

Continuous stream of innovation...

VESTEL BEYAZ EŞYA ANNUAL REPORT 2012



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One of Europe's leading white goods manufacturers, Vestel Beyaz Eşya continued to grow in 2012 while introducing a continuous stream of innovation to consumers.

Vestel Beyaz Eşya also obtained 48 awards from prestigious international design competitions, including "The Most Innovative Brand in 2012", and the "Best Product of the Year Award" designations in three product categories at the Plus X Award.

Adding new customers everyday to the millions reached across Turkey and the world is one of Vestel Beyaz Eşya's top priorities.

Established in 1997, Vestel Beyaz Eşya has rapidly become one of the largest white goods manufacturers in Europe in terms of production capacity. Thanks to the power of its parent company Zorlu Group, the know-how and experience of its main partner Vestel Elektronik, and its own capability in developing technologies that add comfort to everyday life, the Company has established itself as a key player in all the markets in which it is active.

Vestel Beyaz Eşya produces refrigerators, washing machines, cookers, dishwashers, air-conditioners and water-heaters in its facilities that include more than 312 thousand square meters of enclosed area. With its advanced work in R&D, Vestel Beyaz Eşya is one of the leading companies in its sector worldwide. Vestel Beyaz Eşya appeals to all customer segments with its technology and design development capabilities and the product range created with the understanding of consumer-focused production.

As a young company, Vestel Beyaz Eşya operates the most modern and up-to-date facilities in Europe since it has completed its production investments in recent years. This helps the Company to boost its operational efficiency, productivity and cost advantages by means of economies of scale. Flexible production capabilities, product differentiation competency, logistical advantages due to its proximity to European customers compared to its Far Eastern competitors, and low labor costs compared to Europe are Vestel Beyaz Eşya's key competitive advantages.

Vestel Group's sales and marketing strategy is as follows: In the European market, where it realizes a large part of its sales, the Company relies on ODM services in addition to sales with the well-known regional brands in its portfolio. In Turkey, CIS and Middle Eastern markets, the Company sells under its own brands, particularly the well-known Vestel brand.

Vestel Beyaz Eşya has established itself as one of the 10 largest producers in the European white goods market and one of the top three players in the domestic market with its strength derived from its dynamism and by closely monitoring technological trends to develop impeccable applications.



Vestel Beyaz Eşya maintains a very close watch on technological trends.

One of Vestel's top priorities is to expand its customer base of millions of consumers in Turkey and across the world everyday by increasing the number of its sales, distribution and service channels. Today, Vestel Beyaz Eşya adds joy and comfort to the lives of consumers with high product and service quality in Turkey with:

- 1,114 Vestel stores;
- 726 dealers with Regal signage;
- E-Store providing online sales;
- 350 service centers;

and in neighboring countries and Europe through

- International offices and local sales and distribution networks in France, Germany, Spain, the UK, the Netherlands, Finland, Russia and Romania;
- 2,770 stores in 13 neighboring countries including Russia and across the CIS and the Middle East;

all of which are organized under Vestel Ticaret A.Ş.

Placing strategic importance on R&D for development and competitiveness, Vestel Beyaz Eşya maintains a close watch on all global technological developments and thus continuously enhances its capability to develop state-of-the-art technologies.

Vestel Beyaz Eşya has rapidly embraced the shift to energy efficient products, the dominant trend in the white goods industry in recent years; and the Company has prioritized the development of these products in its short and medium term strategic plans. By placing the slogan "Friendly Technology" next to its brand, Vestel has emphasized its commitment to the development of environment and people friendly technology, and the manufacture of products that maximize energy saving. The Company's exemplary R&D investments enable the continuous enrichment of the environmentally-friendly product line with products that use less water, detergent, time and raw materials, and outputs less waste water, heat and noise into the environment. Vestel Beyaz Eşya views environmental protection and social responsibility awareness as key to its own corporate development, and innovation perspectives in line with this approach as essential to achieving sustainable growth.

Vestel Beyaz Eşya on the Stock Market

31.5% of Vestel Beyaz Eşya A.Ş. shares, as the subsidiary of Vestel Elektronik Sanayi ve Ticaret A.Ş., have been trading on the Borsa İstanbul (BIST*) under the ticker symbol VESBE since 2006.

As of end-2012, Vestel Beyaz Eşya shares were included in the BIST All Shares, BIST All Shares-100, BIST National, BIST Industrials and BIST Metal Products indices.

* The legal entity of the Istanbul Stock Exchange (ISE) was dissolved on April 3, 2013 upon the establishment of Borsa İstanbul A.Ş. (BIST) when the new Capital Market Law took effect.

Financial Indicators

In 2012, the ratio of Vestel Beyaz Eşya's R&D expenditures to total sales was 1.4%.

Major Financial Indicators

	Euro Million	
	2012	2011
Net Sales	930	850
Exports/Sales	68%	64%
Operational Profit/(Loss)	-1.6	26
EBITDA	26	49
Net Profit/(Loss)	-8	9
Investments	42	36
R&D Expenditures/Sales	1.4%	1.3%
Total Assets	559	502
Shareholders' Equity	209	209
Net Financial Debt	148	89
Gross Profit Margin	2.5%	9.4%
EBITDA Margin	2.8%	5.8%

Share Price Summary

	TL
Number of Shares	190,000,000
Free-float	59,800,000
High	2.82
Low	1.65
Year-end	2.66
Market Capitalization*	505,400,000

* As of December 31, 2012



In 2012, Vestel added two new countries to its distribution network, bringing the total number of its export destinations up to 140.

Strategic Goals of Vestel Beyaz Eşya

The strategic vision of the Vestel Group of Companies is to create value for shareholders and investors by increasing revenues and profitability through sustainable growth. In this regard, the Group's vision in the white goods sector is to achieve three main targets: expanding the customer portfolio, increasing market diversification and improving branded sales.

Expanding the Customer Portfolio

The Group aims to increase its market share among A brand manufacturers, retail market chains and distributors in Europe, its primary export market, as an original design manufacturing (ODM) provider in white goods. One of the Company's strategic goals is to capture a larger share from the rising trend of outsourcing, especially among A brand manufacturers. Vestel conducts its white goods operations with the aim of meeting all the needs of its customers by enriching its product range even further.

Increasing Market Diversity

The Group places great importance on growing in white goods in the coming periods in markets outside its main export market Europe, where it is one of the leading ODMs. Vestel evaluates different alternatives, including investment, partnership and contract manufacture, to facilitate the Company's access to these markets and to ensure future growth.

Improving Branded Sales

In addition to its growth target as an ODM provider, the Group places strategic importance on growing with its own brands in the white goods sector. The Group aims to increase Vestel's market share with the Vestel and Regal brands in the domestic market as well as in developing markets, such as in the CIS and Middle East regions, and to reinforce its position in Europe with other well-known regional brands in the Group's portfolio.

Vestel Beyaz Eşya plans to bolster its market position in Turkey with products developed by its own powerful R&D centers and as a technology leader in energy and water efficiency. In this regard, the Ministry of Energy's "Campaign for Transition to Energy-Efficient

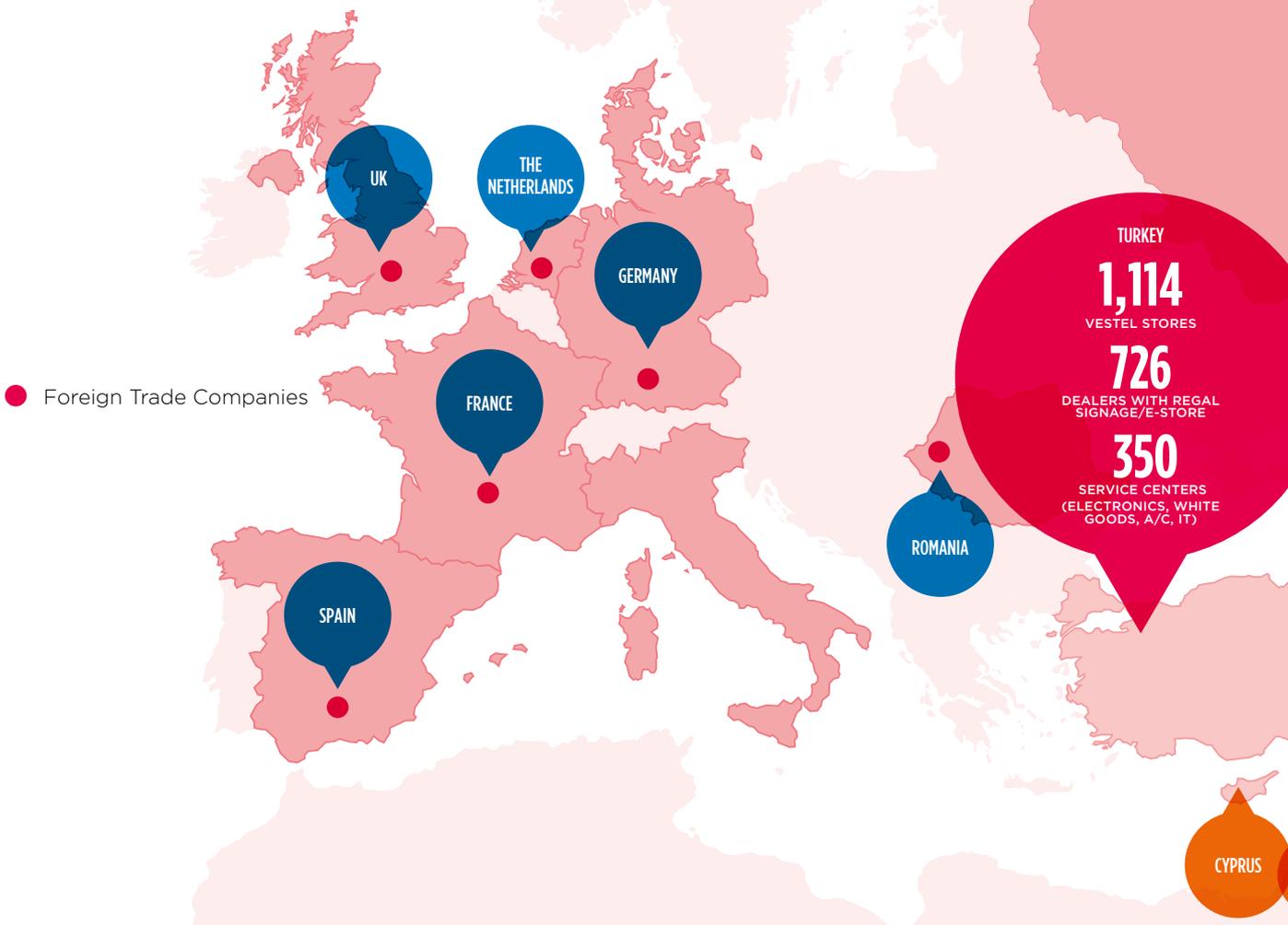


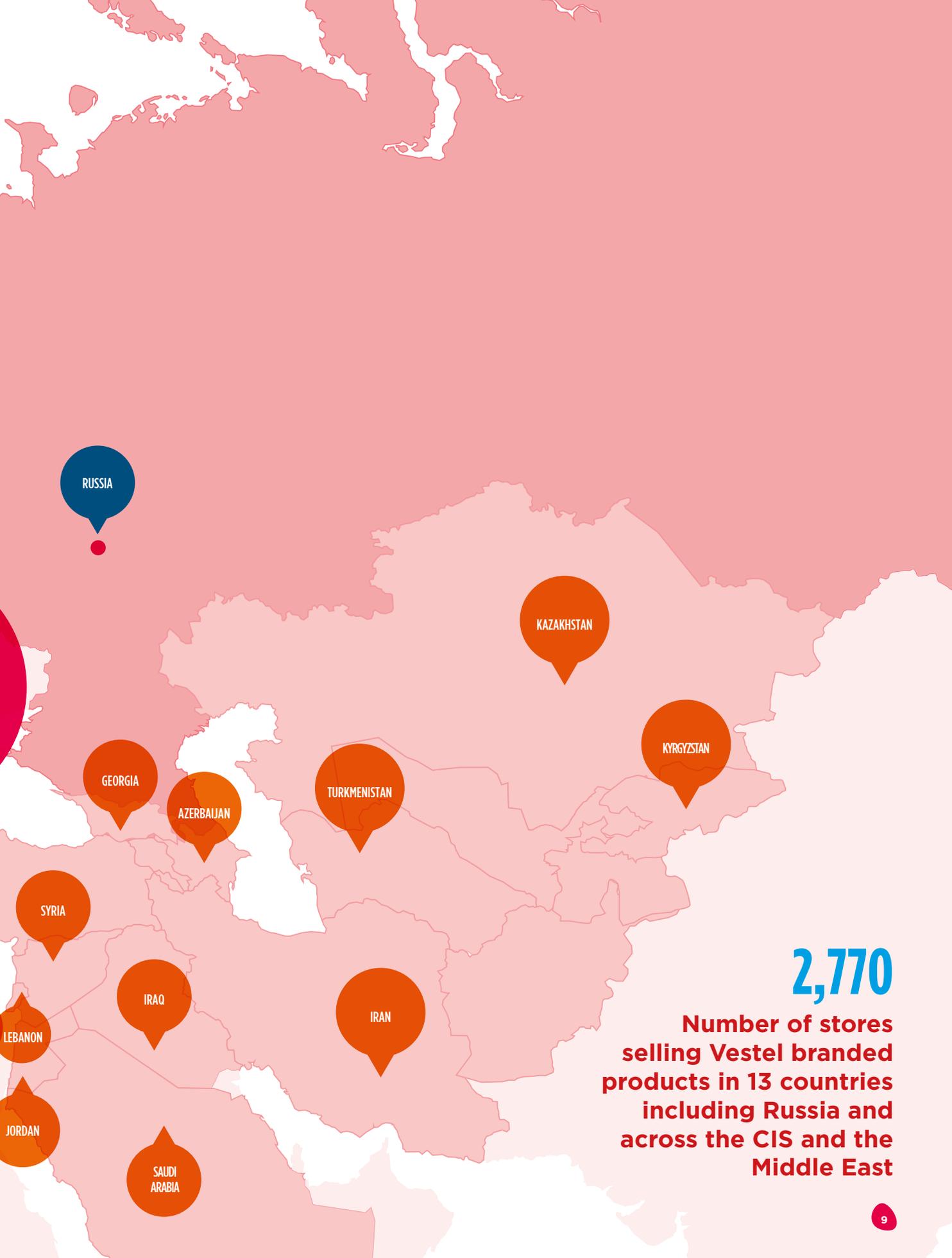
Products” is thought to present a clear opportunity for Vestel Beyaz Eşya. In addition, the Company targets reinforcing its strong market position through cooperations and by offering “smart” products to the consumer. The Company also prioritizes strengthening its brand and quality image by further enhancing after-sales services.

In the previous year, Vestel branded products were offered for sale in Saudi Arabia’s largest retail chains, and the Company gained yet another market in its nearby region. In addition to the Vestel and Regal brands, Vestel Beyaz Eşya will also pursue growth in the European market with other well-known regional brands in the Group’s portfolio. Accordingly, the Company may seize opportunities to acquire new brands to achieve this goal.

In the previous year, Vestel branded products were offered for sale in Saudi Arabia’s largest retail chains, and the Company gained yet another market in its nearby region.

Vestel added two new countries to its distribution network in 2012, bringing the total number of its export destinations up to 140.





RUSSIA

KAZAKHSTAN

KYRGYZSTAN

GEORGIA

AZERBAIJAN

TURKMENISTAN

SYRIA

IRAQ

IRAN

LEBANON

JORDAN

SAUDI
ARABIA

2,770

**Number of stores
selling Vestel branded
products in 13 countries
including Russia and
across the CIS and the
Middle East**

Zorlu Group at a Glance



HOME TEXTILES, POLYESTER YARN

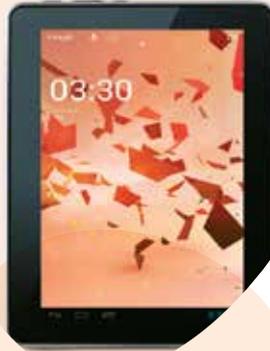
KORTEKS-ZORLUTEKS

The largest integrated manufacturer and exporter of polyester yarn in Europe and the Middle East.

Europe's leading home textiles company.

SALES REVENUE*
(USD MILLION)

728



ELECTRONICS, INFORMATION TECHNOLOGIES AND CONSUMER DURABLES

VESTEL

One of the leading ODM providers of TVs, white goods, and digital products for the European Market.

One of the major players in the European LCD TV market with a growing market share.

Production facilities in Manisa.

One of the top three players in the domestic LCD TV and white goods market through its well-known Vestel brand.

SALES REVENUE*
(USD MILLION)

4,192



ENERGY

ZORLU ENERGY GROUP

One of the leading players in the domestic market with 771 MW of installed capacity.

Ongoing investments in Pakistan and Israel as well as in Turkey.

Active in electricity and natural gas trade, natural gas distribution, "turnkey installation" of power plants including the project development process, and long term maintenance and operations services.

SALES REVENUE*
(USD MILLION)

590

* 2012 figures



REAL ESTATE

ZORLU REAL ESTATE AND DEVELOPMENT

Zorlu Real Estate Group was established in 2006 to develop, sell, lease and operate high quality residential and office complexes, business centers, shopping centers, hospitals, hotels or mixed-use real estate projects at prime locations in Turkey and abroad.

The Group's ongoing projects: Zorlu Center and Zorlu Levent Office.

Turkey's first mixed-use real estate development project with five different functions, Zorlu Center, consists of Performing Arts Center, hotel, offices, shopping center and residences. Located on Istanbul's Büyükdere Caddesi, Zorlu Levent Office is a 40-storey, 161-meter high A+ office building.

TOTAL PLANNED INVESTMENT FOR THE ZORLU CENTER AND ZORLU LEVENT OFFICE PROJECTS (USD MILLION)

2,800



MINING

META NIKEL KOBALT

Objective: To become a major regional supplier in nickel and cobalt.

Nickel-cobalt investment projects in Gördes, Eskişehir and Uşak.

The Gördes project has 300 thousand tons of proven reserves, with total planned investment of about USD 300 million.

INVESTMENT TO DATE (USD MILLION)

100



FACTORING

ZORLU FACTORING

Established in Istanbul in November 2012 to offer domestic and factoring services abroad. Zorlu Factoring plans to provide services all across the country by expanding its branch network all over Turkey in the coming period.

Zorlu Factoring targets medium and large size firms, as well as leading companies with a wide supplier and dealer network.

TARGET TOTAL ASSET SIZE** (USD MILLION)

140

**As of year-end 2013

Message from the Chairman of the Board of Directors

**Vestel Beyaz Eşya
now offers a product
line composed
exclusively of
eco-friendly, energy
efficient and
economical products.**

Esteemed Shareholders, Business Partners and Employees,

We have left behind a year which was globally much more turbulent than usual in both political and economic terms. Due to delayed and insufficient efforts to tackle the problems in the Euro Zone in particular, management of the world economic crisis remained atop the global agenda throughout 2012. The failure of the policies implemented in the major developed countries, especially in the US, to restore confidence in the medium-term and the ongoing uncertainty surrounding the Euro crisis which is a critical issue for the world economy led the global market players to continue to maintain their cautious positions.

Turkey became one of the fastest growing economies in the world with 8.8% growth in 2011, then as a result of both the recession in global markets and domestic macroeconomic measures adopted to cool the economy, growth of 2.2% was recorded in 2012. The Central Bank of Turkey's policies to promote savings resulted in a partial contraction of domestic demand; however, these policies also brought about a significant reduction in the current account deficit, widely seen as the soft underbelly of the Turkish economy. The successful export performance of Turkish firms was not only the primary driver of GDP growth, but also boosted the gross reserves of the CBT.

Today, Vestel Beyaz Eşya ranks among the leading manufacturers in the European white goods segment, which is a source of great pride not just for the Vestel family, but for Turkey as a whole. As of year-end 2012, Vestel Beyaz Eşya increased the number of its export destinations to 140, and raised total exports revenues by 16% over the previous year to reach EUR 632 million.

Although unfavorable macroeconomic conditions in Europe led to a contraction in the European market, Vestel sustained its efficiency in the regional white goods market and its market share as a result of its production power, technological know-how, sales power, as well as geographic proximity. As for the domestic market, Vestel continued to inaugurate new stores in order to establish closer contact with customers.

The factors underlying the current strong position of Vestel Beyaz Eşya, whose product line is composed entirely of eco-friendly, energy efficient and economical products, are the product and process innovation efforts of its large R&D team. In this regard, we were immensely proud last year to see the Vestel Beyaz Eşya R&D Center receive a first prize in the patents category at the First R&D Centers Summit. Additionally, in 2012, the Company was deemed worthy of 48 design awards in very prestigious competitions, as further testament to Vestel's efforts to translate unique designs into high technology products.

We at Vestel Beyaz Eşya abide by the principle of measuring our operational success with the value we add to the environment and to society. At Vestel, our strong support to educational field is a reflection of this principle.

Vestel created the White Goods Laboratory at Diyarbakır Burhanettin Yıldız Technical and Industrial High School, thus placing on the national agenda the issue of improving the quality of education available in vocational high schools. Vestel plans to continue its efforts to draw attention to Turkey's vocational and technical high schools, as the country still has an insufficient number of well-trained and certified technicians, despite being one of the world's largest economies.

We operate in a sector in which differentiation is critically important, where all manufacturers produce goods at similar technology levels. Therefore, we are mindful that grasping constantly changing market dynamics, as well as consumer and technological trends, are all key to gaining a competitive edge. We rank among Turkey's top 10 most popular and prestigious brands and among the world's leading electronics and white goods manufacturers, as a result of our efforts to comprehend the technology of the future. At Vestel Beyaz Eşya, we will remain loyal to the principles of the Zorlu Group in 2013, and do our utmost to stand out among our peers and make tremendous impact in the face of global competition with our products and services.

I would like to take this opportunity to express my gratitude to our customers and shareholders for their unfaltering support, and to our employees for enabling us to achieve all of our targets in 2012.

Ahmet Zorlu
Chairman



Board of Directors*

Hacı Ahmet Kılıçoğlu Vice Chairman

(1956 - Giresun) Hacı Ahmet Kılıçoğlu received his bachelor's degree in economics in 1977 from the University of Essex and his master's degree in 1978. He started his professional career in 1979 at the Ministry of Industry and Technology and in 1980 became Assistant Specialist at Türkiye İş Bankası. After completing his military service, Mr. Kılıçoğlu worked in the private sector, before assuming administrative positions at the UNDP and the F-16 project from 1984 onwards. In 1987, he took office at Türk Eximbank and served in various positions. He later served at the bank as CEO and Board Member between 1998 and 2010, during which period he also worked as Board Member at the Turkish Banks Association. In 2001, Mr. Kılıçoğlu was elected President of World

Eximbanks Union (The Berne Union). From 2008 until 2009, he worked as Consultant to the President at the Islamic Development Bank. In 2010, he became Vice Chairman at Denizbank. Currently Mr. Kılıçoğlu also serves as Board Member at Doğan Yayın Holding and Vice President at the Turkish Education Association.

Ahmet Nazif Zorlu Chairman of the Board

(1944 - Denizli) Ahmet Nazif Zorlu began his professional career in a family-owned textiles business. He set up his first company, Korteks, in 1976. In the years that followed, he continued to undertake new investments in the textiles industry and founded Zorlu Holding in 1990. Mr. Zorlu purchased the rights to the Vestel trademark in 1994. He is

currently the Chairman of the Board and Board Member of numerous Zorlu Group companies active in different sectors, including Vestel Beyaz Eşya San. ve Tic. A.Ş and Vestel Elektronik San. ve Tic. A.Ş.

Olgun Zorlu Board Member

(1965 - Trabzon) After graduating from university in the United Kingdom, Olgun Zorlu began his professional career in 1986 and gained managerial experience in Zorlu Group's textiles companies. He was appointed Board Member of Zorlu Holding in 1998. In addition, Mr. Zorlu continues to serve as a Board Member at Vestel Beyaz Eşya and Korteks Mensucat San. ve Tic. A.Ş.



Ali Akın Tarı
Board Member

(1943 - Koruköy) After graduating from Istanbul University, Faculty of Law, Ali Akın Tarı served as Public Accountant and later Chief Public Accountant at the Ministry of Finance, between 1972 and 1986. In 1986, he was appointed Vice President of the Board of Public Accountants and in 1989 Istanbul Group Head, a position he maintained until becoming a Board Member at the Banking Regulation and Supervision Agency in 2001. That same year, Mr. Tarı was also appointed Board Member of the Savings Deposit Insurance Fund. In 2004, when his term of office at Banking Regulation and Supervision Agency ended, he was appointed Undersecretary to the Minister at the Ministry of Finance, and

remained at this post until 2007. Mr. Tarı left the public sector in 2007 of his own volition to become active in the private sector. In 2008, he became Board Member and Audit Committee Member at Dilerbank; in addition, he assumed the position of Board Member at Diler Holding in 2011. He continues to serve in these positions.

Şule Cümbüş
Board Member

(1976 - İstanbul) After graduating from Işık High School, Şule Cümbüş went to the USA to pursue her undergraduate studies. In her first year, she studied business administration at Pepperdine University in Los Angeles, and in the following two years she was at New Jersey's Silberman College/ Farleigh Dickinson University. For about six months she worked at Zorlu Holding's American subsidiary Zorlu USA Textile. In 1999, she

returned to Turkey to take office as a Management Trainee at Denizbank, and went on to serve in various departments of the bank. In early 2002, she became Executive Director at the recently acquired Anadolu Kredi Kartları A.Ş. In 2003, she was appointed General Manager of Linens Pazarlama. Ms. Cümbüş has served as a Board Member in a number of Zorlu Holding companies.

İzzet Güvenir
Board Member

(1955 - İzmir) İzzet Güvenir graduated from Istanbul Technical University, Department of Aeronautical Engineering in 1980. After serving in various positions in the white goods sector, he joined Vestel in 1998 as the Manager of the Air Conditioner Plant. Mr. Güvenir was appointed General Manager of Vestel Beyaz Eşya in 2000. He stepped down from his position as a Member of the Executive Committee responsible for White Goods and Vestel Russia as of July 1, 2011. He continues to serve as a Member of the Board of Vestel Beyaz Eşya.

*All six Board Members of the Board of Directors are non-executive members. The Board Members Ali Akın Tarı and Hacı Ahmet Kılıçoğlu are independent members in compliance with the independence criteria stated in the Capital Markets Board's Corporate Governance Principles.

Vestel Beyaz Eşya was the first Turkish company in the industry to obtain ISO 50001 Energy Management System Certification.

How did Vestel Beyaz Eşya perform in the year 2012?

Although the global economy remains fragile due to the debt crisis in the Euro Zone, domestic markets remained stagnant due to measures to cut the current account deficit.

Following strong 19% annual growth in white goods sales in the domestic market in 2011, white goods sales in the four main product categories (refrigerator, washing machine, oven, dishwasher) in parallel with the economic slowdown in 2012, remained at the same level.

In Turkey's main export market Europe, the weak white goods demand in parallel with unfavorable macroeconomic conditions in 2011, continued the same trend in 2012.

In this period however, Turkish manufacturers managed to expand their exports by 13% and increase their market share, by capitalizing on their geographic proximity and on the tendency of European demand to shift to less expensive products.

At Vestel Beyaz Eşya, we raised our capacity utilization rate from 70% in 2011 to 76% in 2012, and increased our annual production volume by 9.6% and annual sales volume by 9.4%. Despite the strong rise in volume; intense competition arising from sensitive pricing due to weaker consumer demand, as well as the falling euro-dollar exchange rate have created immense pressure on profit margins.

The ratio of our total exports to our total sales reached 68% in 2012. Realizing a total investment amount of EUR 41.6 million, our Company placed R&D activities at the center of our production strategy. The ratio of our R&D expenditures to total sales was 1.4%.

In 2012, the Company pursued its strategy of expanding beyond its main export markets in Europe, towards new markets in Australia, North Africa and Southeast Asia. In the period ahead, we are utterly confident that our presence in these markets will grow consistently.



Vestel Beyaz Eşya's capacity utilization rate increased from 70% to 76% in 2012 over the previous year, while production volume rose 9.6% and sales increased 9.4% on a yearly basis.

What innovative products did Vestel Beyaz Eşya launch in 2012?

The products we rolled out last year were perfect examples of our competency in R&D, eco-friendly approach and design superiority. Everyone showed great interest in the Vestel TwinJet Plus washing machine, which consumes 40% less energy than the A energy class, and combines advanced technology with aesthetic design, user friendly features and affordable prices.

In 2012, we expanded our smart refrigerator line with Vestel Puzzle. This unique refrigerator, which can easily switch between cooling and freezing functions, attracted much attention from consumers. The For You series of refrigerators with their colorful frames, was another model type which generated considerable buzz with its unique design.

The all-time fastest dishwasher Vestel Jetwash F18, which can make dishes spotlessly clean in just 18 minutes, raised the bar significantly in its segment with its environmentally friendly EcoWash features.

One project we were immensely pleased to complete in 2012 was the launch of the Vestel Beyaz Eşya Laboratory at Diyarbakır Burhanettin Yıldız Technical and Industrial High School under the “Occupational Training Partnership” program.

What can you say about Vestel Beyaz Eşya's environmental approach?

The Zorlu Group made its environmental commitments binding by signing the United Nations Global Compact in 2007. We became the first company in Turkey to implement the RoHS directive on the use of hazardous substances, and restructured our product line to comprise only goods in the A energy class. We believe that these proactive efforts go a long way in demonstrating our approach to environmental matters.

As for protection of the environment, without any surprise, we became the first Turkish company to obtain ISO 50001 Energy Management System Certification. The Company passed the certification process with success as a result of its efforts to protect the environment, slash greenhouse gas emissions, use resources efficiently and cut energy costs.

Vestel, as the proponent of “Friendly Technology,” decreased the energy and water consumption of its products significantly by shifting its entire product line in white goods -as in all product segments- to highly energy efficient A+ and above products.

Did Vestel Beyaz Eşya's sales and marketing strategy undergo changes in 2012?

In the last quarter of 2012, in order to render our sales and marketing operations more efficient, Vestel Dış Ticaret A.Ş. -in charge of the Group's foreign sales and marketing operations- acquired Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş., the domestic sales and marketing company. This acquisition resulted in Vestel Ticaret A.Ş. becoming responsible for the entire sales and marketing operations of the Vestel Group.

Keenly aware of the role played by the size of the distribution network in competition, the Company continued to open new stores in 2012, raising the number of its domestic sales points up to 1,114. We also continued to refresh our current stores to make our sales outlets even more appealing, and to establish interactive technologies to offer a more pleasant shopping experience to consumers. Outside of Turkey, the Company came to boast 2,770 sales locations.

We made another breakthrough in expanding our retail chain, which is a reflection of our strong competitive edge, by recreating our store concept. Vestel's store at the Istanbul shopping center İstinye Park became the first location where this new concept was rolled out.

In 2012, aside from sales and marketing, the Company's after-sales processes also underwent development. In order to reinforce the bonds between the brand and consumers, we set up the General Office of Customer Services. Composed of teams who interact with and provide support to customers, and also offering further assistance such as appointments and emergency services outside of regular business hours, this special office is soon expected to serve the entire nation.

To further raise the bar in after-sales services and boost customer satisfaction, Vestel launched the "Services from A to Z" project. Including all of the 350 authorized Vestel service centers by year-end 2013, this project aims to ensure that consumers are given a service appointment within two hours, that the first service visit takes place within a maximum of 24 hours, and that the problem is identified and resolved at the first attempt. Under this initiative, all service processes were outlined in a manual called "The Red Book" and a total of 1,800 after-sales employees received relevant training.

What awards did Vestel Beyaz Eşya win in 2012, and which fairs did the Company participate in?

In return for adding pleasure, functionality, and aesthetics to consumers' lives, Vestel has been recognized with numerous awards at various design competitions. Among these, winning "The Most Innovative Brand" award at the Plus X Award 2012 was the most meaningful for the Company. Vestel Beyaz Eşya's innovative products were deemed worthy of a record-breaking 48 awards in such world-renowned competitions as the Plus X Award, Red Dot Design Award, IF Design Award and Good Design Award, making us very proud.

Yet another award we received which pleased us immensely was the "Most Energy Efficient Product" award presented to Vestel TwinJet at the Environmental Awards of the Istanbul Chamber of Industry.

What are some of Vestel Beyaz Eşya's corporate citizenship activities?

As in all Zorlu Group companies, social advancement is a key component of Vestel's sustainability strategy. With the activities we carried out in this area last year, we once again confirmed that we view investment in long term projects with high social return as central to our business operations. Another initiative we were immensely pleased to complete in 2012 was the launch of the Vestel Beyaz Eşya Laboratory at Diyarbakır Burhanettin Yıldız Technical and Industrial High School, under the "Occupational Training Partnership" agreement.

One of the undisputed leaders of design in Turkey, Vestel reinforced its pioneering position in this area by becoming a co-sponsor of the first edition of the Istanbul Design Biennial. Vestel held product design workshops for university students prior to the biennial and the resulting products were exhibited at our İstinye Park store to encourage the creativity of our youth. In 2012, Turkey's first interactive arts exhibition, "The Great Masters," organized under the main sponsorship of Vestel, drew high attendance. At the exhibition, art lovers could experience the masterpieces of the leading names of the Renaissance including Michelangelo, Leonardo da Vinci and Raphael via interactive screens and digital displays.

What are Vestel Beyaz Eşya's expectations for the year 2013?

Turkey is an emerging economy and the country is becoming an increasingly important global power in white goods production. We expect that this trend will offer significant opportunities to the players in the industry. We plan to increase our share in all the markets we compete in, with our technology, innovative and trend-setting products and services by continuing to maintain our consumer friendly efforts.

The primary objective of Vestel Beyaz Eşya is to reinforce its position in international markets with an expanding product portfolio. We plan to continue powering ahead toward this target in 2013 as well, strengthened by our competitive approach. Owing to the significant expansion of our product range, our profitability is expected to increase along with our increased sales in 2013.

I wholeheartedly believe that we will reach this target together with our customers and shareholders who trust us, our Board of Directors who provide us their unwavering support, and our employees who expend significant efforts to ensure the Company's success.

Enis Turan ERDOĞAN

Chairman of the Executive Committee

Executive Committee



Enis Turan Erdoğan

Chairman of the Executive Committee

(1955 - Mersin) Enis Turan Erdoğan graduated from Istanbul Technical University, Department of Mechanical Engineering in 1976 and completed a master's degree in Production Management at Brunel University in the UK in 1979. After serving in a number of different managerial positions for various firms in Turkey, he joined Vestel in 1988. Since 1988, he has served in various managerial positions at the Company, and was appointed Chairman of the Executive Committee of the Vestel Group of Companies as of January 1, 2013. Between 2002 and 2006, Mr. Erdoğan served as President of TURKTRADE (Turkish Foreign Trade Association). Additionally, he is the first Turkish citizen to be appointed Board Member to Europe's largest ICT Association, DIGITALEUROPE, a position he has held since 2010.



İhsaner Alkım

Executive Committee Member

(1954 - Kırcaali) İhsaner Alkım graduated from Istanbul Technical University's Electronics and Communications Engineering Department in 1977. After assuming various posts in the communications and electronics sectors, he joined the Vestel family in 1988. Mr. Alkım has served in various R&D related positions in Vestel. Appointed in 2005 as Executive Committee Member, Mr. Alkım continues to hold this position as Member in charge of the TV Products Group.



Cem Köksal

Executive Committee Member

(1967 - Ankara) Cem Köksal graduated from Boğaziçi University, Department of Mechanical Engineering in 1988 and received his master's degree from Bilkent University in 1990. He served in various positions in the banking industry between 1990 and 2001, becoming Assistant General Manager of Denizbank in 1997. Mr. Köksal joined Vestel in 2002 as the President of Finance. Currently, he serves as the Executive Committee Member in charge of Finance.



Özer Ekmekçiler

Executive Committee
Member

(1957 - Izmir) Özer Ekmekçiler graduated from Middle East Technical University, Department of Industrial Engineering. After serving in senior executive positions in a number of sectors, he was appointed CEO of Vestelkom in 2000. Appointed in 2005 as Executive Committee Member, Mr. Ekmekçiler continues to hold this position as Member in charge of the Digital Products Group.



Necmi Kavuşturan

Executive Committee
Member

(1956 - Gaziantep) Necmi Kavuşturan graduated from Ankara University, Faculty of Political Sciences in 1979. After serving in various positions in the banking sector, he was appointed Assistant General Manager in Denizbank's Management Services Group in 1997. In 2003, Mr. Kavuşturan was appointed Human Resources Coordinator for Zorlu Holding. He has been a Member of the Executive Committee responsible for Human Resources at Vestel Group since 2005.



Nedim Sezer

Executive Committee
Member

(1958 - Tekirdağ) Mr. Sezer graduated from Istanbul Technical University, Department of Mechanical Engineering in 1982. In 1990, he completed his master's degree at Istanbul University, Institute of Business and Economics. After serving in various Turkish companies, he took office as Plant Manager at Vestel Beyaz Eşya's Washing Machine Factory in 1998. Since 2012, he has served as General Manager as well as Vestel Executive Committee Member.



Ahmet Süha Erol

Executive Committee
Member

(1957 - Izmir) Ahmet Süha Erol graduated from Middle East Technical University, Department of Electrical Engineering in 1979. He worked as a foreign trade executive in Algeria, the UK and Turkey at various companies, before joining Vestel in 1998. He started his career at Vestel as Procurement Manager from 1998 to 2000, before serving as Assistant General Manager - Foreign Trade between 2000 and 2006, and General Manager at Vestel Dış Ticaret A.Ş. from 2006 to 2013. Since January 1, 2013, he has served as Executive Committee Member in charge of Foreign Trade at Vestel Group of Companies.





OPERATIONS IN 2012

As a company that efficiently capitalizes on its relatively young age, Vestel Beyaz Eşya has become one of Europe's top 10 white goods manufacturers with high value-added, innovative products; meanwhile, the Company has tripled its domestic market share over the last 10 years to become one of the three largest players in Turkey.

Vestel is capable of diversifying its product range according to changing customer needs.

Vestel Beyaz Eşya started production in Manisa in 1997, with the mission to offer economical, innovative, and competitive products that meet customer needs and expectations. Having completed investments in refrigerator manufacturing in 1999, air conditioners in 2000, washing machines in 2003, cooking appliances in 2005, and dishwashers in 2007, the Company undertakes production in a 312 thousand square meter closed area facility.

As a young company, Vestel Beyaz Eşya has completed its white goods investments within the last 10 years, and thus boasts facilities equipped with the most advanced technologies in Europe. This provides the following advantages to the Company:

- Operational efficiency, productivity, and cost advantages thanks to economies of scale;
- Flexible production and product differentiation capabilities;
- Logistics and cost advantages thanks to procurement from well-developed supplier industries based in Manisa;
- Logistical advantages due to its close proximity to Europe compared to its competitors in Far East;
- Low labor costs per unit compared to Europe.

Increasing Operational Efficiency and Falling Production Costs Thanks to Economies of Scale

The economies of scale that Vestel Beyaz Eşya realizes as the fastest growing white goods manufacturer in Europe results in:

- Cost advantages in component purchasing,
- Operational efficiency in production, which facilitates the Company's ability to produce goods over a wide geographic area.

Maximum Flexibility in Production and Product Customization Capability

Flexibility in production enables Vestel Beyaz Eşya to produce high quality goods at low cost, as well as allowing the Company to respond to customer demands quickly and to reflect changes in customer choices to its products.

Understanding that the needs of every customer are different, Vestel Beyaz Eşya continuously works to diversify its product portfolio. Its flexible production capability allows the Company to customize production on an order basis. The ability to develop products based on customer needs, on geographic conditions and socio-cultural requirements is one of the Company's most important competitive advantages.

Vestel Beyaz Eşya holds an advantageous market position compared to its competitors in the industry, thanks to its ability to produce a wide range of goods in a variety of models and sizes, meeting the specific needs of customers, and transforming its models in a short period of time.

In 2012, Vestel Beyaz Eşya continued to make investments to increase its production capacity. To this end, the Company's most important investment during the year was the new press lines in the production of dishwashers.

CAPACITY AND PRODUCTION

Capacity

Unit	Facility Enclosed Area (m ²)
Refrigerator	148,916
Washing Machine	41,475
Air Conditioner	15,750
Cooking Appliances	33,650
Dishwasher	15,750
Water Heater	-
Storage	57,000
TOTAL	312,541

The Company's capacity utilization rate was 76% in 2012, up from 70% in 2011.

Production

Vestel Beyaz Eşya's production volume increased 9.6% year-over-year in 2012.

SALES

In 2012, the Company recorded gross sales of TL 2,152,851 thousand, of which exports accounted for TL 1,455,670 thousand.

The Company's net sales increased 8.6% year-on-year in TL terms and 9.4% in unit terms in 2012.

INVESTMENTS

Investments in 2012

Investments in 2012: R&D investments for the period January 1 to December 31, 2012 totaled EUR 41.6 million.



Vestel Beyaz Eşya expands its environmentally friendly product portfolio every day and enhances its reputation as a standard setter in this area.

In line with its vision of becoming a more global competitor, Vestel has placed R&D efforts at the very center of its production strategy. The Company sets new trends in the white goods industry by rapidly adapting its design and test infrastructure to changing technologies, and by employing a highly skilled engineering team. The Company outperforms its competitors by keeping functionality and economical accessibility at the forefront of the product development process. Vestel Beyaz Eşya's total R&D expenditure reached 1.4% of its total sales, thus testifying to the importance the Company places on translating ideas into products.

Placing strategic importance on R&D activities, each Vestel plant has R&D units that report to the Facility Management. Additionally, the Technology Development Center, which reports to the headquarters, carries out industrial design and innovation works for all Vestel Beyaz Eşya products. Vestel was one of the first companies whose R&D operations complied with the standards set by the Turkish Ministry of Science, Industry and Technology.

The Company's R&D teams focus on:

- Innovation and application of new technologies,
- New product design,
- Eco-friendly manufacturing,
- Product development,
- Efficiency improving and cost cutting measures.

Vestel Beyaz Eşya's R&D activities focus on developing extra-hygienic and eco-friendly technologies and products that maximize energy and water saving, use resources efficiently, and have functional and aesthetic designs. Closely monitoring global trends, Vestel Beyaz Eşya expands its environmentally friendly product portfolio every day and enhances its reputation as a standard setter in this area. The Company is also taking serious steps in developing the technology and industrial platforms that enable the production of interactive white goods products in line with customers' needs and the latest industry trends.



Vestel Beyaz Eşya R&D Center comprises individual R&D units specialized by product, and the Technology Development Center, which focuses on future technologies. While the R&D units reporting to the general directors of factories manage production related projects, the Technology Development and Industrial Design Unit reporting to the Head Office works on conceptualization, by forecasting technology and designs likely to be used in the future. The R&D team has grown from 262 employees in 2011 to 287 as of end-2012.

The main objective of Vestel Beyaz Eşya's R&D units and Technology Development Center is to develop Vestel's own products to increase the Company's competitive edge in international markets and help enhance customer satisfaction. R&D units are also specialized in resolving technical issues related to products and production methods.

The Company's R&D units and Technology Development Center is responsible for the following:

- Monitoring technical, academic and industrial publications on white goods to keep track of innovations and developments in the sector;

- Carrying out basic research in the labs and applying the resulting innovations in the Company's products;
- Visiting customers and attending fairs to keep a close watch on consumer needs and demands, designing products in this direction and improving already existing products;
- Enhancing product parameters to come up with products boasting more functional features;
- Testing the qualifications of new and improved products with test productions prior to actual production.

Product development know-how channeled to different customer needs and expectations via product customization enables Vestel to cover all customer groups while addressing local, socio-cultural, climate-related and demographic factors.

Vestel Beyaz Eşya R&D Center received first prize in the patents category at the First R&D Centers Summit, confirming the Company's focused efforts in the area of innovation.

Vestel Beyaz Eşya focused intensively on energy efficiency in 2012.

Vestel Beyaz Eşya Designs: Where Technology Meets Aesthetics

The industrial design activities of Vestel Beyaz Eşya, which believes that industrial design adds not only technical and functional qualities but also great value to the product, are conducted by a professional team within the Company. With new and distinctive product designs, the Industrial Design Department enables Vestel to address customer demands and needs from all markets, and mainly from abroad. The Department constantly hones the Company's highly competitive skills by developing original and target-oriented high quality industrial designs. As a result of their unique designs, Vestel Beyaz Eşya products were deemed worthy of 48 awards in prestigious domestic and international competitions in 2012.

Vestel Beyaz Eşya's designs break new ground by offering consumers customizable products, in a segment where product customization is very difficult to achieve. The Vestel Puzzle refrigerator series, which can easily switch between cooling and freezing functions, is a prime example of this type of customizable Vestel Beyaz Eşya product.

One of Vestel's key design achievements in 2012 was the introduction of colorful products in the white goods segment. Produced only by Vestel in Turkey, the For You series of refrigerators with color frames allows consumers to freely express their personal taste and thus to change the atmosphere of their home interiors. Vestel's colorful refrigerators come in red, orange, green and beige versions.

Eco-Friendly Products

Vestel Beyaz Eşya focused intensively on energy efficiency in 2012, by rolling out innovative new products and implementing creative promotional campaigns.

Understanding that 24% of the electric energy produced in Turkey is consumed by households, and that white goods account for a large part of this overall figure, the Company has slashed the energy use of its products by 50% and water consumption by 26% over the last five years. The air conditioners and washing machines manufactured by Vestel Beyaz Eşya are even more efficient than A+ products. In particular, Vestel TwinJet Plus washing machine runs on 40% less energy than A+++ class machines and stands out with its low energy consumption.



Jetwash F18, the fast dishwasher series produced by the “Friendly Technology” manufacturer Vestel Beyaz Eşya, can make mountains of dirty dishes spotlessly clean in just 18 minutes owing to its time saving functions. Jetwash F18 has thus surpassed all similar products to become the fastest dishwasher. Thanks to the eco-friendly EcoWash technology, this product relieves consumers from having to wait until the dishwasher is full. With an energy efficiency level of A+, Vestel Jetwash F18 consumes only nine liters of water to wash the dishes, and saves not only time but also water and electric power.

In December, the Company implemented a discount campaign of up to 50% for energy-efficient white goods, in order to support the Ministry of Energy and Natural Resources’ “Campaign for Transition to Energy-Efficient Products.”

Vestel Beyaz Eşya’s designs break new ground in its sector by offering consumers customizable products in a segment where product customization is very difficult.

Vestel Beyaz Eşya proved its leadership in innovation with the patent award received by its R&D Center.

Vestel Beyaz Eşya Products Add Comfort to Life

During 2012, Vestel Beyaz Eşya continued to produce brilliantly designed smart products, which attracted much attention from consumers. The success of the Company's 2012 product line was crowned with 48 awards received in the categories of design and technology.

The main products launched by Vestel Beyaz Eşya in 2012 include:

- The Vestel Washer Dryer Machine, which integrates washing and drying functions, completes the whole cycle in just 35 minutes thanks to the Wash & Use program, and features Eco Time Mode, Load and Detergent Sensors, Finish Time Mode and Smart Screen Technology;
- Vestel Puzzle refrigerator, which can easily switch between cooling and freezing functions, and offers 14 different usage modes thanks to its multi-purpose chambers;
- A++ combined refrigerators series with 48 cm, 54 cm and 60 cm width options;
- A++ No-Frost refrigerators series featuring inverter compressor technology;
- No-Frost combined refrigerators series with glass doors;
- A+++ compact refrigerators series;
- Vestel No-Frost refrigerators that offer a 70 cm-wide use area, and diffuse homogenous lighting thanks to round LED fixtures placed between different sections;
- The For You series of refrigerators with colorful frames, which enable consumers to change the atmosphere of their home interiors, and that are manufactured only by Vestel in Turkey;

Vestel Beyaz Eşya's successes were crowned with 48 awards received in 2012.



Vestel Beyaz Eşya maintains a close watch on technological trends.



- The multiple international award winning (Red Dot, IF Design and Plus X Award) Vestel TwinJet Plus washing machine, which consumes 40% less energy than the A+++ class;
- Washing machines with the Thermo Boiler feature, which are as efficient as the A++ class but without TwinJet technology, and that come in different capacity options such as 7 kg, 8 kg and 9 kg;
- Vestel Smart Plus Cep air conditioners, which can be operated via mobile phone, and allow consumers access from anywhere;
- Energy efficient air conditioners that operate at the A-10% energy level;
- The all-time fastest dishwasher Vestel Jetwash F18, which can make the dishes super clean in just 18 minutes due to its time saving functions;
- LCD-controlled dishwashers that allow for different washing pressures in the top and bottom baskets as a result of variable revolution washing technology;
- Extra silent dishwashers with noise level of 39 dBA;
- Dishwashers with innovative basket designs;
- The Cool Plus and Inverter series of air conditioners that promise quieter summers with more savings and no stress;
- Induction cooktops that are 40% more energy efficient than conventional electrical cooktops, and ovens that cut energy consumption by optimizing the grill function and without compromising on performance.

Vestel Beyaz Eşya, a Champion of Patents

Vestel Beyaz Eşya proved its leadership in innovation during the year with the 44 patent applications it has filed, and with the award presented to its R&D Center. Vestel Beyaz Eşya R&D Center received a first prize in the patents category at the First R&D Centers Summit in 2012, from among 130 participating companies. Vestel Beyaz Eşya R&D Center has filed an impressive number of patent applications for extraordinary concepts.

One problem that washing machine users often face is the darkening of white garments during the drying process. To resolve this issue, the Company has developed a specially patented drying program for its washer dryers.

Another feature for which the Company has filed a patent application is a telescopic spray arm for dishwashers. In dishwashers, traditional spray arms used for washing follow a circular trajectory; however, since the machine has a rectangular or square shape, the water cannot access the corners effectively. Thanks to this invention, Vestel's telescopic spray arm extends along a guiding track and applies water to even the farthest corners of the machine interior resulting in a significant improvement in dishwasher performance.

The Company also filed a patent application for an invention that, in combined refrigerators, allows the lower compartment to be used as freezer, storage at zero degrees Celsius, or refrigerator, as preferred by the consumer.

Vestel Beyaz Eşya's Awards in 2012

Design Awards

The Company was presented with 48 awards in different categories in prestigious design competitions in 2012.

Plus X Award 2012

- Vestel Beyaz Eşya - Most Innovative Brand award;
- Gleam air conditioner - Best Product of the Year award (This product has also received a Good Design award);
- Ultio dishwasher - Best Product of the Year award;
- BGH 414 cooktop - Best Product of the Year award;
- BGH 414, BGH 411, BGH 413, BGH 412 cooktop models - High Quality and Design awards (BGH 411 and BGH 412 also received Good Design awards);
- Ceres and Helios dishwashers, Gleam air conditioner and Moire remote control - High Quality and Design awards;
- Ganymede FG washing machines - Design and User Friendliness award;
- Elara FL washing machines - User Friendliness and Ecology award;
- Eos, Orfe and Themis dishwasher models, Puzzle air conditioner - User Friendliness award;
- Extenso refrigerator, Ultio dishwasher - High Quality, Design and User Friendliness awards (Extenso refrigerator also received the Good Design award);

Vestel Beyaz Eşya was deemed worthy of the "Most Innovative Brand of The Year" award in the 'Large Home Appliances' category at the ninth edition of the Plus X design competition held in Germany.

- Phrygia LED and Phrygia LCD washing machine models - a total of 36 awards including Innovation, Design and User Friendliness awards.

Red Dot Design Award 2012

- BGH 411 cooktop,
- Ceres Slim dishwasher,
- Themis Slim dishwasher,
- Orfe Slim dishwasher.

IF Design Award 2012

- BGH 412 cooktop.

Design Turkey

- Eight awards, including one Superior Design award, for three refrigerator, three dishwasher, one washing machine and one cooktop model products.

Good Design 2012

- Ganymede FG washing machine.

Red Dot Design Award 2012

- Four awards for three dishwasher and one cooktop model products.

Istanbul Chamber of Industry - 2012

Environment Awards

- Vestel TwinJet washing machine - First prize in the category Large Size Enterprise Energy Efficient Product.

Manisa Organized Industrial Zone - 2012 Energy Efficiency Project Competition

- Vestel TwinJet washing machine - Energy Efficiency Product Award.

Ministry of Energy and Natural Resources, General Directorate of Renewable Energies - 2012 Industrial Energy Efficiency Project Competition

- Vestel TwinJet washing machine - Special Jury Award for Energy Efficient Products.

Vestel Beyaz Eşya plans to roll out the following products in 2013:

- Refrigerator segment: New No-Frost refrigerators in the A+++ energy class; refrigerators with the “fridge in fridge” feature; 90-cm wide refrigerators featuring an automatic water fountain, double multizone and the “vitastore” technology for preserving food for a longer period; refrigerators with glass doors designed in line with modern kitchen concepts; patented multifunctional adaptation projects which offer special exclusive benefits for customers; smart refrigerators; No-Frost products with 90-cm wide drawers.
- Washing machine segment: The energy efficient Vestel TwinJet washing machine which consumes 40% less energy than the A+++ energy class; smart and silent models in the A+++ , A++ and A+ classes which consume limited water, showcasing the technology advancement and R&D capabilities of Vestel; Vestel Washer Dryer which integrates washing and drying functions, has a 9 kg washing and 6 kg drying capacity, is in the A energy class, can clean and dry garments in only 35 minutes thanks to the Wash & Dry program, and features Eco Time Mode, Load and Detergent Sensors, Finish Time Mode and Smart Screen Technology.
- Cooktops and ovens: Ovens with an energy efficiency level of A-30%; ovens which feature steam cooking capabilities; cooktops with induction heating functionality; the Company’s own design built-in ovens with electronic remote control; smart cooktops and ovens with extended functionalities; full scale products measuring 90x60 cm.
- Dishwasher product category: Dishwashers at the energy efficiency level of A+++-10%, which consume very little water and boast anti-bacterial filter systems.
- Air conditioners: Inverter-controlled split air conditioners which outperform the A energy class, produce very little noise, and blend in with varying home decors; large-scale air conditioners which can climate control large spaces.
- Other white goods with ergonomic interfaces which can inter-communicate in line with the smart network and smart home concepts.

Vestel Beyaz Eşya has made its products easily accessible for all customer groups through its extensive retail network and user-friendly E-Store.

Market and Competitive Strategy

Reaching consumers in 140 countries with high quality and innovative products, Vestel Beyaz Eşya aims to be the leader in all its markets.

Vestel has adopted an export-focused growth strategy. Vestel Group of Companies prioritizes adding new products to its portfolio by closely monitoring trends in Europe, its primary export market; increasing its original design manufacturer ODM (Original Design Manufacturer) services to A brand manufacturers, retail market chains and distributors; and reinforcing its market position with its own well-known regional brands.

Vestel is one of the undisputed leading players in the domestic market with its portfolio of strong brands, and especially the strong Vestel brand, through the products it designs which fulfill the Company's "Friendly Technology" promise, and promotional campaigns which address the needs of consumers in Turkey. Vestel Beyaz Eşya makes its products accessible to all customer groups with its extensive retail network all across Turkey and with its user-friendly E-Store, which features an ongoing series of online marketing and promotional campaigns.

Vestel strives to become the preferred choice of consumers in Russia, the former CIS and other regional markets as well as in the domestic market with its Vestel branded products, and in Azerbaijan and Iraq with its Regal branded products. One of the Company's strategic objectives is to increase the market share in other neighboring countries in the region where it operates.

Vestel conducts branded sales in 13 markets that include Russia, CIS countries and the Middle East through 2,770 sales points (2,507 Vestel, 263 Regal).

In order to manage the sales and marketing operations in a more efficient manner, Vestel Dış Ticaret A.Ş.-in charge of the Group's foreign sales and marketing operations- merged with Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş., the Group's domestic sales and marketing company on November 30, 2012. This merger resulted in the formation of Vestel Ticaret A.Ş., which is now responsible for the entire sales and marketing operations of the Vestel Group.



Sales Abroad

As of November 30, 2012, Vestel Ticaret A.Ş. is responsible for the foreign marketing and sales operations of Vestel Group of Companies.

Vestel achieves sales in Europe, its major export market, by providing ODM services predominantly to A brand manufacturers, retail chains and distributors. As a result, the Company does not compete with the A brand business partners for which it manufactures various products.

Vestel also aims to strengthen its presence by acquiring well-known regional brands without experiencing difficulties in terms of brand penetration in global markets. To this end, the Company had previously acquired brands such as Servis, Atlantic, Electra, New Pol, Finlux and Vestfrost.

Vestel Ticaret A.Ş. conducts international sales and marketing operations for its products via its sales offices abroad and local sales-distribution network in France, Germany, Spain, the UK, the Netherlands, Finland, Russia and Romania. It also sells Vestel branded products via 2,770 sales points (2,507 Vestel, 263 Regal) located in 13 markets that include Russia, CIS countries and the Middle East.

Vestel Beyaz Eşya increased its sales especially in the markets of Australia, North Africa and Southeast Asia, while expanding the customer base in Europe as consumers start to prefer more economical products there.

Domestic Sales

In line with its "Multi Brand Strategy" used domestically, Vestel provides a rich product portfolio to consumers by marketing and selling many powerful international brands.

The Company sells the following brands in Turkey:

- Vestel products in its concept stores,
- Regal products through distributors,
- SEG products through retail chains,
- Products of world's leading brands in the electronics chain stores, such as Telefunken.

Vestel Ticaret A.Ş. provides extensive sales and after-sales services across Turkey through:

- 1,114 Vestel stores;
- 726 dealers with the Regal signboard;
- E-Store for online sales;
- 350 authorized service centers.

Vestel Ticaret A.Ş. engages in extensive communications activities with a strategy that focuses on raising the brand image of Vestel in white goods and maintaining its strength in electronic products.

In 2012, domestic and foreign sales operations were merged under the umbrella of Vestel Ticaret A.Ş.

Vestel Beyaz Eşya offers customers the latest and most innovative features in the Company's top segment product groups, using functionality based product segmentation and a consumer oriented approach.

Supporting cooperation with third party business partners, Vestel Beyaz Eşya stands out with distinctive promotional campaigns never undertaken in the sector before, and effectively uses every distribution channel with utility based opportunities.

Corporate Brand and Communications Strategy

Vestel places great importance on the reputation of its brands. Supporting its brands enriched by high quality and environmentally friendly products, with strong after-sale services including a widespread service network, an effective call center and a technical solution center in order to respond to all customer demands, is the fundamental brand strategy of Vestel.

Aiming to be number one choice of consumers in white goods in Turkey, Russia, CIS and the Middle East with its strong Vestel brand, Vestel works continuously to protect its connection with customers by capitalizing on all proactive and reactive channels as well as implementing promotional campaigns and other communications activities while also taking actions to increase brand loyalty.

Vestel Beyaz Eşya's Major Campaigns in 2012

Vestel welcomes the wedding season with the dowry campaign.

Vestel offered a complimentary 106 inch LCD TV to whoever purchased a Dowry Package consisting of a refrigerator, washing machine and dishwasher, such as newlyweds as well as everyone who wanted to replace their old white goods.

Discount at Vestel E-Store

As the first consumer durables brand to start online sales, Vestel celebrated the second anniversary of its E-Store with an ambitious discount campaign that ran until March 31, 2012. During the campaign, consumers enjoyed discounts of up to 50% on numerous products from the white goods category.

Vestel's Great Energy Saving Campaign

Vestel, the "Friendly Technology," marked Energy Efficiency Week with the "Great Energy Saving Movement." Consumers had the opportunity to purchase A-class and higher refrigerators, washing machines and dishwashers at discounts of up to 50%.

Refrigerators Full of Refreshments from Vestel

Vestel offered enough complimentary Coca-Cola, Fanta and Sprite to fill up a refrigerator to anyone who purchased a For You series colorful refrigerator.



Vestel Offers Payments in 36 Installments at the Cash Price

Vestel, the “Friendly Technology” provider, offered consumers the opportunity to divide their payments into 36 installments without any price differential. Therefore, consumers could purchase white goods at fixed prices without jeopardizing their budget.

10-Year Friendly Guarantee from Vestel

Vestel offered consumers a 10-year compressor guarantee for refrigerators and a 10-year engine guarantee for washing machines and dishwashers. Consumers had Vestel quality with 10-year guarantees without paying any extras.

Vestel Gifts Vacuum Cleaner to Anyone Purchasing a No-Frost Combined Refrigerator

Vestel, the leader in “Friendly Technology,” gifted a Twin Max 2-in-1 vacuum cleaner to any customer purchasing a No-Frost Combined Refrigerator.

Refreshing Opportunity from Vestel

Vestel offered consumers the chance to purchase air conditioners in 36 installments. Consumers could therefore buy air conditioners in the A energy class by paying as little as TL 21 per month.

Vestel’s main domestic brand strategy is to support its brands with high quality and environmentally friendly products and strong after-sale services in order to effectively meet all customer demands.

Vestel Beyaz Eşya delivers its high quality products and services to consumers with a competitive approach.

Vestel Beyaz Eşya delivers its high quality products and services to consumers with a competitive approach and draws its strength from a corporate culture based on deep-seated global and local values. Vestel sees as an essential component of its business approach that the companies belonging to Vestel family conduct their operations with the awareness of social responsibility. Vestel Beyaz Eşya does not limit its eco-friendly approach to its products. Saving energy, decreasing waste, reusing and recycling, minimizing hazardous chemicals to prevent pollution are some of the methods the Company uses to avoid any possible environmental damage arising from its production processes. The Company bases its operations on an approach that does not compromise quality, occupational health and safety, product safety or energy efficiency. This is the fundamental concept underpinning all of its operational processes. The Company also makes significant headway in the fight against climate change by using energy, water and raw materials in an efficient manner.

Vestel Beyaz Eşya does not compromise on quality, occupational health and safety, product safety or energy efficiency: This is the fundamental concept underpinning all of Vestel's operational processes.

Vestel joined forces with Özyeğin University to run an MT program with exclusive academic content to cultivate its own managers.

Recognizing that intellectual capital is the most important element for continuous development, Vestel Beyaz Eşya implements a human resources policy and performance management system based on improving working conditions and ensuring employee satisfaction.

Like all Vestel Group companies, Vestel Beyaz Eşya has policies and systems in place related to recruitment, promotion, dismissal, severance payment, training, career planning and performance measurement. Employee personal rights, promotions, career plans and training as well as disciplinary actions are managed by the Company's professional Human Resources team.

Vestel Group, with its own flexible organizational structure, empowers all staff members to take the initiative in their respective areas of expertise. The overarching corporate objective is to make Vestel Group a company preferred by employees.

Vestel Group's common values, embodied in its corporate culture and vision, guide personnel in all their activities.

Career and Performance Management

To meet its organizational requirements, Vestel uses promotion and lateral move systems based on the Group's needs and employee performance, in line with its career plans.

The performance management system implemented at Vestel enables personnel to determine their goals and priorities and helps them to achieve success by directing their focus on clear objectives.

Training and Development

At Vestel, every employee is highly valued. Thanks to this approach, the Company's training policy is based on developing employee skills and supporting their development areas in order to ensure that the personnel adapt to innovation and change. Training activities are conducted with impartiality, based on need, in line with an employee's career plan, in accordance with the Company goals and strategies, and in support of the corporate culture.

Vestel develops a yearly training plan for employees based on the analysis of the training needs identified via the performance measurement system.

Vestel MT Program

Vestel trains its managers in-house through a Management Trainee Program. The MT Program prepares participating employees to become managers in the Vestel Family. The intensive program is developed in partnership with Özyeğin University and includes exclusive and strong academic content that aims to prepare participants in both theory and practice for managerial positions. With the MT Program, Vestel also aims to cultivate future managers who will make a difference on the Company's road to leadership.

The second edition of the Vestel MT Program graduated 26 employees in spring 2012. Conducted with academic support from Özyeğin University, the MT Program consists of four months of theoretical training supported with real life applications and simulations, and seven weeks of internship at Vestel companies.

Management trainees who graduate from the MT program go on to assume various positions across the Vestel Group of Companies. The career plans of Vestel employees who complete the MT Program are designed in a manner that allows them to reach the highest levels of senior management. The third edition of the MT Program started on October 2012 with the participation of 27 management trainees, and is scheduled to wrap up in March 2013.

Vestel Technology Academy

The Company launched Vestel Technology Academy in 2010 in partnership with Özyeğin University in order to enhance the technical knowledge base of its engineers, through a theoretical and practical transfer of emerging technology by trainers from Turkey and abroad, all with an academic background.

The Academy imparts the knowledge and skills needed by engineers working in functional areas such as R&D, quality control and production, through a curriculum specially prepared by Özyeğin University for Vestel. The academic program lasts approximately 2.5 years and comes in two versions: with or without thesis.



Vestel presents Academy attendees the convenience of obtaining post-graduate and doctorate degrees certified by The Council of Higher Education (CHE) in the fields of electronic, mechanical, computer and industrial engineering. By meeting all training costs, Vestel has become the first company to bring the university environment to employees. To date, 317 engineers have benefited from the advanced training opportunities at the Academy.

Having completed its fifth term as of year-end 2012 and with the first graduates, the Academy is not only restricted to postgraduate and doctorate students: all employees may benefit from the program within the term and receive certificates as well.

Annual Training Plan and Other Training Activities

In addition to its MT Program and Technology Academy, Vestel develops a yearly training plan for its employees based on the analysis of the training needs identified via the performance measurement system. Each year, the Company develops and conducts training programs that can be tracked through the Training Portal and accessed by employees through the SAP Portal. Vestel also develops and conducts supplemental in-house trainings based on the Group companies' specific needs.

Management trainees who graduate from the MT program go on to assume various positions across the Vestel Group of Companies.

Vestel Beyaz Eşya became the first Turkish company in the sector to obtain ISO 50001 Energy Management System Certification.

Vestel Beyaz Eşya develops its environmental policies around the basic concepts of providing employees healthy working conditions and providing customers environmentally friendly, energy saving products. As a world-class company, Vestel Beyaz Eşya is responsible for maintaining the health and safety of its employees, customers and the neighboring community and protecting the environment and nature for future generations. The great importance the Company places on this issue was confirmed by its adoption of the Turkish Standards Institute's TS-EN-ISO 14001 Environment Management System and ISO 50001 Energy Management System Certification.

Vestel Beyaz Eşya conducts its operations in compliance with the Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment, or RoHS, Directive which limits the use of six heavy metals that are hazardous to people and the environment. The Vestel Beyaz Eşya product portfolio is comprised of 90% environmentally friendly products; in addition, the Company's Ecowash and TwinJet washing technologies have launched a new era in water, energy and time saving.

Environmentally Friendly Technology

For many years, Vestel Beyaz Eşya has used lead-free solder electronic cards and electronic components in its products. The Company has taken great care not to harm the ozone layer in the use of gases in its refrigerators.

Shifting its entire product line toward energy efficient A+ and higher devices, Vestel has slashed the power consumption of its products by 50% and their water consumption by 26% over the last five years.

Air conditioners and TwinJet Plus washing machines manufactured by Vestel Beyaz Eşya are 50% more energy efficient than A+ products. Vestel Jetwash F18 requires just 18 minutes to clean a load of dishes thanks to its time saving functions. Jetwash F18 makes use of Ecowash technology to function at the A+ energy efficiency class and consumes only nine liters of water, thus gaining a significant edge over the competition.



Vestel Beyaz Eşya's air conditioners and TwinJet Plus washing machines consume 50% less energy than A+ class products.

Besides, in raw material procurement, Vestel Beyaz Eşya minimizes the impact of its packaging on the environment by using smart packages, and reusing the nylons and separators, thus decreasing its overall packaging waste.

Vestel Beyaz Eşya's washing machines received the Special Jury Award in the Industrial Energy Efficiency Project Competition, organized by the Ministry of Energy and Natural Resources, General Directorate of Renewable Energy; Energy Efficient Product Award in the MOIZ Energy Efficiency Competition; and "The Most Energy Efficient Product Award" at the Istanbul Chamber of Industry's Environmental Awards. These and other such recognition confirm the success of Company's large-scale investments to develop eco-friendly products.

Environmentally Friendly Production and Activities

In light of the Company's environmental policy that pledges continuous development in terms of the environment, prevention of pollution and compliance with existing environmental regulations and administrative provisions, Vestel Beyaz Eşya:

- Takes environmental factors into account when evaluating new product projects and operations; reduces harmful materials in the design and production processes in compliance with relevant European Union directives (RoHS, Reach, et al.), and national regulations; researches materials with less pollution, and in regard to this, limits use of six heavy metals (lead, mercury, cadmium, chromium +6, PBB, PBDE) in its products;
- Takes actions to reduce, reuse, recycle and recover waste;
- Makes the most economical use possible of energy, water and natural resources through productivity increases and by encouraging the use of new technologies;
- Uses recycled/recyclable packaging materials whenever feasible;
- Conducts activities aimed at fostering environmental awareness.

The Environment

Vestel Beyaz Eşya has become the first Turkish company in the sector to obtain ISO 50001 Energy Management System Certification. The Company received this certification from the Turkish Standards Institute in recognition of its efforts to protect the environment, cut greenhouse gas emissions, use resources in an efficient manner and lower energy costs. Integrating its business processes with the Environmental Management System and similar systems to manage energy consumption in a systematic fashion, Vestel Beyaz Eşya did its utmost to fully comply with applicable legislation and passed the rigorous certification assessments with success.

Under the Energy Management System, the Company carries out the following activities:

- Using energy efficient and eco-friendly technologies to ensure economic and environmental sustainability,
- Benchmarking the Company's energy performance with the best practices in the world and its peers for continuous improvement and development,
- Making use of renewable energy resources,
- Fostering a culture of participation and innovation among stakeholders for continuous improvements in energy saving,
- Achieving full compliance with legal requirements,
- Conducting internal and external energy efficiency studies regularly and identifying improvement areas,
- Ensuring that all employees play a role in the improvement of the Company's energy consumption performance,
- Raising energy efficiency awareness via training, seminars and informational posters,
- Encouraging creative ideas for the development and use of new technologies and modification of equipment and processes in order to optimize energy consumption.

In 2012, Vestel further geared up its efforts related to its integrated management systems policy. The Company conducted various activities to this end, such as the reduction and restructuring of hazardous waste, use of nanotechnology in production areas, environmental trainings, social responsibility projects and energy efficiency initiatives.

Climate change is not only an ecological but also a social and economic threat. Vestel Beyaz Eşya views climate change as a significant risk to the world's future and the sustainability of the Company, and carries out important projects in this area. For this reason, the Company conducted studies to measure and reduce its carbon footprint and joined the Carbon Disclosure Project (CDP). The CDP was initiated in 2000 to encourage companies, investors and governments to collect and publish emissions-related information that could help in the fight against climate change. CDP publicly discloses data on greenhouse gas emissions, climate change strategies and sustainable water consumption, to encourage everyone to embrace carbon reduction targets and to take performance improvement measures. CDP serves this mission by channeling the joint power of investors and political leaders into common actions to combat climate change.



Vestel Beyaz Eşya has worked to achieve sustainability by implementing total productive maintenance (TPM) since 2011. TPM is a maintenance system that targets zero equipment disruption and zero quality error in production systems. In production and service processes, TPM upholds the participation of all employees, introduces autonomous maintenance processes, tries to avoid rather than correct failures, and maximizes equipment efficiency. The TPM system approach has brought the following environmental gains to the Company:

- Maintaining an orderly organization with the 5S methodology and decreasing pollution,
- Achieving improvements through the Kaizen philosophy,
- Saving energy and raw materials, and decreasing breakdowns and waste with the eye gaze approach,
- Slashing scrap and rework, and thus waste,
- Boosting efficiency and quality, and achieving continuous development.

In 2012, the Company conducted various environmental activities such as the reduction and restructuring of hazardous waste, use of nanotechnology in production, environmental trainings, social responsibility projects and energy efficiency initiatives.

Vestel Beyaz Eşya ensures that its social responsibility activities make concrete and sustainable contributions to society.

At Vestel Beyaz Eşya, corporate development is equivalent to social development. The Company has prepared the Vestel Beyaz Eşya Responsibility Policy and Principles to include its employees, shareholders and customers in its vision of becoming an exemplary company that contributes to society's development and well-being.

Vestel Beyaz Eşya does its utmost to ensure that its corporate social responsibility activities deliver concrete and sustainable benefits to society. As a result, the Company chooses to support not short-lived but rather long-term projects that are designed to create their own momentum in the future. At the start of the social responsibility project development process, the Company first identifies areas in which the state's presence is insufficient or lacking. In the social responsibility initiatives it undertakes, Vestel demonstrates the same high performance and meticulousness that it displays in its other operations, never compromising its total quality approach.

Vestel continued to provide support to education in 2012 by opening the Vestel Beyaz Eşya Laboratory at the Diyarbakır Burhanettin Yıldız Technical and Industrial High School, under the "Occupational Training Partnership" agreement. As part of this partnership with Diyarbakır Burhanettin Yıldız Technical and Industrial High School, a training program was designed for authorized Vestel service centers. After the first stage of this program jointly implemented by the high school's teaching staff and Vestel trainers, a total of 18 Vestel technicians received certification in "Electric Home Appliances" and "Individual and Commercial Air Conditioning Systems."

Additionally, the Company built the Vestel Girls' Technical and Vocational High School in Van, a city struggling to recover from a severe earthquake. With 24 classrooms and four workshops, the school opened its doors in the academic year 2012-2013; the facility also features classrooms equipped with the latest technology, including smart boards.



Sponsorships

In line with the principle of mobilizing its resources for social development, Vestel has assumed the main sponsorship of or given strong support to noteworthy events. In 2012, the most important project sponsored by Vestel was the First Istanbul Design Biennial. The Company became the co-sponsor of the Biennial, and organized two different workshops with design students before the event started.

Organized under the main sponsorship of Vestel, Turkey's first interactive arts exhibition, "The Great Masters," brought together masterpieces of famous Renaissance painters, such as Michelangelo, Leonardo da Vinci and Raphael. In addition to its sponsorship, Vestel supported the exhibition with its products, and installed interactive monitors and digital screening devices to ensure that art lovers fully enjoy the event.

In September, the Company assumed the sponsorship of the Izmir leg of the "European Day of Science and Fun," held simultaneously in 284 European cities, and featuring concerts, scientific experiments, exhibitions, round tables and educational games. In another contribution to arts and culture, the Company sponsored a concert by the Berlin Philharmonic Orchestra.

The Company has prepared the Vestel Beyaz Eşya Responsibility Policy and Principles to include its employees, shareholders and customers in its vision of becoming an exemplary company that contributes to society's development and well-being.

Vestel Beyaz Eşya's refrigerator factory operates with the Approved Factory Certification (BEAB, UK).

Vestel Beyaz Eşya constantly strives to establish a more safe and healthy working environment across all its operations.

One of the major components of the total quality concept at Vestel is occupational health and safety. Vestel Beyaz Eşya has fully adopted the strict occupational health and safety guidelines strongly prescribed by Vestel Group Management Systems policies. To provide for a world-class working environment, Vestel Beyaz Eşya in its all activities strives to:

- Fulfill all of its legal, regulatory and administrative requirements, comply with the rules of the organizations of which it is a member and ensure that international standards, new technologies, and employee suggestions are incorporated into its policies and practices concerning such issues for improvement.
- Perform occupational health and safety risk analyses; develop and implement plans aimed at preventing work-related accidents and illnesses.
- Provide fire safety, extend preventative and protective measures and raise awareness at all levels, based on ordinances and internationally accepted standards in all its activities.
- Ensure that all levels of its personnel are aware of their responsibilities in occupational health and safety, and provide continuous training on health and safety risks to instill appropriate actions and behaviors.

- Eliminate or at least minimize work-related accidents, unsafe conditions, and unsafe activities within the workplaces in order to prevent or reduce work-related accidents; frequently review working conditions and take appropriate measures when problems are identified; ensure that such measures are provided with sufficient resources; and review occupational health and safety policies and practices in light of changing conditions and requirements. Vestel Beyaz Eşya's perfectionist approach in these areas was confirmed with OHSAS 180001 Occupational Health and Safety Certification in 2005.

Understanding that the quality of its products is a fundamental component of total quality management, Vestel Beyaz Eşya manufactures goods in all its facilities with ISO 9001:2000 Quality Management System Certification. The Company also has received KEMA certification, the world standard for export goods; in addition, its refrigerator plant operates with Approved Factory Certification (BEAB, UK), one of the premier certifications in occupational safety. Vestel Beyaz Eşya fully complies with the corporate social values of Vestel Group. The Company further proved its commitment to environmental, work safety and worker/employee health issues when it received 18001 Occupational Health and Safety Management System Certification in 2005.

Risk Management

In order to early detect the risks that could jeopardize Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.'s existence, development and continuity, to take the necessary measures against these risks, and to engage in more effective risk management, the Enterprise Risk Management Department of Zorlu Holding started to operate as a support function to the Company from the first half of 2012 onwards. As a result, Zorlu Holding's Risk Policy, Procedure and Enterprise Risk Management Framework was issued and became applicable in all of Zorlu Holding companies. These efforts concern the management of not only financial risks, but also of operational, environmental, technological, and other non-financial risks.

The Early Detection of Risk Committee was established with a resolution dated March 15, 2013 of the Board of Directors.

According to the risk inventory undertaken, the main risks and the measures taken against them are as follows:

	Risk Type	Explanation
Financial Risks	Liquidity Risk	The Company conducts periodic analyses to manage possible liquidity risks such as failure to provide sufficient cash and securities to ensure business continuity, failure to generate sufficient funds to balance the cash flow and the weakening of the capability to close open positions.
	Capital Risk	The Company endeavors to ensure the continuity of business in the context of capital management processes by using the debt to total capital ratio in the most efficient manner.
	Foreign Exchange/ Interest Rate Risk	The Company can be exposed to foreign exchange risk due to changes in the rates used for exchanging its assets and liabilities in foreign currency for TL. In order to avoid these risks, the Company pursues hedging policies such as buying and selling in the same foreign exchange.
	Financing Risk	Currently, the Company does not have long term investments. The Company funds its operational requirements by means of short term bank loans. In line with its overall operating philosophy, the Company takes care not to assume financial debts that cannot be repaid with highly liquid assets.
	Economic Risks	The negative impacts of economic instabilities (recession, crisis, inflation, devaluation), changes in foreign exchange and interest rates, fluctuations in the prices of inputs such as labor, raw materials and electricity are important sources of risk in the investment and operation stages. Sensitivity analyses are used to measure the effects of these changes and to take the correct action in every single case.

	Risk Type	Explanation
Non-Financial Risks	Strategic Risks	Strategic risks arise from issues that may jeopardize business continuity, such as competitive challenges for the market share, changes in customer demand and product/service development. These risks are managed through such methods as diversifying investments in various countries, grasping changes in every segment in a timely and accurate manner, and operating the decision-making mechanisms duly.
	Business Continuity Risk	Strategically, the Company prepares and periodically revises emergency plans in order to save critical systems, rescue technical infrastructure and facilities through alternative means and locations, and regain functionality, during or in the aftermath of a disaster, an unexpected situation, or emergency.
	Competitive Risks	With a view to preserving and enhancing the Company's domestic and international competitive edge, efforts are expended to thoroughly analyze the customer, accurately identify changes in customer demand, ensure the longevity of commercial relations, and maximize price advantages and quality.
	Operational Risks	With on site and timely interventions, the Company minimizes the impact of operational disruptions such as systemic problems, mechanical breakdowns and theft along the product and distribution lines, whether caused by human error or environmental factors (natural disasters, terrorism, and the like). Additionally, the Company takes out insurance policies with comprehensive coverage to minimize any material damage due to such disasters.
	Legal/Political Risks	The Company can face risks such as bureaucratic delays, changes in regulations, lawsuits, taxation disputes, violation of intellectual property rights, unfair competition, contracts with shareholders, customs problems and political tensions, which are controlled by means of close and timely monitoring.

Internal Audit Department and its Operations

At Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. and other Zorlu Group companies, since 2000, the internal audit function is under the responsibility of the Internal Audit Department of Zorlu Holding. The Internal Audit Department conducts audit activities based on International Internal Audit Standards in accordance with audit programs pursuant to legal requirements and approved by the Senior Management. The Department shares the audit reports issued after conducting each audit, as well as annual reports on the audit results for the entire year, with the Holding's Board of Directors, the Audit Committees of individual companies and the Sector Heads. In addition to the Internal Audit Department, the Financial Audit and Taxation Department was established in 2011 in order to conduct financial audits across all Group companies and started audit activities in 2012.

The objective, authority, responsibilities, operating principles and structure of the internal audit function are outlined in the "Internal Audit Regulation" and "Internal Audit Operating Principles" documents, which have been approved by the Board of Directors and shared with the individual companies.

Under the risk-based annual audit program approved by the Board of Directors, Audit Committee and Sector Heads, process audits are conducted to ascertain the efficient and productive use of resources, compliance with applicable laws, regulations, in-house policies and rules, as well as information accuracy, reliability and security. Whenever deemed necessary, at the start of each audit, the Department meets with the Senior Management to make risk assessments; the companies' targets and the risks that could jeopardize these targets are analyzed and positioned in the risk matrix according to their effects and

probabilities. During the audit field work, tests are carried out to evaluate the internal controls which manage risks with significant effects and high probabilities. The results of observations are shared with the company management as a draft report; and then a final report, including the opinions of the management, is sent to the Senior Management. As a result, the Department offers consultancy services with a reasonable assurance level, and at the same time capitalizes on group synergy to highlight the best practices. One month after the issue of the final report, the actions taken are shared with the Board of Directors, in line with the 4T approach (Treat, Terminate, Transfer and Tolerate).

In the periodic meetings held between the Internal Audit Department and Audit Committee; the activities carried out in internal audit such as audit, consultancy, special investigations are assessed, the findings are shared, the follow-up plans as to the actions taken in response to these findings are evaluated and the plans for the upcoming period are reviewed. In 2012, five meetings were held between the Internal Audit Department and Audit Committee.

The 12-strong Internal Audit Team of the Zorlu Group is encouraged and supported to enhance its current knowledge, skills and qualifications through trainings, to become members of relevant associations (such as Turkish Internal Audit Institute - TIDE), and to obtain international professional certifications. At present, the team holds four CIA (Certified Internal Auditor), one SMMM (Independent Accountant and Financial Consultant), one CFE (Certified Fraud Analysis Expert), one CFSA (Certified Financial Services Auditor), one CISA (Certified IT Auditor) and two CRMA (Certificate for Risk Management Assurance) certifications.

Corporate Governance Principles Compliance Report

1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

In parallel with the activities related to Corporate Governance commenced in 2005 at Vestel Beyaz Eşya San. ve Tic. A.Ş., corporate governance mechanisms started to be operated in line with the principles across the organization. In the first phase of these activities, a series of amendments were made to the Company's Articles of Association so as to be able to offer an egalitarian, accountable, responsible and transparent structure to the shareholders. These amendments served to grant the rights, which are enforced by very few companies although envisaged by the Corporate Governance Principles, to minority shareholders, while radical changes were made to the management structure in pursuit of "better governance". Following the revisions made to the Articles of Association, Corporate Governance practices were carried on with the establishment of Corporate Governance mechanisms at the Company. While the Board of Directors was vested with greater objectivity with the addition of independent members, it was aimed to further increase the effectiveness of corporate governance by setting up committees under the Board. In addition, the Company's disclosure policy was put into writing, and presented to the shareholders at the General Meeting. A website has been developed so as to achieve the maximum, simultaneous, accurate and complete public disclosure in line with Corporate Governance Principles.

Activities undertaken in 2012 with a view to further increasing the compliance of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. with the Corporate Governance Principles are summarized below:

- The Articles of Association were revised in parallel with CMB's Corporate Governance Principles and presented to shareholders at the General Meeting for the year 2011.
- Résumés of Board Members were included in the information document distributed prior to the General Meeting. The information document was shared with

the general public four weeks before the General Meeting via the Public Disclosure Platform and the Company's website.

- At the General Meeting for the year 2011, the independent members whose terms of office expired were replaced with new members. The statements of independence of the new independent members were collected.
- Upon the selection of Şule Cümbüş as Board Member, the structure of the Board of Directors has come to comply with the Corporate Governance Principles, Article 4.3.10.
- At the General Meeting for the year 2011, all the new Board Members were selected from among non-executive candidates.
- In line with the Corporate Governance Principles, Article 4.6.2, the "Remuneration Policy for Board members and Senior Managers" was set down in writing and submitted to shareholders at the General Meeting.
- In line with the Corporate Governance Principles, Article 1.3.11, "Company Donation and Charity Policy" was set down in writing and submitted to shareholders at the General Meeting.
- In line with the Corporate Governance Principles, Article 4.5.2, the Working Principles of the Corporate Governance Committee and Audit Committee were set down in writing, and shared with the general public via the Public Disclosure Platform and the Company website.
- In line with the Corporate Governance Principles, Articles 4.1.1, 4.2.3 and 4.2.4, from the first quarter of 2012 onwards, Zorlu Holding's Enterprise Risk Department embarked upon activities to detect the risks which could jeopardize the presence, development and continuity of Vestel Beyaz Eşya, to take action against the risks identified and to manage these risks. The Enterprise Risk Management Framework,

Policies & Procedures was issued and Vestel Beyaz Eşya's Corporate Risk Management Project was initiated.

- In line with the Corporate Governance Principles Articles 4.5.1 and 4.5.12, work started for the establishment of the Early Detection of Risk Committee at Vestel Beyaz Eşya.

- In line with the efforts to comply with the Turkish Commercial Code and Turkish Accounting Standards, the structure and tasks of the audit function under the Vestel Group of Companies was redefined. The audit function was divided into the two main categories of Internal Audit, and Financial and Tax Audit. Long established, the Internal Audit Department will from now on be responsible mainly for operational and compliance audits, and audits demanded by the management. Meanwhile, the Financial and Tax Audit Department will audit the accuracy of all financial statements (external reports and management reports), and give assurance to the Board of Directors in this area. In addition, the Information Technology audit under the Internal Audit function will also continue in 2013.

- ISO 50001 Energy Management System was established and certified.

- The Carbon Disclosure Project was joined, carbon footprint calculations were performed and presented to our investors.

In the implementation of Corporate Governance Principles, certain principles that do not conform with the Company's structure and that are regarded as potential obstacles against its activities were excluded. These principles and the reasons for opting not to comply therewith are summarized below:

- The definition of the appointment of a special auditor as an individual right in the Articles of Association: The right to demand the appointment of a special auditor is already granted by the Turkish Commercial Code, Article 438. Since the right has already been defined by legislation, it is not mentioned in the Articles of Association.

- Early Detection of Risk Committee: The duties, authorities and responsibilities set forth to Early Detection of Risk Committee are carried out by the Corporate Governance Committee. Work on the establishment of a separate Early Detection of Risk Committee is almost completed.

During the implementation of Corporate Governance Principles, the Company's Board of Directors, senior management and all employees supported the activities and participated in the studies held. With this widespread support, Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. was able to establish its approach to management which is responsible, accountable, transparent and equitable toward its shareholders.

PART I- SHAREHOLDERS

2. INVESTOR RELATIONS UNIT

- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. carries out its relations with shareholders through Vestel Group of Companies Investor Relations and Corporate Finance Department. Contact information for this department is as follows:

Department Director	: Figen Çevik
Department Manager	: Başak Dalga
Address	: Vestel Şirketler Grubu Zorlu Plaza 34310 Avcılar - İstanbul
Phone	: +90 (212) 456 22 00
Email	: yatirimci@vestel.com.tr

- The principal activities carried out by the Corporate Finance and Investor Relations Department and the conferences attended in 2011 on behalf of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. are summarized below:
 - Nearly 70 one-on-one meetings were held with investors and analysts.
 - During the reporting period, more than 80 questions were responded to by e-mail and about 90 by telephone.
 - The department participated in four conferences organized by brokerage houses.

3. SHAREHOLDERS' EXERCISE OF THEIR RIGHT TO OBTAIN INFORMATION

- During 2012, shareholders asked for various pieces of information from the Company on various issues, These were responded to via telephone, e-mail or mail, in writing or verbally, as demanded by investors. The answers to these demands were open, clear, and in detail, in accordance with the Company's disclosure policy, and all inquiries except those concerning trade secrets were given a satisfactory response.
- Material event disclosures made via Public Disclosure Platform (PDP) and Vestel Beyaz Eşya website were the tools used in 2012 for the disclosure of developments that might have an impact on the shareholders' exercise of their rights.
- The Company website launched in early 2007 in order to maximize the ability of shareholders to exercise their right to obtain information, all the information required by the CMB's Corporate Governance Principles is published on the corporate website. Updating and monitoring the website is the responsibility of the Investor Relations and Corporate Finance Department.
- The right to request the appointment of a special auditor is not laid out in the Articles of Association. Since this right is already granted to each shareholder of joint stock companies by the Turkish Commercial Code, Article 438, it is not mentioned specifically in the Articles of Association. The Company received no requests for the appointment of a special auditor in the reporting period.

4. INFORMATION ON GENERAL MEETINGS

- Vestel Beyaz Eşya held its ordinary General Meeting for 2011 at 10:00 AM on June 19, 2012 at the address of Zorlu Plaza, Avcılar-Istanbul.
- The invitation for the meeting including the meeting date and agenda has been made within due time as set out in the law and the Company's Articles of Association by being published in the Turkish Trade Registry Gazette issue 8076 dated May 25, 2012 and in the Milliyet newspaper and Dünya newspaper, both dated May 25, 2012, and also posted on the Company's website www.vestel.com.tr. To facilitate attendance to the General Meeting, announcements were published in these two Turkish newspapers with high circulation. In addition, all relevant information regarding the General Meeting including the announcement was posted on the corporate website.
- Before the General Meeting, the annual report, financial statements, Articles of Association as well as the General Meeting Information Document prepared as per CMB regulations were all made available for the inspection of shareholders at the Company's headquarters. All of this information was also published on the corporate website together with the General Meeting announcement and agenda.
- Prior to the General Meeting, the shareholders, Capital Markets Board and/or other relevant public agencies and institutions did not demand adding any items on the meeting agenda.
- Out of 190,000,000 shares corresponding to the Company's total capitalization of TL 190,000,000.00, 156,816,942.00 shares representing TL 156,816,942 in capital were present in person at the meeting. The General Meeting convened with an attendance ratio of 82.54%. No proxy votes were cast.

- The Company's Articles of Association contain no provisions concerning the participation of stakeholders or the media at the General Meeting. However, participation is possible provided that the Company is informed beforehand. Only shareholders attended the General Meeting for 2011 and no other stakeholders or media representatives attended.
- Shareholders were allowed to ask questions at the General Meeting. All questions coming from shareholders were responded to in detail. Shareholders introduced no motions during the meeting.
- At the General Meeting, shareholders were informed about donations made to Mehmet Zorlu Foundation amounting to TL 1,588,613.59 made during the year 2011. The "Company Donation and Charity Policy" issued in compliance with CMB's Corporate Governance Principles was also submitted to the shareholders' approval in a separate agenda item at the General Meeting for the year 2011.
- The minutes of the General Meeting are made available for the examination of shareholders at the Company's headquarters. All announcements, documents, and other materials related to General Meetings are accessible to shareholders and to all other stakeholders on the corporate website.

5. VOTING RIGHTS AND MINORITY RIGHTS

- In the Articles of Association of Vestel Beyaz Eşya San. ve Tic. A.Ş., there is no privilege with respect to voting to any group or stakeholder.
- The Company does not have any subsidiaries. For this reason, there are no cross-shareholding interests and therefore no need to disclose the impact on General Meeting votes.
- According to the Articles of Association, the minority rights shall be exercised by the shareholders representing at least 5% of the paid-in capital.
- Minority shareholding interests are not represented in management. However, two independent members were elected to the Board of Directors to represent the interests of all shareholders and stakeholders, especially those of minority shareholders.

6. DIVIDEND RIGHTS

- There are no privileges concerning the participation in Company's profits in the Articles of Association. Each share of stock is entitled to an equal dividend.
- Each year, the Company's Dividend Distribution Policy is presented to the shareholders as a separate agenda item at the General Meeting. The Dividend Distribution Policy is also disclosed to the general public via the Company's website and annual report.
- In accordance with the dividend distribution policy established at the Board of Directors meeting held on March 19, 2007 and numbered 2007/8, the Company decided to distribute dividends corresponding to a minimum 25% of the distributable profit, including 2007 profit, in cash or in the form of bonus shares to the shareholders. The amount of dividends to be distributed shall be proposed by the Board of Directors each year at the Ordinary General Meeting depending on national and global economic conditions and the Company's growth plan.

- Despite the Company' dividend policy which stipulates the distribution of at least 25% of the net distributable profit as dividends (cash or bonus shares), due to the unfavorable market conditions in our primary market Europe and the ensuing need to increase the working capital, the participants of the General Meeting for 2011 unanimously decided to set aside the entire net distributable profit of TL 19,181,276 as reserve, and thus not to pay any cash dividends.

7. TRANSFER OF SHARES

- The Company's Articles of Association contain no provisions restricting the transfer of shareholding interests.

PART II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. DISCLOSURE POLICY

- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.'s public disclosure policy has been formulated in line with the CMB Corporate Governance Principles. In 2010, the policy was revised and approved by the Board of Directors. The revised disclosure policy was presented for the information of shareholders and participants at the 2009 Ordinary General Meeting held on May 26, 2010. The Company's disclosure policy has also been publicly disclosed on the corporate website.

- The issues addressed by the Company's public disclosure policy are summarized below:
 - Ensuring that public disclosures are made in a complete, fair, accurate, timely, comprehensible manner and are made equally and easily accessible to all;

- Individuals authorized to handle the development, implementation and improvement of the disclosure policy and individuals responsible for public disclosures;
- Methods and tools of disclosure;
- Public disclosure of financial reports and authorized individuals;
- Public disclosure of material events and authorized individuals;
- Written/verbal statements-press releases-conferences and individuals authorized to make public disclosures;
- Disclosure of future-oriented information;
- Prohibited disclosure/quiet period;
- The website;
- Following up on news, rumors, and speculations;
- Criteria used in the designation of individuals with administrative responsibility;
- Confidentiality protection procedure for internal data.

- The Public Disclosure Policy has been developed and approved by the Board of Directors, which is the responsible body for its implementation, development and oversight. The monitoring and follow-up of all kinds of issues related to public disclosure is under the responsibility of executives in charge of financial management and reporting, and the Investor Relations Department. These executives perform their duties in close cooperation with Corporate Governance Committee, Audit Committee and Board of Directors.

9. THE CORPORATE WEBSITE AND ITS CONTENTS

- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.'s corporate website was created in early 2007 for the purpose of assuring intelligible, clear and equitable public disclosure to shareholders, stakeholders and the public at large. The information posted on the website is constantly updated.
- The corporate website contains all the required information as stipulated in Article 2.2.2 of Section II of CMB's Corporate Governance Principles.
- The website also features pages in English so as to provide information to international investors.
- The website is accessible at www.vestel.com.tr.

10. ANNUAL REPORT

- The annual report contains all the information stipulated in Article 2.3.2 of section II of CMB's Corporate Governance Principles.

PART III: STAKEHOLDERS

11. KEEPING STAKEHOLDERS INFORMED

- Stakeholders in the Company can be classified as employees, suppliers, financing sources and the public.
- Stakeholders are regularly informed within the framework of the Company's public disclosure policy. Employees are informed by e-mails and also by the Intranet. Furthermore, periodic interdepartmental meetings and periodic meetings for the employees are held.
- The Company's domestic and foreign sales are handled by Vestel Ticaret A.Ş., one of the Vestel Group of companies. Vestel Beyaz Eşya pays customer visits in conjunction with the Group's

marketing company. Based on the assessments arising from these face-to-face contacts, customer satisfaction can be directly observed and complaints can be addressed onsite. When necessary, improvement work is carried out in line with the customer complaints received via this company or directly by Vestel Beyaz Eşya. Apart from these, periodic meetings are held with Vestel Ticaret A.Ş. to discuss the actions taken to satisfy customer expectations and to maximize the level of quality. At certain periods, customer satisfaction surveys are administered among end-consumers.

- The stakeholders can report to the Corporate Governance Committee or Audit Committee any Company transactions violating legislation or ethical rules by accessing the Investor Relations Unit via telephone and/or e-mail.

12. STAKEHOLDER PARTICIPATION IN MANAGEMENT

- No model has been developed to include stakeholders in the Company's management. However, the two independent members on the Board protect and represent the interests of all stakeholders as well as those of the Company's shareholders.
- The Executive Committee Member responsible for Human Resources represents the employees, one of the Company's largest stakeholder groups, at the Vestel Group's Executive Committee.
- In making important decisions with regard to the stakeholders, senior executives representing the stakeholders are invited to the Board of Directors meetings to express their opinions.

13. HUMAN RESOURCES POLICY

- The Company's human resources processes are managed by the Vestel Human Resources Department, which reports to the Zorlu Holding Human Resources Coordinator. The Department includes a Human Resources and Training Unit, and an Industrial Relations Unit. Transactions related to the administrative affairs and recruitment functions are carried out under the direct supervision of the Human Resources Director. The Zorlu Holding Human Resources Coordinator is a member of Vestel Group's Executive Committee; as well. Thus, providing information regularly to the management on any employee related issue is ensured.

- The Company's Human Resources Policy is set down in writing and covers all issues related to hiring, promotion, dismissal, compensation, career planning, performance evaluation system, linking performance results to remuneration, and training policies. The employees have been informed of their job definitions and division of tasks, as well as performance and compensation criteria through the Human Resources Policy.

- The Human Resources Policy addresses the following matters:

- Criteria for hiring, promotion and dismissal are set down in writing. Details regarding hiring criteria are spelled out in the recruitment regulation, and those on promotion are in the promotion regulation.

- Vestel Group has in place a performance appraisal system for the Group employees, which is based on individual performance but also relates to results obtained by the department and the Company, and which aims to contribute to the employees' individual and the organization's corporate development. Results from the performance appraisal system are utilized in remuneration, training and career development processes.

- A work evaluation was performed using Hay Group's grade system criteria, thereby exposing the grading structure of the employees. A remuneration policy was set in view of this structure, and a wage system has been built which is managed through adjustments made in line with the current conditions.

- Employees are offered comprehensive training programs. The training process is handled centrally for all Vestel Companies and the whole process is carried out on the Intranet. The training programs are designed to provide the employees with the opportunity to move forward in their careers. The employees are given the chance to select training programs in line with their career planning and aspirations.

- "Vestel Technology Academy" was founded especially for the engineer staff of the Vestel Group. The Academy provides master's and PhD education opportunity to about 200 employees. Additionally, "Management Training" and similar programs are regularly planned and implemented every year in order to cultivate qualified managers.

- There are two different types of career advancement mechanisms, which are promotion and horizontal advancement. The system is run at intervals set out in the Company's guidelines.

- Employees are provided with orientation programs. The program for each department and position is devised individually, and presents differences in terms of duration and content.

- The corporate portal and the e-mail system are used for the purposes of periodic information provision to employees. Each unit holds internal meetings at certain intervals. These meetings are production meetings (every morning at the factories), every Monday (departmental meetings), happy hour gatherings (on Fridays), quality management meetings (bimonthly), budget meetings (monthly) and R&D new product meetings (monthly).

- All employees are treated equally and without any discrimination whatsoever (on the basis of ethnicity, language, religion, race, gender) in all matters involving training, career development, promotion, and the like.

- Measures are taken to prevent any practices that might cause discrimination among employees and all employees are treated equally without any distinctions being made among them. There were no complaints received from employees related to discrimination.

14. CODE OF ETHICS AND SOCIAL RESPONSIBILITY

- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.'s Code of Ethics has been set down in writing and published on the corporate website within the framework of the Public Disclosure Policy. Utmost care is taken to ensure that the Code of Ethics formulated for the Company, for the Board Members, and for the employees is complied with in full.

- Within the scope of social responsibilities, Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. joins the activities carried out by its parent company Vestel Elektronik San. ve Tic. A.Ş. and Zorlu Holding A.Ş. Zorlu Group, of which the Vestel Group of Companies is a member. The Group took a major step in bringing a global social responsibility dimension to the principles and values espoused since its foundation, by signing the United Nations Global Compact in 2007.

- As a responsible corporate citizen, Vestel Beyaz Eşya fulfills its obligations concerning reducing the environmental impact arising from its activities, and introducing products that are compatible with nature. Since June 2006, the Company has adhered to the RoHS (Restriction of the Use of Certain Hazardous Substances) directive in the manufacturing of all of its products. Accordingly, the use of six heavy metals (lead, mercury, cadmium, chrome+6, PBB, PBDE) posing threat to the living and the environment has been limited in the products. To ensure that the Turkish people live in healthier environments,

Vestel Beyaz Eşya bore the costs resulting from this implementation and started supplying the domestic market with products that conform to the RoHS directive, before this regulation went into effect in our country.

- Work in relation to WEEE (Waste of Electrical and Electronic Equipment directive) is in progress in parallel with RoHS efforts. According to this directive, each brand is responsible for the collection and recycling of the wastes of its own products. Our Company is carrying out the necessary preparations with a view to adhering to the WEEE directive in the most effective manner in coordination with the authorized governmental bodies.

- In accordance with its global environmental responsibility, our Company made it a principle ever since its foundation not to use in the products and production processes the chemicals that deplete the ozone layer or lead to global warming by creating greenhouse effect. In keeping with this philosophy, gases with very low ODP (ozone depletion potential) and GWP (global warming potential) levels are being used in the production of our refrigerators and air conditioners.

- With its environmental policy, Vestel Beyaz Eşya targets an approach that maintains and enhances the quality of life of its employees and customers. Under the environmental policy adopted, the Company pledges to:

- Take into account environmental factors when considering new products, projects and operations;
- Reduce the use of harmful materials in the product design and production processes, and investigate less contaminant materials;
- Take on activities for waste reduction, reuse, recycling and recovery;
- Ensure savings in energy, water and natural resources by encouraging increased productivity and employment of new technology;
- Use recycled packaging material whenever feasible;

- Organize activities that raise and promote environmental awareness;
 - Comply with the environmental legislation and administrative regulations in effect.
- Due to the environmental significance of energy efficiency from the point of preventing direct consumption of natural resources, ISO 50001 Energy Management System activities are integrated into the ISO 14001 Management System.

In addition, priority is given to the production of Class A and A+ products at Vestel plants with a view to contributing to the effective use of natural resources and electricity, and research and development activities are carried out heavily for products that consume resources such as electricity, water, detergent, and gas less.

- In 2012 Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. was certified by the Energy Management System which was founded in 2011. Under the Energy Management System, our Company is committed to:
- Using energy efficient and eco-friendly technologies for continuously improving our energy performance and ensuring economic and environmental sustainability,
 - Continuously comparing the Company's energy performance with the best practices in the world and its peers for improvement and development,
 - Making use of renewable energies,
 - Cultivating a culture of participation and innovation among stakeholders for continuous improvements in energy saving,
 - Achieving full compliance with legal requirements,
 - Identifying energy efficiency improvement areas by regularly conducting internal and external energy efficiency studies,
 - Ensuring that all employees play a role in the improvement of the Company's energy consumption performance,

- Raising energy efficiency awareness via training, seminars and posters,
- Encouraging creative ideas for the development and use of new technologies and modification of equipment and processes in order to optimize energy consumption.

- As part of its environmental awareness activities within the Integrated Management Systems Policy, Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.:

1. Trains all employees on the subject of environment and energy.
 2. Distributes to all employees booklets on the environment and energy topics.
 3. Designs bi-monthly environmental awareness brochures on the panels where the employees can see and on the panels behind WC doors
 - "Let's Collect Bottle Tops One by One, Overcome the Obstacles Step by Step" campaign organized by Ege University, Faculty of Dentistry in the scope of social responsibility and waste management is supported within the Company. Wheel chairs were bought for the relatives of two employees with the collected plastic caps.
 - Through supporting the "White Goods Sector Hazardous Waste Guide" project, hazardous wastes in white goods sector are classified with the support of Ministry of Environment and Urbanism, Marmara University and TÜBİTAK.
 - An Environment Commission, in which Environmental Management Officer represents our Company, has been established within MOIZ. The commission continues its environmental activities.
- Climate change is not only an ecological but also a social and economic threat. Vestel Beyaz Eşya views climate change as a significant risk for the world's future and the sustainability of the Company, and carries out important projects in this context. For this reason, the Company carried out studies for the measurement and reduction of the carbon footprint and joined the Carbon Disclosure Project, which

has been initiated to encourage companies, investors and governments to collect and publish information which could help the fight against climate change threat. We plan to realize performance improvement by embracing carbon cutting targets by means of disclosing data about greenhouse gas emissions, climate change strategies and sustainable water consumption to the public and investors via CDP. CDP carries this mission onward and puts it into place with the purpose of accelerating the common actions against climate change.

- Vestel Beyaz Eşya achieves sustainability by successfully applying the Total Productive Maintenance management system since 2011. TPM is a maintenance system which targets zero equipment disruption and zero quality error in production systems. In production and service processes, TPM upholds the participation of all employees, introduces autonomous maintenance processes, adopts a preventive rather than a troubleshooting approach, and maximizes equipment efficiency. The TPM system approach has brought the following environmental gains to the Company:

- Maintaining order with the 5S approach and decreasing pollution,
- Achieving improvements through the Kaizen philosophy,
- Saving energy and raw materials, and decreasing breakdowns and waste with the eye gaze approach,
- Decreasing scrap and rework and thus waste,
- Boosting efficiency and quality - continuous development.

- Vestel Beyaz Eşya's washing machines were granted the Jury Special Award at the Industrial Energy Efficiency Project Competition organized by the Ministry of Energy and Natural Resources, General Directorate of Renewable Energies; Energy Efficient Product Award at the MOIZ Energy Efficiency Competition; "The Most Energy Efficient Product Award" at the Istanbul Chamber of Industry's Environmental Awards, all of which confirm the success of Company's large-scale investments in eco-friendly products.

- Vestel Beyaz Eşya's policy in relation to occupational health and worker safety is as follows:

- Satisfies its legal obligations and administrative conditions toward employees and the rules of organizations to which it is a member,
- Achieves constant improvement through incorporation of international standards, new technologies and employees' suggestions in its practices,
- Devises and implements plans that will prevent potential occupational accidents and diseases by undertaking occupational health and safety risk analysis,
- Offers constant training to employees to instill the correct behavioral habits with regard to potential health and safety risks,
- Generates the operational principle to review the policy according to changing conditions so as to eliminate or minimize unsafe elements and unsafe acts at workplaces with a view to prevent or reduce occupational accidents; to frequently review working conditions and to take necessary actions with regard to problematic areas; and to secure funds for such actions,
- Adopts the principles of fitness for work to the worker and of the worker to the work in order to prevent or reduce accidents.

- At Vestel, corporate development is synonymous with social development. Cognizant of this fact, the Company firmly supports all social responsibility projects which deliver value to the society, pioneers new initiatives in this field, and raises social awareness of its future-looking and eco-friendly products via the media communication.

- Vestel makes a point of ensuring that its social responsibility activities make concrete and sustainable contributions to the society, and accordingly chooses to support not short-lived but long-term projects which are set to create their own momentum in the future. As such, before embarking upon a social responsibility project, the Company first identifies areas in which the state's presence is insufficient or lacking. In the social responsibility projects it supports or organizes directly, Vestel never compromises its total quality approach and displays the same performance and meticulousness that its displays in its other operations.

- Vestel continued to give its support to education in 2012 by inaugurating the Vestel Beyaz Eşya Laboratory at the Diyarbakır Burhanettin Yıldız Technical and Industrial High School, under the "Occupational Training Partnership" agreement. As part of this agreement with Diyarbakır Burhanettin Yıldız Technical and Industrial High School, a training program was designed for authorized Vestel service centers. After the first stage of this program

jointly implemented by the high school's teachers and Vestel trainers, a total of 18 Vestel technicians received certification in "Electric House Appliances" and "Individual and Commercial Air Conditioning Systems".

- In line with the principle of mobilizing its resources for social development, Vestel has assumed the main sponsorship of or given strong support to noteworthy events. In 2012, the most important project sponsored by Vestel was the First Istanbul Design Biennial. The Company became the co-sponsor of the Biennial, and organized two different workshops with design students before the event started.

- Turkey's first interactive arts exhibition, "The Great Masters", organized under the main sponsorship of Vestel, brought together the masterpieces of the leading names of Italian Renaissance such as Michelangelo, Leonardo da Vinci and Raphael. Vestel not only gave sponsorship support to the event, but also provided interactive screens and digital displays to enhance art lovers' visit or experience.

- In September, the Company assumed the sponsorship of the Izmir leg of the "European Day of Science and Fun", organized simultaneously in 284 European cities, and featuring concerts, scientific experiments, exhibitions, round tables and educational games. In another contribution to the arts, the Company also sponsored a concert by the Berlin Philharmonic Orchestra.

Name	Position	Term of Office	Classification
Ahmet Nazif Zorlu	Chairman	1 year	Non-executive Member
Hacı Ahmet Kılıçođlu	Vice Chairman	1 year	Independent Member
Olgun Zorlu	Board Member	1 year	Non-executive Member
Şule Cümbüş	Board Member	1 year	Non-executive Member
İzzet Güvenir	Board Member	1 year	Non-executive Member
Ali Akın Tarı	Board Member	1 year	Independent Member

PART IV: THE BOARD OF DIRECTORS

15. STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS; INDEPENDENT BOARD MEMBERS

Ahmet Nazif Zorlu-Chairman of the Board

(1944 - Denizli) Ahmet Nazif Zorlu began his professional career in a family-owned textile business. He set up his first company, Korteks, in 1976. In the years that followed, he continued to undertake new investments in the textiles industry and founded Zorlu Holding in 1990. Mr. Zorlu purchased the rights to the Vestel trademark in 1994. He is currently the Chairman of the Board and Board Member of numerous Zorlu Group companies active in different sectors, including Vestel Beyaz Eşya and Vestel Elektronik.

Hacı Ahmet Kılıçođlu-Board Member

(1956 - Giresun) Hacı Ahmet Kılıçođlu received his bachelor's degree in economics in 1977 from the University of Essex and his master's degree in 1978. He started his professional career in 1979 at the Ministry of Industry and Technology and in 1980 became Assistant Specialist at Türkiye İş Bankası. After completing his military service, he worked in the private sector, before assuming administrative positions at the UNDP and F-16 project from 1984 onwards. In 1987, he took office at Türk Eximbank and served in various positions. He later served the bank as CEO and Board Member between 1998 and 2010, during which period he also worked as Board Member at the Turkish Banks Association. In 2001, Mr. Kılıçođlu was elected as the President of the The Berne Union. From 2008 until 2009, he worked as Consultant

to the President at the Islamic Development Bank. In 2010, he became Vice Chairman at Denizbank. Currently Mr. Kılıçođlu also serves as Board Member at Dođan Yayın Holding and Vice President at the Turkish Education Association.

Olgun Zorlu-Board Member

(1965 - Trabzon) After graduating from university in the United Kingdom, Olgun Zorlu began his professional career in 1986 and gained managerial experience in Zorlu Group's textiles companies. He was appointed Board Member of Zorlu Holding in 1998. In addition, Mr. Zorlu continues to serve as a Board Member of Vestel Beyaz Eşya and Korteks Mensucat San. ve Tic. A.Ş.

Şule Cümbüş-Board Member

(1976 - İstanbul) After graduating from Işık High School, Şule Cümbüş went to the USA to pursue her undergraduate studies. In her first year, she studied business administration at Pepperdine University in Los Angeles, and in the following two years she was at New Jersey's Silberman College/Farleigh Dickinson University. For about six months she worked at Zorlu Holding's American subsidiary Zorlu USA Textile. In 1999, she returned to Turkey to take office as a Management Trainee at Denizbank, and went on to serve in various departments of the bank. In early 2002, she became Executive Director at the recently acquired Anadolu Kredi Kartları A.Ş. In 2003, she was appointed General Manager of Linens Pazarlama. Ms. Cümbüş has served as a Board Member in a number of Zorlu Holding companies.

İzzet Güvenir-Board Member

(1955 - İzmir) İzzet Güvenir graduated from Istanbul Technical University, Department of Aeronautical Engineering in 1980. After serving in various positions in the white goods sector, he joined Vestel in 1998 as the Manager of the Air Conditioner Plant. Mr. Güvenir was appointed General Manager of Vestel Beyaz Eşya in 2000. He stepped down from his position as a Member of the Executive Committee responsible for White Goods and Vestel Russia as of July 1, 2011. He continues to serve as a Member of the Board of Vestel Beyaz Eşya.

Ali Akın Tarı-Board Member

(1943 - Koruköy) After graduating from Istanbul University, Faculty of Law, Ali Akın Tarı served as Public Accountant and later Chief Public Accountant at the Ministry of Finance, between 1972 and 1986. In 1986, he was appointed Vice President of the Board of Public Accountants and in 1989 Istanbul Group Head, a position he maintained until becoming a Board Member at the Banking Regulation and Supervision Agency in 2001. That same year, Mr. Tarı was also appointed Board Member of the Savings Deposit Insurance Fund. In 2004, when his term of office at Banking Regulation and Supervision Agency ended, he was appointed Undersecretary to the Minister at the Ministry of Finance, and remained at this post until 2007. Mr. Tarı left the public sector in 2007 of his own volition to become active in the private sector. In 2008, he became Board Member and Audit Committee Member at Dilerbank; in addition, he assumed the position of Board Member at Diler Holding in 2011. He continues to serve in these positions.

Enis Turan Erdoğan-Chairman of the Executive Committee

(1955 - Mersin) Enis Turan Erdoğan graduated from Istanbul Technical University, Department of Mechanical Engineering in 1976 and completed a master's degree in Production Management at Brunel University in the UK in 1979. After serving in a number of different managerial positions for various firms in Turkey, he joined Vestel in 1988. Since 1988, he has served in various managerial positions at the Company, and was appointed Chairman of the Executive Committee of the Vestel Group of Companies as of January 1, 2013. Between 2002 and 2006, Mr. Erdoğan served as President of TURKTRADE (Turkish Foreign Trade Association). Additionally, he is the first Turkish citizen to be appointed Board Member to Europe's largest ICT Association, DIGITALEUROPE, a position he has held since 2010.

- Four Board Members are non-executive members, and two are independent members.
- The Chairman of the Board and the Chairman of the Executive Committee are different individuals. The Chairman of the Board is Ahmet Nazif Zorlu and the Vestel Group of Companies' Chairman of the Executive Committee is Enis Turan Erdoğan.
- Prior to the General Meeting for 2011, two independent candidates were presented to the Nomination Committee. The report dated May 10, 2012 on whether these candidates fulfill the independence criteria was submitted to the Board of Directors. Upon a resolution by the Board of Directors dated May 18, 2012 and numbered 2012/29, it was decided that their names would be submitted to the approval of shareholders at the General Meeting, to become independent Board Members.

- Board Members Hacı Ahmet Kılıçoğlu and Ali Akin Tarı are independent members who satisfy CMB's Corporate Governance Principles pertaining to independence criteria. Nothing occurred during the reporting period that changed the independent status of the independent members.
- No restrictions are imposed on Board Members' undertaking one or more duties outside the Company.

16. WORKING PRINCIPLES OF THE BOARD OF DIRECTORS

- Agendas for Board meetings are determined in line with the requests of the Chairman and Members. Requests coming from Company management are also influential in determining meeting agendas.
- Article 16 of the Company's Articles of Association sets out that Board meetings will be held as and when deemed necessary, and at least once a month. In 2012, the Board held 26 meetings and attendance at these meetings reached 84%. In order to increase attendance at meetings, the meeting dates were determined at the beginning of the year and the Board Members were notified. As such, the Board Members were given the chance to shape their schedules according at the meeting dates. Also to increase attendance at meetings, the following article was added to the Articles of Association: "The Board membership of a Board Member who fails to participate in three consecutive meetings without the Board's permission is deemed to be null and void."
- Invitations to meetings are made by mail, fax, and e-mail. In line with Corporate Governance Principles, a secretariat has been set up within the Company that is responsible to the Board of Directors. This secretariat notifies Board members of meetings at least a week (seven days) in advance of the meeting date, and provides them with the agenda and documents related to the matters on the agenda.

- Differences of opinions arising at Board meetings and reasonable and detailed justifications for dissenting votes are entered into the record. Reasons for the dissenting opinions and votes of independent members are disclosed to the public. However, to date there has never been an instance of dissent by independent or other members at Board meetings.
- No Board members, including the Chairman, have preferential voting rights or the right to veto Board decisions. Each member, including the Chairman, possesses an equal vote.
- Upon a resolution of Vestel Beyaz Eşya San. ve Tic. A.Ş.'s Board of Directors dated October 17, 2012 and numbered 2012/33, the significance threshold requiring the approval of the Board of Directors in common and continuous asset, service and liability transfers between our Company and its related parties was set as 1% of the total assets or 1% of the net sales in the last 12 months shown in the latest financial statements disclosed to the public as per CMB regulations. Transactions exceeding this threshold were duly approved by the Board.
- In the accounting period ending on December 31, 2012, there were no related party transactions outside the scope of the Board of Directors resolution dated October 17, 2012 and numbered 2012/33, and/or significant transactions within the scope of Corporate Governance Principles Article 1.3.10.

17. NUMBER, STRUCTURE, AND INDEPENDENCE OF COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

- Vestel Beyaz Eşya San. ve Tic. A.Ş. established a Corporate Governance Committee and Audit Committee in line with Capital Markets Board's Corporate Governance Principles. The duties, authorities and responsibilities normally assigned to the Nomination Committee, Remuneration Committee and Early Detection of Risk Committee carried out by the Corporate Governance Committee. Work on the establishment of a separate Early Detection of Risk Committee is almost completed.
- The committee member Ali Akin Tari sits on more than one committee due to the limited number of Board Members and the requirements of the CMB's Corporate Governance Principles.

Audit Committee

- The Audit Committee was set up pursuant to Article 3 of CMB Communiqués serial X, No. 19 and is responsible for the effective oversight of all financial and operational activities. The objective of the Audit Committee which depends on the Board of Directors, is to oversight the functioning of the Company's accounting and reporting system, the audit and disclosure of the financial data, and the functioning and efficiency of the internal control system.
- Pursuant to the CMB's Communiqué on the Determination and Implementation of Corporate Governance Principles, the "Audit Committee Working Principles" were revised and approved at the Board of Directors meeting dated June 28, 2012. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the corporate website.
- The Audit Committee is structured in accordance with Capital Markets Board Corporate Governance Principles and consists of two members.
- The head of the Committee was elected from among the independent members of the Board and certain criteria were taken into account in the selection process. The Head of the Audit Committee is ensured to have previously served in a similar position, having the knowledge and experience needed to analyze financial statements, and be versed in accounting standards, and otherwise be highly qualified.
- Both Audit Committee members were elected from among independent members. The Head of the Committee is Ali Akin Tari, and the other member is Hacı Ahmet Kılıçoğlu.
- The Audit Committee's Working Principles set forth that the Audit Committee must meet at least four times a year (once in each quarter). In keeping with this requirement, the Audit Committee met four times during 2012.
- The management secretariat is responsible for keeping records of the decisions made by the Committee, as well as the minutes of its meetings.

- The Committee carries out its activities in line with the working principles put into writing in detail. In 2012, the Audit Committee;
 - revised its working principles in line with the CMB's Communiqué on the Determination and Implementation of the Corporate Governance Principles,
 - monitored the Company's financial and operational activities,
 - oversaw existing and potential risks,
 - oversaw and approved the accuracy of financial statements, their compliance with the laws and transparency,
 - followed-up on the effectiveness and performance of the independent audit activity,
 - supervised the internal audit function and its effectiveness,
 - held meetings with independent auditors,
 - monitored the efficiency and adequacy of the internal control system,
 - assessed the findings obtained on the internal control system and reported on the same to the Board of Directors,
 - reviewed and approved internal control and internal audit reports.

Corporate Governance Committee

- The Corporate Governance Committee is established to monitor the Company's compliance with the CMB's Communiqué on Corporate Governance Principles, to make proposals to the Board of Directors and to realize improvements in this area.
- Within the scope of the CMB's Communiqué on the Determination and Implementation of the Corporate Governance Principles, "Corporate Governance Committee's Operating Principles" were revised and approved at the Board of Directors meeting dated June 28, 2012. The revised version of the working principles was shared with the shareholders via the Public Disclosure Platform and the corporate website.
- The Corporate Governance Committee is composed of at least two non-executive Board Members. The head of the Committee is Ali Akın Tari, an independent member, and the other member is Olgun Zorlu.
- The Corporate Governance Committee is required to meet at least three times a year. In keeping with this requirement, the Corporate Governance Committee met three times during 2012.
- The Committee carries out its activities in line with the working principles put into writing in detail. The activities carried out by the Corporate Governance Committee in 2012 are presented below:
 - Activities to comply with CMB's Communiqué on the Determination and Implementation of the Corporate Governance Principles,
 - Revision of the Committee's working principles in line with CMB's Communiqué on the Determination and Implementation of the Corporate Governance Principles,
 - Review of the activities of the Investors Relations Unit and presenting recommendations in this context.
 - Determination and assessment of convenient Board Member candidates,
 - Recommendations pertaining to the structure and effectiveness of the Board of Directors,
 - Evaluation of the performances of Board Members and senior managers,
 - Efforts to detect the risks which could jeopardize the existence, development and continuity of the Company, adopting measures to counter these risks and managing these risks,
 - Review of the risk management system,
 - Formulation of the Remuneration Policy of the Board Members and Senior Managers as per the Corporate Governance Principles.

18. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

- The Company's Board of Directors has created a risk management and internal control mechanism within the Company to measure existing and potential risks and to deal with them. The Company's internal control mechanism and risk management are rendered applicable on the SAP system which is an ERP solution. Reporting to the Board of Directors, the Risk Management Department focuses on the current and future risks that may threaten the Company. As part of the internal control system, the Internal Audit Department also reports directly to the Board of Directors, and assesses periodically the efficiency and effectiveness of these control systems and assures the Board via the Audit Committee.
- Vestel Beyaz Eşya Board of Directors is responsible for forming and duly reinforcing a risk management and internal control mechanism meant to detect the risks which could jeopardize Vestel Beyaz Eşya's existence, development and continuity, take the necessary measures against these risks, and manage risks.
- The Company's internal control systems, which generate risk management analysis and/or (with) internal control activities, are evaluated with a risk-focused approach regarding risk reducing actions. The risk management system identifies financial, operational and compliance-related risks, measures risks periodically and determines their level, while the internal control systems manage these risks. The efficiency and effectiveness of these systems are periodically reviewed by the Internal Audit Department according to annually approved plans, and reports are provided to the Board of Directors for the adoption of the necessary measures.

19. THE COMPANY'S STRATEGIC TARGETS

- Vestel Group's mission, vision, objectives and values are disclosed to the public via the website.

Mission: Conquering the world with our technological products

Vision: Becoming the world's strongest production and technology group in our sector

- The Board of Directors approves the strategic targets identified by the managers. Opinions on the Company's strategic targets can be formulated by the Board of Directors or managers. The Board of Directors always asks for the opinions of managers on the targets it sets. The targets set by the managers are first discussed at the concerned management level, then presented to the Board of Directors and finally approved by the Board of Directors. Managers can be invited to the meetings on strategic targets. Action to achieve the approved targets is taken as soon as possible. The degree of target attainment is measured according to actual results, in financial reporting periods and at the end of the year.
- Each year, the Board of Directors holds at least one assessment meeting to review the Company's degree of attaining its targets, operations and past performance.

20. FINANCIAL BENEFITS

- As stipulated in the Capital Markets Board's Corporate Governance Principles, the "Remuneration Policy for Board Members and Senior Executives" was set down in writing, approved at the Board of Directors meeting dated May 18, 2012 and disclosed to shareholders via the corporate website.
- The attendance fees to be received by the members of the Board of Directors are determined every year at the General Meeting. This fee is determined according to the Board Member's status (whether independent or executive), responsibilities, seniority, know-how, skills and experience.
- Board of Directors members of Vestel Beyaz Eşya San. ve Tic. A.Ş. were paid a total gross sum of TL 85,000.00 as an attendance fee in 2012, commensurate with the practices of the peer companies in the sector. The amounts for 2013 will be decided at the 2012 Ordinary General Meeting. No other benefits are provided to the Board of Directors members.
- There is no rewarding scheme based on performance measurement for the Board Members.
- The salaries of Vestel Beyaz Eşya San. ve Tic. A.Ş.'s Senior Executives are determined by the Board of Directors. Senior Executives may also be paid year-end bonuses as approved by the Board of Directors, according to their contribution to the Company's financial performance. The "Senior Executive Remuneration Policy" is determined in accordance with the extent of the Company's production and sales activities; the penetration of its operations; its operations abroad; the number of employees, subsidiaries and their weight; the know-how required to run corporate operations; the characteristics of the sector; the competitive environment; and the level of salaries paid in peer companies.
- The financial benefits provided to the Company's Chairman, Board Members, general manager, general coordinators and assistant general managers are outlined in the foot notes of the financial statements. In this regard, the total salaries and fees paid during the 12 months ending on December 31, 2012 was TL 2,308 thousand (01.01.2011-31.12.2011: TL 2,557 thousand).
- The Company has extended no loans or credit to any Board Member or manager, nor has it lent money under the name of any personal credit means through a third party or given any guarantees such as suretyship in their favor.

Resolution of the Board of Directors

RESOLUTION DATE	:	08.03.2013
RESOLUTION NO.	:	2013/8
PARTICIPANTS	:	Ahmet Nazif ZORLU Hacı Ahmet KILIÇOĞLU Olgun ZORLU İzzet GÜVENİR Şule CÜMBÜŞ Ali Akın TARI
MEETING AGENDA	:	Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. Financial Statements for the period ending 31.12.2012

The Board of Directors of VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ convened at the Company's headquarters, presided by Mr. Ahmet Nazif ZORLU;

The Board UNANIMOUSLY resolved to ratify the balance sheets of VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ as of 31.12.2012 and for the Company's income statements for the period ending on the date, as well as other financial statements and the Board of Directors Annual Report, and to post them as is on the Public Disclosure Platform.

BOARD OF DIRECTORS



Ahmet Nazif ZORLU
Chairman



Hacı Ahmet KILIÇOĞLU
Vice Chairman



Olgun ZORLU
Board Member



İzzet GÜVENİR
Board Member



Şule CÜMBÜŞ
Board Member



Ali Akın TARI
Board Member

Statutory Auditor Report Summary

TO THE GENERAL ASSEMBLY OF VESTEL BEYAZ EŞYA SAN. VE TİC. A.Ş.

- Name of Company : Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi
- Head Office : Zorlu Plaza, Avcılar-Istanbul
- Capital : 190,000,000.- TL
- Field of Activity : Production of refrigerator, air-conditioner, washing machines and home cooking appliances.

- Auditor(s) name, term of office, Whether partner or company personnel : Şerif ARI - 1 Year Ahmet G. HIZARCI - 1 Year(Neither partners nor employees.)

- Number of Board meetings and Audit Committee meetings attended : 7-12.

- Scope, dates and results of the audit made on the accounts, legal books, and documents of the Company: : In the audits made on the legal books and documents of the Company, it has been concluded that records are kept fairly and accurately in compliance with generally accepted accounting rules and principles.

- Number and results of the counts performed at the Company's cashier desk in accordance with the Turkish Commercial Code, Article 353, Paragraph 1, Subparagraph 3 : The cashier desk count was performed five times and it was resolved that the stocks are in compliance with the records.

- Audit dates and results have been performed in accordance with the Turkish Commercial Code, Article 353, Paragraph 1, Subparagraph 4 : There are no securities held by mortgage or guarantee or bailment to the Company according to the monthly audits.

- Complaints or frauds reported, and relevant legal proceedings : There were no complaints or frauds reported to the auditors.

We have audited the accounts and transactions of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi for the period 01.01.2012-31.12.2012 in accordance with the Turkish Commercial Code, the Articles of Association, other regulations and generally accepted accounting principles.

In our opinion, the attached balance sheet drawn up on 31.12.2012, the contents of which we acknowledge, fairly and accurately presents the Company's financial position on the date, and the income statement for the period 01.01.2012 - 31.12.2012 fairly and accurately presents the operating results for the period.

We propose that the balance sheet and income statement be approved and that the members of the Board of Directors be released from their fiduciary responsibilities.

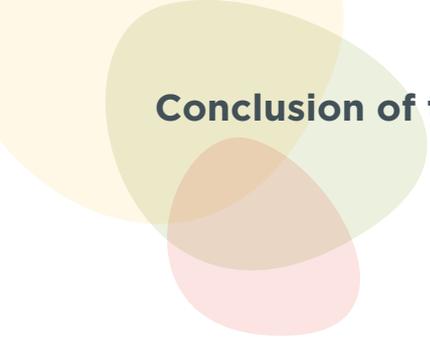
19.03.2013


Şerif ARI
Auditor


Ahmet G. HIZARCI
Auditor

Profit Distribution Policy

In accordance with the Profit Distribution Policy specified at the meeting of the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. held on March 19, 2007 and numbered 2007/8, and pursuant to the CMB's announcement dated January 15, 2007 and numbered 2007/3, it was decided to distribute at least 25% of the Company's net distributable profits from 2007 onwards to shareholders either in cash or bonus shares. The amount of dividend to be paid will be proposed by the Board of Directors at the annual Ordinary General Meeting each year, depending on the national and global economic conditions and the Company's growth plans.



Conclusion of the Affiliation Report

Within the scope of the conditions and circumstances known to us about all transactions conducted between January 1 and December 31, 2012, we have evaluated the Company's legal transactions entered into with the controlling company to benefit the controlling company or its affiliates, and all measures taken or avoided to benefit the controlling company or its affiliates in the accounting year 2012. As a result of this evaluation, we hereby declare that the Company did not suffer any losses due to such transactions in the accounting year 2012, and that there are no measures to be taken in this regard.

**VESTEL BEYAZ EŐYA SANAYİ
VE TİCARET ANONİM ŐİRKETİ**
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
TOGETHER WITH AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT

To The Shareholders and Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.

1. We have audited the accompanying statement of balance sheet of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company") as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes in accordance with the auditing standards issued by Capital Market Board ("CMB").

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting standards published by Capital Market Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards published by CMB. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In our opinion, the financial statements present fairly, in all material respects, the balance sheet of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted by the CMB.

EREN Bağımsız Denetim Serbest Muhasebecilik Mali Müşavirlik A.Ş.
Member Firm of Grant Thornton International



Nazım Hikmet
Partner

Istanbul, 08.03.2013

Abide-i Hürriyet Caddesi
Bolkan Center
No:211 Kat:3
34381 Şişli
İstanbul

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

BALANCE SHEETS

AS OF 31 DECEMBER 2012 AND 31 DECEMBER 2011

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

	Note	31.12.2012	31.12.2011
Assets			
Current assets			
Cash and cash equivalents	4	27.218	7.321
Trade receivables	7	635.609	605.567
Other receivables	8	49.916	33.989
Inventories	9	221.283	229.778
Derivative financial instruments	5	--	12.557
Other assets	15	20.740	4.471
Total current assets		954.766	893.683
Non-current assets			
Property, plant and equipment	10	308.563	291.049
Intangible assets	11	48.501	34.276
Other assets		3.397	--
Total non-current assets		360.461	325.325
Total assets		1.315.227	1.219.008

The accompanying notes are an integral part of these financial statements.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

BALANCE SHEETS

AS OF 31 DECEMBER 2012 AND 31 DECEMBER 2011

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

	Note	31.12.2012	31.12.2011
Liabilities			
Current liabilities			
Financial liabilities	6	287.817	187.867
Trade payables	7	413.006	442.238
Current income tax liabilities	23	--	--
Derivative financial instruments	5	8.673	--
Provisions	13.a	928	20.183
Other liabilities	15	9.715	9.435
Total current liabilities		720.139	659.723
Non-current liabilities			
Financial liabilities	6	87.698	36.352
Provision for employment termination benefits	14	12.607	9.461
Deferred tax liability	23	3.527	3.725
Total non-current liabilities		103.832	49.538
Equity			
Paid in capital	16.a	190.000	190.000
Adjustments to share capital	16.b	9.734	9.734
Share premium	16.c	109.031	109.031
Restricted reserve	16.d	38.886	37.921
Retained earnings	16.e	162.096	142.916
Net income (loss) for the year		(18.491)	20.145
Total equity		491.256	509.747
Total liabilities and equity		1.315.227	1.219.008

The accompanying notes are an integral part of these financial statements.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011
(All amounts in thousands Turkish Lira (“TL”) unless otherwise indicated.)

	Note	01.01.-31.12.2012	01.01.-31.12.2011
Continuing operations			
Revenue	17	2.143.057	1.973.169
Cost of sales (-)	17	(2.089.805)	(1.788.425)
Gross profit		53.252	184.744
Marketing, selling and distribution expenses (-)	18	(32.874)	(74.438)
General administrative expenses (-)	18	(27.142)	(26.371)
Research and development expenses (-)	18	(20.663)	(25.857)
Other income	20.a	24.375	2.808
Other expense (-)	20.b	(531)	(1.032)
Operating profit (loss)		(3.583)	59.854
Financial income	21	156.834	249.796
Financial expense (-)	22	(171.940)	(287.961)
Income (loss) before tax		(18.689)	21.689
Tax (expense)/benefit			
Current tax expense (-)	23	--	(2.597)
Deferred tax benefit	23	198	1.053
Net income (loss)		(18.491)	20.145
Other comprehensive income (after tax)		--	--
Total comprehensive income (loss)		(18.491)	20.145
Earnings (loss) per share (TL, full)	24	(0,10)	0,11

The accompanying notes are an integral part of these financial statements.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011
(All amounts in thousands Turkish Lira (“TL”) unless otherwise indicated.)

	Paid in capital	Adjustments to share capital	Share premium	Restricted reserve	Retained earnings	Net income for the year	Total equity
Balances at 01.01.2011	190.000	9.734	109.031	35.067	142.916	25.258	512.006
Comprehensive income;							
Net income for the year	--	--	--	--	--	20.145	20.145
Other comprehensive income:	--	--	--	--	--	--	--
Total comprehensive income for the period	--	--	--	--	--	20.145	20.145
Transfer to retained earnings	--	--	--	--	25.258	(25.258)	--
Transfer to restricted reserve	--	--	--	2.854	(2.854)	--	--
Dividends paid	--	--	--	--	(22.404)	--	(22.404)
Balances at 31.12.2011	190.000	9.734	109.031	37.921	142.916	20.145	509.747
Comprehensive income;							
Net loss for the period	--	--	--	--	--	(18.491)	(18.491)
Other comprehensive income:	--	--	--	--	--	--	--
Total comprehensive loss for the period	--	--	--	--	--	(18.491)	(18.491)
Transfer to retained earnings	--	--	--	--	20.145	(20.145)	--
Transfer to restricted reserve	--	--	--	965	(965)	--	--
Balances at 31.12.2012	190.000	9.734	109.031	38.886	162.096	(18.491)	491.256

The accompanying notes are an integral part of these financial statements.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011
(All amounts in thousands Turkish Lira (“TL”) unless otherwise indicated.)

	Note	01.01.-31.12.2012	01.01.-31.12.2011
Income (loss) before tax		(18.689)	21.689
Adjustments to reconcile net cash provided from operating activities to income (loss) before taxes	27	81.602	74.088
Net cash flow from operating activities before changes in operating assets and liabilities		62.913	95.777
Changes in operating assets and liabilities	27	(73.988)	(80.070)
Corporate taxes paid		(2.997)	(2.642)
Net cash flows (used in) provided by operating activities		(14.072)	13.065
Cash flows from investing activities			
Changes in financial assets held for trading		--	14.947
Acquisitions of property, plant and equipment	10	(77.099)	(70.978)
Cash provided from sale of property, plant and equipment and intangible assets		424	1.415
Acquisitions of intangible assets	11	(18.711)	(16.537)
Net cash used in investing activities		(95.386)	(71.153)
Cash flows from financing activities			
Proceeds from bank borrowings		421.084	481.769
Repayment of bank borrowings		(272.750)	(405.879)
Dividend paid		--	(22.404)
Interest paid		(19.606)	(8.149)
Interest received		732	415
Net cash provided by financing activities		129.460	45.752
Net decrease in cash and cash equivalent		20.002	(12.336)
Cash and cash equivalent as of 01 January		7.216	19.552
Cash and cash equivalent as of 31 December	4	27.218	7.216

The accompanying notes are an integral part of these financial statements.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in thousands Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 1 – ORGANISATION AND NATURE OF ACTIVITIES

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the “Company” or “Vestel Beyaz Eşya”) was incorporated in 1997 under the Turkish Commercial Code and its head office is located at Zorlu Plaza, 34310 Avcılar/Istanbul.

The Company started its operations in 1999 and produces refrigerators, room air conditioning units, washing machines, cookers, dishwashers and water heaters. The Company’s production facilities occupy 312.000 square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 395.000 square meters.

The Company is a member of Vestel Group of Companies which are under the control of the Ahmet Nazif Zorlu family. The Company performs its foreign sales and domestic sales via Vestel Ticaret A.Ş. and Vestel Ticaret A.Ş Istanbul Branch., respectively, which are also members of Vestel Group of Companies.

The Company is registered to Capital Market Board and its shares have been quoted to Istanbul Stock Exchange since 21 April 2006.

As of 31.12.2012, the shareholders of the Company and their percentage shareholdings were as follows:

	Shareholding %
Vestel Elektronik Sanayi ve Ticaret A.Ş.	75,28
Other shareholders	24,72
	100,0

As of 31.12.2012, 59.800.000 shares of the Company have been quoted at the Istanbul Stock Exchange (“ISE”) (31,5% of its Share Capital)

As of 31 December 2012, the number of personnel employed was 5.886 (31.12.2011: 4.860).

The financial statements for the year ended 31 December 2012 (including comparatives) were approved by the Board of Directors on 08.03.2013. The above mentioned financial statements will be finalized after the approval of the General Assembly.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The financial statements of the Company have been prepared in accordance with the accounting and reporting principles issued by the CMB, namely “CMB Financial Reporting Standards”. CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with Communiqué XI, No. 29, “Principles of Financial Reporting in Capital Markets”. The Communiqué is effective for the annual periods starting from 1 January 2008. According to the Communiqué, the entities shall prepare their financial statements in accordance with the International Financial Reporting Standards (“IAS”/“IFRS”) endorsed by the European Union (“EU”). Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board (“IASB”) are announced by Public Oversight Accounting and Auditing Standards Authority (former Turkish Accounting Standards Board), IAS/IFRS issued by the IASB shall be applied.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for the companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, IAS 29, “Financial Reporting in Hyperinflationary Economies” issued by the IASB, has not been applied in the financial statements for the accounting year commencing from 1 January 2005.

As the differences of the IAS/IFRS endorsed by EU from the ones issued by the IASB have not been announced by Public Oversight Accounting and Auditing Standards Authority as of the date of the preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No. 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB with the announcements dated 14 April 2008 and 9 January 2009 including the compulsory disclosures.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

2.2. Going Concern

Company prepared financial statements in accordance with the going concern assumption.

2.3. Functional and presentation currency

The accompanying financial statements have been presented in Turkish Lira which is also the functional currency of the Company.

2.4. Offsetting

Financial assets and liabilities are offset and the net amount 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 asset and settle the liabilities simultaneously.

2.5. Comparatives and restatement of prior periods' financial statements

The financial statements of the Company include comparative financial information to enable the determination of the balance sheet and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current year financial statements and the significant changes are explained.

As of 31.12.2011, "Deferred tax asset" amounting to TL 7.908 was netted off with "Deferred tax liability".

2.6. Restatement and errors in the accounting policies and estimates

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior periods' consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

2.7. Critical accounting estimates, assumptions and judgments

The preparation of financial statements requires Management to make estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, explanations for the contingent assets and liabilities and the amounts of revenues and expenses realized in the reporting period. Actual results may differ from these estimates. The estimates are reviewed on an ongoing basis, revisions to accounting estimates are recognized in the period in which the revision is made.

The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the following financial reporting periods are set out below:

- Physical inventory verifications are performed periodically and allowance for diminution in value is provided for items which are determined to be unsellable by the technical personnel. all stocks are subjected to review and their usage possibility ascertained on basis of the opinion of the technical personnel; provisions are set aside for items expected not to have usage possibility. Net realizable value of the inventory is determined based on the estimated selling prices, and estimated expenses to be incurred to make the sale. When the net realizable value of inventory is less than its cost, the inventory is written-down to the net realizable value and the expense is included in the statement of income in the period the write-down occurred (note 9).
- In accordance with the accounting policies stated in note 2.8, property, plant and equipment and intangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their useful lives, using the straight line method. The estimated useful lives are reviewed at each balance sheet date with the effect of any changes in the estimate accounted for on a prospective basis.

2.8. Summary of significant accounting policies

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

Revenue

Revenues are recognized on an accrual basis at the fair values incurred when the goods are delivered, the risk and rewards 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 the goods shipped less actual and estimated sales discounts and returns.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

Trade receivables/payables

Trade receivables that are created by the Company by way of providing goods or services to a debtor are carried at amortized cost using the effective interest rate method. 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.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. 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.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs elements included in inventories are materials, direct labour costs and factory overheads. Cost is determined on the weighted average basis. 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.

Foreign currency translations

Transactions in currencies TL are recorded at the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing on the balance sheet date. Exchange gains or losses arising from translation of foreign currency transactions and monetary items are recognized in profit or loss in the period in which they arise.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Depreciation is provided on related 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 lives.

The useful lives of property, plant and equipment are as follows:

	Yearly
• Land improvements	8-25
• Buildings	25-50
• Leasehold improvements	5
• Leasehold improvements	5-20
• Motor vehicles	5
• Furniture and fittings	5-10

The Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use.

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in thousands Turkish Lira (“TL”) unless otherwise indicated.)

Intangible assets

Rights

Rights consist of acquired computer software, computer software development costs and other identifiable rights. Rights are recognised at their acquisition costs and are amortized on a straight line basis over their expected useful lives which are less than 5 years.

Research and development costs

Research costs are recognized as expense in the period in which they are incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that they will generate future economic benefits and are amortized on a straight line basis over their useful lives, which is two to eight years.

The carrying amounts of capitalized research and development costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

Other intangible assets

Other intangible assets are recognised at their acquisition costs and are amortized on a straight line basis over their expected useful lives which are two to ten years.

Impairment of assets

Impairment loss is recognized in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset’s net selling price and its value in use. Value in use refers the discounted present value of the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Capitalization of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Derivative financial instruments

The derivative financial instruments of the Company consist of forward foreign exchange contracts.

These derivative instruments, although providing effective economic hedges for the Company, do not qualify for hedge accounting under the requirements of IAS 39-“Financial Instruments: Recognition and Measurement”, and therefore are accounted for as derivative financial instruments held for trading in the financial statements.

Derivative financial instruments are initially recognized at cost and subsequently measured at their fair value and changes therein are recognized in profit or loss. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Company.

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Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Earnings per share

The calculation of the basic and diluted earnings per share is based on net profit for the related period divided by the weighted average number of ordinary shares outstanding during the year.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and revisions to accounting estimates are recognized in the period in which re revision is made.

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 Company are not included in the balance sheet and are disclosed as contingent assets or liabilities. If a reliable estimate can be made for the part of the obligation for which out flow of resources is probable, this part is recognized as liability and expense. If it has become virtually certain that an inflow of economic benefits will arise, the related income is recognized in the financial statements.

Leases - The Company as a lessee

Finance lease

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset or at the present value of the lease payment, whichever is the lower. Lease payments are treated as comprising of capital and interest elements; the capital element is treated as reducing the capitalized obligation under the lease and the interest element is charged to the statement of income. The property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset.

Operating lease

Leases in which all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating lease are recognized as an expense on a straight-line basis over the lease term.

Related parties

For the purpose of these 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 Zorlu Holding group are considered and referred to as related parties.

Segment reporting

The Company mainly produces and sells white goods. The Company's industrial and geographical segmental information are disclosed in note 3.

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Government incentives and subsidies

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the company will comply with all the necessary conditions.

Liabilities to governmental departments which may be forgone are accepted as government incentives when there is reasonable assurance that the Company will comply with all the requirements related to that liability.

Employment termination benefits

Under Turkish labour law, the Company and its Turkish subsidiaries are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. The amount payable consists of one months' salary limited to the declared maximum amount prevailing as at the balance sheet date. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

Income taxes

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are not taxable or deductible.

Income tax payable represents the sum of the tax currently payable and deferred tax.

Deferred income tax is provided, using the liability method. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Cash flow statement

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand; deposits with banks and other financial institutions with the original maturity of three months or less.

2.9. The new and amended International Financial Reporting Standards (IFRS)

The Company has adopted the new and amended IFRSs and International Financial Reporting Committee (IFRIC) interpretations effective from the financial periods beginning on 1 January 2012 which are related to its operations.

2.9.1 Standards, amendments and interpretations effective in 2012:

- IAS 12 (Amendment) “Income Taxes: Recovery of Underlying Assets”
- IFRS 7 (Amendment) “Financial Instruments-Disclosures -Transfer of Financial Assets”

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2.9.2 Standards, amendments and interpretations in issue but not yet effective and not early adopted by the Company:

- IAS 1 (Amendment) "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income"
- IAS 19 (Amendment) "Employee Benefits"
- IAS 27 (Amendment) "Separate Financial Statements"
- IAS 28 (Amendment) "Investments in Associates and Joint Ventures"
- IAS 32 (Amendment) "Financial Instruments: Presentation- Offsetting of Financial Assets and Financial Liabilities"
- IFRS 7 (Amendment) "Financial Instruments-Disclosures-Offsetting of Financial Assets and Financial Liabilities"
- IFRS 9 "Financial Instruments- Classification and measurement"
- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IFRS 13 "Fair Value Measurement"
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

The management shall consider the potential impact of the adoption of new and revised standards and interpretations stated in 2.9.2 within the period beginning on 01.01.2013. The management does not anticipate that these amendments will have a significant effect on the Company's financial statements.

2.10. Additional paragraph for convenience translation into English of consolidated financial statements originally issued in Turkish

The financial reporting standards described in note 2 (defined as "CMB Financial Reporting Standards") to the consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and also for certain disclosure requirements of CMB. Accordingly, the accompanying financial statements are not intended to present the financial position, financial performance and cash flows of the Company in accordance with IFRS.

NOTE 3-SEGMENT INFORMATION

The Management has decided that the industrial segments are the primary the reporting segments considering that the risks and returns of the Company are affected by developments in the white goods sector. The Management believes that the Company operates in a single industry sector as the risks and returns for the activities do not show any material difference because the scope of activity covers only the production of white goods and the production processes and classes of customers are similar. As a result all information related to the primary reporting segment has been fully presented in the attached financial statements

The Management has decided that the geographical segments are the secondary reporting segments considering that risks and returns are affected by the differences in each region.

Geographical segments	01.01.- 31.12.2012	01.01.-31.12.2011
Turkey	697.181	709.582
Europe	1.177.062	956.043
Other	278.608	309.226
Gross sales	2.152.851	1.974.851
Sales discount (-)	(9.794)	(1.682)
Net sales	2.143.057	1.973.169

The amount of export is TL 1.455.670 for the period ended 31.12.2012. Export sales are denominated in EURO, USD and RUB as 90,1%, 7,3% and 2,6% of total export respectively.

The carrying value of segment assets and costs incurred in order to obtain these assets are not separately disclosed since all assets of the company are located in Turkey.

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NOTE 4- CASH AND CASH EQUIVALENTS

	31.12.2012	31.12.2011
Cash	36	35
Bank deposits		
- Demand deposit	1.698	1.558
- Time deposit	25.484	5.728
	27.218	7.321
Bank overdrafts (-)	--	(105)
Cash and cash equivalents presented in cash flow statement	27.218	7.216

As of balance sheet dates, the maturity date of time deposit account was January 2013 (31.12.2011: January 2012) and the interest rates are given below:

- TL	%6,0	%9,5
- USD	%0,75	%1,5
- EUR	%0,5	%1,5

NOTE 5 - DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2012		31.12.2011	
	Contract Amount	Fair Value Assets (Liabilities)	Contract Amount	Fair Value Assets (Liabilities)
Held for trading				
Forward foreign exchange contracts	1.363.384	(9.310)	500.062	12.557
Foreign currency swap contracts	20.000	637	--	--
	1.383.384	(8.673)	500.062	12.557

NOTE 6 -FINANCIAL LIABILITIES

	31.12.2012	31.12.2011
Current financial liabilities		
Bank borrowings		
-TL	147.131	16.249
-USD	89.294	63.620
-EUR	51.392	107.998
	287.817	187.867
Non-current financial liabilities		
Bank borrowings		
- TL	17.694	--
-USD	--	7.623
-EUR	70.004	28.729
	87.698	36.352

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Maturity schedule of Company's total current and non-current financial liabilities is as follows:

Due in one year	287.817	187.867
One to two years	72.931	21.187
Two to three years	7.677	5.792
Three to four years	3.806	5.543
Four to five years	3.284	3.645
Over five years	--	185
	375.515	224.219

The Company obtained various loans denominated in EUR from non-Turkish financial institutions with a maturity of 5 years in years between 2005-2008 for financing investments in production machinery and equipment. As of 31.12.2012, short term payable of these loans amount to TL 5.550 (EUR 2.360 thousand) (2011: TL 9.704 (EUR 3.791 thousand)) and long term payable amount to TL 9.374 (EUR 3.986 thousand) (2011: TL 15.165 (EUR 6.206 thousand)). The principal amounts of these loans are repayable at six months intervals and the last repayment date is December 2015. The annual interest rate is between Euribor + 0,3%.

As of 31.12.2012, The Company also obtained various Turkish Lira and foreign currency bank loans for operational purposes which amounts to a short term payable of TL 282.267 (TL 147.131, EUR 19.493 thousand, USD 50.092 thousand), (2011: TL 171.062 (TL 9.147, EUR 40.222 thousand ,USD 33.681 thousand.)) and long term payable of TL 78.324 (TL 17.694 , EUR 25.781 thousand and), (2011: TL 21.187, (EUR 5.500 thousand , USD 4.036 thousand)). The annual interest rate is 9,87 %-13,51% for TL ,2,27 %- 5,65 % for EUR and,4,62 % for USD.

Company has given various letters of guarantees to financial institutions for obtained bank loans (note 13).

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31.12.2012	31.12.2011
Current trade receivables		
Trade receivables		
- Related parties (note 25)	624.535	606.573
- Other	13.151	4.037
Notes receivables		
- Other	520	--
	638.206	610.610
Unearned interest on receivables (-)		
- Related parties (note 25)	(2.464)	(4.966)
- Other	(95)	(39)
Allowance for doubtful receivables (-)	(38)	(38)
	635.609	605.567

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Movement of doubtful receivables is given below:

	01.01.-31.12.2012	01.01.-31.12.2011
Opening balance, 01 January	38	38
Charge for the year	--	--
Closing balance, 31 December	38	38
	31.12.2012	31.12.2011
Current trade payables		
Trade payables		
- Related parties, (note 25)	7.589	18.297
- Third parties	406.082	425.175
	413.671	443.472
Unearned interest on payables (-)		
- Related parties, (note 25)	(2)	(19)
- Third parties	(663)	(1.215)
	413.006	442.238

NOTE 8 - OTHER RECEIVABLES

Other current receivables		
VAT receivable	47.688	33.332
Deposits and guarantees given	2.055	582
Other sundry receivables	21	--
Due from personnel	152	75
	49.916	33.989

NOTE 9 - INVENTORIES

	31.12.2012	31.12.2011
Raw materials	132.539	160.766
Work in process	7.327	5.881
Finished goods	84.580	62.985
Merchandise	27	1.717
Other inventories	1.207	1.639
	225.680	232.988
Provision for diminution in value (-)	(4.397)	(3.210)
	221.283	229.778

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Provision for diminution in value of inventories is as follows:

	31.12.2012	31.12.2011
Raw materials	1.278	1.508
Finished goods	3.119	1.702
	4.397	3.210

Movement of provision for diminution in value of inventories is as follows:

	01.01.-31.12.2012	01.01.-31.12.2011
Opening balance, 01 January	3.210	598
Charge for the year	1.187	2.612
Closing balance, 31 December	4.397	3.210

As of 31.12.2012, inventory was insured for TL 267.390 (2011: TL 283.335).

NOTE 10 -PROPERTY, PLANT AND EQUIPMENT

	01.01.2012	Additions	Disposals	Transfers	31.12.2012
Cost					
Land	6.547	--	--	--	6.547
Land improvements	2.660	--	--	--	2.660
Buildings	62.140	883	--	171	63.194
Leasehold improvements	2.146	371	--	117	2.634
Machinery and equipment	499.407	43.192	(509)	41.167	583.257
Motor vehicles	212	296	(168)	--	340
Furniture and fixtures	25.417	4.510	(125)	252	30.054
Construction in progress	37.924	27.847	--	(41.707)	24.064
	636.453	77.099	(802)	--	712.750
Accumulated depreciation					
Land improvements	1.708	152	--	--	1.860
Buildings	22.480	2.470	--	--	24.950
Leasehold improvements	1.571	93	--	--	1.664
Machinery and equipment	303.605	53.744	(409)	--	356.940
Motor vehicles	204	38	(168)	--	74
Furniture and fixtures	15.836	2.954	(91)	--	18.699
	345.404	59.451	(668)	--	404.187
Net book value	291.049				308.563

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	01.01.2011	Additions	Disposals	Transfers	31.12.2011
Cost					
Land	6.547	--	--	--	6.547
Land improvements	2.627	33	--	--	2.660
Buildings	61.558	266	--	316	62.140
Leasehold improvements	1.780	279	--	87	2.146
Machinery and equipment	461.748	3.278	(4.400)	38.781	499.407
Motor vehicles	335	--	(123)	--	212
Furniture and fixtures	19.784	3.296	(71)	2.408	25.417
Construction in progress	15.690	63.826	--	(41.592)	37.924
	570.069	70.978	(4.594)	--	636.453
Accumulated depreciation					
Land improvements	1.549	159	--	--	1.708
Buildings	20.113	2.367	--	--	22.480
Leasehold improvements	1.521	50	--	--	1.571
Machinery and equipment	260.558	46.182	(3.135)	--	303.605
Motor vehicles	218	25	(39)	--	204
Furniture and fixtures	13.328	2.576	(68)	--	15.836
	297.287	51.359	(3.242)	--	345.404
Net book value	272.782				291.049

The Company's policy is to trace all material and significant fixed asset additions under construction in progress and transfer to the related fixed asset accounts when the construction process is completed. Construction-in-progress balance represented investment made to increase its first and second refrigerator, washing machine, cooker and dishwasher factories.

Leased assets included in the table above comprise plant and machinery amounting to TL 2.931 net of accumulated depreciation. (2011: TL 5.205).

As of 31.12.2012, property, plant and equipment were insured for TL 948.529 (2011: TL 914.212).

NOTE 11 -INTANGIBLE ASSETS

	01.01.2012	Additions	Disposals	31.12.2012
Cost				
Rights	6.395	2	(21)	6.376
Development cost	53.680	16.794	(128)	70.346
Other intangible assets	3.217	1.915	--	5.132
	63.292	18.711	(149)	81.854
Accumulated amortization				
Rights	6.339	5	(2)	6.342
Development cost	20.890	4.003	--	24.893
Other intangible assets	1.787	331	--	2.118
	29.016	4.339	(2)	33.353
Net book value	34.276			48.501

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	01.01.2011	Additions	Disposals	31.12.2011
Cost				
Rights	6.351	44	--	6.395
Development cost	38.749	15.563	(632)	53.680
Other intangible assets	2.287	930	--	3.217
	47.387	16.537	(632)	63.292
Accumulated amortization				
Rights	6.338	1	--	6.339
Development cost	17.531	3.359	--	20.890
Other intangible assets	1.420	367	--	1.787
	25.289	3.727	--	29.016
Net book value	22.098			34.276

Development costs, incurred by the Company on development projects relating to refrigerators, split air conditioners, washing machines, cookers and dish washers are capitalized as intangible assets when it is probable that costs will be recovered through future commercial activity and only if the cost can be measured reliably.

NOTE 12 - GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures.

Date	No	Subject	Commencing date	Final date	Total investment in TL
15.04.2010	C 94275	B. Y. S. Manufacture of household appliances	28.09.2009	28.09.2013	163.152

The grants obtained by the company from above mentioned incentives are as follows:

- 100% exemption from customs duty on machinery and equipment to be imported
- Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets
- Discounted corporate tax incentive
- Insurance premium employer share incentive

However, the grants obtained by the company from the government are as follow:

- Incentives under the jurisdiction of the research and development law
- Inward processing permission certificates
- Cash refund from Tübitak-Teydeb for research and development expenses

Research and development incentive premium from Tubitak-Teydep amounts to TL 1.182 for the year ended 31.12.2012. (01.01-31.12.2011: TL 889)

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NOTE 13 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

a) Provision for expenses

	31.12.2012	31.12.2011
Current		
Warranty provision	--	19.627
Provision for legal claims	928	556
	928	20.183

Movement of provision for expenses is as follows:

	Warranty provision	Provision for legal claims	Total provision
Opening balance, 01.01	19.627	556	20.183
Addition	--	372	372
Disposals ⁽¹⁾ (-)	(19.627)	--	(19.627)
Closing balance, 31.12	--	928	928

⁽¹⁾ In accordance with the Board of Directors' decision of the Company and Vestel Ticaret A.Ş. Istanbul Branch, warranty provisions which arises from the production sales of Vestel Ticaret A.Ş. Istanbul Branch, has been released and accounted under "Other income" due to the transfer of warranty liabilities to Vestel Ticaret A.Ş. Istanbul Branch.

b) Contingent asset

As of the balance sheet dates letters of guarantee obtained from customers and suppliers is shown below:

	31.12.2012	31.12.2011
Letters of guarantee	5.777	2.563
Cheques and notes	12.793	8.948
Guarantees received from related companies	1.978.924	1.322.577

- Vestel Elektronik Sanayi ve Ticaret A.Ş. has given guarantee to Royal Bank of Scotland PLC and HSBC Bank A.S. in favour of the Company for forward contracts and loans obtained.

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c) Commitments and contingencies

Collaterals, Pledges, Mortgages ("CPM") given by the Company are as follows:

CPM's given by the Company	USD (‘000)	EUR (‘000)	TL (‘000)	Total TL equivalent
31.12.2012				
A. On behalf of its own legal entity	--	2.000	10.970	15.673
B. On behalf of fully consolidated subsidiaries	--	--	--	--
C. CPM's given on behalf of third parties for ordinary course of business	--	--	--	--
D. Other contingent liabilities	1.553.886	169.700	829.915	3.998.955
i. Total amount of CPM's given on behalf of the parent company	1.298.000	65.000	581.739	3.048.414
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	255.886	104.700	248.176	950.541
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	--	--	--	--
Total	1.553.886	171.700	840.885	4.014.628

CPM's given by the Company	USD (‘000)	EUR (‘000)	TL (‘000)	Total TL equivalent
31.12.2011				
A. On behalf of its own legal entity	--	2.000	5.194	10.082
B. On behalf of fully consolidated subsidiaries	--	--	--	--
C. CPM's given on behalf of third parties for ordinary course of business	--	--	--	--
D. Other contingent liabilities	1.163.924	80.066	348.549	2.742.750
i. Total amount of CPM's given on behalf of the parent company	1.108.132	14.686	132.493	2.261.533
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	55.792	65.380	216.056	481.217
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	--	--	--	--
Total	1.163.924	82.066	353.743	2.752.832

As of 31.12.2012, the Company's CPM to equity ratio is 814% (31.12.2011: 538%).

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The Company has given various guarantees to group companies for financial institutions.

- Due to the export and investment incentive certificates obtained for tax purposes, the Company has committed to realize exports amounting to USD 332.845 thousand (31.12.2011: USD 102.598 thousand) as of 31.12.2012.
- The Company is the guarantor for the bank loans which have been obtained by Vestel CIS Ltd and OOO Vestel Trade from Citibank.
- The Company has given guarantee to Royal Bank of Scotland PLC in favour of Vestel Germany GMBH, Vestel Ticaret A.Ş. Istanbul Branch and Vestel Elektronik Sanayi ve Ticaret A.Ş. for forward contracts.
- The Company has given guarantee to HSBC Bank A.Ş. in favour of Vestel Ticaret A.Ş. Istanbul Branch and Vestel Elektronik Sanayi ve Ticaret A.Ş. for forward contracts.
- The payment of VAT on certain export sales may be postponed and later cancelled by the tax office subject to clearance of certain routine formalities in due course. Responsibility of the Company continues until such clearance however no liability has arisen in the past and no liability is reasonably expected for the future. As of 31.12.2012, the amount of VAT is TL 66.421 (31.12.2011: TL 39.112).
- The ongoing consumer lawsuits against the Company amount to TL 663 (31.12.2011: TL 226) and there are no any lawsuits which have been finalized in favour of the Company as of 31.12.2012 (31.12.2011: TL 252).
- As of the balance sheet dates operational lease commitments are as follows:

	31.12.2012	31.12.2011
Less than one year	153	186
More than one year and less than four years	51	194
	204	380

d) Derivatives

As of 31.12.2012, the Company has entered in forward exchange contracts amounting to USD 383.667 thousand, EUR 140.241 thousand, RUB 48.832 thousand and TL 339.247 on a fixed amount USD 62.478 thousand, EUR 418.885 thousand, RUB 808.282 thousand and TL 219.974.

NOTE 14 -PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31.12.2012	31.12.2011
Provision for employment termination benefits	12.607	9.461

Under Turkish law, the Company is required to pay employment termination benefits to each employee whose employment is terminated without due caus. In addition, under the existing Social Security Law No.506, clause No. 60, amended by the Labour Laws dated 06.03.1981, No.2422 and 25.08.1999, No.4447, the Company is also required to pay termination benefits to each employee who has earned the right to retire by receiving termination indemnities.

The amount payable is the equivalent of one month's salary for each year of service limited to a maximum of TL 3.033,98/year as of 2012 (31.12.2011: TL 2.731,85/year).

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The Company has no other obligation for employee termination other than the retirement pay above.

The provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. Turkish Accounting Standards No: 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined employee plans. Accordingly actuarial assumptions were used in the calculation of the total liability which are described below:

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. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as at 31 December 2011 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31.12.2012 the liability for employment termination benefits was calculated based on an annual real discount rate of 3,83% (2011: 4,05%) assuming an annual inflation rate of 5,00% and discount rate of 9,02%.

Movements of the reserve for retirement pay during the years are as follows:

	01.01.-31.12.2012	01.01.-31.12.2011
Opening balance, 01 January	9.461	7.231
Charge for the year	5.409	4.560
Disposals (-)	(2.263)	(2.330)
Ending balance, 31 December	12.607	9.461

NOTE 15 –OTHER ASSETS AND LIABILITIES

	31.12.2012	31.12.2011
Other short term current assets		
Prepaid expenses	3.353	1.775
Prepaid taxes	2.997	2.642
Order advances given	14.382	42
Other	8	12
	20.740	4.471
Other short term current liabilities		
Taxes and dues payable	3.379	4.263
Social security premiums payable	2.856	2.361
Due to personnel	3.457	2.793
Other	23	18
	9.715	9.435

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NOTE 16 - SHARE CAPITAL

a) Paid in capital

	31.12.2012	31.12.2011
Shares of par value TL 1 each Issued share capital	190.000	190.000

As of 31.12.2012, the composition of shareholders and their respective percentage ownership are summarized as follows:

	Shareholding percentage %	Shareholding amount
Vestel Elektronik Sanayi ve Ticaret A.Ş. (Includes of the board of directors.)	75,28%	143.023
Shares open to the public (ISE)	24,72%	46.977

Paid in capital	100,0%	190.000
------------------------	---------------	----------------

b) Adjustments to share capital ("inflation adjustment of share capital")

Adjustment to share capital (restated to 31.12.2004 purchasing power of money) is the difference between restated share capital and historical share capital.

Adjustment to share capital	9.734	9.734
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c) Share premium

The share premium account refers the difference between the per value of the company's shares and the amount the company received for newly issued shares. The share premium accounts are disclosed under equity as a separate line item and cannot be distributed. It can be used in capital increase.

Share premium	109.031	109.031
---------------	---------	---------

d) Restricted reserve ("Legal reserve")

The legal reserves consist of first and second legal reserves appropriated in accordance with the Turkish Commercial Code ("TCC"). The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. Under TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid in share capital.

	31.12.2012	31.12.2011
Legal reserves	38.866	37.921

e) Retained earnings

Extraordinary reserves	122.432	104.122
Previous years loss	39.628	38.758
Other inflation adjustment differences	36	36
	162.096	142.916

Other inflation adjustment of share capital can be used in free capital increase, and loss deduction. Carrying value of extra ordinary reserves can be used in free capital increase, loss deduction and cash profit distribution.

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NOTE 17 - REVENUE AND COST OF SALES

a) Revenue	01.01.- 31.12.2012	01.01.-31.12.2011
Domestic sales	697.181	709.582
Overseas sales	1.455.670	1.265.269
	2.152.851	1.974.851
Sales discounts (-)	(9.794)	(1.682)
Net sales	2.143.057	1.973.169
Cost of sales	(2.089.805)	(1.788.425)
Gross Profit	53.252	184.744

NOTE 18 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING SELLING AND DISTRIBUTION EXPENSES, GENERAL AND ADMINISTRATIVE EXPENSES

	01.01.- 31.12.2012	01.01.-31.12.2011
Marketing and selling expenses	32.874	74.438
General administrative expenses	27.142	26.371
Research and development expenses	20.663	25.857
	80.679	126.666

NOTE 19 -NATURE OF EXPENSES

Nature of expenses consists of cost of sales, research and development, selling, general and administrative expenses.

Direct materials and merchandise expenses	1.883.865	1.627.641
Changes in semi-finished goods and finished goods	(23.213)	(17.733)
Warranty expenses	--	52.834
Personnel cost	133.063	109.189
Depreciation and amortization	63.790	55.086
Energy expenses	19.469	15.235
Office and rent expenses	14.519	9.990
Transportation expenses	10.839	9.338
Subcontract expenses	5.993	5.658
Consulting expenses	5.893	5.086
Outsourcing expenses	4.024	3.647
Insurance expenses	3.640	3.291
Taxes paid	3.355	2.663
Travelling expenses	3.291	3.079
Employment termination benefits	2.263	2.330
Export expenses	1.704	2.125
Other	37.989	25.632
	2.170.484	1.915.091

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NOTE 20 - OTHER INCOME AND EXPENSE

a) Other income

	01.01.- 31.12.2012	01.01.- 31.12.2011
Grant income	1.450	927
Profit on sale of property, plant and equipment	197	342
Income on insurance claims	914	34
Provisions released ^(*)	19.627	--
Other	2.187	1.505
	24.375	2.808

^(*) In accordance with the Board of Directors' decision of the Company and Vestel Ticaret A.Ş. Istanbul Branch, warranty provisions which arises from the production sales of Vestel Ticaret A.Ş. Istanbul Branch, has been released and accounted under "Other income" due to the transfer of warranty liabilities to Vestel Ticaret A.Ş. Istanbul Branch.

b) Other expense

Loss on sale of property, plant and equipment	54	911
Loss on insurance claims	101	--
Other	376	121
	531	1.032

NOTE 21 - FINANCIAL INCOME

	01.01.- 31.12.2012	01.01.-31.12.2011
Foreign exchange gains	83.061	185.929
Gains on financial assets held for trading	--	538
Unearned interest on payables	2.484	3.849
Interest income from term sales	59	34
Interest income from bank deposits	732	415
Gains on forward exchange contracts	70.498	59.031
	156.834	249.796

NOTE 22 - FINANCIAL EXPENSE

Foreign exchange losses	74.159	223.015
Losses on financial assets held for trading	--	249
Unearned interest on receivables	608	6.093
Bank loans interest expense	22.673	9.392
Letters of credit expenses	3.710	3.446
Losses on forward exchange contracts	68.680	43.643
Interest expense from term purchases	1.929	1.268
Bank commission expenses	160	44
Other	21	811
	171.940	287.961

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NOTE 23 -TAXES ON INCOME

a) Current tax

	01.01.- 31.12.2012	01.01.-31.12.2011
Profit before tax	(18.689)	21.689
Tax calculated at a tax rate of 20%	--	4.338
Provision for employment termination benefits	(629)	--
Depreciation and amortization	584	53
Other provisions	(529)	(720)
Disallowable expenses	--	170
Unearned interest on receivables and payables	376	449
The advantages of reduced Corporation tax	--	(130)
Research and development allowances	--	(2.616)
	(198)	1.544

The Company's taxation on income is as follows:

Current tax expense	--	2.597
Deferred tax benefit	(198)	(1.053)
Taxation on income	(198)	1.544

In Turkey, beginning from 1 January 2006, the corporate tax rate is 20%.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses and by deducting other exempt income. In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed at the rate of % 15, except for companies receiving dividends who are resident companies in Turkey. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

In Turkey, advance tax returns are filed on a quarterly basis at the rate of %20, until the 10th day of the following month and paid until the 17th day. Advance tax returns files within the year are offset against corporate income tax calculated over the annual taxable corporate income.

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of tangible assets and investments in equity shares owned for at least two years are exempted from corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

There is no procedure for a final and definitive agreement on tax assessments. Tax returns are filed between 1-25 April following the close of the accounting year to which they relate. Tax authorities may however examine such returns and the underlying accounting records and may revise assessment within five years.

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A reconciliation of the Company's tax expense is as follows:

	31.12.2012	31.12.2011
Corporate tax provision	--	2.597
Prepaid taxes (-)	--	(2.597)
Current income tax liabilities	--	--
Deferred tax assets/(liabilities), net	3.527	3.725
	3.527	3.725

b) Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences between its financial statements as reported according to CMB Financial Reporting Standards (communiqué XI, No: 29) and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

In the calculation of the deferred tax assets and liabilities based on the liability method, the tax rate of 20% is used.

The composition of cumulative temporary differences and the related deferred tax assets/liabilities in respect of items for which deferred tax has been provided at the balance sheet dates using the expected future tax rates were as follows:

	Cumulative temporary difference		Deferred tax	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Deferred tax asset				
Employment termination benefits	12.607	9.461	2.521	1.892
Warranty provision	--	19.627	--	3.925
Unearned interest on receivables	2.559	5.005	512	1.001
Provision for financial assets held for trading	8.673	--	1.735	--
Provision for diminution in value of inventories	4.397	3.210	879	642
Other	2.172	2.241	435	448
			6.082	7.908
Deferred tax liability				
Restatement of property, plant and equipment and intangible assets	47.298	44.380	9.460	8.876
Unearned interest on payables	665	1.229	133	246
Provision for financial assets held for trading	--	12.557	--	2.511
Other	80	--	16	--
			9.609	11.633

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A reconciliation of the deferred tax expense is as follows:

	01.01.- 31.12.2012	01.01.- 31.12.2011
Opening balance, 01 January	(3.725)	(4.778)
Deferred tax benefit	198	1.053
Ending balance, 31 December	(3.527)	(3.725)

NOTE 24 -EARNING/ (LOSS) PER SHARE

	01.01.- 31.12.2012	01.01.-31.12.2011
Net profit attributable to shareholders	(18.491)	20.145
Weighted average number of ordinary shares in issue	190.000.000	190.000.000
Earning (loss) per share - TL, full	(0,10)	0,11

NOTE 25 -RELATED PARTY DISCLOSURE

a) Trade receivables- current

	31.12.2012	31.12.2011
Vestel Ticaret A.Ş. İstanbul Branch	192.203	222.562
Vestel CIS Limited	2.655	2.679
Vestel Ticaret A.Ş..	429.658	381.305
Other related parties	19	27
	624.535	606.573
Unearned interest on receivables (-)	(2.464)	(4.966)
	622.071	601.607

b) Trade payables- current

Vestel Elektronik Sanayi ve Ticaret A.Ş.	1.958	4.333
Vestel Holland B.V.	5.288	13.603
Other related parties	343	361
	7.589	18.297
Unearned interest on payables (-)	(2)	(19)
	7.587	18.278

The receivables result from the Company's foreign and domestic sales performed via Vestel Ticaret A.Ş. and Vestel Ticaret A.Ş. İstanbul Branch respectively which are also members of Vestel Group Companies.

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c) Transactions carried out with related parties are given below:

	01.01.- 31.12.2012	01.01.-31.12.2011
Sales		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	10.540	6.035
Vestel Ticaret A.Ş. Istanbul Branch	415.292	455.675
Vestel Ticaret A.Ş.	1.442.980	1.263.163
Other	3.633	523
	1.872.445	1.725.396
Purchases and operating income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	14.324	9.003
Vestel Ticaret A.Ş. Istanbul Branch	2.005	41.089
Vestel Dış Ticaret A.Ş.	3.608	4.348
Other	3.583	3.525
	23.520	57.965
Financial income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	2	407
Vestel Ticaret A.Ş. Istanbul Branch	2.552	527
Vestel Ticaret A.Ş.	19.597	139.355
Other	1.560	1.283
	23.711	141.572
Financial expenses		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	81	67
Vestel Ticaret A.Ş. Istanbul Branch	1.193	5.856
Vestel Ticaret A.Ş.	30.574	82.059
Other	1.838	499
	33.686	88.481

The Company performs its foreign and domestic sales via Vestel Ticaret A.Ş. and Vestel Ticaret A.Ş. Istanbul Branch respectively which are also members of Vestel Group Companies.

d) Short term borrowing

	31.12.2012	31.12.2011
Vestel Ticaret A.Ş.	--	7.101

The bank loans obtained from Eximbank amounting to TL 7.101 by Vestel Ticaret A.Ş., a subsidiary of Vestel Elektronik Sanayi ve Ticaret A.Ş. were paid 10.01.2012 and 17.02.2012.

e) Key management compensation

Total compensation provided management personnel by the Company during the year ended 31 December 2012, amount to TL 2.309 (2011: TL 2.557).

f) Guarantees and commitments

The Company had taken various letters of guarantees for Vestel Elektronik Sanayi ve Ticaret A.Ş. and other subsidiaries (note 13).

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NOTE 26 –NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial asset

Financial instruments and financial risk management

The Company is exposed to a variety of financial risks through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result both from its operating and investing activities. The Company's risk management program focuses on minimizing the potential adverse effects of the unpredictable financial markets on the financial performance of the Company.

Interest rate risk

The Company is subject to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The exposures are managed by balancing the interest rate sensitive assets and liabilities.

The Company's interest rate position is as follows:

	31.12.2012	31.12.2011
Fixed interest rate financial instruments		
Financial liabilities –time deposits	25.484	5.728
Financial liabilities	342.587	199.350
Variable interest rate financial instruments		
Financial assets	Not available	Not available
Financial liabilities	32.928	24.869

As of balance sheet dates, the Company's annual effective interest rates are as follows:

2012 (%)	USD	EUR	TL
Assets			
Cash and cash equivalents	%0,75	%0,50	%5,86
Trade receivables	%0,32	%0,14	%6,11
Liabilities			
Financial liabilities	%4,62	%4,41	%6,40
Trade payables	%0,29	%0,14	--
2011 (%)			
Assets			
Cash and cash equivalents	%1,50	%1,50	%9,49
Trade receivables	%0,81	--	%11,60
Liabilities			
Financial liabilities	%3,53	%2,49	%9,07
Trade payables	%0,39	%1,08	%11,56

As of 31.12.2012, if the variable interest rates of bank borrowing increased or decreased of +1% and -1% and if all other variables are held constant the result before tax would have been influenced favorably or unfavorably by TL 754 (31.12.2011: TL 448) for an increase and for a decrease in value of TL.

Liquidity risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

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The breakdown of liabilities according to their contractual maturity is based on the maturity dates from the date of the balance sheet is given below:

31.12.2012	Book value	Total cash out flow	With in 3 months	3 to 12 months	1 to 5 years	Over 5 years
Contractual maturities						
Bank borrowings	375.515	390.317	96.066	196.367	97.884	--
Expected maturities						
Trade payables	413.006	413.670	327.682	85.988	--	--
Other liabilities	10.643	10.643	9.715	928	--	--
Non derivative financial liabilities	423.649	424.313	337.397	86.916	--	--

31.12.2012	Book value	Total cash out flow	With in 3 months	3 to 12 months	1 to 5 years	Over 5 years
Derivative cash inflow	--	1.354.711	653.839	700.872	--	--
Derivative cash outflow	--	(1.363.384)	(658.172)	(705.212)	--	--
Derivative financial liabilities	(8.673)	(8.673)	(4.333)	(4.340)	--	--

31.12.2011	Book value	Total cash out flow	With in 3 months	3 to 12 months	1 to 5 years	Over 5 years
Contractual maturities						
Bank borrowings	224.219	228.034	73.929	116.327	37.573	205
Expected maturities						
Trade payables	442.238	443.472	282.370	161.102	--	--
Other liabilities	29.618	29.618	9.435	20.183	--	--
Non derivative financial liabilities	471.856	473.090	291.805	181.285	--	--

31.12.2011	Book value	Total cash out flow	With in 3 months	3 to 12 months	1 to 5 years	Over 5 years
Derivative cash inflow	--	512.619	296.263	216.356	--	--
Derivative cash outflow	--	(500.062)	(286.935)	(213.127)	--	--
Derivative financial liabilities	12.557	12.557	9.328	3.229	--	--

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Foreign currency risk

The net currency position of the Company as of the balance sheet dates are shown below:

31.12.2012	USD (‘000)	EUR (‘000)	GBP (‘000)	CHF (‘000)	RUB (‘000)	TL Equivalent
1. Trade receivables	16.048	152.229	--	174	781.171	432.313
2a. Monetary financial assets	426	518	3	--	485	2.014
2b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	11.220	4.511	4	49	--	30.716
4. Current assets (1+2+3)	27.694	157.258	7	223	781.656	465.043
5. Trade receivables	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--
7. Other	--	--	--	--	--	--
8. Non-current assets (5+6+7)	--	--	--	--	--	--
9. Total assets (4+8)	27.694	157.258	7	223	781.656	465.043
10. Trade payables	105.968	39.624	8	49	--	282.200
11. Financial liabilities	50.092	21.853	--	--	--	140.686
12a. Other monetary liabilities	--	--	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--	--
13. Current liabilities (10+11+12)	156.060	61.477	8	49	--	422.886
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	--	29.767	--	--	--	70.004
16a. Other monetary liabilities	--	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--	--
17. Non-current liabilities (14+15+16)	--	29.767	--	--	--	70.004
18. Total liabilities (13+17)	156.060	91.244	8	49	--	492.890
19. Off-balance sheet derivative instruments/net asset (liability) position (19a-19b)	321.189	(278.644)	--	--	(759.450)	(126.844)
19a. Hedged total assets	383.667	140.241	--	--	48.832	1.016.566
19b. Hedged total liabilities	(62.478)	(418.885)	--	--	(808.282)	(1.143.410)
20. Net foreign currency asset/ (liability) (position (9-18+19))	192.823	(212.630)	(1)	174	22.206	(154.691)
21. Net foreign currency monetary asset/(liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	(139.586)	61.503	(5)	125	781.656	(58.563)
22. Fair value of financial instruments used in foreign currency hedging	321.189	(278.644)	--	--	(759.450)	(126.844)
23. Export	59.498	570.162	--	309	655.259	1.455.670
24. Import	251.244	218.536	60	27	--	955.284

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	USD ('000)	EUR ('000)	GBP ('000)	CHF ('000)	RUB ('000)	TL Equivalent
31.12.2011						
1. Trade receivables	20.324	136.290	--	161	209.881	383.984
2a. Monetary financial assets	2.330	623	1	--	5.617	6.253
2b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	--	--	--	--	--	--
4. Current assets (1+2+3)	22.654	136.913	1	161	215.498	390.237
5. Trade receivables	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--
7. Other	--	--	--	--	--	--
8. Non-current assets (5+6+7)	--	--	--	--	--	--
9. Total assets (4+8)	22.654	136.913	1	161	215.498	390.237
10. Trade payables	127.974	37.148	--	--	--	332.512
11. Financial liabilities	33.681	44.193	--	--	--	171.618
12a. Other monetary liabilities	--	--	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--	--
13. Current liabilities (10+11+12)	161.655	81.341	--	--	--	504.130
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	4.036	11.756	--	--	--	36.352
16a. Other monetary liabilities	--	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--	--
17. Non-current liabilities (14+15+16)	4.036	11.756	--	--	--	36.352
18. Total liabilities (13+17)	165.691	93.097	--	--	--	540.482
19. Off-balance sheet derivative instruments/net asset (liability) position (19a-19b)	104.106	(77.607)	--	(1.459)	--	4.063
19a. Hedged total assets	129.406	62.479	--	146	--	397.414
19b. Hedged total liabilities	(25.300)	(140.086)	--	(1.605)	--	(393.351)
20. Net foreign currency asset/ (liability) (position (9-18+19))	(38.931)	(33.791)	1	(1.298)	215.498	(146.182)
21. Net foreign currency monetary asset/(liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	(143.037)	43.816	1	161	215.498	(150.245)
22. Fair value of financial instruments used in foreign currency hedging	104.106	(77.607)	--	(1.459)	--	4.063
23. Export	36.389	513.316	--	1.449	45	1.265.269
24. Import	227.793	207.025	48	--	--	857.701

In accordance with Turkish financial reporting standards, inventories are accounted for in Turkish Lira even if they obtained are through import, hence are not subject to foreign currency valuation. If the stocks were valued as foreign currency asset, the net open foreign currency position of the Company would have been lower.

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Foreign currency sensitivity analyses are as follows:

	Profit/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31.12.2012				
+/- 10% fluctuation of USD rate:				
USD net asset/liability	(24.883)	24.883	(24.883)	24.883
Secured portion from USD risk (-)	--	--	--	--
USD net effect	(24.883)	24.883	(24.883)	24.883
+/- 10% fluctuation of EUR rate:				
EUR net asset/ liability	14.464	(14.464)	14.464	(14.464)
Secured portion from EUR risk (-)	--	--	--	--
EUR net effect	14.464	(14.464)	14.464	(14.464)
+/- 10% fluctuation of CHF rate:				
EUR net asset/ liability	24	(24)	24	(24)
Secured portion from CHF risk (-)	--	--	--	--
CHF net effect	24	(24)	24	(24)
+/- 10% fluctuation of RUB rate:				
RUB net asset/ liability	4.540	(4.540)	4.540	(4.540)
Secured portion from RUB risk (-)	--	--	--	--
RUB net effect	4.540	(4.540)	4.540	(4.540)

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	Profit/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31.12.2011				
+/- 10% fluctuation of USD rate:				
USD net asset/liability	(27.018)	27.018	(27.018)	27.018
Secured portion from USD risk (-)	19.665	(19.665)	19.665	(19.665)
USD net effect	(7.353)	7.353	(7.353)	7.353
+/- 10% fluctuation of EUR rate:				
EUR net asset/ liability	10.708	(10.708)	10.708	(10.708)
Secured portion from EUR risk (-)	(18.966)	18.966	(18.966)	18.966
EUR net effect	(8.258)	8.258	(8.258)	8.258
+/- 10% fluctuation of CHF rate:				
GBP net asset/ liability	32	(32)	32	(32)
Secured portion from GBP risk (-)	(293)	293	(293)	293
CHF net effect	(261)	261	(261)	261
+/- 10% fluctuation of RUB rate:				
RUB net asset/ liability	1.253	(1.253)	1.253	(1.253)
Secured portion from RUB risk (-)	--	--	--	--
RUB net effect	1.253	(1.253)	1.253	(1.253)

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Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of debt and equity balance.

The Company's management reviews the capital structure considering the cost of capital and the risks associated with each class of capital. Based on recommendations, the Company will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of the existing debt.

The Company's net debt to overall financing ratios as at the balance sheet dates are follows:

	31.12.2012	31.12.2011
Total liabilities (note 6)	375.515	224.219
Cash and cash equivalents (note 4)	(27.218)	(7.321)
Net debt	348.297	216.898
Equity	491.256	509.747
Total share capital	839.553	726.645
Ratio net debt/equity	%41,5	%29,8

Credit risk

Ownership of financial assets brings with it the risk that the counterparty may not be able to meet its obligations. An important part of the trade receivables are the receivables from the related companies. Local sales are made through Vestel Ticaret A.Ş. Istanbul Branch. Export sales are made through Vestel Ticaret A.S. Istanbul and the receivable from this related company is under the guarantee of Turkish Eximbank.

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As of balance sheet dates, the Company’s exposure to credit risk is as summarized below:

	Receivables							
	Trade receivables		Other receivables			Bank amounts	Derivatives	Other
	Related parties	Related parties	Related parties	Third parties				
31.12.2012								
- Secured portion of maximum credit risk with collateral	--	--	--	--	--	--	--	
A. Net book value of financial assets that are not overdue and not impaired	622.071	13.538	--	49.916	27.182	--	36	
B. Net book value of assets that are overdue but not impaired	--	--	--	--	--	--	--	
- Secured portion by collateral, etc.	--	--	--	--	--	--	--	
C. Net book value of assets that are impaired								
- Overdue (gross carrying amount)	--	38	--	--	--	--	--	
- Impairment	--	(38)	--	--	--	--	--	
- Carrying amount secured with collateral	--	--	--	--	--	--	--	
Maximum exposure to credit risk as of 31.12.2012(A+B+C)	622.071	13.538	--	49.916	27.182	--	36	

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	Receivables							
	Trade receivables		Other receivables			Bank amounts	Derivatives	Other
	Related parties	Related parties	Related parties	Third parties				
31.12.2011								
- Secured portion of maximum credit risk with collateral	--	--	--	--	--	--	--	
A. Net book value of financial assets that are not overdue and not impaired	598.937	3.625	--	33.989	7.286	--	35	
B. Net book value of assets that are overdue but not impaired	2.670	335	--	--	--	--	--	
- Secured portion by collateral, etc.	--	--	--	--	--	--	--	
C. Net book value of assets that are impaired								
- Overdue (gross carrying amount)	--	38	--	--	--	--	--	
- Impairment	--	(38)	--	--	--	--	--	
- Carrying amount secured with collateral	--	--	--	--	--	--	--	
Maximum exposure to credit risk as of 31.12.2011 (A+B+C)	601.607	3.960	--	33.989	7.286	--	35	

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Aging of overdue trade receivables is given below:

31.12.2012	Trade receivables	Other receivables
Not more than 30 days	--	--
Within 1 month to 3 months	--	--
Within 3 months to 12 months	--	--
Within 1 year to 5 years	--	--
- Carrying amount secured with collateral	--	--
	--	--
31.12.2011	Trade receivables	Other receivables
Not more than 30 days	316	--
Within 1 month to 3 months	36	--
Within 3 months to 12 months	10	--
Within 1 year to 5 years	2.643	--
- Carrying amount secured with collateral	--	--
	3.005	--

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Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information, management’s judgment and appropriate valuation methodologies. However judgement is required to interpret market data to estimate the fair value. Accordingly the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the Company’s financial instruments:

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for un-collectability are estimated to be their fair values.

The carrying amounts of financial assets are considered to approximate their fair values.

Financial liabilities

The carrying values of trade payables are estimated to be their fair values

The carrying values of bank borrowings which are denominated in foreign currencies and translated at year-end exchange rates are considered to approximate their fair values.

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NOTE 27 – SUPPLEMENTARY CASH FLOW INFORMATION

	01.01.-31.12.2012	01.01.-31.12.2011
Depreciation and amortisation expense,	63.790	55.086
Provision for employment termination benefits, note 14	5.409	4.560
Provision for diminution in value of inventories, note 9	1.187	2.612
Profit (loss) on sale of property, plant and equipment, net	(143)	569
Warranty provision (release) , note 13	(19.627)	14.738
Provision for legal claims , note 13	372	103
Forward expense (income) accruals , note 5	8.673	(12.557)
Interest income , note 21	(732)	(415)
Interest expense , note 21	22.673	9.392
	81.602	74.088
Trade receivables	(30.042)	(161.501)
Inventories	7.308	(70.345)
Other assets	(20.039)	(20.261)
Trade payables	(29.232)	171.254
Other liabilities	280	3.113
Payments of employee termination benefits	(2.263)	(2.330)
	(73.988)	(80.070)
Depreciation expense and amortization charged to:		
Cost of sales	56.479	43.722
Research and development expenses	6.822	10.866
Marketing and selling expenses	206	279
General and administrative expenses	283	219
	63.790	55.086

INVESTOR INFORMATION

Independent Auditor

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Financial Data and Company News

Financial statements, auditor reports, material disclosures and annual reports of Vestel Beyaz Eşya are available on the Company's website at <http://vesbe.vestelyatirimciliskileri.com>. Additionally, requests for information can be submitted to the Investor Relations Unit of Vestel Group of Companies via phone and e-mail.

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