VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS AT 1 JANUARY – 31 DECEMBER 2013 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

pwc

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 Anonim Şirketi;

Introduction

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

Management's responsibility for the financial statements

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

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. 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.

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

We believe that the 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 accompanying financial statements present fairly, in all material respects, the financial position of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Other matter

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

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

6. In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

7. Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on 15 March 2013 and it is comprised of two members. The committee has met three times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

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

Mehmet Karakurt, SMMM
Partner

Istanbul, 25 February 2014

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BALANCE SHEETS AS OF 31 DECEMBER 2013 AND 31 DECEMBER 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
BALANCE SHEETS AS OF 31 DECEMBER 2013 AND 31 DECEMBER 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
BALANCE SHEETS AS OF 31 DECEMBER 2013 AND 31 DECEMBER 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2013 AND 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited 1 January - 31 December 2013	Audited 1 January - 31 December 2012
Revenue	20	2.028.695	1.883.377
Cost of sales		(1.850.236)	(1.830.965)
Gross profit		**178.459**	**52.412**
Marketing, selling and distribution expenses	21	(36.617)	(32.874)
General administrative expenses	21	(32.733)	(25.100)
Research and development expenses	21	(24.958)	(20.663)
Other operating income	22	112.148	65.496
Other operating expense	22	(68.875)	(68.146)
Operating profit / (loss)		**127.424**	**(28.875)**
Financial income	23	73.507	128.788
Financial expense	23	(147.480)	(117.418)
(Loss) / profit before tax		**53.451**	**(17.505)**
Tax benefit / (expense)			
Current tax expense	25	(1.669)	-
Deferred tax benefit	25	907	(39)
Net (loss) / income for the period		**52.689**	**(17.544)**
(Loss) / earnings per 100 shares with a Kr 1 of face value (TL)	26	**0,28**	**(0,09)**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2013 AND 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Audited 1 January - 31 December 2013	Audited 1 January - 31 December 2012
Other comprehensive income / (loss)		
Items not to be reclassified to profit or loss	**755**	**(947)**
Actuarial loss arising from defined benefit plans	944	(1.184)
Tax effect of other comprehensive income not to be reclassified to profit or loss	(189)	237
Deferred tax income / loss	(189)	237
Items to be reclassified to profit or loss	**(3.896)**	-
Cash flow hedges	(4.870)	-
Tax effect of other comprehensive income/ expense to be reclassified to profit or loss	974	-
Deferred tax income / loss	974	-
Other comprehensive loss	**(3.141)**	**(947)**
Total comprehensive income / (loss)	**49.548**	**(18.491)**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2013 AND 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

				Other 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 hedges	Restricted reserves	Accumulated deficit	Net loss for the period	Total equity
Balances at 1 January 2012	190.000	9.734	109.031	-	-	37.921	142.916	20.145	509.747
Transfer to accumulated deficit	-	-	-	-	-	-	20.145	(20.145)	-
Transfer to restricted reserves	-	-	-	-	-	965	(965)	-	-
Total comprehensive income	-	-	-	-	-	-	-	(17.544)	(17.544)
Balances at 31 December 2012	190.000	9.734	109.031	-	-	38.886	162.096	(17.544)	492.203
Balances at 1 January 2013	190.000	9.734	109.031	-	-	38.886	162.096	(18.491)	491.256
Impact of amendment in IAS 19 (note 2.4)	-	-	-	(947)	-	-	-	947	-
	190.000	9.734	109.031	(947)	-	38.886	162.096	(17.544)	491.256
Transfer to accumulated deficit	-	-	-	-	-	-	(17.544)	17.544	-
Total comprehensive income	-	-	-	755	(3.896)	-	-	52.689	49.548
Balances at 31 December 2013	190.000	9.734	109.031	(192)	(3.896)	38.886	144.552	52.689	540.804

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 2013 AND 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2013 AND 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

NOTE 1 - COMPANY'S ORGANISATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance

The accompanying financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, "Principals of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, interim financial statements are prepared in accordance with Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS" / "TFRS") and its addendum and interpretations ("IFRIC") issued by the Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Board.

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.

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

2.2 Comparative information and restatement of prior period financial statements

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

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

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

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

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

2.3. Amendments in Turkey Financial Reporting Standards

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

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

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

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

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

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

- **IFRS 13, "Fair value measurement"** is effective for annual periods beginning on or after 1 January 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

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

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

- **IFRS 7 (Amendment), "'Financial instruments:** Disclosures', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. The amendment reflects the joint IFRS and US GAAP requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.

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

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

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

- **IFRS 9, "Financial instruments"** is not applicable until 1 January 2015 but is available for early adoption. This standard is the first step in the process to replace IAS 39, "Financial instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets. "Impairment of financial assets" and IAS 39 hedge accounting provisions relating to the implementation are ongoing.

- **TAS 32 (amendment), "'Financial instruments: Presentation"**, on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in TAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have any impact on the Company's financial statements.

- **TAS 36 (amendment), "Impairment on Assets"**, is effective for annual periods beginning on or after 1 January 2014. These amendments address the disclosure of information about the recoverable amount of the impaired assets if that amount is based on fair value less cost of disposal.

- **TAS 39 (amendment), "'Financial instruments: Recognition and Measurement"**, is effective for annual periods beginning on or after 1 January 2014. These amendments address on novation of derivatives and hedge accounting and will allow hedge accounting to continue in a situation where a derivative is novated to effect clearing with a central counterparty as result of laws or regulation, if specific conditions are met.

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

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

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

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

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

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

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

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:

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

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 asstes, are included in the asset's carrying amount or recognised as a seperate 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.

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

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

Derivative financial instruments held for trading

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

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. Income taxes:

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

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

DİPNOT 3 – SEGMENT REPORTING

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

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

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

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

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

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

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

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

NOTE 4 – CASH AND CASH EQUIVALENTS

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

Effective interest rates

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

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

NOTE 5 – FINANCIAL LIABILITIES

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

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

NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

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

	31 December 2013			31 December 2012		
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
- USD	-	-	-	4,62%	50.092	89.294
- EUR				4,62%	13.099	30.804
- TL	-	-	-	5,42%	144.741	144.741
			-			264.839

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

	31 December 2013			31 December 2012		
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
- USD	3,14%	774	1.653	-	-	-
- EUR	5,03%	25.269	74.201	4,35%	8.755	20.588
- TL	8,27%	4.052	4.052	13,51%	2.390	2.390
Short term portion			**79.906**			**22.978**
- USD	3,46%	33.305	71.082	-	-	-
- EUR	3,52%	24.222	71.127	4,35%	29.767	70.004
- TL	8,26%	69.909	69.909	13,51%	17.694	17.694
Long term portion			**212.118**			**87.698**
			292.024			**110.676**

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

NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

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

	31 December 2013	31 December 2012
One to two years	139.208	72.931
Two to three years	68.579	7.677
Three to four years	4.331	3.806
Four to five years	-	3.284
	212.118	**87.698**

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

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

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

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

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

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

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

b) Short-term trade payables to related parties

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

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

c) Transactions with related parties

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

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

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

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

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

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

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

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

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

	1 January - 31 December 2013	1 January - 31 December 2012
Opening balance, 01 January	**38**	**38**
Current year additions	135	-
Closing balance, 31 December	**173**	**38**

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

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

	31 December 2013	31 December 2012
Short term trade payables		
Trade payables		
- Related parties (note 6)	19.241	7.589
- Other parties	434.007	406.082
	453.248	413.671
Unearned interest income (-)		
- Related parties (note 6)	(6)	(2)
- Other parties	(1.125)	(663)
Total short term trade payables	**452.117**	**413.006**
Long term trade payables		
Trade payables		
- Other parties	20.381	-
Total long term trade payables	**20.381**	**-**

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

NOTE 8 – OTHER RECEIVABLES

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

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

NOTE 9 – INVENTORIES

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

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

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

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

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

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2013
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 10 – PREPAID EXPENSES

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

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

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

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

	1 January 2012	Additions	Disposals	31 December 2012
Cost				
Land	6.547	-	-	6.547
Land improvements	2.660	-	-	2.660
Buildings	62.140	883	-	63.194
Leasehold improvements	2.146	371	-	2.634
Plant and machinery	499.407	43.192	(509)	583.257
Motor vehicles	212	296	(168)	340
Furniture and fixtures	25.417	4.510	(125)	30.054
Construction in progress	37.924	27.847	-	24.064
	636.453	**77.099**	**(802)**	**712.750**
Accumulated depreciation				
Land improvements	1.708	152	-	1.860
Buildings	22.480	2.470	-	24.950
Leasehold improvements	1.571	93	-	1.664
Plant and machinery	303.605	53.744	(409)	356.940
Motor vehicles	204	38	(168)	74
Furniture and fixtures	15.836	2.954	(91)	18.699
	345.404	**59.451**	**(668)**	**404.187**
Net book value	**291.049**			**308.563**

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

(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 current year depreciation and amortization expenses is as follows:

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

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

NOTE 12 – INTANGIBLE ASSETS

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

	1 January 2012	Additions	Disposals	31 December 2012
Cost				
Rights	6.395	2	(21)	6.376
Development cost	53.680	16.794	(128)	70.346
Other intangible assets	3.217	1.915	-	5.132
	63.292	**18.711**	**(149)**	**81.854**
Accumulated amortization				
Rights	6.339	5	(2)	6.342
Development cost	20.890	4.003	-	24.893
Other intangible assets	1.787	331	-	2.118
	29.016	**4.339**	**(2)**	**33.353**
Net book value	**34.276**			**48.501**

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

(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	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 theCompany in nature are as follows:

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

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to 657 thousand TL for the period 1 January -31 December 2013 (1 January -31 December 2012: 1.182 thousand TL).

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

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2013	31 December 2012
Short term provisons		
Provisions for lawsuits	366	928
	366	**928**

The movements in the provision for lawsuits are as follows:

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

b) Guarantees received by the Company

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

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

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

(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 Company	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2012				
A. CPM's given on behalf of its own legal entity	-	2.000	10.970	15.673
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.553.886	169.700	829.915	3.998.955
i. Total amount of CPM's given on behalf of the parent company	1.298.000	65.000	581.739	3.048.414
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	255.886	104.700	248.176	950.541
iii.Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**1.553.886**	**171.700**	**840.885**	**4.014.628**

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

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

NOTE 15 -COMMITMENTS

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

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

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

NOTE 16 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 Aralık 2013	31 Aralık 2012
Payables to personnel	9.474	3.457
Social security premiums	3.569	2.856
	13.043	**6.313**

Long term provisions for employee benefits:

	31 December 2013	31 December 2012
Provision for employment termination benefits	**12.434**	**12.607**

Under Turkish law, the Company is required to pay employment termination benefits to each employee whose employment is terminated without due caus. In addition, under the existing Social Security Law No.506, clause No. 60, amended by the Labor Laws dated 06 March 1981, No.2422 and 25 August 1999, No.4447, the Company is also required to pay termination benefits to each employee who has earned the right to retire by receiving termination indemnities.

The amount payable is the equivalent of one month's gross salary for each year of service and is limited to a maximum of TL 3.438,22/year as of 31 December 2013 (31 December 2012: TL 3.033,98/year).

The provision for employee termination benefits is not funded.

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as at 31 December 2013 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31 December 2013 provision is calculated based on real discount rate of %4,54 (31 December 2012: 3,83%) assuming 6,50% annual inflation rate and 11,56% discount rate.

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

NOTE 17 – NATURE OF EXPENSES

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

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

NOTE 18 – OTHER ASSETS AND LIABILITIES

	31 December 2013	31 December 2012
Other current assets		
VAT carried forward	688	-
Other	5	-
	693	**-**

	31 December 2013	31 December 2012
Other liabilities		
Tax payables and funds	3.944	3.379
Other	43	23
	3.987	**3.402**

NOTE 19 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

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

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

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

(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 2013	31 December 2012
Adjustment to share capital	**9.734**	**9.734**

c) Share Premium

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

Share premium	**109.031**	**109.031**

d) Restricted reserves ("Legal reserves")

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

Legal reserves	**38.886**	**38.886**

e) Accumulated income

Extraordinary reserves	122.432	122.432
Previous year's loss	22.120	39.664
	144.552	**162.096**

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

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

a) General administrative expenses:

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

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

c) Research and development expenses:

Personnel expenses	4.169	1.562
Depreciation and amortization	10.612	6.822
Other	10.177	12.279
	24.958	**20.663**

NOTE 22 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

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

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

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

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

b) Other expense from operating activities:

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

NOTE 23 – FINANCIAL EXPENSE AND FINANCIAL INCOME

a) Financial expense:

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

b) Financial income:

Foreign exchange gains	14.123	57.612
Gains on derivative financial instruments	59.198	70.498
Interest income	186	678
	73.507	**128.788**

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

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

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

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

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

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

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

(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 rate of % 15, except for companies receiving dividends who are resident companies in Turkey. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

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

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of tangible assets and investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity with the intention to be utilized in a share capital increase within five years from the date of the sale.

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

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

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

	31 December 2013	31 December 2012
Current period tax expense	(1.669)	-
Deferred tax benefit / (expense)	907	(39)
Total tax expense	**(762)**	**(39)**

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

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

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

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

Deferred tax assets and liabilities

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

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

(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 2013	31 December 2012	31 December 2013	31 December 2012
Deferred tax assets				
Employment termination benefits	(12.434)	(12.607)	2.298	2.521
Unearned interest expense	(735)	(2.559)	147	512
Provision for impairment on inventories	(2.065)	(4.397)	413	879
Derivative financial instruments	(15.932)	(8.673)	3.186	1.735
Other	(5.465)	(2.180)	1.093	436
			7.137	**6.083**

	Cumulative temporary differences		Deferred tax	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Deferred tax liabilites				
Useful life and valuation differences on property, plant and equipment and intangible assets	43.275	47.298	(8.655)	(9.460)
Other	1.585	750	(317)	(150)
			(8.972)	**(9.610)**
Deferred tax liabilites - net			**(1.835)**	**(3.527)**

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

NOTE 26 – (LOSS) / EARNINGS PER SHARE

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

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

NOTE 27 – DERIVATIVE INSTRUMENTS

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

NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital risk management:

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

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

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

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

b) Financial risk factors:

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

b.1) Credit risk:

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

(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 December2013	Related parties	Third parties	Related parties	Third parties	Bank deposits	Other
Maximum exposed credit risk as at 31 December 2013 (A+B+C+D)	**527.940**	**11.996**	**-**	**63.472**	**17.977**	**-**
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	527.940	9.482	-	63.472	17.977	-
- Secured portion by guarantees, etc	-	-	-	-	-	-
B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired	-	-	-	-	-	-
C.Net book value of overdue but not impaired financial assets	-	2.514	-	-	-	-
- Secured portion by guarantees, etc	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
-Overdue (gross book value)	-	173	-	-	-	-
-Impairment (-)	-	(173)	-	-	-	-
-Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

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

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

b.2) Price risk:

Due to the fact that the Company's operating profit and cash flows from operating activities has been affected by competition in the sector and changes in raw material prices, the prices is monitored by the Company management and cost-cutting measures has been taken in order to mitigate cost pressure effect on price level.Ayrıca Şirket, aktif finansal ve operasyonel risk yönetimi açısından piyasa fiyatlarını düzenli olarak gözden geçirmektedir.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 2013:

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

(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 2012:

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

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 2013	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	8.315	137.102	34.196	454.543
2a. Monetary financial assets (including cash and cash equivalents)	164	5.711	-	17.120
2b. Non-monetary financial assets	-	-	-	-
3. Other	1	-	-	2
4. Current assets (1+2+3)	**8.480**	**142.813**	**34.196**	**471.665**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	**8.480**	**142.813**	**34.196**	**471.665**
10. Trade payables	98.720	31.167	-	302.220
11. Financial liabilities	774	25.269	-	75.854
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**99.494**	**56.436**	-	**378.074**
14. Trade payables	-	6.941	-	20.382
15. Financial liabilities	33.305	24.222	-	142.211
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**33.305**	**31.163**	-	**162.593**
18. Total liabilities (13+17)	**132.799**	**87.599**	-	**540.667**
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)	**230.092**	**(177.334)**	(22.641)	(52.297)
19a. Hedged total assets	234.434	635	-	502.217
19b. Hedged total liabilities	(4.342)	(177.969)	(22.641)	(554.514)
20. Net foreign currency asset/ (liability) position (9-18+19)	**105.773**	**(122.120)**	**11.555**	**(121.299)**
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(124.320)**	**55.214**	**34.196**	**(69.004)**
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(15.932)
23. Export	42.807	564.446	24.448	1.462.637
24. Import	246.029	206.993	1.963	984.446

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

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

31 December 2012	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	16.048	152.229	45.709	432.313
2a. Monetary financial assets (including cash and cash equivalents)	426	518	36	2.014
2b. Non-monetary financial assets	-	-	-	-
3. Other	11.220	4.511	107	30.716
4. Current assets (1+2+3)	**27.694**	**157.258**	**45.852**	**465.043**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	**27.694**	**157.258**	**45.852**	**465.043**
10. Trade payables	105.968	39.624	118	282.200
11. Financial liabilities	50.092	21.853	-	140.686
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**156.060**	**61.477**	**118**	**422.886**
14. Trade payables	-	-	-	-
15. Financial liabilities	-	29.767	-	70.004
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	**29.767**	-	**70.004**
18. Total liabilities (13+17)	**156.060**	**91.244**	**118**	**492.890**
19. Off-balance sheet derivative instruments/	-	-	-	-
net asset (liability) position (19a+19b)	**321.189**	**(278.644)**	**(44.109)**	**(126.844)**
19a. Hedged total assets	383.667	140.241	2.836	1.016.566
19b. Hedged total liabilities	(62.478)	(418.885)	(46.945)	(1.143.410)
20. Net foreign currency asset/ (liability) position (9-18+19)	**192.823**	**(212.630)**	**1.625**	**(154.691)**
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(139.586)**	**61.503**	**45.627**	**(58.563)**
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	**(8.673)**
23. Export	59.498	570.162	35.144	1.455.670
24. Import	251.244	218.536	1.360	955.284

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

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

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

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

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

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

Categories of financial instruments and fair values

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

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

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

Fair value hierarchy

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

Level 1: Market price valuation techniques for the determied 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 2013 and 31 December 2012 are as follows:

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

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

NOTE 30 – EVENTS AFTER THE REPORTING PERIOD

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