

**VESTEL BEYAZ EŐYA SANAYİ VE TİCARET
ANONİM ŐİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AT
1 JANUARY - 31 DECEMBER 2014
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

(ORGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

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

Report on the Financial Statements

1. We have audited the accompanying financial statements of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi (the "Company") which comprise the statement of financial position as at 31 December 2014 and the 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 other 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 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 fraud or error.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Independent Auditing Standards that part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that 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 independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



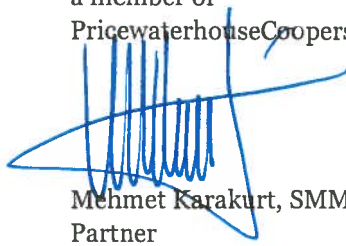
Opinion

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 2014 and their financial performance and cash flows for the year then ended in accordance with Turkish Accounting Standards (Note 2).

Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 12 February 2015 .
6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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



Mehmet Karakurt, SMMM
Partner

Istanbul, 12 February 2015

VESTEL BEYAZ EŐYA SANAYİ VE TİCARET ANONİM ŐİRKETİ
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
BALANCE SHEETS AS OF 31 DECEMBER 2014 AND 31 DECEMBER 2013

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

	Notes	Audited 31 December 2014	Audited 31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents	4	163.711	18.576
Derivative financial instruments	27	30.312	-
Trade receivables		657.750	539.936
Related parties	6	646.554	527.940
Other parties	7	11.196	11.996
Other receivables		50.557	63.472
Other parties	8	50.557	63.472
Inventories	9	229.782	324.125
Prepaid expenses	10	13.325	15.855
Current income tax assets	25	-	511
Other current assets	18	100	693
Total current assets		1.145.537	963.168
Non-current assets			
Prepaid expenses	10	5.694	1.901
Property, plant and equipment	11	330.230	329.512
Intangible assets		67.976	58.342
Other intangible assets	12	67.976	58.342
Total non-current assets		403.900	389.755
TOTAL ASSETS		1.549.437	1.352.923

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
BALANCE SHEETS AS OF 31 DECEMBER 2014 AND 31 DECEMBER 2013

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

	Notes	Audited 31 December 2014	Audited 31 December 2013
LIABILITIES			
Current liabilities			
Short term financial liabilities	5	60.744	79.906
Trade payables		555.571	452.117
Related parties	6	8.758	19.235
Other parties	7	546.813	432.882
Liabilities for employee benefits	16	17.660	13.043
Derivative financial instruments	27	5.946	6.911
Current income tax liabilities	25	2.601	-
Short term provisions		1.100	366
Other provisions	14	1.100	366
Other current liabilities	18	5.580	3.987
Total current liabilities		649.202	556.330
Non-current liabilities			
Long term financial liabilities	5	58.220	212.118
Trade payables		-	20.381
Other parties	7	-	20.381
Other payables		142.372	-
Related parties	6	142.372	-
Long term provisions		25.382	12.434
Provision for employee benefits	16	25.382	12.434
Derivative financial instruments	27	5.800	9.021
Deferred tax liability	25	5.898	1.835
Total non-current liabilities		237.672	255.789
TOTAL LIABILITIES		886.874	812.119

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
BALANCE SHEETS AS OF 31 DECEMBER 2014 AND 31 DECEMBER 2013

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

	Notes	Audited 31 December 2014	Audited 31 December 2013
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		(9.209)	(192)
Revaluation gain/loss		(9.209)	(192)
- Actuarial gain/loss arising from defined benefit plans	24	(9.209)	(192)
Other comprehensive income/expense to be reclassified to profit or loss		20.512	(3.896)
Cash flow hedges	24	20.512	(3.896)
Restricted reserves	19	41.803	38.886
Accumulated deficit	19	169.515	144.552
Net loss for the period		131.177	52.689
Total equity		662.563	540.804
TOTAL LIABILITIES AND EQUITY		1.549.437	1.352.923

Financial statements for the period 1 January – 31 December 2014 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 12 February 2015.

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2014 AND 2013

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

	Notes	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
Revenue	20	2.337.141	2.028.695
Cost of sales		(2.036.804)	(1.850.236)
Gross profit		300.337	178.459
Marketing, selling and distribution expenses	21	(42.748)	(36.617)
General administrative expenses	21	(36.395)	(32.733)
Research and development expenses	21	(27.123)	(24.958)
Other operating income	22	66.942	112.148
Other operating expense	22	(111.347)	(68.875)
Operating profit		149.666	127.424
Financial income	23	90.534	73.507
Financial expense	23	(88.041)	(147.480)
Profit before tax		152.159	53.451
Tax (expense) / benefit			
Current tax expense	25	(20.767)	(1.669)
Deferred tax benefit	25	(215)	907
Net income for the period		131.177	52.689
Earnings per 100 shares with a Kr 1 of face value (TL)	26	0,69	0,28

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2014 AND 2013

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

	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
Other comprehensive income / (loss)		
Items not to be reclassified to profit or loss		
Actuarial loss arising from defined benefit plans	(9.017)	755
Tax effect of other comprehensive income not to be reclassified to profit or loss	(11.271)	944
Deferred tax income / loss	2.254	(189)
	2.254	(189)
Items to be reclassified to profit or loss	24.408	(3.896)
Cash flow hedges	30.510	(4.870)
Tax effect of other comprehensive income/ expense to be reclassified to profit or loss	(6.102)	974
Deferred tax income / loss	(6.102)	974
Other comprehensive income / (loss)	15.391	(3.141)
Total comprehensive (loss)	146.568	49.548

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2014 AND 2013

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

	Paid in capital	Adjustments to share capital	Share premium	Share capital	Actuarial loss on employee benefits	Cash flow hedge fund	Restricted reserves	Retained earnings	Net profit / (loss) for the period	Total equity	Comprehensive income / (loss) not to be reclassified to profit or loss		Accumulated deficit / retained earnings
											Other Comprehensive income / (loss) to be reclassified to profit or loss	Comprehensive income / (loss) to be reclassified to profit or loss	
Balances at 1 January 2013	190.000	9.734	109.031	9.734	(947)	-	38.886	162.096	(17.544)	491.256			
Transfer to accumulated deficit	-	-	-	-	-	-	-	(17.544)	17.544	-			
Total comprehensive income	-	-	-	-	755	(3.896)	-	-	52.689	49.548			
Balances at 31 December 2013	190.000	9.734	109.031	9.734	(192)	(3.896)	38.886	144.552	52.689	540.804			
Balances at 1 January 2014	190.000	9.734	109.031	9.734	(192)	(3.896)	38.886	144.552	52.689	540.804			
Transfer to accumulated deficit	-	-	-	-	-	-	-	52.689	(52.689)	-			
Transfer to restricted reserves	-	-	-	-	-	-	2.917	(2.917)	-	-			
Total comprehensive (loss) / income	-	-	-	-	(9.017)	24.408	-	-	131.177	146.568			
Dividends	-	-	-	-	-	-	-	(24.809)	-	(24.809)			
Balances at 31 December 2014	190.000	9.734	109.031	9.734	(9.209)	20.512	41.803	169.515	131.177	662.563			

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2014 AND 2013

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

	Notes	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
Operating activities:			
Profit / (loss) before tax		152.159	53.451
Adjustments to reconcile net cash provided from operating activities to profit / (loss) before taxes:			
- Depreciation and amortization of fixed assets	11	84.070	74.367
- Provision for lawsuit risks	14	734	(562)
- Provision for employment termination benefits	16	6.044	6.703
- Provision for impairment on inventories	9	(994)	(2.332)
- Interest expense	23	17.245	24.338
- Interest income	23	(173)	(186)
- (Gain) / loss from sales of tangible and intangible assets		(209)	(72)
- Derivative financial instruments (income) / expense accrual		(3.988)	2.389
- Unrealized foreign exchange gains / losses		4.095	33.085
Change in blocked cash and cash equivalents	4	(86)	795
Changes in working capital:			
(Increase) / decrease in trade receivables	6,7	(117.814)	95.673
(Increase) / decrease in inventories	9	95.360	(100.384)
(Increase) / decrease in other receivables and other current assets		12.245	(7.868)
Increase / (decrease) in trade payables	6,7	83.073	59.492
Increase / (decrease) in other payables and other liabilities		6.210	7.315
Cash flows from operating activities			
Employment termination benefits paid	16	(4.367)	(5.932)
Current income tax paid	25	(17.655)	(2.180)
Net cash provided by operating activities		315.949	238.092

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2014 AND 2013

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

	Notes	1 January - 31 December 2014	1 January - 31 December 2013
Investing activities:			
Acquisition of tangible assets	11	(74.919)	(87.619)
Cash provided from sales of tangible and intangible assets		2.325	977
Acquisition of intangible assets	12	(21.642)	(18.569)
Net cash used in investing activities		(94.236)	(105.211)
Financing activities:			
Proceeds from bank borrowings		29.570	263.350
Repayment of bank borrowings		(210.413)	(387.962)
Other payables to related parties	6	142.372	-
Dividends paid	6	(24.809)	-
Interest paid		(13.557)	(16.302)
Interest received		173	186
Net cash used in financing activities		(76.664)	(140.728)
Net (decrease) / increase in cash and cash equivalents		145.049	(7.847)
Cash and cash equivalents at the beginning of the period	4	18.040	25.887
Cash and cash equivalents at the end of the period	4	163.089	18.040

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2014

(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 Levent 199, Büyükdere Caddesi No: 199, 34394 Şişli / İstanbul.

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 346 thousand square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 395 thousand 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 2014, the number of personnel employed was 5.566 (31 December 2013: 5.621)

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.	94,54
Other shareholders	5,46
	100,00

As of 31 December 2014, 59.800.000 shares of the Company have been quoted at the Borsa Istanbul ("BİST") (31,5 % of its share capital; 31 December 2013: 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.

VESTEL BEYAZ EŐYA SANAYİ VE TİCARET ANONİM ŐİRKETİ
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2014

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

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/IFRS.

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

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.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2014

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.3. Amendments in Turkey Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2014 and are adopted by the Company:

- **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.
- **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.

b) Other new standards, amendments and interpretations issued and effective as of 1 January 2014 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

VESTEL BEYAZ EŐYA SANAYİ VE TİCARET ANONİM ŐİRKETİ
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2014

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

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

- **TFRS 9 “Financial instruments – classification and measurement”**, Effective for annual periods beginning on or after 1 January 2018. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, ‘Financial instruments: Recognition and measurement’. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions.
- **TFRS 9 (amendments), “Financial instruments’**, regarding general hedge accounting” Effective for annual periods beginning on or after 1 January 2018. These amendments to IFRS 9, ‘Financial instruments’, bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.
- **TAS 19 (amendments), “Defined benefit plans”**, is effective for annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- **TFRS 11 (amendments), “Joint Arrangements”**, is effective for annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2014

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

- **TAS 16 and TAS 38 (amendments), “Tangible Assets”, “Intangible Assets”,** is effective for annual periods beginning on or after 1 January 2016. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- **TFRS 14, “Regulatory deferral accounts”,** is effective for annual periods beginning on or after 1 January 2016. ‘Regulatory deferral accounts’ permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS.
- **TFRS 15, “Revenue from contracts with customers”,** is effective for annual periods beginning on or after 1 January 2017. The International Accounting Standards Board (IASB) and the US national standard-setter, the Financial Accounting Standards Board (FASB), initiated a joint project to clarify the principles for recognising revenue and to develop a common revenue standard for IFRS and US GAAP. The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The new model employs an asset and liability approach, rather than current revenue guidance focuses on an earnings process.
- **Annual improvements 2014:** Effective for annual periods beginning on or after 1 January 2016. Annual Improvements amend the following 4 standards
 - TFRS 5, ‘Non-current assets held for sale and discontinued operations’, changes in sales method
 - TFRS 7, ‘Financial Instruments: Disclosures’, with respect to TFRS 1, changes in labor contracts
 - TAS 19, ‘Employee benefits’, changes in discount rates
 - TAS 34, ‘Interim financial reporting’, changes in explanation of information

The Company will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date. It is expected that the application of the standards and interpretations will not have a significant effect on the financial statements of the Company.

VESTEL BEYAZ EŐYA SANAYİ VE TİCARET ANONİM ŐİRKETİ
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NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

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:

- Company has transferred to the buyer significant risks and reward of ownership of the goods,
- 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 entity, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

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NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

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

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NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

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.

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NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

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.

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.

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NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

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 re-measured 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

The 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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NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

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.

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NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

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.

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.

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NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

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.

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.

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NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

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:

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).

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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 strategic 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 2014	1 January - 31 December 2013
Turkey	589.876	567.052
Europe	1.287.188	1.056.813
Other	466.952	405.824
Gross sales	2.344.016	2.029.689
Discounts (-)	(6.875)	(994)
Net sales	2.337.141	2.028.695

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

The amount of export is 1.754.140 thousand TL for the period ended 31 December 2014 (1 January-31 December 2013: 1.462.637 thousand TL). Export sales are denominated in EURO, USD and RUB as 95,5%, 3,8% and 0,7% of total export respectively. (1 January-31 December 2013: 93,2% EUR, 5,3% USD, 1,5% 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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NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash	86	63
Bank deposits		
- Demand deposits	53.828	918
- Time deposits	109.175	17.059
Blocked deposits	622	536
Cash and cash equivalents	163.711	18.576

Effective interest rates

	31 December 2014	31 December 2013
EUR	0,05%	0,62%
TL	9,64%	-
USD	0,71%	0,50%

As of 31 December 2014 the Company's time deposits have an average maturity of less than 1 month (31 December 2013: less than 1 month).

NOTE 5 - FINANCIAL LIABILITIES

	31 December 2014	31 December 2013
Short - term financial liabilities		
Short term bank loans	24.023	-
Short term portion of long term bank loans	36.721	79.906
	60.744	79.906
Long - term financial liabilities		
Long term bank loans	58.220	212.118
	58.220	212.118

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NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

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

Currency	31 December 2014			31 December 2013		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- EUR	1,42%	8.495	23.963	-	-	-
- TL	-	60	60	-	-	-
			24.023			-

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

Currency	31 December 2014			31 December 2013		
	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	3,25%	11.590	32.691	5,03%	25.269	74.201
- TL	8,26%	4.030	4.030	8,27%	4.052	4.052
Short term portion			36.721			79.906
- USD	-	-	-	3,46%	33.305	71.082
- EUR	4,63%	3.320	9.365	3,52%	24.222	71.127
- TL	8,26%	48.855	48.855	8,26%	69.909	69.909
Long term portion			58.220			212.118
			94.941			292.024

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NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

The redemption schedule of the Company's long term financial liabilities are given below:

	December 2014	31 December 2013
One to two years	53.861	139.208
Two to three years	4.359	68.579
Three to four years	-	4.331
Four to five years	-	-
	58.220	212.118

Total amount of Company's floating rate bans is TL 19.094. (31 December 2013: TL 11.777).

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

	31 December 2014	31 December 2013
6-12 month	19.094	11.777

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 bans usually have a re-pricing period of six months.

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

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NOTE 6 - RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 December 2014	31 December 2013
Vestel Ticaret A.Ş.	647.352	528.505
Vestel CIS Limited	70	47
Other related parties	92	18
	647.514	528.570
Unearned interest on receivables (-)	(960)	(630)
	646.554	527.940

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 2014	31 December 2013
Vestel Elektronik Sanayi ve Ticaret A.Ş.	7.450	3.761
Vestel Holland B.V.	876	14.924
Other related parties	528	556
	8.854	19.241
Unearned interest on payables (-)	(96)	(6)
	8.758	19.235

c) Other long term liabilities to related parties

	31 December 2014	31 December 2013
Vestel Elektronik Sanayi ve Ticaret A.Ş.	142.372	-

The annual interest rate for EUR denominated other long term liabilities is Euribor +3,20 and last instalment will be paid in March 2020.

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NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

d) Transactions with related parties

	1 January - 31 December 2014	1 January - 31 December 2013
Sales		
Vestel Ticaret A.Ş.	2.226.807	1.996.029
Vestel Elektronik Sanayi ve Ticaret A.Ş.	8.706	9.048
Other related parties	147	141
	2.235.660	2.005.218
Operating expenses		
Vestel Holland B.V.	292.274	472.492
Vestel Elektronik Sanayi ve Ticaret A.Ş.	50.544	49.234
Other related parties	23.736	9.700
	366.554	531.426
The Company performs part of its raw material purchases via Vestel Holland B.V which is also a member of Vestel Group Companies.		
Other operating income		
Vestel Ticaret A.Ş.	53.857	94.319
Other related parties	9.169	4.060
	63.026	98.379
Other operating expense		
Vestel Ticaret A.Ş.	69.642	2.380
Other related parties	7.404	2.333
	77.046	4.713
Dividend paid		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	23.215	-
Other	1.594	-
	24.809	-

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NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

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

f) 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 2014 is 4.108 thousand TL (1 January - 31 December 2013: 3.493 thousand TL).

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

	31 December 2014	31 December 2013
Short term trade receivables		
Trade receivables		
- Related parties (note 6)	647.514	528.570
- Other parties	7.960	9.462
Cheques and notes receivables	3.661	2.900
	659.135	540.932
Unearned interest expense (-)		
- Related parties (note 6)	(960)	(630)
- Other parties	(230)	(193)
Allowance for doubtful receivables (-)	(195)	(173)
Total short term trade receivables	657.750	539.936

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 2014	1 January - 31 December 2013
Opening balance, 01 January	173	38
Current year additions	22	135
Closing balance, 31 December	195	173

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NOTE 7- TRADE RECEIVABLES AND PAYABLES (Cont'd)

	31 December 2014	31 December 2013
Short term trade payables		
Trade payables		
- Related parties (note 6)	8.854	19.241
- Other parties	548.459	434.007
	557.313	453.248
Unearned interest income (-)		
- Related parties (note 6)	(96)	(6)
- Other parties	(1.646)	(1.125)
Total short term trade payables	555.571	452.117
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.

NOTE 8 – OTHER RECEIVABLES

	31 December 2014	31 December 2013
Short term other receivables		
VAT receivable	43.948	60.435
Deposits and guarantees given	5.461	2.765
Other	1.148	272
	50.557	63.472

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NOTE 9 - INVENTORIES

	31 December 2014	31 December 2013
Raw materials	135.499	173.041
Work in process	4.607	11.417
Finished goods	90.540	141.647
Merchandise	-	29
Other	207	56
	230.853	326.190
Provision for impairment on inventories (-)	(1.071)	(2.065)
	229.782	324.125

As of 31 December 2014 the Company does not have inventories pledged as security for liabilities (31 December 2013: None).

Cost of the inventory included in the cost of sales for the period 1 January - 31 December 2014 amounts to 1.751.462 thousand TL (1 January - 31 December 2013:1.597.574 thousand TL).

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

	31 December 2014	31 December 2013
Raw materials	392	1.518
Finished goods and merchandise	679	547
	1.071	2.065

Movement of obsolescence provision on inventory is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance, 1 January	2.065	4.397
Current year additions	1.071	2.065
Realised due to sale of inventory	(2.065)	(4.397)
Balance at 31 December	1.071	2.065

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NOTE 10 – PREPAID EXPENSES

	31 December 2014	31 December 2013
Prepaid expenses in current assets		
Order advances given	7.531	11.645
Prepaid expenses	5.779	4.204
Business advances given	15	6
	13.325	15.855
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	4.718	1.869
Prepaid expenses	976	32
	5.694	1.901

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2014	Additions	Disposals	Transfers	31 December 2014
Cost					
Land	6.547	-	-	-	6.547
Land improvements	2.792	90	(4)	234	3.112
Buildings	65.506	489	(2)	240	66.233
Leasehold improvements	3.099	1.076	-	551	4.726
Plant and machinery	661.011	43.782	(6.342)	46.219	744.670
Motor vehicles	396	-	-	-	396
Furniture and fixtures	32.588	4.307	(57)	740	37.578
Construction in progress	25.081	25.175	-	(47.984)	2.272
	797.020	74.919	(6.405)	-	865.534
Accumulated depreciation					
Land improvements	2.063	207	(2)	-	2.268
Buildings	25.893	1.035	(1)	-	26.927
Leasehold improvements	1.784	212	-	-	1.996
Plant and machinery	416.648	68.918	(5.934)	-	479.632
Motor vehicles	113	59	-	-	172
Furniture and fixtures	21.007	3.357	(55)	-	24.309
	467.508	73.788	(5.992)	-	535.304
Net book value	329.512				330.230

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (Cont’d)

	1 January			31 December	
	2013	Additions	Disposals	Transfers	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

Additions to property, plant and equipment in the period 1 January – 31 December 2014 and 2013 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker and dishwasher factories.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

	<u>Useful life</u>
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 period depreciation and amortization expenses is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Cost of sales	71.215	63.219
Research and development expenses	12.167	10.612
Marketing, selling and distribution expenses	291	258
General administrative expenses	397	278
	84.070	74.367

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2014	Additions	Disposals	31 December 2014
Cost				
Rights	6.376	-	-	6.376
Development cost	87.011	20.072	(1.703)	105.380
Other intangible assets	6.596	1.570	-	8.166
	99.983	21.642	(1.703)	119.922
Accumulated amortization				
Rights	6.345	3	-	6.348
Development cost	32.791	9.806	-	42.597
Other intangible assets	2.505	496	-	3.001
	41.641	10.305	-	51.946
Net book value	58.342			67.976

	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

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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NOTE 12 – INTANGIBLE ASSETS (Cont'd)

Useful lives of intangible assets is as follows:

	<u>Useful life</u>
Rights	3-15 years
Development cost	2-10 years
Other intangible assets	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 927 thousand TL for the period 1 January - 31 December 2014 (1 January - 31 December 2013: 657 thousand TL).

Brand support incentive Turquality obtained from Republic of Turkey Prime Ministry Undersecretariat of Treasury amounts to 414 thousand TL in year 2014 (2013: 55 thousand TL).

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NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2014	31 December 2013
Short term provisions		
Provision for lawsuit risks	1.100	366
	1.100	366

The movements in the provision for lawsuits are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance, 1 January	366	928
Current year additions	734	418
Provisions no longer required	-	(980)
Balance at 31 December	1.100	366

b) Guarantees received by the Company

Guarantee letters, collaterals, cheques and notes received

	31 December 2014	31 December 2013
Guarantee letters	4.949	5.461
Cheques and notes	7.393	8.054
Collaterals and pledges	2.637.433	2.809.689
	2.649.775	2.823.204

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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NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2014				
A. CPM's given on behalf of its own legal entity	-	2.000	6.267	11.908
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	1.513.267	150.424	2.387.445	6.320.861
i. Total amount of CPM's given on behalf of the parent company	1.106.806	67.381	1.633.286	4.389.920
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	406.461	83.043	754.159	1.930.941
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	1.513.267	152.424	2.393.712	6.332.769

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NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

CPM's given by the Group	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

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 bans obtained

Proportion of other CPM's given by the Company to its equity is 954% as of 31 December 2014 (31 December 2013: 1.047%)

NOTE 15 – COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to 316.070 thousand USD (31 December 2013: 568.886 thousand USD) due to the export and investment incentive certificates obtained

As of 31 December 2014 the Company has forward foreign currency purchase contract that amounts to 237.623 thousand USD, 78.268 thousand EUR, 804 thousand RUB, 39.880 thousand TL against forward foreign currency sales contract that amounts to 77.639 thousand USD, 199.400 thousand EUR, 804 thousand RUB and 44.281 thousand TL. (31 December 2013 : 234.434 thousand USD, 635 thousand EUR and 50.208 thousand TL purchase contract against 4.342 thousand USD, 177.969 thousand EUR, 349.499 thousand RUB and 8.186 thousand TL sales contract).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
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NOTE 16 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2014	31 December 2013
Due to personnel	12.720	9.474
Social security payables	4.940	3.569
	17.660	13.043

Long term provisions for employee benefits:

	31 December 2014	31 December 2013
Provision for employment termination benefits	25.382	12.434

Under Turkish law, the Company is required to pay employment termination benefits to each employee whose employment is terminated without due caus. In addition, under the existing Social Security Law No. 506, clause No. 60, amended by the Labor Laws dated 6 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 2014 (31 December 2013: TL 3.254,44/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 2014 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 2014 provision is calculated based on real discount rate of %2,26 (31 December 2013: 4,54%) assuming 6% annual inflation rate and 8,40% discount rate.

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NOTE 16 - EMPLOYEE BENEFITS (Cont'd)

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

	1 January - 31 December 2014	1 January - 31 December 2013
Balance at 1 January	12.434	12.607
Increase during the year	4.649	5.586
Payments during the year	(4.367)	(5.932)
Actuarial loss	11.271	(944)
Interest expense	1.395	1.117
Balance at 31 December	25.382	12.434

NOTE17 - NATURE OF EXPENSES

	1 January - 31 December 2014	1 January - December 2013
Raw materials, supplies and finished goods	1.693.545	1.658.731
Changes in finished goods, work in process and trade goods	57.917	(61.157)
Personnel expenses	174.978	153.235
Depreciation and amortization	84.070	74.367
Other	132.560	119.368
	2.143.070	1.944.544

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NOTE 18 – OTHER ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
Other current assets		
VAT carried forward	94	688
Other	6	5
	100	693

	31 December 2014	31 December 2013
Other liabilities		
Tax payables and funds	5.517	3.944
Other	63	43
	5.580	3.987

NOTE 19 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	31 December 2014	31 December 2013
Shares of par value Kr 1 each		
Issued share capital	190.000	190.000

As of 31 December 2014 and 31 December 2013 the shareholding structure is as follows:

	Shareholding %		Amount	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Vestel Elektronik Sanayi ve Ticaret A.Ş. (with board of Directors Members)	94,54%	87,65%	179.618	166.526
Shares held by public	5,46%	12,35%	10.382	23.474
	100%	100%	190.000	190.000

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NOTE 19 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

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 2014	31 December 2013
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 of 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
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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	41.803	38.886
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e) Retained earnings

Extraordinary reserves	122.432	122.432
Retined earnings	47.083	22.120
	169.515	144.552

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NOTE 19 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont’d)

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.

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.

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NOTE 20 - SALES

	1 January - 31 December 2014	1 January - 31 December 2013
Domestic sales	589.876	567.052
Overseas sales	1.754.140	1.462.637
Gross sales	2.344.016	2.029.689
Less: Sales discounts (-)	(6.875)	(994)
Net sales	2.337.141	2.028.695
Cost of sales	(2.036.804)	(1.850.236)
Gross profit	300.337	178.459

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

a) General administrative expenses:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	8.186	6.768
Depreciation and amortization	397	278
Office and rent expenses	7.609	6.302
Advertising expenses	7.472	6.515
Other	12.731	12.870
	36.395	32.733

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NOTE 21 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (Cont'd)

b) Marketing expenses:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	4.818	3.967
Depreciation and amortization	291	258
Transportation expenses	23.049	20.927
Other	14.590	11.465
	42.748	36.617

c) Research and development expenses:

Personnel expenses	7.004	4.169
Depreciation and amortization	12.167	10.612
Other	7.952	10.177
	27.123	24.958

NOTE 22 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January - 31 December 2014	1 January - 31 December 2013
Credit finance gains arising from trading activities	16.898	18.228
Foreign exchange gains arising from trading activities	45.043	89.760
Reversals of provisions	-	669
Other income	5.001	3.491
	66.942	112.148

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NOTE 22 - OTHER OPERATING INCOME AND EXPENSE (Cont'd)

b) Other expense from operating activities:

	1 January - 31 December 2014	1 January - 31 December 2013
Debit finance charges arising from trading activities	16.479	10.082
Foreign exchange expenses arising from trading activities	91.208	54.331
Other expenses	3.660	4.462
	111.347	68.875

NOTE 23 - FINANCIAL EXPENSE AND FINANCIAL INCOME

a) Financial expense:

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange losses	15.861	56.375
Losses on derivative financial instruments	53.253	64.256
Interest expense	17.245	24.338
Other finance expenses	1.682	2.511
	88.041	147.480

b) Financial Income:

Foreign exchange gains	21.251	14.123
Gains on derivative financial instruments	69.110	59.198
Interest income	173	186
	90.534	73.507

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NOTE 24 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

a) Cash flow hedge fund:

	1 January - 31 December 2014	1 January - 31 December 2013
1 January	(3.896)	-
Loss from cash flow hedges	30.510	(4.870)
Tax effect of othe comprehensive income / expense to be reclassified to profit or loss	(6.102)	974
31 December	20.512	(3.896)

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

	1 January - 31 December 2014	1 January - 31 December 2013
1 January	(192)	(947)
Actuarial income / loss arising from defined benefit plans	(11.271)	944
Tax effect of othe comprehensive income / expense not to be reclassified to profit or loss	2.254	(189)
31 December	(9.209)	(192)

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

	31 December 2014	31 December 2013
Corporation and income taxes	20.767	1.669
Prepaid taxes (-)	(18.166)	(2.180)
Current income tax liabilities - net	2.601	(511)

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

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

In Turkey, advance tax returns are filed on a quarterly basis at the rate of %20, until the 14th 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.

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

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

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

As of 1 January - 31 December 2014 and 2013 tax expense in the statement of income is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Current period tax expense	(20.767)	(1.669)
Deferred tax benefit	(215)	907
Total tax benefit / (expense)	(20.982)	(762)

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

	1 January - 31 December 2014	1 January - 31 December 2013
Profit / (loss) before tax	152.159	53.451
Local tax rate	20%	20%
Tax income calculated using local tax rate	(30.432)	(10.690)
Carry forward tax losses	-	3.685
Effect of unused tax losses for which no deferred tax asset	(682)	(745)
Research and development incentives	4.042	6.627
Reduced taxation	6.090	361
	(20.982)	(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 2014. (31 December 2013:%20).

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NOTE 25 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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 2014	31 December 2013	31 December 2014	31 December 2013
Deferred tax assets				
Employment termination benefits	(25.382)	(12.434)	4.886	2.298
Provision for impairment on inventories	(1.070)	(2.065)	214	413
Derivative financial instruments	-	(15.932)	-	3.186
Other	(7.235)	(6.200)	1.447	1.240
			6.547	7.137
Deferred tax liabilities				
Useful life and valuation differences on property, plant and equipment and intangible assets	42.905	43.275	(8.581)	(8.655)
Revaluation of tangible fixed assets	18.566	-	(3.713)	-
Other	755	1.585	(151)	(317)
			(12.445)	(8.972)
Deferred tax liabilities - net			(5.898)	(1.835)

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

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

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance, 01 January	(1.835)	(3.527)
Tax expense recognized in income statement	(215)	907
Recognized in shareholders' equity	(3.848)	785
Deferred tax liabilities		
at the end of the period, net	(5.898)	(1.835)

NOTE 26 - EARNINGS PER SHARE

	1 January - 31 December 2014	1 January - 31 December 2013
Net income attributable to equity holders of the parent	131.177	52.689
Weighted number of ordinary shares with a 1 TL of face value (thousand shares)	190.000	190.000
	0,69	0,28

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NOTE 27 – DERIVATIVE INSTRUMENTS

	31 December 2014		31 December 2013	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
Held for trading				
Forward foreign currency transactions	489.833	(1.274)	61.329	(7.669)
Foreign currency swap contracts	50.000	(5.800)	50.000	(3.393)
Cash flow hedge				
Forward foreign currency transactions	321.874	25.640	491.095	(4.870)
	861.707	18.566	602.424	(15.932)

NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) 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.

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NOTE 28- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2014 and 31 December 2013 the Company's net debt / total equity ratios are as follows:

	31 December 2014	31 December 2013
Total financial liabilities (note 5)	118.964	292.024
Cash and cash equivalents (note 4)	(163.711)	(18.576)
Net debt	(44.747)	273.448
Total equity	662.563	540.804
Capital invested	617.816	814.252
Net debt/capital invested	(0,07)	0,34

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.

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 2014 and 31 December 2013:

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NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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

	31 December 2014	31 December 2013
0 -1 month	1.947	1.697
1 -3 month	1.061	675
3 -12 month		142
1 -5 year	-	-
More than 5 years	-	-
Total overdue receivables	3.008	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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NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

The analysis of the Company's financial liabilities with respect to their maturities as of 31 December 2014:

Contractual Maturities	Book Value	Total contractual cash			1 - 5 years	More than 5 years
		outflows	Less than 3 months	3 - 12 months		
Non-derivative financial liabilities						
Bank Borrowings	118.964	125.442	26.673	34.592	64.177	-
Trade Payables	555.571	556.568	357.700	198.868	-	-
Other Payables	5.580	5.580	5.580	-	-	-
	680.115	687.590	389.953	233.460	64.177	-
Derivative financial instruments						
Derivative cash inflows	-	(861.707)	(442.103)	(369.604)	(50.000)	-
Derivative cash outflows	-	769.073	432.314	354.485	(17.726)	-
	(18.566)	(92.634)	(9.789)	(15.119)	(67.726)	-

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NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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			3 - 12 months	1 - 5 years	More than 5 years
		outflows	Less than 3 months	3 - 12 months			
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	-	(602.425)	(223.314)	(305.731)	(73.380)	-	
Derivative cash outflows	-	579.729	227.319	308.705	43.705	-	
	15.932	(22.696)	4.005	2.974	(29.675)	-	

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.

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NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2014	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	10.086	178.250	19.603	545.781
2a. Monetary financial assets (including cash and cash equivalents)	-	-	-	-
	19.457	490	-	46.501
2b. Non-monetary financial assets	-	-	-	-
3. Other	44	-	-	102
4. Current assets (1+2+3)	29.587	178.740	19.603	592.384
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)	29.587	178.740	19.603	592.384
10. Trade payables	105.845	50.702	-	388.459
11. Financial liabilities	-	20.085	-	56.654
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	105.845	70.787	-	445.113
14. Trade payables	-	-	-	-
15. Financial liabilities	-	3.320	-	9.365
16a. Other monetary liabilities	-	50.474	-	142.372
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	53.794	-	151.737
18. Total liabilities (13+17)	105.845	124.581	-	596.850
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)	159.984	(121.132)	-	29.310
19a. Hedged total assets	237.623	78.268	32	771.827
19b. Hedged total liabilities	(77.639)	(199.400)	(32)	(742.517)
20. Net foreign currency asset/ (liability) position (9-18+19)	-	-	-	-
	83.726	(66.973)	19.603	24.844
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(76.302)	54.159	19.603	(4.568)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	18.566
23. Export	30.157	574.602	8.584	1.754.140
24. Import	186.884	182.094	880	935.394

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NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

31 December 2013	USD	EUR	Other (TL Equivalent)	TL Equivalent
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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NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2014 and 31 December 2013, 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 2014				
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(17.694)	17.694	(17.694)	17.694
Secured portion from USD risk (-)	4.905	(4.905)	37.069	(37.069)
USD net effect	(12.789)	12.789	19.375	(19.375)
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	15.277	(15.277)	15.277	(15.277)
Secured portion from EUR risk (-)	(4.592)	4.592	(34.191)	34.191
EUR net effect	10.685	(10.685)	(18.914)	18.914
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	1.960	(1.960)	1.960	(1.960)
Secured portion from other currency risk (-)	(2.264)	2.264	(2.264)	2.264
Other currency net effect	(304)	304	(304)	304

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	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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NOTE 28 – FİNANSAL ARAÇLARDAN KAYNAKLANAN RİSKLERİN NİTELİĞİ VE DÜZEYİ (Devamı)

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.

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

	31 December 2014	31 December 2013
Financial instruments with fixed interest rates		
Time Deposits	109.175	17.059
Financial Liabilities	99.870	280.247
Financial instruments with variable interest rates		
Finansal Liabilities	19.094	11.777

On 31 December 2014, 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 207 TL (2013: 133 TL) 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.

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

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:

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 31 December 2014, the carrying value and the fair value of long term-borrowings, including the short term portions are equal to 94,941 TL (31 December 2013: 292,024 TL) (note 5) and 94,941 TL (31 December 2013: 292,024 TL) 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

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

Fair value hierarchy tables as of 31 December 2014 and 31 December 2013 are as follows:

31 December 2014	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities	-	18.566	-	18.566
31 December 2013	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities	-	(15.932)	-	(15.932)