scope of the 26th Crystal Apple 2014 Turkey Advertising Awards with Arçelik and Beko brands.
- "The Banner That Makes the Fans Cheer", a promotion item introduced for the Football App that is developed especially for Smart TV's by Arçelik received the first place award under "Richmedia" category under the "9th MediaCat Felis Awards".
- Arçelik is named as "The Most Popular Brand of Turkey" in both "White Goods" and "Consumer Electronics" categories according to the results of 2014's "Turkey's Lovemarks" research organized by MediaCat and Ipsos, and the "The Most Popular Brand" as a result of a category-independent survey, which is conducted for the first time this year.
- Arçelik A.Ş. received "Creating the Employer Brand" award under "Project/Distinguishing Practices" category within the scope of 2014 PERYÖN Human Management Awards.
- Arçelik A.Ş. received three awards under "Design Turkey Industrial Design Awards". The winning products included Grundig wooden table radio, Beko refrigerator with ice cream machine and Arçelik gift packs.
- "Good Design" is an annual contest organized by Chicago Athenaeum Museum of Architecture and Design and Metropolitan Arts Press Ltd. Museum. The awards are given to the most innovative and the best industrial, graphical and product designs from all over the world. Arçelik A.Ş. applied to the contest with 13 products and received awards for all of them. These products included Beko Washing Machine, Grundig Wardrobe Style Refrigerator, Leisure Oven, Beko Cast Hood, Cast Built-in Oven, Cast Built-in Stove, Cast Built-in Single Stove, Beko 84 cm Refrigerator with Ice Cream Machine, Arçelik In Love Gurme Tea Maker, Grundig Retro Radio, Grundig BT Speaker, Grundig T3-T4 Remote Controls and Grundig Vision 8 UHD TV.
- Arçelik A.Ş. is listed in BIST Sustainability Index of Borsa Istanbul. The index lists 15 companies.
- Arçelik A.Ş. is given "R&D Leadership" and "Leadership in Technology Development" awards within the scope of the third Turkey Innovation Week organized by Turkish Exporters' Association. Arçelik A.Ş. won the championship award under "Innovation Strategy" category in "InovaLIG Innovation Leaders Award Ceremony", the first innovation development program of Turkey which was organized within the scope of Turkish Innovation Week.

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 employees 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.

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,
- Continuous development of employees.

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 the company through use of methods such as performance management, potential identification and improvement, 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 cooperations.

In 2014, an Innovation Directorate is formed, that is 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.

Arçelik attaches importance to internal entrepreneurship in order to speed up innovation activities and rapidly evaluation of innovative product or service suggestions. For this purpose, Arçelik has adopted the "Entrepreneurship and Innovation" topic of "MIT Entrepreneurship Development Program", enabling rapid testing of innovative ideas by multi-disciplinary teams.

With employees in 14 plants and 25 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.

Human resources department has provided more than 3990 hours of innovation trainings to approximately 480 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 2014, 387 employees 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. In addition, "Top Performers", our reward system, is aimed at encouraging and rewarding our employees for their efforts in creative and innovative works.

"Pyramid Climbers" is the reward management system of Arçelik. Its goal is to recognize the achievements, behaviors and efforts of employees in line with the corporate goals and strategies, and to enhance loyalty and motivation among them. The system distributes rewards in five different categories:

- Creative and Innovative Works
- Development of Cooperation
- Customer Satisfaction
- Making Difference
- Adding Value to Life

Talent Management and Career Planning

Arçelik A.Ş. focuses on talent management activities under the principle of "Improving global organization and developing 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.

Facebook and LinkedIn Arçelik Career Pages 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, and we continued to develop these pages in 2014. We have been rapidly increasing the number of followers of these platforms where we share contents related to our corporate values, achievements, practices and working environment. Currently, the number of our followers reached to 50,566 on Facebook and 26,124 on LinkedIn.

Performance management at Arçelik is implemented as a system that measures and separates 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 improvement in order to achieve their goals. Performance system is managed through regular briefings and follow-up meetings with employees throughout the year.

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 2014, 6 percent of our employees in Turkey underwent a rotation, appointment and promotion process.

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 Ad 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 Ad 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 evaluation center and development of employees is supported through international management development and leadership programs in order to train effective leaders that will strengthen the global organization.

- **Managerial Skills Development Program / Managing Teams:** 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 program. The program was held in 2014 with the participation of 70 people.
- **Managerial Skills Development Program / Managing Managers:** 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 a 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 2014 with the participation of 54 people.
- **Senior Leadership Program / Leadership Impact:** The program is designed for senior managers, whose roles are 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 program was held in 2014 with the participation of 35 senior managers (directors / country heads) from local and foreign organizations.
- **Leader and Strategy / Leader and People:** This program is designed to support the development of potential managers, who are candidates to senior management positions. The program was held in 2014 with the participation of 11 employees.
- **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 2014 with the participation of 65 people.

- **International Management Development Program:** 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 Koc University. The program was held with the participation of 20 employees working in global organization.
- **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 2014 with the participation of 45 employees from local and foreign organizations.
- **Arçelik Talent Program:** 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. The program was held in 2014 with the participation of 72 employees from local and foreign organizations.
- **Competency Trainings and Functional Development Programs:** Competency trainings consist of development solutions that are based on corporate competencies that we expect 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.

Accordingly 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, is a globally commissioned development program designed in

this manner. In 2014, various programs were deployed for sales and project managers, and similar projects are planned to deploy in 2015 for finance and supply chain. Additionally, we regularly conduct seminars in various topics addressing the development of our employees. This year the "Positive Communications" seminar addressing the blue collar staff was conducted with the participation of employees from all locations. 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 6 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 Sütlüce 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 our adaptation process, "Warm Up", for the purpose of accelerating the adaptation time of our new employees to our company and our 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 our 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 believe this is critical to Generation Y, who constantly demand 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
- 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 Environmental, 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 Operation, ISO 17025 Laboratory Management System - Central Calibration

and Washing Machine EMC Laboratories) 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. domestic and overseas 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 beyond customer expectations in the global market and certificate these according to the following standards.

System Standard Compliance 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 27001:2005, BSI
ISO 28000:2007, SGS
CIPS Corporate Certification, CIPS
OHSAS 18001:2007, SGS
TS EN ISO/IEC 17025:2010, TÜRKAK

Product Standard Compliance 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) - Holland
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
KUVEYT 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 TUSIAD 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

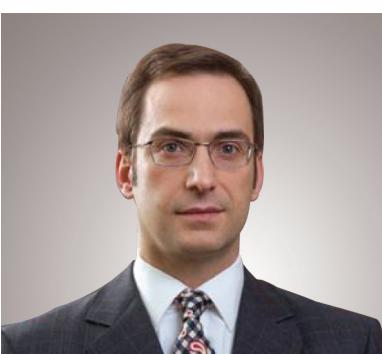
After graduating from Lyceum Alpinum Zuo in Switzerland, he graduated from Washington University, Department of Business Administration in 1984. Mr. Koç had commenced his working life in Tofas in 1984 as an Advisor and then served as the Sales Manager and Vice General Director for Sales in Ram Foreign Trade. He transferred to Koç Holding in 1992 and worked there as Vice President, President, Member of Board of Directors and Vice Chairman in the Board of Directors. He has been working as the Koç Holding Chairman of the Board of Directors since 2003. Furthermore, he is the Honorary Chairman of High Advisory Board of Turkish Industrialists' and Businessmen's Association. He is a member of the Rolls-Royce International Advisory Board and at the same time he is in the JP Morgan International Council and in the International Council of Foreign Affairs. He is a Member of Executive Board of Bilderberg Meetings. He was awarded with the Cavaliere D'Industria medal in 2005 and Leonardo International Award in 2012 by the Government of Italy. Mustafa V. Koç is a member of the Board of Directors of Vehbi Koç Foundation and also Board of Trustees of Foundation of Turkish Educational Volunteers that actualizes the social and cultural contributions of Koç Family, which pays great importance to economical and social development and was awarded by esteemed institutions such as World Monuments Fund and Carnegie Foundation and BNP Paribas. Under the CMB's Corporate Governance Principles, Mr. Mustafa V. Koç, who is not assigned to executive function, is not an independent member.



Semahat S. Arsel

Member

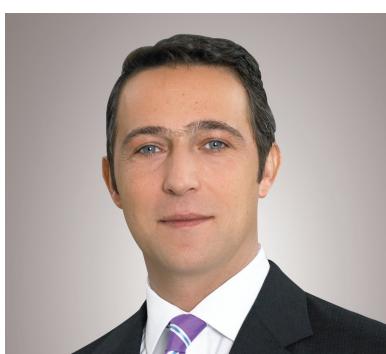
Semahat Arsel, who attended German education programs in the Goethe Institute after graduating from American College for Girls, knows English and German. Commencing her working life as the Member of Koç Holding Board of Directors in 1964, Semahat Arsel, along with this duty, continues her other duties 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 Florence 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. Her 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. 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.



O. Turgay Durak

Member

O. Turgay Durak completed his undergraduate and graduate degrees at Northwestern University (USA) in Mechanical Engineering. After joining Ford Otomotiv, a Koç Holding company, as a Product Development Engineer in 1976, Durak was appointed Assistant General Manager in 1986, Deputy General Manager in 2000 and General Manager of Ford Otosan in 2002. He served as President of Koç Holding's Automotive Group from 2007 until 2009. Durak served as Deputy CEO of Koç Holding from May 2009 until he was appointed Koç Holding CEO and Member of the Board of Directors in April 2010. Durak also served as Chairman of the Board of Directors of the Automotive Manufacturers' Association between 2004 and 2010. Under the CMB's Corporate Governance Principles, Mr. O. Turgay Durak, 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 as 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 knows 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.



Levent Çakiroğlu

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 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). He joined Koç Group in 1987 and retired from Koç Group as of December 2001 where he had served as Chairman of Finance Group. As of March 29, 2012, he serves as independent member in the Board of Directors of Arçelik A.Ş.



Kutsan Çelebican

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). He joined Koç Group in 1987 and retired from Koç Group as of December 2001 where he had served as Chairman of Finance Group. As of March 29, 2012, he serves as independent member in the Board of Directors of Arçelik A.Ş.



Tunç Uluğ

Member

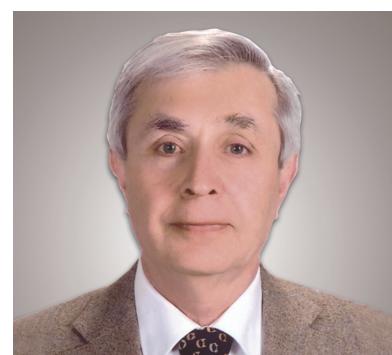
Tunç Uluğ graduated from Mechanical Engineering Department of Robert College and received his Master degree in Mechanical Engineering from University of Columbia in 1964. He worked at Bechtel Co. in USA for 3 years and started working at Koç Group in 1967. He became General Manager in the various Koç Group Companies and served as Vice President and President between 1981- 1997 and retired from Koç Group 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 Küçükpinar

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 Purchase Director of Tofaş Factory in 1975 and Assistant General Manager (Assistant Manager of Factory) 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.



Levent Çakıroğlu

General Manager

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. He was appointed as the General Manager of Arcelik A.Ş. in 2008. In addition, he has been the President of Koç Holding Durable Goods Group since April 2010.



C. Ş. Oğuzhan Öztürk

Assistant General Manager
Purchasing and Supply Chain

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 Arcelik 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 Arcelik Compressor and Refrigerator Plants, he was appointed as Arcelik Refrigerator Product Director, S.C. Arctic S.A. General Manager, Arcelik Washing Machine Product Director, Grundig Elektronik A.Ş. General Manager and Arcelik A.Ş. Supply Chain Director. Öztürk has been serving as Assistant General Manager responsible for the Purchasing and Supply Chain at Arcelik A.Ş. since September 2010.



Dr. Fatih Kemal Ebicioğlu

Assistant General Manager
Finance and Accounting

He graduated from Ankara University, Faculty of Political Sciences, Department of International Relations. He earned his Finance-MBA from Virginia Commonwealth University and Ph.D. from Ankara University, Faculty of Political Sciences, Department of Accounting-Finance. He started his business career in the Ministry of Finance as a Junior Accountant in 1989 and served as an Account Expert, and Head Account Expert. He joined the Koç Group in 2002 and served as the Coordinator of the Koç Holding Finance Group. He has been the Assistant General Manager in charge of Finance and Accounting at Arcelik A.Ş. since April 2005.



Ahmet İhsan Ceylan	Supply Chain Director
Ali Tayyar	Accounting Director- Headquarters and Plants
Barış Orbay	Marketing Director - Turkey
Brigitte Petit	Country Manager France - Beko France S.A.S. General Manager
Buket Çelebiöven	Human Resources Director
Cemal Can Dinçer	Sales Director - Subsidiaries, America, Asia-Pacific
Cem Kural	Research and Development Director
Cemil İnan	Product Director – Refrigerator
Doğan Korkmaz	Finance Director
E C Murat Büyükerk	Sales Director - Middle East, Africa, Turkic Republics
Ercüment Gülsen	Beko Sales Director
Erkan Duysal	Innovation Director
Erhan Akdoğan	Retail Development Director
Evren Albaş	Product Sourcing Director
Fikri Özdemir	Product Director – Electronics
Federico Mangiacotti	Country Manager Italy - Beko Italy S.R.L. General Manager
Haldun Dingec	Product Director – Dishwasher
Hasan Ali Yardımcı	Country Manager Romania - Arctic SA. General Manager
Hüseyin Öner	Information Technologies Director
Hilmi Cem Akant	Country Manager Spain - Beko Electronics Espana S. L General Manager
İhsan Somay	Accounting Director - Sales and Marketing
Giulio Ambrosi	Country Manager China - Beko Electrical Appliances Co Ltd. General Manager



Hakan Hamdi Bulgurlu

Assistant General Manager,
Sales - Europe, America, Asia-Pacific

After completing his undergraduate education in Departments of Economics and Mechanical Engineering at University of Texas, Hakan Hamdi Bulgurlu received his MBA degree from the joint MBA program of Northwestern University's Kellogg School of Management and Hong Kong University of Science and Technology. He started his professional business career at Ram Foreign Trade in 1995 as Sales Representative and following his duty as Sales Director for Ram Pacific, he worked at the Manufacturing, Strategic Planning and Marketing Departments at Arçelik, Beko Elektronik, Atılım A.Ş. and Beko Ticaret. Afterwards he served as Ram Pacific Company Manager, Ram Pacific General Manager and Arçelik-LG Klima A.Ş. General Manager, respectively. He has been serving as Assistant General Manager, Sales - Europe, America, Asia-Pacific at Arçelik A.Ş. since September, 2010.



İsmail Hakkı Sağır

Assistant General Manager
Production and Technology

Ismail Hakkı Sağır graduated from the Department of Mechanical Engineering at Middle East Technical University. He began his professional business career as a Project Engineer at Arçelik A.Ş. Refrigerator Plant in 1980 and served as Quality Control Supervisor, Assistant Production Manager, Production Manager, Plant Manager, Compressor Product Director and Refrigerator Product Director. He has served as Assistant General Manager responsible for Production and Technology at Arçelik A.Ş. since May 2009.



Şirzat Subası

Assistant General Manager, Sales Turkey, the
Middle East, Africa and the Turkic Republics

Şirzat Subası graduated from Management Engineering Department at İstanbul Technical University. He started his business career at Beko Ticaret A.Ş. in 1986 and served as Regional Sales Manager, Assistant Sales Manager, Sales Manager, Beko Sales Director, Director of Turkey Marketing and Sales Group and Assistant General Manager of Turkey Marketing and Sales. He has served as Assistant General Manager, Sales in Turkey, the Middle East, Africa and the Turkic Republics at Arçelik A.Ş. since May 2009.



Tülin Karabük

Assistant General Manager
Marketing

Tülin Karabük graduated from Business Administration Department at Bosphorus University in 1986 and received her MBA degree from Wales University. She started business career at Ekom Eczacıbaşı Dış Ticaret A.Ş. in 1987, later serving in various top management positions as manager, assistant general manager responsible of sales and marketing, member of board of directors at 3M A.Ş., KVK A.Ş. and Turkcell Group. In September 2009, she began to serve as 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.



Kamil Uğur Kayalı	Corporate Affairs Coordinator
Maciej Mienik	Country Manager Poland, Czech Republic and Slovakia-Beko SA-Beko Cesko S.R.O.-Beko Slovakia S.R.O. General Manager
Mehmet Savaş	Product Director - Dryer and Electric Motors
Mehmet Emin Bulak	Customer Services Director
Melih Poyraz	Enterprise Risk Management Director
Melis Mutuş	Corporate Communications Coordinator
Mete Karaer	Country Manager Ukraine - Beko LLC Ukraine General Manager
Mustafa Esenlik	Production Technologies Director
Monica Iavorschi	Marketing Director – International
Murat Şahin	Country Manager Germany - 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
Polat Şen	Purchasing Director
Ragıp Balçioğlu	Country Manager UK - Beko PLC General Manager
Hakan Kozañ	Country Manager South Africa - Defy Appliances Pty Ltd. General Manager
RC Oğuzkan Şatiroğlu	Sales Director - Europe Direct Sales
Salih Arslantaş	Product Director - Washing Machine
İsmail Kürşat Coşkun	Country Manager Austria - Elektra Bregenz AG General Manager
Serdar Sualp	Country Manager Egypt - Beko LLC Egypt General Manager
Sibel Kesler	Budget, Reporting and Analysis Director
Tevfik Adnan Tüfekçi	Product Director - Cooking Appliances
Turgut Karabulut	Arçelik Sales Director
Zafer Üstüner	Country Manager Russia - Beko LLC General Manager

AGENDA OF ARÇELİK A.Ş. ORDINARY GENERAL ASSEMBLY DATED MARCH 23, 2015

1. Opening and election of the Chairman of the Meeting,
2. Reading, discussing and approving the 2014 Annual Report prepared by the Company Board of Directors,
3. Reading the Summary of Independent Audit Report for 2014 accounting period,
4. Reading, discussing and approving the Financial Statements related to the 2014 accounting period,
5. Acquittal of each member of the Board of Directors in relation to the activities of Company in 2014,
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 2014 and the date of the distribution of profits,
7. 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,
8. 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,
9. Determining monthly gross salaries of the members of the Board of Directors,
10. 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,
11. Informing the shareholders about the donations made by the Company in 2014 and determining an upper limit for donations to be made in 2015,
12. Informing the shareholders about the collaterals, pledges, mortgages and surety granted in favor of third parties and the income and benefits obtained in 2014 by the Company and subsidiaries in accordance with Capital Markets Board regulations,
13. 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 2014 as per the Corporate Governance Communiqué of Capital Markets Board,
14. Wishes and opinions.

Esteemed Shareholders,

According to the financial statements for the accounting period 01.01.2014 and 31.12.2014, 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 637,976,917.91 has been provided of which TL 617,083,083.34 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, 2015 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 617,083,083.34 has been obtained, the sum of TL 626,038,596.60, which includes the addition of TL 8,955,513.26 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 602,433,801.50, including TL 282,085,354.51 as net profit after tax.

The 5 % portion of legal reserve which has to be allocated according to TTK article 519, will not be allocated for 2014, in consequence of it reached 20 % that stated at 31.12.2014 “tax procedure law”(VUK).

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

313,019,298.30 TL first dividend payable to shareholders
36,980,701.70 TL second dividend payable to shareholders

and total of,

TL 350,000,000.00	Gross Dividend to be distributed to the shareholders;
TL 31,621,358.97	10% 2 nd group reserves and

on the basis of our legal records;

The distributable cash dividend TL 350,000,000.00 shall be funded from

TL 259,512,723.21 Current year profits and
TL 90,487,276.79 Other capital reserves are included in more than 5 fiscal years.

The 2nd group legal reserve TL 31,621,358.97 shall be funded from

TL 22,572,631.30 Current year profits and
TL 9,048,727.68 Other capital reserves are included in more than 5 fiscal years.

After the deduction of dividend to shareholders and allocated II. Legal Reserves from the current year profit, of the remaining 235,461,724.38 TL will allocate in accordance with the Capital Market laws and regulations as extraordinary reserves.

- 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 51.8% and TL 0.51796 gross= net cash for shares at the nominal value of TL 1.00;
- And gross cash dividend of TL 0.51796 and net cash dividend of TL 0.44027 for shares with a nominal value of TL 1.00 at the rate of 44.0% to be paid to our other shareholders,

and to begin the payment of dividend on April 1, 2015 are submitted to approval of General Assembly dated 23 March 2015 Thursday.

May 2015 be prosperous year for both our country and our company.

With our kind regards,



Rahmi M. Koç
Chairman of the Board

January 14th, 2015

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 Communiqué 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 CELEBİCAN**
SIGNATURE: 

January 14th, 2015

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 Communiqué 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: **TONG LIUC**
SIGNATURE: 

January 14th, 2015

STATEMENT OF INDEPENDENCE

I hereby represent that, I will run as a candidate for the "independent member" position in the Arcelik A.Ş. (the Company) Board of Directors within the scope of the criteria determined under legislation, articles of association and the Corporate Governance Communiqué 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;
- c) 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;
- g) 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: *Mehmet Barman boke*
SIGNATURE: 

January 14th, 2015

STATEMENT OF INDEPENDENCE

I hereby represent that, I will run as a candidate for the "independent member" position in the Arcelik A.Ş. (the Company) Board of Directors within the scope of the criteria determined under legislation, articles of association and the Corporate Governance Communiqué 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;
- c) 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;
- g) 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: *Kadri Kaynak Küçükpinar*
SIGNATURE: 



DEPENDENT COMPANY REPORT PREPARED WITHIN THE SCOPE OF 199TH ARTICLE OF TURKISH COMMERCIAL CODE

As per the 199th 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 24, 2015 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 2014 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."



Building a better
working world

Güney Bağımsız Denetim ve
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Eski Büyükdere Cad.
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ey.com
Ticaret Sicil No: 479920-427502

(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. (the Company) and its Subsidiaries (together will be referred to as the "Group") as at 31 December 2014 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 ("POA") of Turkey 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.



Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Arcelik A.Ş. and its Subsidiaries as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with subparagraph 4, Article 378 of Turkish Commercial Code no. 6102 ("TCC") is submitted to the Board of Directors of the Company on 30 January 2015.
- 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 1 January – 31 December 2014 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with 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

30 January 2015
İstanbul, Türkiye

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014

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

	Notes	December 31, 2014	Audited December 31, 2013
ASSETS			
Current assets:			
Cash and cash equivalents	5	1,621,221	1,266,575
Trade receivables			
-Due from related parties	35	22,371	27,219
-Trade receivables, third parties	9	4,411,527	4,154,921
Derivative instruments	8	7,783	6,651
Inventories	11	2,124,946	1,988,373
Prepaid expenses	21	68,741	46,932
Current income tax assets	22	57,988	34,337
Other current assets	24	145,365	125,274
Subtotal		8,459,942	7,650,282
Assets held for sale		11,815	8,836
Total current assets		8,471,757	7,659,118
Non-current assets:			
Financial investments	6	698,488	539,170
Trade receivables			
-Trade receivables, third parties	9	24,423	27,456
Derivative instruments	8	17,803	-
Associates	12	195,311	192,404
Investment properties	13	5,929	6,346
Property, plant and equipment	14	1,812,746	1,836,789
Intangible assets			
-Goodwill	16	169,195	172,706
-Other intangible assets	15	922,000	886,268
Deferred tax assets	33	77,353	90,659
Total non-current assets		3,923,248	3,751,798
Total assets		12,395,005	11,410,916

The consolidated financial statements as at and for the year ended December 31, 2014 have been approved for issue by the Board of Directors on January 30, 2015 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014

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

	Notes	December 31, 2014	Audited December 31, 2013
LIABILITIES			
Current liabilities:			
Financial liabilities	7	719,862	612,048
Short term portion of long term financial liabilities	7	1,082,761	1,061,331
Trade payables			
-Due to related parties	35	203,022	437,457
-Trade payables, third parties	9	1,578,420	1,207,443
Derivative instruments	8	3,811	14,497
Employee benefit obligations	23	163,623	135,599
Other payables			
-Due to related parties	35	10,003	8,860
-Other payables, third parties	10	114,915	96,526
Current income tax liabilities	33	18,154	19,648
Provisions			
-Other provisions	19	263,992	258,548
Other current liabilities	24	272,240	239,186
Total current liabilities		4,430,803	4,091,143
Non-current liabilities			
Financial liabilities	7	2,964,986	2,581,159
Other payables			
-Due to related parties	35	57,823	62,427
Derivative instruments	8	-	51,180
Provisions			
-Provision for employee benefits	20	174,896	127,161
-Other provisions	19	93,775	93,707
Deferred tax liabilities	33	245,422	245,515
Other non-current liabilities		28,602	19,868
Total non-current liabilities		3,565,504	3,181,017
Total liabilities		7,996,307	7,272,160
EQUITY			
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		(44,552)	(6,891)
-Non-current assets revaluation fund		67,241	70,002
Other comprehensive income/loss to be reclassified to profit or loss			
-Financial assets revaluation fund		525,549	374,201
-Foreign currency hedge of net investments			
in foreign operations		(216,342)	(210,776)
-Cash flow hedges		412	421
-Currency translation differences		178,569	308,266
Contribution to shareholders' equity			
related to merger	25	14,507	14,507
Restricted reserves	25	275,430	248,809
Retained earnings		1,792,299	1,521,038
Net income for the period		617,084	597,845
Atributable to:			
Equity holders of the parent		4,355,625	4,062,850
Non-controlling interest		43,073	75,906
Total equity		4,398,698	4,138,756
Total liabilities and equity		12,395,005	11,410,916

Commitments, contingent assets and liabilities

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2014

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

	Notes	Audited	2014	2013
Net sales	26	12,514,033	11,097,711	
Cost of sales	26	(8,535,201)	(7,709,326)	
Gross profit		3,978,832	3,388,385	
General administrative expenses	27	(532,789)	(430,998)	
Marketing, selling and distribution expenses	27	(2,356,247)	(2,013,033)	
Research and development expenses	27	(102,055)	(83,207)	
Other income from operating activities	29	216,137	461,614	
Other expenses from operating activities	29	(235,089)	(200,235)	
Operating profit		968,789	1,122,526	
Income from investment activities	30	16,264	11,381	
Expenses from investment activities	30	(1,377)	(2,857)	
Income from associates	12	18,156	25,345	
Operating income before financial income/(expense)		1,001,832	1,156,395	
Financial income	31	476,126	429,376	
Financial expenses	32	(746,336)	(840,991)	
Profit before tax		731,622	744,780	
Tax income/(expense)				
- Taxes on income	33	(80,892)	(120,939)	
- Deferred tax expense	33	(12,752)	(1,146)	
Net income for the period		637,978	622,695	
Attributable to:				
Non-controlling interest		20,894	24,850	
Equity holders of the parent		617,084	597,845	
Earnings per share (kr)	34	0.913	0.885	

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

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

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

	Audited 2014	2013
Net income for the period	637,978	622,695
Other comprehensive income /(expense):		
Items not to be reclassified to profit or loss	(37,661)	(7,023)
Actuarial gain/ loss arising from defined benefit plans	(47,206)	(8,922)
Tax effect	9,441	1,784
	(37,765)	(7,138)
Tax effect of amortization calculated over non-current assets revaluation	-	115
Share of other comprehensive income of associates	104	-
Items to be reclassified to profit or loss	13,508	(596)
Foreign currency hedge of net investments in foreign operations	(6,958)	(192,253)
Tax effect	1,392	38,451
	(5,566)	(153,802)
Fair value increase/ decrease on financial assets	159,314	(99,571)
Tax effect	(7,966)	4,979
	151,348	(94,592)
Share of other comprehensive income of associates	(9)	978
Currency translation differences	(132,265)	246,820
Other comprehensive loss (net of tax)	(24,153)	(7,619)
Total comprehensive income	613,825	615,076
Attributable to:		
Non-controlling interest	21,087	38,878
Equity holders of the parent	592,738	576,198

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, 2014**

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

	Paid-in capital	Adjustment to share capital	Share premium	Contribution to shareholders' equity due to merger	Other comprehensive income / (expense) not to be reclassified to profit or loss			Other comprehensive income / (expense) to be reclassified to profit or loss			Retained earnings				
					Actuarial gain / losses arising from defined benefit plans	Non-current assets revaluation fund	Financial assets hedge revaluation fund	Currency translation differences	Restricted reserves	Accumulated profit	Net income for the period	Equity holders of the parent	Non-controlling interest	Total equity	
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
<i>Comprehensive income</i>															
Net income for the period	-	-	-	-	-	-	-	-	-	617,084	617,084	20,894	637,978		
<i>Other comprehensive income</i>															
Fair value increase in financial assets (net)	-	-	-	-	-	-	-	-	-	-	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)		
Total other comprehensive income	-	-	-	(37,661)	(2,761)	(5,575)	151,348	(129,697)	-	-	(24,346)	193	(24,153)		
Total comprehensive income	-	-	-	(37,661)	(2,761)	(5,575)	151,348	(129,697)	-	26,621	571,224	592,738	21,087	613,825	
Transfers	-	-	-	-	-	-	-	-	-	37	-	37	(37)	-	
Purchase of additional shares in subsidiaries	-	-	-	-	-	-	-	-	-	(300,000)	-	(300,000)	-		
Dividends paid	-	-	-	-	-	-	-	-	-	(53,883)	(53,883)	(53,883)	(53,883)	(353,883)	
As of December 31, 2014	675,728	468,811	889	14,507	(44,552)	67,241	(215,930)	525,549	178,569	275,430	1,792,299	617,084	4,356,625	43,073	

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, 2014**

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

	Paid-in capital	Adjustment to share capital	Share capital premium	Contribution to shareholders' equity due to merger	Actuarial gain / losses arising from defined benefit plans	Non-current assets - revaluation fund	Financial assets	Currency translation differences	Restricted reserves	Accumulated profit	Net income for the period	Retained earnings		
												Equity holders of the parent	Non-controlling interest	Total equity
Balance at December 31, 2012 - previously reported	675,728	468,811	889	14,507	-	59,023 (57,531)	468,793	86,790	216,687	1,383,192	524,763	3,841,652	85,583	3,927,235
Change in accounting policy - TAS 19	-	-	-	247	-	59,023 (57,531)	468,793	86,790	216,687	1,387,994	519,714	3,841,652	85,583	3,927,235
Balance at January 1, 2013 - as restated	675,728	468,811	889	14,507	247	59,023 (57,531)	468,793	86,790	216,687	1,383,192	524,763	3,841,652	85,583	3,927,235
<i>Comprehensive income</i>														
Net income for the period	-	-	-	-	-	-	-	-	-	597,845	597,845	24,850	24,850	622,695
<i>Other comprehensive income</i>														
Fair value increase in financial assets (net)	-	-	-	-	-	(94,592)	-	-	-	(94,592)	-	(94,592)	-	(94,592)
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	(153,802)	-	-	-	(153,802)	-	(153,802)	-	(153,802)
Share of other comprehensive income of associates	-	-	-	-	-	978	-	-	-	978	-	978	-	978
Tax effect of amortization calculated over non-current assets revaluation	-	-	-	-	-	115	-	-	-	-	115	-	115	-
Actuarial gain/loss arising from defined benefit plans	-	-	-	(7,138)	-	11,316	-	221,476	-	-	(7,138)	-	(7,138)	-
Currency translation differences	-	-	-	(7,138)	11,431 (152,824)	(94,592)	221,476	-	-	-	232,792	14,028	246,820	14,028
Total other comprehensive income	-	-	-	(7,138)	11,431 (152,824)	(94,592)	221,476	-	-	-	(21,647)	14,028	(7,619)	14,028
Total comprehensive income	-	-	-	-	-	-	-	-	-	597,845	576,198	38,878	38,878	615,076
Transfers	-	-	-	-	-	-	-	-	-	(452)	-	452	-	(48,555)
Amortisation effect of the revaluation of non-current assets	-	-	-	-	-	-	-	-	-	(355,000)	-	(355,000)	-	(403,555)
Dividends paid										1,507,845	1,507,845	75,006	75,006	1,198,756
As of December 31, 2013	675,728	468,811	889	14,507	(6,801)	70,002 (210,355)	371,204	208,266	208,266	1,501,038	507,845	1,029,950	75,006	1,198,756

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

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

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

	Notes	2014	Audited 2013
Operating activities:			
Net income from continued operations		637,978	622,695
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Taxes expense	33	93,644	122,085
Depreciation and amortization		346,293	302,181
Changes in provisions	39	96,848	146,611
Interest expenses	32	314,010	209,243
Interest income	31	(23,142)	(35,954)
Income from associates (net)	12	(18,156)	(25,345)
(Income)/loss from derivative instruments (net)	31, 32	(98,585)	52,826
Income from claims and incentives	29	(42,735)	(34,075)
Dividend income from financial investments	30	(12,944)	(9,559)
(Gain)/loss from sales of tangible and intangible assets (net)	30	(1,943)	1,035
Net cash flow from operating activities before changes in operating assets and liabilities		1,291,268	1,351,743
Changes in operating assets and liabilities (net):			
Trade payables and due to related parties		136,542	428,770
Other non-current liabilities		(2,621)	72,489
Other current assets and liabilities		(34,229)	(46,673)
Inventories		(140,281)	(409,540)
Trade receivables and due from related parties		(265,710)	(952,414)
Payments of employee termination benefit obligation	20	(24,693)	(20,962)
Cash provided from incentives		52,091	27,928
Corporate and income taxes paid		(81,603)	(67,456)
Cash flows from operating activities		930,764	383,885
Investing activities:			
Acquisition of tangible and intangible assets		(453,167)	(511,773)
Cash provided from sales of tangible and intangible assets		3,925	4,058
Dividends received	12	14,100	22,475
Dividends received from financial investments	30	12,944	9,559
Cash flows from investing activities		(422,198)	(475,681)
Financing activities:			
Proceeds from bank borrowings		1,494,043	1,224,459
Repayment of bank borrowings		(2,058,645)	(2,045,075)
Dividends paid	25	(353,883)	(403,555)
Interest paid		(305,833)	(195,927)
Interest received		23,293	36,617
Bond issued		991,201	889,269
Derivative instruments		17,783	(6,120)
Cash flows from financing activities		(192,041)	(500,332)
Net increase/(decrease) in cash and cash equivalents before currency translation differences		316,525	(592,128)
Currency translation differences (net)		38,272	118,577
Net increase/(decrease) in cash and cash equivalents		354,797	(473,551)
Cash and cash equivalents at January 1	5	1,265,726	1,739,277
Cash and cash equivalents at December 31	5	1,620,523	1,265,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

(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, 2014, the publicly listed shares are 25.19% of the total shares.

The average number of personnel employed by categories in the Group in 2014 is 4,233 white - collar (2013: 4,049) and 20,801 blue – collar (2013: 19,976) totaling to 25,034 (2013: 24,025).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Continuing operations as of reporting date			
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 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
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
Defy Trust Two (Proprietary) Ltd. ("Defy Trust")	Republic of South Africa	Investment	Real Estate
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
Kindoc Park (Proprietary) Ltd. ("Defy Kindoc")	Republic of South Africa	Investment	Real Estate
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer Durables/Electronics

Ceased operations as of reporting date:

Archin Limited ("Archin")	Hong Kong, China	-	-
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Blomberg Werke GmbH ("Blomberg Werke")	Germany	-	-
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	-	-
Grundig Slovakia s.r.o ("Grundig Slovakia")	Slovakia	-	-
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, 2014

(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
Rzam 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 of and for the year ended December 31, 2014 are applied consistently with the TAS/TFRS and interpretations. The new and amended standards and interpretations effective as of January 1, 2014 have no impact on the consolidated financial statements of the Group.

Standards issued but not yet effective and not early adopted

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after January 1, 2015. First phase of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option liabilities and requires that the change in fair value of a fair value option financial liability attributable to credit risk is presented under other comprehensive income. The 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, 2014

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

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

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 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.

Annual Improvements to TAS/TFRS

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

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

TFRS 3 Business Combinations

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

TFRS 8 Operating Segments

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

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

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

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity, an entity that provides key management personnel services, is a related party subject to the related party disclosures. The amendment is effective retrospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Annual Improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

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

TFRS 13 Basis for Conclusions on Fair Value Measurement

The portfolio exception in TFRS 13 can be applied not only to financial assets and financial liabilities but also all other contracts in the scope of TAS 39. The amendment is effective prospectively.

TAS 40 Investment Property

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

The Group do not expect that these amendments will have significant impact on the 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 POA

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

IFRS 15 – Revenue from Contracts with Customers

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

IFRS 9 Financial Instruments - Final standard (2014)

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IAS 27 - Equity Method in Separate Financial Statements -Amendments to IAS 27

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

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

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

Annual Improvements – 2012–2014 Cycle

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

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

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

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

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies, presentation of items of other comprehensive income 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.

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/TFRS 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/TFRS 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, 2014

(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, 2014 and 2013 (%) and their functional currencies:

	Functional currency	December 31, 2014 Ownership interest	December 31, 2014 Effective shareholding	December 31, 2013 Ownership interest	December 31, 2013 Effective shareholding
Continuing operations as of balance sheet date:					
Arctic	Romanian Lei	96.72	96.72	96.71	96.71
Ardutch	Euro	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar	100.00	100.00	100.00	100.00
Beko Australia	Australian Dollar/ New Zealand Dollar	100.00	100.00	100.00	100.00
Beko China	Chinese Yuan	100.00	100.00	100.00	100.00
Beko Czech	Czech Koruna	100.00	100.00	100.00	100.00
Beko Deutschland	Euro	100.00	100.00	100.00	100.00
Beko Espana	Euro	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira	100.00	100.00	100.00	100.00
Beko France	Euro	100.00	100.00	100.00	100.00
Beko Hong Kong	US Dollar	100.00	100.00	100.00	100.00
Beko Italy	Euro	100.00	100.00	100.00	100.00
Beko Polska	Polish Zloty	100.00	100.00	100.00	100.00
Beko Russia	Russian Ruble	100.00	100.00	100.00	100.00
Beko Slovakia	Euro	100.00	100.00	100.00	100.00
Beko Shanghai	Chinese Yuan	100.00	100.00	100.00	100.00
Beko Thailand (¹)	Thai Baht	100.00	100.00	-	-
Beko UK (²)	British Pound/ Euro	50.00	50.00	50.00	50.00
Beko Ukraine	Ukrainian Hryvna	100.00	100.00	100.00	100.00
Defy	South African Rand	100.00	100.00	100.00	100.00
Defy Botswana	Botswana Pula	100.00	100.00	100.00	100.00
Defy Kindoc	South African Rand	100.00	100.00	100.00	100.00
Defy Namibia	Namibian Dollar	100.00	100.00	100.00	100.00
Defy Trust	South African Rand	100.00	100.00	100.00	100.00
Elektra Bregenz	Euro	100.00	100.00	100.00	100.00
Grundig Multimedia	Euro	100.00	100.00	100.00	100.00
Grundig Intermedia	Euro/ Croatian Kuna	100.00	100.00	100.00	100.00
Grundig Norway	Norwegian Krone	100.00	100.00	100.00	100.00
Grundig Sweden	Swedish Krona	100.00	100.00	100.00	100.00
Grundig Switzerland	Swiss Franc	100.00	100.00	100.00	100.00
Ceased operations as of balance sheet date:					
Archin	-	100.00	100.00	100.00	100.00
Beko Cesko	-	100.00	100.00	100.00	100.00
Beko Hungary (³)	-	-	-	100.00	100.00
Blomberg Werke	-	100.00	100.00	100.00	100.00
Defy Carron (³)	-	-	-	100.00	100.00
Defy Ocean (³)	-	-	-	100.00	100.00
Defy Swaziland	-	100.00	100.00	100.00	100.00
Grundig Czech Republic (³)	-	-	-	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	-	100.00	100.00	100.00	100.00
Raupach	-	100.00	100.00	100.00	100.00

(¹) Founded as a production and sales company in December 2014 and planned to start production by the end of 2015.

(²) Arçelik Group owns full power over the operations of the Subsidiary while holding 50% of voting power of the Subsidiary, based on the declarations of the non-controlling interest holders. Arçelik A.Ş. has the power over the activities; rights to variable returns based on the performance; and the ability to use power to affect the amount of the returns from the Subsidiary.

(³) Dissolved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

(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, 2014 and 2013 (%):

	2014	2013
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.
- (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.

Cash discounts expenses amounting to TRY 13,820 which was disclosed under financial expenses is reclassified to other expenses from operating activities in the Group's statement of profit or loss for the period ended December 31, 2013.

For the period ended December 31, 2013, cash provided from incentives amounting to TRY 27,928 which was reported under cash flows from investing activities, is reclassified to cash flows from operating activities in consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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).

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 investments

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(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.

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 37).

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, 2014

(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 two to ten 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 four to fifteen years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

(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 (five 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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(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.

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.

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. Other borrowing costs shall be recognized as an expense in the period it incurs (Note 15).

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, 2014

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2014

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

NOTE 3 - BUSINESS COMBINATIONS

None (December 31, 2013: None).

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, 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

- b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2013 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	7,818,195	1,606,998	1,672,518	11,097,711
Gross profit	2,564,162	346,322	477,901	3,388,385
Depreciation and amortization	248,102	49,265	10,808	308,175
Capital expenditures	451,365	58,288	11,980	521,633

- c) Sales revenue grouped geographically based on the location of the customers for the years ended December 31 are shown as below:

2014	Turkey	Europe	Africa	Other	Total
Total segment revenue	4,851,921	5,331,747	1,020,875	1,309,490	12,514,033
2013	Turkey	Europe	Africa	Other	Total
Total segment revenue	4,617,088	4,381,200	978,641	1,120,782	11,097,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2014	December 31, 2013
Cash in hand	331	315
Cash at banks		
- demand deposits	212,473	125,062
- time deposits	1,335,556	1,067,005
Cheques and notes	67,688	69,075
Other	4,475	4,269
Cash and cash equivalents in cash flow statement	1,620,523	1,265,726
Interest income accruals	698	849
	1,621,221	1,266,575

The maturity breakdown of cash and cash equivalents is as follows:

	Up to 30 days	1,426,870	1,262,977
	30-90 days	194,351	3,598
		1,621,221	1,266,575

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale investments

	December 31, 2014	December 31, 2013
	%	%
	TRY	TL
Koç Finansal Hizmetler A.Ş.	3.98	3.98
Other	1,492	1,488
	698,488	539,170

The details of financial investments for the years ended December 31, are as follows:

	2014	2013
As of January 1	539,170	638,741
Fair value gains/(losses)	159,314	(99,571)
Acquisition	4	-
As of December 31	698,488	539,170

The unrealized gain (net) arising from the changes in the fair value of the available for sale investments amounting to TRY 151,349 (December 31, 2013: unrealized loss amounting to TRY 94,592) net of deferred tax effect amounting to TRY 7,966 (December 31, 2013: TRY 4,979) have been recognized in consolidated shareholders' equity under the "revaluation funds" in the year ended December 31, 2014.

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 13.8% (2013: 16.3%), as to growth rate 4.0% (2013: 4.1%) has been taken into consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	December 31, 2014	December 31, 2013
Short-term bank borrowings	719,267	611,625
Other	595	423
Total short-term financial liabilities	719,862	612,048
Short-term portion of long-term bank borrowings and interest accruals	1,057,375	1,048,288
Interest accruals of long-term bond issued (*)	25,386	13,043
Total short-term portion of long-term financial liabilities	1,082,761	1,061,331

(*) 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, 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
			719,267

As of December 31, 2013, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	8.0	247,085,095	247,085
EUR	1.3	101,959,184	299,403
RUB	7.9	951,363,827	61,629
CNY	5.6	10,018,667	3,508
			611,625

b) Long-term financial liabilities

	December 31, 2014	December 31, 2013
Long-term bank borrowings	840,800	1,526,555
Long-term bonds issued	2,123,584	1,054,461
Other	602	143
Total	2,964,986	2,581,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

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
			1,898,175
Less: Short-term portion of long-term loans and interest accruals			(1,057,375)
			840,800

As of December 31, 2013, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	9.6	1,113,235,845	1,113,236
EUR	2.6	407,137,522	1,195,559
ZAR	6.8	684,175,684	139,716
USD	3.1	50,085,944	106,898
RUB	7.7	300,000,000	19,434
			2,574,843
Less: Short-term portion of long-term loans and interest accruals			(1,048,288)
			1,526,555

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
			2,148,970
Less: Interest accruals of long-term bonds issued			(25,386)
			2,123,584

As of December 31, 2013, 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	500,165,711	1,067,504
			1,067,504
Less: Interest accruals of long-term bonds issued			(13,043)
			1,054,461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

(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, 2014	December 31, 2013
2015	-	1,148,071
2016	427,232	123,986
2017	288,203	123,986
2018	62,682	65,256
2019	62,682	65,256
2021	987,245	-
2023	1,159,450	1,067,150
	2,987,494	2,593,705

The analysis of borrowings and bonds issued in terms of periods remaining to contractual re-pricing dates is as follows:

Up to 6 months	2,279,487	2,870,539
6 - 12 months	31,341	-
1-5 years	286,945	293,650
Over 5 years	2,146,695	1,067,150
	4,744,468	4,231,339

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, 2014		December 31, 2013	
	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	423,290	2,780	(956)	1,233,804
Foreign currency swap contracts	1,206,428	5,003	(2,855)	857,585
	1,629,718	7,783	(3,811)	2,091,389
<i>Long-term derivative instruments</i>				
Cross-currency fixed interest rate swap (*)	1,631,796	17,803	-	1,583,318
				-
				(51,180)

(*) 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, 2014

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2014	December 31, 2013
Short-term trade receivables:		
Trade receivables	2,635,678	2,404,779
Notes receivables	1,635,494	1,651,986
Cheques receivables	253,209	227,891
Short-term trade receivables (gross)	4,524,381	4,284,656
Less: Provision for doubtful receivables	(97,019)	(113,281)
Less: Unearned credit finance income	(15,835)	(16,454)
Short-term trade receivables (net)	4,411,527	4,154,921

The movements of provision for doubtful receivables for the years ended December 31, are as follows:

	2014	2013
As of January 1	113,281	93,229
Current year additions (Note 29)	16,985	15,264
Provisions no longer required (Note 29)	(7,091)	(1,369)
Write-offs (*)	(27,141)	(2,674)
Currency translation differences	985	8,831
As of December 31	97,019	113,281

(*) 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, 2014	December 31, 2013
Long-term trade receivables	24,423	27,456
Short-term trade payables:		
Trade payables	1,526,520	1,165,156
Debt accruals	61,882	51,536
Unearned credit finance charges	(9,982)	(9,249)
1,578,420	1,207,443	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 10 - OTHER PAYABLES

	December 31, 2014	December 31, 2013
Taxes and duties payable	102,613	82,444
Deposits and guarantees received	5,385	4,811
Dividend payables to shareholders	4,155	4,370
Other	2,762	4,901
	114,915	96,526

NOTE 11 - INVENTORIES

	December 31, 2014	December 31, 2013
Raw materials and supplies	950,651	899,869
Work in progress	68,229	60,299
Finished goods	906,004	792,747
Trade goods	258,020	295,645
Inventories (gross)	2,182,904	2,048,560
Less: Provision for impairment on inventories	(57,958)	(60,187)
Inventories (net)	2,124,946	1,988,373

There are no inventories pledged as security for liabilities (December 31, 2013: None).

Allocation of the provision for impairment on inventories in terms of inventory type is as follows:

	2014	2013
Raw materials and supplies	47,210	49,778
Finished goods	8,344	7,560
Trade goods	2,404	2,849
	57,958	60,187

Movements of provision for impairment on inventories for the periods ended December 31 are as follows:

	2014	2013
As of January 1	60,187	59,785
Current year additions (Note 29)	4,952	3,868
Realized due to sales of inventory	(6,872)	(4,670)
Currency translation differences	(309)	1,204
As of December 31	57,958	60,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 12 - ASSOCIATES

	December 31, 2014 %	December 31, 2014 TRY	December 31, 2013 %	December 31, 2013 TRY
Koç Finansman	47.0	84,279	47.0	82,015
Arçelik - LG	45.0	91,568	45.0	94,202
Ram Dış Ticaret	33.5	12,338	33.5	9,654
Tanı Pazarlama	32.0	7,126	32.0	6,533
		195,311		192,404

The movements of associates for the years ended December 31, are as follows:

	2014	2013
As of January 1	192,404	182,614
Shares of income/loss of associates	18,156	25,345
Shares of other comprehensive income/loss of associates	95	978
Gross profit elimination on inventory	(1,244)	5,942
Dividends received	(14,100)	(22,475)
As of December 31	195,311	192,404

Shares of income/loss from associates:

	2014	2013
Koç Finansman	16,427	15,018
Arçelik - LG	(1,562)	7,635
Ram Dış Ticaret	2,699	2,551
Tanı Pazarlama	592	141
	18,156	25,345

Aggregated summary figures of the financial statements of associates:

	December 31, 2014	December 31, 2013
Total assets	2,973,065	2,574,343
Total liabilities	2,531,164	2,141,268
	2014	2013
Net sales	1,624,099	1,802,444
Profit/loss for the period (net)	38,622	70,180

NOTE 13 - INVESTMENT PROPERTIES

	2014	2013
As of January 1		
Cost	15,651	12,268
Accumulated depreciation	(9,305)	(7,169)
Net carrying value	6,346	5,099
Net carrying value at the beginning of the period	6,346	5,099
Currency translation differences	(278)	1,404
Depreciation for the period	(139)	(157)
Net carrying value at the end of the period	5,929	6,346
As of December 31		
Cost	14,966	15,651
Accumulated depreciation	(9,037)	(9,305)
Net carrying value	5,929	6,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	January 1, 2014	Additions	Disposals	Transfers	Currency translation differences	December 31, 2014
Cost						
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
	4,466,236	327,937	(60,604)	-	(129,692)	4,603,877
Accumulated depreciation						
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)
	(2,629,447)	(268,096)	58,796	-	47,616	(2,791,131)
Net book value	1,836,789					1,812,746

There is no mortgage on property, plant and equipment as of December 31, 2014 (December 31, 2013: None).

	January 1, 2013	Additions	Disposals	Transfers	Currency translation differences	December 31, 2013
Cost						
Land	14,940	372	(372)	-	996	15,936
Land improvements	33,482	1,410	-	-	-	34,892
Buildings	563,465	20,439	(1,903)	11,261	31,568	624,830
Machinery, equipment and moulds	2,993,114	167,005	(59,617)	158,441	70,665	3,329,608
Motor vehicles and fixtures	321,234	22,801	(10,597)	30,802	6,860	371,100
Leasehold improvements	41,680	2,179	(4,271)	106	1,136	40,830
Construction in progress	49,841	183,738	-	(189,595)	5,056	49,040
	4,017,756	397,944	(76,760)	11,015	116,281	4,466,236
Accumulated depreciation						
Land improvements	(19,437)	(1,539)	-	-	-	(20,976)
Buildings	(187,768)	(12,742)	575	-	(7,863)	(207,798)
Machinery, equipment and moulds	(1,960,851)	(185,741)	56,786	-	(38,254)	(2,128,060)
Motor vehicles and fixtures	(209,582)	(33,877)	10,035	-	(3,741)	(237,165)
Leasehold improvements	(36,715)	(2,182)	4,271	-	(822)	(35,448)
	(2,414,353)	(236,081)	71,667	-	(50,680)	(2,629,447)
Net book value	1,603,403					1,836,789

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 15 – OTHER INTANGIBLE ASSETS

	January 1, 2014	Additions	Disposals	Currency translation differences	December 31, 2014
Cost					
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
	1,199,395	133,933	(217)	(14,464)	1,318,647
Accumulated amortization					
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)
	(313,127)	(84,427)	33	874	(396,647)
Net book value	886,268				922,000

As of December 31, 2014 total amount of borrowing costs capitalized is TRY 2,334 (December 31, 2013: TRY 3,868).

	January 1, 2013	Additions	Disposals	translation differences	December 31, 2013
Cost					
Brands	515,307	-	-	46,291	561,598
Development costs	386,832	103,872	-	-	490,704
Computer software and rights	104,091	19,817	(1,016)	3,130	126,022
Trademark licenses and patents	16,890	-	-	4,181	21,071
	1,023,120	123,689	(1,016)	53,602	1,199,395
Accumulated amortization					
Development costs	(144,970)	(60,497)	-	-	(205,467)
Computer software and rights	(74,577)	(10,536)	1,016	(2,566)	(86,663)
Trademark licenses and patents	(15,972)	(904)	-	(4,121)	(20,997)
	(235,519)	(71,937)	1,016	(6,687)	(313,127)
Net book value	787,601				886,268

The carrying values of the brands of the Group are as below:

	December 31, 2014	December 31, 2013
Grundig (*)	242,755	252,467
Defy (*)	208,431	212,829
Beko	81,040	81,040
Other brands(*)	15,560	15,262
	547,786	561,598

(*) Values of brands in their original currencies are same as of December 31, 2014 and 2013 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, 2014. 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 8.5% to 10.1% discount rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 16 – GOODWILL

	2014	2013
As of January 1	172,706	177,080
Currency translation differences	(3,511)	(4,374)
As of December 31	169,195	172,706

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, 2014, goodwill over Defy acquisition and other acquisitions are TRY 162,768 (December 31, 2013: TRY 166,154) and TRY 6,427 (December 31, 2013: TRY 6,552) 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, 2014:

The projection period for the purposes of goodwill impairment testing is taken as 5 years between January 1, 2015 and December 31, 2019.

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 9.0% - 10.1% 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 30% 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 16.8%. Had the compound average growth rate been assumed to be 15%, the recoverable amount would have been calculated as 11.4% 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 15.1% 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 9.9%. Had the rate been assumed to be 10.9%, the recoverable amount would have been 6.4% 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, 2014

(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:

- a) 100% exemption from customs duty on machinery and equipment to be imported,
- b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
- c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
- d) Inward processing permission certificates,
- e) Cash refund from Tübitak - Teydeb for research and development expenses,
- f) Exemption of taxes and funds,
- g) Discounted corporate tax incentive,
- h) Insurance premium employer share incentive,
- i) 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, 2014 are as follows:

- i) Research and development incentive premiums taken or certain to be taken amounts to TRY 3,873 (2013: TRY 4,101).
- ii) Brand support incentive (known as "Turquality") received from Republic of Turkey Ministry of Economy amounts to TRY 35,572 (2013: TRY 28,004).

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2014, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 117,667,707 (December 31, 2013: USD 341,723,301). 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, 2014	December 31, 2013
Up to 1 year	22,068	20,014
1-5 years	35,054	43,036
Over 5 years	12,501	16,001
Operating lease commitments	69,623	79,051

Derivative instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of December 31, 2014 and December 31, 2013 are as follows:

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
	1,660,493	1,601,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

December 31, 2013	Purchase commitments	Sales commitments
TRY	238,392	178,903
USD	1,184,209	96,689
EUR	279,253	859,818
AUD	-	41,549
CZK	-	10,733
ZAR	11,350	128,589
GBP	-	356,198
SEK	-	32,779
CHF	29,158	-
PLN	-	39,035
RON	61,531	-
RUB	16,395	110,126
	1,820,288	1,854,419

	December 31, 2014	December 31, 2013
Collaterals obtained	2,787,977	2,536,469

Collaterals/ pledges/ mortgages ("CPM") position of the Group as of December 31, 2014 and December 31, 2013 are as follows:

CPM's given by the Company	December 31, 2014	December 31, 2013
A. CPM's given for Company's own legal personality	591,335	611,665
B. CPM's given on behalf of fully consolidated companies	163,593	37,678
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	-	-
Total	754,928	649,343

TRY equivalents of collaterals, pledges and mortgages give as of December 31, 2014 and December 31, 2013 are as follows on original currency basis are as follows:

CPM's given by the Company	December 31, 2014	December 31, 2013
USD	568,176	577,306
EUR	123,909	15,002
TRY	43,772	51,639
Other currencies	19,071	5,396
	754,928	649,343

NOTE 19 – OTHER PROVISIONS

	December 31, 2014	December 31, 2013
Other short-term provisions		
Warranty provision	145,034	147,835
Assembly provision	47,369	53,712
Provision for transportation cost	14,688	9,748
Provision for returns	8,471	9,423
Provision for lawsuit risks	8,256	6,653
Other	40,174	31,177
	263,992	258,548
Other long-term provisions		
Warranty provision	92,339	93,256
Other	1,436	451
	93,775	93,707

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 19 – OTHER PROVISIONS (Continued)

The movements of warranty and assembly provisions for the years ended December 31, are as follows:

	2014	2013
Warranty provision		
As of January 1	241,091	217,278
Additions	311,526	261,967
Disposals	(308,444)	(261,648)
Currency translation differences	(6,800)	23,494
As of December 31	237,373	241,091
Assembly provision		
As of January 1	53,712	39,300
Additions	200,267	212,898
Disposals	(206,610)	(198,486)
As of December 31	47,369	53,712

NOTE 20 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

	December 31, 2014	December 31, 2013
Provision for employment termination benefits	160,984	117,328
Provision for vacation pay liability	13,912	9,833
	174,896	127,161

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 3,438.22 as of December 31, 2014 (December 31, 2013: full TRY 3,254.44) 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.

Accordingly, the following demographic and financial actuarial assumptions were used in the calculation of the total liability:

	2014	2013
Net discount rate (%)	3.50	4.78
Turnover rate related the probability of retirement (%)	96.04	95.60

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 3,541.37 (January 1, 2014: full TRY 3,438.22) which is effective from January 1, 2015 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 20 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS (Continued)

Movements in the provisions for employment termination benefits for the years ended December 31, are as follows:

	2014	2013
As of January 1	117,328	112,254
Interest expense	10,529	7,964
Actuarial losses	47,206	8,922
Service cost	10,384	8,872
Payments during the year	(24,693)	(20,962)
Currency translation differences	230	278
As of December 31	160,984	117,328

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	158,974	115,749
Non - Turkey	2,010	1,579
	160,984	117,328

The sensitivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of 31 December 2014 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	(3.0%)	(4.0%)	(95.54%)	(96.54%)
Change in employee benefits liability	8,001	(7,333)	(7,854)	8,538

NOTE 21 – PREPAID EXPENSES

	December 31, 2014	December 31, 2013
Short-term prepaid expenses	50,708	31,299
Advances given for fixed assets	10,049	14,640
Advances given for inventories	7,984	993
	68,741	46,932

NOTE 22 – CURRENT INCOME TAX ASSETS

	December 31, 2014	December 31, 2013
Prepaid taxes and funds	57,988	34,337

NOTE 23 – EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2014	December 31, 2013
Payables to personnel	60,532	72,108
Social security payables	65,871	56,322
Accruals for bonuses and premiums	37,220	7,169
	163,623	135,599

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 24 - OTHER ASSETS AND LIABILITIES

	December 31, 2014	December 31, 2013
Other current assets:		
Value added tax and private consumption		
tax receivable	75,589	18,586
Taxes and funds deductible	55,756	92,616
Income accruals	4,874	4,681
Other	9,146	9,391
	145,365	125,274
Other current liabilities:		
Accruals for customer premiums	236,423	212,085
Advances received	30,345	24,558
Other	5,472	2,543
	272,240	239,186

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, 2014	December 31, 2013
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.

The shareholding structure of the Company is as follows:

	December 31, 2014	December 31, 2013		
	Share %	Amount	Share %	Amount
Shareholders				
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 Kıraklı	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
Total Koç Family members and companies owned by Koç Family members	51.93	350,909	51.93	350,909
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	0.13	893	0.13	893
Other	25.19	170,204	25.19	170,204
Paid-in capital	100.00	675,728	100.00	675,728
Adjustment to share capital (*)		468,811		468,811
Total share capital		1,144,539		1,144,539

(*) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the TAS/FRS 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 25 – EQUITY (Continued)

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.

The details of these restricted reserves are as follows:

	December 31, 2014	December 31, 2013
General legal reserves	83,690	83,690
Other legal reserves	191,740	165,119
	275,430	248,809

As agreed in the ordinary general meeting dated March 27, 2014, the decision to pay dividend as cash has been taken and the payment was made in April 2014 (previous year in April 2013). The dividend details are as follows: 44.4% (2013: 52.5%) corresponding to gross TRY 0.44396 (full) (2013:TRY 0.52536 (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; 37.7% (2013: 45.6%) corresponding to gross TRY 0.44396 (full) (2013: TRY 0.52536 (full)) and net TRY 0.37737 (full) (2013: TRY 0.45612 (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, 2014 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 607,719 (December 31, 2013: TRY 499,011).

NOTE 26 - SALES AND COST OF SALES

	2014	2013
Domestic sales	5,179,326	4,908,672
Foreign sales	8,762,311	7,286,525
Gross sales	13,941,637	12,195,197
Less: Discounts	(1,427,604)	(1,097,486)
Net sales	12,514,033	11,097,711
Cost of sales	(8,535,201)	(7,709,326)
Gross profit	3,978,832	3,388,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

(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

	2014	2013
Marketing, selling and distribution expenses:		
Transportation, distribution and storage expenses	719,196	608,354
Warranty and assembly expenses	511,793	474,865
Advertising and promotion expenses	429,891	336,647
Personnel expenses	356,957	306,193
License expenses	42,103	38,445
Depreciation and amortization expenses	24,423	22,781
Energy expenses	8,049	6,896
Other	263,835	218,852
	2,356,247	2,013,033
General administrative expenses:		
Personnel expenses	276,405	213,486
Insurance expenses	38,009	32,619
Depreciation and amortization expenses	36,306	26,602
Information technology expenses	31,813	26,278
Rent expenses	27,576	15,180
Legal consultancy and audit expenses	23,193	23,308
Duties, taxes and levies	16,929	13,774
Donations	9,207	8,761
Energy expenses	5,535	4,936
Repair and maintenance expense	2,038	3,599
Other	65,778	62,455
	532,789	430,998
Research and development expenses (*) :		
Depreciation and amortization expenses	72,061	61,326
Personnel expenses	20,209	14,154
Energy expenses	2,927	2,828
Other	6,858	4,899
	102,055	83,207

(*) Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 141,571 in 2014 (2013: TRY 122,714).

NOTE 28 - EXPENSES BY NATURE

	2014	2013
Raw materials, supplies and trade goods	7,453,544	6,957,787
Changes in finished goods, work in process and trade goods	(83,562)	(296,645)
Personnel expenses	1,345,640	1,136,086
Transportation, distribution and storage expenses	781,102	664,703
Warranty and assembly expenses	511,793	474,865
Advertising and promotion expenses	429,891	336,647
Depreciation and amortization expenses	346,293	302,181
Energy expenses	100,809	96,760
Repair and maintenance expenses	68,669	65,692
License expenses	42,103	38,445
Provision expense for doubtful receivables	16,985	15,264
Product recall expenses	3,132	19,194
Foreign exchange loss arising from trading activities	152,027	95,979
Credit finance charges arising from trading activities	14,695	753
Other	578,260	529,088
	11,761,381	10,436,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 29 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2014	2013
Other income from operating activities:		
Foreign exchange gains arising from trading activities	114,034	345,562
Income from claims and grants	42,735	34,075
Credit finance income arising from trading activities	15,508	33,249
Reversal of provisions for doubtful receivables	7,091	1,369
Reversals of provisions	2,900	19,293
Other	33,869	28,066
	216,137	461,614
Other expenses from operating activities:		
Foreign exchange losses arising from trading activities	(152,027)	(95,979)
Provision expense for doubtful receivables	(16,985)	(15,264)
Cash discounts expenses	(16,199)	(13,820)
Credit finance charges arising from trading activities	(14,695)	(753)
Provision expense for impairment on inventories	(4,952)	(3,868)
Product recall expenses	(3,132)	(19,194)
Other	(27,099)	(51,357)
	(235,089)	(200,235)

NOTE 30 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2014	2013
Income from investment activities:		
Dividends received from financial investments	12,944	9,559
Income from sales of property plant and equipment	3,320	1,822
	16,264	11,381
Expenses from investment activities:		
Loss from sales of property plant and equipment	(1,377)	(2,857)
	(1,377)	(2,857)

NOTE 31- FINANCIAL INCOME

	2014	2013
Foreign exchange gains (*)	281,812	333,918
Gains on derivative instruments	171,133	59,434
Interest income	23,142	35,954
Other	39	70
	476,126	429,376

(*) 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, 2014

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

NOTE 32 - FINANCIAL EXPENSES

	2014	2013
Foreign exchange losses (*)	(350,008)	(509,721)
Interest expenses	(314,010)	(209,243)
Losses on derivative instruments	(72,548)	(112,260)
Other	(9,770)	(9,767)
	(746,336)	(840,991)

(*) Foreign exchange losses are related to cash and cash equivalents, financial borrowings and other liabilities.

NOTE 33 - TAX ASSETS AND LIABILITIES

	December 31, 2014	December 31, 2013
Corporation and income taxes	78,248	82,107
Less: Prepaid tax	(60,094)	(62,459)
Tax liabilities (net)	18,154	19,648
Deferred tax assets	77,353	90,659
Deferred tax liabilities	(245,422)	(245,515)
Deferred tax liabilities, (net)	(168,069)	(154,856)

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, 2013: 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:

	2014	2013
Tax expenses		
- Current period tax expense	(80,892)	(120,939)
- Deferred tax expense	(12,752)	(1,146)
Tax expenses (net)	(93,644)	(122,085)

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/TFRS 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/TFRS and Tax Laws.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

(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, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Property, plant and equipment and intangible assets	1,417,777	1,362,408	(299,720)	(289,422)
Available-for-sale investments	553,209	393,896	(27,659)	(19,694)
Unearned credit finance income/expense (net)	38,932	58,473	(7,786)	(11,695)
Derivative instruments	19,471	(63,199)	(3,882)	12,604
Unused tax advantages	(409,035)	(255,047)	63,664	53,051
Provision for warranty, assembly and transportation expenses	(193,785)	(194,471)	40,053	40,659
Provision for employment termination benefits	(158,974)	(116,017)	31,795	23,225
Provision for impairment on inventories	(50,774)	(49,761)	10,148	10,017
Provision for doubtful receivables	(4,889)	(17,228)	1,182	3,426
Accrual for licenses	(1,915)	(6,008)	383	1,202
Other	(101,092)	(87,992)	23,753	21,771
Deferred tax liabilities (net)			(168,069)	(154,856)
Balance as of January 1			(154,856)	(150,438)
Deferred tax expense recognized in statement of profit or loss			(12,752)	(1,146)
Deferred tax income recognized directly in the shareholders' equity			1,475	6,878
Currency translation differences			(1,936)	(10,150)
Balance as of December 31			(168,069)	(154,856)

Group's total deductible loss of which deferred tax assets have not been calculated are TRY 365,554. Maturity analysis of this amount is as follows:

	December 31, 2014
2015	14,888
2016	14,085
2017	15,718
2018	37,324
2019 and after	283,539
	365,554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 33 - TAX ASSETS AND LIABILITIES (Continued)

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, 2014, total gross accumulated distributable but undistributed profits of subsidiaries to parent entities amounts to TRY 657,898 (December 31, 2013: TRY 617,721).

Reconciliation between tax expenses for the years ended December 31, 2014 and 2013 and calculated tax expense using corporate tax rate in Turkey (20%) is as follows:

	2014	2013
Profit before tax	731,622	744,780
Tax expense calculated using 20% local tax rate	(146,324)	(148,956)
Exemptions	42,343	31,206
Effect of unused tax losses for which no deferred tax asset was recognized	(4,624)	(4,070)
Expenses not deductible for tax purposes	(15,371)	(9,664)
Impact of different tax rates in other countries	(4,411)	(6,513)
Adjustments with no tax effects	4,953	13,766
Utilization of previously unrecognized tax advantages	33,581	2,491
Other	(3,791)	(345)
Taxation expense recognized in statement of profit or loss	(93,644)	(122,085)
Effective tax rate	12.8%	16.4%

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, 2014 the tax advantage of 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.

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, 2014	December 31, 2013
Net income	617,084	597,845
Weighted average number of ordinaryshares with nominal value (Kr1 each one)	67,572,820,500	67,572,820,500
Earnings per share (Kr) (*)	0.913	0.885
Dividends distributed to the equity holders of the parent	300,000	355,000
Gross dividend distributed per share (Kr) (*)	0.444	0.525

(*) 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, 2014

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

NOTE 35 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2014	December 31, 2013
(a) Due from related parties:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri		
Pazarlama A.Ş. (¹)	9,534	22,114
Yapı ve Kredi Bankası A.Ş. (¹)	7,362	3,242
Koçtaş Yapı Marketleri Ticaret A.Ş. (¹)	1,709	1,052
Other	3,766	811
	22,371	27,219

(b) Due to related parties:

<i>Current:</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (¹)	68,701	107,972
Arçelik-LG (²)	60,754	270,661
Ram Dış Ticaret (²)	48,259	36,030
Other	25,308	22,794
	203,022	437,457

	December 31, 2014	December 31, 2013
<i>Other payables to related parties – Current:</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	10,003	8,860

<i>Other payables to related parties – Non Current:</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	57,823	62,427

(*) 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, 2014. (December 31, 2013: TRY 81,040).

Maturity breakdown of gross future minimum payables of other payables to related parties is as follows:

	December 31, 2014	December 31, 2013
Other payables to related parties (gross)		
Up to 1 year	13,321	12,379
1 to 5 years	52,769	48,663
Over 5 years	13,217	24,331
	79,307	85,373
Less: Future finance charges on other liabilities	(11,481)	(14,086)
Present value of other payables to related parties (net)	67,826	71,287

Maturity analysis of the present value of other payables to related parties is as follows:

	December 31, 2014	December 31, 2013
Up to 1 year	10,003	8,860
1 to 5 years	45,021	39,449
Over 5 years	12,802	22,978
	67,826	71,287

(¹) Koç Holding group companies

(²) Associates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 35 - RELATED PARTY DISCLOSURES (Continued)

	December 31, 2014	December 31, 2013
(c) Deposits:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾	738,976	294,694
(d) Krediler:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	19,114	108,144
(e) Derivative instruments		
December 31, 2014	Contract amount	Fair value assets/(liabilities)
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	428,405	3 (395)
December 31, 2013	Contract amount	Fair value assets/(liabilities)
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	358,406	1,484 -
(ii) Transactions with related parties	2014	2013
(a) Sales of goods and services:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	31,351	75,806
Yapı ve Kredi Bankası A.Ş.	18,285	6,238
Koçtaş Yapı Marketleri Ticaret A.Ş.	13,960	21,241
Arçelik-LG	3,437	3,399
Zer Merkezi Hizmetler ve Ticaret A.Ş.	3,006	2,571
Other	6,078	5,804
	76,117	115,059
(b) Purchases of goods and services:		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	738,818	653,868
Arçelik-LG	247,424	546,273
Ram Dış Ticaret	162,513	120,243
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	36,855	30,792
Setur Servis Turistik A.Ş. ⁽¹⁾	29,158	24,227
Ram Sigorta Aracılık Hizmetleri A.Ş. ⁽²⁾ (*)	24,837	22,025
Koç Holding A.Ş.	17,745	13,721
Other	87,738	48,818
	1,345,088	1,459,967

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.

⁽¹⁾ Koç Holding group companies

⁽²⁾ Company controlled by Koç family members

(*) The amount is composed of accrued premiums in the period ending December 31, 2014 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 35 - RELATED PARTY DISCLOSURES (Continued)

(c) 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, 2014 amounts to TRY 55,254 (December 31, 2013: TRY 42,184). Compensation includes only short-term benefits.

(d) Other transactions

	2014	2013
<i>Interest income:</i> Yapi ve Kredi Bankası A.Ş. and its subsidiaries	11,657	21,644
<i>Interest expense:</i> Yapi ve Kredi Bankası A.Ş. and its subsidiaries	5,075	8,435

NOTE 36 - DISCLOSURE OF INTERESTS IN OTHER ENTITIES

Beko UK is operating in marketing, sales and after sales services areas for consumer durables and consumer electronics in England and Republic of Ireland. The share of non-controlling interest in Beko UK is 50% (December 31, 2013: 50%).

Arçelik Group owns full power over the operations of the Subsidiary while holding 50% of voting power of the Subsidiary, based on the declarations of the non-controlling interest holders. As Arçelik has the full control over the activities of Beko UK, Beko UK is considered as a subsidiary and consolidated.

The summary of statements of financial position of the subsidiary for the years ended December 31, 2014 and 2013 are as follows. Amounts are shown before inter-company eliminations.

	December 31, 2014	December 31, 2013
Current assets	493,368	599,161
Non-current assets	29,941	29,587
Total assets	523,309	628,748
Current liabilities	462,831	500,112
Non-current liabilities	2,100	2,218
Equity	58,378	126,418
Total liabilities and equity	523,309	628,748

The summary of statements of profit or loss of the subsidiary for the years ended December 31, 2014 and 2013 are as follows. Amounts are shown before inter-company eliminations.

	2014	2013
Net sales	1,212,542	1,043,643
Profit before taxation	46,728	59,807
Net income	36,806	45,914
Total other comprehensive income	39,725	68,644
Non-controlling interests	18,403	22,957
Dividends paid to non-controlling interests	53,883	48,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 36 - DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)

The summary of statements of cash flows of the subsidiary for the years ended December 31, 2014 and 2013 are as follows. Amounts are shown before inter-company eliminations.

	2014	2013
Cash flow from operating activities	(13,531)	24,018
Cash flow from investing activities	(1,357)	(14,558)
Cash flow from financing activities (excluding dividend)	197	386
Dividends paid	(107,766)	(97,110)
Foreign currency translation differences (net)	2,166	17,670
Net decrease in cash and cash equivalents	(120,291)	(69,594)

NOTE 37 - 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.

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2014 is as follows:

Total financial liabilities (non-derivative):	Carrying value	Contractual cash-flows	Up to 3 months	3 months- 12 months	1 year- 5 years	More than 5 years
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	-	-
6,731,792	7,638,722	2,927,633	944,772	1,325,821	2,440,496	

Derivative instruments	Carrying value	Contractual cash-flows	Up to 3 months	3 months- 12 months	1 year- 5 years	More than 5 years
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)
Derivative instruments (net)	21,775	157,058	1,194	4,087	17,273	134,504

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2013 is as follows:

Total financial liabilities (non-derivative):	Carrying value	Contractual cash-flows	Up to 3 months	3 months- 12 months	1 year- 5 years	More than 5 years
Financial liabilities	4,254,538	4,944,532	671,816	1,154,261	1,744,654	1,373,801
Trade payables	1,644,900	1,654,149	1,387,904	266,245	-	-
Other payables, related parties	71,287	85,373	3,095	9,284	48,663	24,331
Other payables, third parties	96,526	96,526	74,796	21,730	-	-
6,067,251	6,780,580	2,137,611	1,451,520	1,793,317	1,398,132	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Derivative instruments						
Derivative cash inflows		2,166,258	1,042,549	38,417	153,670	931,622
Derivative cash outflows		(2,133,968)	(1,048,840)	(38,364)	(153,280)	(893,484)
Derivative instruments (net)	(59,026)	32,290	(6,291)	53	390	38,138

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, 2014 and 2013 are as follows:

December 31, 2014 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	PLN	EGP	SEK
Current Asset											
Cash and cash equivalents	-	1.61	1.47	0.25	2.83	11.75	1.15	5.25	1.53	4.57	-
Trade receivable	2.28	-	-	-	-	-	-	-	-	-	-
Current Liabilities											
Short-term bank borrowings	9.70	0.99	-	-	-	-	5.60	7.58	-	-	1.33
Trade payables	8.37	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities											
Long-term bank borrowings	11.98	2.42	-	-	-	8.71	-	8.63	-	-	-
Long term bonds issued	-	4.00	5.10	-	-	-	-	-	-	-	-
December 31, 2013 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	PLN	EGP	NOK
Current Asset											
Cash and cash equivalents	7.00	1.63	1.59	0.25	3.20	-	2.70	4.50	2.30	4.01	0.55
Trade receivable	2.52	-	-	-	-	-	-	-	-	-	-
Current Liabilities											
Short-term bank borrowings	7.99	1.30	-	-	-	7.86	5.60	-	-	-	-
Trade payables	8.37	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities											
Long-term bank borrowings	9.61	2.59	3.09	-	-	7.65	-	6.79	-	-	-
Long term bonds issued	-	-	5.10	-	-	-	-	-	-	-	-

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Analysis of financial instruments of the Company which are sensitive to interest rate changes is as follows:

	2014	2013
Financial instruments with fixed interest rates		
Time deposits	914,251	548,940
Borrowings and bonds issued	2,900,827	1,732,551
Financial instruments with variable interest rates		
Time deposits	422,003	518,914
Borrowings	1,865,585	2,521,420

At December 31, 2014, 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 14,436 (2013: TRY 20,025) 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, 2014

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of December 31, 2014 and December 31, 2013 are as follows:

December 31, 2014	Trade receivables			Derivative instruments
	Related parties	Third parties	Bank deposits	
Maximum exposed credit risk as of reporting date ⁽¹⁾	22,371	4,435,950	1,548,727	25,586
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(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)	-	-
December 31, 2013	Trade receivables			Derivative instruments
	Related parties	Third parties	Bank deposits	
Maximum exposed credit risk as of reporting date ⁽¹⁾	27,219	4,182,377	1,192,916	6,651
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(3,250,611)	-	-
A. Net book value of financial asset either are not due or not impaired	27,219	3,900,410	1,192,916	6,651
- Secured portion by guarantees, etc.	-	(3,017,459)	-	-
B. Financial assets with renegotiated conditions	-	28,379	-	-
- Secured portion by guarantees, etc.	-	(23,919)	-	-
C. Net book value of overdue but not impaired financial assets	-	203,105	-	-
- Secured portion by guarantees, etc.	-	(158,750)	-	-
D. Net book value of the impaired assets	-	50,483	-	-
- Overdue (Gross book value)	-	163,764	-	-
- Impairment (-)	-	(113,281)	-	-
- Secured portion of the net value by guarantees, etc.	-	(50,483)	-	-

⁽¹⁾ Amounts showing the maximum credit risk exposed as of reporting date by excluding guarantees in hand and other factors that increase the credit quality

⁽²⁾ 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, 2014	December 31, 2013
Group 1	5,828	11,281
Group 2	3,926,722	3,808,259
Group 3	170,078	136,468
	4,102,628	3,956,008

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, 2014

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

b) Aging analysis of the receivables which are overdue but not impaired

	December 31, 2014	December 31, 2013
0-1 month	123,183	139,078
1-3 months	136,199	33,547
3-12 months	46,274	22,735
1-5 years	14,045	7,745
	319,701	203,105

c) Geographical concentration of the trade receivables

	December 31, 2014	December 31, 2013
Turkey	2,464,317	2,270,071
Europe	1,389,038	1,372,718
Other	604,966	566,807
	4,458,321	4,209,596

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, 2014 a portion of bank borrowings amounting to EUR 150,000,000 (before tax) was designated as a net investment hedging instrument (December 31, 2013: EUR 328,750,000).

Foreign currency position

Assets and liabilities denominated in foreign currency held by the Group before consolidation adjustments are as follows:

	December 31, 2014	December 31, 2013
Assets	3,257,933	2,808,426
Liabilities	(3,633,544)	(3,190,616)
Net position of financial statement	(375,611)	(382,190)
Net position of derivative instruments	398,562	491,604
Foreign currency position (net)	22,951	109,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 37 - 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, 2014 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
Current assets															
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	10,228	1,392	3	(1)	-	-	2,820	1	6,004	147	542	-	871,426	
Other	40,928	128,384	536	-	-	-	1	-	-	-	-	-	-	415,133	
Total assets	688,674	287,262	89,183	1,388,864	94,890	182,413	19,494	123,331	369,287	32,362	31,287	542	2,467	1,584	3,257,933
Current liabilities															
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
Non-Current liabilities															
Financial liabilities	524,911	495,119	-	-	-	-	-	-	-	-	-	-	-	-	2,628,747
Other monetary financial liabilities	-	24,936	-	-	-	-	-	-	-	-	-	-	-	-	57,824
Total liabilities	662,160	746,412	1,617	-	-	-	10	66,392	12,725	-	3,519	-	14,710	-	3,633,544
Net Position of Financial Statement	26,514	(459,150)	87,566	1,388,864	94,890	182,413	19,484	56,939	356,562	32,362	27,768	542	(12,243)	1,584	(375,611)
Off-balance sheet items															
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
Net asset/(liability) position of foreign currency	11,370	(17,863)	6,409	(84,136)	13,890	413	3,484	(11,053)	6,562	32,362	(6,232)	542	(12,243)	1,584	22,951
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 hedge	277,804	18,297	81,157	1,473,000	81,000	182,000	16,000	125,000	350,000	-	34,000	-	-	-	21,775
Hedged amount of foreign currency assets	112,660	459,584	-	-	-	-	-	-	-	57,008	-	-	-	-	1,424,913
Hedged amount of foreign currency liabilities										-	-	-	-	-	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.

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NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Net foreign currency positions against the functional currencies are as follows:

	December 31, 2014	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent	
Against TRY																
Against EUR	7,183	21,189	(327)	(84,136)	13,890	413	3,494	(4,490)	19,287	-	(2,769)	-	(11,375)	1,584	71,439	
Against RUB	-	7,101	-	-	-	-	-	-	-	-	-	-	-	20,325		
Against PLN	1,990	4,038	-	-	-	-	-	-	-	-	-	-	-	14,977		
Against GBP	(61)	17	-	-	-	-	-	-	-	-	-	-	-	(133)		
Against RON	(266)	58	-	-	-	-	-	-	-	-	-	-	-	(616)		
Against CZK	(346)	521	1,552	-	-	-	-	-	-	-	-	-	-	5,769		
Against NOK	(2,356)	-	-	-	-	-	-	-	-	-	-	-	-	(6,646)		
Against SEK	(418)	(62)	-	-	-	-	(6,563)	-	32,433	-	-	-	-	9,007		
Against CNY	6,025	(11)	-	-	-	-	(10)	-	-	-	-	-	-	16,966		
Against ZAR	1,464	(11,012)	5,184	-	-	-	-	-	-	-	-	-	-	(2,764)		
Against AUD	(2,569)	(9,931)	-	-	-	-	-	-	-	-	-	-	-	(30,275)		
Against EGP	(125)	(182)	-	-	-	-	-	-	-	-	542	-	-	210		
Against UAH	4	(20,054)	-	-	-	-	-	-	-	-	-	-	-	(46,492)		
Against CHF	(117)	(10,575)	-	-	-	-	-	-	-	-	-	-	-	(24,852)		
Against BWP	909	1,040	-	-	-	-	-	-	-	-	-	-	-	4,976		
Against NZD	-	-	-	-	-	-	-	-	(12,725)	-	-	-	-	(2,546)		
Other	53	-	-	-	-	-	-	-	(3,463)	-	-	-	-	(6,543)		
		11,370	(17,863)	6,409	(84,136)	13,890	413	3,484	(11,053)	6,562	32,362	(6,232)	542	(12,243)	1,584	22,951

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NOTE 37 - 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, 2013 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent	
Current assets																
Trade receivables	370,264	110,460	104,587	1,482,643	55,011	125,652	9,957	94,566	30,125	10,166	22,902	77	-	296	1,921,285	
Monetary financial assets	120,179	30,992	4	-	(1)	-	-	429	-	2,029	96	4	-	-	426,343	
Other	26,694	63,583	86	-	-	-	-	-	-	-	2	-	-	-	214,398	
Non-Current assets																
Trade receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	246,400	
Total assets	517,137	205,035	104,677	1,482,643	55,010	125,652	9,957	94,995	1,236,727	12,195	23,000	81	-	296	2,808,426	
Current liabilities																
Trade payables	101,585	123,602	1,196	-	-	-	-	156	40,189	17,455	-	3,102	-	64,846	-	590,270
Financial liabilities	247,292	6,197	-	-	-	-	-	-	-	684,176	-	-	-	-	-	878,851
Other monetary financial liabilities	1,302	9,276	1,221	-	-	-	-	-	-	-	-	-	-	-	-	27,908
Non-Current liabilities																
Trade payables	-	29,249	-	-	-	-	-	-	-	-	-	-	-	-	-	62,426
Financial liabilities	160,049	544,055	-	-	-	-	-	-	-	-	-	-	-	-	-	1,631,161
Total liabilities	510,138	712,379	2,417	-	-	-	-	156	40,189	701,631	-	3,102	-	64,846	-	3,190,616
Net Position of Financial Statement	6,999	(507,344)	102,260	1,482,643	55,010	125,652	9,801	54,806	535,096	12,195	19,898	81	(64,846)	296	(382,190)	
Off-balance sheet derivative assets (*)	322,118	554,847	-	162,521	-	-	-	-	-	-	-	-	-	-	-	2,140,635
Off-balance sheet derivative liabilities (*)	(292,804)	(45,303)	(101,441)	(1,700,000)	(55,000)	(100,000)	-	(100,000)	(500,000)	-	(22,000)	-	-	-	-	(1,649,031)
Net position of off-balance sheet items	29,314	509,544	(101,441)	(1,537,479)	(55,000)	(100,000)	-	(100,000)	(500,000)	-	(22,000)	-	-	-	-	49,1,604
Net asset/(liability) position of foreign currency	36,313	2,200	819	(54,836)	10	25,652	9,801	(45,194)	35,096	12,195	(2,102)	81	(64,846)	296	109,414	
Net asset/(liability) position of foreign currency monetary items	(19,695)	(570,927)	102,174	1,482,643	55,010	125,652	9,801	54,806	535,096	12,195	19,896	81	(64,846)	296	(596,588)	
Fair value of financial instruments used for foreign exchange hedge	292,804	45,303	101,441	1,700,000	55,000	100,000	-	100,000	500,000	-	22,000	-	-	-	-	(59,026)
Hedged amount of foreign currency assets	59,118	554,847	-	162,521	-	-	-	-	-	-	-	-	-	-	-	1,649,031
Hedged amount of foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,368,336

(*) 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.

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NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Net foreign currency positions against the functional currencies are as follows:

	December 31, 2013	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
Against TRY	27,340	13,945	(53)	(54,836)	10	25,652	9,957	(5,535)	-	-	-	902	-	(61,338)	296	111,772
Against EUR	-	4,574	-	-	-	-	-	-	52,551	-	-	-	-	-	-	20,493
Against RUB	691	3,600	-	-	-	-	-	-	-	-	-	-	-	-	-	9,712
Against PLN	(2,728)	79	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,842)
Against GBP	134	-	-	-	-	-	-	-	-	-	-	-	-	-	-	393
Against RON	(2,498)	4,233	531	-	-	-	-	-	-	-	(21)	-	-	-	-	(3,508)
Against CZK	(1,773)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,206)
Against NOK	8,144	(199)	-	-	-	-	-	(39,659)	-	-	-	-	-	-	-	15,291
Against SEK	4,035	(21)	-	-	-	-	(156)	-	-	-	-	-	-	-	-	11,750
Against CNY	1,350	(7,982)	341	-	-	-	-	-	-	-	-	-	-	-	-	(11,875)
Against ZAR	(1,472)	(1,598)	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,734)
Against AUD	(747)	(58)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,177)
Against EGP	9	(8,989)	-	-	-	-	-	-	-	-	-	-	-	-	-	(19,159)
Against UAH	170	(7,301)	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,084)
Against CHF	3,664	1,917	-	-	-	-	-	-	-	-	-	-	-	-	-	14,850
Against BWP	-	-	-	-	-	-	-	(17,455)	-	-	-	-	-	-	-	(3,564)
Against NZD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,673)
Other	(6)	-	-	-	-	-	-	-	-	-	-	(3,004)	-	-	-	(18)
	36,313	2,200	819	(54,836)	10	25,652	9,801	(45,194)	35,096	12,195	(2,102)	81	(64,846)	296	109,414	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2014 and December 31, 2013, 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.

	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%
December 31, 2014				
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)
USD Net effect	(4,142)	4,142	(4,012)	4,012
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
EUR Net effect	3,206	(3,206)	44,953	(44,953)
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
GBP Net effect	2,305	(2,305)	8,143	(8,143)
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
RUB Net effect	(338)	338	14,592	(14,592)
RON net asset/liability	-	-	42,334	(42,334)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	42,334	(42,334)
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
PLN Net effect	911	(911)	9,312	(9,312)
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
CZK Net effect	4	(4)	2,174	(2,174)
NOK net asset/liability	607	(607)	1,340	(1,340)
Secured portion from NOK risk	(498)	498	(498)	498
NOK Net effect	109	(109)	842	(842)
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
SEK Net effect	(327)	327	1,479	(1,479)
NZD net asset/liability	98	(98)	98	(98)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	98	(98)	98	(98)
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
ZAR Net effect	131	(131)	40,747	(40,747)
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
AUD Net effect	(1,179)	1,179	(1,621)	1,621
DKK net asset/liability	1,224	(1,224)	1,224	(1,224)
Secured portion from DKK risk	-	-	-	-
DKK Net effect	1,224	(1,224)	1,224	(1,224)
JPY net asset/liability	(23)	23	(24)	24
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(23)	23	(24)	24
CAD net asset/liability	316	(316)	316	(316)
Secured portion from CAD risk	-	-	-	-
CAD Net effect	316	(316)	316	(316)
EGP net asset/liability	-	-	(604)	604
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(604)	604
UAH net asset/liability	-	-	(707)	707
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	(707)	707
CNY net asset/liability	-	-	8,342	(8,342)
Secured portion from CNY risk	-	-	-	-
CNY Net effect	-	-	8,342	(8,342)
CHF net asset/liability	-	-	14,112	(14,112)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	-	-	14,112	(14,112)
BWP net asset/liability	-	-	(437)	437
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	(437)	437
	2,295	(2,295)	181,263	(181,263)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

December 31, 2013	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	(108,282)	108,282	(108,282)	108,282
Secured portion from USD risk	108,752	(108,752)	108,752	(108,752)
USD Net effect	470	(470)	470	(470)
EUR net asset/liability	79,285	(79,285)	42,694	(42,694)
Secured portion from EUR risk	(68,622)	68,622	8,608	(8,608)
EUR Net effect	10,663	(10,663)	51,302	(51,302)
GBP net asset/liability	35,908	(35,908)	48,550	(48,550)
Secured portion from GBP risk	(35,620)	35,620	(35,620)	35,620
GBP Net effect	288	(288)	12,930	(12,930)
RUB net asset/liability	9,605	(9,605)	28,638	(28,638)
Secured portion from RUB risk	(9,960)	9,960	(9,960)	9,960
RUB Net effect	(355)	355	18,678	(18,678)
RON net asset/liability	-	-	36,583	(36,583)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	36,583	(36,583)
PLN net asset/liability	3,904	(3,904)	11,689	(11,689)
Secured portion from PLN risk	(3,903)	3,903	(3,903)	3,903
PLN Net effect	1	(1)	7,786	(7,786)
CZK net asset/liability	1,348	(1,348)	2,936	(2,936)
Secured portion from CZK risk	(1,073)	1,073	(1,073)	1,073
CZK Net effect	275	(275)	1,863	(1,863)
NOK net asset/liability	341	(341)	1,665	(1,665)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	341	(341)	1,665	(1,665)
SEK net asset/liability	1,796	(1,796)	3,012	(3,012)
Secured portion from SEK risk	(3,278)	3,278	(3,278)	3,278
SEK Net effect	(1,482)	1,482	(266)	266
NZD net asset/liability	14	(14)	14	(14)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	14	(14)	14	(14)
ZAR net asset/liability	10,927	(10,927)	49,662	(49,662)
Secured portion from ZAR risk	(10,211)	10,211	(10,211)	10,211
ZAR Net effect	716	(716)	39,451	(39,451)
AUD net asset/liability	3,758	(3,758)	3,494	(3,494)
Secured portion from AUD risk	(4,155)	4,155	(4,155)	4,155
AUD Net effect	(397)	397	(661)	661
DKK net asset/liability	479	(479)	479	(479)
Secured portion from DKK risk	-	-	-	-
DKK Net effect	479	(479)	479	(479)
JPY net asset/liability	(131)	131	(131)	131
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(131)	131	(131)	131
CAD net asset/liability	59	(59)	59	(59)
Secured portion from CAD risk	-	-	-	-
CAD Net effect	59	(59)	59	(59)
EGP net asset/liability	-	-	(511)	511
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(511)	511
UAH net asset/liability	-	-	177	(177)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	177	(177)
CNY net asset/liability	-	-	8,202	(8,202)
Secured portion from CNY risk	-	-	-	-
CNY Net effect	-	-	8,202	(8,202)
CHF net asset/liability	-	-	13,051	(13,051)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	-	-	13,051	(13,051)
BWP net asset/liability	-	-	(259)	259
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	(259)	259
	10,941	(10,941)	190,882	(190,882)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Imports and exports performed to / from Turkey for the year ended as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013		
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	1,011,511,187	2,936,214	955,133,332	2,435,872
USD	292,747,790	639,712	328,709,376	621,436
GBP	252,617,572	907,677	265,142,594	798,179
Other		572,583		455,120
Total exports	5,056,186		4,310,607	
EUR	361,979,041	1,049,355	429,856,529	1,077,984
USD	904,811,376	1,978,888	882,562,636	1,687,036
GBP	1,023,431	3,671	745,860	2,254
Other		31,775		5,187
Total imports	3,063,689		2,772,461	

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, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Total financial liabilities (Note 7)	4,767,609	4,254,538
Less: Cash and cash equivalents (Note 5)	(1,621,221)	(1,266,575)
Net financial liabilities	3,146,388	2,987,963
Equity	4,398,698	4,138,756
Total capital invested	7,545,086	7,126,719
Gearing ratio	42%	42%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 38 - 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, 2014 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 4,047,145 (December 31, 2013: TRY 3,642,347) (Note 7), and TRY 4,070,145 (December 31, 2013: TRY 3,650,310) 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, 2014 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
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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Fair value hierarchy table as of December 31, 2013 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 8)	-	6,651	-
Financial investments (Note 6)	-	537,682	-

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 8)	-	65,677	-
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

NOTE 39 - 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, 2014	December 31, 2013
Changes in provisions:		
Accrual for bonuses and premiums	30,051	243
Accrual for customer premiums	24,338	66,626
Provision for employment termination benefits	20,913	18,897
Provision for doubtful receivables	16,985	15,264
Provision for impairment on inventories	4,952	3,868
Provision for vacation pay liability	4,079	1,095
Provision for legal claims	1,603	369
Return provisions	(952)	1,962
Provision for assembly and transportation cost	(1,403)	14,474
Warranty provision	(3,718)	23,813
	96,848	146,611



General Information

Reporting Period	01.01.2014 - 31.12.2014
Trade Name	Arçelik A.Ş.
Trade Registry and Number	İstanbul Trade Registry, No: 54957
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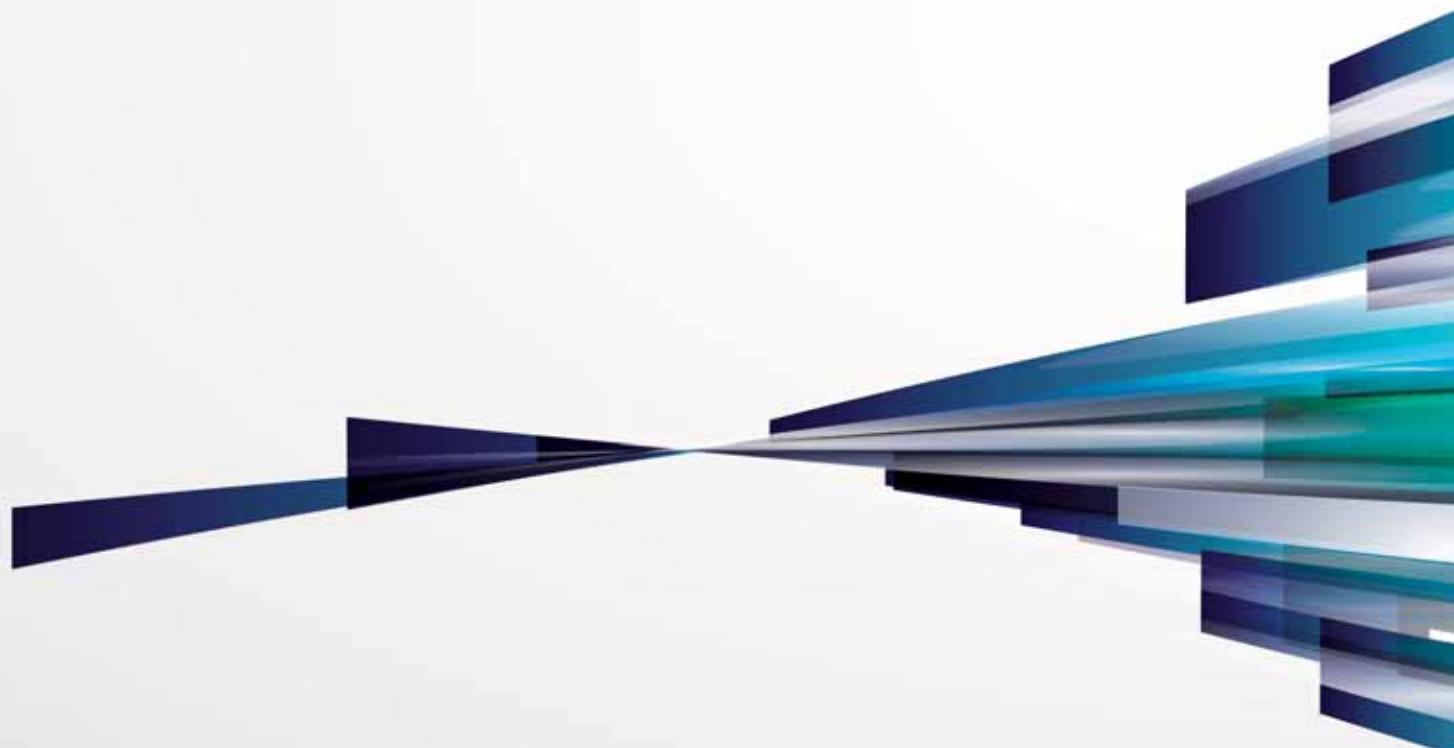
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