

Vestel Beyaz Eşya 2013 Annual Report

Vestel Beyaz Eşya: Focused on the Future

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One of Turkey's top three
and Europe's top ten
manufacturers of white goods

One of Europe's largest
original design manufacturers
(ODM)

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Introduction

Highlights from Vestel Beyaz Eşya in 2013

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

The Company successfully passed the certification process and became the first Turkish company in the sector to obtain the ISO 50001 Energy Management System Certification

With its environmental awareness, Vestel Beyaz Eşya was the first white goods manufacturer to receive the “Environment Certificate”

Vestel Beyaz Eşya was designated as one of the most organized industrial plants in Turkey according to the evaluations performed by the Ministry of Environment and Urbanization on companies’ environmental awareness. Having reinforced its “environmentally friendly technology”, Vestel Beyaz Eşya received its “Environment Certificate” in a ceremony held for the World Environment Day.

For details, refer to page 27.

Vestel Beyaz Eşya was deemed worthy of the Climate Performance Leaders Award

In 2013 Vestel Beyaz Eşya was granted Turkey’s Climate Performance Leaders Award in the Performance Rating, which is applied to companies which use the Carbon Disclosure Project (CDP) platform to announce their climate change strategies.

For details, refer to p. 39.

Vestel Beyaz Eşya continued to introduce many pioneering products into the market in 2013

Vestel Beyaz Eşya manufactured the first 8 kg Washing Machine with a class A energy efficiency rating, breaking a world record by consuming 80% less energy and water.

The fastest machine of its segment with a 29-minute wash and dry cycle, the Vestel washer-drier completes the washing and drying cycles at the required time in its “Finish Time” mode, a feature only offered by Vestel Beyaz Eşya, while saving electricity in the “Eco Time” mode.

Standing out as the first built-in oven in Turkey that fits the smart home concept and can be controlled remotely, Vestel Ready Cook’s cooking function can be remotely managed from a mobile phone or a tablet application.

For details, refer to p. 25.

Introduction

Financial and Operational Highlights | Vestel Beyaz Eşya improved its gross profit margin from 2.8% to 8.8% and its EBITDA margin from 1.9% to 9.9% in 2013.

Key Financial Indicators

| (Euro million) | 2013 | 2012 |
|---------------------------|------|------|
| Net Sales | 803 | 817 |
| Exports/Sales | 72% | 77% |
| Operating Profit/(Loss) | 50 | -13 |
| EBITDA | 80 | 15 |
| EBITDA Margin | 9.9% | 1.9% |
| Net Profit/(Loss) | 21 | -8 |
| R&D Expenditure/Sales | 1.5% | 1.6% |
| Total Assets | 461 | 559 |
| Shareholders' Equity | 184 | 209 |
| Net Financial Debt | 93 | 148 |
| Net Financial Debt/Equity | 51% | 71% |

Share Price Summary (TL)

| | 2013 |
|------------------------|-------------|
| Number of Shares | 190,000,000 |
| Free-float | 59,800,000 |
| High | 3.14 |
| Low | 2.57 |
| Year-end | 3.04 |
| Market Capitalization* | 577,600,000 |

* as of 31.12.2013

The market capitalization of Vestel Beyaz Eşya stood at TL 577.6 million as of December 31st, 2013.

EBITDA and EBITDA Margin

9.9%



■ EBITDA (million Euro)
 → EBITDA Margin (%)

Net Profit/(Loss) and Net Profit Margin

2.6%



■ Net Profit/(Loss) (million Euro)
 → Net Profit Margin (%)

Shareholding Structure*

| Shareholders | Share (TL) | Share (%) |
|--|--------------------|---------------|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 166,525,921 | 87.65 |
| Other Shareholders (publicly held) | 23,474,079 | 12.35 |
| Total | 190,000,000 | 100.00 |

Due to the share purchases carried out by Vestel Elektronik Sanayi ve Ticaret A.Ş. (Vestel Elektronik) in the stock exchange during the reporting period, Vestel Elektronik's stake in the Company increased from 75.28% to 87.65% during the fiscal year 2013.



* as of 31.12.2013

Introduction

Chairman's Message | The current position of Vestel Beyaz Eşya as one of the leading white goods manufacturers in Europe is a source of pride not only for the Vestel family, but for everyone in Turkey.



Ahmet Zorlu
Chairman

Esteemed Shareholders, Business Partners and Employees,

We have surmounted a year full of global economic fluctuations in 2013. The macroeconomic picture in 2013 was marked by a limited recovery in developed economies and relative weakness in the growth performance of emerging economies. During this period, as in 2012, the global economy grew at a slower rate than had been expected, while the ongoing recession in the Eurozone weighed down on domestic demand and economic growth in the European countries. As a result of these developments, many international agencies revised their growth projections downward.

Uncertainty over the FED's (US Federal Reserve) monetary policy, as well as geopolitical risks also played a key role in the economic volatility. The FED began to taper its monthly bond purchases by US\$ 10 billion in December 2013; this led to further erosion in the risk appetite, which began to deteriorate with the first signs of this policy change. This development was followed by capital outflows from emerging markets and the devaluation of the emerging market currencies. Despite these developments, the Turkish economy grew by 4% YoY in 2013 thanks to the support of domestic consumption and public investment expenditures.

Vestel Beyaz Eşya's current position as one of the leading manufacturers of white goods in Europe represents a source of pride not only for the Vestel family, but for everyone in Turkey. In 2013, domestic white goods sales grew at a rate surpassing the GDP growth rate. As Vestel Beyaz Eşya, we raised our domestic market share by demonstrating a better performance than the overall sector.

We saw a decline in our white goods exports in 2013 due to the contraction in the European white goods market - which is our primary export market, as well as our strategy of exiting less profitable products. Yet, this strategy change was positively reflected to our profit margins, despite the decline in sales volumes.

Vestel Beyaz Eşya has a product portfolio packed with energy-efficient and environmentally friendly economic products. The Company's R&D activities represent the primary factor behind Vestel Beyaz Eşya's current strong position. During 2013, the Company won an array of design awards in the highly prestigious contests, proving once again the success of its high-tech products combined with original designs.

As Vestel Beyaz Eşya, we have adopted the principle of assessing the success of our activities on the basis of the value we create for the community and the environment. In 2013, we were proud to become one of Turkey's Climate Performance Leaders. In a sector where all manufacturers offer technologically similar products, we differentiate ourselves with the importance we attach to human life and the respect we show to the environment. We are aware that the companies which best understand the continuously evolving market dynamics, consumers and technological trends are the ones which will set themselves apart from the competition. The fact that we are one of Turkey's ten most recognized and prestigious brands and one of Europe's leading manufacturers of white goods is a natural consequence of our efforts to understand the technology of the future and our ability to productize such efforts.

We have never forgotten the value we attach to people while investing in technology. We have gone to great lengths to raise customer satisfaction both before and after sales by undertaking new investments in the improvement of our store designs and customer services. The "thank you" messages we receive from our customers as a result of these efforts have become the largest source of motivation for us.

While remaining true to the principles of the Zorlu Group, Vestel Beyaz Eşya will differentiate itself from its rivals in 2014 with its products and services, and continue to carry out projects that will stand out in the global competition. I would like to take this opportunity to extend my gratitude to our customers and shareholders for their continuous support in 2013 and to our employees, who have enabled us to reach all of our targets.



Ahmet Zorlu
Chairman

Introduction

Board of Directors



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.



Hacı Ahmet Kılıçoğlu
Vice Chairman

(1956 - Giresun) Hacı Ahmet Kılıçoğlu graduated with a Bachelor's degree and Master's degree in Economics from the University of Essex. He started his professional career in 1979 at the Ministry of Industry and Technology. In 1980 he became an Assistant Specialist at Türkiye İş Bankası, and after working in the private sector for a couple of years, Mr. Kılıçoğlu assumed administrative positions at the United Nations Development Program (UNDP) and the F-16 project. He then took office at Türk Eximbank where he worked in various positions. He later served as the CEO of the bank and as a Board Member between 1998 and 2010. He has been serving as a Board Member at the Turkish Banks Association for 12 years and was also elected as the President of the World EximBanks Union (The Berne Union). He also served as Consultant to the President at the Islamic Development Bank and Vice Chairman at Denizbank. Having been appointed as Board Member at Zorlu Enerji Elektrik Üretim A.Ş. in 2013, Mr. Kılıçoğlu also serves as Board Member at Vestel Elektronik, Vestel Beyaz Eşya and Doğan Yayın Holding in addition to his Vice Presidency position 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 as 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.



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 Anadolu Kredi Kartları A.Ş. In 2003, she was appointed as 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 as 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 Tari
Board Member

(1943 - Koruköy) Ali Akın Tari graduated from Istanbul Law Faculty before starting his career as a Tax Inspector in 1972 at the Ministry of Finance, where he went on to serve as Chief Tax Inspector, Vice-President of the Tax Inspectors Board and Group Head of the Istanbul Tax Inspectors Board. He was appointed as a Board Member of the Banking Regulation and Supervision Agency in 2001 and also elected as a Board Member of the Saving Deposits Insurance Fund in the same year. He left the Banking Regulation and Supervision Agency when his period of duty expired in 2004, and was appointed as a Consultant for the Ministry of Finance. Mr. Tari became a member of the Board of Directors and the Audit Committee of Dilerbank in 2008 and has continued to serve as a member of the Board of Directors of Dilerbank since 2011.

Introduction

An Interview with the Chairman of the Executive Committee | The products we released to the market in 2013 are stunning examples of our R&D competence, our environmentally friendly approach and our design superiority.



Enis Turan Erdoğan
Chairman of the Executive Committee

How did Vestel Beyaz Eşya perform in 2013?

Turkey now commands a more advantageous position in white goods production in the surrounding region. Currently, it is the number one supplier of white goods in Europe and the neighboring region.

As Vestel Beyaz Eşya, we increased our sales revenues by 7.7% YoY to TL 2.03 billion in 2013. Despite the ongoing contraction in the Western European market and our strategy of exiting less profitable products, we have succeeded in maintaining our export revenues at the same levels with 2012 in TL terms. On the other hand, our domestic revenues grew by a strong 30% YoY in 2013 thanks to our increasing market share and our strategy of focusing on the more profitable mid-high end products.

This strategy, combined with the appreciation of the Euro against TL and US\$ and falling raw material prices, allowed us to significantly raise our operating profit margins in 2013. Our gross profit margin increased from 2.8% to 8.8% and our EBITDA margin climbed from 1.9% to 9.9%. Accordingly, we closed 2013 with a net profit of TL 53 million.

How did you perform in export markets in 2013?

The slowdown in the European white goods market, Vestel's main export market, continued into 2013 with the market contracting by 1% during the year. Despite the market contraction, our export revenues remained flat with 2012 in TL terms. Moreover, we added new countries like China and Brazil to our export markets. We believe our exports will pick up once the Eurozone recovers from the ongoing economic crisis.

The R&D activities and the number of its patents represent Vestel Beyaz Eşya's innovative position. What were Vestel Beyaz Eşya's primary innovations and products in 2013?

The products we released to the market in 2013 are stunning examples of our competence in R&D, our environmentally friendly approach and our superiority in design. Vestel Beyaz Eşya left its mark in 2013 as a company that directs trends. We have created the market of our own in the 9 kg washer and 6 kg drier segment with our Automatic washer-drier, a washing machine that offers the fastest performance in Turkey. This washing machine, which both washes and dries laundry in

a record space of time through the wash and dry program, saves room, time and energy for the consumers.

We have offered consumers economic built-in products with elegant designs. In addition, thanks to our approach of pioneering innovations, we have started mass production of Turkey's first 100% domestically produced Induction Ovens at our Vestel facilities.

How did the change in your marketing-sales strategy and organization impact your operations in 2013?

Given that a wide distribution network is of tremendous importance in terms of competition, we continued our strategy of adding new stores to our network in 2013. As a result, we had reached a total of 1,160 sales points throughout Turkey as of the end of 2013. While we continued to upgrade our existing stores in order to increase their attractiveness, we have also tried to offer a more pleasant shopping experience for the consumers in our sales outlets by making use of interactive technologies.

Introduction

We are a future-oriented company that strategically thinks and plans for the long term. We will continue to manufacture highly efficient and eco-friendly products by unwaveringly pursuing our R&D and innovation efforts.

What awards did Vestel Beyaz Eşya win in 2013, and which fairs did the Company attend?

In 2013, Vestel Beyaz Eşya participated in the international "Living Kitchen" fair, an exhibition which showcases the most recent products and latest technologies in the white goods and built-in products sectors. We exhibited the extra silent, A+++ energy efficiency dishwashers with LCD display, the A+++ energy efficiency class refrigerators and washing machine models, transparent dishwashers, washer-driers, visio and full touch-operated built-in ovens and self-cleaning built-in ovens at this international platform. In our booth at the IFA, which is one of Europe's largest fairs, we exhibited our washing machine - which is one of the most energy efficient in the world, consuming 70% less energy than other washing machines of energy class A+++.

Our Twinjet washing machine, which saves 50% more energy than A energy class machines received the "most energy efficient product" award at the Environment Awards held by the Istanbul Chamber of Industry. With the Twinjet technology designed and developed by Vestel engineers, we reached the pinnacle of technology in the world, with the machine achieving record breaking electricity and water savings as confirmed through the tests performed by accredited laboratories.

In 2013 Vestel Beyaz Eşya's innovative products won recognition in a number of globally recognized competitions. Some of the awards we received included the Good Design Award, the Red Dot Design Award, the Plus X Award and the A Design Award, bestowing great pride in our Company.

What would you like to say about how your sustainability approach has been reflected to your operations, processes and practices?

At Vestel Beyaz Eşya, we go to great lengths to develop functional and aesthetic designs. We attach utmost importance to offering consumers environmentally friendly products and technologies, which make efficient use of resources by maximizing water and energy savings while also providing extra hygiene.

We are a company which is oriented to the future, which thinks strategically and plans for the long term. We will continue to manufacture eco-friendly and efficient products by unwaveringly pursuing our R&D and innovation efforts.

In 2013 Vestel Beyaz Eşya was granted Turkey's Climate Performance Leaders Award in the Performance Rating, which is conducted among companies which sign up to the Carbon Disclosure Project (CDP) platform to announce their climate change strategies. Being one of Turkey's Climate Performance Leaders through our efforts to manage climate-related risks and reduce carbon emissions is a source of pride for us.

What are Vestel Beyaz Eşya's expectations and plans for 2014?

As in previous years, we aim to further increase our turnover and market share in the white goods sector. In 2014, we will work to reinforce our market share and create new areas of growth for our Company. We will continue our efforts to manufacture user-friendly products and continue to set ourselves apart from our rivals with our technology, products and services. In 2013, we increased our product sales in the mid-upper segment which comprise products with more programs and outstanding features. We expect this trend to continue in 2014.

In 2014, we will offer consumers the world's most economic dishwasher, which consumes only 5.5 liters of water and 20% less energy than other dishwashers of the A+++ energy class. We will create elegant design product families in the built-in segment which will appeal to all kitchens and consumers. We will bring a breath of fresh air to the sector in 2014 with our new ovens, which include yoghurt making, bread making and vegetable/fruit drying functions.

In the air-conditioning segment, we stand out with our air-conditioners equipped with inverter technology. 2014 will be the final year of the 'On-Off' type air-conditioning units. We believe sales of inverter air-conditioning units will gain more momentum in the years to come. With our know-how in this field, we plan to increase our growth rate further from the 19% growth rate we achieved in the domestic market in 2013.

For the coming period, we aim to increase the number of high value added projects, innovative ideas, patents and useful designs as well as new brand acquisitions realized under the Vestel umbrella.

In 2013 Vestel Beyaz Eşya was granted Turkey's Climate Performance Leaders Award in the Performance Rating, which is conducted among companies that sign up to the Carbon Disclosure Project (CDP) platform to announce their climate change strategies.

Introduction

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 as the 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 as Board Member to Europe's largest ICT Association, DIGITALEUROPE, a position he has held since 2010.



Cem Köksal
Executive Committee Member

(1967 - Ankara) Bekir Cem Köksal graduated from the Department of Mechanical Engineering at Boğaziçi University in 1988, and obtained a master's degree from Bilkent University in 1990. He subsequently worked in the banking industry between 1990 and 2001. In 1997, he was appointed as the Assistant General Manager at Denizbank, and in 2002 he joined Vestel as Chief Financial Officer. Mr. Köksal currently serves as an Executive Board Member in charge of Finance at Vestel and also serves as the Board Member at Zorlu Enerji Elektrik Üretim A.Ş.



İhsaner Alkim
Executive Committee Member

(1954 - Kırcaali) İhsaner Alkim graduated from Istanbul Technical University, 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. Alkim has served in various R&D related positions at Vestel. Appointed in 2005 as Executive Committee Member, Mr. Alkim continues to hold this position as Member in charge of the TV 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 as Assistant General Manager at Denizbank Management Services Group in 1997. In 2003, Mr. Kavuşturan was appointed as Human Resources Coordinator for Zorlu Holding. He has been a Member of the Executive Committee responsible for Human Resources at Vestel Group since 2005.



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 as 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.



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 companies in Turkey, he took office as Plant Manager at Vestel Beyaz Eşya's Washing Machine Factory in 1998. Since 2012, he has been serving 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 which, he served from 1998 until 2000, before serving as Assistant General Manager - Foreign Trade between 2000 and 2006, and as General Manager at Vestel Dış Ticaret A.Ş. from 2006 to 2013. Since January 1, 2013, he has been serving as Executive Committee Member in charge of Foreign Trade at Vestel Group of Companies.

Introduction

About Vestel Beyaz Eşya | Backed by its strong R&D organization, Vestel Beyaz Eşya goes to great lengths to bring more comfort to millions of homes with a continuously expanding portfolio of environmentally friendly products that globally address a wide consumer mass.

Flexible production capability, high production capacity, competence in product differentiation, the logistical advantages of its proximity to Europe and low labor costs are Vestel Beyaz Eşya's key competitive advantages which reinforce its position in the market.

Vestel Beyaz Eşya in Brief

Acting with long-term strategies and directing the market both in Turkey and on a global basis with its vision.

Demonstrating a strong growth trend since its foundation in 1997, Vestel Beyaz Eşya is today positioned as one of the major white goods manufacturers in both the Turkish and the European markets.

Vestel Beyaz Eşya's manufacturing facilities are located in Manisa, Turkey. The Company undertakes its manufacturing activities at Vestel City, the largest industrial complex in Europe in a single location, by deploying state-of-the-art technologies. Manufacturing refrigerators, washing machines, cookers, dishwashers, air-conditioners and water heaters in an enclosed area of more than 311,000 m², Vestel Beyaz Eşya has become a major player in all of the markets where it operates thanks to its high production capacity and its capability to develop new technologies.

Ranking among the top manufacturers in Europe to employ the latest technology, Vestel Beyaz Eşya is one of Turkey's top three and Europe's top ten white goods manufacturers.

Vestel Beyaz Eşya is one of Europe's largest original design manufacturers (ODM). Selling its products in EU countries on an ODM basis, Vestel Beyaz Eşya also pursues a strategy of expansion under the Vestel brand in Turkey, the MENA region and CIS countries, especially Russia.

With a strong R&D organization, Vestel Beyaz Eşya goes to great lengths to bring more comfort to millions of homes with its continuously expanding portfolio of environmentally friendly products which globally address a wide consumer mass.

Flexible production capability, high production capacity, product differentiation competence, proximity to Europe, and low unit labor costs are Vestel Beyaz Eşya's key competitive advantages which reinforce its position in the market.

Vestel Beyaz Eşya's marketing-sales services are undertaken by Vestel Ticaret.

Vestel Ticaret's logistics-distribution capabilities, widespread dealer network and technologically well-equipped service network reinforce our strong brand image in the domestic market. After-sales services are provided by the authorized service centers and the Vestel General Directorate of Customer Services.

As an original design manufacturer (ODM) in white goods, Vestel Beyaz Eşya aims to increase its market share among A-brand manufacturers, retail market chains and distributors in Europe, which is its primary export market.



Vestel Beyaz Eşya is currently active throughout Turkey with the Group's:

- 1,160 Vestel stores
- 14 Vs Outlets
- 726 dealers with Regal signboards
- E-store
- Vsoutlet.com.tr
- 331 authorized service centers
- 15 central services

In Europe and other regions:

The Company carries out its marketing-sales activities in France, Germany, Spain, Finland, Kazakhstan, Romania, the UK and the Netherlands through Vestel's international offices and local sales-distribution channels; and in Russia and in the Middle East and the CIS through a total of 2,750 stores and sales points.

Vestel Beyaz Eşya on the Stock Market

The shares of Vestel Beyaz Eşya A.Ş., a subsidiary of Vestel Elektronik Sanayi ve Ticaret A.Ş., have been trading on the Borsa Istanbul (BIST) under the VESBE ticker since 2006.

As of the end of 2013, Vestel Beyaz Eşya shares were included in the BIST All Shares, BIST All Shares-100, BIST National, BIST Industrials and BIST Metal Products indices.

Vestel Beyaz Eşya's Strategy

Vestel Beyaz Eşya's strategic vision is to create value for shareholders and investors by increasing revenues and profitability through sustainable growth. In line with this vision, the Company bases its strategy on three main targets: an expanding customer portfolio, increasing market diversification and improving branded sales.

Expanding the Customer Portfolio

As an original design manufacturer in white goods, Vestel Beyaz Eşya aims to increase its market share among A-brand manufacturers, retail market chains and distributors in Europe, its primary export market. The Company aims to capture a larger share from the rising trend of outsourcing, especially among the A-brand manufacturers, and to meet all the needs of its customers by enriching its product portfolio even further.

Increasing Market Diversity

Vestel Beyaz Eşya emphasizes growing in other markets besides Europe, its main export market, where it is one of the leading ODMs. The Company evaluates different alternatives, including direct investments, partnerships and contract manufacturing to facilitate its access to these markets and ensure future growth.

Improving Branded Sales

In addition to its growth target as an ODM provider, Vestel Beyaz Eşya also places strategic importance on growing with the Vestel Group's brands. The Company aims to increase Vestel's market share with the Vestel and Regal brands in the domestic market as well as in the developing markets in the CIS and Middle East regions, and to reinforce Vestel's position in Europe with the well-known regional brands acquired by the Group.

Introduction

Vestel's Global Operations | Vestel is able to reach different consumer groups in 145 countries through its strong global marketing and sales network.

Turkey

1,160

Vestel stores

726

Dealers with Regal
signage

14

Vs outlets

331

Authorized service
centers

15

Central Services

E-store

emagaza.vestel.com.tr
vsoutlet.com.tr



Foreign Trade Companies

- UK
- The Netherlands
- Germany
- France
- Spain
- Finland
- Romania
- Russia
- Kazakhstan

Countries where the Company sells Vestel branded products

- Syria
- Cyprus
- Lebanon
- Jordan
- Azerbaijan
- Iraq
- Saudi Arabia
- Turkmenistan
- Iran
- Kazakhstan
- Kyrgyzstan
- Russia
- Armenia
- Uzbekistan



2,750
 The number of stores and sales points selling Vestel branded products in Russia, CIS and the Middle East

Introduction

Zorlu Group | Zorlu Group is focused on creating increasing added value for Turkey through its companies, all of which are among the leading players in their sectors.



Home Textiles

Korteks
Zorluteks

- The largest integrated manufacturer and exporter of polyester yarn in Europe and the Middle East
- Europe's leading home textiles company

Consumer Electronics,
Information Technologies and
White Goods

Vestel

- One of the leading ODM providers of televisions, white goods and digital products for the European Market
- One of the major players in the European LCD TV market
- Production facilities in Turkey and Russia
- One of the top 3 players in the domestic LCD TV and white goods market through its well-known Vestel brand.



Energy

Zorlu Energy Group

- One of the rising players in the domestic market with 821 MW of installed capacity
- A 56.4 MW wind farm in Pakistan and ongoing investments in Israel
- Competence in providing integrated services, including generation, sales and trade of electricity, "turnkey" construction of power plants, including the project development process, long term operation and maintenance services for power plants and natural gas sales and trading.



Real Estate

Zorlu Real Estate Development and Investment

- Zorlu Real Estate Group was established in 2006 to develop, sell, lease and operate high quality residential and office complexes, business centers, shopping malls, hospitals, hotels and/or mixed-use real estate projects in prime locations, both in Turkey and abroad
- Turkey's first mixed-use real estate development project with five different functions, the Zorlu Center was completed at the end of 2013. The project includes a performing arts center, a hotel, offices, a shopping mall and residences
- One of the Group's major ongoing investments is Levent 199, located on İstanbul's Büyükdere Avenue. The project, which is planned entirely as offices, consists of A+ office space in a 40 storey block on a 122,000 m² construction area.



Mining

Meta Nikel Kobalt

- Aiming to become a major regional supplier of nickel and cobalt
- Nickel-cobalt investment projects in Gördes, Eskişehir and Uşak
- A US\$ 350 million investment is planned in the Gördes project, which has 300,000 tonnes (contents of nickel metal) of proven reserves.



Factoring

Zorlu Faktoring

- Established in 2012 to offer domestic and international factoring services.
- Zorlu Factoring aims to extend its factoring products and services throughout Turkey by focusing on medium and large size firms, as well as on leading companies with a wide supplier and dealer network.



R&D oriented

With our strong R&D organization and the emphasis we place on innovation in our products and processes, we can offer consumers the technologies of the future.

VESTEL



Review of the year 2013

Production at Vestel Beyaz Eşya | Vestel Beyaz Eşya

carries out its production activities on an enclosed area of over 311,000 m² within Vestel City, the largest industrial complex in Europe in a single location of 1.1 million m².

In the 10th anniversary of the foundation of Vestel City, Vestel became the first brand in Turkey and the first electronics and white goods company in the world to appear in the National Geographic Channel's "Mega Factories" documentary series, which features some of the world's most famous brands.



Vestel Beyaz Eşya's Production Strength and Capabilities

Thanks to its capabilities in flexible production and customization, Vestel Beyaz Eşya is able to diversify its product portfolio in line with the evolving needs of its customers.

As one of the fastest growing manufacturers in the European white goods market, Vestel Beyaz Eşya benefits from the cost advantages provided by economies of scale.

Its flexible production approach allows Vestel Beyaz Eşya to manufacture high-quality products at low cost, while allowing the Company to respond to customer requests in a timely manner and to reflect changing customer preferences to its products.

The Company's main competitive advantages are its ability to tailor-made products according to customer demand or the geographical and socio-cultural characteristics of its markets and to diversify production activities on an order basis.

Vestel Beyaz Eşya differentiates itself from the competition by its ability to manufacture a wide variety of models, its quick response to customers' special requests, and its rapid delivery of products.

Vestel Beyaz Eşya's production capacity has grown significantly in recent years in parallel with the expansion in its product portfolio and the high demand for its products.

Vestel City in the National Geographic Channel's Mega Factories documentary series

Vestel Beyaz Eşya carries out its production activities on an enclosed area of more than 311,000 m² within Vestel City, the largest industrial complex in Europe in a single location of 1.1 million m².

The products manufactured at Vestel City are exported to a total of 145 countries.

In the 10th anniversary of the foundation of Vestel City, Vestel became the first brand in Turkey and the first electronics and white goods company in the world to appear in the National Geographic Channel's "Mega Factories" documentary series, which features some of the world's most famous brands.

Criteria such as high production capacity, the size of the enclosed area, production speed and the workforce size were taken into consideration in selecting Vestel for this documentary series, which has featured more than 70 global brands from different sectors.

R&D Activities at Vestel Beyaz Eşya | Vestel Beyaz Eşya gives priority to “eco-friendly technologies”, “functionality” and “affordability” in its products.

Attaching strategic importance to R&D in development and competition, Vestel Beyaz Eşya keeps a close eye on the global technological developments and produces “friendly technologies” for the world, thanks to its strong capabilities in R&D, innovation and productization.

In product development, Vestel Beyaz Eşya’s main criteria include the development of environmentally- and consumer- friendly technologies, maximization of energy savings, development of products which meet the specific needs and habits of different markets through product customization and releasing products which set themselves apart in terms of ergonomics and design. In line with the importance placed on R&D activities, Vestel Beyaz Eşya’s R&D expenditures amounted to 1.5% of its sales revenues in 2013.

Vestel Beyaz Eşya’s R&D Department is composed of separate units, which represent different production areas.

In addition to the R&D units of each plant, which report to the Plant Manager, there is also a Technology Development Center at Vestel Beyaz Eşya which operates under the General Directorate, and carries out industrial design and innovation work for all the products. Vestel Beyaz Eşya’s R&D team consisted of 278 people as of the end of 2013.

The basis of Vestel Beyaz Eşya’s R&D efforts is to develop functional and aesthetic designs, as well as environmentally friendly technologies and products, which use resources efficiently by maximizing energy and water savings, while providing extra hygiene.

The R&D teams carry out activities in the areas of the development or application of new technologies, new product designs, development of environmentally friendly products, and improvements in productivity and cost-efficiency.

Within the framework of Law no. 5746 on Supporting Research and Development Activities, Vestel Beyaz Eşya received an R&D Center certificate on 17th October, 2008.

Vestel Beyaz Eşya’s R&D units and Technology Development Center aim to develop products that will enhance the Company’s competitive edge in international markets and help increase customer satisfaction.

In this context, the primary areas of expertise of the Company’s R&D staff comprise:

- Structural Design
- Structural Analysis
- Electronics Control
- Electronics Design
- Fluid Mechanics
- Fluid Analysis
- Mold Design
- Intellectual Rights
- Materials
- Performance Tests
- Thermodynamics
- Acoustics

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 are responsible for the following:

- Monitoring technical, academic and industrial publications on white goods to keep track of innovations and developments in the sector;
- Undertaking basic research in laboratories and applying the resulting innovations to the Company’s products;
- Visiting customers and attending fairs to keep a close eye on consumer needs and demands, designing products in view of these findings and improving the already existing products;

Review of the year 2013

Vestel Beyaz Eşya has successfully deployed its competent technical infrastructure to transform knowledge into technology, and technology into products.

In 2013, Vestel Beyaz Eşya continued to offer products that add color and comfort to the lives of consumers with their innovative, environmentally friendly and multifunctional features.



- Enhancing product parameters to come up with products which offer more functional features;
- Testing the qualifications of new and improved products with test production runs prior to the actual production.

Configured as part of the Technology Development Center, the patent team primarily conducts patent research studies and works on trademark registration. The team is also responsible for the protection of Vestel Beyaz Eşya's brand name and the originality of all work performed by the Company.

Vestel Beyaz Eşya has been using its competent technical infrastructure with considerable success to turn knowledge into technology and to transform technology into products. Backed by its competent and innovation-oriented R&D team, and the latest technology equipment and systems, Vestel Beyaz Eşya undertakes investments, which set a model for sustainable development, with its local and international project partners and in collaboration with the universities.

Designs That Bring the Future to the Present

Products that stand out with their technology, functionality and industrial design

Besides its ability to influence trends with its superiority in R&D and innovation, Vestel Beyaz Eşya addresses consumer expectations by meeting their needs with ergonomic and aesthetic products.

Vestel Beyaz Eşya gives priority to "eco-friendly technologies", "functionality" and "affordability" in its products.

In 2013 Vestel Beyaz Eşya continued to offer products that add color and comfort to the lives of consumers with their innovative, environmentally friendly and multifunctional features.

Vestel Beyaz Eşya's innovations

Vestel Beyaz Eşya has recently been developing products within the scope of the smart home concept. These products enable significant energy savings, as they can be remotely controlled by users through smartphones or tablet PCs.

Attracting attention as the first built-in oven in Turkey that can be remotely controlled, Vestel Ready Cook's cooking function can be managed remotely from a mobile phone or tablet application.



8 kg Washing Machine

Developed by Vestel Beyaz Eşya, this product with class A energy efficiency has broken a world record by reducing consumption of energy and water by 80%. The product features an anti-vibration machine body, sensitive washing technology and silent operation technology, which are already present in other washing machines manufactured by Vestel Beyaz Eşya.

Vestel Smart Dishwasher Series

The Vestel Smart Dishwasher Series offers extra fast, extra silent, extra hygienic and extra dry functions with 10 program alternatives that are specially designed for personal needs. The Jetwash 18-minute washing program cleans dishes in just 18 minutes, while the Super 50-minute program cleans the dishes at Class A energy efficiency within 50 minutes. The Smartwash program determines the appropriate washing program after measuring the extent to which the dishes have been soiled, while the Dual Prowash program is able to clean fragile glasses together with heavily soiled pans. As an eco-friendly and cost-efficient machine of class A+++ energy efficiency, the Vestel Smart Dishwasher Series offers users the opportunity to wash up to 15 place settings in a single wash with its smart basket design and third basket.

Washer-drier

The fastest of its segment with its 29-minute washer-drier program, the Vestel washer-drier has a 9 kg washing capacity and 6 kg drying capacity along with an anti-allergy and hygienic laundry washing feature.

These washer-driers enable laundry to be ready washed and dried at a set time, thanks to the "Finish Time" mode, a technology originally developed by Vestel. Also unique to Vestel, the Eco Time mode allows the washing machine to work at times of lower electricity tariffs, by setting the start hour of the program.

Ready Cook Built-in Oven

Attracting attention as the first built-in oven in Turkey that can be controlled remotely, Vestel Ready Cook's cooking function can be remotely managed from a mobile phone or tablet application. Displaying recipes for its cooking functions, the Ready Cook Built-in Oven offers 150 preset cooking functions. Allowing users to save their personal cooking preferences, the Ready Cook Built-in Oven features a digital display and different cleaning options that provide ease of use.

Nora Design T45 Dishwasher

An addition to Vestel's extensive range of class A+++ products, the Nora Design T45 Dishwasher consumes 20% less energy than other dishwashers of energy class A+++.

needs through 10 different programs, the machine reduces water consumption through its special program which only uses 5.5 liters of water.

Multi Compartment Integrated Fridge

Vestel's Multi Compartment Integrated Fridge offers ease of use with its large 713-liter capacity and multi-purpose cooling compartments. Thanks to its interior lighting, easy-to-use drawers, drawer shelves for bottles and food compartments which can be adjusted for wet cooling, the fridge is able to meet the diverse needs of users. This energy class A++ product stands out with its low level of energy consumption.

4-Door Large-Capacity Refrigerators

The refrigerator may be adapted for multiple purposes with its 18 different cooling functions and optional compartments, which can be used either as a fridge or as a freezer. Vestel's 4-Door Large-Capacity Refrigerator is popular with consumers thanks to its environmentally friendly and economic cooling features, as well as its special cooling system, which ensures that the food stays fresh for a longer period of time.

A+++ Combi Refrigerator

The Vestel A+++ Combi Refrigerator consumes 60% less energy than products of energy class A.

Review of the year 2013

Strength in Design Recognized with Awards | With the awards it received in 2013, Vestel Beyaz Eşya has once again proven its position among the key global companies which design the future.

The awards acquired by Vestel Beyaz Eşya demonstrate the importance the Company attaches to R&D, design, innovation, quality, brand equity, speed and growth.



Patent Champion: Vestel Beyaz Eşya

Vestel Beyaz Eşya was granted the winning award among 130 companies in the patent category at the 1st R&D Centers Summit held in 2012. The Company applied for 13 patents in 2013, once again proving its leadership in innovation.

Awards in 2013

Achievements and awards acquired as a result of the evaluations carried out by various audit and research companies, programs, institutions, the media and occupational organizations located in Turkey and abroad prove the importance that Vestel Beyaz Eşya attaches to R&D, design, innovation, quality, brand equity, speed and growth. As in previous years, Vestel Beyaz Eşya affirmed its position among the world's leading companies designing the future with its new awards won in 2013.

The Award for the eco-friendly technology...

Vestel Beyaz Eşya received the "Product Development" Award in the Energy Efficiency Project Competition held by the Manisa Organized Industrial Zone Environment Commission on January 9th-12th, 2013 within the scope of the Energy Efficiency Week.

In the competition, projects submitted by the companies operating in the Manisa Organized Industrial Zone were evaluated based on criteria such as environmental protection, cuts in the use of natural resources and energy saving.

In this widely attended competition, in which the members of the jury determined the winners after an intensive evaluation process, Vestel Beyaz Eşya's Puzzle Refrigerator was deemed worthy of the winning award in the "Product Development" category, thanks to its compartments which can be optionally used either as a cooler or as a freezer, and the design of these compartments, which can be used in 14 different ways.

Vestel Beyaz Eşya exhibited 67 different solo and built-in white goods products at the Living Kitchen fair, which brought participants of the global white goods sector together in Cologne, Germany.



With its environmental awareness, Vestel Beyaz Eşya became the first white goods manufacturer to receive the "Environment Certificate".

Vestel Beyaz Eşya was selected as one of the most organized industrial plants in Turkey as a result of the evaluations performed by the Ministry of Environment and Urbanization on the environmental awareness of companies. Vestel Beyaz Eşya reinforced its "environmentally friendly technology" approach with the "Environmental Certificate" award, which was granted in a ceremony held for the World Environment Day.

Manufacturing environmentally friendly and efficient products as a culmination of its intensive R&D and innovation activities, Vestel Beyaz Eşya contributes to the preservation of natural resources with its highly energy-efficient products.

Two Red Dot Design Awards for Vestel, the "Design Factory"

Vestel Beyaz Eşya received 2 awards in the Red Dot Design Awards 2013, one of Europe's most renowned design contests, with its "Aline" dishwasher and "Suave" air-conditioner designs.

Vestel Beyaz Eşya's products were deemed worthy of a number of awards in 2013 following the evaluations performed by

professional jury members based on a range of criteria such as innovation, functionality, quality, ergonomics, durability, content, ease of use and environmental compliance.

Participation in Fairs in 2013

Vestel Beyaz Eşya participated for the first time in the Living Kitchen, an international white goods fair.

Vestel Beyaz Eşya exhibited 67 different solo and built-in white goods products at the Living Kitchen fair, which brought members of the global white goods sector together in Cologne, Germany.

In the fair, which introduced some of the latest technologies and products in the white goods and built-in sectors, Vestel attracted a great deal of attention from participants with its extra-silent dishwasher with LCD display (energy class A+++), refrigerator and washing machine models (also energy class A+++), transparent dishwasher, washer-drier, visio touch-operated and full touch-operated ovens and the pyrolytic (self-cleaning) built-in oven.

The white goods and built-in products exhibited by Vestel Beyaz Eşya in the Living Kitchen fair stood out with their design, energy saving and smart product features.

- Refrigerator, washing machine and dishwasher models of energy class A+++
- 4-door French Door refrigerators
- Built-in oven with LCD display and a touch-operated LED control panel
- Washer-drier
- Dishwasher with LCD display: Energy class A+++ and noise level of just 39 dbA
- Transparent dishwasher
- 30/60/78 cm built-in ovens with induction technology and 90 cm induction ovens
- 45 cm dishwashers (built-in and solo)
- 90 cm solo oven
- Pyrolytic (self-cleaning) built-in oven
- Full touch-operated oven (all functions are controlled from the touch-operated panel)
- Visio touch-operated oven (oven function and the thermostat are button-controlled, while all other functions are controlled from the touchpad panel)



**reddot design award
winner 2013**

Review of the year 2013

An unrivalled Marketing-Sales and Service Organization

| Vestel Beyaz Eşya offers its products to millions of consumers through its strong trade organization both in Turkey and abroad, which is managed by proactive strategies.

In line with its profitable growth strategy, Vestel Beyaz Eşya has turned its attention to the mid- and upper segment products, while retracting from product groups with low profitability.



Market and Competitive Strategy

Vestel Beyaz Eşya has built its export strategy on two fundamental grounds:

- In Europe: Sales to A-branded business partners to which it provides ODM services, as well as to distributors, wholesalers and retail chains and sales through the regional brands owned by the Vestel Group In Russia, the CIS and the Middle East: Sales of Vestel-branded products

In line with its profitable growth strategy, Vestel Beyaz Eşya has increased its focus on the mid and upper segment products while exiting less profitable product groups. In this context, the Company aims to profitably increase regional sales through customized products, and to raise brand recognition and market share in Turkey by pursuing a strong brand strategy.

Vestel Beyaz Eşya carries out its sales in Turkey under the:

- Vestel brand through exclusive dealers and special concept stores,
- Regal and Finlux brands through distributors,
- SEG brand through retail market chains,
- Special brands through Vs Outlets, and
- The Vestel, Regal, Telefunken and SEG brands through electronic market chains.

A wide and strong distribution-service network

Vestel Beyaz Eşya offers its products to millions of consumers through a strong trade organization both in Turkey and abroad which is managed by proactive strategies.

All of the marketing-sales services of Vestel Group are undertaken by Vestel Ticaret both in Turkey and abroad. Vestel Beyaz Eşya's primacy in high-quality products and experience in the multi-brand concept are complemented by Vestel Ticaret's wide distribution network, providing the Company with a significant competitive edge.

After-sales services in Turkey are provided by authorized service dealers and the Vestel General Directorate of Customer Services.

The number of export destinations reached 145 in 2013. **Exports accounted for 72% of Vestel Beyaz Eşya's total sales during the year.**

In addition to its physical distribution network, Vestel was the first consumer durables brand to start product sales over the internet where the Company reaches consumers through the emagaza.vestel.com.tr website. All Vestel products are available for sale on the website, which attracts attention with its user-friendly design.

Vestel offers regular campaigns and promotions at the E-Store. Special opportunities offered to Vestel's E-Store visitors can be followed at this address.

The number of Vestel E-Store users increased by 16% to reach 168,149 by the end of 2013.

Vestel also began to sell its products through vsoutlet.com.tr. The number of vsoutlet.com.tr users increased by 270% to 4,895 by the end of 2013.

International Sales

The Company exported its products to a total of 145 countries in 2013, with exports accounting for 72% of its total sales.

Vestel Beyaz Eşya's marketing and sales activities in the European market are conducted through the domestic sales and distribution networks of Vestel's foreign trade subsidiaries in France, Germany, Spain, Finland, Russia, Kazakhstan, Romania, the Netherlands and the UK. All of the marketing-sales services in other foreign markets are directly provided by Vestel Ticaret.

Vestel-branded products are sold in Russia, CIS and the Middle East through a total of 2,750 stores and sales points.



An export network that grows with each passing year

Vestel Beyaz Eşya carries out continuous and systematic efforts to invest and capture market share in rapidly growing countries and to further expand the scope of its export destinations.

Besides Europe, the Company exports its products to markets in Australia, India, Africa, the Middle East, Oceania and Latin America.

A competitive advantage in white goods exports to Far Eastern markets

The relatively broad product range of Vestel Beyaz Eşya when compared to its competitors in the Far East provides the Company with a competitive advantage in white goods exports. After having initiated exports of its class A efficiency products to many new countries, Vestel Beyaz Eşya started to export French Door refrigerators to China, the world's largest manufacturer of refrigerators.

In line with its strategy of gaining a presence in more distant markets, Vestel Beyaz Eşya also exports dishwashers to Myanmar and washing machines to Vietnam, Thailand, Singapore and Indonesia in the Far East.

Review of the year 2013

Vestel launched the “Central Service” project, which will play a key role in the new organizational structure developed by the Company to achieve perfection in after-sales services and to ensure 100% customer satisfaction.

The number of Central Services, the first of which was opened on a 650 m² area in Işıkkent, Izmir, reached 15 in early 2014.



Domestic Sales

For domestic marketing, sales and after sales services, Vestel has set up an extensive service network that comprises:

- 1,160 Vestel stores
- 14 Vs Outlets
- 726 dealers with Regal signboards
- An E-store
- Vsoutlet.com.tr
- 331 authorized service centers
- 15 central services

Review of store concepts was another important initiative taken by Vestel in 2013. İstinye Park (Istanbul) was the first sales point where Vestel has applied its new store concept that aims to raise brand recognition and create an ambience where visitors can enjoy their shopping experience.

“Central Services” for excellence in services

As part of its new organizational structure, Vestel launched the “Central Service” project which will play a key role in achieving excellence in after-sales services and in attaining 100% customer satisfaction.

Vestel invested TL 9 million in its new “Central Service” structure in order to ensure that all authorized service centers and their personnel will offer standardized services, with the aim of maximizing customer satisfaction.

With the first one opened on a 650 m² area in Işıkkent, Izmir, the number of Central Services had reached 15 as of early 2014.

Featuring a multi-function structure of a number of duties and responsibilities, such as audit, intervention, coordination, business development and training, the Central Services will take on problems which cannot be solved by the authorized service centers and address them as soon as possible; and will provide the necessary training to the personnel of the authorized service centers.

Central Services are also planned to be responsible for the monitoring of the field performances of products that will be imminently released to the market; they are therefore expected to support the R&D units in field testing.

By storing spare parts in their own warehouses, Central Services will contribute to the shortening of the spare parts’ lead time by supporting the main spare parts warehouse located in Manisa.

Central Services will also be responsible for the auditing of the authorized service centers.

In 2013 Vestel Beyaz Eşya set up its new digital platform entitled "Evin Kalbi" (The Heart of the Home) as part of a new marketing and communications strategy, which it has designed under the motto, "The heart of the home beats in the kitchen", gathering all the kitchen-related products under the same communications roof.



Corporate Brand and Communications Strategy

A total quality approach that incorporates innovative ideas, production, sales and after-sales services is the main element of Vestel's brand promise of "Friendly Technology". Vestel became the first brand to be accepted into the Turquality scheme in 2007, a branding program supported by the government, affirming the emphasis the Company accords to brand reputation.

Within the scope of its brand and communications strategy, Vestel:

- Directs communication practices to raise customer satisfaction and increase brand loyalty; continuously maintains relations with customers through a variety of campaigns and communication activities; and adds value to the brand;
- Pursues an effective strategy in brand management through high-quality after sales services, which also involve an effective call center system and solution and technical solution center practices; and
- As a brand that manufactures new technologies and develops new products, effectively utilizes interactive platforms including the social media as well as the printed-visual media channels, makes use of the innovative and integrated marketing methods.

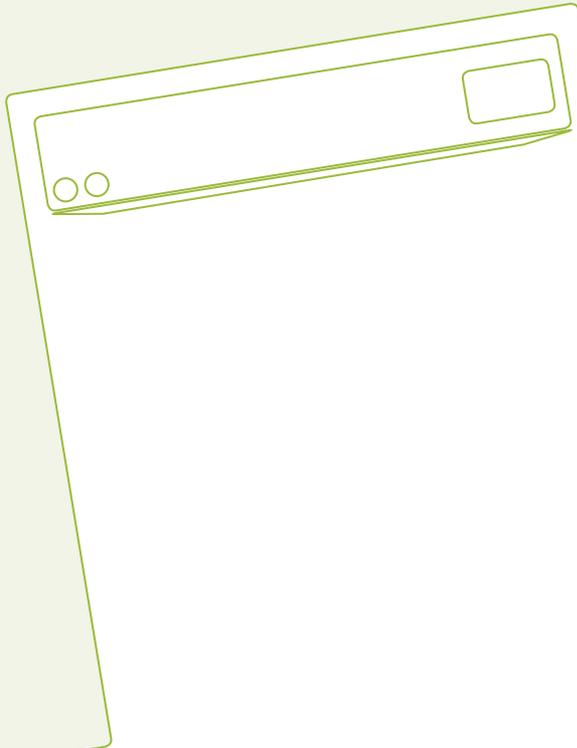
In 2013 Vestel Beyaz Eşya set up its new digital platform entitled "Evin Kalbi" (Heart of the Home) as part of a new marketing and communications strategy, which it has designed under the motto, "The Heart of the home beats in the kitchen", gathering all the kitchen-related products under the same communications roof. "Evin Kalbi", which is also on Facebook and Youtube, brings all topics concerning the kitchen to the social media in a unique and humorous style. This new digital platform, designed by Vestel Beyaz Eşya to reach female consumers in particular and to establish closer, warmer and long-term relations with the audience, contains a wide array of entertaining programs from the web series, such as "Mutfaktakiler" (Things in the Kitchen), which explains the adventures of food in refrigerators and "Cuisine Abla" (Cuisine Sister) who provides cooking tips. In a continuation of this communications strategy, Vestel Beyaz Eşya carried out a new project entitled "Derin Mevzular" (Deep Matters), again by using the digital platform, aimed at explaining the tricks of how to use deep freezer by means of 7 different videos.

'Refrigerators have changed, now change yours' campaign

Within the scope of the new campaign entitled "Refrigerators have changed, now change yours" campaign, Vestel has offered customers the chance to trade in their old refrigerators and buy a new Vestel no-frost refrigerator with a discount of up to TL 400. Vestel's rich portfolio of refrigerators, including glass and inox models bring the latest technologies to consumers and stand out with their design and multi-function compartment system, as well as with their wide range of colors, patterns, models and sizes.

Market-oriented

We are a strong player that leads the market both in Turkey and the world, thanks to our capability to rapidly adapt to constantly changing market dynamics, as well as consumer and technological trends.





Sustainability and Vestel Beyaz Eşya | Vestel Beyaz Eşya's approach to sustainability has been shaped on the basis of creating a better future for people, in order to contribute to the community, the economy and the environment.

5,626 employees

There were a total of 5,626 employees on Vestel Beyaz Eşya's payroll as of the end of 2013.



An innovative and dynamic staff sharing team spirit

Vestel is aware that qualified human resources represent the most important asset in maintaining and improving its technological superiority and leadership in design and in offering high-quality services to customers. To this end, in parallel with the other Group companies, Vestel Beyaz Eşya employs comprehensive HR procedures with respect to the recruitment processes,

all legal and juridical requirements, training processes and needs, as well as satisfying these needs, conducting performance measurements, reflecting performance results to remuneration, conducting career planning and overseeing promotions, resignations and indemnity processes.

Vestel pursues an HR policy which is aimed at ensuring sustainability by honoring its employees. One of the most important targets of this policy

Vestel Beyaz Eşya Main HR Indicators – As of End of 2013

| Number of Employees | Staff | % |
|---------------------|-------|----|
| Total | 5,626 | |
| Female | 1,349 | 37 |
| Male | 4,277 | 63 |

| | |
|-------------------|------------|
| Average seniority | 3.65 years |
|-------------------|------------|

| Breakdown of senior manager by gender | Female | Male |
|---------------------------------------|--------|------|
| Chief Executive Officer | | 1 |
| Deputy CEO | | 6 |
| Mid-Level Managers | 5 | 41 |

| Breakdown of personnel by educational status | Female | Male |
|--|--------------|--------------|
| Doctorate degree | - | - |
| Master's degree | 18 | 32 |
| University graduate | 128 | 405 |
| Vocational high school graduate | 126 | 358 |
| High school graduate | 1,077 | 3,482 |
| Total | 1,349 | 4,277 |

In 2013, an average of **13.15 hours** of training was provided per each senior manager, and an average of **6.83 hours** of training was provided per each other employee at Vestel Beyaz Eşya.



is to ensure that Vestel Beyaz Eşya is a preferred company to work at. In line with this target:

- Vestel Beyaz Eşya pays attention to the needs of its employees in achieving successful business results.
- Vestel Beyaz Eşya observes justice and equality of opportunity among employees by matching their expectations with those of the Company.
- Vestel Beyaz Eşya ensures the development of its employees by continuously conducting training programs.
- Vestel Beyaz Eşya keeps track of, evaluates, encourages and rewards achievements and high performance.
- Vestel Beyaz Eşya performs career planning with vertical and horizontal promotions, and maintains long-term relations with employees.
- Vestel Beyaz Eşya reviews and updates in-house task back-ups for sustainability on a regular basis.
- Vestel Beyaz Eşya is committed to the principle of benefiting from

in-house human resources to meet the Company's needs.

- Vestel Beyaz Eşya keeps track of, evaluates and implements innovations in HR management.

Permanence in training activities

At Vestel, each employee is recognized as an asset, and training programs are designed to improve employees' existing talents and ensure their adaptation to innovation and change by complementing their areas of weakness that are open to improvement. The training activities at Vestel have been configured so as to offer employees a consistent learning opportunity. In this context, qualified and sustainable training activities are provided by Vestel in order to foster a team of employees who contemplate, explore and question and who are creative, entrepreneurial and productive. To this end, the Company provided soft skills training (such as interview techniques, presentation techniques and negotiation skills) and technical training (such as pro-engineering, after-effects, forklift truck driving

and welding) to white- and blue-collar workers during 2013. The training programs conducted at the Technology Academy continued in the areas of electrical, electronic, computer, industrial and mechanical engineering as part of our efforts to raise our employees' awareness regarding the environment and occupational health and safety.

Rewarding human resources processes at Vestel.

Investing in qualified human resources, Vestel Beyaz Eşya contributes to national employment by continuously building up its workforce. The methods applied by the Company in the formation of its HR, which, Vestel Beyaz Eşya considers as one of the most important factors behind its position and success in the sector, were deemed worthy of a number of awards from many organizations.

Vestel Beyaz Eşya HR Education Indicators - 2013

| 6.83 | | Total training time by employee category | | Average training time per employee | |
|-----------------|--|--|--|---|---|
| Senior managers | Other employees (excluding Administrative Personnel) | Total training hours (Senior Managers) | Total training hours (Other Employees) | Average training time per senior managers (hours) | Average training time per other employees (hours) |
| 53 | 5,573 | 697 | 38,066 | 13.15 | 6.83 |

Sustainability

Vestel Technology Academy was developed with a partnership of Vestel Group and Özyeğin University. In 2013, the Company launched its Business Administration Academy MBA Training Program, in addition to its technical training programs.

A total of 32 employees have graduated from the Vestel Technology Academy, which completed its first academic year in 2013. Currently, a total of 159 employees, including 29 employees from Vestel Beyaz Eşya, are continuing education at the Academy.



The awards won by Vestel in 2013 were:

- The "Respect for People" Award at the 12th "Respect for People Awards" for shortening the recruitment processes, by responding to all job applications that it received through kariyer.net, Turkey's leading HR portal
- The "Company Creating the Highest Employment Award" and "Contribution to Female Employment Award" in Manisa (İŞKUR-Turkish Labor Agency)
- The "Winning Award in Education and Development Management Category" (PERYÖN-Turkish Personnel Management Association)
- The "Regular and Highest Social Premium Paying Company and Contribution to Employment Award" in Manisa (Social Security Institution)

Vestel Technology Academy

Vestel Technology Academy was developed by a partnership of Vestel Group and Özyeğin University.

The program aims to enhance the technical knowledge of Vestel engineers and to raise their awareness and knowledge about global developments in technical fields. In addition to the technical training programs, the Company launched the Business Administration Academy in 2013 in order to provide a graduate program in business administration without a thesis to its employees.

Vestel Technology Academy aims to:

- allow employees who have been educated in different fields of engineering to address their areas of weakness, as required by Vestel;
- allow employees to complete their post-graduate degrees in the same areas in which they had received undergraduate education; and
- allow employees, who have graduate degrees to obtain a PhD.

Vestel Management Trainee Program under way.

Vestel launched its MT (Management Trainee) program in order to raise young talented individuals who had recently graduated from university as potential managers for the future. The fourth term of the program, which is conducted with the academic support of the Özyeğin University, was completed in 2013. Within the scope of the MT Program, management trainees who join Vestel after going through a number of phases receive four months of theoretical training starting from their first day at work and two months of internship at Vestel companies before taking up their duties.

The program aims to ensure that young manager candidates who will join the Vestel family understand both Vestel and the sector thoroughly, develop new projects by employing what they had learned in the program in their careers and create value for the Company.

With the “Authorized Service Center Management” program which is implemented in cooperation with the Continuous Education Center (YÜSEM) at Yaşar University, **Vestel launched Turkey’s most comprehensive project in this area, aiming to provide training to 100 authorized service center managers until May 2014.**



Having organized four MT programs, Vestel has offered job opportunities to 105 university graduates as management trainees. However, the training of candidates accepted on the MT program is not limited to this program. By providing employees with post-graduate and doctorate programs, as well as technical and personal development training at the Vestel Technology Academy within the Vestel Education Center located in Manisa, Vestel ensures the continuity of the MT program. A total of 32 employees have graduated from the Vestel Technology Academy, which completed its first academic year in 2013. Currently, a total of 159 employees, including 29 employees from Vestel Beyaz Eşya, are continuing training at the Academy.

Vestel also launched the “Business Administration Academy” program in partnership with Özyeğin University to support the MBA education of its employees. A total of 39 employees have been enrolled in the MBA program as of 2013.

Training campaign for authorized service centers

Vestel launched the Authorized Service Center Management program in order to improve its authorized service center network and to bring its after-sales services to perfection. With the “Authorized Service Center Management” program which is implemented in cooperation with the Continuous Education Center (YÜSEM) at Yaşar University,

Vestel launched Turkey’s most comprehensive project in this area, aiming to provide training to 100 authorized service center managers until May 2014.

Besides aiming for 100% customer satisfaction by increasing the quality of services provided by authorized service centers, the program also aims to set up a management model so that authorized service centers, which are also small enterprises, are able to attain an efficient, effective and sustainable performance. Participants who successfully complete the program will be granted YU (Yaşar University) approved certificates.

Occupational Health and Safety – Another definition of respect for people

Believing that effective and efficient management relies on a positive approach to occupational health and safety, Vestel attaches utmost importance to the assessment and management of the potential impacts of risks in the workplace on employees, subcontractors, visitors, solution partners and other personnel. Vestel continuously trains all of its employees to ensure that they gain the right attitude and habits with respect to quality, environmental awareness, energy efficiency, data security and potential risks related to occupational health and safety.

The framework of Vestel’s occupational health and safety policies is based on the following principles:

- To create a “Safety Culture” throughout the entire Company and ensure that all employees understand and adopt it;
- To avoid any hazards or any harmful conditions that could arise during the course of the Company’s operations and to create a healthier working environment by conducting up-to-date risk analyses based on the principle of “preventing (risks and dangers) before they happen”;
- To establish occupational health and safety together with employees by receiving their views in its continuous training platforms;
- To accept occupational health and safety as the indispensable priority of all employees and an inseparable part of their jobs;
- To create a safe working environment by completely preventing or minimizing fire risks and occupational accidents threatening safety and human health; and
- Based on its “The right work for the employee and the right employee for the work” principle, to eliminate or minimize unsafe situations or acts in the workplace by conducting risk analyses and by applying preventive plans.

Sustainability

Vestel Beyaz Eşya, together with its employees, is committed to maintaining and improving environmental quality by undertaking environmental review activities on all operations, production lines and products within its remit.

Vestel Beyaz Eşya conducts its activities within the framework of the “TS-EN-ISO 14001 / Environmental Management System Certificate” and “ISO 50001 / Energy Management System Certificate” granted by the Turkish Standards Institute (TSE).



Environmentally “Friendly Technology”

Vestel Beyaz Eşya is committed to the development of environmentally and human friendly technology, and the manufacture of products that maximize energy savings.

Vestel Beyaz Eşya has rapidly embraced the shift to energy efficient products, which has been 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. The Company’s R&D investments enable the continuous enrichment of the environmentally friendly product line with products that use less water, detergents, time and raw materials, and which release less waste water, heat and noise into the environment.

Vestel Beyaz Eşya views protecting the environment and raising social responsibility awareness as vital in its own development, and considers innovation perspectives in line with this approach as being essential to achieving sustainable growth.

Vestel Beyaz Eşya conducts its activities within the framework of the “TS-EN-ISO 14001 / Environment Management System Certificate” and “ISO 50001 / Energy Management System Certificate” granted by the Turkish Standards Institute (TSE).

The ISO 50001 Energy Management System

When it comes to protecting the environment, Vestel Beyaz Eşya became the first Turkish company in the sector to obtain the ISO 50001 Energy Management System Certification. The Company successfully passed the certification process thanks to its efforts to protect the environment, reduce greenhouse gas emissions, efficiently use resources and cut energy costs.

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 to ensure 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,
- Identifying energy efficiency improvement areas by regularly conducting internal and external energy efficiency studies,
- Ensuring that all employees play a role in improving the Company’s energy consumption performance,

In 2013, Vestel Beyaz Eşya was granted Turkey's Climate Performance Leaders Award in the Performance Rating, which is awarded to companies that use the Carbon Disclosure Project (CDP) platform to announce their strategies for fighting climate change.



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

Maximum energy efficiency in all products

Continuously revising its energy efficiency targets upwards, Vestel Beyaz Eşya has shifted its entire product line toward energy efficient devices with A+ or higher ratings. Vestel Beyaz Eşya today allocates half of its R&D budget to the development of environmentally friendly products and immediately launches any project deemed environmental friendly by allocating additional funds.

Vestel Beyaz Eşya has cut the power consumption of its products by 50% and their water consumption by 26% over the last five years. Vestel's Twinjet washing machine received the winning award at the Environment Awards held by the Istanbul Chamber of Industry, consuming just 48 liters of water for an 8 kg load of laundry, saving nearly 2,000 liters of water per year. Vestel's Smart Dishwasher Series, which is environmentally friendly, cost-efficient and of A+++ energy

class, consumes just 9 liters of water to clean up to 15 place settings in a single wash, saving about 1,120 liters of water per year.

Vestel Beyaz Eşya awarded Climate Performance Leaders Award

In 2013 Vestel Beyaz Eşya was granted Turkey's Climate Performance Leaders Award in the Performance Rating, which is applied to companies which use the Carbon Disclosure Project (CDP) platform to announce their strategies for tackling climate change.

Having received the award for its efforts aimed at reducing carbon emissions and managing climate-related risks, Vestel Beyaz Eşya designs and develops environmentally friendly and highly efficient products by unwaveringly pursuing its R&D and innovative activities.

Environmentally friendly practices in production stages

Guided by its environmental policy, Vestel Beyaz Eşya has committed itself to a continuous improvement in environmental matters, preventing pollution, and abiding by related regulations and administrative arrangements, along with:

- Taking environmental factors into account when evaluating new products, projects and operations,
- Decreasing the use of hazardous materials during the product design and manufacturing phases, and seeking less polluting materials in accordance with the related European Union Directives (RoHS, Reach, etc.) and local regulations, and accordingly, limiting the use of the six heavy metals (lead, mercury, cadmium, Chromium+6, PBB, PBDE) which are hazardous to the environment and human life,
- Conducting studies to reduce, reuse, recycle and recover wastes,
- Helping to save energy, water and natural resources by increasing efficiency and using new technologies,
- Using recycled packaging material whenever feasible,
- Arranging activities aimed at raising environmental awareness and allocating sufficient and adequate resources to this purpose.

Sustainability

Vestel Beyaz Eşya has worked to achieve sustainability by implementing Total Productive Maintenance (TPM) since 2011.

90% of Vestel Beyaz Eşya's product portfolio is comprised of environmentally friendly products; in addition, the Company's Ecowash and TwinJet washing technologies mark a new era in water, energy and time saving.



Vestel Beyaz Eşya manufactures all its products in accordance with the RoHS Directive, which limits the use of the six heavy metals (lead, mercury, cadmium, Chromium+6, PBB, PBDE) which are hazardous to the environment and human life.

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.

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

90% of Vestel Beyaz Eşya's product portfolio is comprised of environmentally friendly products; in addition, the Company's Ecowash and TwinJet washing technologies represent a new era in water, energy and time saving.

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 is a maintenance management approach which upholds the participation of all employees, introduces autonomous maintenance processes, seeks 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 reducing the incidence of breakdowns and waste with the autonomous maintenance approach,
- Reducing scrap and rework, and thus waste,
- Boosting efficiency and quality, and achieving continuous development.

Vestel Beyaz Eşya's contributions to the community

Vestel Beyaz Eşya aims to carry out its activities with its employees, customers and suppliers based on the principles of integrity and trust and in accordance with the contemporary requirements. Considering social

Vestel has been the wish sponsor of the association titled "Make a Wish" since 2008, believing that promoting emotions such as hope, tolerance and joy plays a major role in the development of the community.



responsibility awareness as one of the essential and unalterable elements of its management approach, Vestel Beyaz Eşya develops and conducts various efforts and projects that are beneficial to society.

Vestel aims to grow by sharing with the community

The principle of creating value for the community and keeping values alive together with the community underpins Vestel's fundamental business strategy. In line with this, Vestel aims to take part in long-term social contribution projects and provide resources and opportunities, particularly to the younger generations in areas which receive limited support. Vestel will continue to develop future oriented social projects which focus on people and the environment and reflect the Company's excellence.

Standing by young artists

Vestel, a "Friendly technology" producer became the Video Art sponsor of the "Mamut" Art Project, which was launched to help independent artists exhibit their skills and enable the early identification of promising artists.

By taking part in the Mamut Art Project - a platform where young artists who are starting out in their careers can exhibit their work in an area of their own - Vestel has proven once again that it stands by young

people who were trained in the arts. As the first exhibition in Turkey to be organized in this area, the Mamut Art Project brought art-lovers together with artists during May 16-19, 2013. A total of 40 artists participated in the project, each exhibiting his/her work on a 10 m² personal area. Within the scope of the project, while young artists were given the chance to exhibit their video works through Vestel screens, visitors were offered the opportunity to experience Vestel's interactive screen technology at the Vestel booth located at the exhibition hall.

Vestel became the technology sponsor of Contemporary Istanbul.

As a featured brand with its advanced technologies and aesthetic product designs, Vestel always considers its support for the visual arts as part of its social responsibility. In this context, one of Vestel's initiatives was to become the technology sponsor of Contemporary Istanbul, Turkey's most comprehensive international modern art exhibition, which was held during November 7-10, 2013.

In the exhibition, a total of 3,000 works of art by 650 artists from 21 countries including Turkey were introduced to art-lovers through nearly 200 Vestel products, including TVs, tablet PCs, laptops, audio systems, headphones, projectors and kiosks.

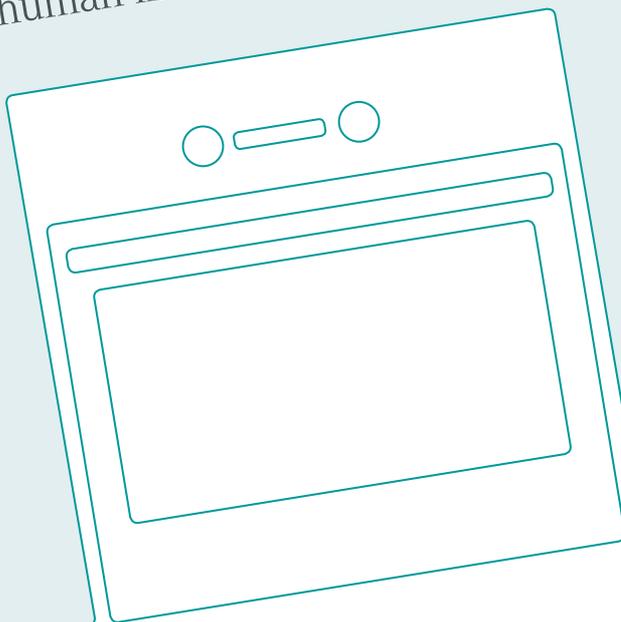
The following works in digital arts were displayed for the first time to art-lovers at the Vestel Lounge in the "Contemporary Istanbul" Fair: SYN-Phon by Candaş Şişman - one of Turkey's most important visual artists; Alfa Omega, Alfa-RuttEtra and Resurrection-RuttEtra by Ozan Türkkan, Colloid by NOHlab and Mentalis Structuram by OUCHHH - a new age independent art company.

Vestel supports the "Make a Wish" Association.

Vestel has been the wish sponsor of the Association titled "Make a Wish" since 2008, believing that promoting emotions such as hope, tolerance and joy plays a major role in the development of the society. The "Make a Wish" Association works to give hope to 3-18 year old children who are suffering from fatal diseases in 36 countries, including Turkey. Vestel provides in-kind and monetary support to this association via the Mehmet Zorlu Foundation that makes the wishes of children who are fighting for their lives come true; each month, the wish of one child comes true through our support.

Oriented towards people and the environment

In a sector which we lead
with our technologies, we
differentiate with our respect
for the environment and
the importance we attach to
human life.





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 Zorlu Holding companies.

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

Studies concern the management of not only financial risks, but also of operational, environmental, technological, and other non-financial risks. 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 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. In addition, the Company is affected by interest rate changes in domestic and international markets since it uses different funding sources to balance the cash flow. The Company also implements various hedging policies to minimize this risk. |
| | 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 which 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 portfolio, 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. |
| | Environment / Health Safety Risks | Production facilities follow policies and procedures, set by the law for compliance with environmental health, stakeholders' safety and health standards and appropriate measures are taken for adverse geographical and climate conditions. Additionally risks related to natural disasters and terrorist events are insured and transferred to insurance companies. |

Internal Audit Department and its Operations

At Vestel Elektronik San. ve Tic. 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, if any, the Audit Committees of 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 it started audit activities in 2012. Additionally, in the last quarter of 2013, Internal Audit Department and Financial and Tax Audit Departments were gathered under the umbrella of Zorlu Holding General Directorate of Audit and Internal Control.

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.

Zorlu Group supports and promotes Zorlu Group Internal Audit Team, consisting of 14 people, in the areas of getting training in order to improve and enhance their existing knowledge, skills and other qualifications, becoming a member of related associations (e.g. The Institute of Internal Auditors, Turkey -TIA) and obtaining international certificates related with their occupation. Internal Audit team includes 3 CIA (Certified Internal Auditor), 1 CPA (Certified Public Accountant), 1 CFE (Certified Fraud Examiners), 1 CISA (Certified Information Systems Auditor) and 7 CRMA (Certification in Risk Management Assurance).

Board of Directors' Resolution

| | |
|------------------------|---|
| RESOLUTION DATE | : 25.02.2014 |
| RESOLUTION NO. | : 2014/4 |
| PARTICIPANTS | : Ahmet Nazif ZORLU Hacı Ahmet KILIÇOĞLU Olgun ZORLU İzzet GÜVENİR Şule CÜMBÜŞ Ali Akın TARI |
| MEETING AGENDA | : Financial Statements of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. for the period ending 31.12.2013 |

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 approve the balance sheet of **VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ** as of 31.12.2013 and the Company's income statement for the period ending on the date, as well as other financial statements and the Board of Directors Annual Report, and to post them on the Public Disclosure Platform.

BOARD OF DIRECTORS



Ahmet Nazif ZORLU
Chairman



Hacı Ahmet KILIÇOĞLU
Vice Chairman



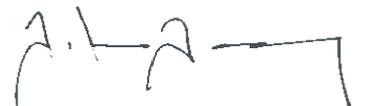
Olgun ZORLU
Board Member



İzzet GÜVENİR
Board Member



Şule CÜMBÜŞ
Board Member



Ali Akın TARI
Board Member

Corporate Governance Principles Compliance Report

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1. Statement of Compliance with Corporate Governance Principles

As per the decision dated 27.01.2014 and numbered 2/35 of the Capital Markets Board (CMB), Vestel Beyaz Eşya San. ve Tic. A.Ş.'s Corporate Governance Principles Compliance Report for 2013 is prepared in compliance with the format announced in the Capital Markets Board's Bulletin dated 01.02.2013 and numbered 2013/4, as stated in the Board's Bulletin numbered 2014/2.

In parallel with the Corporate Governance practices commenced in 2005, corporate governance mechanisms started to be operated at Vestel Beyaz Eşya San. ve Tic. A.Ş. in line with the Principles. Within the scope of these activities, in the initial phase, a series of amendments were made to the Company's Articles of Association in order to offer an equitable, accountable, responsible and transparent structure to the shareholders. These amendments served to grant rights to minority shareholders, which are envisaged by the Corporate Governance Principles though enforced by very few companies, 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, committees were also set up under the Board with the aim of further increasing the effectiveness of corporate governance. In addition, the Company's disclosure policy was put into writing, and presented to the shareholders at the General Assembly Meeting. A website has been developed so as to achieve the maximum, concurrent, accurate and complete public disclosure in line with the Corporate Governance Principles.

Activities undertaken in 2013 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 the legislations of the CMB and Turkish Commercial Code ("TCC") and presented to the approval of the shareholders at the General Assembly Meeting for the year 2012.
- In line with the Corporate Governance Principles, with the Board of Directors' decision dated 15.03.2013, Early Detection of Risk Committee was established and working principles of the Committee were submitted to the information of the shareholders via the Public Disclosure Platform and the Company website.
- Limit of the donations to be made in 2013 pursuant to Article 19 of the Capital Markets Law numbered 6362 was determined; such limit was submitted to the approval of the General Assembly and was approved by the General Assembly.
- "Internal Directive on the Principles and Procedures of Operation of the General Assembly" prepared pursuant to the "Regulation on the Procedures and Principles of General Assembly Meetings of Joint Stock Companies and the Representatives of the Ministry of Customs and Trade who will be Present at These Meetings", as published in the Official Gazette dated 28.11.2012, was posted on the Company's website upon its approval at the Extraordinary General Assembly held on 27.03.2013.
- The Company was given the "CDP Turkey 2013 Climate Performance Leadership" Award by the Turkey Office of the Carbon Disclosure Project, which is considered the most extensive environmental initiative.

Corporate Governance Principles Compliance Report

In the implementation of Corporate Governance Principles, certain principles that do not conform to 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 Article 438 of the Turkish Commercial Code. Since the right has already been defined by legislation, it was not found necessary to further govern it in the Articles of Association.

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 management approach, which is responsible, accountable, transparent and equitable toward its shareholders.

PART I- SHAREHOLDERS

2. Investor Relations Department

- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. carries out its relations with shareholders through Vestel Group of Companies Investor Relations Directorate. Information on the Directorate is provided below:

Department Director : Serap Mutlu

Department Manager : Başak Dalga

Address : Akmerkez 34337 Etiler - Istanbul

Phone : +90 (212) 282 28 10

Email : yatirimci@vestel.com.tr

- The principal activities carried out by the Investor Relations Directorate in 2013 on behalf of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. are summarized below:
- Nearly 10 one-on-one meetings were held with the investors and analysts.
- During the relevant period, more than 60 questions were received via e-mail and about 80 by phone, these questions were answered in detail, at the earliest availability.

3. Shareholders' Exercise of Their Right to Obtain Information

- During the period including the year 2013, shareholders requested information on various matters from the Company. These were responded to via telephone, e-mail or mail, in writing or verbally, as requested by investors. The answers to these inquiries 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.
- All information and documents necessary for the shareholders to duly exercise their right to obtain information were disclosed via the Public Disclosure Platform (PDP) and Vestel Beyaz Eşya San. ve Tic. A.Ş.'s website.

- In order to ensure that the right to obtain information and right of examination, which are among the most important shareholding rights, are easily exercised, in 2011, design of the Investor Relations website was renewed, its contents were expanded, and thereby, it was ensured that domestic and foreign investors gain access to the highest amount of information within the shortest time, simultaneously, accurately, quickly, completely and comprehensibly. All the information required by the CMB's Corporate Governance Principles is published on the said website. Investor Relations Directorate is responsible for updating and monitoring the website.
- 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 Article 438 of the Turkish Commercial Code, it was not found necessary to specifically govern this issue in the Articles of Association. The Company received no requests for the appointment of a special auditor during the relevant period.

4. General Assembly Meetings

- Vestel Beyaz Eşya San. ve Tic. A.Ş. held its Ordinary General Assembly Meeting for 2012 at 02:30 PM on June 5, 2013 at the address of Zorlu Plaza, Avclar, Istanbul.
- Invitation for the meeting including the agenda was made in 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 8318 dated May 13, 2013 and in Dünya newspaper dated May 13, 2013, and also posted on the Public Disclosure Platform, E-General Assembly System of Merkezi Kayıt Kuruluşu A.Ş. as well as on the Company's website at "<http://vesbe.vestelyatirimciliskileri.com>", by announcing the day and agenda of the meeting. In order to facilitate attendance to the General Assembly Meeting, announcements were published in one Turkish newspaper with high circulation and access to any and all information concerning the Ordinary General Assembly, including the meeting invitation, was ensured by being posted on the Company's website.
- Our Company's 2012 financial statements, Annual Report of the Board of Directors, independent external audit report and dividend distribution policy, Articles of Association and general assembly information document, prepared in accordance with the regulations of the Capital Markets Board were kept available for examination by our shareholders at our Company's headquarters and on the Company's website at <http://vesbe.vestelyatirimciliskileri.com>, 3 weeks prior to the date of the General Assembly Meeting.
- Prior to the General Meeting, the shareholders, Capital Markets Board and/or other relevant public agencies and institutions did not demand adding any items to the meeting agenda.
- In accordance with the "Communiqué Regarding the Electronic General Assembly System to be Implemented in the General Assembly Meetings of Joint Stock Companies", published in the Official Gazette dated 29.08.2012 and numbered 28396, shareholders were granted the right to attend and cast vote at the General Assembly through an electronic medium.
- Out of the 190,000,000 shares corresponding to the Company's total share capital of TL 190,000,000.00; 1,010.5 shares representing TL 1,010.5 in capital were present in person, and 162,687,690 shares representing TL 162,687,690 of capital were represented in proxy at the meeting; and, the General Meeting has convened with an attendance ratio of 85.63%.
- The Company's Articles of Association contain no provisions concerning the participation of stakeholders or the media at the General Assembly Meeting. However, participation is possible provided that the Company is informed beforehand. Only shareholders attended the Ordinary General Assembly for 2012 and there was no participation from other stakeholders or media representatives.

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- It was ensured that Board members who were related to the significant agenda items of the General Assembly, other related persons, officers who had responsibility in the preparation of financial statements and auditors were present at the General Assembly Meeting so that they can provide necessary information and answer questions.
- Shareholders were allowed to express their opinions and ask questions under equal conditions at the General Assembly Meeting. All questions coming from shareholders were responded to in detail. Shareholders introduced no motions during the meeting.
- At the General Assembly Meeting, shareholders were informed about donations amounting to a total of TL 47,150.27, made to various educational institutions during the year 2012.
- Pursuant to the Article 19 of the Capital Markets Law numbered 6362, limit of the donations to be made in 2013 was determined and submitted to the approval of the General Assembly.
- Minutes of the General Assembly Meeting are kept available for the examination of shareholders at the Company's headquarters. In addition, any and all announcements, documents and instruments related to the General Assembly Meetings are provided to shareholders and stakeholders on the Company's website.
- Company's Extraordinary General Assembly Meeting was held on 27.03.2013, at 12:30 PM, at the Company's head office located at of Zorlu Plaza Avcılar, Istanbul.
- Invitation for the meeting including the agenda was made in 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 8217 dated March 05, 2013 and in Milliyet newspaper's issue dated March 06, 2013, Dünya newspaper's issue dated March 06, 2013 and also posted on the Public Disclosure Platform, E-General Assembly System of Merkezi Kayıt Kuruluşu A.Ş. as well as on the Company's website at "<http://vesbe.vestelyatirimciiliskileri.com>", by announcing the day and agenda of the meeting. In order to facilitate attendance to the General Assembly Meeting, announcements were published in two Turkish newspapers with high circulation and access to any and all information concerning the Extraordinary General Assembly, including the meeting invitation, was ensured via being posted on the Company's website.
- Out of the 190,000,000 shares corresponding to the Company's total share capital of TL 190,000,000.00; 161,674,689 shares representing TL 161,674,689 were represented at the meeting; out of these shares, 3 shares representing TL 3.00 in capital were present in person, and 161,674,686 shares representing TL 161,674,686 were represented in proxy at the meeting; and the General Meeting has convened with an attendance ratio of 85.09%.
- At the meeting, it was decided to elect Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for the audit of both the accounts and operations of 2013 and to conduct the audit under Capital Market Law and the relevant legislations and the Turkish Commercial Code and the relevant legislations; and to accept the "Internal Directive on the Working Principles and Procedures of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.'s General Assembly", which was announced on the Company's website at <http://vesbe.vestelyatirimciiliskileri.com>, the Public Disclosure Platform and the E-General Assembly System of Merkezi Kayıt Kuruluşu A.Ş. and submitted to the approval of the shareholders.

5. Voting Rights and Minority Rights

- There is no privilege with respect to voting to any group or stakeholder in the Articles of Association of Vestel Beyaz Eşya San. ve Tic. A.Ş.
- The Company does not have any subsidiaries. For this reason, there are no cross-shareholding interests and therefore there was no need to put this subject to vote at the General Assembly Meeting.
- 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 shareholders as a separate agenda item at the General Assembly Meeting. The Dividend Distribution Policy is also disclosed to the public via the Company's website and annual report.
- In accordance with the dividend distribution policy approved at the Board of Directors' meeting held on March 19, 2007 and numbered 2007/8, the Company shall distribute dividends corresponding to a minimum 25% of its distributable profit, in 2007 and in the subsequent years, in cash or in the form of bonus shares to its shareholders, in accordance with the provisions of its Articles of Association. The amount of dividends to be distributed shall be proposed by the Board of Directors each year at the Ordinary General Assembly Meeting depending on domestic and global economic conditions and the Company's growth plan.
- Since no dividend will be distributed due to the net loss reported in the 2012 financial statements prepared in accordance with the Capital Markets Law, the Board of Directors' decision dated 10.05.2013 and numbered 2013/5 concerning the provision of information on the net loss at the Ordinary General Assembly Meeting for 2012, was read and information was provided to the General Assembly.

7. Transfer of Shares

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

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's Corporate Governance Principles. In 2010, the policy was revised and approved by the Board of Directors. The revised disclosure policy was submitted to the information of shareholders and participants at the 2009 Ordinary General Assembly held on May 26, 2010. The Company's disclosure policy has also been publicly disclosed on the corporate website.

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- 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 for 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 forward looking information;
 - Prohibited disclosure/silent period;
 - The website;
 - Following up on news, rumors, and speculations;
 - Criteria used in the designation of individuals with administrative responsibility;
 - Confidentiality protection procedure for insider information.
- 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 the Corporate Governance Committee, Audit Committee and Board of Directors.

9. 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 ensuring clear, accessible and equitable public disclosure to shareholders, stakeholders and the public at large. The information posted on the website is constantly updated.
- Corporate website contains all the required matters stipulated in the CMB's Corporate Governance Principles.
- Website is also prepared in English in order to provide information to international investors.
- The Company's website may be reached at "www.vestel.com.tr". Furthermore, pursuant to the "Regulation on Websites to be Launched by the Joint Stock Companies" and the 1st paragraph of the Article 1524 of the TCC, in accordance with the principles and procedures regarding the launching of a website, allocation of a section of this website to publishing the announcements that are required to be made by the company under the law and information society services, our Company procures Central Database Service Provider support services from Merkezi Kayıt Kuruluşu A.Ş. (CRA) and announcements that are required to be made by the Company by law is accessible through e-Company Information Portal of the CRA.

10. Annual Report

- The annual report contains the material information stipulated in the CMB's Corporate Governance Principles. Moreover, Board of Directors' Annual Report was prepared in accordance with the provisions of the "Regulation Regarding the Determination of the Minimum Contents of the Companies' Annual Reports", published in the Official Gazette dated 28.8.2012 and numbered 28395.

PART III - STAKEHOLDERS

11. Informing of Stakeholders

- Stakeholders for the Company can be classified as employees, suppliers, finance institutions 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 inter-departmental meetings and periodic meetings for the employees are held.
- The Company's domestic and foreign sales are carried out by Vestel Ticaret A.Ş., one of Vestel Group of Companies. Vestel Beyaz Eşya pays customer visits together 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 meet customer expectations and to maximize the level of quality. At certain periods, the Company conducts customer satisfaction surveys.
- The stakeholders can report Company's transactions violating legislation or not compliant with ethical rules to the Corporate Governance Committee, Audit Committee or the Investor Relations Department by accessing them via phone and/or e-mail.

12. Participation of Stakeholders in Management

- No model has been developed at the Company to include stakeholders in the Company's management. However, the two independent members on the Board safeguard 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 Vestel Group's Executive Committee.
- In important decisions with regard to the stakeholders, senior executives representing the stakeholders are invited to the Board meetings to express their opinions.

13. Human Resources Policy

- Human resources activities are carried out 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.

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- The Company's Human Resources Policy is put down in writing and covers all the issues related to hiring, promotion, dismissal, compensation, career planning, performance evaluation system, reflection of performance results to remuneration, and training policies. The employees have been informed of their job definitions and division of tasks, as well as the performance and compensation criteria through the Human Resources Policy.
- The Human Resources Policy addresses the following matters:
- Criteria for hiring, promotion and dismissal are put down in writing. Details regarding hiring criteria are spelled out in the recruitment regulation, and those on promotion in the promotion regulation.
- Vestel Group has in place a performance appraisal system for the Group employees, which is based on individual performance as well as linked to the performance of the department and the Company, and which aims to contribute to the employees' personal development and the Company'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 which helped to identify the grading structure of the employees. A remuneration policy was determined in line with this structure, and a wage system has been established which is adjusted in accordance with the evolving market conditions.
- Employees are offered comprehensive training programs. The training process is managed 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 engineering staff of the Vestel Group. The Academy provides graduate education opportunity to nearly 200 employees with its masters and PhD programs. 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 purpose of providing periodic information to employees. Each unit holds internal meetings at certain intervals. These meetings are production meetings (every morning at the factories), department meetings (each Monday), happy hour gatherings (on Fridays), quality management meetings (bi-monthly), 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 put down in writing and posted on the corporate website within the framework of the Public Disclosure Policy. Utmost care is taken to ensure that the Code of Ethics, which is formulated for the Company, the Board Members, and the employees is complied with in full.

- Within the scope of its social responsibility, Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. takes part in the social responsibility projects 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, took a major step in elevating its principles and values espoused since its foundation to global social responsibility dimension, by signing the United Nations Global Compact in 2007.
- Vestel Beyaz Eşya fulfills its obligations as a responsible corporate citizen by reducing the environmental impact arising from its activities, and by manufacturing products that are compatible with the environment. 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, it limited the use of the six heavy metals (lead, mercury, cadmium, chrome+6, PBB, PBDE) which are hazardous to the environment and human life in its products. To ensure that the Turkish people live in healthier environments, Vestel Beyaz Eşya bore the costs resulting from this compliance and started supplying products to the domestic market that conform to the RoHS Directive even before this regulation went into effect in our country.
- Parallel to its RoHS efforts, the Company also carries out works in relation to WEEE (Waste of Electrical and Electronic Equipment Directive). 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, Vestel Beyaz Eşya San. ve Tic. A.Ş. 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 San. ve Tic. A.Ş. 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 search for less contaminant materials;
 - Undertake activities for waste reduction, reuse, recycling and recovery;
 - Ensure savings of energy, water and natural resources by encouraging higher 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, with a view to contributing to the effective use of natural resources and electricity, priority is given to the manufacture of A and A+ energy class products at Vestel plants, and research and development activities mainly focus on products that consume less electricity, water, detergent, and gas.

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- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.'s Energy Management System which was founded in 2011, was certified in 2012. Under the Energy Management System, the Company is committed to:
 - Using energy efficient and eco-friendly technologies for continuously improving its 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 energy sources,
 - 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. In 2013, 7,286 people received trainings on environment and energy.
 2. Distributes booklets on environment and energy to all employees.
 3. Designs bi-monthly environmental awareness brochures which are placed on panels which employees can see and on panels behind the bathroom 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 50 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 the Ministry of Environment and Urbanization, Marmara University and TÜBİTAK.
 - An Environment Commission, in which Environmental Management Officer represents the Company, continues its environmental activities.

Our Company was awarded with the "Cleanest Industrial Facility 1st Prize" and the "Environment Certificate" at the "Clean Turkey 2013" Competition held by the Ministry of Environment and Urbanization thanks to our products and our environmentally friendly production approach as an Eco-Friendly Technology.

Scope of this award includes waste management (hazardous and non-hazardous waste), carbon footprints, water and waste water management, environment and energy trainings, environmental social responsibility projects, stack gas emission measurements, environmental noise measurements, etc., ministry reporting, environmental impact evaluation reporting, energy efficiency works, environmental practices within the scope of TPM, ISO 14001 (Environment Management System), ISO 50001 (Energy Management System), environmental impact analysis throughout the production facility, environmental sustainability and MOIZ environment commission activities.

- Climate change is not only an ecological but also a social and economic threat. Vestel Beyaz Eşya San. ve Tic. A.Ş. 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 its carbon footprint and joined the Carbon Disclosure Project, which has been initiated to encourage companies, investors and governments to gather and share information, which could help the fight against the climate change threat. The Company aims 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. With its project report explaining its environmental and energy management processes and how it has integrated climate change into its business strategies and processes, Vestel Beyaz Eşya San. ve Tic. A.Ş. was rewarded with the "CDP Turkey 2013 Climate Performance Leadership" Award by the Turkey Office of Carbon Disclosure Project (CDP), which is considered the most extensive environmental initiative focusing on climate change.
- Vestel Beyaz Eşya San. ve Tic. A.Ş. achieves sustainability by successfully applying the Total Productive Maintenance (TPM) 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 corrective 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 reduced pollution,
 - Achieving improvements through the Kaizen philosophy,
 - Savings in energy and raw materials, and reduced breakdowns and waste with the Autonomous Maintenance approach,
 - Decreasing scrap and rework and thus waste,
 - Efficiency and quality improvements - continuous development.
- Vestel Beyaz Eşya San. ve Tic. A.Ş.'s Puzzle Refrigerator was granted the Energy Efficient Product Award at the MOIZ Energy Efficiency Competition, which is one of the contingent results of the Company's large-scale investments in eco-friendly products.
- Vestel Beyaz Eşya San. ve Tic. A.Ş.'s policy in relation to occupational health and safety is as follows:

The Company:

- Meets its legal obligations and administrative conditions toward employees and complies with the rules of the organizations to which it is a member,
- Achieves continuous improvement through incorporation of international standards, new technologies and employees' recommendations in its practices,

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- Devises and implements plans that will prevent potential occupational accidents and diseases by undertaking occupational health and safety risk analysis,
 - Offers continuous training to employees to help them adopt the correct behavioral habits with regard to potential health and safety risks,
 - Reviews the policy according to changing conditions so as to eliminate or minimize unsafe situations and unsafe acts at workplaces with a view to prevent or reduce occupational accidents; to regularly review working conditions and to take necessary actions with regard to problematic areas; and to secure funds for such actions,
 - Adopts the principle of “the right work for the employee and the right employee for 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 on this front with its future-oriented and eco-friendly product communications.
 - Vestel makes a point of ensuring that its social responsibility activities make concrete and sustainable contributions to the society, and accordingly, chooses to support long-term rather than short lived projects. 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 all the social responsibility projects it supports or organizes directly, Vestel never compromises its total quality approach and demonstrates the same performance and meticulousness that its displays in its operations.
 - Vestel has assumed the technology sponsorship of Contemporary Istanbul, held during November 7-10, 2013 which is the most extensive international contemporary arts fair in Turkey. In the fair, which was held for the 8th time this year, works of the world’s and Turkey’s leading artists have been exhibited by Vestel technology. At the fair, Vestel has supported art with its nearly 200 products, which ranged from televisions to tablets, laptops to sound systems and head phones, projectors to kiosks. Vestel has also brought together Candaş Şişman and Ozan Türkkkan, who are among the most famous digital artists in Turkey and NOHlab and OUCHHH, who are among the leading artist groups, for the first time at Contemporary Istanbul.
 - Vestel has assumed the Video Art sponsorship of Mamut Art Project, which is established to enable independent artists to exhibit their works and for the early discovery of promising artists. Young artists exhibited their video works through Vestel screens. Furthermore, visitors experienced Vestel’s interactive screen technologies at the Vestel booth that was set up at the exhibition area. Being the first exhibition held in Turkey in this arena, during May 16-19, 2013, Mamut Art Project has brought together art lovers with 40 artists who were provided approximately 10 meter square of personal area to exhibit their works.
 - Vestel was the main sponsor of the IFCA (International Funboard Class Association) Children, Teenagers and Adults World Championship, organized during July 1 - 6, 2013 in İzmir Alaçatı. Nearly 150 people, majority of whom were from abroad, participated in the competitions held in 3 different categories; namely, Children, Teenagers and Adults. The Championship brought together many sportsmen from various countries, including France, Greece, Italy, Portugal and Holland.

PART IV: THE BOARD OF DIRECTORS

15. Structure and Composition of the Board of Directors

| Member | Duty | Term of Office | Type of Membership |
|----------------------|---------------|----------------|----------------------|
| Ahmet Nazif Zorlu | Chairman | 1 year | Non-executive member |
| Hacı Ahmet Kılıçoğlu | 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 Tari | Board Member | 1 year | Independent member |

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.

Hacı Ahmet Kılıçoğlu - Vice Chairman

(1956 - Giresun) Hacı Ahmet Kılıçoğlu graduated with a Bachelor's degree and Master's degree in Economics from the University of Essex. He started his professional career in 1979 at the Ministry of Industry and Technology. In 1980 he became an Assistant Specialist at Türkiye İş Bankası, and after working in the private sector for a couple of years, Mr. Kılıçoğlu assumed administrative positions at the United Nations Development Program (UNDP) and the F-16 project. He then took office at Türk Eximbank where he worked in various positions. He later served as the CEO of the bank and as a Board Member between 1998 and 2010. He has been serving as a Board Member at the Turkish Banks Association for 12 years and was also elected as the President of the World EximBanks Union (The Berne Union). He also served as Consultant to the President at the Islamic Development Bank and Vice Chairman at Denizbank. Having been appointed as Board Member at Zorlu Enerji Elektrik Üretim A.Ş. in 2013, Mr. Kılıçoğlu also serves as Board Member at Vestel Elektronik, Vestel Beyaz Eşya and Doğan Yayın Holding in addition to his Vice Presidency position 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 as 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.

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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 Anadolu Kredi Kartları A.Ş. In 2003, she was appointed as 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 as 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) Ali Akın Tarı graduated from Istanbul Law Faculty before starting his career as a Tax Inspector in 1972 at the Ministry of Finance, where he went on to serve as Chief Tax Inspector, Vice-President of the Tax Inspectors Board and Group Head of the Istanbul Tax Inspectors Board. He was appointed as a Board Member of the Banking Regulation and Supervision Agency in 2001 and also elected as a Board Member of the Saving Deposits Insurance Fund in the same year. He left the Banking Regulation and Supervision Agency when his period of duty expired in 2004, and was appointed as a Consultant for the Ministry of Finance. Mr. Tarı became a member of the Board of Directors and the Audit Committee of Dilerbank in 2008 and has continued to serve as a member of the Board of Directors of Dilerbank since 2011.

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 as the Chairman 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 as 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 Chairman of the Executive Committee is Enis Turan Erdoğan.
- Prior to the Ordinary General Assembly for 2012, two independent board member candidates were presented to the Nomination Committee. The Committee's report dated May 09, 2013 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 10, 2013 and numbered 2013/18, it was decided that the candidates' names would be submitted to the approval of the shareholders at the General Assembly Meeting, to be elected as independent Board Members.

Declarations of independence of the candidates are provided hereinbelow:

"I hereby accept, undertake and declare that I have read and understood the Capital Markets Board's Corporate Governance Principles contained in the Capital Market Legislation, Company's Articles of Association and the CMB's Communiqué Serial: IV, No: 56 on the Determination and Implementation of Corporate Governance Principles, as amended by the CMB's Communiqué Serial: IV, No: 57, and that, in accordance with the relevant legislation, I meet all of the criteria for Independent Board Membership, as listed exhaustively in the Article 4.3.7 of the Capital Markets Board's Corporate Governance Principles."

- Board Members Hacı Ahmet Kılıçoğlu and Ali Akın 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 Board 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 at the Company's head office, as and when deemed necessary, and at least once a month. In 2013, the Board approved 39 decisions and the attendance rate for these meetings reached 88%. In order to increase attendance at the 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 plan their schedules according to the meeting dates. Also to increase attendance at the 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 Board meetings are made by mail, fax, and e-mail. In line with the Corporate Governance Principles, a secretariat has been set up within the Company that reports to the Board of Directors. This secretariat notifies Board Members of the 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 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 the 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 the CMB regulations. Transactions exceeding this threshold were duly approved by the Board.
- During the accounting period ending on December 31, 2013, 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 the Article 1.3.10 of the Corporate Governance Principles.

Corporate Governance Principles Compliance Report

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, Early Detection of Risk Committee and Audit Committee in line with the Capital Markets Board's Corporate Governance Principles. The duties, authorities and responsibilities normally assigned to the Nomination Committee and Remuneration Committee carried out by the Corporate Governance Committee.
- Independent board members Ali Akın Tari and Hacı Ahmet Kılıçoğlu take part in more than one committee due to the number of the Board Members and the requirements of the committee structures under the CMB's Corporate Governance Principles.

Audit Committee

- The Audit Committee was set up pursuant to Article 3 of the CMB's Communiqué Serial X, No. 19 and is responsible for the effective oversight of all financial and operational activities. The objective of the Audit Committee, which reports to the Board of Directors, is to oversee 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 Serial IV, No. 56, 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 the Capital Markets Board's 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 the independent members. The Head of the Committee is Ali Akın Tari, and the other member is Hacı Ahmet Kılıçoğlu.
- In principle, the Audit Committee shall meet at least four times a year, being once in each quarter.
- The management secretariat is responsible for keeping records of the decisions made by the Committee, as well as the minutes of the meetings.
- The Committee carries out its activities in line with the working principles put into writing in detail.

Activities undertaken by the Audit Committee in 2013 are as follows:

- Monitoring of the Company's financial and operational activities,
- Monitoring of the existing and potential risks,
- Supervision and approval of the accuracy of the financial statements, their compliance with the laws and transparency,
- Following up of the effectiveness and performance of the independent audit activity,
- Supervision of the internal audit function and its effectiveness,
- Holding meetings with independent auditors,

- Monitoring the efficiency and adequacy of the internal control system,
- Evaluation of the findings obtained on the internal control system and reporting these to the Board of Directors,
- Review and approval of the 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 Corporate Governance Principles, to make proposals to the Board of Directors and to carry out improvements orks in this area.
- Within the scope of the CMB's Communiqué Serial IV, No. 56, on the "Determination and Implementation of the Corporate Governance Principles", the "Corporate Governance 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 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 Akin Tari, an independent member, and the other member is Olgun Zorlu.
- In principle, the Corporate Governance Committee meets at least three times a year.
- The activities carried out by the Committee in 2013, in line with its working principles put into writing in detail, are presented below:
 - Undertaking compliance and improvement activities within the scope of the CMB's Communiqué on the Determination and Implementation of the Corporate Governance Principles,
 - Revision of the Committee's working principles in line with the CMB's Communiqué on the Determination and Implementation of the Corporate Governance Principles,
 - Reviewing the activities of the Investors Relations Department and presenting recommendations in this context.
 - Determination and assessment of the Board Member candidates,
 - Making recommendations pertaining to the structure and effectiveness of the Board of Directors,
 - Evaluation of the performances of the Board Members and senior executives.

Early Detection of Risk Committee

- Pursuant to the Turkish Commercial Code, the Company's Articles of Association and the CMB's Corporate Governance Principles, the Early Detection of Risk Committee was established by the Board of Directors' decision dated 15.03.2013 with the aim of detecting the risks, which could jeopardize the existence, development and continuity of the Company and adopting necessary measures to counter and manage these risks.
- Working principles of the Committee were submitted to the information of the shareholders through the Public Disclosure Platform and the Company's website.
- Early Detection of Risk Committee consists of at least two members of the Board of Directors. If the Committee is composed of two members, both members, if it is composed of more than two members, then the majority of these members are elected from amongst the non-executive members of the Board. Hacı Ahmet Kılıçoğlu, who is elected from amongst the independent members is the Head of the Committee. The other member of the Committee is Şule Cümbüş.

Corporate Governance Principles Compliance Report

- In 2013, Early Detection of Risk Committee has convened three times and submitted the required risk reports to the Board of Directors.
- The activities carried out by the Committee in 2013, in line with the working principles put into writing in detail, are presented below:
 - Process-based risk inventory is prepared and opinions and evaluations of risk owners are obtained.
 - As a result of the risk inventory and risk management researches, risk reports were prepared and submitted to the Committee in order to ensure early detection of risks that may jeopardize the Company's existence, development and continuity, adoption of necessary measures regarding the detected risks and management of risk.
 - Sector and company based risks contained in the risk reports were grouped under 9 main risk headings (External Environment, Operational, Authorization, Information Technology and Technology, Honesty/Integrity, Financial, Process/Operational, Reporting and Strategic) according to COSO (The Committee of Sponsoring Organisations of the Treadway Commission) risk taxonomy.
 - Risks are evaluated in two different ways, namely, with (residual risk) and without (natural risk) taking into account the efficiency performance of the existing control and precaution activities.
 - Natural and residual risks contained in risk reports are evaluated on a 4-tier scale (Acceptable, Acceptable with Control, Undesired, Unacceptable).
 - As a result of these assessments, it was observed that risks were generally gathered under the main headings of External Environment, Operational, Financial and Strategic.
 - Risks, which could be digitalized under the SAP GRC (Governance, Risk and Compliance) System, were started to being monitored by being identified as CRIs (Critical Risk Indicators).

18. Risk Management and Internal Control Mechanism

- For the purpose of early detection of risks, which may jeopardize the existence, development and continuity of the Company, adoption of necessary measures to counter the detected risks and management of risk, a Risk Management Department was created within Zorlu Holding. Company's Board of Directors has granted authority and responsibility to the Corporate Risk Management Department to identify the Company's existing and potential risks and to determine the policies concerning such risks.
- The Company's internal control systems are evaluated with a risk-focused approach, by taking into account the risks which are identified through risk management analyses and/or during the internal audit activities and by considering risk-reducing actions. The risk management system identifies the risks concerning 9 main headings determined based on the COSO risk taxonomy, measures risks periodically and determines their level, monitors these risk levels through the SAP GRC System, 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, approvals are given at certain levels and reports are provided to the Board of Directors for the adoption of the necessary measures.

19. Company's Strategic Targets

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

Mission: Conquering the world with our technological products

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

- The Board of Directors approves the strategic targets set 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. Actions towards the approved targets are taken as soon as possible. The degree of target achievement is measured according to actual results, in the financial reporting periods and at the end of the year.
- Board of Directors holds an assessment meeting, at least once a year, in order to review the Company's degree of attaining its targets as well as of its 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 put down in writing, approved at the Board of Directors' meeting dated May 18, 2012 and disclosed to shareholders via the corporate website.
- Attendance fees to be received by the members of the Board are determined every year at the General Assembly Meeting. This fee is determined according to the Board Member's status (whether independent or executive), responsibilities, seniority, know-how, skills and experience.
- Vestel Beyaz Eşya San. ve Tic. A.Ş.'s Board Members were paid a total gross sum of TL 90,000.00 as an attendance fee in 2013, commensurate with the practices of the peer companies in the sector. The amounts for 2014 will be determined at the 2013 Ordinary General Assembly Meeting. No other benefits are provided to the Board members.
- There is no performance measurement or rewarding scheme based on performance 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. In addition, senior executives may be entitled to bonus payments at year-end, in line with the Company's financial performance and their respective contribution to this performance. The amounts of such bonus payments are determined by the Board of Directors. The "Senior Executive Remuneration Policy" is determined in accordance with the size of the Company's production and sales activities; the extensiveness of its operations; existence of international operations; the number of employees, subsidiaries and their weight in total operations; the level of knowledge required to maintain operations; the characteristics of the sector; the competitive environment; and the level of salaries paid at peer companies.
- The financial benefits provided to the Company's Chairman, Board Members, general manager, general coordinators and assistant general managers are disclosed 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, 2013 were TL 3,493 thousand (01.01-31.12.2012: TL 2,308 thousand).

Dividend Distribution Proposal

| | |
|------------------------|---|
| RESOLUTION DATE | : 26.03.2014 |
| RESOLUTION NO. | : 2014/11 |
| PARTICI PANTS | : Ahmet Nazif ZORLU Hacı Ahmet KILIÇOĞLU Olgun ZORLU İzzet GÜVENİR Şule CÜMBÜŞ Ali Akın TARI |
| PARTICI PANTS | : Dividend Distribution Proposal |

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 approve to propose to the General Assembly the distribution of TL24,809,266 cash dividends out of 2013 earnings which corresponds to a gross TL 0.130575 (net: TL 0.110989) dividend per share.

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

Conclusion of the Affiliation Report

In accordance with the Turkish Commercial Code (TCC) provisions, our Company is an affiliated Company of Zorlu Holding A.Ş. Group of Companies for the operating year 2013. Pursuant to the Article 199 of TCC, Board of Directors of our Company gave the following declaration regarding the Affiliation Report it prepared on its relations with the controlling company or an affiliated company of the controlling company.

During the 2013 activity year, our Company did not enter into any legal transaction on behalf of the controlling company or its affiliates and did not take or avoid any measures to benefit the controlling company or its affiliates under Zorlu Holding A.Ş.'s direction.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Convenience Translation into English of Financial Statements for the Period 1 January - 31 December 2013 Together with Independent Auditor's Report

Independent Auditor's Report



To the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

1. We have audited the accompanying statement of financial position of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi ("the Company") as at 31 December 2013, and the statement of profit or loss, statement of other comprehensive income, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

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

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 standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that we comply with ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with Turkish Accounting Standards (note 2).

Independent Auditor's Report

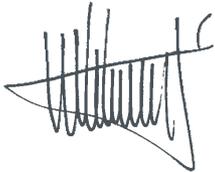
Other matter

5. The financial statements of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi as at and for the year ended 31 December 2012 were audited by other audit firm whose report, dated 8 March 2013, expressed an unqualified opinion on those statements.

Reports on independent auditor's responsibilities arising from other regulatory requirements

6. In accordance with Article 402 of Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January-31 December 2013 is not in compliance with the code and the provisions of the Company's articles of association in relation to financial reporting.
7. Pursuant to Article 378 of Turkish Commercial Code No. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and managing the related risks. According to subparagraph 4 of Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet, therefore no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on 15 March 2013, and the committee is comprised of 2 members. The committee has met three times since the formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the Company and its development, applying the necessary measures and remedies in this regard and managing the risks, and has submitted the relevant reports to the Board of Directors.

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of PricewaterhouseCoopers



Mehmet Karakurt, SMMM
Partner

İstanbul, 25 February 2014

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
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Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Balance Sheets as of 31 December 2013 and 31 December 2012

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

| | Notes | Audited 31 December 2013 | Audited 31 December 2012 |
|---------------------------------|-------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 18.576 | 27.218 |
| Trade receivables | | 539.936 | 635.609 |
| Related parties | 6 | 527.940 | 622.071 |
| Other parties | 7 | 11.996 | 13.538 |
| Other receivables | | 63.472 | 49.916 |
| Other parties | 8 | 63.472 | 49.916 |
| Inventories | 9 | 324.125 | 221.283 |
| Prepaid expenses | 10 | 15.855 | 17.743 |
| Current income tax assets | | 511 | 2.997 |
| Other current assets | 18 | 693 | - |
| Total current assets | | 963.168 | 954.766 |
| Non-current assets | | | |
| Prepaid expenses | 10 | 1.901 | 3.397 |
| Property, plant and equipment | 11 | 329.512 | 308.563 |
| Intangible assets | | 58.342 | 48.501 |
| Other intangible assets | 12 | 58.342 | 48.501 |
| Total non-current assets | | 389.755 | 360.461 |
| TOTAL ASSETS | | 1.352.923 | 1.315.227 |

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Balance Sheets as of 31 December 2013 and 31 December 2012

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

| | Notes | Audited 31 December 2013 | Audited 31 December 2012 |
|---|-------|-----------------------------|-----------------------------|
| LIABILITIES | | | |
| Current liabilities | | | |
| Short term financial liabilities | 5 | 79.906 | 287.817 |
| Trade payables | | 452.117 | 413.006 |
| Related parties | 6 | 19.235 | 7.587 |
| Other parties | 7 | 432.882 | 405.419 |
| Liabilities for employee benefits | 16 | 13.043 | 6.313 |
| Derivative financial instruments | 27 | 6.911 | 8.673 |
| Short term provisions | | 366 | 928 |
| Other provisions | 14 | 366 | 928 |
| Other current liabilities | 18 | 3.987 | 3.402 |
| Total current liabilities | | 556.330 | 720.139 |
| Non-current liabilities | | | |
| Long term financial liabilities | 5 | 212.118 | 87.698 |
| Trade payables | | 20.381 | - |
| Other parties | 7 | 20.381 | - |
| Long term provisions | | 12.434 | 12.607 |
| Provision for employee termination benefits | 16 | 12.434 | 12.607 |
| Derivative financial instruments | 27 | 9.021 | - |
| Deferred tax liability | 25 | 1.835 | 3.527 |
| Total non-current liabilities | | 255.789 | 103.832 |
| TOTAL LIABILITIES | | 812.119 | 823.971 |

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Balance Sheets as of 31 December 2013 and 31 December 2012

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

| | Notes | Audited 31 December 2013 | Audited 31 December 2012 |
|---|-------|-----------------------------|-----------------------------|
| EQUITY | | | |
| Paid in capital | 19 | 190.000 | 190.000 |
| Adjustments to share capital | 19 | 9.734 | 9.734 |
| Share premium | 19 | 109.031 | 109.031 |
| Other comprehensive income/expense not to be reclassified to profit or loss | | (192) | (947) |
| Revaluation gain/loss | | (192) | (947) |
| - Actuarial gain/loss arising from defined benefit plans | 24 | (192) | (947) |
| Other comprehensive income/expense to be reclassified to profit or loss | | (3.896) | - |
| Cash flow hedges | 24 | (3.896) | - |
| Restricted reserves | 19 | 38.886 | 38.886 |
| Accumulated deficit | 19 | 144.552 | 162.096 |
| Net loss for the period | | 52.689 | (17.544) |
| Total equity | | 540.804 | 491.256 |
| TOTAL LIABILITIES AND EQUITY | | 1.352.923 | 1.315.227 |

Financial statements for the period 1 January - 31 December 2013 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 25 February 2014.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Statements of Comprehensive Income For the Periods 1 January - 31 December 2013 and 2012

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

| | Notes | Audited 1 January - 31 December 2013 | Audited 1 January - 31 December 2012 |
|--|-------|---|---|
| Continuing operations | | | |
| Revenue | 20 | 2.028.695 | 1.883.377 |
| Cost of sales | | (1.850.236) | (1.830.965) |
| Gross profit | | 178.459 | 52.412 |
| Marketing, selling and distribution expenses | 21 | (36.617) | (32.874) |
| General administrative expenses | 21 | (32.733) | (25.100) |
| Research and development expenses | 21 | (24.958) | (20.663) |
| Other operating income | 22 | 112.148 | 65.496 |
| Other operating expense | 22 | (68.875) | (68.146) |
| Operating profit / (loss) | | 127.424 | (28.875) |
| Financial income | 23 | 73.507 | 128.788 |
| Financial expense | 23 | (147.480) | (117.418) |
| (Loss) / profit before tax | | 53.451 | (17.505) |
| Tax (expense) / benefit | | | |
| Current tax expense | 25 | (1.669) | - |
| Deferred tax benefit | 25 | 907 | (39) |
| Net (loss) / income for the period | | 52.689 | (17.544) |
| (Loss) / earnings per 100 shares with a Kr 1 of face value (TL) | 26 | 0,28 | (0,09) |
| Other comprehensive income / (loss) | | | |
| Items not to be reclassified to profit or loss | | 755 | (947) |
| Actuarial loss arising from defined benefit plans | | 944 | (1.184) |
| Tax effect of other comprehensive income not to be reclassified to profit or loss | | (189) | 237 |
| Deferred tax income / loss | | (189) | 237 |
| Items to be reclassified to profit or loss | | (3.896) | - |
| Cash flow hedges | | (4.870) | - |
| Tax effect of other comprehensive income/ expense to be reclassified to profit or loss | | 974 | - |
| Deferred tax income / loss | | 974 | - |
| Other comprehensive loss | | (3.141) | (947) |
| Total comprehensive (loss) / income | | 49.548 | (18.491) |

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Statements of Changes in Shareholders' Equity For the Periods 1 January - 31 December 2013 and 2012

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

| | Paid in capital | Adjustments to share capital | Share premium | Other Comprehensive income /(loss) not to be reclassified to profit or loss |
|--|-----------------|------------------------------|----------------|---|
| | | | | Actuarial loss on employee benefits |
| Balances at 1 January 2012 | 190.000 | 9.734 | 109.031 | - |
| Transfer to accumulated deficit | - | - | - | - |
| Transfer to restricted reserves | - | - | - | - |
| Total comprehensive income | - | - | - | - |
| Balances at 31 December 2012 | 190.000 | 9.734 | 109.031 | - |
| Balances at 1 January 2013 | 190.000 | 9.734 | 109.031 | - |
| Impact of amendment in IAS 19 (note 2.4) | - | - | - | (947) |
| | 190.000 | 9.734 | 109.031 | (947) |
| Transfer to accumulated deficit | - | - | - | - |
| Total comprehensive income | - | - | - | 755 |
| Balances at 31 December 2013 | 190.000 | 9.734 | 109.031 | (192) |

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

| Other Comprehensive income /(loss) to be reclassified to profit or loss | Accumulated deficit / Retained Earnings | | | | Total equity |
|---|---|---------------------|---------------------|-------------------------|--------------|
| | Cash flow hedges | Restricted reserves | Accumulated deficit | Net loss for the period | |
| - | 37.921 | 142.916 | 20.145 | 509.747 | |
| - | - | 20.145 | (20.145) | - | |
| - | 965 | (965) | - | - | |
| - | - | - | (17.544) | (17.544) | |
| - | 38.886 | 162.096 | (17.544) | 492.203 | |
| - | 38.886 | 162.096 | (18.491) | 491.256 | |
| - | - | - | 947 | - | |
| - | 38.886 | 162.096 | (17.544) | 491.256 | |
| - | - | (17.544) | 17.544 | - | |
| (3.896) | - | - | 52.689 | 49.548 | |
| (3.896) | 38.886 | 144.552 | 52.689 | 540.804 | |

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Statements of Cash Flows

For the Periods 1 January - 31 December 2013 and 2012

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

| | Notes | Audited 1 January - 31 December 2013 | Audited 1 January - 31 December 2012 |
|--|-------|---|---|
| Operating activities: | | | |
| (Loss) / income before tax | | 53.451 | (17.505) |
| Adjustments to reconcile net cash provided from operating activities to (loss) / income before taxes: | | | |
| - Depreciation and amortization of fixed assets | 11 | 74.367 | 63.790 |
| - Warranty and assembly provisions | 22 | - | (19.627) |
| - Provision for lawsuit risks | 14 | (562) | 372 |
| - Provision for employment termination benefits | 16 | 6.703 | 4.225 |
| - Provision for impairment on inventories | 9 | (2.332) | 1.187 |
| - Interest expense | 23 | 24.338 | 23.555 |
| - Interest income | 23 | (186) | (678) |
| - (Gain) / loss from sales of tangible and intangible assets | | (72) | (143) |
| - Derivative financial instruments (income) / expense accrual | | 2.389 | 8.673 |
| - Unrealized foreign exchange gains / losses | | 33.085 | 12.756 |
| Change in blocked cash and cash equivalents | 4 | 795 | - |
| Changes in working capital: | | | |
| (Increase) / decrease in trade receivables | 6,7 | 95.673 | (30.042) |
| (Increase) / decrease in inventories | 9 | (100.384) | 7.308 |
| (Increase) / decrease in other receivables and other current assets | | (7.868) | (20.039) |
| Increase / (decrease) in trade payables | 6,7 | 59.492 | (29.232) |
| Increase / (decrease) in other payables and other liabilities | | 7.315 | 280 |
| Cash flows from operating activities | | | |
| Employment termination benefits paid | 16 | (5.932) | (2.263) |
| Current income tax paid | 25 | (2.180) | (2.997) |
| Net cash provided by operating activities / (used in) | | | |
| | | 238.092 | (380) |

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Statements of Cash Flows**For the Periods 1 January - 31 December 2013 and 2012**

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

| Investing activities: | Notes | Audited 1 January - 31 December 2013 | Audited 1 January - 31 December 2012 |
|---|----------|---|---|
| Acquisition of tangible assets | 11 | (87.619) | (77.099) |
| Cash provided from sales of tangible and intangible assets | | 977 | 424 |
| Acquisition of intangible assets | 12 | (18.569) | (18.711) |
| Net cash used in investing activities | | (105.211) | (95.386) |
| Financing activities: | | | |
| Proceeds from bank borrowings | | 263.350 | 408.328 |
| Repayment of bank borrowings | | (387.962) | (272.750) |
| Interest paid | | (16.302) | (20.488) |
| Interest received | | 186 | 678 |
| Net cash provided by financing activities | | (140.728) | 115.768 |
| Net (decrease) / increase in cash and cash equivalents | | (7.847) | 20.002 |
| Cash and cash equivalents at the beginning of the period | 4 | 25.887 | 7.216 |
| Cash and cash equivalents at the end of the period | 4 | 18.040 | 27.218 |

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

NOTE 1 - COMPANY'S ORGANISATION AND NATURE OF OPERATIONS

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 Zorlu Family. The Company performs its foreign sales and domestic sales via Vestel Ticaret A.Ş. which is also a member of Vestel Group of Companies.

The Company is registered to Capital Market Board and its shares have been quoted to Borsa Istanbul ("BİST") since 21 April 2006.

As of 31 December 2013, the number of personnel employed was 5.621 (31 December 2012: 5.886).

As of balance sheet dates, the shareholders of the Company and their percentage shareholdings were as follows:

| | Share % |
|--|---------------|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 87,65 |
| Other shareholders | 12,35 |
| | 100,00 |

As of 31 December 2013, 59.800.000 shares of the Company have been quoted at the Borsa Istanbul ("BİST") (31,5 % of its share capital; 31 December 2012: 31,5 %).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance

The accompanying financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, "Principals of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013.

According to the article 5 of the Communiqué, interim financial statements are prepared in accordance with Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS" / "TFRS") and its addendum and interpretations ("IFRIC") issued by the Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Board.

The Company maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The financial statements, except for the financial assets and liabilities presented with their fair values, are maintained under historical cost conversion in TL. These financial statements are based on the statutory records which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/TFRS.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

In accordance with the CMB's resolution No:11/367 issued on 17 March 2005, companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards (including the application of IFRS) are not subject to inflation accounting effective from 1 January 2005. Therefore, as of 1 January 2005, IAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying financial statements.

2.2 Comparative information and restatement of prior period financial statements

Financial statements of the Company have been prepared comparatively with the preceding financial period, in order to enable determination of trends in financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the financial statements.

The Company has made reclassifications in the statement of comprehensive income as of 31 December 2012 between the net sales and cost of sales related to the supplier industry transactions that amounts to TL 246.605; between net sales and other operating income related to term sales transactions that amounts to TL 13.075; between cost of sales and other operating expenses related to term purchases transactions that amounts to TL 12.235. These reclassifications have no effect on the retained earnings and current year income of the Company.

The Company has made below reclassifications in prior period financial statements in line with the illustrative financial statements and disclosures guidance issued by CMB with the decision taken on the meeting held on 7 June 2013, numbered 20/670.

The Company has made reclassification between financial income and other income amounting to TL 28.046, between financial expense and other expense amounting to TL 54.522 in 31 December 2012 financial statements. For financial statements of 31 December 2012, reclassifications are between other current assets and prepaid expense amounting to TL 17.743, between other current assets and current tax assets amounting to TL 2.997, between other non-current assets and prepaid expenses amounting to TL 3.397, between employee termination benefits and debt provision amounting to TL 6.313. Those reclassifications have no effect on retained earnings and current period income.

2.3. Amendments in Turkey Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2013 and are adopted by the Company:

- **IAS 19 (Amendment), "Employee benefits"**, is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Actuarial gains and losses arising from the calculations of provision for employment termination benefits will be classified under other comprehensive income without having an effect on the net profit/ loss for the year.

Interest cost incurred in employment termination benefits is classified as financial expense instead of operational expenses in the income statement.

As a result of retrospective application of these amendments, actuarial loss classified as general administrative expenses in Company's statement of comprehensive income as of 31 December 2012 amounting to 1.184 thousand TL is restated by presenting in other comprehensive expense and actuarial loss fund in the balance sheet; interest cost classified as general administrative expenses amounting to TL 858 is revised by presenting in financial expenses. As a result of the restatement, the Company made necessary correction in the financial statements as of 31 December 2012, the earliest date at which actuarial gain/ loss can be calculated. Net loss of the Company is decreased by TL 947 as a result of actuarial loss and deferred tax effect related to employment termination benefits as of 31 December 2012 whereas the restatement has no effect on total comprehensive expenses and equity.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

- **IAS 1 (Amendment), "Financial statement presentation"** regarding other comprehensive income, 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

The amendment does not have a significant impact on the Company's financial statements.

- **IFRS 13, "Fair value measurement"** is effective for annual periods beginning on or after 1 January 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.
- The amendment does not have a significant impact on the Company's financial statements.
- **IFRS 7 (Amendment), "Financial instruments: Disclosures"**, on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. The amendment reflects the joint IFRS and US GAAP requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.

The amendment does not have a significant impact on the Company's financial statements.

b) New standards, amendments and interpretations issued and effective as of 1 January 2013 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

c) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company:

- **IFRS 9, "Financial instruments"** is not applicable until 1 January 2015 but is available for early adoption. This standard is the first step in the process to replace IAS 39, "Financial instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets. "Impairment of financial assets" and IAS 39 hedge accounting provisions relating to the implementation are ongoing.
- **TAS 32 (amendment), "Financial instruments: Presentation"**, on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in TAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have any impact on the Company's financial statements.
- **TAS 36 (amendment), "Impairment on Assets"**, is effective for annual periods beginning on or after 1 January 2014. These amendments address the disclosure of information about the recoverable amount of the impaired assets if that amount is based on fair value less cost of disposal.
- **TAS 39 (amendment), "Financial instruments: Recognition and Measurement"**, is effective for annual periods beginning on or after 1 January 2014. These amendments address on novation of derivatives and hedge accounting and will allow hedge accounting to continue in a situation where a derivative is novated to effect clearing with a central counterparty as result of laws or regulation, if specific conditions are met.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

- **TFRIC 21 - TAS 37, 'Levies'**, is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of "Provisions, contingent liabilities and contingent assets" that identifies the obligating event for the recognition of a liability for levy as the activity that triggers the payment of the levy in accordance with the relevant legislation. The interpretation is not applicable to the Company and will not have any impact on the Company's financial statements.

The amendments are not expected to have significant impact on the Company's financial statements.

Annual improvements 2012: Effective for annual periods beginning on or after 1 July 2014. Annual Improvements to TFRSs 2010-2012 Cycle amend the following 7 standards:

- TFRS 2; Share-based Payment
- TFRS 3 Business Combinations
- TFRS 8, Operating Segments
- TMS 16; Property, Plant and Equipment and TMS 38, Intangible Assets
- TFRS 9, Financial Instruments: TMS 37, Provisions, Contingent Liabilities and Contingent Assets
- TMS 39, Financial Instruments: Recognition and Measurement

Annual improvements 2013: Effective for annual periods beginning on or after 1 July 2014. Annual Improvements to TFRSs 2011-2013 Cycle amend the following 4 standards:

- TFRS 1; First-time Adoption of TFRS
- TFRS 3, Business Combinations
- TFRS 13, Fair Value Measurement
- TAS 40, Investment Property

2.4. Summary of significant accounting policies

2.4.1 Revenue

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

2.4.2 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory. Company uses moving weighted average method for costing.

Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

2.4.3 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipments using the straight-line method based on the estimated useful lives of the assets, except for land due to their indefinite useful life.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains or losses on disposals of property, plant and equipment are included in other operating income and other operating expense.

Costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the Company. All other costs are charged to statements of profit or loss during the financial year in which they are incurred.

2.4.4 Intangible assets

a) Research and development costs

Research costs are recognized as expense in the period in which they are incurred. An intangible asset arising from development (or from the development phase of an internal project) if and only if an entity can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

Other development costs are recognized as expense as incurred. If it is not possible to distinguish the research phase from the development phase of an internal project, the entity treats the expenditure on that project as if it were incurred in the research phase only.

b) Rights and other intangible fixed assets

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

2.4.5 Financial instruments

a) Financial assets

The Company classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified in this category. Loans and receivables (trade and other receivables, bank deposits, cash and others) are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for cases when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets carried at amortized cost, if the amount of a past impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the impairment is reversed through profit or loss. However, the carrying amount should not be increased to an amount that exceeds what the amortized cost would have been at the date of the reversal had the impairment not been recognized.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

For financial assets carried at cost, if there is objective evidence of impairment, the amount of the impairment loss is measured as the difference between carrying amount and the present value of estimated future cash flows discounted at the current rate of return for a similar financial asset. Once an impairment loss has been recognized on a financial asset recognized at cost, it is not permitted to recognize a reversal.

b) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

The effective interest method is calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

c) Derivative financial instruments and hedge accounting:

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values of derivatives are carried as assets when positive and as liabilities when negative. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Derivative financial instruments held for trading

Company's held for trading derivative financial instruments consist of forward foreign currency purchase and sale contracts. Such derivative financial instruments providing effective protection against the risk for the Company economically and due to meeting the conditions for hedge accounting usually, they are accounted as derivative financial instruments held for trading in financial statements. The fair value changes of these derivative instruments are recognized in income statement as financial income / expense.

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity within cash flow hedge reserves. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income within finance income/ expense. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place or portion related to the accrued interest). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized, in the statement of comprehensive income within finance income/ expense. The Company has evaluated its forward contracts and recognized certain contracts as hedging derivative instruments since they have been carrying necessary hedging conditions regarding to TAS 39.

2.4.6 Foreign currency transactions

Transactions in foreign currencies during the period are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary items denominated in foreign currencies are translated to TL at the rates prevailing on the balance sheet date. Exchange differences on foreign currency denominated monetary assets and liabilities are recognized in profit or loss in the period in which they arise except for the effective portion of the foreign currency hedge of net investments in foreign operations. On-monetary items which are denominated in foreign currency and measured with historical costs are translated using the exchange rates at the dates of initial transactions.

2.4.7 Provisions, contingent assets and liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

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 events not wholly within the control of the company are not included in the financial statements and treated as contingent assets or liabilities.

2.4.8 Related parties

Shareholders, key management personnel and board members, their close family members and companies controlled, jointly controlled or significantly influenced by them and Zorlu Holding Group companies are considered and referred to as related parties.

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

2.4.9 Taxation on income

Tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items directly recognized in equity. In that case, tax is recognized in shareholders' equity.

The tax currently payable is based on 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 taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 generally recognized for all taxable temporary differences and 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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.4.10 Employee termination benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Employment termination benefits are considered as being part of defined retirement benefit plan as per TAS 19. All actuarial gains and losses are recognized in statements of income.

2.4.11 Government grants

Government grants, including non-monetary grants at fair value, are recognized in financial statements when there is reasonable assurance that the entity will comply with the conditions attaching to them, and the grants will be received.

Incentives for research and development activities are recognized in financial statements when they are authorized by the related institutions.

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

2.4.12 Earnings per share

Earnings per share disclosed in the statement of income is determined by dividing net income attributable to equity holder of the parent by the weighted average number of such shares outstanding during the year concerned.

2.4.13 Statement of cash flows

In the statement of cash flows, cash flows are classified into three categories as operating, investment and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investment activities indicate cash inflows and outflows resulting from property, plant and equipments and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. Cash and cash equivalents comprise of cash in hand accounts, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months.

2.4.14 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting. As a result of the transactions in the normal course of business, revenue other than sales are presented as net if the nature of the transaction or the event qualify for offsetting.

2.4.15 Events after the balance sheet date

Events after the balance sheet date, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorized for issue.

In the case that events require a correction to be made on the balance sheet date, the Company makes the necessary corrections to the financial statements. Moreover, the events that occur subsequent to the balance sheet date and that do not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

2.5. Critical accounting estimates and judgments

Preparation of financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, disclosures of contingent assets and liabilities and the amount of revenue and expenses reported. Although these estimates and assumptions rely on the Company management's best knowledge about current events and transactions, actual outcomes may differ from those estimates and assumptions. Significant estimates of the Company management are as follows:

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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i. Income taxes:

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made (Note 25).

NOTE 3 - SEGMENT REPORTING

Operating segments are identified on the same basis as financial information is reported internally to the Company's chief operating decision maker. The Company Board of Directors has been identified as the Company's chief operating decision maker who is responsible for allocating resources between segments and assessing their performances. The Company management determines operating segments by reference to the reports reviewed by the Board of Directors to make strategical decisions.

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 industrial segment has been fully presented in the attached financial statements.

The Management has decided to use geographical segments for segment reporting considering the fact that risks and returns are affected by the differences in geographical regions.

| Segment revenue | 1 January -31 December 2013 | 1 January - 31 December 2012 |
|------------------|-----------------------------|------------------------------|
| Turkey | 567.052 | 437.501 |
| Europe | 1.056.813 | 1.177.062 |
| Other | 405.824 | 278.608 |
| Gross sales | 2.029.689 | 1.893.171 |
| Discounts (-) | (994) | (9.794) |
| Net sales | 2.028.695 | 1.883.377 |

Other segment sales mainly comprise of sales to Asian and African countries

The amount of export is TL 1.462.637 for the period ended 31December 2013 (1 January-31 December 2012: TL 1.455.670). Export sales are denominated in EURO, USD and RUB as 93,2%, 5,3% and 1,5% of total export respectively. (1 January-31 December 2012: 90,1% EUR, 7,3% USD, 2,6% RUB)

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

NOTE 4 - CASH AND CASH EQUIVALENTS

| | 31 December 2013 | 31 December 2012 |
|----------------------------------|------------------|------------------|
| Cash | 63 | 36 |
| Bank deposits | | |
| - Demand deposits | 918 | 367 |
| - Time deposits | 17.059 | 25.484 |
| Blocked deposits | 536 | 1.331 |
| Cash and cash equivalents | 18.576 | 27.218 |

Effective interest rates

| | 31 December 2013 | 31 December 2012 |
|-----|------------------|------------------|
| EUR | 0,62% | 0,50% |
| TL | - | 6,00% |
| USD | 0,50% | 0,75% |

The maturity of time deposits is less than one month for the period ended 31 December 2013 (31 December 2012: less than one month).

NOTE 5 - FINANCIAL LIABILITIES

| | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|
| Short - term financial liabilities | | |
| Short term bank loans | - | 264.839 |
| Short term portion of long term bank loans | 79.906 | 22.978 |
| | 79.906 | 287.817 |
| Long - term financial liabilities | | |
| Long term bank loans | 212.118 | 87.698 |
| | 212.118 | 87.698 |

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

Summary of the Company's short term financial liabilities is given below:

| Currency | 31 December 2013 | | | 31 December 2012 | | |
|----------|--|-------------------|---------------|--|-------------------|----------------|
| | Weighted average of effective interest rates per annum | Original currency | TL Equivalent | Weighted average of effective interest rates per annum | Original currency | TL Equivalent |
| - USD | - | - | - | 4,62% | 50.092 | 89.294 |
| - EUR | - | - | - | 4,62% | 13.099 | 30.804 |
| - TL | - | - | - | 5,42% | 144.741 | 144.741 |
| | | | - | | | 264.839 |

Details of the Company's long term financial liabilities is given below:

| Currency | 31 December 2013 | | | 31 December 2012 | | |
|---------------------------|--|-------------------|----------------|--|-------------------|----------------|
| | Weighted average of effective interest rates per annum | Original currency | TL Equivalent | Weighted average of effective interest rates per annum | Original currency | TL Equivalent |
| - USD | 3,14% | 774 | 1.653 | - | - | - |
| - EUR | 5,03% | 25.269 | 74.201 | 4,35% | 8.755 | 20.588 |
| - TL | 8,27% | 4.052 | 4.052 | 13,51% | 2.390 | 2.390 |
| Short term portion | | | 79.906 | | | 22.978 |
| - USD | 3,46% | 33.305 | 71.082 | - | - | - |
| - EUR | 3,52% | 24.222 | 71.127 | 4,35% | 29.767 | 70.004 |
| - TL | 8,26% | 69.909 | 69.909 | 13,51% | 17.694 | 17.694 |
| Long term portion | | | 212.118 | | | 87.698 |
| | | | 292.024 | | | 110.676 |

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

Summary of the maturity schedule of Company's long term financial liabilities is given below:

| Maturity schedule of long term financial liabilities | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|
| One to two years | 139.208 | 72.931 |
| Two to three years | 68.579 | 7.677 |
| Three to four years | 4.331 | 3.806 |
| Four to five years | - | 3.284 |
| | 212.118 | 87.698 |

Total amount of Company's floating rate loans is TL 11.777. (31 December 2012: TL 32.928).

The analysis of Company's borrowings in terms of periods remaining to contractual re-pricing dates is as follows:

| | 31 December 2013 | 31 December 2012 |
|---------------------|------------------|------------------|
| Between 6-12 months | 11.777 | 32.928 |

Fair value of short term bank borrowings are considered to approximate their carrying values due to immateriality of discounting. Fair values are determined using average effective annual interest rates. Long term bank borrowings are stated at amortized cost using effective interest rate method and their fair values are considered to approximate their carrying values since loans have a re-pricing period of three to six months.

Guarantees given for the bank loans obtained are presented in note 14, interest rate sensitivity analysis is disclosed in note 28.

NOTE 6 - RELATED PARTY DISCLOSURES

a) Short-term trade receivables from related parties

| | 31 December 2013 | 31 December 2012 |
|--------------------------------------|------------------|------------------|
| Vestel Ticaret A.Ş. | 528.505 | 621.861 |
| Vestel CIS Limited | 47 | 2.655 |
| Other related parties | 18 | 19 |
| | 528.570 | 624.535 |
| Unearned interest on receivables (-) | (630) | (2.464) |
| | 527.940 | 622.071 |

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

The receivables result from the Company's foreign and domestic sales performed via Vestel Ticaret A.Ş. which is also a member of Vestel Group Companies.

b) Short-term trade payables to related parties

| | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 3.761 | 1.958 |
| Vestel Holland B.V. | 14.924 | 5.288 |
| Other related parties | 556 | 343 |
| | 19.241 | 7.589 |
| Unearned interest on payables (-) | (6) | (2) |
| | 19.235 | 7.587 |

c) Transactions with related parties

| | 1 January -31 December 2013 | 1 January - 31 December 2012 |
|--|-----------------------------|------------------------------|
| Sales | | |
| Vestel Ticaret A.Ş. | 1.996.029 | 1.858.272 |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 9.048 | 10.540 |
| Other related parties | 141 | 3.633 |
| | 2.005.218 | 1.872.445 |
| Purchases and operating expenses | | |
| Vestel Holland B.V. | 472.492 | 334.957 |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 49.234 | 38.518 |
| Other related parties | 9.700 | 12.898 |
| | 531.426 | 386.373 |

The Company performs part of its raw material purchases via Vestel Holland B.V which is also a member of Vestel Group Companies.

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

| | | |
|--------------------------------|---------------|---------------|
| Other operating income | | |
| Vestel Ticaret A.Ş. | 94.319 | 22.149 |
| Other related parties | 4.060 | 1.562 |
| | 98.379 | 23.711 |
| Other operating expense | | |
| Vestel Ticaret A.Ş. | 2.380 | 31.767 |
| Other related parties | 2.333 | 1.919 |
| | 4.713 | 33.686 |

d) Guarantees received from and given to related parties are disclosed in note 14.

e) **Compensation paid to key management including directors, the Chairman of Board of Directors, general managers and assistant general managers.**

Compensation paid to key management for the twelve months period ended 31 December 2013 is TL 3.493 (1 January.-31 December 2012: TL 2.309).

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

| | 31 December 2013 | 31 December 2012 |
|---|------------------|------------------|
| Short - term trade receivables | | |
| Trade receivables | | |
| - Related parties (note 6) | 528.570 | 624.535 |
| - Other parties | 9.462 | 13.151 |
| Cheques and notes receivables | 2.900 | 520 |
| | 540.932 | 638.206 |
| Unearned interest expense (-) | | |
| - Related parties (note 6) | (630) | (2.464) |
| - Other parties | (193) | (95) |
| Allowance for doubtful receivables (-) | (173) | (38) |
| Total short - term trade receivables | 539.936 | 635.609 |

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

The Company provides allowance for doubtful receivables based on historical experience. As of the balance sheet dates, movements of allowance for doubtful receivables is as follows:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|--|------------------------------|------------------------------|
| Opening balance, 01 January | 38 | 38 |
| Current year additions | 135 | - |
| Closing balance, 31 December | 173 | 38 |
| | 31 December 2013 | 31 December 2012 |
| Short term trade payables | | |
| Trade payables | | |
| - Related parties (note 6) | 19.241 | 7.589 |
| - Other parties | 434.007 | 406.082 |
| | 453.248 | 413.671 |
| Unearned interest income (-) | | |
| - Related parties (note 6) | (6) | (2) |
| - Other parties | (1.125) | (663) |
| Total short term trade payables | 452.117 | 413.006 |
| Long term trade payables | | |
| Trade payables | | |
| - Other parties | 20.381 | - |
| Total long term trade payables | 20.381 | - |

Risk analysis of trade receivables and payables is disclosed in note 28.

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

NOTE 8 - OTHER RECEIVABLES

| | 31 December 2013 | 31 December 2012 |
|---------------------------------------|------------------|------------------|
| Short - term other receivables | | |
| VAT receivable | 60.435 | 47.688 |
| Deposits and guarantees given | 2.765 | 2.055 |
| Other | 272 | 173 |
| | 63.472 | 49.916 |

NOTE 9 - INVENTORIES

| | 31 December 2013 | 31 December 2012 |
|---|------------------|------------------|
| Raw materials | 173.041 | 132.539 |
| Work in process | 11.417 | 7.327 |
| Finished goods | 141.647 | 84.580 |
| Merchandise | 29 | 27 |
| Other | 56 | 1.207 |
| | 326.190 | 225.680 |
| Provision for impairment on inventories (-) | (2.065) | (4.397) |
| | 324.125 | 221.283 |

As of 31 December 2013 the Company does not have inventories pledged as security for liabilities (31 December 2012: None).

Cost of the inventory included in the cost of sales for the period 1 January-31 December 2013 amounts to TL 1.597.574 (1 January- 31 December 2012: TL 1.601.812).

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

| | 31 December 2013 | 31 December 2012 |
|--------------------------------|------------------|------------------|
| Raw materials | 1.518 | 1.278 |
| Finished goods and merchandise | 547 | 3.119 |
| | 2.065 | 4.397 |

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

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

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|-----------------------------------|------------------------------|------------------------------|
| Opening balance, 1 January | 4.397 | 3.210 |
| Current year additions | 2.065 | 1.187 |
| Realised due to sale of inventory | (4.397) | - |
| Balance at 31 December | 2.065 | 4.397 |

NOTE 10 - PREPAID EXPENSES

| | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|
| Short term prepaid expenses | | |
| Advances given | 11.645 | 14.382 |
| Prepaid expenses | 4.204 | 3.353 |
| Business advances given | 6 | 8 |
| | 15.855 | 17.743 |
| Long term prepaid expenses | | |
| Advances given for fixed asset purchases | 1.869 | 3.374 |
| Prepaid expenses | 32 | 23 |
| | 1.901 | 3.397 |

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

| | 1 January 2013 | Additions | Disposals | Transfers | 31 December 2013 |
|---------------------------------|----------------|---------------|----------------|-----------|------------------|
| Cost | | | | | |
| Land | 6.547 | - | - | - | 6.547 |
| Land improvements | 2.660 | 132 | - | - | 2.792 |
| Buildings | 63.194 | 927 | - | 1.385 | 65.506 |
| Leasehold improvements | 2.634 | 564 | (99) | - | 3.099 |
| Plant and machinery | 583.257 | 41.170 | (2.330) | 38.914 | 661.011 |
| Motor vehicles | 340 | 67 | (11) | - | 396 |
| Furniture and fixtures | 30.054 | 3.373 | (909) | 70 | 32.588 |
| Construction in progress | 24.064 | 41.386 | - | (40.369) | 25.081 |
| | 712.750 | 87.619 | (3.349) | - | 797.020 |
| Accumulated depreciation | | | | | |
| Land improvements | 1.860 | 203 | - | - | 2.063 |
| Buildings | 24.950 | 943 | - | - | 25.893 |
| Leasehold improvements | 1.664 | 138 | (18) | - | 1.784 |
| Plant and machinery | 356.940 | 61.725 | (2.017) | - | 416.648 |
| Motor vehicles | 74 | 50 | (11) | - | 113 |
| Furniture and fixtures | 18.699 | 3.146 | (838) | - | 21.007 |
| | 404.187 | 66.205 | (2.884) | - | 467.508 |
| Net book value | 308.563 | | | | 329.512 |

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

| | 1 January 2012 | Additions | Disposals | 31 December 2012 |
|---------------------------------|----------------|---------------|--------------|------------------|
| Cost | | | | |
| Land | 6.547 | - | - | 6.547 |
| Land improvements | 2.660 | - | - | 2.660 |
| Buildings | 62.140 | 883 | - | 63.194 |
| Leasehold improvements | 2.146 | 371 | - | 2.634 |
| Plant and machinery | 499.407 | 43.192 | (509) | 583.257 |
| Motor vehicles | 212 | 296 | (168) | 340 |
| Furniture and fixtures | 25.417 | 4.510 | (125) | 30.054 |
| Construction in progress | 37.924 | 27.847 | - | 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 |
| Plant and machinery | 303.605 | 53.744 | (409) | 356.940 |
| Motor vehicles | 204 | 38 | (168) | 74 |
| Furniture and fixtures | 15.836 | 2.954 | (91) | 18.699 |
| Other tangible assets | - | - | - | - |
| | 345.404 | 59.451 | (668) | 404.187 |
| Net book value | 291.049 | | | 308.563 |

Additions to property, plant and equipment in the period 1 January - 31 December 2013 and 2012 mainly consist of machinery and equipment investments made to television and electronic devices factory, first and second refrigerator, washing machine, cooker and dishwasher factories.

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Useful lives of property, plant and equipment is as follows:

| | Useful life |
|------------------------|--------------|
| Land improvements | 8- 35 years |
| Buildings | 25- 50 years |
| Leasehold improvements | 5 years |
| Plant and machinery | 5- 20 years |
| Motor vehicles | 5 years |
| Furniture and fixtures | 5- 10 years |

Allocation of current year depreciation and amortization expenses is as follows:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|--|------------------------------|------------------------------|
| Cost of sales | 63.219 | 56.479 |
| Research and development expenses | 10.612 | 6.822 |
| Marketing, selling and distribution expenses | 258 | 206 |
| General administrative expenses | 278 | 283 |
| | 74.367 | 63.790 |

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

NOTE 12 - INTANGIBLE ASSETS

| | 1 January 2013 | Additions | Disposals | 31 December 2013 |
|---------------------------------|----------------|---------------|--------------|------------------|
| Cost | | | | |
| Rights | 6.376 | - | - | 6.376 |
| Development cost | 70.346 | 17.105 | (440) | 87.011 |
| Other intangible assets | 5.132 | 1.464 | - | 6.596 |
| | 81.854 | 18.569 | (440) | 99.983 |
| Accumulated amortization | | | | |
| Rights | 6.342 | 3 | - | 6.345 |
| Development cost | 24.893 | 7.898 | - | 32.791 |
| Other intangible assets | 2.118 | 387 | - | 2.505 |
| | 33.353 | 8.288 | - | 41.641 |
| Net book value | 48.501 | | | 58.342 |
| | 1 January 2012 | Additions | Disposals | 31 December 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 |

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.

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Useful lives of intangible assets is as follows:

| | Useful life |
|------------------|-------------|
| Rights | 3- 15 years |
| Development cost | 2- 10 years |
| Other | 2- 15 years |

NOTE 13 - GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The grants obtained by the Company in nature are as follows:

- i) Exemption from customs duty on machinery and equipment to be imported,
- ii) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
- iii) Incentives under jurisdiction of the research and development law,
- iv) Inward processing permission certificates,
- v) Cash refund from Tübitak-Teydeb for research and development expenses,
- vi) Discounted corporate tax incentive,
- vii) Insurance premium employer share incentive,

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to 657 thousand TL for the period 1 January -31 December 2013

(1 January -31 December 2012: 1.182 thousand TL).

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

| | 31 December 2013 | 31 December 2012 |
|--------------------------------|------------------|------------------|
| Short - term provisions | | |
| Provision for lawsuit risks | 366 | 928 |
| | 366 | 928 |

The movements in the provision for lawsuits are as follows:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|-----------------------------------|------------------------------|------------------------------|
| Opening balance, 1 January | 928 | 556 |
| Current year additions | 418 | 372 |
| Payments / disposals | (980) | - |
| Balance at 31 December | 366 | 928 |

b) Guarantees received by the Company

| Guarantee letters, collaterals, cheques and notes received | 31 December 2013 | 31 December 2012 |
|---|-------------------------|-------------------------|
| Guarantee letters | 5.461 | 5.777 |
| Cheques and notes | 8.054 | 12.793 |
| Collaterals and pledges | 2.809.689 | 1.978.924 |
| | 2.823.204 | 1.997.494 |

Vestel Elektronik Sanayi ve Ticaret A.Ş. and Vestel Ticaret A.Ş. has given guarantees to various banks on behalf of the Company for its forward contracts and bank borrowings.

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c) Collaterals, pledges and mortgages ("CPM's") given by the Company are as follows:

| CPM's given by the Company | USD ('000) | EUR ('000) | TL | TL Equivalent |
|--|------------------|----------------|------------------|------------------|
| 31 December 2013 | | | | |
| A. CPM's given on behalf of its own legal entity | - | 2.000 | 9.013 | 14.886 |
| B. CPM's given on behalf of fully consolidated subsidiaries (*) | - | - | - | - |
| C. CPM's given on behalf of third parties for ordinary course of business | - | - | - | - |
| D. Total amount of other CPM's given | 1.589.492 | 155.260 | 1.812.816 | 5.661.190 |
| i. Total amount of CPM's given on behalf of the parent company | 1.150.721 | 78.898 | 1.251.364 | 3.939.032 |
| ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C. | 438.771 | 76.362 | 561.452 | 1.722.158 |
| iii. Total amount of CPM's given on behalf of third parties which are not in scope of C. | - | - | - | - |
| Total | 1.589.492 | 157.260 | 1.821.829 | 5.676.076 |

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

| CPM's given by the Company | USD ('000) | EUR ('000) | TL | TL Equivalent |
|--|------------------|----------------|----------------|------------------|
| 31 December 2012 | | | | |
| A. CPM's given on behalf of its own legal entity | - | 2.000 | 10.970 | 15.673 |
| B. CPM's given on behalf of fully consolidated subsidiaries | - | - | - | - |
| C. CPM's given on behalf of third parties for ordinary course of business | - | - | - | - |
| D. Total amount of other CPM's given | 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 |

The Company has given collaterals to various banks on behalf of Vestel Elektronik Sanayi and Ticaret A.Ş., Vestel Ticaret A.Ş., Vestel Germany GmbH and Vestel Holland BV for their forward contracts and bank loans obtained.

Proportion of other CPM's given by the Company to its equity is % 1.047 as of 31 December 2013 (31 December 2012: 814 %)

NOTE 15 -COMMITMENTS

Due to the export and investment incentive certificates obtained, as of 31 December 2013 the Company has committed to realize exports amounting to USD 568.886 thousand (31 December 2012: 332.845 thousand USD).

As of 31 December 2013 the Company has forward foreign currency purchase contract that amounts to 234.434 thousand USD, 635 thousand EUR, TL 50.208 against forward foreign currency sales contract that amounts to 4.342 thousand USD, 177.969 thousand EUR, 349.499 thousand RUB and TL 8.186 (31 December 2012 : 383.667 thousand USD, 140.241 thousand EUR, 48.832 thousand RUB and TL 339.247 purchase contract against 62.478 thousand USD, 418.885 thousand EUR, 808.282 thousand RUB and TL 219.974 sales contract).

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

NOTE 16 - EMPLOYEE BENEFITS

Liabilities for employee benefits:

| | 31 December 2013 | 31 December 2012 |
|--------------------------|------------------|------------------|
| Payables to personnel | 9.474 | 3.457 |
| Social security premiums | 3.569 | 2.856 |
| | 13.043 | 6.313 |

Long term provisions for employee benefits:

| | 31 December 2013 | 31 December 2012 |
|---|------------------|------------------|
| Provision for employment termination benefits | 12.434 | 12.607 |

Under Turkish law, the Company is required to pay employment termination benefits to each employee whose employment is terminated without due cause. In addition, under the existing Social Security Law No.506, clause No. 60, amended by the Labor Laws dated 06 March 1981, No.2422 and 25 August 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 gross salary for each year of service and is limited to a maximum of TL 3.438,22/year as of 31 December 2013 (31 December 2012: TL 3.033,98/year).

The provision for employee termination benefits is not funded.

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 is 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 2013 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31 December 2013 provision is calculated based on real discount rate of %4,54 (31 December 2012: 3,83%) assuming 6,50% annual inflation rate and 11,56% discount rate.

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The movements in the provision for employment termination benefit are as follows:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|-------------------------------|------------------------------|------------------------------|
| Balance at 1 January | 12.607 | 9.461 |
| Increase during the year | 5.586 | 3.367 |
| Payments during the year | (5.932) | (2.263) |
| Actuarial loss | (944) | 1.184 |
| Interest expense | 1.117 | 858 |
| Balance at 31 December | 12.434 | 12.607 |

NOTE 17 - EXPENSES BY NATURE

| | 1 January -31 December 2013 | 1 January - 31 December 2012 |
|--|-----------------------------|------------------------------|
| Raw materials, supplies and finished goods | 1.658.731 | 1.625.025 |
| Changes in finished goods, work in process and trade goods | (61.157) | (23.213) |
| Personnel expenses | 153.235 | 133.063 |
| Depreciation and amortization | 74.367 | 63.790 |
| Transportation expenses | 11.290 | 10.839 |
| Other | 108.078 | 100.098 |
| | 1.944.544 | 1.909.602 |

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

NOTE 18 - OTHER ASSETS AND LIABILITIES

| | 31 December 2013 | 31 December 2012 |
|----------------------------------|------------------|------------------|
| Other current assets | | |
| VAT carried forward | 688 | - |
| Other | 5 | - |
| | 693 | - |
| | | |
| | 31 December 2013 | 31 December 2012 |
| Other current liabilities | | |
| Taxes and dues payable | 3.944 | 3.379 |
| Other | 43 | 23 |
| | 3.987 | 3.402 |

NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS**a) Paid in capital**

| | 31 December 2013 | 31 December 2012 |
|-------------------------------|------------------|------------------|
| Shares of par value TL 1 each | | |
| Issued share capital | 190.000 | 190.000 |

As of 31 December 2013 and 31 December 2012 the shareholding structure is as follows:

| | Shareholding % | | Amount | |
|---|------------------|------------------|------------------|------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. (With Board of Directors members) | 87,65% | 75,28% | 166.535 | 143.023 |
| Shares held by public | 12,35% | 24,72% | 23.465 | 46.977 |
| | 100% | 100% | 190.000 | 190.000 |

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b) Adjustments to share capital

Adjustment to share capital (restated to 31 December 2004 purchasing power of money) is the difference between restated share capital and historical share capital.

| | 31 December 2013 | 31 December 2012 |
|-----------------------------|------------------|------------------|
| Adjustment to share capital | 9.734 | 9.734 |

c) Share Premium

Share premium account refers the difference between par value of the company's shares and the amount the company received for newly issued shares. The share premium account is disclosed under equity as a separate line item and may not be distributed. It may be used in capital increase.

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

d) Restricted reserves ("Legal reserves")

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.

| | | |
|----------------|--------|--------|
| Legal reserves | 38.886 | 38.886 |
|----------------|--------|--------|

e) Accumulated income

| | 31 December 2013 | 31 December 2012 |
|------------------------|------------------|------------------|
| Extraordinary reserves | 122.432 | 122.432 |
| Previous year's loss | 22.120 | 39.664 |
| | 144.552 | 162.096 |

f) Dividend distribution

For quoted companies dividends are distributed in accordance with the Communiqué Serial II:-19.1 on "Principals Regarding Distribution of Interim Dividends" issued by the CMB effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and in conformity with relevant legislations. The communiqué does not state a minimum dividend rate. Companies distribute dividends in accordance with the method defined in their dividend policy or articles of association. Additionally, dividend can be distributed in fixed or variable installments and dividend advances can be paid over the profit on interim financial statements.

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Unless the general reserves that has to be appropriated in accordance with TCC or the dividend to shareholders as determined in the articles of association or dividend policy are set aside; no decision can be taken to set aside other reserves, to transfer reserves to the subsequent year or to distribute dividends to holders of usufruct right certificates, to board of directors members or to employees; and no dividend can be distributed to those unless the determined dividend to shareholders is paid in cash.

On the other hand, in accordance with the Articles of Association of the Company, up to 5% of retained earnings after dividend distribution could be allocated to the Board of Directors or used for certain reasons designated by the Board of Directors when necessary.

- Based on the approval of the General Assembly, up to %3 of retained earnings after dividend distribution could be allocated to plant investments designated in accordance with article of 468 in TCC,
- Up to %5 of retained earnings after dividend distribution could be allocated to the Board of Directors as necessary,
- Up to %5 of retained earnings after dividend distribution could be allocated to donations, bonuses etc.

NOTE 20 - SALES

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---------------------------|------------------------------|------------------------------|
| Domestic sales | 567.052 | 437.501 |
| Overseas sales | 1.462.637 | 1.455.670 |
| Gross sales | 2.029.689 | 1.893.171 |
| Less: Sales discounts (-) | (994) | (9.794) |
| Net sales | 2.028.695 | 1.883.377 |
| Cost of sales | (1.850.236) | (1.830.965) |
| Gross profit | 178.459 | 52.412 |

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

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) General administrative expenses:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|-------------------------------|------------------------------|------------------------------|
| Personnel expenses | 6.768 | 4.964 |
| Depreciation and amortization | 278 | 283 |
| Other | 25.687 | 19.853 |
| | 32.733 | 25.100 |

b) Marketing expenses:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|-------------------------------|------------------------------|------------------------------|
| Personnel expenses | 3.967 | 3.027 |
| Depreciation and amortization | 258 | 206 |
| Other | 32.392 | 29.641 |
| | 36.617 | 32.874 |

c) Research and development expenses:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|-------------------------------|------------------------------|------------------------------|
| Personnel expenses | 4.169 | 1.562 |
| Depreciation and amortization | 10.612 | 6.822 |
| Other | 10.177 | 12.279 |
| | 24.958 | 20.663 |

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

NOTE 22 - OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|--|------------------------------|------------------------------|
| Credit finance gains arising from trading activities | 18.228 | 15.672 |
| Foreign exchange gains arising from trading activities | 89.760 | 25.449 |
| Reversals of provisions | 669 | 19.627 |
| Other income | 3.491 | 4.748 |
| | 112.148 | 65.496 |

(¹) In accordance with the Board of Directors' decision of the Company in 1 January 2012 and Vestel Ticaret A.Ş., warranty provisions which arises from the production sales of Vestel Ticaret A.Ş., has been released in 30 June 2012 and accounted under "Other income" due to the transfer of warranty liabilities to Vestel Ticaret A.Ş.

b) Other expense from operating activities:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|------------------------------|------------------------------|
| Debit finance charges arising from trading activities | 10.082 | 13.890 |
| Foreign exchange expenses arising from trading activities | 54.331 | 49.157 |
| Other expenses | 4.462 | 5.099 |
| | 68.875 | 68.146 |

NOTE 23 - FINANCIAL EXPENSE AND FINANCIAL INCOME

a) Financial expense:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|--|------------------------------|------------------------------|
| Foreign exchange losses | 56.375 | 25.002 |
| Losses on derivative financial instruments | 64.256 | 68.680 |
| Interest expense | 24.338 | 23.555 |
| Other finance expenses | 2.511 | 181 |
| | 147.480 | 117.418 |

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b) Financial income:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|------------------------------|------------------------------|
| Foreign exchange gains | 14.123 | 57.612 |
| Gains on derivative financial instruments | 59.198 | 70.498 |
| Interest income | 186 | 678 |
| | 73.507 | 128.788 |

NOTE 24 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

a) Cash flow hedge fund:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|------------------------------|------------------------------|
| 1 January | - | - |
| Loss from cash flow hedges | (4.870) | - |
| Tax effect of other comprehensive income / expense to be reclassified to profit or loss | 974 | - |
| 31 December | (3.896) | - |

b) Actuarial (loss) / gain arising from defined benefit plans:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|------------------------------|------------------------------|
| 1 January | (947) | - |
| Actuarial income/loss arising from defined benefit plans | 944 | (1.184) |
| Tax effect of other comprehensive income / expense not to be reclassified to profit or loss | (189) | 237 |
| 31 December | (192) | (947) |

NOTE 25 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

| | 31 December 2013 | 31 December 2012 |
|---|------------------|------------------|
| Provision for corporate tax | 1.669 | - |
| Prepaid taxes | (2.180) | - |
| Provision for corporate tax, net | (511) | - |

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

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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 on the condition that such gains are reflected in the equity with the intention to be utilized in a share capital increase within five years from the date of the sale.

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.

As of 1 January - 31 December 2013 and 2012 tax benefit in the statement of income is as follows:

| | 1 January - 31 December 2013 | 1 January - 31 December 2013 |
|----------------------------------|------------------------------|------------------------------|
| Current period tax expense | (1.669) | - |
| Deferred tax benefit / (expense) | 907 | (39) |
| Total tax expense | (762) | (39) |

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Total tax benefit for the year can be reconciled to the accounting profit as follows:

| | 1 January - 31 December 2013 |
|---|------------------------------|
| Profit before tax | 53.451 |
| Corporate tax rate | 20% |
| Tax expense calculated using 20% local tax rate | (10.690) |
| Utilization of previous period tax losses | 3.685 |
| Expenses not deductible for tax purposes | (745) |
| Research and development deduction | 6.627 |
| Discounted corporate tax benefit | 361 |
| | (762) |

Deferred tax assets and liabilities

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Communiqué II, No. 14.1 and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

Tax rate used in the calculation of deferred tax assets and liabilities based on the liability method is 20% as of 31 December 2013. (31 December 2012:%20).

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The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities provided using principal tax rate as of the balance sheet dates is as follows:

| | Cumulative temporary differences | | Deferred tax | |
|--|----------------------------------|------------------|------------------|------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| Deferred tax assets | | | | |
| Employment termination benefits | (12.434) | (12.607) | 2.298 | 2.521 |
| Unearned interest expense | (735) | (2.559) | 147 | 512 |
| Provision for impairment on inventories | (2.065) | (4.397) | 413 | 879 |
| Derivative financial instruments | (15.932) | (8.673) | 3.186 | 1.735 |
| Other | (5.465) | (2.180) | 1.093 | 436 |
| | | | 7.137 | 6.083 |
| Deferred tax liabilities | | | | |
| Useful life and valuation differences on property, plant and equipment and intangible assets | 43.275 | 47.298 | (8.655) | (9.460) |
| Other | 1.585 | 750 | (317) | (150) |
| | | | (8.972) | (9.610) |
| Deferred tax liabilities - net | | | (1.835) | (3.527) |

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The movement of net deferred tax assets and liabilities is as follows:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|------------------------------|------------------------------|
| Opening balance, 1 January | (3.527) | (3.725) |
| Current year deferred tax income | 907 | (39) |
| Tax recognised directly in the shareholder's equity | 785 | 237 |
| Balance at 31 December | (1.835) | (3.527) |

NOTE 26 - (LOSS) / EARNINGS PER SHARE

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|--|------------------------------|------------------------------|
| Net (loss) / income | 52.689 | (17.544) |
| Weighted number of ordinary shares with a TL 1 of face value (thousand shares) | 190.000 | 190.000 |
| | 0,28 | (0,09) |

NOTE 27 - DERIVATIVE INSTRUMENTS

| | 31 December 2013 | | 31 December 2012 | |
|---------------------------------------|------------------|------------------------|------------------|------------------------|
| | Contract amount | Assets / (Liabilities) | Contract amount | Assets / (Liabilities) |
| Held for trading | | | | |
| Forward foreign currency transactions | 61.329 | (7.669) | 1.363.384 | (9.310) |
| Foreign currency swap contracts | 50.000 | (3.393) | 20.000 | 637 |
| Cash flow hedge | | | | |
| Forward foreign currency transactions | 491.095 | (4.870) | - | - |
| | 602.424 | (15.932) | 1.383.384 | (8.673) |

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital risk management:

The Company manages its capital to ensure that it will maintain its status as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The management of the Company considers cost of capital and the risks associated with each class of capital. The management of the Company aims at balancing its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt.

As of 31 December 2013 and 31 December 2012 the Company's net debt / total equity ratios are as follows:

| | 31 December 2013 | 31 December 2012 |
|--------------------------------------|------------------|------------------|
| Total financial liabilities (note 5) | 292.024 | 375.515 |
| Cash and cash equivalents (note 4) | (18.576) | (27.218) |
| Net debt | 273.448 | 348.297 |
| Total equity | 540.804 | 491.256 |
| Capital invested | 814.252 | 839.553 |
| Net debt/capital invested | 34% | 41% |

b) Financial risk factors:

The Company's activities expose it to a variety of financial risks including the foreign currency exchange rates risk, credit risk and liquidity risk. The Company's overall risk management programme on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company uses derivative financial instruments in order to protect itself from various financial risks.

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b.1) Credit risk:

Credit risk arises from bank deposits, trade receivables and other trade receivables. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of these agreements. The Company sells significant portion of its products to Vestel Ticaret A.Ş. which is a group company. Credit risk is evaluated by considering past experiences and current economic conditions and receivables is presented in the balance sheet after appropriate amount of provision for doubtful receivables is allocated. The company considers that the credit risk is managed effectively. The following statements show the analysis of credit risk as of 31 December 2013 and 31 December 2012:

| 31 December 2013 | Receivables | | | | Bank deposits | Other |
|--|-------------------|---------------|-------------------|---------------|---------------|-------|
| | Trade Receivables | | Other Receivables | | | |
| | Related parties | Third parties | Related parties | Third parties | | |
| Maximum exposed credit risk as at 31 December 2013 (A+B+C+D) | 527.940 | 11.996 | - | 63.472 | 17.977 | - |
| - Secured portion of the maximum credit risk by guarantees, etc | - | - | - | - | - | - |
| A. Net book value of financial asset either are not due or impaired | 527.940 | 9.482 | - | 63.472 | 17.977 | - |
| - Secured portion by guarantees, etc | - | - | - | - | - | - |
| B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired | - | - | - | - | - | - |
| C. Net book value of overdue but not impaired financial assets | - | 2.514 | - | - | - | - |
| - Secured portion by guarantees, etc | - | - | - | - | - | - |
| D. Net book value of the impaired assets | - | - | - | - | - | - |
| - Overdue (gross book value) | - | 173 | - | - | - | - |
| - Impairment (-) | - | (173) | - | - | - | - |
| - Secured portion of the net value by guarantees, etc | - | - | - | - | - | - |
| E. Off balance sheet items comprised of credit risk | - | - | - | - | - | - |

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| 31 December 2012 | Receivables | | | | Bank deposits | Other |
|--|-------------------|---------------|-------------------|---------------|---------------|-------|
| | Trade Receivables | | Other Receivables | | | |
| | Related parties | Third parties | Related parties | Third parties | | |
| Maximum exposed credit risk as at 31 December 2012 (A+B+C+D) | 622.071 | 13.538 | - | 49.916 | 25.851 | - |
| - Secured portion of the maximum credit risk by guarantees, etc | - | - | - | - | - | - |
| A. Net book value of financial asset either are not due or impaired | 622.071 | 13.538 | - | 49.916 | 25.851 | - |
| B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired | - | - | - | - | - | - |
| C. Net book value of overdue but not impaired financial assets | - | - | - | - | - | - |
| - Secured portion by guarantees, etc | - | - | - | - | - | - |
| D. Net book value of the impaired assets | - | - | - | - | - | - |
| - Overdue (gross book value) | - | 38 | - | - | - | - |
| - Impairment (-) | - | (38) | - | - | - | - |
| - Secured portion of the net value by guarantees, etc | - | - | - | - | - | - |
| E. Off balance sheet items comprised of credit risk | - | - | - | - | - | - |

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Aging analysis of the receivables which are overdue but not impaired:

| | 31 December 2013 | 31 December 2012 |
|----------------------------------|------------------|------------------|
| 0 - 1 month | 1.697 | - |
| 1 - 3 months | 675 | - |
| 3 - 12 months | 142 | - |
| 1 - 5 years | - | - |
| More than 5 years | - | - |
| Total overdue receivables | 2.514 | - |

b.2) Price risk:

Due to the fact that the Company's operating profit and cash flows from operating activities has been affected by competition in the sector and changes in raw material prices, the prices is monitored by the Company management and cost-cutting measures has been taken in order to mitigate cost pressure effect on price level. In addition, the Company reviews market prices for active financial and operational risk management regularly.

Existing risks has been monitored on Audit Committee and Board of Directors meetings and raw material prices in market is reviewed closely.

b.3) Liquidity risk:

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company manages liquidity risk by providing the continuity of sufficient funds and loan reserves by twinning the maturities of financial assets and liabilities by following cash flow regularly.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Derivative financial liabilities are presented by undiscounted net inflows and outflows.

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The analysis of the Company's financial liabilities with respect to their maturities as of 31 December 2013:

| Contractual maturities | Book value | Total contractual cash outflows | Less than 3 months | 3 - 12 months | 1 - 5 years | More than 5 years |
|---|----------------|---------------------------------|--------------------|----------------|----------------|-------------------|
| Non-derivative financial liabilities | | | | | | |
| Bank borrowings | 292.024 | 314.914 | 4.553 | 77.721 | 232.640 | - |
| Trade payables | 472.498 | 473.625 | 343.111 | 110.133 | 20.381 | - |
| Other payables | 3.987 | 3.987 | 3.987 | - | - | - |
| | 768.509 | 792.526 | 351.651 | 187.854 | 253.021 | - |
| Derivative financial instruments | | | | | | |
| Derivative cash inflows | - | (552.425) | (223.314) | (305.731) | (23.380) | - |
| Derivative cash outflows | - | 562.702 | 227.319 | 308.705 | 26.678 | - |
| | 15.932 | 10.277 | 4.005 | 2.974 | 3.298 | - |

The analysis of the Company's financial liabilities with respect to their maturities as of 31 December 2012:

| Contractual maturities | Book value | Total contractual cash outflows | Less than 3 months | 3 - 12 months | 1 - 5 years | More than 5 years |
|---|----------------|---------------------------------|--------------------|----------------|---------------|-------------------|
| Non-derivative financial liabilities | | | | | | |
| Bank borrowings | 375.515 | 390.317 | 96.066 | 196.367 | 97.884 | - |
| Trade payables | 413.006 | 413.670 | 327.682 | 85.988 | - | - |
| Other payables | 3.402 | 3.402 | 3.402 | - | - | - |
| | 791.923 | 807.389 | 427.150 | 282.355 | 97.884 | - |
| Derivative financial instruments | | | | | | |
| Derivative cash inflows | - | (1.355.811) | (654.939) | (700.872) | - | - |
| Derivative cash outflows | - | 1.363.384 | 658.172 | 705.212 | - | - |
| | 8.673 | 7.573 | 3.233 | 4.340 | - | - |

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

b.4) Foreign currency risk:

The Company is exposed to exchange rate risk due to its foreign currency denominated transactions. The main principle of foreign currency risk management is to maintain foreign exchange position at the level that minimizes the impact of foreign exchange fluctuations.

Derivative instruments are used in foreign currency risk management where necessary. In this respect the Company mainly prefers using foreign exchange forward contracts.

| | USD | EUR | Other (TL Equivalent) | TL Equivalent |
|---|------------------|------------------|--------------------------|------------------|
| 31 December 2013 | | | | |
| 1. Trade receivables | 8.315 | 137.102 | 34.196 | 454.543 |
| 2a. Monetary financial assets (including cash and cash equivalents) | 164 | 5.711 | - | 17.120 |
| 2b. Non-monetary financial assets | - | - | - | - |
| 3. Other | 1 | - | - | 2 |
| 4. Current assets (1+2+3) | 8.480 | 142.813 | 34.196 | 471.665 |
| 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) | 8.480 | 142.813 | 34.196 | 471.665 |
| 10. Trade payables | 98.720 | 31.167 | - | 302.220 |
| 11. Financial liabilities | 774 | 25.269 | - | 75.854 |
| 12a. Other monetary liabilities | - | - | - | - |
| 12b. Other non-monetary liabilities | - | - | - | - |
| 13. Current liabilities (10+11+12) | 99.494 | 56.436 | - | 378.074 |
| 14. Trade payables | - | 6.941 | - | 20.382 |
| 15. Financial liabilities | 33.305 | 24.222 | - | 142.211 |
| 16a. Other monetary liabilities | - | - | - | - |
| 16b. Other non-monetary liabilities | - | - | - | - |
| 17. Non-current liabilities (14+15+16) | 33.305 | 31.163 | - | 162.593 |
| 18. Total liabilities (13+17) | 132.799 | 87.599 | - | 540.667 |
| 19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b) | 230.092 | (177.334) | (22.641) | (52.297) |
| 19a. Hedged total assets | 234.434 | 635 | - | 502.217 |
| 19b. Hedged total liabilities | (4.342) | (177.969) | (22.641) | (554.514) |
| 20. Net foreign currency asset/ (liability) position (9-18+19) | 105.773 | (122.120) | 11.555 | (121.299) |
| 21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a) | (124.320) | 55.214 | 34.196 | (69.004) |
| 22. Fair value of financial instruments used in foreign currency hedging | - | - | - | (15.932) |
| 23. Export | 42.807 | 564.446 | 24.448 | 1.462.637 |
| 24. Import | 246.029 | 206.993 | 1.963 | 984.446 |

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

| 31 December 2012 | USD | EUR | Other (TL Equivalent) | TL Equivalent |
|---|------------------|------------------|--------------------------|------------------|
| 1. Trade receivables | 16.048 | 152.229 | 45.709 | 432.313 |
| 2a. Monetary financial assets (including cash and cash equivalents) | 426 | 518 | 36 | 2.014 |
| 2b. Non-monetary financial assets | - | - | - | - |
| 3. Other | 11.220 | 4.511 | 107 | 30.716 |
| 4. Current assets (1+2+3) | 27.694 | 157.258 | 45.852 | 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 | 45.852 | 465.043 |
| 10. Trade payables | 105.968 | 39.624 | 118 | 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 | 118 | 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 | 118 | 492.890 |
| 19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b) | 321.189 | (278.644) | (44.109) | (126.844) |
| 19a. Hedged total assets | 383.667 | 140.241 | 2.836 | 1.016.566 |
| 19b. Hedged total liabilities | (62.478) | (418.885) | (46.945) | (1.143.410) |
| 20. Net foreign currency asset/ (liability) position (9-18+19) | 192.823 | (212.630) | 1.625 | (154.691) |
| 21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a) | (139.586) | 61.503 | 45.627 | (58.563) |
| 22. Fair value of financial instruments used in foreign currency hedging | - | - | - | (8.673) |
| 23. Export | 59.498 | 570.162 | 35.144 | 1.455.670 |
| 24. Import | 251.244 | 218.536 | 1.360 | 955.284 |

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

As of 31 December 2013 and 31 December 2012, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

| | Gain / Loss | | Equity | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Foreign exchange appreciation | Foreign exchange depreciation | Foreign exchange appreciation | Foreign exchange depreciation |
| 31 December 2013 | | | | |
| +/- 10% fluctuation of USD rate: | | | | |
| USD net asset / liability | (26.534) | 26.534 | (26.534) | 26.534 |
| Secured portion from USD risk (-) | - | - | 49.066 | (49.066) |
| USD net effect | (26.534) | 26.534 | 22.532 | (22.532) |
| +/- 10% fluctuation of EUR rate: | | | | |
| EUR net asset / liability | 16.214 | (16.214) | 16.214 | (16.214) |
| Secured portion from EUR risk (-) | (2.474) | 2.474 | (52.027) | 52.027 |
| EUR net effect | 13.740 | (13.740) | (35.813) | 35.813 |
| +/- 10% fluctuation of other currency rates: | | | | |
| Other currencies net asset / liability | 3.420 | (3.420) | 3.420 | (3.420) |
| Secured portion from other currency risk (-) | (2.264) | 2.264 | (2.264) | 2.264 |
| Other currency net effect | 1.156 | (1.156) | 1.156 | (1.156) |

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

| | Gain / Loss | | Equity | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Foreign exchange appreciation | Foreign exchange depreciation | Foreign exchange appreciation | Foreign exchange depreciation |
| 31 December 2012 | | | | |
| +/- 10% fluctuation of USD rate: | | | | |
| USD net asset / liability | (24.883) | 24.883 | (24.883) | 24.883 |
| Secured portion from USD risk (-) | 57.255 | (57.255) | 57.255 | (57.255) |
| USD net effect | 32.372 | (32.372) | 32.372 | (32.372) |
| +/- 10% fluctuation of EUR rate: | | | | |
| EUR net asset / liability | 14.464 | (14.464) | 14.464 | (14.464) |
| Secured portion from EUR risk (-) | (65.529) | 65.529 | (65.529) | 65.529 |
| EUR net effect | (51.065) | 51.065 | (51.065) | 51.065 |
| +/- 10% fluctuation of other currency rates: | | | | |
| Other currencies net asset / liability | (4.563) | 4.563 | (4.563) | 4.563 |
| Secured portion from other currency risk (-) | 4.411 | (4.411) | 4.411 | (4.411) |
| Other currency net effect | (152) | 152 | (152) | 152 |

b.5) Interest rate risk:

The Company is exposed to interest rate risk as the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate hedge contracts and forward interest rate contracts.

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

| | 31 December 2013 | 31 December 2012 |
|---|------------------|------------------|
| Financial instruments with fixed interest rates | | |
| Time deposits | 17.059 | 25.484 |
| Financial liabilities | 280.247 | 342.587 |
| Financial instruments with variable interest rates | | |
| Financial liabilities | 11.777 | 32.928 |

On December 31, 2013, if interest rates of all currency denominated financial assets and liabilities with variable interest rates has strengthened / weakened by 100 base point with all other variables held constant, income before taxes would have been TL 133 (2012: TL 754) lower / higher as a result of interest expenses.

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Categories of financial instruments and fair values

The Company has classified its financial assets and liabilities as at fair value through profit or loss, available for sale financial assets and loans and receivables. Among Company's financial assets, cash and cash equivalents (note 4), trade receivables (notes 6 and 7) and other receivables (notes 6 and 8), are classified as loans and receivables and are measured at amortized cost using the effective interest method.

Company's financial liabilities consist of financial liabilities (note 5) and trade payables (note 7) are measured at amortized cost using the effective interest method.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Company, using available market information and appropriate valuation methodologies. However, judgement is necessarily required interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

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Notes to the Financial Statements for the Period 1 January - 31 December 2013

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

Monetary assets

The book value of foreign currency denominated balances which are translated to TL using exchange rates prevailing on the date of the balance sheet approximate their fair values. For financial assets measured at cost including cash and cash equivalents, the carrying amounts are the same with fair values due to their short term nature. Carrying amounts of trade receivables net of impairments approximate their fair values.

Monetary liabilities

The fair values of short term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term. As of December 31, 2013, the carrying value and the fair value of long term-borrowings, including the short term portions, are equal to TL 292,024 (31 December 2012: TL 110,676) (note 5) and TL 292,024 respectively. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in the market interest rates.

Fair value hierarchy

The Company classifies the fair value measurement of each class of financial instruments according to the source, using the three level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy tables as of 31 December 2013 and 31 December 2012 are as follows:

| 31 December 2013 | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|----------------|----------------|----------------|--------------|
| Financial liabilities | - | - | - | - |
| Derivative financial liabilities | - | (15.932) | - | (15.932) |
| 31 December 2012 | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities | - | - | - | - |
| Derivative financial liabilities | - | (8.673) | - | (8.673) |

NOTE 30 - EVENTS AFTER THE REPORTING PERIOD

As of 31 December 2013, exchange rates of USD and EUR are 2,1343 and 2,9365, respectively. Indicative exchange rates of USD and EUR are set by Central Bank of Turkey as 2,2046 and 3,0319 respectively on February 24, 2014 at 15:30.

Investor Information

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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.vestelyatirimciiliskileri.com>

Additionally, requests for information can be submitted to the Investor Relations Directorate of Vestel Group of Companies via phone and e-mail.

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