VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS AT 1 JANUARY – 31 DECEMBER 2015 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.;

Report on the Financial Statements

1. We have audited the accompanying financial statements of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.; (the "Company"), which comprise the statement of financial position as at 31 December 2015 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period 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 A.Ş. as at 31 December 2015 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

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 11 February 2016.

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 2015 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 2016

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
BALANCE SHEETS AS OF 31 DECEMBER 2015 AND 31 DECEMBER 2014

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

	Notes	Audited 31 December 2015	Audited 31 December 2014
ASSETS			
Current assets			
Cash and cash equivalents	4	88.687	163.711
Derivative financial instruments	27	21.072	30.312
Trade receivables		824.585	657.750
Related parties	6	818.706	646.554
Other parties	7	5.879	11.196
Other receivables		98.237	50.557
Other parties	8	98.237	50.557
Inventories	9	261.376	229.782
Prepaid expenses	10	10.306	13.325
Current income tax assets	25	13.460	-
Other current assets	18	292	100
Total current assets		**1.318.015**	**1.145.537**
Non-current assets			
Prepaid expenses	10	3.752	5.694
Property, plant and equipment	11	314.570	330.230
Intangible assets		84.963	67.976
Other intagible assets	12	84.963	67.976
Total non-current assets		**403.285**	**403.900**
TOTAL ASSETS		**1.721.300**	**1.549.437**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
BALANCE SHEETS AS OF 31 DECEMBER 2015 AND 31 DECEMBER 2014

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

	Notes	Audited 31 December 2015	Audited 31 December 2014
LIABILITIES			
Current liabilities			
Short term financial liabilities	5	5.973	60.744
Trade payables		730.650	555.571
Related parties	6	25.198	8.758
Other parties	7	705.452	546.813
Liabilities for employee benefits	16	20.054	17.660
Derivative financial instruments	27	616	5.946
Current income tax liabilities	25	-	2.601
Short term provisions		1.358	1.100
Other provisions	14	1.358	1.100
Other current liabilities	18	6.470	5.580
Total current liabilities		**765.121**	**649.202**
Non-current liabilities			
Long term financial liabilities	5	54.516	58.220
Other payables		160.438	142.372
Related parties	6	160.438	142.372
Long term provisions		21.907	25.382
Provision for employee benefits	16	21.907	25.382
Derivative financial instruments	27	-	5.800
Deferred tax liability	25	5.045	5.898
Total non-current liabilities		**241.906**	**237.672**
TOTAL LIABILITIES		**1.007.027**	**886.874**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
BALANCE SHEETS AS OF 31 DECEMBER 2015 AND 31 DECEMBER 2014

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

	Notes	Audited 31 December 2015	Audited 31 December 2014
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		(3.686)	(9.209)
Revaluation gain/loss	24	(3.686)	(9.209)
Other comprehensive income/expense to be reclassified to profit or loss	24	7.629	20.512
Cash flow hedges		7.629	20.512
Restricted reserves	19	57.354	41.803
Accumulated deficit	19	180.316	169.515
Net loss for the period		163.895	131.177
Total equity		**714.273**	**662.563**
TOTAL LIABILITIES AND EQUITY		**1.721.300**	**1.549.437**

Financial statements for the period 1 January – 31 December 2015 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 11 February 2016.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2015 AND 2014

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

	Notes	Audited 1 January - 31 December 2015	Audited 1 January - 31 December 2014
Revenue	20	2.524.068	2.337.141
Cost of sales	20	(2.151.671)	(2.036.804)
Gross profit		**372.397**	**300.337**
Marketing, selling and distribution expenses	21	(40.606)	(42.748)
General administrative expenses	21	(45.925)	(36.395)
Research and development expenses	21	(25.666)	(27.123)
Other operating income	22	155.451	66.942
Other operating expense	22	(150.492)	(111.347)
Operating profit / (loss)		**265.159**	**149.666**
Financial income	23	186.021	90.534
Financial expense	23	(274.239)	(88.041)
Profit before tax		**176.941**	**152.159**
Tax (expense) / benefit			
Current tax expense	25	(12.059)	(20.767)
Deferred tax benefit	25	(987)	(215)
Income for the period		**163.895**	**131.177**
Earnings per 100 shares with a TL 1 of face value (TL)	26	**0,86**	**0,69**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2015 AND 2014

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

	Audited 1 January - 31 December 2015	**Audited 1 January - 31 December 2014**
Other comprehensive income / (loss)		
Items not to be reclassified to profit or loss	**5.523**	**(9.017)**
Actuarial gain / (loss) arising from defined benefit plans	6.904	(11.271)
Tax effect of other comprehensive income not to be reclassified to profit or loss	(1.381)	2.254
Deferred tax income / loss	(1.381)	2.254
Items to be reclassified to profit or loss	**(12.883)**	**24.408**
Cash flow hedges	(16.104)	30.510
Tax effect of other comprehensive income/ expense to be reclassified to profit or loss	3.221	(6.102)
Deferred tax income / loss	3.221	(6.102)
Other comprehensive (loss) / income	**(7.360)**	**15.391**
Total comprehensive income	**156.535**	**146.568**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2015 AND 2014

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

				Comprehensive income /(loss) not to be reclassified to profit or loss	Other Comprehensive income /(loss) to be reclassified to profit or loss		Accumulated deficit / Retained Earnings		
	Paid in capital	Adjustments to share capital	Share premium	Actuarial loss on employee benefits	Cash flow hedge fund	Restricted reserves	Accumulated deficit	Net loss for the period	Total equity
Balances at 1 January 2014	**190.000**	**9.734**	**109.031**	**(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)	-	-
Dividends	-	-	-	-	-	-	(24.809)	-	(24.809)
Total comprehensive income	-	-	-	(9.017)	24.408	-	-	131.177	146.568
Balances at 31 December 2014	**190.000**	**9.734**	**109.031**	**(9.209)**	**20.512**	**41.803**	**169.515**	**131.177**	**662.563**
Balances at 1 January 2015	**190.000**	**9.734**	**109.031**	**(9.209)**	**20.512**	**41.803**	**169.515**	**131.177**	**662.563**
Transfer to accumulated deficit	-	-	-	-	-	-	131.177	(131.177)	-
Transfer to restricted reserves	-	-	-	-	-	15.551	(15.551)	-	-
Dividends	-	-	-	-	-	-	(104.825)	-	(104.825)
Total comprehensive income / (loss)	-	-	-	5.523	(12.883)	-	-	163.895	156.535
Balances at 31 December 2015	**190.000**	**9.734**	**109.031**	**(3.686)**	**7.629**	**57.354**	**180.316**	**163.895**	**714.273**

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 2015 AND 2014

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

	Notes	Audited 1 January - 31 December 2015	Audited 1 January - 31 December 2014
Operating activities:			
Income before tax		**176.941**	**152.159**
Adjustments to reconcile net cash provided from operating activities to income before taxes:			
- Depreciation and amortization of fixed assets	11	85.237	84.070
- Changes in other provisions		258	734
- Provision for employment termination benefits	16	8.629	6.044
- Provision for impairment on inventories	9	(449)	(994)
- Interest expense	23	19.507	17.245
- Interest income	23	(1.267)	(173)
- (Gain) / loss from sales of tangible and intangible assets		(206)	(209)
- Derivative financial instruments (income) / expense accrual		(17.994)	(3.988)
- Unrealized foreign exchage gains / losses		1.489	4.095
Change in blocked cash and cash equivalents	4	600	(86)
Changes in working capital:			
(Increase) / decrease in trade receivables	6,7	(166.835)	(117.814)
(Increase) / decrease in inventories	9	(31.145)	95.360
(Increase) / decerase in other receivables and other current assets		(42.911)	12.245
Increase / (decrease) in trade payables	6,7	175.079	83.073
Increase / (decrease) in other payables and other liabilities		3.284	6.210
Cash flows from operating activities			
Employment termination benefits paid	16	(5.200)	(4.367)
Current income tax paid	25	(28.120)	(17.655)
Net cash provided by operating activities		**176.897**	**315.949**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2015 AND 2014

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

Investing activities:	**Notes**	**Audited 1 January - 31 December 2015**	**Audited 1 January - 31 December 2014**
Acquisition of tangible assets	11	(57.012)	(74.919)
Cash provided from sales of tangible and intangible assets		1.025	2.325
Acquisition of intangible assets	12	(30.371)	(21.642)
Net cash used in investing activities		**(86.358)**	**(94.236)**
Financing activities:			
Proceeds from bank borrowings		176.387	29.570
Repayment of bank borrowings		(236.688)	(210.413)
İlişkili taraflardan alınan diğer borçlar	6	18.066	142.372
Dividends paid	6	(104.825)	(24.809)
Interest paid		(19.170)	(13.557)
Interest received		1.267	173
Net cash used by financing activities		**(164.963)**	**(76.664)**
Net (decrease) / increase in cash and cash equivalents		**(74.424)**	**145.049**
Cash and cash equivalents at the beginning of the period	4	**163.089**	**18.040**
Cash and cash equivalents at the end of the period	4	**88.665**	**163.089**

(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 2015, the number of personnel employed was 5.793 (31 December 2014: 5.566)

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.	94,62
Other shareholders	5,38
	100,00

As of 31 December 2015, 59.800.000 shares of the Company have been quoted at the Borsa Istanbul ("BİST") (31,5 % of its share capital; 31 December 2014: 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.

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/TFRS.

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.

2.3. Amendments in Turkey Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2015 and are adopted by the Company:

- **TAS 19 (amendments), "Defined Benefit Plans",** effective for annual periods beginning on or after 1 July 2014. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments had no effect on the financial position or performance of the Group.

- **Annual improvements 2010-2012:** Effective for annual periods beginning on or after 1 July 2014. The 2010–2012 Cycle improvements have amended the below standards:
  - TFRS 2, Share – Based Payment
  - TFRS 3, Business Combinations
  - TFRS 8, Operating Segments
  - TFRS 13, Fair Value Measurement
  - TAS 16, Property, Plant and Equipment and TAS 38 Intangible Assets
  - TFRS 9, Financial Instruments, TAS 37, Provisions, Contingent Liabilities and Contingent Assets
  - TAS 39, Financial Instruments: Recognition and Measurement

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

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

    - TFRS 1, First-time Adoption of International Financial Reporting Standards
    - TFRS 3, Business Combinations
    - TFRS 13, Fair Value Measurement
    - TAS 40, Investment Property

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

- **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.

- **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.

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

- **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.

- **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

- **TAS 1, "Presentation of financial statements",** is effective for annual periods beginning on or after 1 January 2016, adress perceived impediments to preparers exercising their judgements in presenting their financial reports.

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.

c) Other new standards, amendments and interpretations issued and effective as of 1 January 2015 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

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.

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

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.

<u>Financial assets at fair value through profit or loss</u>

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.

<u>Loans and receivables</u>

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.

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.

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.

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.

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.

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.

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. <u>Income taxes:</u>

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).

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

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 2015**	**1 January - 31 December 2014**
Turkey	578.897	589.876
Europe	1.381.443	1.287.188
Other	566.851	466.952
Gross sales	2.527.191	2.344.016
Discounts (-)	(3.123)	(6.875)
Net sales	**2.524.068**	**2.337.141**

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

The amount of export is 1.948.294 thousand TL for the period ended 31 December 2015 (1 January-31 December 2014: 1.754.140 thousand TL). Export sales are denominated in EURO, USD, GBP and RUB as 97%, 2,5%, 0,4% and 0,1% of total export respectively. (1 January-31 December 2014: 95,5% EUR, 3,8% USD, 0,7% 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.

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

NOTE 4 – CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Cash	147	86
Bank deposits		
- Demand deposits	28.340	53.828
- Time deposits	56.178	109.175
Cheques and notes	4.000	-
Blocked deposits	22	622
Cash and cash equivalents	**88.687**	**163.711**

Effective interest rates

	31 December 2015	31 December 2014
EUR	-	0,05%
TL	10,80%	9,64%
USD	0,75%	0,71%

As of 31 December 2015 the Company's time deposits have an average maturity of less than 1 month (31 December 2014: less than 1 month).

NOTE 5 – FINANCIAL LIABILITIES

	31 December 2015	31 December 2014
Short - term financial liabilities		
Short term bank loans	86	24.023
Short term portion of long term bank loans	5.887	36.721
	5.973	**60.744**
Long - term financial liabilities		
Long term bank loans	54.516	58.220
	54.516	**58.220**

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

NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

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

	31 December 2015			31 December 2014		
Currency	**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	-	86	86	-	60	60
			86			**24.023**

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

	31 December 2015			31 December 2014		
Currency	**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	4,25%	1.853	5.887	3,25%	11.590	32.691
- TL	-	-	-	8,26%	4.030	4.030
Short term portion			**5.887**			**36.721**
- EUR	3,85%	17.156	54.516	4,63%	3.320	9.365
- TL	-	-	-	8,26%	48.855	48.855
Long term portion			**54.516**			**58.220**
			60.403			**94.941**

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

NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

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

	31 December 2015	31 December 2014
One to two years	54.516	53.861
Two to three years	-	4.359
	54.516	**58.220**

As of 31 December 2015 total amount of Company's floating rate loans is TL 11.041. (31 December 2014: TL 19.094).

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

	31 December 2015	31 December 2014
6-12 month	11.041	19.094

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

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

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

NOTE 6 – RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 December 2015	31 December 2014
Vestel Ticaret A.Ş.	821.584	647.352
Other related parties	-	162
	821.584	647.514
Unearned interest on receivables (-)	(2.878)	(960)
	818.706	**646.554**

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 2015	31 December 2014
Vestel Elektronik Sanayi ve Ticaret A.Ş.	16.573	7.450
Vestel Holland B.V.	8.354	876
Other related parties	473	528
	25.400	8.854
Unearned interest on payables (-)	(202)	(96)
	25.198	**8.758**

c) Other long term liabilities to related parties

	31 December 2015	31 December 2014
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**160.438**	**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.

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

d) Transactions with related parties

	1 January - 31 December 2015	1 January - 31 December 2014
Sales		
Vestel Ticaret A.Ş.	2.487.201	2.226.807
Vestel Elektronik Sanayi ve Ticaret A.Ş.	10.963	8.706
Other related parties	26	147
	2.498.190	**2.235.660**

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

Purchases and Operating expenses		
Vestel Holland B.V.	134.417	292.274
Vestel Elektronik Sanayi ve Ticaret A.Ş.	74.908	50.544
Other related parties	10.740	23.736
	220.065	**366.554**

Other Operating income		
Vestel Ticaret A.Ş.	122.316	53.857
Other related parties	1.924	9.169
	124.240	**63.026**

Other operating expense		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	1.004	81
Vestel Holland BV.	2.550	2.685
Vestel Ticaret A.Ş.	37.320	69.642
Other related parties	3.571	4.638
	44.445	**77.046**

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

d) Transactions with related parties

	1 January - 31 December 2015	1 January - 31 December 2014
Financial income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	12.855	10.192
	12.855	**10.192**
Financial expense		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	24.186	4.037
	24.186	**4.037**
Dividend paid		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	99.189	23.215
Other Shareholders	5.636	1.594
	104.825	**24.809**

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 2015 is 5.534 thousand TL (1 January - 31 December 2014: 4.108 thousand TL).

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

	31 December 2015	31 December 2014
Short - term trade receivables		
Trade receivables		
- Related parties (note 6)	821.584	647.514
- Other parties	6.464	7.960
Cheques and notes receivables	-	3.661
	828.048	659.135
Unearned interest expense (-)		
- Related parties (note 6)	(2.878)	(960)
- Other parties	(375)	(230)
Allowance for doubtful receivables (-)	(210)	(195)
Total short - term trade receivables	**824.585**	**657.750**

The Company provides allowance for doubtful receivables based on historical experience.

	31 December 2015	31 December 2014
Short term trade payables		
Trade payables		
- Related parties (note 6)	25.400	8.854
- Other parties	707.759	548.459
	733.159	557.313
Unearned interest income (-)		
- Related parties (note 6)	(202)	(96)
- Other parties	(2.307)	(1.646)
Total short term trade payables	**730.650**	**555.571**

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

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

NOTE 8 – OTHER RECEIVABLES

	31 December 2015	31 December 2014
Short - term other receivables		
VAT receivable	91.251	43.948
Deposits and guarantees given	5.862	5.461
Other	1.124	1.148
	98.237	**50.557**

NOTE 9 – INVENTORIES

	31 December 2015	31 December 2014
Raw materials	138.839	135.499
Work in process	4.004	4.607
Finished goods	119.151	90.540
Other	4	207
	261.998	230.853
Provision for impairment on inventories (-)	(622)	(1.071)
	261.376	**229.782**

As of 31 December 2015 the Company does not have inventories pledged as security for liabilities (31 December 2014: None).

Cost of the inventory included in the cost of sales for the period 1 January - 31 December 2015 amounts to 1.835.191 thousand TL (1 January - 31 December 2014:1.751.462 thousand TL).

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

NOTE 9 – INVENTORIES (Cont'd)

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

	31 December 2015	31 December 2014
Raw materials	93	392
Finished goods and merchandise	529	679
	622	**1.071**

Movement of obsolescence provision on inventory is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance, 1 January	**1.071**	**2.065**
Current year additions	622	1.071
Realised due to sale of inventory	(1.071)	(2.065)
Balance at 31 December	**622**	**1.071**

NOTE 10 – PREPAID EXPENSES

	31 December 2015	31 December 2014
Prepaid expenses in current assets		
Order advances given	3.578	7.531
Prepaid expenses	6.725	5.779
Business advances given	3	15
	10.306	**13.325**
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	3.014	4.718
Prepaid expenses	738	976
	3.752	**5.694**

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2015	Additions	Disposals	Transfers	31 December 2015
Cost or revaluation					
Land	6.547	-	-	-	6.547
Land improvements	3.112	60	-	32	3.204
Buildings	66.233	1.349	-	326	67.908
Leasehold improvements	4.726	646	-	372	5.744
Plant and machinery	744.670	38.179	(6.653)	7.691	783.887
Motor vehicles	396	25	-	-	421
Furniture and fixtures	37.578	3.892	(108)	2.078	43.440
Construction in progress	2.272	12.861	-	(10.499)	4.634
	865.534	**57.012**	**(6.761)**	**-**	**915.785**
Accumulated depreciation					
Land improvements	2.268	51	-	-	2.319
Buildings	26.927	1.127	-	-	28.054
Leasehold improvements	1.996	382	-	-	2.378
Plant and machinery	479.632	66.775	(6.263)	-	540.144
Motor vehicles	172	60	-	-	232
Furniture and fixtures	24.309	3.876	(97)	-	28.088
	535.304	**72.271**	**(6.360)**	**-**	**601.215**
Net book value	**330.230**				**314.570**

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

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

	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**

Additions to property, plant and equipment in the period 1 January – 31 December 2015 and 2014 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker and dishwasher factories.

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

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

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

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

Allocation of period depreciation and amortization expenses is as follows:

	1 January - 31 December 2015	**1 January - 31 December 2014**
Cost of sales	71.177	71.215
Research and development expenses	13.287	12.167
Marketing, selling and distribution expenses	276	291
General administrative expenses	497	397
	85.237	**84.070**

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

NOTE 12 – INTANGIBLE ASSETS

	1 January 2015	Additions	Disposals	31 December 2015
Cost				
Rights	6.376	-	-	6.376
Development cost	105.380	28.519	(418)	133.481
Other intangible assets	8.166	1.852	-	10.018
	119.922	**30.371**	**(418)**	**149.875**
Accumulated amortization				
Rights	6.348	3	-	6.351
Development cost	42.597	12.329	-	54.926
Other intangible assets	3.001	634	-	3.635
	51.946	**12.966**	**-**	**64.912**
Net book value	**67.976**			**84.963**

	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**

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.

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

NOTE 12 – INTANGIBLE ASSETS (Cont'd)

Useful lives of intangible assets is as follows:

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

NOTE 13 – GOVERMENT 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 750 thousand TL for the period 1 January - 31 December 2015 (1 January - 31 December 2014: 927 thousand TL).

Brand support incentive Turquality obtained from Republic of Turkey Prime Ministry Undersecreteriat of Treasury amounts to 725 thousand TL in year 2015 (2014: 414 thousand TL).

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

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2015	31 December 2014
Short - term provisions		
Provision for lawsuit risks	1.358	1.100
	1.358	**1.100**

The movements in the provision for lawsuits are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance, 1 January	**1.100**	**366**
Current year additions	596	808
Provisions no longer required	(338)	(74)
Balance at 31 December	**1.358**	**1.100**

b) Guarantees received by the Company

Guarantee letters, collaterals, cheques and notes received

	31 December 2015	31 December 2014
Guarantee letters	5.945	4.949
Cheques and notes	5.700	7.393
Collaterals and pledges	2.740.159	2.637.433
	2.751.804	**2.649.775**

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.

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

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 2015				
A. CPM's given on behalf of its own legal entity	-	2.000	5.923	12.278
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	1.607.821	58.490	1.892.025	6.752.783
i. Total amount of CPM's given on behalf of the parent company	1.224.184	-	1.241.688	4.801.125
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	383.637	58.490	650.337	1.951.658
iii.Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**1.607.821**	**60.490**	**1.897.948**	**6.765.061**

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

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

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**

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

Proportion of other CPM's given by the Company to its equity is 959% as of 31 December 2015 (31 December 2014: 954%)

NOTE 15 – COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to 323.995 thousand USD (31 December 2014: 316.070 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2015 the Company has forward foreign currency purchase contract that amounts to 143.000 thousand USD, 73.875 thousand EUR, 132.516 thousand TL against forward foreign currency sales contract that amounts to 99.535 thousand USD, 147.544 thousand EUR, 9.930 thousand RUB. (31 December 2014 : 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 sales contract).

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

NOTE 16 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2015	31 December 2014
Due to personnel	14.531	12.720
Social security payables	5.523	4.940
	20.054	**17.660**

Long term provisions for employee benefits:

	31 December 2015	31 December 2014
Provision for employment termination benefits	**21.907**	**25.382**

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 3.828,37/year as of 31 December 2015 (31 December 2014: TL 3.438,22/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 2015 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 2015 provision is calculated based on real discount rate of %4,48 (31 December 2014: 2,26%) assuming 6% annual inflation rate and 10,75% discount rate.

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

NOTE 16 – EMPLOYEE BENEFITS (Cont'd)

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

	1 January - 31 December 2015	1 January - 31 December 2014
Balance at 1 January	**25.382**	**12.434**
Increase during the year	8.105	4.649
Payments during the year	(5.200)	(4.367)
Actuarial (gain) / loss	(6.904)	11.271
Interest expense	524	1.395
Balance at 31 December	**21.907**	**25.382**

NOTE17 – NATURE OF EXPENSES

	1 January - 31 December 2015	1 January - 31 December 2014
Raw materials, supplies and finishd goods	1.863.199	1.693.545
Changes in finished goods, work in process and trade goods	(28.008)	57.917
Personnel expenses	205.415	174.978
Depreciation and amortization	85.237	84.070
Other	138.025	132.560
	2.263.868	**2.143.070**

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

NOTE 18 – OTHER ASSETS AND LIABILITIES

	31 December 2015	31 December 2014
Other current assets		
VAT carried forward	72	94
Other	220	6
	292	**100**
Other current liabilities		
Taxes and dues payable	6.396	5.517
Other	74	63
	6.470	**5.580**

NOTE 19 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	31 December 2015	31 December 2014
Shares of par value Kr 1 each		
Issued share capital	190.000	190.000

As of 31 December 2015 and 31 December 2014 the shareholding structure is as follows:

	Shareholding %		Amount	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Vestel Elektronik Sanayi ve Ticaret A.Ş. (with board of Directors Members)	94,62%	94,54%	179.780	179.618
Shares held by public	5,38%	5,46%	10.220	10.382
	100%	**100%**	**190.000**	**190.000**

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

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 2015	31 December 2014
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**

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	**57.354**	**41.803**

e) Retained earnings

	31 December 2015	31 December 2014
Extraordinary reserves	133.233	122.432
Previous year's gain	47.083	47.083
	180.316	**169.515**

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.

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

NOTE 20 – SALES

	1 January - 31 December 2015	1 January - 31 December 2014
Domestic sales	578.897	589.876
Overseas sales	1.948.294	1.754.140
Gross sales	**2.527.191**	**2.344.016**
Less: Sales discounts (-)	(3.123)	(6.875)
Net sales	**2.524.068**	**2.337.141**
Cost of sales	(2.151.671)	(2.036.804)
Gross profit	**372.397**	**300.337**

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

a) General administrative expenses:

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses	11.469	8.186
Depreciation and amortization	497	397
Office and rent expenses	9.255	7.609
Advertising and IT expenses	7.508	7.472
Other	17.196	12.731
	45.925	**36.395**

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

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

b) Marketing expenses:

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses	8.381	4.818
Depreciation and amortization	276	291
Transportation expenses	24.243	23.049
Other	7.706	14.590
	40.606	**42.748**

c) Research and development expenses:

Personnel expenses	5.424	7.004
Depreciation and amortization	13.287	12.167
Other	6.955	7.952
	25.666	**27.123**

NOTE 22 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January - 31 December 2015	1 January - 31 December 2014
Credit finance gains arising from trading activities	29.848	16.898
Foreign exchange gains arising from trading activities	119.172	45.043
Other income	6.431	5.001
	155.451	**66.942**

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

NOTE 22 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES (Cont'd)

b) Other expense from operating activities:

	1 January - 31 December 2015	1 January - 31 December 2014
Debit finance charges arising from trading activities	23.932	16.479
Foreign exchange expenses arising from trading activities	121.615	91.208
Other expenses	4.945	3.660
	150.492	**111.347**

NOTE 23 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial Income:

	1 January - 31 December 2015	1 January - 31 December 2014
Foreign exchange gains	9.793	21.251
Gains on derivative financial instruments	174.961	69.110
Interest income	1.267	173
	186.021	**90.534**

b) Financial Expense:

	1 January - 31 December 2015	1 January - 31 December 2014
Foreign exchange losses	41.486	15.861
Losses on derivative financial instruments	210.920	53.253
Interest expense	19.507	17.245
Other finance expnses	2.326	1.682
	274.239	**88.041**

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

NOTE 24 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

a) Cash flow hedge fund:

	1 January - 31 December 2015	1 January - 31 December 2014
1 January	20.512	(3.896)
(Profit) / loss from cash flow hedges	(16.104)	30.510
Deferred tax calculated over profit / (loss) from cash flow hedges	3.221	(6.102)
31 December	**7.629**	**20.512**

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

	1 January - 31 December 2015	1 January - 31 December 2014
1 January	(9.209)	(192)
Actuarial income / loss arising from defined benefit plans	6.904	(11.271)
Deferred tax calculated over actuarial gain/ loss arising from defined benefit plans	(1.381)	2.254
31 December	**(3.686)**	**(9.209)**

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

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

	31 December 2015	31 December 2014
Corporation and income taxes	12.059	20.767
Prepaid taxes (-)	(25.519)	(18.166)
Current income tax liabilities - net	**(13.460)**	**2.601**
	(5.045)	**(5.898)**

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.

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

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

As of 1 January - 31 December 2015 and 2014 tax expense in the statement of income is as follows:

	1 January - 31.12.2015	1 January - 31.12.2014
Current period tax expense	(12.059)	(20.767)
Deferred tax expense	(987)	(215)
Total tax expense	**(13.046)**	**(20.982)**

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

	1 January - 31 December 2015	1 January - 31 December 2014
Profit before tax	**176.941**	**152.159**
Local tax rate	20%	20%
Tax income calculated using local tax rate	(35.388)	(30.432)
Effect of unused tax losses for which no deferred tax asset was recognised	(16)	(682)
Research and development incentives	4.910	4.042
Reduced taxation	17.448	6.090
	(13.046)	**(20.982)**

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 2015. (31 December 2014:%20).

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

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 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**
Deferred tax assets				
Employment termination benefits	(21.907)	(25.382)	4.381	4.886
Provision for impairment on inventories	(620)	(1.070)	124	214
Other	(8.885)	(7.235)	1.777	1.447
			6.282	**6.547**

	Cumulative temporary differences		Deferred tax	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**
Deferred tax liabilites				
Useful life and valuation differences on property, plant and equipment and intangible assets	35.200	42.905	(7.040)	(8.581)
Derivative financial instruments	20.456	18.566	(4.091)	(3.713)
Other	980	755	(196)	(151)
			(11.327)	**(12.445)**
Deferred tax liabilites - net			**(5.045)**	**(5.898)**

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

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 2015	1 January - 31 December 2014
Opening balance, 01 January	**(5.898)**	**(1.835)**
Tax expense recognized in income statement	(987)	(215)
Recognized in shareholders' equity	1.840	(3.848)
Deferred tax liabilities at the end of the period, net	**(5.045)**	**(5.898)**

NOTE 26 – EARNINGS PER SHARE

	1 January - 31 December 2015	1 January - 31 December 2014
Net income attributable to equity holders of the parent	163.895	131.177
Weighted number of ordinary shares with a Kr 1 of face value (thousand shares)	190.000	190.000
	0,86	**0,69**

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

NOTE 27 – DERIVATIVE INSTRUMENTS

	31 December 2015		31 December 2014	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
Held for trading				
Forward foreign currency transactions	171.258	9.536	489.833	(1.274)
Foreign currency swap contracts	-	-	50.000	(5.800)
Cash flow hedge				
Forward foreign currency transactions	611.791	10.920	321.874	25.640
	783.049	**20.456**	**861.707**	**18.566**

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.

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

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

As of 31 December 2015 and 31 December 2014 the Company's net debt / total equity ratios are as follows:

	31 December 2015	31 December 2014
Total financial liabilities (note 5)	60.489	118.964
Cash and cash equivalents (note 4)	(88.687)	(163.711)
Net debt	**(28.198)**	**(44.747)**
Total equity	714.273	662.563
Capital invested	**686.075**	**617.816**
Net debt/capital invested	**(0,04)**	**(0,07)**

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 2015 and 31 December 2014:

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

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

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2015	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank deposits**	**Other**
Maximum exposed credit risk as at 31 December 2015 (A+B+C+D)	**818.706**	**5.879**	**-**	**98.237**	**84.518**	**4.169**
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	818.706	2.691	-	98.237	84.518	4.169
- Secured portion by guarantees, etc	-	-	-	-	-	-
B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired	-	3.087	-	-	-	-
C.Net book value of overdue but not impaired financial assets	-	101	-	-	-	-
- Secured portion by guarantees, etc	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Overdue	-	210	-	-	-	-
- Impairment	-	(210)	-	-	-	-
-Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

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

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

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2014	Related Parties	Third Parties	Related Parties	Third Parties	Bank deposits	Other
Maximum exposed credit risk as at 31 December 2014 (A+B+C+D)	**646.554**	**11.196**	**-**	**50.557**	**163.003**	**-**
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	646.554	8.188	-	50.557	163.003	-
- Secured portion by guarantees, etc	-	-	-	-	-	-
B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired	-	-	-	-	-	-
C.Net book value of overdue but not impaired financial assets	-	3.008	-	-	-	-
- Secured portion by guarantees, etc	-	2.688	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Overdue	-	195	-	-	-	-
- Impairment	-	(195)	-	-	-	-
-Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

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

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

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

	31 December 2015	31 December 2014
0 -1 month	101	1.947
1 -3 month	-	1.061
Total overdue receivables	**101**	**3.008**

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.

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

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

The analysis of the Company's financial liabilities with respect to their maturuites as of 31 December 2015:

Contractual Maturities	Book Value	Total contractual cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Bank Barrowings	60.489	62.865	2.890	3.081	56.894	-
Trade Payables	730.650	732.370	549.022	183.348	-	-
Other Payables	160.438	174.217	2.601	2.578	169.038	-
	951.577	**969.452**	**554.513**	**189.007**	**225.932**	**-**
Derivative financial instruments						
Derivative cash inflows	-	(783.049)	(535.887)	(247.162)	-	-
Derivative cash outflows	-	758.637	521.696	236.941	-	-
	(20.456)	**(24.412)**	**(14.191)**	**(10.221)**	**-**	**-**

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

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

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

Contractual Maturities	Book Value	Total contractual cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Bank Barrowings	118.964	125.442	26.673	34.592	64.177	-
Trade Payables	555.571	556.568	357.700	198.868	-	-
Other Payables	142.372	160.273	2.317	2.410	135.054	20.492
	816.907	**842.283**	**386.690**	**235.870**	**199.231**	**20.492**
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)**	**-**

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.

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

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

31 December 2015	**USD**	**EUR**	**Other (TL Equivalent)**	**TL Equivalent**
1. Trade receivables	7.741	190.252	21.785	648.837
2a. Monetary financial assets (including	-	-	-	-
cash and cash equivalents)	9.179	378	60	27.950
2b. Non-monetary financial assets	-	-	-	-
3. Other	90	-	-	262
4. Current assets (1+2+3)	**17.010**	**190.630**	**21.845**	**677.049**
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)	**17.010**	**190.630**	**21.845**	**677.049**
10. Trade payables	115.246	52.299	684	501.959
11. Financial liabilities	-	1.853	-	5.887
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**115.246**	**54.152**	**684**	**507.846**
14. Trade payables	-	-	-	-
15. Financial liabilities	-	17.156	-	54.516
16a. Other monetary liabilities	-	50.490	-	160.437
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**67.646**	**-**	**214.953**
18. Total liabilities (13+17)	**115.246**	**121.798**	**684**	**722.799**
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)	**43.465**	**(73.669)**	(495)	(108.207)
19a. Hedged total assets	143.000	73.875	-	650.532
19b. Hedged total liabilities	(99.535)	(147.544)	(495)	(758.739)
20. Net foreign currency asset/ (liability) position (9-18+19)	**(54.771)**	**(4.837)**	**20.666**	**(153.957)**
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(98.326)**	**68.832**	**21.161**	**(46.012)**
22. Fair value of financial instruments used in foreign currency hedging	**-**	**-**	-	20.456
23. Export	18.225	620.790	8.905	1.948.294
24. Import	164.800	176.613	897	977.992

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

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

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

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

As of 31 December 2015 and 31 December 2014, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

	Gain / Loss		**Equity**	
31 December 2015	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(28.589)	28.589	(28.589)	28.589
Secured portion from USD risk (-)	4.358	(4.358)	12.737	(12.737)
USD net effect	**(24.231)**	**24.231**	**(15.852)**	**15.852**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	21.872	(21.872)	21.872	(21.872)
Secured portion from EUR risk (-)	(7.287)	7.287	(23.429)	23.429
EUR net effect	**14.585**	**(14.585)**	**(1.557)**	**1.557**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	2.116	(2.116)	2.116	(2.116)
risk (-)	(39)	39	(39)	39
Other currency net effect	**2.077**	**(2.077)**	**2.077**	**(2.077)**

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

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

	Gain / Loss		Equity	
31 December 2014	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 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**

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

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

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 2015	31 December 2014
Financial instruments with fixed interest rates		
Time Deposits	56.178	109.175
Financial Liabilities	49.448	99.870
Financial instruments with variable interest rates		
Finansal Liabilities	11.041	19.094

On 31 December 2015, 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 85 TL (2014: 207 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.

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 2015, the carrying value and the fair value of long term-borrowings, including the short term portions are equal to 60,403 TL (31 December 2014:94,941 TL) (note 5) and 60,403 TL (31 December 2014: 94,941 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

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

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

Fair value hierarchy tables as of 31 December 2015 and 31 December 2014 are as follows:

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities				
Derivative financial liabilities	-	20.456	-	20.456

31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities				
Derivative financial liabilities	-	18.566	-	18.566