



Vestel Elektronik 2013 Annual Report

# Vestel: Experience, Technology, Vision

# Contents

## Introduction

- 2 Financial and Operational Highlights – Ratings
- 4 Highlights from Vestel in 2013
- 6 Chairman's Message
- 8 Board of Directors
- 10 An Interview with the Chairman of the Executive Committee
- 14 Executive Committee
- 16 About Vestel
- 18 Vestel's Global Operations
- 20 Zorlu Group

## Review of the Year 2013

- 24 Vestel's Difference in Production
- 26 Vestel's Driving Force: R&D
- 36 Vestel's Certified Strength in Product Design and Development
- 40 An Unrivalled Marketing-Sales and Service Organization

One of the top three players in LCD TV and one of the top ten in white goods in the European market

Among Turkey's top three TV and white goods manufacturers and one of Turkey's top ten most recognized and reputable brands

## Sustainability

- 46 Sustainability and Vestel Elektronik
- 46 An innovative and dynamic human resources with team spirit
- 48 A leading industrial corporation with its environmentally friendly practices
- 50 Occupational Health and Safety – Another definition of respect for people
- 51 Vestel aims to grow by sharing with the community

## Financial Information and Reports

- 54 Risk Management
- 56 Internal Audit Department and its Operations
- 57 Board of Directors' Resolution
- 58 Corporate Governance Principles Compliance Report
- 76 Dividend Distribution Proposal
- 77 Conclusion of the Affiliation Report
- 78 Independent Auditor's Report
- 156 Investor Information

## Introduction

# 16 years

Turkey's 16 years of export leader in the electronics sector

# US\$ 2.5 billion

With exports totaling US\$ 2.5 billion in 2013, Vestel accounts for nearly 90% of Turkey's TV exports and nearly 30% of the country's white goods exports.

## Introduction

**Financial and Operational Highlights – Ratings** |  
Against the volatile economic conjuncture in 2013, Vestel succeeded in increasing its EBITDA and EBITDA margin.

## Key Financial Indicators

(USD thousand)	2013	2012
Net Sales	3,270,371	3,921,323
Exports/Sales	73%	75%
Operating Profit/(Loss)	89,798	-55,647
EBITDA	214,884	49,125
Net Profit/(Loss)	-52,449	-61,771
EBITDA Margin	6.6%	1.3%
R&D Expenditure/Sales	1.9%	1.4%
Total Assets	2,641,057	2,757,756
Shareholders' Equity	630,272	752,655
Net Financial Debt	304,099	372,372
Net Financial Debt/Equity	48.2%	49.5%

## Corporate Credit Ratings

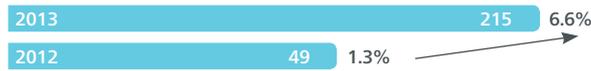
S&P	B-/Stable
-----	-----------

## Corporate Governance Rating Score

Corporate Governance Rating Score	Weight	2014 Score	2013 Score
Shareholders	0.25	9.33 (93.39%)	9.25 (92.57%)
Public Disclosure and Transparency	0.25	8.94 (89.45%)	8.89 (88.90%)
Stakeholders	0.15	9.09 (90.91%)	8.93 (89.38%)
Board of Directors	0.35	8.86 (88.69%)	8.76 (87.64%)
<b>Total</b>	<b>1.00</b>	<b>9.03 (90.39%)</b>	<b>8.94 (89.45%)</b>

## EBITDA and EBITDA margin

6.6%



- EBITDA (USD million)
- ➔ EBITDA Margin (%)

## Shareholding Structure\*



Shareholders	Share (TL)	Share (%)
Zorlu Holding A.Ş.	216,053,592	64.41
Zorlu Holding A.Ş. (publicly held)	44,047,711	13.13
Other Shareholders (publicly held)	75,354,971	22.46
<b>Total</b>	<b>335,456,275</b>	<b>100.00</b>

## Share Price Summary (TL)

	2013
Number of Shares	335,456,275
Free-float	119,402,683
High	2.76
Low	1.39
Year-end	1.55
Market Capitalization**	519,957,225

Vestel Elektronik's market capitalization stood at TL 520 million at the end of 2013.

\* In an effort to gather Zorlu Group of Companies under the same umbrella, Collar Holding B.V., the controlling shareholder of our Company based in the Netherlands, transferred all of its shares in Vestel Elektronik Sanayi ve Ticaret A.Ş. corresponding to TL 250,952,127.88 (74.81%) to Zorlu Holding A.Ş., a group Company, for an amount of TL 436,656,703 on 16<sup>th</sup> September, 2013. The sale transaction was realized outside the stock exchange, while the share price for the TL 1 nominally valued share (100 shares) was determined as TL 1.74 by taking the average of the weighted average prices for the last 10 business days before 13<sup>th</sup> September 2013 (the business day before the date of the share transfer), without applying the  $\pm 20\%$  margin, in line with the provisions set forth in the Communiqué on the Principles of Foundation and Operation of the Wholesales Market. Collar Holding B.V. has no remaining stake in Vestel Elektronik Sanayi ve Ticaret A.Ş. following this transaction.

\*\*As of December 31, 2013

## Introduction

**Highlights from Vestel in 2013** | In 2013, Vestel launched a raft of projects which reflect the Company's performance and strengths in R&D and manufacturing as well as its sustainability approach.

### The first Turkish brand in the National Geographic Channel's "Mega Factories" documentary series

With Vestel City, Vestel became the first brand in Turkey to appear in the epic "Mega Factories" documentary series broadcast on the National Geographic Channel.

For details, please refer to p. 25.

### Vestel's contribution to modern education

In the area of education, Vestel won the first phase of the "Interactive Board" tender held in 2012 for the procurement of 85,000 boards, within the scope of the FATİH (Movement of Enhancing Opportunities and Improving Technology) Project. The Company also submitted the lowest bid in the second tender held in 2013 for the purchase of 347,367 interactive boards, and signed the official contract in January 2014.

For details, please refer to p. 30.

### Excellence in after-sales services through the Central Service project

Vestel launched the "Central Service" project as a part of its strategy aimed at achieving excellence in after-sales services and to ensure 100% customer satisfaction.

For details, please refer to p. 42.

### Training for authorized service centers

Vestel launched the "Authorized Service Center Management" program in cooperation with the Continuous Education Center at Yaşar University (YÜSEM).

For details, please refer to p. 48.



### **“Perfect Factory” Award from Japan to Vestel**

Having succeeded in cutting cycling costs by 30% in 3 years with its Total Productive Maintenance and Management efforts (TPM), Vestel Elektronik was one of the 97 companies to win the Perfect Factory Award given by JPIM (the Japanese Institute of Plant Maintenance).

For details, please refer to p. 39.

### **Vestel in the LED lighting sector**

Having entered the LED lighting sector in 2011 and initiated domestic design and production activities within the space of just 2 years, Vestel now exports LED lighting products to Europe.

As the first and the only Turkish member of the Lighting Industry Association (LIA) - the largest association in the European lighting sector - Vestel received quality certification at international standards from LIA with its Panel Light and Power Supply LED products.

For details, please refer to p. 35.

### **Vestel Beyaz Eşya is the first Turkish company in the white goods sector to obtain the ISO 50001 Energy Management System Certification.**

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

For details, please refer to p. 49.

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

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

For details, please refer to p. 39.

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

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

For details, please refer to p. 49.

## Introduction

**Chairman's Message** | The fact that we are one of Turkey's top ten most recognized and prestigious brands and one of Europe's leading electronics and white goods manufacturers is a natural consequence of our competence to envision the technology of the future and to transform it into products.



Ahmet Zorlu  
Chairman

## Esteemed Shareholders, Business Partners and Employees,

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

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

Ranking among the world's leading manufacturers of electronics, white goods and digital products, Vestel maintained its strategy of expanding into new markets, such as Australia and North African and Southeast Asian countries in 2013, in addition to Europe - the Company's main export destination. Vestel currently exports its products to 145 countries and with its current position represents a source of pride, not just for the Vestel family, but also for the Turkish nation.

According to the data prepared by the Electronic Devices Manufacturers Association (ECID), domestic sales

grew by 12%, while exports declined by 19% in the TV sector in 2013. We have further reinforced our claim in the TV sector by developing innovative products and by participating in high added value projects in 2013. Vestel has continued its privileged position in the TV sector with Vestel Borderless and Ultra HD 4K televisions, which are equipped with the latest technology and are masterpieces of design. Our current prominent position in the Smart TV technology has been a driving force for us to transfer our know-how into new fields.

In 2013, Vestel won the interactive board tender held by the government within the scope of the "FATİH" project, which is recognized as a key step towards the reform of Turkey's education system and signed the agreement for the project in January 2014. Vestel accordingly proved that it was one of the pioneering brands in the project. Our interactive boards attract high levels of demand not only in Turkey, but also from the rest of the world. Therefore, we have initiated efforts to export our interactive boards abroad.

Vestel also recorded various achievements with its operations in the white goods sector during 2013. Thanks to Vestel Beyaz Eşya's efforts to enrich its product portfolio with environment-friendly and energy efficient devices, we have taken pride in becoming one of Turkey's Climate Performance Leaders in 2013.

In line with our growing ambitions in the LED lighting sector, which we deem to be one of the most promising areas, we relocated our production activities to Vestel City. With our high production capacity, we seek to take part in efforts to replace Turkey's streetlights with LED lighting. By introducing the LED lighting technology to workplaces and homes, we have also taken significant steps in contributing to energy efficiency. Underlying the success of our achievements is the

activities conducted by our R&D team of 1,000 people at 8 different R&D Centers. The emphasis that our extensive R&D team places on product and process innovation is the main factor behind Vestel's production power and strong position in the market. We rapidly deploy our R&D projects by taking into account latest technologies and customer expectations. We are aware that companies that understand the constantly evolving market dynamics, consumers and technological trends will stand out in the competition. The fact that we are one of Turkey's ten most recognized and prestigious brands and one of Europe's leading electronics and white goods manufacturers is a natural consequence of our ability to understand the technology of the future and to transform it into products.

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

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



**Ahmet Zorlu**  
Chairman

## Introduction

## Board of Directors



**Ahmet Nazif Zorlu**  
Chairman of the Board

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



**Ali Akın Tarı**  
Vice Chairman

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



**Selen Zorlu Melik**  
Board Member

(1975 - Trabzon) Selen Zorlu Melik is a graduate of Uludağ University, Faculty of Economic and Administrative Sciences, Department of Business Administration. She started her professional career in 1998 at Denizbank. After an internship at Denizbank's Bursa Branch, she participated in the Management Training (MT) program of the same bank in 1999. After assuming various positions at the Denizbank Head Office, she participated in the Marketing Certificate Program at the University of California at Berkeley in 2001. In 2002, Ms. Zorlu Melik started to work at the Korteks Yarn Factory and became Board Member in 2004. Since 2005, she has served as Vice President of the Zorlu Energy Group, Board Member at Zorlu Enerji Elektrik Üretim A.Ş., and Board Member at various Zorlu Group companies. As of April 2012, Mrs. Zorlu Melik acts as Deputy President of Zorlu Energy Group.



**Mehmet Emre Zorlu**  
Board Member

(1984 - Istanbul) Mehmet Emre Zorlu graduated from Koç University, Department of Electrical and Electronic Engineering in 2006. Subsequently, he received a master's degree in Innovation and Technology Management from the University of Essex in the United Kingdom from 2007 to 2008. Mr. Zorlu began working for Vestel Group of Companies in 2009. In addition to his position as Board Member at Vestel Elektronik, Mr. Zorlu also serves as Board Member at Zorlu Holding and affiliated companies.



**Mümin Cengiz Ultav**  
Board Member

(1950 - Eskişehir) Cengiz Ultav graduated from Middle East Technical University with BSc and MSc degrees in Electronics Engineering. He began his professional career at the International Philips Institute and subsequently served in the IT and R&D departments of various electronics companies in Turkey and abroad. Mr. Ultav joined Vestel in 1997 as President responsible for Technology. As of June 30, 2011, he stepped down from his position as Member of the Executive Committee responsible for Strategic Planning and Technology. Mr. Ultav currently serves as Board Member at Vestel Elektronik Sanayi ve Ticaret A.Ş.



**Hacı Ahmet Kılıçoğlu**  
Board Member

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

## Introduction

### An Interview with the Chairman of the Executive Committee

| In 2013, we recorded TL 6.2 billion of sales revenues on a consolidated basis, while exports accounted for 73% of our total revenues.



Enis Turan Erdoğan  
Chairman of the Executive Committee

### How did the electronics and white goods sectors shape up under the challenging conjuncture of 2013?

2013 was a year in which the Turkish economy recorded 4% growth on the back of increasing domestic consumption and public investments. The consumer electronics and white goods sectors continued to grow in line with Turkey's economic growth.

As far as exports are concerned, all local manufacturers were negatively affected by the negative sentiment and decline in consumption in Turkey's export markets. In 2013, we acted cautiously in the face of the contraction in export markets, thus evaluated different market opportunities and took important steps to penetrate new markets.

### How did Vestel perform in 2013 against this backdrop?

I am proud to say that we played a key role in the development of our industry in 2013. We have been Turkey's export champion in the electronics sector for the last 16 years and we maintained this title in 2013 as well by exporting our products to 145 countries. Backed by our high production capacity and flexible production capabilities, along with our competencies in R&D and design as well as our strong and extensive distribution network, we succeeded in maintaining our market share despite the contraction in the European TV market.

In 2013, we began module production for our own TVs, thereby enhancing vertical integration in TV production. Having lowered our production costs, this development reflected positively to our profit margins in the TV segment.

We have reinforced our privileged position in the TV sector with Vestel Borderless and Ultra HD 4K TVs, which are a marvel of design equipped with latest technology. Our Borderless and Ultra HD 4K TVs won wide acclaim in international fairs, particularly the IFA, with their shiny surface designs that enhance the audience experience

to the maximum. Accounting for nearly 90% of Turkey's TV exports, our Company significantly increased its Smart TV exports when compared to the previous year.

In parallel with the 1% contraction in the European white goods market (our main export market) in 2013, the Turkish white goods exports declined by 1.4% in unit terms. During this period, our white goods exports recorded a steeper contraction than the sector due to our strategy of exiting less profitable products. However, this reflected positively to our profit margins, by improving the product/price mix.

While the domestic TV sector expanded by 12%, we as Vestel demonstrated stronger growth than the sector and thus increased our market share. This growth was mostly driven by our expanding dealer network and our efforts to penetrate new sales channels. We also continued to increase the average screen size in our TV sales in 2013.

Aiming to restructure our education system with advanced technologies and to provide our children and young people with easier access to information technologies, the FATİH Project was one of the most important items on our agenda in 2013. We won the tender for the purchase of 347,367 interactive boards within the scope of the FATİH Project, thus extending our investment in this area. Our interactive boards have also won wide acclaim in the world; we first showcased our interactive boards at the fairs that we participated in during 2012, and they all immediately attracted buyers. We have already launched our efforts to export these products to Germany, Australia and the UK. We are delighted to note that our interactive boards are so popular in so many different regions in the world, including North America, South America and the Middle East.

As far as the white goods sector is concerned, according to the data released by the White Goods

Manufacturers' Association of Turkey (TURKBESD), domestic white goods sales demonstrated a better performance than the rest of the economy in 2013 and closed the year with nearly 6% YoY growth. During this period, Vestel grew more strongly than the market, increasing its share in the domestic market. The Company has focused on more profitable products in the domestic market as in foreign markets.

Moreover, by gaining strength from our brand, we have strongly leapt forward in the domestic market for small household appliances. We doubled our market share and achieved our growth targets with a series of decisive steps.

In 2013, we generated TL 6.2 billion of sales revenues on a consolidated basis, with exports accounting for 73% of our total sales. The 12% fall in turnover in TL terms was a result of the decline in exports and the absence of the 2012's TL 340 million revenues generated from the sale of interactive boards. Despite the decrease in consolidated turnover, Vestel raised its gross profit margin from 11.9% to 17.4% and its EBITDA margin from 1.3% to 6.6% thanks to its improved product/price mix, falling raw material and production costs and TL depreciation. However, depreciation of TL led to net FX losses below the operating line, preventing the improvement in the operating profit from being reflected to the bottomline.

### What is the current position of your export activities? Is there anything you would like to say about this?

Vestel exports its products to 145 countries around the world. We also continue to pursue a growth strategy in new markets, such as Australia and the countries in North Africa and Southeast Asia, in addition to Europe, the Company's main export destination. We aim to strengthen our presence in new markets in the coming period.

## Introduction

With its investments in customer services, Vestel has launched a slew of pioneering practices in the sector in the space of just one year.

### As the driving force of Vestel, R&D plays a key role in the Company's position as a leading innovator. What innovations have Vestel achieved in 2013?

Innovation has become vital for companies seeking to maintain their presence in today's globally competitive environment. As a company that leads development and change and has a presence in global markets, we have internalized innovation as a working principle years ago. The importance that we attach to innovation is what drives our rapid growth.

Undertaking major investments in R&D, we do not follow technology - we make technology. We release innovative products that meet our customers' needs and lead the sector. With a massive R&D team of 1,000 people, we proudly support domestic technology in terms of innovation. We allocate nearly 2% of our annual turnover to R&D activities. As a result, we are one of the three Turkish companies to be included in the top 1,000 global companies by R&D spending. We, as Vestel, carry out our R&D projects in 8 different R&D centers; the White Goods R&D Center, two Electronics R&D Centers, a Digital Devices R&D Center, Vestek at Istanbul İTÜ Teknokent, Vestek at Ankara METU Teknokent, and our R&D centers in Shanghai and Taiwan.

We rapidly and dynamically develop and launch our R&D projects in line with the latest technology and customer expectations. As a result,

every year we are able to release more than 200 new products that meet national/international standards. In 2013, we released Turkey's first Google-certified tablet, Vestel 10" Tablet PC to the market. We carry out all the manufacturing and design processes for most of our products - the Vestel 10" Tablet PC being just one of them - at Vestel City.

In 2013, we have also offered our customers the "Double Screen" feature, which is integrated into our Borderless, Ultra HD 4K and new Smart TV series. In the coming period, in the LCD TV segment, we will complete the R&D processes for the large screen, high-definition Ultra HD 4K TVs and start mass production. In addition, we believe that smart phones could be an important item in reducing Turkey's current account deficit. To this end, we carried out R&D activities in 2013 to begin the design and production of smart phones in Turkey; we will start smart phone production in 2014. We have also launched intensive R&D efforts for the design of electronic cards, known as the Battery Management System, for electric vehicles.

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

We underwent a comprehensive structural change and launched the General Directorate of Customer Services in late 2012 in order to achieve excellence in after-sales services and ensure 100% customer

satisfaction. The Vestel General Directorate of Customer Services has undergone a major transformation in the last year. We injected new life into the sector, to make a difference in after sales services.

By investing in customer services, Vestel has realized a slew of pioneering practices in the sector in the space of just one year. We set up 15 Central Services nationwide to act as a role model for our authorized service centers. We expanded our spare parts storage capacity and increased the speed of our services. In addition, we commissioned Service Operations Specialists to function as a bridge between the factory, headquarters and authorized service centers. Moreover, we added our call center within our organization, thus taking a major step towards offering solutions and the establishment of high-quality, efficient and rapid communication with customers.

Following the completion of the infrastructure works in 2013, we included our Call Center under the roof of the General Directorate of Customer Services and moved it to Vestel City in Manisa in April 2014. With a capacity to respond to 400 calls at the same time, the Call Center is comprised of two units: a Communications Center (which initially answers calls) and Solution Center (which monitors the resolution process). Our new Call Center at Vestel City employs 200 people (most of whom are women) from Manisa and neighboring cities.

Besides our increasing employment capacity, we achieved a significant advance in our service quality as well. According to the evaluations carried out on the basis on 'şikayetendex' (complaint index), which measures the satisfaction level of customers who apply to the website, Şikayetvar.com, Vestel ranked the 1st in all categories (dishwashers, refrigerators, washing machines, TVs and white goods) in 2013.

### Could you provide some information on Vestel's activities and awards in the international arena in 2013 as a manufacturer addressing global consumers?

We do not discriminate between the functionality, design and durability of our products. As a result, we offer our customers a product that will make their lives easier. The awards we receive in international design contests are the fruits of this approach. In 2013, we received a total of 59 awards in the internationally prestigious design contests such as the Good Design Award, the Red Dot Design Award, the Plus X Award and the A' Design Award. Besides the awards that we received on the strength of the design of our products, we won the most prestigious awards of the Plus X Award, including the 'Most Innovative Brand' and the "Best Product of the Year" titles in recognition of our product quality and brand identity.

We were also proud to have climbed from the 193<sup>rd</sup> place to the 181<sup>st</sup> place among the world's largest 250 companies in Deloitte's "Global Powers in the Consumer Products Industry" report published every year.

### What would you like to say about the reflections of your sustainability approach to your operations, processes and practices?

As the entire Zorlu Group, we made our commitments binding by signing the United Nations Global Compact in 2007. We are the first company in Turkey to apply the Restriction of Hazardous Substances Directive (RoHS). We have the capability to

build up our entire product range with devices of A energy class. In 2013, while breaking new ground in the world in the area of energy efficiency with our consumer electronics and white goods products, we continued with our communication activities aimed at raising the consumers' awareness of energy saving. We underlined that we see the future for Turkey and the world in LED technologies, by always drawing attention to our lighting solutions (which consume 80% less energy than incandescent lamps and 50% less energy than fluorescent lamps). Moreover, we aim to contribute to the energy efficiency of our country with LED Street Lamps that we released to the market in 2013.

With our Total Productive Maintenance and Management (TPM) efforts, we slashed our cycling costs by 30% within 3 years and we were granted the Perfect Factory Award.

With the success of our efforts which we have been carrying out under the motto, "Our Factory, Our Machines, Our Products", aiming to maximize production efficiency, minimize losses and increase machinery performance and production line efficiency, we were granted the TPM Perfect Factory Award.

Our corporate governance practices received full marks from the two global authorities. ISS Corporate Services, the world's leading corporate governance rating institution, raised Vestel Elektronik's corporate governance rating from 8.94 to 9.03 out of 10. After the evaluation of our publicly-held company structure and our relations with our shareholders based on the principles of ethics and transparency, we were accredited with the title of the "Best of Turkey" at the "Corporate Governance Awards" organized by World Finance, the world-renowned financial magazine.

### What are Vestel's expectations and plans for 2014?

In 2014, we expect the global economy to return to its growth trend, led by the growth in emerging markets. The Turkish construction and real estate sector is growing in parallel with Turkey's expanding and transforming strong economy. This progressively raises the importance of electronics and white goods production. Turkey is among the countries that have developed and leapt forward the most in the last 10 years; as one of Turkey's major players; we will also contribute to the global economic growth in 2014.

Our country's economic strength reinforces our industry, and compared to the EU, Turkey has a more growth-oriented structure. We set up our plans and targets for the future in light of such data.

For us, 2014 will be a year in which we will reap the fruits of the investments we made in 2013. We will continue to develop new products and add new regions to our portfolio of export markets. We expect the innovative, unique and industry-leading products to stand out prominently in 2014.

As a company that adopts customer satisfaction as its primary objective and is capable of offering superior products at affordable prices, our brand will continue to access millions of homes throughout the world. I have full confidence that we will achieve this target together with our customers and shareholders who trust us, the members of our Board of Directors who have never withheld their support and our employees who always demonstrate intensive efforts for our achievements.

We, as Vestel, are a future-oriented brand that strategically thinks and plans for the long run. In 2014, we will press ahead, as we always do, with our consumer-friendly efforts in line with our brand, which is recognized as a "friendly technology". We will continue to lead the sector with our products and services.

## Introduction

## Executive Committee



**Enis Turan Erdoğan**  
Chairman of the Executive Committee

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



**Cem Köksal**  
Executive Committee Member

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



**İhsaner Alkim**  
Executive Committee Member

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



**Necmi Kavuşturun**  
Executive Committee Member

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



**Özer Ekmekçiler**  
Executive Committee  
Member

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



**Nedim Sezer**  
Executive Committee  
Member

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



**Ahmet Süha Erol**  
Executive Committee  
Member

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

## Introduction

**About Vestel** | Vestel is a global player that operates in the areas of consumer electronics, white goods, digital products and information technologies.

### Vestel in Brief

Vestel Group of Companies (Vestel) is a global player comprised of 24 companies - 17 of which are based abroad - operating in the areas of:

- consumer electronics,
- white goods,
- digital products and
- information technologies.

Vestel's manufacturing facilities are located in Manisa, Turkey and in Alexandrov, Russia. Founded on an area of 1.1 million square meters, Vestel City is the largest industrial complex in Europe in a single location. Backed by this attribute, Vestel became the world's first manufacturer of consumer electronics and white goods and the first brand and industrial plant in Turkey to feature in the National Geographic Channel's "Mega Factories" documentary series, which provides information about the famous brands of the world.

With R&D spending amounting to 1.9% of total revenues in 2013, Vestel is Turkey's symbol in technology exports to the world, thanks to its strengths in R&D and the importance it attaches to innovation. Thanks to its approach to production which meets global standards, as well as its innovative and high-quality products, Vestel is a strong and visionary player that leads both the Turkish and global markets.

Vestel's sales strategy is two-pronged; in the European market, where it realizes most of its sales, the Company relies heavily on ODM services in addition to sales with its own well-known regional brands; and in Turkey, the CIS and the Middle East, the Company sells under its own brands, including the well-known Vestel brand.

As one of the three major players in Turkey's LCD TV and white goods markets, Vestel continues to expand its high quality product line with new offerings designed to appeal to all consumer groups, by employing a "multiple brand strategy" and concept stores. Vestel possesses one of the most extensive sales and after sales service networks in Turkey. The company has an effective and constantly growing network of sales, distribution and service points including 1,160 Vestel stores, 14 Vs outlets, 726 Regal dealers, an E-Store for online sales, and 331 authorized service centers and 15 central services located throughout Turkey.

Vestel's international marketing-sales network consists of local organizations of its foreign trade companies in 9 countries throughout Europe and direct sales points in the region covering the CIS and the Middle East.

Thanks to its technologies as well as its capabilities in design and development, Vestel caters to different consumer tastes in 145 countries with a wide array of products. As Turkey's undisputable export champion in the electronics sector, Vestel accounts for nearly 90% of Turkey's total TV exports and nearly 30% of Turkey's total white goods exports.

### Vestel on the Stock Market

Vestel Elektronik Sanayi ve Ticaret A.Ş. shares have been trading on the BIST National Market since 1990 under the VESTL ticker.

In addition, the Company's global depositary receipts, which have been trading on the London Stock Exchange since 2000, began trading on the London Over-the-Counter market (OTC market) as of January 3<sup>rd</sup>, 2011.

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

At the end of 2013, the Company's shares were included in the BIST CORPORATE GOVERNANCE, BIST ALL SHARES, BIST ALL SHARE-100, BIST NATIONAL, BIST INDUSTRIALS and BIST METAL PRODUCTS indices.

As a technology brand which develops ideas that make life easier and produce friendly solutions for the world, Vestel acts with an approach that is focused on progress, development and growth.



## Vestel's Strategy

### Vestel's Strategic Goals

Vestel's strategic vision is to create value for shareholders and investors by increasing revenues and profitability through sustainable growth. In line with this vision, Vestel is focused on its major fields of operations and also targets to grow by investing in new business lines which offer significant market potential.

As a technology brand that develops ideas which make life easier and produce "friendly" solutions for the world, Vestel undertakes the following with an approach that is focused on progress, development and growth:

- keeps track of the rising trends in the sector;
- listens to consumers, as well as its employees and dealers;
- differentiates itself from the competition.

### Growth Strategy in the Main Fields of Operations

Vestel's future growth strategy in its main fields of operations, namely consumer electronics, white goods, digital products and information technologies, consists of four components:

#### Improving market diversification

Vestel aims to become a more active player in markets outside Europe, its major export market, where it is one of the leading ODM providers. Vestel evaluates opportunities for new investments, partnerships and contract manufacturing in these regions in order to facilitate the Company's access to these markets and ensure future growth.

#### Increasing customer and product diversity

Vestel aims to expand its market share by increasing its A brand customer base in the ODM business as well as by widening its product diversity. To this end, the Company aims to increase the production of the more profitable larger screen TVs in consumer electronics while meeting all the needs of its A brand customers by widening the product range in white goods.

### Brand-centered growth

While Vestel continues to expand its ODM business and product diversity, it also aims to grow with its own brands. In the domestic market, Vestel plans to increase its market share with its own brands by improving its brand image, distribution capability and after sales service quality. The Company also aims to improve its operations and reinforce its market position in the surrounding region, again with its own brands.

### Gaining market share in new areas of use

One of Vestel's strategic priorities is to grow in products with a similar technology to those which it manufactures, but which have different areas of use. Entering into new product lines besides TVs in the consumer electronics, digital products and IT sectors, Vestel aims to gain significant market share in these areas by capitalizing on its technological know-how, economies of scale and purchasing power. In the coming period, Vestel aims to focus more on institutional sales given the demand potential for these products.

## Introduction

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

## Turkey

# 1,160

Vestel stores

# 726

Dealers with Regal  
signage

# 14

Vs outlets

# 331

Authorized service  
centers

# 15

Central Services

# E-store

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



## Foreign Trade Companies

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

## Countries where the Company sells Vestel branded products

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



# 2,750

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

## Introduction

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



## Home Textiles

Korteks  
Zorluteks

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

Consumer Electronics,  
Information Technologies and  
White Goods

Vestel

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



## Energy

Zorlu Energy Group

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



## Real Estate

### Zorlu Real Estate Development and Investment

- Zorlu Real Estate Group was established in 2006 to develop, sell, lease and operate high quality residential and office complexes, business centers, shopping malls, hospitals, hotels and/or mixed-use real estate projects in prime locations, both in Turkey and abroad.
- Turkey's first mixed-use real estate development project with five different functions, the Zorlu Center was completed at the end of 2013. The project includes a performing arts center, a hotel, offices, a shopping mall and residences.
- One of the Group's major ongoing investments is Levent 199, located on İstanbul's Büyükdere Avenue. The project, which is planned entirely as offices, consists of A+ office space in a 40 storey block on a 122,000 m<sup>2</sup> construction area.



## Mining

### Meta Nikel Kobalt

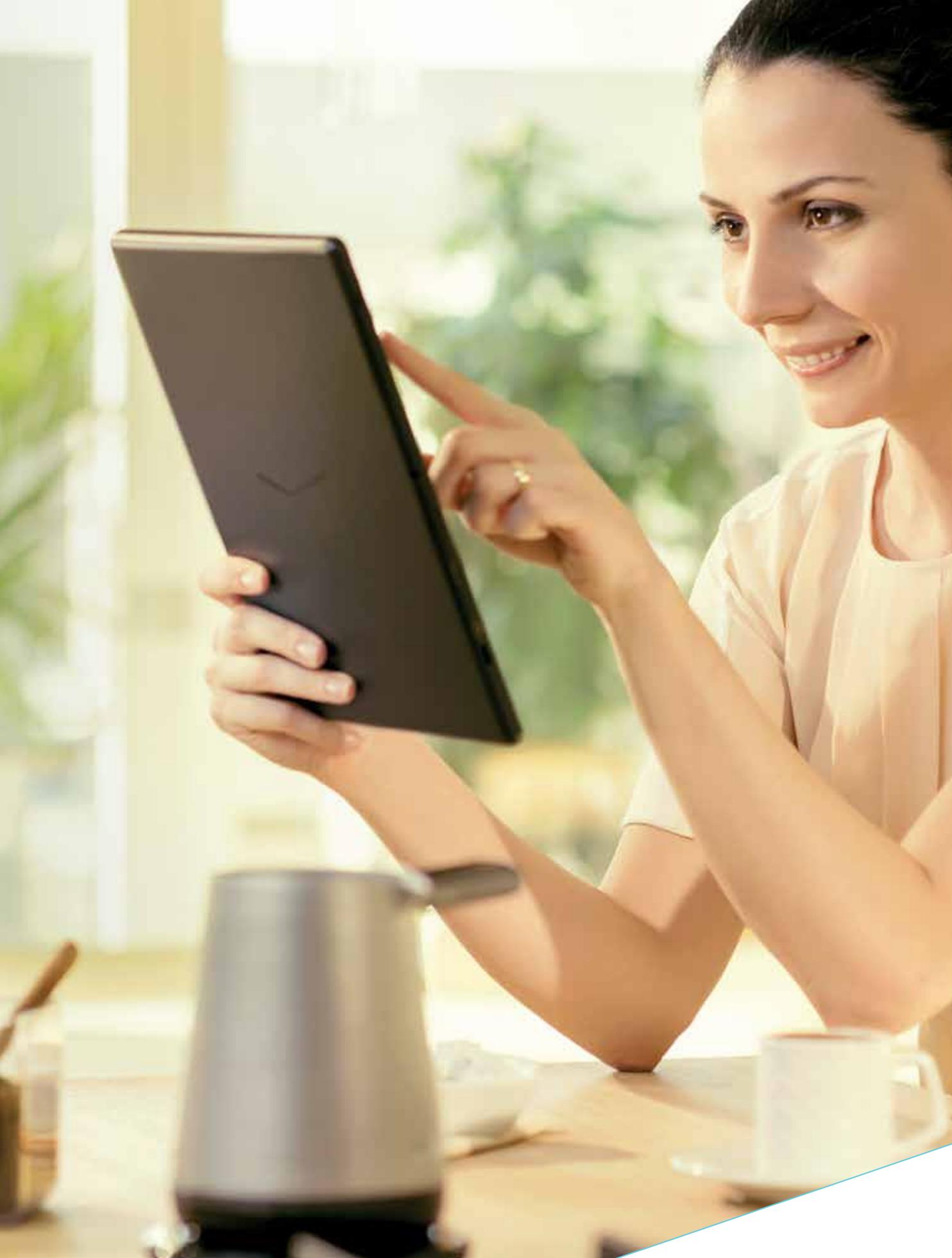
- Aiming to become a major regional supplier of nickel and cobalt
- Nickel-cobalt investment projects in Gördes, Eskişehir and Uşak
- A US\$ 350 million investment is planned in the Gördes project, which has 300,000 tonnes (contents of nickel metal) of proven reserves



## Factoring

### Zorlu Factoring

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



A partial view of a woman's profile on the left side of the page. She has dark hair pulled back and is wearing a white, short-sleeved top. The image is cropped, showing only her head, ear, and shoulder.

# Experience

We combine our deeply rooted experience in the industrial sector with an approach to production and quality at global standards, and turn it into a unique customer experience.

A small, solid blue circle located at the bottom center of the white text box.

## Review of the Year 2013

**Vestel's Difference in Production** | Vestel complements its production-based advantages such as cost-efficiency, flexibility and productivity with its R&D, innovation, design and sales-marketing capabilities as well as with its geographical, organizational and managerial superiorities.

## 22 million

A production capacity of 22 million units per year



### Vestel's Advantages in Production

A strong and well-known brand in Turkey, Vestel is one of the world's leading ODM manufacturers in the area of consumer products. Vestel complements its production-based advantages such as cost-efficiency, flexibility and productivity with its R&D, innovation, design and sales-marketing capabilities as well as with its geographical, organizational and managerial power.

#### Logistical advantages from production in diverse regions

Manufacturing electronics and white goods at its plants in Manisa, Turkey and Alexandrov, Russia, Vestel benefits from having production facilities in different locations. The advanced supplier base in Manisa provides Vestel with significant cost advantages in procurements and logistics. The manufacturing plants in Russia enjoy a tax advantage both in Russia and in other CIS countries. Moreover, the proximity of Vestel's facilities in Turkey to the European market provides Vestel with a logistical advantage over its Far Eastern competitors.

#### The cost advantage arising from economies of scale

As one of the largest manufacturers in the European TV market and one of the most rapidly growing manufacturers in the European white goods market, Vestel benefits from economies of scale and enjoys cost advantages in the purchase of components, the Company's major cost item.

#### Flexibility in production and the capability to customize products

Vestel develops and diversifies its products in accordance with the diverse needs of its customers, and is able to differentiate its mass production activities on an order basis thanks to its flexible production capability. Vestel enjoys a significant competitive advantage by virtue of its ability to customize its products based on customer demand and/or geographical and socio-cultural characteristics.

#### An expanding product range

Capitalizing on its knowledge and expertise derived from its R&D activities, Vestel Elektronik continues to expand its product portfolio with new products, such as Interactive Boards, Smart Phones, Led Lighting Products, Smart Home Technologies and Electric Vehicle Charging Stations.

# 1.1 million m<sup>2</sup>

Founded on an area of 1.1 million square meters

## A Mega Factory: Vestel City

Vestel City:

- Annual production capacity of 22 million units per year
- Founded on an area of more than 1 million square meters
- Production of more than 4,000 TV types per year
- An annual production capacity of 15 million units in electronics and digital products, and 7 million units in white goods

Officially opened in 2003, Vestel City is the largest industrial complex in Europe in a single location. Products manufactured at Vestel City are exported to 145 countries.

In the 10<sup>th</sup> anniversary of the foundation of Vestel City, we witnessed an event which is a source of pride for both Vestel employees and for Turkey; Vestel's "Mega Factory" was featured in the National Geographic Channel's documentary series.

# 7 million

White goods production capacity of 7 million units per year

Vestel was the first brand in Turkey and the first electronics and white goods company in the world to appear in the National Geographic Channel's "Mega Factories" documentary series, which provides an insight into some of the world's most famous brands.

The 45 minute "Mega Factories: Vestel" documentary, which was the culmination of 12 days of filming by a 6-person crew at Vestel City, is planned to be broadcast in different countries around the world, after being shown in Turkey.

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

# 15 million

Electronics and digital products production capacity of 15 million units per year

## The characteristics that place Vestel in the "Mega Factories" category:

- A total of 24 companies, 17 of which are based abroad
- Approximately 14,000 employees
- Exports to 145 countries
- Accounting for nearly 90% of Turkey's total TV exports and almost 30% of Turkey's total white goods exports
- Turkey's export leader in the electronics sector for the last 16 years
- US\$ 2.5 billion of exports in 2013
- One of the top three players in the LCD TV market and one of the top ten players in white goods market in Europe
- Eight R&D Centers throughout the world and an R&D team of 1,000 people



## Review of the Year 2013

**Vestel's Driving Force: R&D** | Vestel is determined to maintain its sustainable corporate growth and raise its share in global markets through intensive R&D activities.

## 8 R&D Centers

8 R&D Centers across the world and an R&D team of 1,000 people



### The strategic importance that Vestel attaches to R&D is what lies behind its development and competitive edge.

As part of our continuous efforts to offer innovative products and value-added projects to global markets, we invest in information and technology at our R&D centers, located in different parts of the world, thus setting ourselves apart in the sector with the design and testing infrastructure of these R&D centers, which can be rapidly adapted to evolving technological needs. Technological developments are closely monitored in all of Vestel's R&D units, while at the same time direct contributions are made to the development of these technologies. Determining its long-term strategies with the awareness that possessing the ability to turn scientific and technological findings into economic and social benefits (innovation) is the basis of survival for companies in an internationally competitive environment, Vestel is determined to maintain its sustainable growth and raise its share in global markets through intensive R&D activities.

With its strong vision, Vestel aims to be the leading company in Turkey and Europe in the area of "4C convergence", a concept which has emerged with the integrated use of communication, consumer electronics, computing and content technologies. To this end, Vestel based its R&D mission on two pillars: developing technologies which will allow the Company to outclass its rivals in an environment of intense competition; and to become a technological pioneer in areas, which would carry Vestel into the future and help maintain its competitive position in the market.

With a team of 1,000 people, Vestel's R&D units have established strong collaborations with a number of national and international institutions and agencies, particularly universities.

**Vestel R&D is authorized to issue Electromagnetic Compliance certifications**, while Vestel's EMC Laboratory is ahead of its rivals in Europe with its 30,000 testing scenarios.



Drawing its production strength from its R&D activities, Vestel is one of the three Turkish companies to feature in the list of the top 1,000 global companies by R&D spending. Undergoing restructuring and hiring new specialists every year in line with its growth target, Vestel also completed the installation and renovation process of its new "R&D Center", which is founded on an area of 10,000 m<sup>2</sup>.

Within the framework of the Law no. 5746, Vestel is one of the first companies to have been accredited as an "R&D Center" by the Ministry of Science, Industry and Technology.

Vestel's EMC Laboratories were accredited by the Turkish Accreditation Agency (TÜRKAK) on October 13<sup>th</sup>, 2009 and are authorized to issue electromagnetic compliance certifications. Vestel's EMC Laboratory is ahead of its rivals in Europe with its 30,000 testing scenarios.

### Vestel's R&D Centers

Vestel has four R&D Centers (three Electronics R&D Centers and one White Goods R&D Center) at Vestel Complex in Manisa, which are certified in accordance with the Law no. 5746.

- White Goods R&D Center
- Electronics R&D Center number 1
- Electronics R&D Center number 2
- Electronics - Digital Devices R&D Center number 3

Vestel Elektronik's other R&D Centers in and outside of Turkey include:

- Vestek at İstanbul İTÜ Teknokent, and Ankara METU Teknokent - which focus on server software development for IPTV, 3D algorithms and TV interaction
- Cabot UK in Bristol, in the United Kingdom, where middleware software is developed for digital broadcasting (DVB T/T2, C, S/S2)
- The Vestel Elektronik Shanghai and Taiwan R&D Offices, which predominantly operate in the area of component certification

### Project-Based R&D Activities

Vestel conducts its R&D activities on a project basis in six main groups, in addition to many auxiliary subgroups:

- Hardware Design
- Software Development
- Industrial and Mechanical Design
- Power Card Design
- Testing and Approval
- Certification of Compliance to International Directives and Standards

Vestel's primary criteria in product development comprise the development of environmentally- and consumer- friendly technologies, maximization of energy savings, development of products that suit the varying consumer preferences and habits in different markets by utilizing its R&D based product customization ability and development of products which stand out with their ergonomics and design.

## Review of the Year 2013

As Europe's largest ODM TV manufacturer, Vestel also continues to carry out joint efforts with its international partners in the EU-Partnered R&D Projects such as Eureka, ITEA and Celtic.

## 21 projects

Vestel has been involved in a total of 21 projects with EU partnership since 2006.



### Attaching a high level of importance to cooperation with universities.

In cooperation with the universities, Vestel and its national and international project partners develop exemplary investments and practices in line with the Company's sustainable growth targets.

Vestel Elektronik meticulously monitors all cost items, including components, design and production costs. Vestel considers its competencies in the area of cost management as an element that places the Company ahead of its competitors. Through its successfully implemented "Design for Manufacturing" program, the Company pursues an approach focused on minimizing production costs by efforts such as production centered design development.

The principal idea behind the projects conducted under the university-industry partnership is to support and encourage research activities. These initiatives pave the way for obtaining new patents and expanding the country's patent pool, a situation that has added value to our country.

The San-Tez Program, implemented by the Ministry of Science, Technology and Industry, supports scientific and academic theses oriented towards the needs of the industry.

As Europe's largest ODM TV manufacturer, Vestel also continues to carry out joint efforts with its international partners in the EU-Partnered R&D Projects such as Eureka, ITEA and Celtic. Having been involved in a total of 21 such projects since 2006, Vestel aims to actively participate in the efforts for the "Horizon 2020" project in the years to come as well.

**Hardware and software developed at Vestel's specialized R&D units** are deployed in new designs at the Vestel R&D Center.



### Vestel Technology Academy

Vestel Technology Academy is a collaboration between Vestel Group and Özyeğin University.

The program aims to enhance the technical knowhow of Vestel's engineers and to raise their awareness and knowledge about the global developments in technical fields. In addition to the technical training programs, the Company launched the Business Administration Academy in 2013 in order to provide a graduate program without a thesis to its employees. A total of 41 employees have attended the Business Administration Academy program.

Vestel Technology Academy aims to:

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

The Vestel Technology Academy saw its first graduates in 2013. A total of 142 Vestel employees benefited from the training programs offered by the Academy throughout the year.

### Vestel R&D's Joint projects with Universities

Vestel R&D Center carries out joint projects in cooperation with universities, contributing to the synergy between universities and industry.

Information created at universities is transformed into technology at Vestel's R&D units which contributes to the acceleration of sustainable growth.

Hardware and software developed at Vestel's specialized R&D units are used in new designs at Vestel R&D Center. These efforts shorten the development process for products. The synergy between Vestel and universities provides the Company with a significant competitive advantage over its international competitors.

Moreover, by taking an active role at the External Consultancy Boards of the universities which it collaborates with, Vestel takes important steps for the future of university-industry partnerships.

### Efforts to support innovation and enhance the global competitiveness of the Turkish electronics sector

Vestel Elektronik also contributes to the efforts taken to improve the global competitiveness and unveil the innovation potential of Turkish IT and electronics sectors.

To this end, Vestel Elektronik actively takes part in the Western Anatolian IT and Electronics Innovation Center (BATIBINOM) project backed by the Scientific and Technological Research Council of Turkey (TÜBİTAK) with the purpose of enhancing R&D and innovation capabilities of companies in Western Anatolia. By sitting on the external consultancy boards of the universities in the region, Vestel Elektronik supports the transformation of information and knowledge into technology.

Vestel Elektronik also supported the foundation of the Electronic Materials Production and Application Centre (EMUM) at 9 Eylül University.

## Review of the Year 2013

In 2013 Vestel continued to offer products that bring color and comfort to consumers' lives with their technological and innovative features.

Vestel is able to productize the emerging technologies very rapidly and in a cost-efficient manner and offer them to the market, which enhances its competitive edge on a global scale.



### Designs and Products Reflecting the Future

#### Designs integrated with technological developments

Vestel is a brand that aims to offer technologically friendly and durable products to its customers in Turkey and abroad, and has proven its success and quality. The technological advantages of its products, combined with their functionality, ergonomics and aesthetics, allow Vestel to meet all the needs and requirements of consumers.

Targeting a wide range of consumers in different geographical regions and closely keeping track of the sector, Vestel develops products that reflect the varying usage habits, socio-cultural preferences and climatic conditions in these regions thanks to its various designs and technologies that take into account local characteristics.

Vestel is able to productize the emerging technologies very rapidly and in a cost-efficient manner and offer them to the market, thus increasing its competitive edge on a global scale.

In 2013 Vestel continued to offer products that bring color and comfort to consumers' lives with their technological and innovative features.

### Vestel's innovations in electronics products

#### FATIH Project and Interactive Boards

Launched by the Ministry of National Education and carried out jointly with the Ministry of Transportation, Maritime Affairs and Communications, "FATIH Project in Education" is intended to offer equality of opportunity in education and to improve the technological level at schools. The project aims to provide tablet PCs, LCD Panel Interactive Boards, multifunctional printers and Internet infrastructure to the classrooms of all pre-schools, elementary and secondary schools until the end of 2015, to enable effective use of IT instruments in lessons in a manner that offers a wider variety of sensual stimuli during the education-learning process.

Vestel won the first phase (85,000 units) of the Interactive Board tender held by the Ministry in 2012 within the framework of the FATIH (Movement of Enhancing Opportunities and Improving Technology) project. Vestel also submitted the lowest bid in the second tender held for 347,367 units in 2013. The official contract for the project was signed between Vestel and the Ministry of Transportation, Maritime Affairs and Communications in January 2014. The total contract size is TL 999,722,266.

**Vestel won the tender to manufacture 49,000 10.1" tablet PCs** within the scope of the pilot study under the FATIH Project and delivered these PCs to schools in 2013.



The 65" interactive board developed by Vestel for this project elevates education to a new level by creating an interactive education environment. Offering a range of features such as switching to working pages, standard drawing procedures, smart shapes and software, OCR (optic character recognition) and interaction with tablet PCs, the product is able to save all the work performed and send it via e-mail. The product also allows for communication with personal PCs, remote control of PCs and to save lessons/seminars and send them to other people's PCs. There is also the option to use a board pen on white boards and chalk on green boards.

A tender was held by the General Directorate of Innovation and Education Technologies under the Ministry of National Education for the pilot study of 49,000 10.1" tablet PCs within the framework of the FATIH Project. The contract for the tender was signed on December 4<sup>th</sup>, 2012 between the Ministry of National Education and Vestel Dijital Üretim Sanayi A.Ş., a company in which Vestel Elektronik Sanayi ve Ticaret A.Ş. held a 99.9% stake. The total contract size of the project was TL 18,685,000 for 49,000 tablet PCs. Vestel completed the delivery of the tablet PCs during 2013.

### Smart Center

Vestel added a wealth of new features to Smart Center application, which was introduced to consumers in 2012, allowing TVs and smart phones as well as tablet PCs to communicate with each other. Vestel Smart Center features a tablet PC application that works in all Android or iOS devices, as well as a remote control application which is used through iPhone devices. Thanks to the "Follow Me" feature in the Smart Center technology, users are able to direct digital broadcasts on TV to their tablet PCs or smart phones.

Users may access broadcast streams from TV channels by using the Electronic Program Guide (EPG) and activating the reminder or recording functions for future programs. They may also comment on the programs through Twitter and Facebook. Thanks to the Smart Center's "Media Share" feature, it is possible to transfer the images, videos and audio files to the TV with a single motion and display them on a giant or a wide screen with high audio power. With the Voice Control feature, users are able to submit voice commands to TVs through the Smart Center and also convert what is said into text.

### The Vestel 10" Tablet PC

The Vestel 10" Tablet PC is a product manufactured at Vestel's facilities with its industrial, mechanical and electronic designs created at Vestel's R&D units. Attracting attention with its improved design and newly added technological features, the product once again exhibits Vestel's claim in design and production.

Featuring an elegant design with its metal case and working with an Android 4.0 (Ice Cream Sandwich) and 4.1 (Jelly Bean) operating system, Vestel's 10" Tablet PC offers a faster and more entertaining internet experience with its advanced rear-facing camera and Full HD IPS screen.

With the Vestel Tablet PC, it is possible to seamlessly watch films, access thousands of Android applications, browse the internet, check e-mail, play games, take photos with the integrated camera and perform a wealth of entertaining activities.

Equipped with a capacitive touchscreen, perception capabilities from 10 different points, use through a finger or a stylus and the feature of discerning the palm of the hand, the Vestel tablet PCs, which pack a double-core processor and 32 GB of memory, also offer Wi-Fi and Bluetooth access. Thanks to its compatibility qualities, this tablet PC may be used in interaction with other smart and interactive Vestel products such as Smart Center and interactive boards.

## Review of the Year 2013

Designs and software that have been specially developed by Vestel in the category of “Digital Information Screens” are offered to users with solutions meeting diverse needs.

The extra-narrow Bezel TV offers elegance with its new design without a plastic front case.



### **32", 42" and 50" SNB (Super Narrow Bezel) TV**

The Super Narrow Bezel TV features elegance with its new design without a plastic front case. Displaying high quality images, the product is offered with borders, on which desired colors and coatings may be applied. This interesting design detail has attracted the interest of customers.

### **50", 65", 84" Ultra High Definition (4Kx2K) TV**

Offering superior video and audio quality, the Vestel Ultra High Definition LED TV combines elegant and stylish design with technology and aesthetics. The product also features the Smart Center technology, which allows TV screens communicate with each other.

### **47" and 55" Borderless TV**

The Vestel Borderless TV offers a borderless display area to users. Besides providing a stylish and elegant appearance, the borderless screen also allows users to utilize the entire area of the screen.

### **Digital LED Information Screen (Digital Signage)**

The Digital LED Information Screen is a closed circuit broadcasting system via which various digital content can be remotely controlled. It is used to promote products or to inform target masses in various venues, such as malls, airports, hospitals and hotels.

Designs and software programs which have been specially developed by Vestel for this category are offered to users with solutions meeting diverse needs.

32", 40", 46" and 55" information screens may be managed separately from a single center through the Digital Signage program. Various files, such as videos, presentations, photos or subtitles may be displayed simultaneously, thanks to the ability to divide screens into smaller sections.

### **IP-Based Interactive TV**

The IP-based interactive TV, which is especially popular in hotels, hospitals and residences, can access thousands of live TV and music channels by connecting to TVs in rooms over a server through HD satellite, cable or terrestrial signals. The system allows users to watch films currently featuring in cinemas, based on a "pay-per-view" principle, while also providing users with access to various sources of information, such as weather forecasts, news, finance, nearby restaurants and attractions.

By adding new features to the Smart Center application, Vestel made it possible not only for the tablet PCs and TVs, but also for the TVs and smart phones to communicate with each other.



### **Videowall Solution**

In professional videowall solutions that come in 46" LCD and 47" and 55" LED sizes, screen can be used vertically or horizontally. In videowall units that are used in plaza entries, malls, stores, sales offices, and similar environments, the distance between the two screens can be 6.7 or 11 mm.

### **Transparent LCD Monitor**

Used in stores for promotion purposes, 22" and 46" transparent LCD monitors have the support of HDMI and USB connection. The resolution of the 22" transparent module is 1680x1050 and its contrast ratio is 500:1. The resolution of the 46" transparent module is 1366x768 and its contrast ratio is 1000:1.

### **Smart Home Platform**

The objective of the project is to design a smart home network which would enable house automation and efficiently manage energy consumption. In-house alarm systems, door locks, motion sensors, lights, power sockets, etc. can be controlled with this platform. The system can be accessed remotely and through internet, while in-house communication is carried out through Wi-Fi.

### **OTT (Over the Top) Set-Top Box**

Supporting Opera Browser, HTML5, Microsoft Playready, Microsoft Smooth Streaming, HBB TV and DVB Tuner, this set-top box allows satellite and cable broadcast operators to reach consumers through the standard internet infrastructure.

### **IP&TV Set-Top Box**

The Qarya algorithm of the Beesmart integrated IP&TV set-top box and the rapid switch over solution allow users to switch from channel to channel in shorter than one second. The box also supports the applications of other devices that are used at the same time with TV.

### **Android-Based Set-Top Box Platforms**

Vestel developed two separate Android products based on Marvell and AMLogic platforms. The Marvell platform ensures seamless integration between TVs supporting terrestrial broadcasts and the advanced capabilities of the Android operating system by combining the Android 4.x (Ice Cream Sandwich) system with an optional DVB-S2/T2/C tuner. By using the Marvell platform, users can watch TV, while they can also display Android widgets that provide additional information on the content of the broadcast. These Android applications are developed for both traditional and special TV experiences. While these applications are active, users can return back to watching TV whenever they desire.

### **Smart Phone**

Backed by its long standing R&D experience, Vestel will launch Turkey's first 100% locally designed and manufactured smart phone to consumers in 2014. Vestel Smart Phones will come in three different screen sizes (4.3", 4.7" and 5"). The Android 4.2 Jelly Bean operating system will be used in these phones; and the phones will offer hardware features that can be updated in line with the users' wishes.

## Review of the Year 2013

The white goods products developed within the scope of the smart home concept can be remotely controlled by users from their mobile phones or tablet PCs.

### Vestel's new white goods products

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

#### 8 kg Washing Machine

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

#### Vestel Smart Dishwasher Series

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

users the opportunity to wash up to 15 place settings in a single wash with its smart basket design and third basket.

#### Washer-drier

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

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

#### Ready Cook Built-in Oven

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

#### Nora Design T45 Dishwasher

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

With its ability to meet users' needs through 10 different programs, the machine reduces water consumption through its special program which only uses 5.5 liters of water.

#### Multi Compartment Integrated Fridge

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

#### 4-Door Large-Capacity Refrigerators

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

**Vestel's Panel Light and Power Supply LED products** received quality certification at international standards from the LIA, an association that has 175 years of experience in the lighting sector.



### A+++ Combi Refrigerator

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

### High levels of comfort with Vestel's Small Household Appliances

Vestel has gained access to a broad consumer mass with its white goods products. The Company has now taken the initiative to enter the small home appliances segment (which complements comfort in the kitchen and comes into frequent contact with the consumers during the day) which will allow the Company to expand its customer base further.

Having won the admiration of consumers in a very short space of time with their array of functions, designs and color alternatives, Vestel's small household appliances have taken their place at homes as indispensable kitchen equipment with their brand recognition and high quality. The Company will continue to grow aggressively in the small household appliances segment with new products which suit the habits of the local consumers and set themselves apart in the market.

Vestel aims to rank among the top three most recognized brands in Turkey in the small home appliances segment, in the near term. The Company's long-term target is to become the market leader.

### A brand new initiative - LED Lighting Products

By capitalizing on its know-how in vertical integration with panel technologies in recent years, Vestel commenced the design of mechanical, optical and power cards for LED lighting fixtures. Vestel took its first step in this area in 2011 by entering into a strategic cooperation with the US-based Cree, a leading firm in this area. Vestel has reinforced its leadership in energy efficiency solutions by adding LED lighting products to its product portfolio after household appliances, in which it is a pioneer in terms of energy efficiency.

LED lighting products, which provide energy savings of up to 80%, are environmentally friendly as they do not contain mercury and have an operating life of 35,000 hours, helping to lower carbon emissions by consuming less energy than standard lighting fixtures.

Vestel's LED bulbs, spot lamps, tubes, panel lighting products and embedded fixtures are in line with the Company's efforts to shift its entire product line, including electronics and white goods, to energy efficient devices with A+ or higher efficiency ratings.

Having added momentum to its R&D activities in the area of LED lighting products, Vestel has presented its "street lighting" fixture to the market as its most recent innovation. The product's optical, mechanical, electronic and power unit designs were entirely developed by Turkish engineers at the Vestel R&D Center located in Manisa. Product specifications were tested and verified at the optic measurement laboratory at Vestel City, and it was also confirmed that the product would further reduce energy consumption with its smart lighting feature.

Vestel was the first and the only Turkish member of the Lighting Industry Association (LIA) - the largest association in the European lighting sector. Vestel's Panel Light and Power Supply LED products received quality certification at international standards from the LIA, an association that has 175 years of experience in the lighting sector.

With a market share of 14%, Vestel became the leader of the Turkish LED lighting products sector in 2013.

**Vestel's Certified Strength in Product Design and Development** | With its designs that combine technology with functionality, Vestel wins an increasing number of awards in national and international contests with each passing year.

## 52 patents

Vestel had a total of 52 certified patents as of the end of 2013.



### Patents and Intellectual Property

Patents and intellectual property are particularly important for Vestel. During 2013, Vestel Elektronik filed 13 patent applications that fully meet the criteria of the Turkish Patent Institute. As of the end of 2013, the Company had been granted a total of 52 patents.

Proving its leadership in innovation with an increasing number of patent applications with each passing year, Vestel Beyaz Eşya filed 13 patent applications in 2013. Having received a number of awards in various competitions in the patent category, Vestel Beyaz Eşya R&D Center proves its ambition in this area.

### Vestel's environment-friendly technology was rewarded by many prestigious organizations in 2013 as well.

As the first and the only Turkish corporate member of the International Council of Societies of Industrial Design - which is one of the most important associations in the world in the area of industrial design - Vestel has received an increasing number of awards in national and international competitions with its product designs that combine technology with functionality.

Placing great emphasis on design processes as part of its principle of environmentally friendly design, Vestel received a total of 59 awards with its designs at international contests during 2013. Having also won the "Best Design Brand" award in the "Home Entertainment Systems" category at the 10<sup>th</sup> Plus X Design Contest held in Germany, the Company has once again proven that it is ambitious, not only with its technology, but also with the appearance and aesthetics of its products.

Vestel was the only Turkish brand to be awarded at the "A' Design Award & Competition 2013" in the Digital and Electronic Devices Design Award category.



**Plus X Award 2013 All Awards**

- S-Line Refrigerator - Award for High Quality and Design
- B-Line Refrigerator - Award for High Quality, Design and Ease of Use
- BGH415-4G1W Set-top Oven - Award for High Quality and Design
- Suave Air-Conditioner - Award for Functionality
- BGH415-4G Set-top Oven - Award for High Quality and Design
- Drop Air-Conditioners - Award for Design and Functionality
- Deluxe XPlus604G Set-top Oven - Award for High Quality and Design
- Capello Water Heater - Award for Design and Functionality
- Stiletto Remote Control - Award for Design and Ease of Use
- RC4860 TOPPO Remote Control - Award for Ease of Use
- RC4855 BOTUP Remote Control - Award for Ease of Use
- LURE Set-top-box - Award for Design and Functionality
- NOSE Set-top-box - Award for Innovation, Design and Functionality
- RC4825 TACTION Remote Control - Award for Ease of Use

- AVOI Set-top-box - Award for Innovation, Design and Functionality
- Trio Set-top-box - Award for Innovation and Design
- Trio Set-top-box - Award for Design
- XX270 LED TV - Award for Design
- XX242 LED BMS SNB TV - Award for Design
- XX241 LED BMS SNB TV - Award for Design
- XX240 LED BMS SNB TV - Award for Design
- XX170 La Torre LED TV - Award for Design
- XX243 LED BMS SNB TV - Award for Design
- XX252 LED TV - Award for Design
- XX260 LED TV - Award for Design
- XX265 LED TV - Award for Design
- Bent All-in-One PC - Award for Innovation and Functionality
- WAVE All-in-One PC - Award for Design, Ease of Use and Functionality
- CALC-key PC Keyboard - Award for Functionality
- CURL All-in-One PC - Award for Innovation, Design and Functionality

Vestel was the first and the only Turkish brand to be awarded in the Digital and Electronic Devices Design Award category at the "A' Design Award & Competition 2013", whose awards are recognized as certification of quality and excellence in design.

Evaluated by three different juries based on the criteria of functionality, ergonomics, engineering, presentation, innovation and technology, Vestel products received a total of 8 design awards in various categories (gold, silver and bronze) at the A' Design Award.

**A' Design Award 2013 All Awards**

- XX240 LED TV - Golden A' Design Award
- XX250 LED TV - Golden A' Design Award
- XX265 LED TV - Golden A' Design Award
- Avoi Set Top Box - Golden A' Design Award
- Bent Customizable All-in-One PC - Silver A' Design Award
- Tria Set Top Box - Bronze A' Design Award
- Nose Set Top Box - Bronze A' Design Award
- Stiletto remote control - Bronze A' Design Award



## Review of the Year 2013

Vestel products have received awards in various categories, including innovation, functionality, quality, ergonomics, durability, content, ease of use and environmental compliance.

### 3 awards

Vestel was granted a total of three design awards at the Red Dot Design Awards 2013, which is one of Europe's most reputable design competitions.



Vestel was granted a total of three awards for design (2 in white goods and 1 in electronics) at the Red Dot Design Award 2013, one of the most reputable design competitions in Europe.

In the competition, Vestel products were evaluated based on the following criteria: innovation, functionality, quality, ergonomics, durability, content, ease of use and environmental compliance.



**reddot design award  
winner 2013**

#### Red Dot Design Award 2013 All Awards

- Aline Dishwasher
- Suave Air-Conditioner
- Taction Remote Control

#### Award for environment-friendly technology...

Vestel Beyaz Eşya received the winning award in the "Product Development" category and Vestel Elektronik won the third prize in the "Production and Process" category at the 2<sup>nd</sup> Energy Efficiency Project Competition held by the Manisa Organized Industrial Zone Environmental Commission during January 9-12, 2013 within the scope of the Energy Efficiency Week.

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

Vestel received the Perfect Factory Award from the JPIM (Japan Institute of Plant Maintenance) within the scope of the "Total Productive Maintenance and Management" (TPM) program.



### The "Perfect Factory" Award

Vestel received the Perfect Factory Award from the JPIM (Japan Institute of Plant Maintenance) within the scope of the "Total Productive Maintenance and Management" (TPM) program. Vestel received the award from among a total of 97 companies which took part from all across the world, confirming the success of the Company's activities aimed at energy efficiency.

Carrying out its efforts under the motto, "Our Factory, Our Machines, Our Products", with the aim of maximizing production efficiency, minimizing losses and increasing machinery performance and production line efficiency, Vestel has cut its cycling cost by 30% within the space of 3 years since the launch of its Total Productive Maintenance and Management activities.

### Total Productive Maintenance and Management (TPM)

Total Productive Maintenance and Management represents a new management approach, which entails the participation of all employees in daily manufacturing activities, places autonomous maintenance responsibility on the operator for the machine or equipment that he works with, prevents breakdowns and maximizes the equipment effectiveness.

### Vestel Beyaz Eşya was the first white goods manufacturer to receive the "Environment Certificate" in recognition of its environmental awareness.

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

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

### Participations in fairs in 2013

Vestel continued to participate in some of the largest and most prestigious fairs held in Turkey and the world in 2013, where it showcased its products, each of which is a marvel of design and technology. In these platforms, where the world's largest brands introduce their latest products, Vestel's products drew wide acclaim and admiration.

### Fairs attended by Vestel Elektronik in 2013

- Europe's largest electronics fair, IFA held in Berlin, the capital of Germany
- AngaCom - the only digital broadcasting fair in Europe - held in Cologne, Germany
- CeBIT Eurasia - the largest IT fair in the Eurasia region - held at CNR Expo in Istanbul
- The Consumer Electronics Show (CES) - the largest consumer electronics fair in the Americas - held in Las Vegas, USA
- The TV Connect Fair held in the UK
- The International Living Kitchen Fair held in Cologne, Germany where the latest technologies and products in white goods are showcased including built-in products.

## An Unrivalled Marketing-Sales and Service Organization | Vestel offers its products to millions of consumers through its strong trade organization which is managed by proactive strategies both in Turkey and abroad.

### Market and Competition Strategy

Vestel has built its international sales strategy on two axes:

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

Vestel aims to further strengthen its presence in global markets with the well-known regional brands which are acquired by Vestel Ticaret, and added to its portfolio, without encountering any difficulties with respect to brand penetration.

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

Vestel carries out its sales in Turkey under the:

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

### A wide and strong distribution-service network

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

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

authorized service dealers and Vestel General Directorate of Customer Services.

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

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

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

Vestel also began to sell its products through [vsoutlet.com.tr](http://vsoutlet.com.tr). The number of [vsoutlet.com.tr](http://vsoutlet.com.tr) users increased by 270% to 4,895 as of the end of 2013.

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



## International Sales

As Turkey's leading exporter in the electronics sector for 16 years, Vestel exported its products to 145 countries in 2013.

Vestel undertakes its marketing and sales activities in the European market through the local sales and distribution channels of its foreign subsidiaries in France, Germany, Spain, Finland, Russia, Kazakhstan, Romania, the Netherlands and the UK. Vestel's marketing-sales services in other foreign markets are directly provided by Vestel Ticaret.

Vestel aims to raise its market share in Europe by expanding its ODM customer base, as well as by acquiring new regional brands. To this end, in 2013, Vestel Ticaret acquired "Dikom" ve "@Dikom", two well-known consumer electronics brands in Italy.

Vestel branded products are sold in 2,750 sales points throughout Russia, CIS and the Middle East.

## An export network that grows with each passing year

Vestel carries out continuous and systematic efforts to invest and capture market share in rapidly growing countries and to further expand the scope of its export destinations. The Company exports white goods not only to Europe but also to markets in Australia, India, Africa, the Middle East, Oceania and Latin America.

## Latin America - a new target for exports

Having started to export its products to Australia, North Africa and Southeast Asia in recent years in addition to Europe - its main export market - Vestel has now turned its attention to Latin America.

As one of the most dynamic markets, both from an economic viewpoint and in terms of product sales, Latin America, with its population of nearly 400 million, is expected to become Vestel's second most important export market after Europe.

Vestel aims to penetrate markets in Brazil (with a market size of 16 million TVs) as well as Uruguay, Paraguay, Chile, Peru and Colombia.

## A competitive advantage in white goods exports to Far Eastern markets

The wider breadth of Vestel's product range when compared to its competitors in the Far East presents the Company with a competitive advantage in white goods exports. Having started to export its products, all with Class A energy efficiency, to a number of new countries, Vestel Beyaz Eşya succeeded in exporting French Door refrigerators to China, which is the world's largest manufacturer of refrigerators.

In line with its strategy to gain a presence in farther markets, Vestel also exports dishwashers to Myanmar and washing machines to Vietnam, Thailand, Singapore and Indonesia in the Far East.

## Review of the Year 2013

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

### Domestic Sales

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

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

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

### “Central Services” for excellence in after sales services

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

Vestel invested TL 9 million in its new “Central Service” structure in order to ensure that all authorized service centers and their personnel will offer standardized services, with the aim of maximizing customer satisfaction. With the first one opened on a 650 m<sup>2</sup> area in İşıkkent, Izmir, the number of Central Services had reached 15 as of early 2014.

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

Central Services are also planned to be responsible for the monitoring of the field performances of the products that will be shortly released to the market, as such they are expected to be the supporter of R&D units in field testing. By storing spare parts in their own warehouses, Central Services will contribute to the shortening of the spare parts’ lead time by supporting the main spare parts warehouse located in Manisa.

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

### Vestel Call Center established

The General Directorate of Customer Services underwent a comprehensive transformation process in 2013, particularly in the area of after sales services. The call center service, which had been outsourced from subcontractors in previous years, was restructured under Vestel in 2013. Now serving under the General Directorate of Customer Services, the Call Center consists of two units. While the solution center (which is made up of business development, quality, process support and alternative reporting channel units) commenced operations in Manisa in April 2013, Vestel took over the entire first level call center services (known as the communications center) from the subcontractors and restructured them in January 2014. Within this context, a team of 250 people was established.

Vestel has a near term target of being one of the top three brands in the small home appliances segment. The Company's long-term target is to become the market leader.



## Corporate Brand and Communications Strategy

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

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

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

## Vestel's Featured Campaigns in 2013

### "Refrigerators have changed, now change yours" campaign

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

### Extensive cooperation between Digiturk and Vestel

Digiturk and Vestel - the two leading companies in Turkey - joined forces and offered television viewers a brand new service, a first in the sector. With the IPIDTV project (Smart TV with a satellite receiver included) jointly implemented by the two companies, Digiturk subscribers are able to access desired TV programs and replays of programs that they miss, as well enjoying access to Digiturk's library of movies, TV series, and children programs through the Vestel Smart LED TV, without the need for an additional satellite receiver. The service is provided on a "Watch whenever you wish" basis.

## 2 months of free HD viewing for the Vestel LCD TV buyers

In the campaign jointly held by Vestel and D-Smart, customers who purchase a Vestel LCD TV are given a 2-month complimentary full-package D-Smart subscription. After the 2-month free trial, consumers who wish to maintain their D-Smart subscriptions are offered the Maxi HD package for half the standard price, fixed for a period of 24 months.

## Vestel "storms" in homes with its new vacuum cleaner.

Vestel launched its new "Firtina" (Storm) vacuum cleaner which comes with a water filter in 2013. The "Firtina", which provides the easiest way to attain hygiene in homes with its revolutionary features, was offered by Vestel to its customers at a special price in the campaign.





# Technology

With our extensive R&D team, we rapidly deploy the latest technologies and our R&D projects.

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

Investing in qualified human resources, Vestel contributes to national employment by continuously building up its workforce.



### An innovative and dynamic human resources with team spirit

Vestel is aware that the qualified human resources is the most important asset for maintaining and enhancing its technological superiority and leadership in design and for offering high-quality services to customers. To this end, in parallel with the other Group companies, Vestel Elektronik employs comprehensive HR procedures with respect to the recruitment processes, all legal and juridical requirements, training processes and needs, as well as in meeting these needs, performance measurements, reflecting performance results to remuneration, career planning, promotion, and resign and indemnity processes.

Vestel pursues an HR policy with the purpose of ensuring sustainability by honoring its employees. One of the most important targets of this policy is to ensure that Vestel Elektronik is a preferred company to work at. In line with this target:

- Vestel Elektronik pays attention to the needs of its employees for successful business results.
- Vestel Elektronik observes justice and equality of opportunity among employees by matching their expectations with those of the Company.
- Vestel Elektronik ensures the development of its employees by continuously conducting training programs.

- Vestel Elektronik keeps track of, evaluates, encourages and rewards achievements and high performance.
- Vestel Elektronik performs career planning with vertical and horizontal promotions and maintains long-term relations with employees.
- Vestel Elektronik conducts in-house task back-ups on a regular basis for sustainability.
- Vestel Elektronik is committed to the principle of utilizing in-house human resources in meeting the Company's needs.
- Vestel Elektronik keeps track of, evaluates and implements innovations in HR management.

### Permanence in training activities

At Vestel, each employee is recognized as a source of value and training programs are designed to improve employees' existing talents and to ensure their adaptation to innovation and change by addressing their areas of weakness which are open to improvement. The training activities at Vestel have been configured so as to offer employees a consistent learning opportunity. In this context, qualified and sustainable training activities are held by Vestel in order to foster a team of employees who contemplate, explore and question and who are creative, entrepreneurial and productive. For this purpose, the Company provided soft skill training (such as interview techniques, presentation techniques and managerial skills) and technical training (such as

The training activities at Vestel have been configured in order to offer employees a consistent learning opportunity.



forklift and welding trainings and courses) to its white- and blue- collar employees in 2013. Moreover, training programs were held in other areas such as ISO 9001, ISO 27001 and project management. While the training programs conducted at the Technology Academy in the areas of electricity-electronics, IT, industrial and mechanical engineering continued, we also carried out studies to improve the awareness of our employees about the environment and occupational health and safety.

### Vestel's human resources processes are rewarded

Investing in qualified human resources, Vestel contributes to national employment by continuously building up its workforce. The methods applied by Vestel in the formation of its HR, which the Company sees as one of the most important factors behind its position and success in the sector, were deemed worthy of a number of awards by many organizations. Vestel won the following awards in this area during 2013:

The "Respect for People" Award at the 12<sup>th</sup> "Respect for People Awards" for keeping the recruitment processes short by promptly responding to all job applications it receives through kariyer.net, Turkey's leading HR portal;

- The "Award for Creating the Highest Employment" and "Contribution to Female Employment Award"

in Manisa (İŞKUR-Turkish Labor Agency)

- The "Winning Award in Education and Development Management Category" (PERYÖN-Turkish Human Management Association)
- "Regular and Highest Social Premium Paying Company and Contribution to Employment Award" in Manisa (Social Security Institution)

### Vestel Technology Academy

Vestel Technology Academy was jointly developed by Vestel Group and Özyeğin University.

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

Vestel Technology Academy aims to:

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

Having welcomed its first graduates in 2013, the Vestel Technology Academy offered various training programs during 2013 to a total of 159 Vestel employees, 113 of whom are employed at Vestel Elektronik and at R&D units.

### Vestel Management Trainee Program under way

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

The program aims to ensure that management trainees who will join Vestel family understand both Vestel and the sector thoroughly and subsequently create value for the Company by utilizing their knowledge in developing new projects.

Having organized four MT programs, Vestel has offered job opportunities to 105 university graduates as management trainees. However, the training of candidates accepted on the MT program is not limited to the program. By providing employees

## Sustainability

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

with post-graduate and doctorate programs, as well as technical and personal development training at the Vestel Technology Academy within the Vestel Education Center located at Manisa, Vestel ensures the continuity of the MT program.

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

### Training campaign for the authorized service centers

Vestel launched the Authorized Service Center Management program in order to improve its authorized service center network and to bring its after-sales services to perfection. With the "Authorized Service Center Management" which has been developed in collaboration with the Continuous Education Center (YÜSEM) at Yaşar University, Vestel launched the Turkey's most comprehensive project in this area, currently providing training to 100 authorized center managers in the 2013-2014 academic year. All the authorized service center owners are planned to receive training on management over a total of three terms.

The program aims not only to enable 100% customer satisfaction by increasing the quality of the services provided to Vestel customers by the authorized service centers, but also

to set up a management model for the authorized service centers, which are also small enterprises, to attain an efficient, effective and sustainable performance. Participants who successfully complete the program will be granted YU (Yaşar University) approved certificates.

Moreover, Vestel Service Center Academy launched the "technician expertise training" for all the service technicians in the field in the second half of 2013. Comprised of long-term technical, customer relations and personal development modules, the training duration varies from 4 to 6 weeks. Vestel aims to ensure that all of its technicians in the field (which number more than 2,000) receive this training program. Each newly hired technician in the service centers will also participate in the program. During the training process, technicians stay in the guest house built by Vestel in Manisa. Besides providing technical knowledge to Vestel's authorized service technicians, this program also aims to contribute to the adoption of the corporate identity as well as enhance the employees' loyalty to the Company.

### A leading industrial corporation with its environmentally friendly practices

Having updated its organizational culture to comply with the Total

Quality Management concept, Vestel has, with all of its employees, adopted the general objective of maintaining and improving environmental quality by carrying out environmental impact reviews of all its operations, production lines, and products. To this end, the Company carries out its activities in line with the following fundamental targets:

- Improving energy performance continuously and using energy efficient and eco-friendly technologies to ensure economic and environmental sustainability,
- Benchmarking the Company's energy performance with the best practices used in the world and among its peers for continuous improvement and development,
- Making use of renewable energy resources,
- Performing activities necessary for the reduction, reusing, recycling and recovery of wastes,
- Fostering a culture of participation and innovation among stakeholders to ensure continuous improvements in energy saving,
- Regularly conducting internal and external energy efficiency studies and identifying areas in need of improvement,
- Ensuring that all employees play a role in the reduction of the Company's energy consumption and raising energy efficiency awareness through training, seminars and informative posters,
- Modification of equipment and processes in order to optimize energy consumption,

With the “Authorized Service Center Management” programme which has been developed in collaboration with the Yaşar University Continuous Education Center (YÜSEM), Vestel launched the Turkey’s most comprehensive project in the area of after sales services.



- Encouraging creative ideas for the improvement and use of new technologies

### Maximum energy efficiency in all products

A significant portion of Vestel’s R&D efforts are directed towards developing environmentally friendly products and technologies that provide extra hygiene and secure efficient use of resources by maximizing the amount of energy and water saved.

Continuously raising its energy efficiency targets, Vestel has shifted its entire product line toward energy efficient A+ and higher rated devices. Vestel strives to develop highly economical and environmentally friendly products with a minimized impact on the environment. To this end, Vestel currently allocates half of its R&D budget to the development of environmentally friendly products and provides additional funding if necessary for such projects.

Vestel has slashed the power consumption of the products it has released to the white goods and electronics markets by 50% and their water consumption by 26% over the last five years. Vestel’s Tine washing machines save around 2,000 liters of water per year, consuming only 48 liters to clean an 8 kg load of laundry. Vestel’s Smart Dishwasher Series, which are environmentally friendly and economic, and rated

A+++ in terms of energy efficiency, keep water consumption down to just 9 liters by washing the dishes for up to 15 people in a single wash, saving about 1,120 liters of water per year. Air-conditioning units manufactured by Vestel offer 50% more energy efficiency than A+ products, while Vestel LED TVs save 80% more energy than standard LCD TVs. Moreover, Vestel has accelerated the production of energy-saving LED lighting products through its environmentally friendly and innovative approach; these products are manufactured with the approval of Turkish Sustainable Energy Financing Programme.

With its environmentally friendly approach, Vestel’s Puzzle Refrigerator won the winning award in the “Product Development” category at the Energy Efficiency Project Competition held by the Manisa Organized Industrial Zone Environment Commission. Vestel’s Twinjet washing machine, which provides extra hygiene, maximizes the amount of energy and water used and makes efficient use of resources, received the “Most Energy Efficient Product” award at the Environment Awards held by the Istanbul Chamber of Industry.

### The first Turkish company to receive the ISO 50001 Energy Management System Certification

When it comes to protecting the environment, Vestel Beyaz Eşya

was the first Turkish company in the sector to obtain the ISO 50001 Energy Management System Certification. The Company successfully passed the certification process thanks to its efforts to protect the environment, reduce greenhouse gas emissions, use resources efficiently and cut energy costs. Having integrated its business processes into its management systems, especially the Environmental Management System, in a bid to manage energy consumption under a systematic approach, Vestel Beyaz Eşya was granted this certification by the Turkish Standards Institute.

### Vestel Beyaz Eşya is one of Turkey’s Climate Performance Leaders

The Carbon Disclosure Project (CDP) marks an important step for companies in achieving their targets for reducing carbon emissions by announcing their greenhouse gas emissions and strategies to tackle climate change. With its efforts to cut carbon emissions and manage climate-related risks, Vestel Beyaz Eşya was granted Turkey’s Climate Performance Leaders Award, once against demonstrating its future-oriented brand identity that strategically considers and plans for the long term.

### Production processes which are environmentally friendly and respect people

By making its production processes modern and environmentally

## Sustainability

As a result of its environmental assessments, Vestel has succeeded in cutting its power consumption by 17%, its water consumption by 24%, its heating requirement by 26% and its use of plastic raw materials by 42%.

## 50%

Vestel has slashed the power consumption of its electronics and white goods products by 50%, and their water consumption by 26% over the last five years.



friendly, Vestel not only lowers the environmental impact of its operations but also minimizes production costs and risks.

Saving energy, decreasing waste, reusing and recycling and limiting the use of hazardous chemicals to prevent pollution are some of the methods deployed by Vestel to avoid potential damage to the environment arising from its manufacturing processes.

Thanks to the environmental assessments that it performs on an annual basis, Vestel saves a significant amount of energy and water, achieving significant progress in terms of operating cost management as well as in its contributions to the environment. In this vein, Vestel has succeeded in cutting its power consumption by 17%, water consumption by 24%, heating energy consumption by 26% and its use of plastic raw materials by 42%, while significantly reducing the amount of hazardous waste produced during its manufacturing processes.

### Occupational Health and Safety – Another definition of respect for people

Believing that effective and efficient management relies on a positive approach to occupational health and safety, Vestel attaches utmost importance to the assessment

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

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

- To create a "Safety Culture" throughout the entire Company and ensure that all employees understand and adopt it;
- To avoid any hazards or any harmful conditions that could arise during the course of the Company's operations and to create a healthier working environment by conducting up-to-date risk analyses based on the principle of "preventing (risks and dangers) before they happen";
- To establish occupational health and safety together with employees by receiving their views in continuous training platforms;
- To ensure that all employees accept occupational health and safety as an indispensable priority and an inseparable part of their jobs;
- To create a safe working environment by completely preventing or minimizing fire risks and occupational accidents

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



threatening safety and human health; and

- Based on its "The right work for the employee and the right employee for the work" principle, to eliminate or minimize unsafe situations or acts in the workplace by conducting risk analyses and by applying preventive plans.

### Vestel aims to grow by sharing with the community

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

#### Standing by young artists

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

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

As the first exhibition in Turkey to be organized in this area, the Mamut Art Project brought art-lovers together with artists during May 16-19, 2013. A total of 40 artists participated in the project, each exhibiting his/her work on a 10 m<sup>2</sup> personal area.

Within the scope of the project, while young artists were given the chance to exhibit their video works through Vestel screens, visitors were offered the opportunity to experience Vestel's interactive screen technology at the Vestel booth located at the exhibition hall.

#### Vestel became the technology sponsor of Contemporary Istanbul

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

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

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

#### Vestel supports the "Make a Wish" Association

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

# Vision

Our ability to understand the technologies of the future and to transform them into products forms the basis of our strong vision.





## Risk Management

In order to early detect the risks that could jeopardize Vestel Elektronik Sanayi ve Ticaret A.Ş.'s existence, development and continuity, to take the necessary measures against these risks, and to engage in more effective risk management, the Enterprise Risk Management Department of Zorlu Holding started to operate as a support function to the Company from the first half of 2012 onwards. As a result, Zorlu Holding's Risk Policy, Procedure and Enterprise Risk Management Framework was issued and became applicable in all Zorlu Holding companies.

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

Studies concern the management of not only financial risks, but also of operational, environmental, technological, and other non-financial risks. According to the risk inventory undertaken, the main risks and the measures taken against them are as follows:

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

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

## Internal Audit Department and its Operations

At Vestel Elektronik San. ve Tic. A.Ş. and other Zorlu Group companies, since 2000, the internal audit function is under the responsibility of the Internal Audit Department of Zorlu Holding. The Internal Audit Department conducts audit activities based on International Internal Audit Standards in accordance with audit programs pursuant to legal requirements and approved by the senior management. The Department shares the audit reports issued after conducting each audit, as well as annual reports on the audit results for the full year, with the Holding's Board of Directors, if any, the Audit Committees of companies and the Sector Heads. In addition to the Internal Audit Department, the Financial Audit and Taxation Department was established in 2011 in order to conduct financial audits across all Group companies and it started audit activities in 2012. Additionally, in the last quarter of 2013, Internal Audit Department and Financial and Tax Audit Departments were gathered under the umbrella of Zorlu Holding General Directorate of Audit and Internal Control.

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

Under the risk-based annual audit program approved by the Board of Directors, Audit Committee and Sector Heads, process audits are conducted to ascertain the efficient and productive use of resources, compliance with applicable laws, regulations, in-house policies and rules, as well as information accuracy, reliability and security. Whenever deemed necessary, at the start of each audit, the Department meets with the Senior Management to make risk assessments; the companies' targets and the risks that could jeopardize these targets are analyzed and positioned in the risk matrix according to their effects and probabilities. During the audit field work, tests are carried out to evaluate the internal controls which manage risks with significant effects and high probabilities. The results of observations are shared with the company management as a draft report; and then a final report, including the opinions of the management, is sent to the Senior Management. As a result, the Department offers consultancy services with a reasonable assurance level, and at the same time capitalizes on group synergy to highlight the best practices. One month after the issue of the final report, the actions taken are shared with the Board of Directors, in line with the 4T approach (Treat, Terminate, Transfer and Tolerate).

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

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

## Board of Directors' Resolution

<b>RESOLUTION DATE</b>	: 11.03.2014
<b>RESOLUTION NO.</b>	: 2014/6
<b>PARTICIPANTS</b>	: Ahmet Nazif ZORLU Ali Akın TARI Selen ZORLU MELİK Hacı Ahmet KILIÇOĞLU Mehmet Emre ZORLU Mümin Cengiz ULTAV
<b>MEETING AGENDA</b>	: Financial Statements of Vestel Elektronik Sanayi ve Ticaret A.Ş. for the period ending 31.12.2013

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

The Board UNANIMOUSLY resolved to approve the consolidated balance sheet of **VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ** as of 31.12.2013 and the Company's consolidated income statement for the 2013 fiscal year, as well as other financial statements and the Board of Directors' Annual Report, and to post them on the Public Disclosure Platform.

### BOARD OF DIRECTORS



Ahmet Nazif ZORLU  
Chairman



Ali Akın Tari  
Vice Chairman



Selen ZORLU MELİK  
Board Member



Hacı Ahmet KILIÇOĞLU  
Board Member



Mehmet Emre ZORLU  
Board Member



Mümin Cengiz ULTAV  
Board Member

# Corporate Governance Principles Compliance Report

## CONTENTS

1. Statement of Compliance with Corporate Governance Principles

### **PART I - SHAREHOLDERS**

2. Investor Relations Department
3. Shareholders' Exercise of Their Right to Obtain Information
4. General Assembly Meetings
5. Voting Rights and Minority Rights
6. Dividend Rights
7. Transfer of Shares

### **PART II - PUBLIC DISCLOSURE AND TRANSPARENCY**

8. Disclosure Policy
9. Corporate Website and its Contents
10. Annual Report

### **PART III - STAKEHOLDERS**

11. Informing of Stakeholders
12. Participation of Stakeholders in Management
13. Human Resources Policy
14. Code of Ethics and Social Responsibility

### **PART IV - BOARD OF DIRECTORS**

15. Structure and Composition of the Board of Directors
16. Working Principles of the Board of Directors
17. Number, Structure and Independence of the Committees Established by the Board of Directors
18. Risk Management and Internal Control Mechanisms
19. Company's Strategic Targets
20. Financial Benefits

## 1. Statement of Compliance with Corporate Governance Principles

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

Corporate Governance related activities were initiated at Vestel Elektronik San. ve Tic. A.Ş. in late 2004. For the last seven years, the Company has been obtaining corporate governance rating services from ISS Corporate Services Inc. (ISS), a leading international rating agency, in order to have its relevant practices to be evaluated independently and to ensure their public disclosure. In parallel with the "monitoring" studies carried out in the first months of 2013, ISS increased our Company's Corporate Governance Rating to 9.09 (90.94%) on a scale of 10. This high score yet again attests to the importance Vestel Group places on corporate governance and to its commitment to achieve further progress in this area. In parallel with being one of the pioneering companies that has adopted corporate governance practices in Turkey and the progress it has achieved so far in the field of corporate governance, the Company was also awarded with the "Best Corporate Governance, Turkey 2013" prize by World Finance.

The efforts undertaken to further improve compliance with Corporate Governance Principles at Vestel Elektronik San. ve Tic. A.Ş. in 2013 are summarized below.

- The Articles of Association were revised in parallel with the CMB and TCC legislations and submitted to the approval of the shareholders at the Ordinary General Assembly Meeting for the year 2012.
- In line with the Corporate Governance Principles, with the Board of Directors' decision dated 15.03.2013, Early Detection of Risk Committee was established and working principles of the Committee were submitted to the information of the shareholders via the Public Disclosure Platform and the Company website.
- Pursuant to the article 19 of the Capital Markets Law numbered 6362, limit of the donations to be made in 2013 was determined; such limit was submitted to the approval of the General Assembly and was approved by the General Assembly.
- "Internal Directive on the Principles and Procedures of Operation of the General Assembly" prepared pursuant to the "Regulation on the Procedures and Principles of General Assembly Meetings of Joint Stock Companies and the Representatives of the Ministry of Customs and Trade who will be Present at These Meetings", as published in the Official Gazette dated 28.11.2012, was posted on the Company website upon its approval at the Extraordinary General Assembly held on 27.03.2013.

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

- The definition of the appointment of a special auditor as an individual right in the Articles of Association: The right to demand the appointment of a special auditor is already granted by Article 438 of the Turkish Commercial Code. Since this right is already stipulated by law, it was not deemed necessary to include it in the Company's Articles of Association.

These activities on the part of Vestel Elektronik San. ve Tic. A.Ş. show the Company's commitment to achieve compliance with Corporate Governance Principles and that it is aware of its responsibilities to all stakeholders. Acknowledging the contributions of the Corporate Governance Principles to the Company, Vestel Elektronik San. ve Tic. A.Ş.'s goal is to attain even greater compliance with those principles with the involvement of all its employees and senior executives.

## Corporate Governance Principles Compliance Report

### PART I - SHAREHOLDERS

#### 2. Investor Relations Department

- Vestel Elektronik maintains relations with shareholders via the Investor Relations Directorate of the Zorlu Group of Companies. Information regarding the Directorate is given below:

Department Director : Serap Mutlu  
Department Manager : Başak Dalga  
Address : Akmerkez 34337 Etiler - Istanbul  
Phone : (212) 282 2810  
E-mail : yatirimci@vestel.com.tr

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

#### 3. Shareholders' Exercise of Their Right to Obtain Information

- During the year 2013, shareholders requested information from the Company on various issues. These queries were responded to via telephone, e-mail or postal mail, in writing or verbally, further to the demands of the shareholders. The responses to these information requests were open, clear, and in detail, in accordance with the Company's disclosure policy, and all inquiries except those related to trade secrets were responded to the satisfaction of the shareholders.
- During the year 2013, developments that might have an impact on the shareholders' exercise of their rights were disclosed to the investors through the material event disclosures made via Public Disclosure Platform (PDP) and Vestel Elektronik San. ve Tic. A.Ş.'s website.
- To facilitate the exercise of the shareholders' right to obtain information, the Investor Relations website was redesigned and its content was enriched in 2011, and thereby, it was ensured that domestic and international investors have a quick access to the highest amount of information within the shortest time, accurately, quickly, simultaneously, completely and comprehensibly. All the information required by the CMB's Corporate Governance Principles is published on the corporate website. Updating and monitoring the website are the responsibility of the Investor Relations Directorate.
- The right to request the appointment of a special auditor is not laid out in the Articles of Association. Since this right is already granted to each shareholder of joint stock companies by the Article 438 of the Turkish Commercial Code, it is not found necessary to further mention it specifically in the Articles of Association. The Company received no requests for the appointment of a special auditor in the reporting period.

#### 4. General Assembly Meetings

- Vestel Elektronik held its Ordinary General Meeting for 2012 on June 05, 2013 at 10:00 AM at the Company's head office, which is located at the address of Zorlu Plaza, Avcılar, Istanbul.

- Invitation for the meeting including the agenda was made in due time as set out in the Law and the Company's Articles of Association, by being published in the Turkish Trade Registry Gazette No. 8318 and dated May 13, 2013 and in Dünya newspaper dated May 13, 2013, and also posted on the Public Disclosure Platform, E-General Assembly System of Merkezi Kayıt Kuruluşu A.Ş. as well as on the Company's website at "www.vestel.com.tr", by announcing the day and agenda of the meeting. In order to facilitate attendance to the General Meeting, announcements were published in one Turkish newspaper with high circulation and all the information concerning the Ordinary General Assembly including the meeting invitation was posted on the Company's website.
- Our Company's 2012 financial statements, Annual Report of the Board of Directors, independent external audit report and dividend distribution policy and general assembly information document, prepared in accordance with the regulations of the Capital Markets Board were kept available for examination by our shareholders at our Company's headquarters and on the Company's website at [www.vestelyatirimciliskileri.com](http://www.vestelyatirimciliskileri.com), 3 weeks prior to the date of the General Assembly Meeting.
- Prior to the General Assembly Meeting, the shareholders, Capital Markets Board and/or other relevant public agencies and institutions did not request to add any items to the meeting agenda.
- In accordance with the "Communiqué Regarding the Electronic General Assembly System to be Implemented in the General Assembly Meetings of Joint Stock Companies", published in the Official Gazette dated 29.08.2012 and numbered 28396, shareholders were granted the right to attend and cast vote at the General Assembly through an electronic medium.
- Out of 33,545,627,500 shares corresponding to the Company's total share capital of TL 335,456,275.00; 78,739.2 shares representing TL 782,392 in capital were present in person, and 27,437,675,089.9 representing TL 274,376,750.899 in capital were presented in proxy at the meeting. The General Assembly thus convened with an attendance ratio of 81.79%.
- The Company's Articles of Association contain no provisions concerning the participation of stakeholders or the media at the General Assembly Meeting. However, participation is possible provided that the Company is informed beforehand. Only shareholders attended the General Assembly Meeting for 2012 and no other stakeholders or media representatives attended.
- It was ensured that Board members who were related to the significant agenda items of the General Assembly, other related persons, officers who had responsibility in the preparation of financial statements and auditors were present at the General Assembly Meeting so that they can provide necessary information and answer questions.
- Shareholders were allowed to express their opinions and pose questions under equal conditions at the General Assembly Meeting. All questions from the shareholders were responded to in detail. Shareholders introduced no motions during the meeting.
- At the General Assembly Meeting, shareholders were informed about the total donations amounting to TL 1,843,800, made to Mehmet Zorlu Foundation and various educational institutions during the year 2012.
- Limit of the donations to be made in 2013 pursuant to article 19 of the Capital Market Law numbered 6362 was determined and submitted to the approval of the General Assembly.
- The minutes of the General Assembly Meeting are made available for the examination of shareholders at the Company's headquarters. All announcements, documents, and other materials related to General Assembly meetings are accessible to shareholders and all other stakeholders on the corporate website.
- Company's Extraordinary General Assembly Meeting was held on 27.03.2013, at 10:00 AM, at the Company's head office, located at of Zorlu Plaza Avclar, Istanbul.

## Corporate Governance Principles Compliance Report

- Invitation for the meeting including the agenda was made in due time as set out in the Law and the Company's Articles of Association, by being published in the Turkish Trade Registry Gazette issue 8217 dated March 05, 2013 and in Milliyet newspaper's issue dated March 05, 2013, Dünya newspaper's issue dated March 05, 2013 and also posted on the Public Disclosure Platform, E-General Assembly System of Merkezi Kayıt Kuruluşu A.Ş. as well as the Company's website at "www.vestelyatirimciiliskileri.com", by announcing the day and agenda of the meeting. In order to facilitate attendance to the General Meeting, announcements were published in two Turkish newspapers with high circulation and access to any and all information concerning the Extraordinary General Assembly including the meeting invitation was ensured by being posted on the Company's website.
- Out of 33,545,627,500 shares corresponding to the Company's total share capital of TL 335,456,275.00; 27,375,180,077 shares representing TL 273,751,800.77 were represented at the meeting; out of these shares, 10,110 shares representing TL 101.1 in capital were present in person, and 27,375,070,077 shares representing TL 273,750,700.77 were represented in proxy at the meeting; and the General Meeting has convened with an attendance ratio of 81.64%.
- At the meeting, it was decided to elect Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for the audit of both the accounts and operations of 2013 and to conduct the audit under Capital Market Law and the relevant legislations and the Turkish Commercial Code and the relevant legislations; and to accept the "Internal Directive on the Working Principles and Procedures of Vestel Elektronik Sanayi ve Ticaret A.Ş.'s General Assembly", which was announced on the Company's website at [www.vestelyatirimciiliskileri.com](http://www.vestelyatirimciiliskileri.com), the Public Disclosure Platform and the E-General Assembly System of Merkezi Kayıt Kuruluşu A.Ş. and submitted to the approval of the shareholders.

### 5. Voting Rights and Minority Rights

- All Vestel Elektronik San. ve Tic. A.Ş. shares enjoy the same rights. There is no privilege concerning the voting right. This is stipulated in the Company's Articles of Association.
- The Company's subsidiaries do not have any shareholding interests in Vestel Elektronik Sanayi ve Ticaret A.Ş. For this reason, there are no cross-shareholding interests and therefore, this issue was not put to vote at the General Assembly Meeting.
- Minority shareholders are not represented in management. However, two independent members were elected to the Board of Directors to represent the interests of all shareholders and stakeholders, especially those of minority shareholders.

### 6. Dividend Rights

- There are no privileges concerning the participation in Company's profits. Each share of stock is entitled to an equal dividend.
- Each year, the Company's Dividend Distribution Policy is presented to the shareholders as a separate agenda item at the General Assembly Meeting. The Dividend Distribution Policy is also disclosed to the public via the Company's website and the annual report.
- Since no profit will be distributed because of the net loss reported in the financial statements prepared in accordance with the Capital Market Law and related Communiqués, shareholders were informed about the loss at the Ordinary General Assembly meeting for 2012 by the reading out of the Board of Directors' resolution dated May 10, 2013 and numbered 2013/27.

- In accordance with the Dividend Distribution Policy approved at the Board meeting held on March 19, 2007, the Company shall distribute dividends corresponding to a minimum 25% of its distributable profit in cash or in the form of bonus shares to shareholders, in 2007 and the subsequent years, in accordance with the provisions of the Articles of Association. The amount of dividends to be distributed shall be proposed by the Board of Directors each year at the Ordinary General Assembly Meeting depending on domestic and global economic conditions and the Company's growth plan.

## 7. Transfer of Shares

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

## PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Disclosure Policy

- Vestel Elektronik's Public Disclosure Policy has been formulated in line with the CMB's Corporate Governance Principles. In 2010, the policy was revised and approved by the Board of Directors. The revised disclosure policy was presented to the information of shareholders and participants at the 2009 Ordinary General Assembly Meeting held on May 26, 2010. The Company's disclosure policy has also been publicly disclosed on the Company's website.
- Vestel Elektronik's public disclosure policy addresses the following issues:
  - Ensures that public disclosures are made in a complete, fair, accurate, timely, comprehensible manner and are made equally and easily accessible to all;
  - Individuals authorized for the development, implementation and improvement of the disclosure policy and individuals responsible for public disclosures;
  - Methods and tools of disclosure;
  - Public disclosure of financial reports and authorized individuals;
  - Public disclosure of material events and authorized individuals;
  - Written/verbal statements-press releases-conferences and individuals authorized to make public disclosures;
  - Disclosure of forward-looking information;
  - Prohibited disclosure/silent period;
  - The corporate website;
  - Following up on news, rumors, and speculations;
  - Criteria used in the designation of individuals with administrative responsibility;
  - Confidentiality protection procedure for insider information.
- The Public Disclosure Policy has been developed and approved by the Board of Directors, which is the responsible body for its implementation, development and oversight. The monitoring and follow-up of all kinds of issues related to public disclosure is under the responsibility of executives in charge of financial management and reporting, and the Investor Relations Department. These executives perform their duties in close cooperation with the Corporate Governance Committee, Audit Committee and the Board of Directors.

### 9. Corporate Website and Its Contents

- The Company has an active and easily accessible website. The website was set up to ensure that shareholders, stakeholders and the general public are kept informed in an open, clear and simultaneous fashion. Information presented on the website is regularly updated.

## Corporate Governance Principles Compliance Report

- The corporate website contains the required information as stipulated in CMB's Corporate Governance Principles.
- The website also features pages in English to provide information to international investors.
- The Company's website may be reached at "www.vestelyatirimciliskileri.com". Furthermore, pursuant to the "Regulation on Websites to be Launched by Joint Stock Companies" and the 1<sup>st</sup> paragraph of article 1524 of the TCC, in accordance with the principles and procedures regarding the launching of a website, allocation of a section of this website to publishing the announcements that are required to be made by the company under the law and to information society services, our Company procures Central Database Service Provider support services from Merkezi Kayıt Kuruluşu A.Ş. (CRA) and announcements that are required to be made by the Company by law is accessible through e-Company Information Portal of the CRA.

### 10. Annual Report

- The annual report contains the required information stipulated in CMB's Corporate Governance Principles. Moreover, Board of Directors' Annual Report was prepared in accordance with the provisions of the "Regulation Regarding the Determination of the Minimum Contents of the Companies' Annual Reports", published in the Official Gazette dated 28.08.2012 and numbered 28395.

## PART III - STAKEHOLDERS

### 11. Informing of Stakeholders

- Stakeholders are continuously informed in accordance with the Company's Public Disclosure Policy.
- Employees and management take part in periodic meetings held to keep employees actively informed about the Company. Attention is given to ensure two-way communication with information flowing upward to management from employees as well as downward from management to employees. The Company adheres to an "open door policy" to keep channels of communication open between management and personnel. In addition, employees are also kept continuously informed by means of the corporate intranet.
- Periodic meetings are held with customers and suppliers and all customers and suppliers are kept informed about Company-related issues that may be of concern to them. The Company regularly organizes meetings for its dealers in order to measure customer satisfaction. When deemed necessary, additional one-on-one and group meetings are also held.
- The stakeholders can report Company's transactions violating legislation or not compliant with ethical rules to the Corporate Governance Committee, Audit Committee or Investor Relations Department by accessing them via telephone and/or e-mail.

### 12. Participation of Stakeholders in Management

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

### 13. Human Resources Policy

- The Company's human resources processes are managed by the Vestel Human Resources Department, which reports to the Zorlu Holding Human Resources Coordinator. The Department includes a Human Resources and Training Unit, and an Industrial Relations Unit. Transactions related to the administrative affairs and recruitment functions are carried out under the direct supervision of the Human Resources Director. The Zorlu Holding Human Resources Coordinator is a member of Vestel Group's Executive Board as well. Thus, providing information regularly to the management on any employee related issue is ensured.
- The Company's Human Resources Policy is set forth in writing and covers all issues related to hiring, promotion, dismissal, compensation, career planning, performance evaluation system, linking performance results to remuneration, and training policies. The employees have been informed of their job definitions and division of tasks, as well as performance and compensation criteria through the Human Resources Policy.
- The Human Resources Unit is responsible for the development and implementation of this policy. This unit keeps track of employee-related entitlements, promotions, career progression, training, and disciplinary action. At regular intervals but not less than once a year, the Unit also conducts employee evaluations in line with specified performance criteria.
- Training programs are regularly conducted to improve employee productivity. Personnel may also attend external training programs.
- Vestel Technology Academy was founded mainly for Vestel Group's engineering staff. The Academy provides masters and PhD level educational opportunities to around 200 employees. Additionally, the "Management Training" and similar programs are regularly planned and implemented every year in order to cultivate qualified managers.
- All employees are treated equally and without any discrimination based on ethnic background, religion, language, race, gender, and the like whatsoever in all matters involving training, career development and promotion.
- There were no complaints received from employees related to discrimination. Measures are taken to prevent any practices that might cause discrimination among staff members and all personnel are treated equally without any distinctions.

### 14. Code of Ethics and Social Responsibility

- Vestel Elektronik San. ve Tic. A.Ş.'s Code of Ethics has been set forth in writing and published on the corporate website within the framework of the Public Disclosure Policy. Utmost care is taken to ensure that the Code of Ethics, which is formulated for Company, the Board Members, and the employees, is complied with in full.
- Vestel Elektronik San. ve Tic. A.Ş. undertakes social efforts in the form of contributions to services in education, sports and culture offered by Zorlu Holding, and as direct initiatives taken on by the Company under its social responsibility principle. Zorlu Group, of which Vestel Elektronik San. ve Tic. A.Ş. is a member, took a major step in bringing a global social responsibility dimension to the principles and values espoused since its foundation, by signing the United Nations Global Compact in 2007. Since signatory companies to the compact commit themselves to issuing annual progress reports outlining their activities and gains in this scope, in 2013 Vestel Elektronik San. ve Tic. A.Ş. published its progress report for the year 2012 on the website [unglobalcompact.org](http://unglobalcompact.org) via Zorlu Holding.
- In support of responsible and ethical business practices, the Company is a Class B member of SEDEX (Supplier Data Ethical Exchange), and a registered supplier with the BSCI (Business Social Compliance Initiative). In addition to the SEDEX and BSCI social responsibility audits, the Company also undergoes periodic FWC (Fair Working Conditions) and ICS (Initiative Clause Sociale) audits by independent audit firms.

## Corporate Governance Principles Compliance Report

- Assuming the responsibilities of being a global player in consumer electronics, Vestel Elektronik San. ve Tic. A.Ş. carries out environmental impact reviews of all its operations, production lines, and products. Vestel believes that it has a duty to be acutely aware of the health and safety of employees, customers, and the general public who may be affected by its operations, products, and services and to protect the environment and nature for the good of future generations. Vestel demonstrated its commitment to this area by obtaining TS-EN ISO 14001 Environmental Management System Certification in 1998. Vestel Elektronik San. ve Tic. A.Ş. has pledged itself to continuously improve its performance on environmental issues, prevent pollution, strictly obey all environment-related laws, regulations, and administrative provisions, and allocate sufficient and appropriate resources in its efforts to:
  - Take environmental factors into account when evaluating projects for new products and operations;
  - Reduce the use of harmful materials in its product design and production processes and to research the use of materials that are less polluting;
  - Reduce, reuse, recycle, and recover waste;
  - Make the most economical use possible of energy, water, and natural resources by promoting productivity increases and the use of new technologies;
  - Use recycled/recyclable packaging materials whenever feasible;
  - Conduct activities aimed at fostering environmental awareness.

Vestel Elektronik A.Ş. San. ve Tic. A.Ş. fulfills its obligations as a responsible corporate citizen regarding the matters of reducing the environmental impact stemming from its activities and launching eco-friendly products to the market. The Company has been producing all of its products in compliance with the RoHS directive (Restriction of the Use of Certain Hazardous Substances Directive) since June 2006. Accordingly, usage of six heavy metals (lead, mercury, cadmium, Chromium+6, PBB, PBDE) in products which may have hazardous effects on living creatures and nature has been restricted. Having shown sensitivity in order to enable the people of our country to live in a healthier atmosphere and born the costs required by these practices, even before the relevant regulation has entered into force in Turkey, the Company has begun to launch products that are in compliance with the RoHS Directive in to the domestic market.

In parallel with RoHS studies, it carries out EU WEEE (Waste of Electrical and Electronic Equipment Directive) studies. Pursuant to this Directive, each brand is responsible for the collection and recycling of the wastes produced by its own products. The Company coordinates with the relevant governmental organs and continues its preparations for implementing the domestic WEEE regulation in the most effective fashion.

Apart from the said 2 main directives concerning products, the Company also fully complies with other EU and domestic directives and regulations.

- Vestel Elektronik San. ve Tic. A.Ş. takes advantage of energy efficiency opportunities and systematically implements various projects related to this area. The Company's main policy is to reach a high level of production with low energy consumption. In light of this approach, the Company reviews the energy consumption of its production processes and strives to obtain better results in terms of productivity and quality.

Under the Environmental Management System, the Company manages energy consumption and related processes in tandem with the Total Productive Maintenance (TPM) model, corporate business plans and the key performance indicators methodology. The Company ensures sustainability by successfully implementing the TPM management system. TPM is a maintenance system, which targets zero equipment stoppage and zero quality defects in production systems. TPM is a maintenance management approach, which requires the participation of all employees in production

and service processes, envisages autonomous maintenance, adopts a preventive approach rather than trouble-shooting and allows for the highest degree of equipment efficiency. Environmental gains through the TPM system approach may be listed as follows:

- Ensuring organization and order and reducing contamination with the 5S Approach,
- Improvement works with Kaizen approach,
- Less failures, less dissemination, energy saving and raw material saving with the Autonomous Maintenance approach,
- Reducing wreckage and rework, therefore, reducing wastes,
- Increasing productivity and quality, continuous improvement.

Vestel Elektronik A.Ş. has successfully completed the first phase of TPM management system and on January 11, 2013, become eligible for receiving the "TPM Excellence Award".

Senior executives regularly monitor and assess the relevant performance results. The Company has assigned an energy officer and energy management representative to ensure that the Energy Management System is operated efficiently. Our factory passed all the required audits in 2012 and obtained TS EN 50001 Energy Management System Certification and ensures its sustainability.

Main energy improvement projects realized in 2013 include the following:

- 16,473 kwh/year of energy saving was achieved with the project to replace the UV light bulbs in L-15 and L-16 lines at the Main Factory.
- 628,000 m3/year of saving was achieved with the project concerning the prevention of air consumption during stand-by for injection machines.
- 72 tons/year of vapor saving was achieved with the project concerning the elimination of vapor leakage in mold wedges.
- 210 tons/year vapor saving was achieved with the project concerning the elimination of vapor leakage in right and left molds.
- 120 tons/year of vapor saving was achieved with the project concerning the elimination of vapor leakage in ERL-1270 machine.
- 32,400 kwh/year of energy saving was achieved with the project concerning the deactivation of P1.2 pump in the ES600/4 injection machine.
- 37% of improvement (increased from 10 bar-178C to 15 bar-198C) was achieved with the project concerning the improvement of cycling time by reducing heating times by increasing the quality of the vapor used in heating of Plastic Injection Molds.
- 74,014 m3/year of improvement was achieved with the project concerning the prevention of RR air leakage.
- 868,455 Kcal/year of saving was achieved with the project concerning the prevention of heat loss in the non-insulated valves in the Main vapor line.
- 214.695 kwh/year of energy saving was achieved with the Energy Saving Project.
- 1,218,240 kwh/year of saving was achieved with the project concerning the controlling of the engine cycle numbers in Eng Injection machines with the usage of inverter.
- Usage of Led fixtures instead of Fluorescent fixtures, which was started in 2012, has also continued wherever possible in 2013. This practice will be extended to all other sections of Vestel Elektronik San. ve Tic. A.Ş. within a plan.

## Corporate Governance Principles Compliance Report

Furthermore, in order to ensure the efficient use of natural resources and electricity, as of the end of 2013, the ratio of A and higher class products was increased to 97%, whereas, ratio of A+ and higher class products was increased to more than 50%. Priority is given to the production of energy-efficient products and intensive research and development activities are continuously carried out for products that use less electrical energy.

- Climate change is not only an environmental but also a social and economic threat. Vestel Elektronik San. ve Tic. A.Ş. considers climate change as an important risk for both the future of the world and the sustainability of the company and carries out crucial projects in this regard. Therefore, the Company carried out studies regarding the measurement and reduction of carbon footprints and participated in the Carbon Disclosure Project. In 2013, Vestel Elektronik San. ve Tic. A.Ş. published its carbon emissions data on the Carbon Disclosure Project (CDP) website cdproject. As is known, CDP is an initiative, which was started in 2000, to encourage companies, investors and governments to collect and share emissions-related information that could help in the fight against climate change.
- The companies, which responded to CDP from Turkey are also rated according to the CDP's methodology, with the support of Ernst & Young Turkey. In 2013, a total of 39 companies responded to CDP from Turkey. In 2013, our Company has raised its Carbon Disclosure rating to 80, from 75 in 2012.
- As for biodiversity, the green space surrounding Vestel facilities covers an area of about 40,000 m2 and the Company plans to further expand these green areas. This space is currently home to around 110 different species of plants and trees.
- At the Vestel Group of Companies ("Vestel"), of which Vestel Elektronik is a part, corporate development is equivalent to social development. With this approach, the Company firmly supports social responsibility initiatives that add value to society, pioneers new initiatives in this area, and raises social awareness by promoting its future oriented and eco-friendly products.
- Vestel does its utmost to ensure that its corporate social responsibility activities deliver concrete and sustainable benefits to society. As a result, the Company chooses to support long-term projects. At the start of the social responsibility project development process, the Company first identifies areas in which the public support is insufficient or lacking. In the social responsibility initiatives it undertakes, Vestel demonstrates the same high performance and meticulousness that its displays in its other operations, never compromising its total quality approach.
- Vestel has assumed the technology sponsorship of Contemporary Istanbul, held between November 7-10, which is the most extensive international contemporary art fair in Turkey. In the fair, which was held for the 8th time this year, works of pioneering artists of the World have been exhibited by Vestel technology. At the fair, Vestel has supported art by providing nearly 200 products, from televisions to tablets, laptops to sound systems and headphones, projectors to kiosks. Vestel has also brought together Candaş Şişman and Ozan Türkkan, who are among the most famous digital artists in Turkey and NOHlab and OUCHHH, who are among the leading artist groups, for the first time at Contemporary Istanbul.
- Vestel has assumed the Video Art sponsorship of Mamut Art Project, which is established to enable independent artists to display their works and for the early discovery of promising artists. Young artists exhibited their video works through Vestel screens. Furthermore, visitors experienced Vestel's interactive screens technologies at the Vestel booth that was set up at the exhibition area. Being the first exhibition held in Turkey in this arena during May 16-19, Mamut Art Project has brought together art lovers with 40 artists who were given approximately 10 meter squares of personal area.

- Vestel was the main sponsor of IFCA (International Funboard Class Association) Children, Teenagers and Adults World Championship, organized during July 1 - 6, 2013 in İzmir Alaçatı. Nearly 150 people, majority of whom were from abroad, participated in the competitions held in 3 different categories; namely, Children, Teenagers and Adults. The Championship brought together many sportsmen from many countries, including France, Greece, Italy, Portugal and Holland.

## PART IV - THE BOARD OF DIRECTORS

### 15. Structure and Composition of Board Of Directors

Member	Duty	Term of Office	Type of Membership
Ahmet Nazif Zorlu	Chairman	1 year	Non-executive member
Ali Akın Tarı	Vice Chairman	1 year	Independent member
Selen Zorlu Melik	Board Member	1 year	Non-executive member
Mehmet Emre Zorlu	Board Member	1 year	Non-executive member
Mümin Cengiz Ultav	Board Member	1 year	Non-executive member
Hacı Ahmet Kılıçoğlu	Board Member	1 year	Independent member

#### Ahmet Nazif Zorlu - Chairman

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

#### Ali Akın Tarı - Vice Chairman

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

**Corporate Governance Principles Compliance Report****Selen Zorlu Melik - Board Member**

(1975 - Trabzon) Selen Zorlu Melik is a graduate of Uludağ University, Faculty of Economic and Administrative Sciences, Department of Business Administration. She started her professional career in 1998 at Denizbank. After an internship at Denizbank's Bursa Branch, she participated in the Management Training (MT) program of the same bank in 1999. After assuming various positions at the Denizbank Head Office, she participated in the Marketing Certificate Program at the University of California at Berkeley in 2001. In 2002, Ms. Zorlu Melik started to work at the Korteks Yarn Factory and became Board Member in 2004. Since 2005, she has served as Vice President of the Zorlu Energy Group, Board Member at Zorlu Enerji Elektrik Üretim A.Ş., and Board Member at various Zorlu Group companies. As of April 2012, Mrs. Zorlu Melik acts as Deputy President of Zorlu Energy Group.

**Mehmet Emre Zorlu - Board Member**

(1984 - Istanbul) Mehmet Emre Zorlu graduated from Koç University, Department of Electrical and Electronic Engineering in 2006. Subsequently, he received a master's degree in Innovation and Technology Management from the University of Essex in the United Kingdom from 2007 to 2008. Mr. Zorlu began working for Vestel Group of Companies in 2009. In addition to his position as Board Member at Vestel Elektronik, Mr. Zorlu also serves as Board Member at Zorlu Holding and affiliated companies.

**Mümin Cengiz Ultav - Board Member**

(1950 - Eskişehir) Cengiz Ultav graduated from Middle East Technical University with BSc and MSc degrees in Electronics Engineering. He began his professional career at the International Philips Institute and subsequently served in the IT and R&D departments of various electronics companies in Turkey and abroad. Mr. Ultav joined Vestel in 1997 as President responsible for Technology. As of June 30, 2011, he stepped down from his position as Member of the Executive Committee responsible for Strategic Planning and Technology. Mr. Ultav currently serves as Board Member at Vestel Elektronik Sanayi ve Ticaret A.Ş.

**Hacı Ahmet Kılıçoğlu - Board Member**

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

**Enis Turan Erdoğan - Chairman of the Executive Committee**

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

- Four of the six members are non-executive members and two are independent members.
- The Chairman of the Board and the Chairman of the Executive Committee are two different individuals: The Chairman of the Board is Ahmet Nazif Zorlu and the Vestel Group of Companies' Chairman of the Executive Committee is Enis Turan Erdoğan.
- Prior to the General Assembly Meeting for 2012, two independent candidates were presented to the Nomination Committee. The report dated May 09, 2013 on whether these candidates fulfill the independence criteria was submitted to the Board of Directors. Upon a resolution by the Board of Directors dated May 10, 2013 and numbered 2013/26, it was decided that their names would be submitted to the approval of shareholders at the General Assembly, to become independent Board Members.

Declarations of independence of the candidates are provided hereinbelow:

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

- Board Members Hacı Ahmet Kılıçoğlu and Ali Akın Tarı are independent members who fulfill CMB's Corporate Governance Principles pertaining to independence criteria. No circumstances occurred during the reporting period to change the independence status of the independent members.
- No restrictions are imposed on Board Members' undertaking one or more duties outside the Company.

## 16. Working Principles of the Board of Directors

- Agendas for Board of Directors meetings are determined in line with the requests of the Chairman and Board Members. Requests coming from Company management are also influential in setting meeting agendas.
- Article 16 of the Company's Articles of Association sets out that Board meetings shall be held as and when deemed necessary, and at least once a month. In order to increase attendance at the meetings, the meeting dates were determined at the beginning of the year and the Board Members were notified. As a result, Board Members were given the opportunity to shape their schedules according to the meeting dates. As another measure to increase attendance at meetings, the following article was added to the Articles of Association: "The Board membership of a Board Member who fails to participate in three consecutive meetings without the Board's permission is deemed to be null and void."
- The Board adopted a total of 58 resolutions during the year; and attendance rate for these meetings reached 93%.
- Invitations to the meetings are made by postal mail, fax, and e-mail. In line with Corporate Governance Principles, a secretariat has been set up within the Company that reports to the Board of Directors. This secretariat notifies Board Members of the meetings at least a week (seven days) in advance of the meeting date, and provides them with the agenda and documents related to the matters on the agenda.
- A Board resolution requires that differences in opinion arising in the Board meetings and reasonable and detailed justifications for dissenting votes be entered into the record; however, to date, there has never been such an instance at the Company's Board meetings. The minutes taken by the Board's secretariat also include any questions that members pose and the responses that are made to them.

## Corporate Governance Principles Compliance Report

- No Board members, including the Chairman, have preferential voting rights or the right to veto Board decisions. Each member, including the Chairman, possesses an equal vote.
- Upon a resolution of Vestel Elektronik San. ve Tic. A.Ş.'s Board of Directors dated October 17, 2012 and numbered 2012/65, the significance threshold requiring the approval of the Board of Directors in common and continuous asset, service and liability transfers between our Company and its related parties was set as 0.5% of the total assets or 0.5% of the net sales in the last 12 months shown in the latest financial statements disclosed to the public as per CMB regulations. Accordingly, transactions exceeding this threshold were approved by the Board.
- In the accounting period ending on December 31, 2013, there were no related party transactions outside the scope of the Board of Directors resolution dated October 17, 2012 and numbered 2012/65, and/or significant transactions within the scope of the Article 1.3.10 of the Corporate Governance Principles.

### 17. Number, Structure and Independence of Committees Established by Board of Directors

- The Company established a Corporate Governance Committee, Early Detection of Risk Committee, and Audit Committee in line with Capital Markets Board's Corporate Governance Principles. The duties assigned to the Nomination Committee and Remuneration Committee are carried out by the Corporate Governance Committee.
- Committee members Ali Akin Tari and Hacı Ahmet Kılıçoğlu sit on more than one committee due to the number of Board Members and in accordance with the committee structure requirements of the CMB's Corporate Governance Principles.

#### Audit Committee

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

- The Committee carries out its activities in line with the working principles put into writing in detail. In 2013, the Audit Committee has:
  - monitored the Company's financial and operational activities,
  - monitored existing and potential risks,
  - oversaw and approved the accuracy of financial statements, their compliance with applicable laws and transparency,
  - followed-up on the effectiveness and performance of the independent audit activity,
  - supervised the internal audit function and its effectiveness,
  - held meetings with independent auditors,
  - monitored the efficiency and adequacy of the internal control system,
  - assessed the findings obtained on the internal control system and reported to the Board of Directors, and
  - reviewed and approved internal control and internal audit reports.

#### Corporate Governance Committee

- The Corporate Governance Committee is established to monitor the Company's compliance with the CMB's Communiqué on Corporate Governance Principles, to carry out studies for improvement and to make proposals to the Board of Directors.
- Pursuant to the CMB's Communiqué on the Determination and Application of Corporate Governance Principles, the "Corporate Governance Committee Working Principles" were revised and approved at the Board of Directors meeting dated June 28, 2012 and numbered 2012/48. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the corporate website.
- The Corporate Governance Committee is composed of at least two non-executive Board Members. The Head of the Committee is Ali Akın Tarı, an independent member, and the other member is Mehmet Emre Zorlu.
- In principle, the Corporate Governance Committee is required to meet at least three times a year.
- The activities carried out by the Corporate Governance Committee in 2013, in accordance with its working principles put into writing in detail, are presented below:
  - undertaking efforts to comply with CMB's Communiqué on the Determination and Application of Corporate Governance Principles,
  - reviewing the activities of the Investors Relations Department and presenting recommendations in this context,
  - identifying and assessing suitable Board Member candidates,
  - offering recommendations pertaining to the structure and effectiveness of the Board of Directors,
  - evaluating the performance of Board Members and senior executives.

#### Early Detection of Risk Committee

- The Early Detection of Risk Committee was set up in line with the Turkish Commercial Code, Articles of Association and CMB's Communiqué on Corporate Governance Principles, in order to identify the risks which could jeopardize the Company's existence, development and continuity, to take measures to counter and manage these risks, with a Board of Directors resolution dated March 15, 2013.

## Corporate Governance Principles Compliance Report

- The working principles of the Committee have been disclosed to shareholders via the Public Disclosure Platform and the corporate website.
- The Early Detection of Risk Committee is composed of at least two Board Members. In case the Committee has only two members, both of them, and in case it has more than two members, the majority of them, must be non-executive Board Members. The Head of the Committee is the independent Board Member Hacı Ahmet Kılıçoğlu. The other member of the Early Detection of Risk Committee is Selen Zorlu Melik.
  - In 2013, Early Detection of Risk Committee has convened three times and submitted the required risk reports to the Board of Directors.
  - The activities carried out by the Committee in 2013, in line with the working principles put into writing in detail, are presented below:
    - Process-based risk inventory is prepared and opinions and evaluations of risk owners are obtained.
    - As a result of the risk inventory and risk management researches, risk reports were prepared and submitted to the Committee in order to ensure early detection of risks that may jeopardize the Company's existence, development and continuity, adoption of necessary measures regarding the detected risks and management of risk.
    - Sector and company based risks contained in the risk reports were grouped under 9 main risk headings (External Environment, Operational, Authorization, Information Technology and Technology, Honesty/Integrity, Financial, Process/Operational, Reporting and Strategic) according to COSO (The Committee of Sponsoring Organizations of the Treadway Commission) risk taxonomy.
    - Risks are evaluated in two different ways, namely, with (residual risk) and without (natural risk) taking into account the efficiency performance of the existing control and precaution activities.
    - Natural and residual risks contained in risk reports are evaluated based on the 4-tier scale (Acceptable, Acceptable with Control, Undesired, Unacceptable).
    - As a result of these assessments, it was seen that risks were generally gathered under the main headings of External Environment, Operational, Financial and Strategic.
    - In relation to sector risk, risks of firms operating in the electronics sector were also reported to the Committee.
    - Risks, which could be digitalized under the SAP GRC (Governance, Risk and Compliance) System, were started to being monitored by being identified as CRIs (Critical Risk Indicators).

### 18. Risk Management and Internal Control Mechanism

- In order to early detect the risks that could jeopardize Vestel Elektronik's existence, development and continuity, to take the necessary measures against these risks, and to manage risks, a Risk Management Department was established under Zorlu Holding. The Company's Board of Directors authorized the Corporate Risk Management Department to define current and potential risks, and to determine policies to counter these risks.
- The Company's internal control systems, which generate risk management analysis and/or (with) internal control activities, are evaluated with a risk-focused approach regarding risk reducing actions. The risk management system identifies the risks concerning 9 main headings determined based on COSO risk taxonomy, measures risks periodically and determines their level, monitors these risk levels through the SAP GRC System, while the internal control systems manage these risks. The efficiency and effectiveness of these systems are periodically reviewed by the Internal Audit Department according to annually approved plans, approvals are given at certain levels and reports are provided to the Board of Directors for the adoption of the necessary measures.

## 19. Company's Strategic Targets

- Vestel Group's mission, vision, objectives and values are disclosed to public via the Company's website.
- Mission: Conquering the world with our technological products
- Vision: Becoming the world's most powerful production and technology group in our sector
- The Board of Directors approves the strategic targets set by the Senior Executives. The Board of Directors or the Senior Executives may formulate opinions on the Company's strategic targets. The Board of Directors always seeks the opinions of managers on the targets they set. The targets set by the managers are first discussed at the relevant management level, then presented to the Board of Directors and finally approved by the Board. Managers can be invited to the meetings on strategic targets. Action to achieve the approved targets is taken as soon as possible. The degree of target achievement is measured according to actual results in financial reporting periods and at the end of the year.
- Each year, the Board of Directors holds a couple of assessment meetings to review the Company's degree of achieving its targets, operations and past performance. At these meetings, the Board of Director's degree of attaining its targets, efficiency of operations and past performances and Company strategies are discussed.

## 20. Financial Benefits

- As stipulated in the Capital Markets Board's Corporate Governance Principles, the "Remuneration Policy for Board Members and Senior Executives" was put into writing, approved at the Board of Directors meeting dated May 18, 2012 and disclosed to shareholders via the corporate website.
- The attendance fees to be received by the members of the Board of Directors are determined every year at the General Assembly Meeting. This fee is determined according to the Board Member's status (whether independent or executive), responsibilities, seniority, know-how, skills and experience.
- Vestel Elektronik San. ve Tic. A.Ş.'s Board members were paid a total gross sum of TL 90,000.00 as an attendance fee in 2013, commensurate with the practices of peer companies in the sector. The amounts for 2014 will be decided at the 2013 Ordinary General Assembly. No other benefits are provided to Board members.
- There is no rewarding scheme based on performance measurement for the Board Members.
- The salaries of Vestel Elektronik San. ve Tic. A.Ş.'s senior executives are determined by the Board of Directors. In addition, senior executives may be entitled to bonus payments at year-end, in line with the Company's financial performance and their respective contribution to this performance. The amounts of such bonus payments are determined by the Board of Directors. The "Senior Executive Remuneration Policy" is determined in accordance with the size of the Company's production and sales activities; the extensiveness of its operations; existence of international operations; the number of employees, subsidiaries and their weight in total operations; the level of knowledge required to maintain operations; the characteristics of the sector; the competitive environment; and the level of salaries paid at peer companies.
- The financial benefits provided to the Company's Chairman, Board Members, general manager, general coordinators and assistant general managers are outlined in the footnotes of the financial statements. In this regard, the total salaries and fees paid during the 12 months ending on December 31, 2013 was TL 17,137 thousand (01.01-31.12.2012: TL 12,647 thousand).

## Dividend Distribution Proposal

Due to the TL 93,485,000 loss realized in the financial statements prepared as per the Capital Market Law and related Communiqués and the TL 41,089,904 loss realized in the financial statements prepared as per the Turkish Commercial Code and Tax Procedure Law, the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. decided to propose no dividend payment for the fiscal year 2013 in the Annual General Assembly meeting.

## Conclusion of the Affiliation Report

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

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

# Independent Auditor's Report



## To the Board of Directors of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

### Introduction

1. We have audited the accompanying consolidated statement of financial position of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi ("the Company") and its Subsidiaries (collectively referred to as the "Group") as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 Group's management is responsible for the preparation and fair presentation of these consolidated 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.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error and/or fraud. In making those risk assessments, the Group's internal control system is taken into consideration. Our purpose however, is not to express an opinion on the effectiveness of the internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Group 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 Group 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 consolidated financial statements present fairly, in all material respects, the financial position of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries as at 31 December 2013, and their financial performance and cash flows for the year then ended in accordance with Turkish Accounting Standards (Note 2).

## Independent Auditor's Report

### Other matter

5. The consolidated financial statements of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi as at and for the year ended 31 December 2012 were audited by other auditors whose report, dated 12 April 2013, expressed an unqualified opinion on those statements.

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

6. In accordance with Article 402 of Turkish Commercial Code ("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 Group's bookkeeping activities for the period 1 January-31 December 2013 are not in compliance with the code and provisions of the Group's articles of association in relation to financial reporting.
7. Pursuant to Article 378 of Turkish Commercial Code No. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and managing the related risks. According to subparagraph 4 of Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by 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 Group 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 Group 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 Group 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



Talar Gül, SMMM  
Partner

İstanbul, 11 March 2014

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers  
BJK Plaza, Süleyman Seba Caddesi No: 48 B Blok Kat 9 Akaretler Beşiktaş 34357 İstanbul - Turkey  
www.pwc.com/tr Telephone: +90 (212) 326 6060 Facsimile: +90 (212) 326 6050

# Contents

	PAGE
<b>CONSOLIDATED BALANCE SHEETS</b>	<b>82</b>
<b>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</b>	<b>85</b>
<b>CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY</b>	<b>86</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>88</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2013</b>	
NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS	90
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	91
NOTE 3 INTERESTS IN OTHER ENTITIES	107
NOTE 4 SEGMENT REPORTING	109
NOTE 5 CASH AND CASH EQUIVALENTS	110
NOTE 6 FINANCIAL ASSETS	111
NOTE 7 FINANCIAL LIABILITIES	112
NOTE 8 RELATED PARTY DISCLOSURES	114
NOTE 9 TRADE RECEIVABLES AND PAYABLES	116
NOTE 10 OTHER RECEIVABLES	118
NOTE 11 INVENTORIES	119
NOTE 12 PREPAID EXPENSES	120
NOTE 13 PROPERTY, PLANT AND EQUIPMENT	121
NOTE 14 INTANGIBLE ASSETS	124
NOTE 15 GOODWILL	125
NOTE 16 GOVERNMENT GRANTS	126
NOTE 17 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	126
NOTE 18 COMMITMENTS	129
NOTE 19 EMPLOYEE BENEFITS	130
NOTE 20 EXPENSES BY NATURE	131
NOTE 21 OTHER ASSETS AND LIABILITIES	132
NOTE 22 CAPITAL, RESERVES AND OTHER EQUITY ITEMS	132
NOTE 23 SALES	135
NOTE 24 GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES	135
NOTE 25 OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES	136
NOTE 26 FINANCIAL EXPENSE AND FINANCIAL INCOME	137
NOTE 27 ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS	137
NOTE 28 TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)	139
NOTE 29 (LOSS)/EARNINGS PER SHARE	143
NOTE 30 DERIVATIVE INSTRUMENTS	143
NOTE 31 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	144
NOTE 32 FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)	153
NOTE 33 EVENTS AFTER THE REPORTING PERIOD	155

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

## Consolidated Balance Sheets as of 31 December 2013 and 2012

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

	Notes	Audited 31 December 2013	Audited 31 December 2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	350.978	333.008
Derivative financial instruments	30	491	681
Trade receivables		1.627.968	1.468.792
Related parties	8	48.440	60.313
Other parties	9	1.579.528	1.408.479
Other receivables		156.669	133.166
Related parties	8	4.269	-
Other parties	10	152.400	133.166
Inventories	11	1.268.452	1.007.022
Prepaid expenses	12	61.277	47.141
Current income tax assets		7.636	29.702
Receivables from ongoing projects		-	12.024
Other current assets	21	36.512	37.940
<b>Total current assets</b>		<b>3.509.983</b>	<b>3.069.476</b>
<b>Non-current assets</b>			
Financial investments	6	2.452	13.464
Trade receivables		99.382	2.201
Other parties	9	99.382	2.201
Other receivables		159.382	73.780
Related parties	8	143.417	59.848
Other parties	10	15.965	13.932
Prepaid expenses	12	4.541	6.352
Property, plant and equipment	13	1.376.499	1.266.859
Intangible assets		433.299	403.688
Goodwill	15	202.433	202.433
Other intangible assets	14	230.866	201.255
Other non-current assets	21	9.991	10.596
Deferred tax asset	28	41.279	69.559
<b>Total non-current assets</b>		<b>2.126.825</b>	<b>1.846.499</b>
<b>TOTAL ASSETS</b>		<b>5.636.808</b>	<b>4.915.975</b>

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

## Consolidated Balance Sheets as of 31 December 2013 and 2012

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

	Notes	Audited 31 December 2013	Audited 31 December 2012
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term financial liabilities	7	265.296	513.222
Short term portion of long term financial liabilities	7	296.172	96.308
Trade payables		2.815.631	2.139.683
Related parties	8	3.017	1.342
Other parties	9	2.812.614	2.138.341
Liabilities for employee benefits	19	41.919	17.345
Other payables		4.455	5.756
Related parties	8	-	2.665
Other parties		4.455	3.091
Derivative financial instruments	30	16.562	31.636
Current income tax liabilities	28	970	361
Short term provisions		128.043	109.520
Other short term provisions	17	128.043	109.520
Liabilities of ongoing projects		-	882
Other current liabilities	21	105.266	102.718
<b>Total current liabilities</b>		<b>3.674.314</b>	<b>3.017.431</b>
<b>Non-current liabilities</b>			
Long term financial liabilities	7	438.549	387.269
Trade payables		20.381	-
Other parties		20.381	-
Other payables		-	20.246
Other parties		-	20.246
Long term provisions		61.408	63.264
Provision for employee benefits	19	40.262	41.529
Other long term provisions	17	21.146	21.735
Derivative financial instruments	30	36.075	-
Other non-current liabilities		750	11.810
Deferred tax liability	28	60.141	74.273
<b>Total non-current liabilities</b>		<b>617.304</b>	<b>556.862</b>
<b>TOTAL LIABILITIES</b>		<b>4.291.618</b>	<b>3.574.293</b>

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

## Consolidated Balance Sheets as of 31 December 2013 and 2012

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

	Notes	Audited 31 December 2013	Audited 31 December 2012
<b>EQUITY</b>			
Paid in capital	22	335.456	335.456
Adjustments to share capital	22	688.315	688.315
Share premium	22	95.566	79.191
Other comprehensive income/expense not to be reclassified to profit or loss		442.413	359.694
Revaluation gain/loss		442.413	359.694
- Revaluation of tangible fixed assets	22	443.773	361.794
- Actuarial gain/loss arising from defined benefit plans		(1.360)	(2.100)
Other comprehensive income/expense to be reclassified to profit or loss		11.641	27.684
Foreign currency translation differences		24.237	27.132
Cash flow hedges		(12.960)	-
Financial assets revaluation fund	22	364	552
Restricted reserves	22	28.314	22.348
Accumulated deficit	22	(239.297)	(136.346)
Net loss for the period		(99.721)	(110.725)
<b>Non-controlling interest</b>		<b>82.503</b>	<b>76.065</b>
<b>Total equity</b>		<b>1.345.190</b>	<b>1.341.682</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5.636.808</b>	<b>4.915.975</b>

Consolidated financial statements for the period 1 January - 31 December 2013, were approved by the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. on 11 March 2014.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

# Consolidated Statements of Comprehensive Income for the Periods 1 January - 31 December 2013 and 2012

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

	Notes	Audited 1 January - 31 December 2013	Audited 1 January - 31 December 2012
Revenue	23	6.217.957	7.028.972
Cost of sales		(5.133.478)	(6.190.414)
<b>Gross profit</b>		<b>1.084.479</b>	<b>838.558</b>
Marketing, selling and distribution expenses	24	(671.219)	(672.137)
General administrative expenses	24	(161.283)	(169.686)
Research and development expenses	24	(96.220)	(69.737)
Other income from operating activities	25	429.675	494.781
Other expense from operating activities	25	(414.700)	(521.527)
<b>Operating profit/(loss)</b>		<b>170.732</b>	<b>(99.748)</b>
Financial income	26	188.556	311.506
Financial expense	26	(462.128)	(363.563)
<b>(Loss)/profit before tax</b>		<b>(102.840)</b>	<b>(151.805)</b>
<b>Tax (expense)/benefit</b>			
Current tax expense	28	(2.379)	(7.428)
Deferred tax benefit	28	11.734	35.240
<b>Net (loss)/income for the period</b>		<b>(93.485)</b>	<b>(123.993)</b>
<b>Attributable to:</b>			
Non-controlling interests		6.236	(13.268)
Equity holders of the parent		(99.721)	(110.725)
<b>Net (loss)/income for the period</b>		<b>(93.485)</b>	<b>(123.993)</b>
<b>(Loss)/earnings per 100 shares with a Kr 1 of face value (TL)</b>	29	<b>(0,30)</b>	<b>(0,33)</b>
<b>Other comprehensive income/(loss)</b>			
<b>Items not to be reclassified to profit or loss</b>		<b>108.143</b>	<b>359.694</b>
Revaluation of tangible fixed assets		130.635	431.140
Actuarial gain / (loss) arising from defined benefit plans		1.187	(2.625)
Tax effect of other comprehensive income not to be reclassified to profit or loss		(23.679)	(68.821)
Deferred tax income/loss		(23.679)	(68.821)
<b>Items to be reclassified to profit or loss</b>		<b>15.042</b>	<b>(11.608)</b>
Currency translation differences		28.672	(11.414)
Fair value increase/decrease on available for sale financial assets		(235)	(243)
Cash flow hedges		(16.802)	-
Tax effect of other comprehensive income/expense to be reclassified to profit or loss		3.407	49
Deferred tax income/loss		3.407	49
<b>Other comprehensive income</b>		<b>123.185</b>	<b>348.086</b>
<b>Total comprehensive income</b>		<b>29.700</b>	<b>224.093</b>
<b>Attributable to:</b>			
Non-controlling interests		8.965	10.027
Equity holders of the parent		20.735	214.066

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

	Paid in capital	Adjustments to share capital	Share premium	Other Comprehensive income/ (loss) not to be reclassified to profit or loss	
				Fixed assets revaluation fund	Actuarial loss on employee benefits
<b>Balances at 1 January 2012</b>	<b>335.456</b>	<b>688.315</b>	<b>79.191</b>	-	-
Transfer to accumulated deficit	-	-	-	-	-
Transfer to restricted reserves	-	-	-	-	-
Total comprehensive income	-	-	-	361.794	-
Dividends	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-
<b>Balances at 31 December 2012</b>	<b>335.456</b>	<b>688.315</b>	<b>79.191</b>	<b>361.794</b>	-
Impact of amendment in TAS 19 (note 2.4)	-	-	-	-	(2.100)
	<b>335.456</b>	<b>688.315</b>	<b>79.191</b>	<b>361.794</b>	<b>(2.100)</b>
Correction (note 2.3)	-	-	2.887	(23.529)	-
Transfer to accumulated deficit	-	-	-	-	-
Transfer to restricted reserves	-	-	-	-	-
Depreciation transfer - net (note 27)	-	-	-	(10.341)	-
Total comprehensive (loss)/income	-	-	-	104.075	857
Dividends	-	-	-	-	-
Transactions with non-controlling interests	-	-	13.488	11.774	(117)
<b>Balances at 31 December 2013</b>	<b>335.456</b>	<b>688.315</b>	<b>95.566</b>	<b>443.773</b>	<b>(1.360)</b>

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

Other Comprehensive income/(loss) to be reclassified to profit or loss				Accumulated deficit/ Retained Earnings		Equity holders of the parent	Non- controlling interests	Total equity
Currency translation differences	Financial assets revaluation fund	Cash flow hedge fund	Restricted reserves	Accumulated deficit	Net loss for the period			
38.508	746	-	17.511	(134.200)	(35.439)	990.088	141.850	1.131.938
-	-	-	-	(35.439)	35.439	-	-	-
-	-	-	4.837	(4.837)	-	-	-	-
(11.376)	(194)	-	-	-	(112.825)	237.399	(13.306)	224.093
-	-	-	-	-	-	-	(2.066)	(2.066)
-	-	-	-	38.130	-	38.130	(50.413)	(12.283)
<b>27.132</b>	<b>552</b>	<b>-</b>	<b>22.348</b>	<b>(136.346)</b>	<b>(112.825)</b>	<b>1.265.617</b>	<b>76.065</b>	<b>1.341.682</b>
-	-	-	-	-	2.100	-	-	-
<b>27.132</b>	<b>552</b>	<b>-</b>	<b>22.348</b>	<b>(136.346)</b>	<b>(110.725)</b>	<b>1.265.617</b>	<b>76.065</b>	<b>1.341.682</b>
(31.567)	-	-	-	22.015	-	(30.194)	69.974	39.780
-	-	-	-	(110.725)	110.725	-	-	-
-	-	-	5.966	(5.966)	-	-	-	-
-	-	-	-	10.341	-	-	-	-
28.672	(188)	(12.960)	-	-	(99.721)	20.735	8.965	29.700
-	-	-	-	-	-	-	-	-
-	-	-	-	(18.616)	-	6.529	(72.501)	(65.972)
<b>24.237</b>	<b>364</b>	<b>(12.960)</b>	<b>28.314</b>	<b>(239.297)</b>	<b>(99.721)</b>	<b>1.262.687</b>	<b>82.503</b>	<b>1.345.190</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

## Consolidated Statements of Cash Flows for The Periods 1 January - 31 December 2013 and 2012

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

	Notes	Audited 1 January - 31 December 2013	Audited 1 January - 31 December 2012
<b>Operating activities:</b>			
Loss before tax		(102.840)	(151.805)
<b>Adjustments to reconcile net cash provided from operating activities to loss before taxes:</b>			
- Depreciation and amortization	13	237.827	187.804
- Goodwill impairment		-	5.129
- Impairment of subsidiaries	6	10.767	-
- Changes in other provisions		22.036	31.398
- Provision for employment termination benefits	19	14.972	13.124
- Provision for impairment on inventories	11	(8.331)	(2.632)
- Provision for doubtful receivables	9	(42.083)	41.362
- Interest expense	26	116.456	108.658
- Interest income	26	(12.591)	(39.523)
- (Gain)/loss from sales of tangible and intangible assets		(4.080)	(384)
- Derivative financial instruments (income)/expense accrual		4.389	93.413
- Unrealized foreign exchange differences		46.887	(3.240)
Change in blocked cash and cash equivalents	5	(41.957)	(1.145)
<b>Changes in working capital:</b>			
(Increase)/decrease in trade receivables		(222.384)	437.583
(Increase)/decrease in inventories		(269.007)	194.046
(Increase)/decrease in other receivables and other current assets		64.303	(44.909)
(Increase)/decrease in other non-current assets		(85.172)	2.559
Increase/(decrease) in trade payables		703.672	(769.967)
Increase/(decrease) in other payables and other liabilities		29.211	15.438
<b>Cash flows from operating activities</b>			
Employment termination benefits paid	19	(11.835)	(7.266)
Current income tax paid	28	(3.098)	(10.767)
<b>Net cash provided by operating activities</b>		<b>447.142</b>	<b>98.876</b>

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

## Consolidated 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
Changes in financial assets		245	(6.688)
Acquisition of tangible assets	13	(204.978)	(228.735)
Cash provided from sales of tangible and intangible assets		12.007	7.996
Acquisition of intangible assets	14	(73.105)	(80.544)
Increase in other receivables from related parties		(87.838)	(59.848)
Transactions with non-controlling interests		(65.972)	(12.283)
Correction (note 2.3)		(10.927)	-
<b>Net cash used in investing activities</b>		<b>(430.568)</b>	<b>(380.102)</b>
<b>Financing activities:</b>			
Proceeds from bank borrowings		1.067.934	1.882.629
Repayment of bank borrowings		(1.036.658)	(1.688.611)
Dividends paid		-	(2.066)
Interest paid		(92.330)	(98.073)
Interest received		12.591	39.523
<b>Net cash provided by financing activities</b>		<b>(48.463)</b>	<b>133.402</b>
<b>Net (decrease)/increase in cash and cash equivalents before foreign currency translation differences</b>		<b>(31.889)</b>	<b>(147.824)</b>
Effect of currency translation differences on cash and cash equivalents		7.902	(8.415)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(23.987)</b>	<b>(156.239)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	5	<b>331.677</b>	<b>487.916</b>
<b>Cash and cash equivalents at the end of the period</b>	5	<b>307.690</b>	<b>331.677</b>

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi ("Vestel Elektronik" or "the Company") and its subsidiaries (together "the Group"), mainly produce and sell a range of brown goods and white goods. The Company's head office is located at Ambarlı Yolu, Zorlu Plaza, Avcılar/Istanbul-Turkey. The Group's production facilities are located in Manisa Organized Industrial Zone, İzmir Aegean Free Zone and Russia.

The ultimate controller of the Company is Zorlu Family.

Vestel Elektronik, is registered to Capital Market Board ("CMB") and its shares have been quoted to Borsa Istanbul ("BIST") since 1990 (note 22). As of 31 December 2013, 35,59 % of the Company's shares are publicly traded.

As of 31 December 2013 the number of personnel employed at Group is 13.673 (31 December 2012: 13.693).

The Company's subsidiaries and associates are as follows:

Subsidiaries	Country	Nature of operations
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	Turkey	Production
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	Turkey	Sales
Vestel Ticaret A.Ş.	Turkey	Sales
Vestel CIS Ltd.	Russia	Production/Sales
Deksar Multimedya ve Telekomünikasyon A.Ş.	Turkey	Communication
Vestel Iberia SL	Spain	Sales
Vestel France SA	France	Sales
Vestel Holland BV	Holland	Sales
Vestel Germany GmbH	Germany	Sales
Cabot Communications Ltd.	UK	Software
Vestel Benelux BV	Holland	Sales
Vestel UK Ltd.	UK	Sales
Vestek Elektronik Araştırma Geliştirme A.Ş.	Turkey	Consultancy
Vestel Trade Ltd.	Russia	Sales
OY Vestel Scandinavia AB	Finland	Sales
Intertechnika LLC	Russia	Service

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Investments accounted for using equity method	Country	Nature of operations
Vestel Savunma Sanayi A.Ş.	Turkey	Production/Sales
Aydın Yazılım Elektronik ve Sanayi A.Ş.	Turkey	Software

(<sup>1</sup>) Refer to: note 2.1.3

### 2.1 Basis of presentation

#### 2.1.1 Statement of compliance

The accompanying consolidated 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, consolidated financial statements are prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS"/"TFRS") and its addendum and interpretations ("IFRIC") issued by the Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Board.

The Company and its subsidiaries operating in Turkey 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 consolidated financial statements, except for land, buildings and land improvements and the financial assets and liabilities presented with their fair values, are maintained under historical cost conversion in TL. Consolidated subsidiaries operating in foreign countries have prepared their financial statements in accordance with the laws and regulations of the countries in which they operate with the required adjustments and reclassifications reflected in accordance with CMB Financial Reporting Standards. These financial statements are based on the statutory records which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/TFRS.

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

#### 2.1.2 Currency used

##### i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are prepared and presented in Turkish Lira ("TL"), which is the functional currency of the parent company.

##### ii) Transactions and balances

Transactions in foreign currencies have been translated into functional currency at the exchange rates prevailing at the date of the transaction. Exchange gains or losses arising from the settlement and translation of monetary assets and liabilities denominated in foreign currency at the exchange rates prevailing at the balance sheet dates are included in consolidated comprehensive income, except for the effective portion of foreign currency hedge of cash flow and net investment which are included under shareholders equity.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### iii) Translation of financial statements of subsidiaries operating in foreign countries

Assets and liabilities of subsidiaries operating in foreign countries are translated into TL at the exchange rates prevailing at the balance sheet dates. Comprehensive income items of those subsidiaries are translated into TL using average exchange rates for the period (if the average exchange rates for the period do not reasonably reflect the exchange rate fluctuations, transactions are translated using the exchange rates prevailing at the date of the transaction). Exchange differences arising from using average and balance sheet date rates are included in "currency translation differences" under the shareholders' equity.

The balance sheet date rates and average rates used for translation of income statement items for the related periods are as follows:

Period end:	31 December 2013	31 December 2012
Turkish Lira/EUR	0,3405	0,4252
Turkish Lira/GBP	0,2848	0,3483
Turkish Lira/RUB	15,437	17,2176
Average:	1 January - 31 December 2013	1 January - 31 December 2012
Turkish Lira/EUR	0,3960	0,4339
Turkish Lira/GBP	0,3366	0,3524
Turkish Lira/RUB	16,8634	17,4668

### 2.1.3 Basis of consolidation

The consolidated financial statements include the accounts of the parent, Company, and its subsidiaries from the date on which the control is transferred to the Group until the date that the control ceases. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards by applying uniform accounting policies and presentation.

#### a) Subsidiaries

The Group has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the entity's returns. On the other hand, the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In order to be consistent with accounting policies accepted by the Group, accounting policies of the subsidiaries are modified where necessary.

The balance sheet and statement of income of the subsidiaries are consolidated on a line-by-line basis and all material intercompany payable/receivable balances and sales/purchase transactions are eliminated. The carrying value of the investment held by Vestel Elektronik and its subsidiaries is eliminated against the related shareholders' equity.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

The non-controlling share in the net assets and results of subsidiaries for the period are separately classified as "non-controlling interest" in the consolidated statements of comprehensive income and the consolidated statements of changes in shareholders' equity.

As of the balance sheet date, consolidated companies and the proportion of ownership interest of Vestel Elektronik in these subsidiaries are disclosed in note 3.

Financial assets in which the Group has direct or indirect voting rights equal to or above 50% which are immaterial to the Group financial results or over which a significant influence is not exercised by the Group are carried at cost less any provisions for impairment.

Vestel Elektronik has 99.9% control over Deksarinet. In order to sell Deksarinet shares, "Share Transfer Service Agreement" is signed on 7 March 2013. Transfer of shares hold on 1 July 2013 after the permissions by the Competition Board and other relevant authorities. According to "Share Transfer Agreement", the purchase price is determined as USD 1.750.000. As of 30 June 2013 Deksarinet has net assets of 2.872 thousand TL and net income of 114 thousand TL.

## b) Investments in associates

Investments in associates are accounted for by the equity method and are initially recognized at cost. These are entities in which the Group has an interest which is more than 20% and less than 50% of the voting rights or over which a significant influence is exercised. Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates, whereas unrealized losses are eliminated unless they do not address any impairment of the asset transferred. Net increase or decrease in the net asset of associates are included in the consolidated statements of comprehensive income in regards with the Group's share.

The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. After the Group's interest in the associates becomes nil, additional losses are provided for, and a liability recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes including its share of those profits only after its share of the profits equals the share of net losses not recognized.

Since Vestel Savunma and Aydın Yazılım has net liability position as of 31 December 2013, carrying value of those investment in associates accounted for by equity method is resulted as nil in the consolidated balance sheets.

The Group's voting rights and effective ownership rates in Vestel Savunma and Aydın Yazılım are 35% and 21% respectively (31 December 2012: 35%, 21%).

## 2.2 Changes in accounting policies

Consolidated financial statements of the Group 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 consolidated financial statements.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

In the current period, the Group has made reclassifications in the consolidated statement of comprehensive income as of 31 December 2012 between the net sales and cost of sales mainly related to the outsourced supplier transactions that amount to 395.259 thousand TL; between net sales and other income from operating activities related to term sales transactions that amount to 36.310 thousand TL; between cost of sales and other expenses from operating activities related to term purchases transactions that amount to 17.158 thousand TL; between marketing, selling and distribution expenses and other expenses from operating activities related to doubtful receivables provision that amount to 16.323 thousand TL; between marketing, selling and distribution expenses and net sales related to sales premiums provided to customers that amount to 53.990 thousand TL. These reclassifications have no effect on the retained earnings and net profit/(loss) of the Group. On the other hand, the Group management has made reclassification in the consolidated balance sheet as of 31 December 2012 between legal reserves and accumulated deficit that amount to 39.332 thousand TL which has no effect on total shareholders' equity and net profit/(loss) of the Group.

The Group has made below reclassifications in prior period consolidated 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 Group has made reclassifications in the consolidated statement of comprehensive income as of 31 December 2012 between finance income and other income from operating activities that amount to 416.156 thousand TL, between finance expense and other expenses from operating activities that amount to 465.268 thousand TL, in the consolidated balance sheet as of 31 December 2012 between other current assets and prepaid expenses that amount to 47.141 thousand TL, between other current assets and current income tax assets that amount to 29.702 thousand TL, between other non-current assets and prepaid expenses that amount to 6.352 thousand TL, between short term employee benefit obligations and other current liabilities that amount to 17.345 thousand TL. These reclassifications have no effect on the retained earnings and net profit/(loss) of the Group.

### 2.3 Restatement and errors in the accounting estimates

The Group management has made some corrections in 2013 related to disposal of Vestel Savunma and Aydın Yazılım from the scope of consolidation, non-controlling interest in share premium and revaluation fund of property, plant and equipment and foreign currency translation differences. These corrections are applied on the grounds of materiality as of 1 January 2013 as follows:

	<b>1 January 2013</b>
Decrease in revaluation funds	(23.529)
Increase in share premium	2.887
Decrease in currency translation reserves	(31.567)
Decrease in accumulated losses	22.015
Increase in non - controlling interests	69.974
<b>Total increase in shareholder's equity</b>	<b>39.780</b>

The effects of those adjustments are presented as correction in the consolidated statement of changes in the shareholders' equity for the period 1 January - 31 December 2013 on the grounds of materiality.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### 2.4. Amendments in International 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 Group:

- **TAS 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 other income from operating activities 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 Group's statement of comprehensive income as of 31 December 2012 amounting to 2.625 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 2.634 thousand TL is restated by presenting in financial expenses. As a result of the restatement, the Group's net loss of the equity holders of the parent and non-controlling interests are decreased by 2.100 thousand TL and 234 thousand TL respectively 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.

- **TAS 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 Group's consolidated 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 Group's consolidated financial statements.

- **IFRS 7 (amendment), "Financial instruments: Disclosures"**, on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. The amendment reflects the joint IASB and FASB 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 Group's consolidated financial statements.

- **IFRS 12, "Disclosures of interests in other entities"**, is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has disclosed necessary explanation within the context of IFRS 12 in note 3.
- **TAS 28, "Associates and joint ventures"**, is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11 "Joint arrangements". The amendment does not have a significant impact on the Group's consolidated financial statements.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

- **IFRS 10, "Consolidated financial statements"** is effective for annual periods beginning on or after 1 January 2013. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The amendment does not have a significant impact on the Group's consolidated financial statements.
- **TAS 27, "Separate financial statements"**, is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of TAS 27 have been included in the new IFRS 10. The amendment does not have a significant impact on the Group's consolidated 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 Group 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 Group:**

- **TFRS 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 TAS 39, "Financial instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets. "Impairment of financial assets" and TAS 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 Group's consolidated financial statements.
- **TAS 36 (amendment), "Impairment on Assets"**, is effective for annual periods beginning on or after 1 January 2014. These amendments address the disclosure of information about the recoverable amount of the impaired assets if that amount is based on fair value less cost of disposal.
- **TAS 39 (amendment), "Financial instruments: Recognition and Measurement"**, is effective for annual periods beginning on or after 1 January 2014. These amendments address on novation of derivatives and hedge accounting and will allow hedge accounting to continue in a situation where a derivative is novated to effect clearing with a central counterparty as result of laws or regulation, if specific conditions are met.
- **TFRIC 21 - TAS 37, 'Levies'**, is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of "Provisions, contingent liabilities and contingent assets" that identifies the obligating event for the recognition of a liability for levy as the activity that triggers the payment of the levy in accordance with the relevant legislation. The interpretation is not applicable to the Group and will not have any impact on the Group's consolidated 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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

- 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

The amendments do not have significant impact on the Group's consolidated financial statements.

## 2.5. Summary of significant accounting policies

### 2.5.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

Revenue from sale of goods is recognized when all the following conditions are satisfied:

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

### 2.5.2 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. Group 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.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### 2.5.3 Property, plant and equipment

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 2013 and 2012 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.

Property, plant and equipment except for land, land improvements and buildings acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortization and impairment losses, if any.

Any revaluation increase arising on the revaluation of such land, land improvements and buildings is credited in equity to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land, land improvements and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued land improvements and buildings is charged to profit or loss. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statements of comprehensive income) and the depreciation based on the asset's original cost is transferred from revaluation reserves to the retained earnings.

Land is not depreciated. Plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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 determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate. On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

Subsequent costs such as repairs and maintenance or part replacement of plant and equipment are included in the asset's carrying value or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company. All other costs are charged to the statements of comprehensive income during the financial period in which they are incurred.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### 2.5.4 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) are recognized as intangible assets when the following criteria are met;

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

In other cases, development costs are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. In cases where it is difficult to separate the research phase from the development phase in a project, the entire project is treated as research and expensed immediately.

#### b) Rights and other intangible 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.

#### c) Goodwill

Goodwill arising on acquisition is the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities recognized. Within the scope of TFRS 3 "Business Combinations", beginning from 1 January 2005 the Group has stopped amortizing goodwill. Goodwill recognized on acquisitions before 31 December 2004 was being amortized until 31 December 2004 on a straight line basis over their useful lives not to exceed twenty years.

Goodwill is tested for impairment annually or more frequently when there is an indication of impairment. Goodwill arising on acquisitions measured at cost less any impairment losses.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### 2.5.5 Financial instruments

#### a) Financial assets

The Group classifies its financial assets into the following specified categories: financial assets as at fair value through profit or loss, loans and receivables and available for sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### Financial assets as 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.

##### Available for sale financial assets

Available for sale financial assets are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value can't be reliably measured.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

##### 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.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

For financial assets carried at 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.

For available for sale financial assets, a significant or prolonged decline in the fair value of the assets below its cost is considered as an objective indicator of impairment. Cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is removed from equity and recognized in profit or loss shall be the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

### b) Financial liabilities

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

#### Financial liabilities at fair value through profit or loss

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

#### Other financial liabilities

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

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### 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 Group 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 Group 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

Group'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 Group 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 consolidated income statement as financial income/expense.

#### 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 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 Group 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.

### 2.5.6 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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period. Exchange differences arising are recognized in other comprehensive income and in equity.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

### 2.5.7 Provisions, contingent assets and liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group 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 consolidated financial statements and treated as contingent assets or liabilities.

### 2.5.8 Warranty and assembly expenses provision

Warranty expenses include repair and maintenance expenses of products sold and labor and material costs of authorized services for products under the scope of warranty terms without any charge to the customers. Based on estimations using past statistical information, warranty expense provision is recognized for the products sold with warranty terms in the period, for possible repair and maintenance expenses to be incurred during the warranty period.

Based on estimations using past statistical information, assembly expenses provision is recognized for products sold during the period but not yet installed in the sites of the end customers, against the cost of free of charge installments.

### 2.5.9 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.

### 2.5.10 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 Group'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.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

### 2.5.11 Employee 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 Group arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Group 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 consolidated statements of income.

### 2.5.12 Government grants

Government grants, including non-monetary grants at fair value, are recognized in consolidated 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 consolidated financial statements when they are authorized by the related institutions.

### 2.5.13 Earnings per share

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

### 2.5.14 Statement of cash flows

In the consolidated 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 Group'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.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### 2.5.15 Segment reporting

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

The Group management evaluates the operational results at industrial and geographical level. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses.

Group's operations are reported under three industrial segments:

- Television and electronic devices
- White goods
- Other

Group's operations are reported under three geographical segments:

- Turkey
- Europe
- Other

### 2.5.16 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.

### 2.5.17 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.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

In the case that events require a correction to be made occur subsequent to the balance sheet date, the Group 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.

### 2.6. Critical accounting estimates and judgments

Preparation of consolidated 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 Group management's best knowledge about current events and transactions, actual outcomes may differ from those estimates and assumptions. Significant estimates of the Group 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 Group 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 29).

#### ii. Revaluation of land, buildings and land improvements:

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 2013 and 2012 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. (note 13).

As there were no recent similar buying/selling transactions nearby, revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements and machinery and equipment were based on the method of cost approach and based on the following valuation techniques and assumptions:

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.
- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

The carrying values of land, land improvements and buildings do not necessarily reflect the amounts that would result from the outcome of a sales transaction between independent parties.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

As of initial recognition and as of balance sheet date, the Group performs impairment assessment for buildings and land improvements of which valuations are based on cost approach, accordance with the TAS 36 "Impairment of Assets", and no impairment indicator is identified.

### NOTE 3 - INTERESTS IN OTHER ENTITIES

#### Subsidiaries:

As of 31 December 2013 the Group's major subsidiaries are as follows:

Consolidated subsidiaries	31 December 2013		31 December 2012	
	Voting rights	Effective ownership	Voting rights	Effective ownership
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	87,7	87,7	75,3	75,3
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	99,4	99,4	99,4	99,4
Vestel Ticaret A.Ş.	100	100	100	100
Vestel CIS Ltd.	100	100	100	100
Deksar Multimedya ve Telekomünikasyon A.Ş.	99,9	99,9	99,9	99,9
Vestel Iberia SL	100	100	100	100
Vestel France SA	99,9	99,9	99,9	99,9
Vestel Holland BV	100	100	100	100
Vestel Germany GmbH	100	100	100	100
Cabot Communications Ltd.	90,8	90,8	90,8	90,8
Vestel Benelux BV	100	100	100	100
Vestel UK Ltd.	100	100	100	100
Vestek Elektronik Araştırma Geliştirme A.Ş.	94	94	94	94
Vestel Trade Ltd.	100	100	100	100
OY Vestel Scandinavia AB	100	100	100	100
Deksarnet Telekomünikasyon A.Ş. (*)	-	-	99,9	99,9
Intertechnika LLC	99,9	99,9	99,9	99,9

(\*) Refer to: note 2.1.3

Financial information of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. which is not wholly owned by the Group and has significant non-controlling interests is as follows:

	31 December 2013	31 December 2012
Accumulated non-controlling interests	81.277	144.968
Comprehensive income attributable to non-controlling interests	8.965	10.027

The financial statements of the subsidiary is adjusted to include the effects of revaluation of land, buildings and land improvements in accordance with the Group's accounting policies applied in preparation of the consolidated financial statements.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### Condensed balance sheet:

	31 December 2013	31 December 2012
Current assets	963.168	954.766
Non-current assets	528.658	473.352
Current liabilities	(556.330)	(720.139)
Non-current liabilities	(278.014)	(121.541)
<b>Net assets</b>	<b>657.482</b>	<b>586.438</b>

### Condensed statement of comprehensive income:

Net sales	2.028.695	2.143.057
Income/(loss) before tax	85.095	(28.611)
Tax benefit/(expense)	(762)	(39)
Current tax expense	(1.669)	-
Deferred tax benefit	907	(39)
Net income/(loss) for the period	49.548	(17.544)
Total comprehensive income	75.552	76.704

### Condensed statement of cash flows:

<b>Operating activities:</b>		
Interest expense	(16.302)	(20.488)
Current income tax paid	(2.180)	(2.997)
<b>Net cash provided by/(used in) operating activities</b>	<b>238.092</b>	<b>(380)</b>
<b>Investing activities:</b>		
Acquisition of tangible and intangible assets	(87.619)	(77.099)
<b>Net cash used in investing activities</b>	<b>(105.211)</b>	<b>(95.386)</b>
<b>Financing activities:</b>		
Proceeds from bank borrowings	263.350	408.328
Repayment of bank borrowings	(387.962)	(272.750)
<b>Net cash provided by financing activities</b>	<b>(140.728)</b>	<b>115.768</b>
Cash and cash equivalents at the beginning of the period	25.887	7.216
Cash and cash equivalents at the end of the period	18.040	27.218

Other financial information of Group's subsidiaries are not presented on the grounds of materiality.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### NOTE 4 - SEGMENT REPORTING

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

Considering the fact that the Group's risks and rate of returns are dissimilar between product types and between geographical areas, The Group management uses industrial segments as primary reporting format and geographical segments as secondary reporting format.

#### Industrial segments:

	Television and electronic devices	White goods	Other	Total
<b>1 January -31 December 2013</b>				
Revenue	3.712.060	2.487.581	18.316	6.217.957
Cost of sales	(3.055.278)	(2.058.479)	(19.721)	(5.133.478)
Gross profit	656.782	429.102	(1.405)	1.084.479
Depreciation and amortization	143.033	92.737	2.057	237.827
<b>1 January -31 December 2012</b>				
Revenue	4.506.376	2.431.973	90.623	7.028.972
Cost of sales	(3.951.896)	(2.151.007)	(87.511)	(6.190.414)
Gross profit	554.480	280.966	3.112	838.558
Depreciation and amortization	94.829	75.078	17.897	187.804
<b>Capital expenditure</b>				
	Television and Electronic devices	White goods	Other	Total
1 January -31 December 2013	141.159	107.765	29.159	278.083
1 January -31 December 2012	167.321	111.961	29.997	309.279

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### Geographical segments:

Segment revenue	1 January - 31 December 2013	1 January - 31 December 2012
Turkey	1.785.789	1.848.574
Europe	4.052.005	4.621.641
Other	667.949	848.987
Gross sales	6.505.743	7.319.202
Discounts (-)	(287.786)	(290.230)
<b>Net sales</b>	<b>6.217.957</b>	<b>7.028.972</b>

The amount of export for the period 1 January -31 December 2013 is 4.719.954 thousand TL (1 January -31 December 2012: 5.470.628 thousand TL). Export sales are denominated in EUR and USD as 85,8% and 14,2% of total exports respectively. (1 January -31 December 2012: 84,5% EUR,15,5% USD).

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

### NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash	564	19.873
Bank deposits		
- Demand deposits	220.812	219.840
- Time deposits	55.243	76.241
Cheques and notes	16.827	3.868
Other	14.244	11.855
Blocked deposits	43.288	1.331
<b>Cash and cash equivalents</b>	<b>350.978</b>	<b>333.008</b>

### Effective interest rates

	31 December 2013	31 December 2012
EUR	0,63%	0,50%
TL	7,25%	6,00%
USD	0,92%	0,75%

As of 31 December 2013 and 2012 the Group's time deposits have an average maturity of 1 month.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### NOTE 6 - FINANCIAL ASSETS

	Country	Ownership		Amount	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
<b>Financial assets available for sale:</b>					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	< %1	< %1	2.085	2.320
Tursoft A.Ş.	Turkey	7%	7%	11	11
Zorlu Endüstriyel Enerji A.Ş.	Turkey	1%	1%	51	51
İzmir Teknoloji Geliştirme A.Ş.	Turkey	5%	5%	11	11
				<b>2.158</b>	<b>2.393</b>

The Group's publicly traded available for sale financial asset Zorlu Enerji Elektrik Üretim A.Ş.'s fair value decrease of 235 TL (31 December 2012: 243 TL fair value decrease) is recognized in consolidated shareholders' equity considering 47 TL of deferred tax (31 December 2012: 49 TL).

Non-consolidated subsidiaries :	Country	Ownership		Amount	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
Vestel USA Inc.	USA	100%	100%	-	230
Vestel Elektronica SRL	Romania	100%	100%	1.778	1.778
Vestel Electronics India Private Ltd.	India	100%	100%	-	10
Uts-United Technical Services, S.R.O	Slovakia	60%	60%	6	6
Vestel Central Asia	Kazakhstan	100%	100%	8.989	8.989
Vestel Electronics Shanghai Trading Co. Ltd	China	100%	100%	288	288
				<b>11.061</b>	<b>11.301</b>
<b>Impairment of subsidiaries (-)</b>					
Vestel USA Inc.				-	(230)
Vestel Elektronica SRL				(1.778)	-
Vestel Central Asia				(8.989)	-
				<b>294</b>	<b>11.071</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### NOTE 7 - FINANCIAL LIABILITIES

	31 December 2013	31 December 2012
<b>Short - term financial liabilities</b>		
Short term bank loans	265.296	513.222
Short term portion of long term bank loans	296.172	96.308
	<b>561.468</b>	<b>609.530</b>
<b>Long - term financial liabilities</b>		
Long term bank loans	438.549	387.269
	<b>438.549</b>	<b>387.269</b>

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

Currency	31 December 2013			31 December 2012		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- USD	-	-	-	3,09%	28.694	51.149
- TL	9,53%	265.296	265.296	8,55%	462.073	462.073
			<b>265.296</b>			<b>513.222</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

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

Currency	31 December 2013			31 December 2012		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- USD	4,29%	54.499	116.318	4,26%	36.677	65.380
- EUR	5,07%	24.658	72.409	4,35%	8.781	20.649
- TL	13,26%	107.445	107.445	13,73%	10.279	10.279
<b>Short term portion</b>			<b>296.172</b>			<b>96.308</b>
- USD	3,86%	28.980	61.851	4,26%	135.268	241.128
- EUR	3,72%	6.524	19.159	4,35%	29.767	70.004
- TL	9,20%	357.539	357.539	13,73%	76.137	76.137
<b>Long term portion</b>			<b>438.549</b>			<b>387.269</b>
			<b>734.721</b>			<b>483.577</b>

The maturity schedule of Group's long term financial liabilities is given below:

Maturity schedule of long term financial liabilities	31 December 2013	31 December 2012
One to two years	272.697	322.831
Two to three years	153.281	30.136
Three to four years	12.571	24.428
Four to five years	-	9.874
	<b>438.549</b>	<b>387.269</b>

Total amount of Group's floating bank loans is 146.473 thousand TL (31 December 2012: 339.172 thousand TL).

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

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

	31 December 2013	31 December 2012
6 months or less	146.473	339.172
	<b>146.473</b>	<b>339.172</b>

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 17, interest rate sensitivity analysis is disclosed in note 31.

### NOTE 8 - RELATED PARTY DISCLOSURES

#### a) Short-term trade receivables from related parties

	31 December 2013	31 December 2012
Vestel Central Asia	31.559	37.555
UTS- United Technical Services, Spol S.R.O.	4.545	3.260
Vestel Elektronika S.R.L.	10.691	6.633
Other related parties	1.659	12.923
	48.454	60.371
Unearned interest on receivables (-)	(14)	(58)
	<b>48.440</b>	<b>60.313</b>

#### b) Short-term trade payables to related parties

	31 December 2013	31 December 2012
ABH Turizm Temsilcilik ve Ticaret A.Ş.	1.476	616
Other related parties	1.545	727
	3.021	1.343
Unearned interest on payables (-)	(4)	(1)
	<b>3.017</b>	<b>1.342</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### c) Other short term receivables from related parties

	31 December 2013	31 December 2012
Z.F.S Financial Services Ireland	4.269	-

### d) Other long term receivables from related parties

Z.F.S Financial Services Ireland	61.562	59.848
Zorlu Holding A.Ş.	81.855	-
	<b>143.417</b>	<b>59.848</b>

As of 31 December 2013 the annual average effective interest rate of other receivables from Z.F.S Financial Services Ireland and Zorlu Holding denominated in USD is 6%.

### e) Other short term payables to related parties

L-3 Communications Investment	-	2.665
-------------------------------	---	-------

### f) Transactions with related parties

	1 January -31 December 2013	1 January - 31 December 2012
<b>Sales</b>		
UTS- United Technical Services, Spol S.R.O.	8.070	4.426
Zorlu Yapı Yatırım A.Ş.	6.652	16.977
Vestel Electronica S.R.L.	5.500	2.461
L-3 Communications Investments	-	3.539
Other related parties	8.876	5.255
	<b>29.098</b>	<b>32.658</b>
	<b>1 January - 31 December 2013</b>	<b>1 January - 31 December 2012</b>
<b>Operating expenses</b>		
ABH Turizm Temsilcilik ve Ticaret A.Ş.	15.104	13.139
Other related parties	13.325	6.716
	<b>28.429</b>	<b>19.855</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

	1 January - 31 December 2013	1 January - 31 December 2012
<b>Other income from operating activities</b>		
Z.F.S Financial Services Ireland	12.454	2.340
Zorlu Holding A.Ş.	16.913	-
Other related parties	4.976	789
	<b>34.343</b>	<b>3.129</b>

g) Guarantees received from and given to related parties are disclosed in note 17.

### h) Compensation paid to key management including directors, the Chairman and members 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 17.137 thousand TL (1 January -31 December 2012: 12.647 thousand TL).

### NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	31 December 2013	31 December 2012
<b>Short - term trade receivables</b>		
Trade receivables		
- Related parties (note 8)	48.454	60.371
- Other parties	1.314.874	1.244.009
Cheques and notes receivables	280.860	225.976
Other	66.216	59.007
	1.710.404	1.589.363
Unearned interest expense (-)		
- Related parties (note 8)	(14)	(58)
- Other parties	(14.343)	(7.822)
Allowance for doubtful receivables (-)	(68.079)	(112.691)
<b>Total short - term trade receivables</b>	<b>1.627.968</b>	<b>1.468.792</b>
<b>Long - term trade receivables</b>		
Receivables from other parties	99.870	2.363
Unearned interest expense (-)	(488)	(162)
<b>Total long - term trade receivables</b>	<b>99.382</b>	<b>2.201</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

The Group 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
<b>Opening balance, 01 January</b>	<b>112.691</b>	<b>80.079</b>
Current year additions	11.375	33.398
Correction (note 2.3)	(2.529)	-
Provisions no longer required	(11.974)	(1.404)
Doubtful receivables written-off	(42.653)	-
Currency translation differences	1.169	618
<b>Balance at 31 December</b>	<b>68.079</b>	<b>112.691</b>

	31 December 2013	31 December 2012
<b>Short term trade payables</b>		
Trade payables		
- Related parties (note 8)	3.021	1.343
- Other parties	2.807.956	2.137.308
Notes payables		
- Other parties	6.337	3.050
Other	62	33
	2.817.376	2.141.734
Unearned interest income (-)		
- Related parties (note 8)	(4)	(1)
- Other parties	(1.741)	(2.050)
<b>Total short term trade payables</b>	<b>2.815.631</b>	<b>2.139.683</b>

Risk analysis of trade receivables and payables is disclosed in note 31.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### NOTE 10 - OTHER RECEIVABLES

	31 December 2013	31 December 2012
<b>Short - term other receivables</b>		
VAT receivable	120.331	111.552
Receivables from related parties (note 8)	4.269	-
Deposits and guarantees given	24.256	20.735
Other	97.189	90.255
	<b>246.045</b>	<b>222.542</b>
Allowance for doubtful receivables (-)	(89.376)	(89.376)
	<b>156.669</b>	<b>133.166</b>
<b>Long - term other receivables</b>		
Deposits and guarantees given	15.965	13.932
Receivables from related parties (note 8)	143.417	59.848
Other	8.278	8.278
	167.660	82.058
Allowance for doubtful receivables (-)	(8.278)	(8.278)
	<b>159.382</b>	<b>73.780</b>

The Group provides allowance for doubtful receivables. 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
<b>Opening balance, 01 January</b>	<b>97.654</b>	<b>89.735</b>
Current year additions	-	7.964
Provisions no longer required	-	(45)
<b>Balance at 31 December</b>	<b>97.654</b>	<b>97.654</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### NOTE 11 - INVENTORIES

	31 December 2013	31 December 2012
Raw materials	612.638	524.961
Work in process	44.901	44.795
Finished goods	555.833	392.866
Merchandise	69.193	64.971
Other	1.484	2.640
	1.284.049	1.030.233
Provision for impairment on inventories (-)	(15.597)	(23.211)
	<b>1.268.452</b>	<b>1.007.022</b>

Cost of the inventory included in the consolidated statement of comprehensive income in the period 1 January - 31 December 2013 is 4.670.649 thousand TL (2012: 5.496.654 thousand TL)

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

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

	31 December 2013	31 December 2012
Raw materials	9.551	5.358
Finished goods and merchandise	6.046	17.853
	<b>15.597</b>	<b>23.211</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

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

	1 January - 31 December 2013	1 January - 31 December 2012
<b>Opening balance, 1 January</b>	<b>23.211</b>	<b>25.945</b>
Current year additions	12.501	8.840
Realised due to sale of inventory	(20.832)	(11.472)
Currency translation differences	717	(102)
<b>Balance at 31 December</b>	<b>15.597</b>	<b>23.211</b>

### NOTE 12 - PREPAID EXPENSES

	31 December 2013	31 December 2012
<b>Prepaid expenses in current assets</b>		
Order advances given	45.526	24.220
Prepaid expenses	13.639	18.547
Business advances given	2.112	4.374
	<b>61.277</b>	<b>47.141</b>
<b>Prepaid expenses in non-current assets</b>		
Advances given for fixed asset purchases	4.321	5.647
Prepaid expenses	220	705
	<b>4.541</b>	<b>6.352</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

**NOTE 13 - PROPERTY, PLANT AND EQUIPMENT**

	1 January 2013	Correction (note 2.3)	Additions	Disposals	Currency translation differences	Transfers	Revaluation fund increase	31 Decembers 2013
<b>Cost or revaluation</b>								
Land	145.069	585	-	-	440	-	17.900	163.994
Land improvements	43.742	3.413	617	-	542	-	876	49.190
Buildings	492.615	(19.357)	6.359	(165)	8.973	11.644	88.364	588.433
Leasehold improvements	115.886	(2.260)	6.836	(426)	201	-	-	120.237
Plant and machinery	1.365.043	(20.289)	106.734	(101.846)	10.511	41.213	-	1.401.366
Motor vehicles	5.144	(1.703)	1.416	(36)	117	-	-	4.938
Furniture and fixtures	209.960	(11.602)	27.017	(4.081)	1.175	1.552	-	224.021
Other tangible assets	849	-	-	-	-	-	-	849
Construction in progress	24.261	-	55.999	(3)	23	(54.467)	-	25.813
	<b>2.402.569</b>	<b>(51.213)</b>	<b>204.978</b>	<b>(106.557)</b>	<b>21.982</b>	<b>(58)</b>	<b>107.140</b>	<b>2.578.841</b>
<b>Accumulated depreciation</b>								
Land improvements	-	-	5.876	-	173	-	(6.049)	-
Buildings	-	-	14.291	(45)	2.754	447	(17.447)	-
Leasehold improvements	84.085	(980)	5.745	(19)	55	(447)	-	88.439
Plant and machinery	899.839	(8.056)	146.983	(95.326)	5.319	-	-	948.759
Motor vehicles	2.331	(558)	725	(24)	59	-	-	2.533
Furniture and fixtures	148.612	(5.892)	21.849	(3.657)	855	-	-	161.767
Other tangible assets	843	-	1	-	-	-	-	844
	<b>1.135.710</b>	<b>(15.486)</b>	<b>195.470</b>	<b>(99.071)</b>	<b>9.215</b>	<b>-</b>	<b>(23.496)</b>	<b>1.202.342</b>
<b>Net book value</b>	<b>1.266.859</b>							<b>1.376.499</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

	1 January 2012	Additions	Disposals	Currency translation differences	Transfers	Revaluation fund increase	31 December 2012
<b>Cost</b>							
Land	32.583	-	(4)	(57)	-	112.547	145.069
Land improvements	13.011	22	-	(126)	-	30.835	43.742
Buildings	288.534	5.209	(332)	(1.746)	5.465	195.485	492.615
Leasehold improvements	110.498	12.257	(1.673)	(19)	(5.177)	-	115.886
Plant and machinery	1.201.752	141.572	(28.939)	(1.812)	52.470	-	1.365.043
Motor vehicles	4.339	1.538	(711)	(22)	-	-	5.144
Furniture and fixtures	185.282	25.728	(1.141)	(182)	273	-	209.960
Other tangible assets	849	-	-	-	-	-	849
Construction in progress	35.059	42.409	-	(104)	(53.103)	-	24.261
	<b>1.871.907</b>	<b>228.735</b>	<b>(32.800)</b>	<b>(4.068)</b>	<b>(72)</b>	<b>338.867</b>	<b>2.402.569</b>
<b>Accumulated depreciation</b>							
Land improvements	5.686	998	-	(13)	-	(6.671)	-
Buildings	72.871	9.037	(52)	(300)	4.045	(85.601)	-
Leasehold improvements	83.722	6.087	(1.673)	(6)	(4.045)	-	84.085
Plant and machinery	801.386	124.370	(24.905)	(1.012)	-	-	899.839
Motor vehicles	2.516	361	(536)	(10)	-	-	2.331
Furniture and fixtures	132.372	17.327	(947)	(140)	-	-	148.612
Other tangible assets	842	1	-	-	-	-	843
	<b>1.099.395</b>	<b>158.181</b>	<b>(28.113)</b>	<b>(1.481)</b>	<b>-</b>	<b>(92.272)</b>	<b>1.135.710</b>
<b>Net book value</b>	<b>772.512</b>						<b>1.266.859</b>

Corrections within year 2013 are related to removal of Vestel Savunma and Aydın Yazılım from the scope of consolidation and currency translation differences (note 2.3).

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

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

	Useful life
Land improvements	5 - 35 years
Buildings	25 - 50 years
Leasehold improvements	3 - 10 years
Plant and machinery	2 - 25 years
Motor vehicles	5 - 10 years
Furniture and fixtures	5 - 14 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	160.804	129.970
Research and development expenses	45.752	32.873
Marketing, selling and distribution expenses	19.345	15.592
General administrative expenses	10.009	7.429
Other operating expense (idle capacity depreciation expense)	1.917	2.030
	<b>237.827</b>	<b>187.894</b>

Movements in revaluation fund of land, land improvements and buildings in years 2013 and 2012 is disclosed in note 27.

The carrying amounts of land, buildings and land improvements that would have been recognized if the assets have been carried under the cost model at 31 December 2013 and 2012 are as follows:

	Land	Buildings, land improvements
<b>31 December 2013</b>		
Cost	32.266	325.316
Less: Accumulated depreciation	-	(104.957)
<b>Net book value</b>	<b>32.266</b>	<b>220.359</b>
<b>31 December 2012</b>		
Cost	32.163	297.009
Less: Accumulated depreciation	-	(94.966)
<b>Net book value</b>	<b>32.163</b>	<b>202.043</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### NOTE 14 - INTANGIBLE ASSETS

	1 January 2013	Additions	Disposals	Currency translation differences	Transfers	31 December 2013
<b>Cost</b>						
Rights	53.727	2.665	(1)	417	87	56.895
Development cost	293.378	66.109	(441)	-	(87)	358.959
Other intangible assets	62.952	4.331	-	129	58	67.470
	<b>410.057</b>	<b>73.105</b>	<b>(442)</b>	<b>546</b>	<b>58</b>	<b>483.324</b>
<b>Accumulated amortization</b>						
Rights	31.633	2.569	(1)	401	-	34.602
Development cost	138.935	31.725	-	-	-	170.660
Other intangible assets	38.234	8.878	-	84	-	47.196
	<b>208.802</b>	<b>43.172</b>	<b>(1)</b>	<b>485</b>	<b>-</b>	<b>252.458</b>
<b>Net book value</b>	<b>201.255</b>					<b>230.866</b>

	1 January 2012	Additions	Disposals	Currency translation differences	Transfers	31 December 2012
<b>Cost</b>						
Rights	36.121	2.745	(21)	(7)	14.889	53.727
Development cost	229.313	66.976	(2.911)	-	-	293.378
Other intangible assets	66.969	10.823	-	(23)	(14.817)	62.952
	<b>332.403</b>	<b>80.544</b>	<b>(2.932)</b>	<b>(30)</b>	<b>-</b>	<b>410.057</b>
<b>Accumulated amortization</b>						
Rights	26.437	893	(2)	(4)	4.309	31.633
Development cost	116.514	22.426	(5)	-	-	138.935
Other intangible assets	36.252	6.304	-	(13)	(4.309)	38.234
	<b>179.203</b>	<b>29.623</b>	<b>(7)</b>	<b>(17)</b>	<b>-</b>	<b>208.802</b>
<b>Net book value</b>	<b>153.200</b>					<b>201.255</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

Development costs, incurred by the Group on development projects relating to television and electronic devices, 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.

Useful lives of intangible assets is as follows:

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

### NOTE 15 - GOODWILL

	31 December 2013	31 December 2012
<b>Cost at the beginning of the period</b>	<b>202.433</b>	<b>228.274</b>
Accumulated amortization	-	(20.668)
Currency translation differences	-	(44)
Impairment	-	(5.129)
<b>Closing value</b>	<b>202.433</b>	<b>202.433</b>

Goodwill is distributed on cash generating unit which are based on segmental reporting. Summary table of goodwill based on segmental reporting is given below:

	31 December 2013	31 December 2012
White goods	168.543	168.543
Television and electronic devices	31.638	31.638
Software	2.252	2.252
	<b>202.433</b>	<b>202.433</b>

The recoverable amount of cash generating units was assessed by reference to value in use. Pre-tax cash flow projections of television and electronic devices, white goods and other segments based on budgets of entities approved by the management were used in these calculations. As a result of these assessments no impairment was determined.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### NOTE 16 - GOVERNMENT GRANTS

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

- i) Exemption from customs duty on machinery and equipment to be imported,
- ii) VAT exemption with respect to purchases of investment goods both from domestic and export markets,
- iii) Incentives under the 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
- viii) Brand support incentive (Turquality) given by Republic of Turkey Prime Ministry Undersecretariat of Treasury.

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to 7.350 thousand TL for the period 1 January -31 December 2013

(1 January -31 December 2012: 8.317 thousand TL).

Brand support incentive Turquality obtained from Republic of Turkey Prime Ministry Undersecretariat of Treasury amounts to 7.172 thousand TL in year 2013 (2012: 6.006 thousand TL).

### NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

#### a) Provisions

	31 December 2013	31 December 2012
<b>Short - term provisions</b>		
Warranty and assembly provision	82.352	71.567
Other provisions	42.064	28.751
Provision for lawsuit risks	3.627	9.202
	<b>128.043</b>	<b>109.520</b>
<b>Long - term provisions</b>		
Warranty and assembly provision	21.146	21.735

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

As of 31 December 2013 and 2012 movements of warranty and assembly provisions are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
<b>Opening balance, 1 January</b>	<b>93.302</b>	<b>76.537</b>
Current year additions	159.364	110.877
Provisions no longer required	(149.168)	(94.112)
<b>Balance at 31 December</b>	<b>103.498</b>	<b>93.302</b>

### b) Waste Electrical and Electronic Equipment Directive

Legal regulation prepared in conformity with European Union Waste Electrical and Electronic Equipment Directive ("WEEE") has been effective in Turkey since 2012. The Directive set collection, recycling and recovery targets for all types of electrical and electronic goods upon manufacturers. Since the regulation is not yet in practice as of 31 December 2013, it will not have a significant impact on the consolidated financial statements of the Group as of 31 December 2013.

### c) Guarantees received by the Group

#### Guarantee letters, collaterals, cheques and notes received

	31 December 2013	31 December 2012
Guarantee letters	166.524	140.323
Cheques and notes	62.230	71.338
Collaterals and pledges	681.765	623.553
	<b>910.519</b>	<b>835.214</b>

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. and Vestel Ticaret A.Ş., has given collaterals to various banks on behalf of the Company for its forward contracts and loans utilized.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### d) Collaterals, pledges and mortgages ("CPM's") given by the Group

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
<b>31 December 2013</b>				
A. CPM's given on behalf of its own legal entity	2.636	25.033	79.184	158.319
B. CPM's given on behalf of fully consolidated subsidiaries <sup>(*)</sup>	2.143.804	413.522	2.271.037	8.060.865
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	64.466	-	87.891	225.481
i. Total amount of CPM's given on behalf of the parent company	-	-	-	-
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	64.466	-	87.891	225.481
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
<b>Total</b>	<b>2.210.906</b>	<b>438.555</b>	<b>2.438.112</b>	<b>8.444.665</b>

<sup>(\*)</sup>Fully consolidated subsidiaries have given collaterals to various financial institutions on behalf of each other for their forward contracts and for the total amount of loans utilized.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
<b>31 December 2012</b>				
A. CPM's given on behalf of its own legal entity	41.081	21.948	55.079	179.925
B. CPM's given on behalf of fully consolidated subsidiaries	2.235.974	367.867	1.505.263	6.356.223
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	-	-	-	-
i. Total amount of CPM's given on behalf of the parent company	-	-	-	-
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
<b>Total</b>	<b>2.277.055</b>	<b>389.815</b>	<b>1.560.342</b>	<b>6.536.148</b>

The Group has blocked deposit of 41.800 thousand TL in favor of its subsidiary. As of 31 December 2013 proportion of other CPM's given by the Group to its equity is %17 (31 December 2012: None).

### NOTE 18 - COMMITMENTS

As of the balance sheet date the Group has committed to realize exports amounting to 741.733 thousand USD (31 December 2012: 427.336 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2013 the Group has forward foreign currency purchase contract that amounts to 888.986 thousand USD, 43.975 thousand EUR, 389 thousand CHF, 198.232 thousand TL against forward foreign currency sales contract that amounts to 139.657 thousand USD, 456.997 thousand EUR, 349.499 thousand RUB, 1.744 thousand CHF, 4.089 thousand GBP and 577.556 thousand TL (31 December 2012: 1.265.630 thousand USD, 188.192 thousand EUR, 60.723 thousand RUB ve 1.153.425 thousand TL purchase contracts against 571.315 thousand USD, 641.167 thousand EUR, 1.287 thousand CHF, 9.963 thousand GBP, 820.174 thousand RUR ve 1.290.559 thousand TL sales contract).

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### NOTE 19 - EMPLOYEE BENEFITS

#### Liabilities for employee benefits:

	31 December 2013	31 December 2012
Due to personnel	30.677	8.354
Social security payables	11.242	8.991
	<b>41.919</b>	<b>17.345</b>

#### Long term provisions for employee benefits:

	31 December 2013	31 December 2012
Provision for employment termination benefits	<b>40.262</b>	<b>41.529</b>

Under Turkish law, the Company is required to pay employment termination benefits to each employee whose employment is terminated without due cause. In addition, under the existing Social Security Law No.506, clause No. 60, amended by the Labor Laws dated 6 March 1981, No.2422 and 25 August 1999, No.4447, the Company is also required to pay termination benefits to each employee who has earned the right to retire by receiving termination indemnities.

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

Provision for employment termination benefits is not subject to any funding.

The provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined employee plans. Accordingly actuarial assumptions were used in the calculation of the total liability which are described below:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as of 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.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

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

	1 January - 31 December 2013	1 January - 31 December 2012
<b>Balance at 1 January</b>	<b>41.529</b>	<b>33.046</b>
Increase during the year	12.390	10.490
Payments during the year	(11.835)	(7.266)
Actuarial (gain)/loss	(1.187)	2.625
Interest expense	2.582	2.634
Correction (note 2.3)	(3.217)	-
<b>Balance at 31 December</b>	<b>40.262</b>	<b>41.529</b>

### NOTE 20 - EXPENSES BY NATURE

	1 January - 31 December 2013	1 January - 31 December 2012
Raw materials, supplies and finished goods	4.670.649	5.496.654
Changes in finished goods, work in process, trade goods	(167.295)	86.702
Personnel expenses	432.633	383.211
Depreciation and amortization	235.910	185.774
Warranty and assembly expenses	159.364	110.877
Transportation expenses	152.568	157.741
Advertising expenses	58.754	79.804
Other	519.617	601.211
	<b>6.062.200</b>	<b>7.101.974</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### NOTE 21 - OTHER ASSETS AND LIABILITIES

	31 December 2013	31 December 2012
<b>Other current assets</b>		
VAT carried forward	28.847	29.567
Other	7.665	8.373
	<b>7.665</b>	<b>8.373</b>
<b>Other non - current assets</b>		
Assets held for sale	9.991	10.596
	<b>9.991</b>	<b>10.596</b>
	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Other current liabilities</b>		
Advances received	65.599	71.710
Taxes and dues payable	18.903	27.870
Other	20.764	3.138
	<b>39.667</b>	<b>31.008</b>

### NOTE 22 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

#### a) Paid in capital

	31 December 2013	31 December 2012
Shares of par value Kr 1 each		
Limit on registered share capital	1.000.000	1.000.000
Issued share capital	335.456	335.456

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

As of 31 December 2013 and 31 December 2012 the shareholding structures are as follows:

	Shareholding %		Amount	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Collar Holding B.V. (Holland) <sup>(*)</sup>	-	64,41%	-	216.054
Zorlu Holding A.Ş.	64,41%	-	216.054	-
Shares held by public				
Other shareholders	22,46%	25,19%	75.355	84.502
Collar Holding B.V. (Holland) <sup>(*)</sup>	-	10,40%	-	34.900
Zorlu Holding A.Ş.	13,13%	-	44.047	-
	<b>100,00%</b>	<b>100,00%</b>	<b>335.456</b>	<b>335.456</b>

<sup>(\*)</sup> On 16 September 2013 Collar Holding B.V., the controlling shareholder of the Company resident in Holland, has sold all of its shares in Vestel Elektronik Sanayi ve Ticaret A.Ş. corresponding to 250.952.127,88 TL par value (74,81%) to Zorlu Holding A.Ş. which is a member of Zorlu Group, for 436.656.703 TL, for the purpose of gathering companies of Zorlu Group under the same shareholding structure. The sale transaction processed over-the-counter. Transfer price was determined without applying the +/- 20% margin, in accordance with the regulations of Establishment and Operation Principals Memorandum of Wholesale Market, by taking the average of weighted mean prices formed throughout 10 business days backwards from 13 September 2013 which was the last business day of the previous week as from the application date, over 1.74 TL of price per 1 TL par value share (100 shares). Collar Holding B.V has no stake remaining in Vestel Elektronik Sanayi ve Ticaret A.Ş. following this transaction.

### b) Adjustment 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
Adjustments to share capital	688.315	688.315

### 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.

	31 December 2013	31 December 2012
Share premium	95.566	79.191

### d) 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.

	28.314	22.348
Legal reserves		

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### e) Revaluation reserve

Fair value gains on financial assets	364	552
Revaluation of property, plant and equipment	443.773	361.794
	<b>444.137</b>	<b>362.346</b>

### f) Accumulated deficit

Extraordinary reserves	415.036	415.036
Previous year's loss	(774.051)	(671.100)
Other inflation adjustment of share capital	119.718	119.718
	<b>(239.297)</b>	<b>(136.346)</b>

### g) 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.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

**NOTE 23 - SALES**

	1 January - 31 December 2013	1 January - 31 December 2012
Domestic sales	1.785.789	1.848.574
Overseas sales	4.719.954	5.470.628
<b>Gross sales</b>	<b>6.505.743</b>	<b>7.319.202</b>
Less: Sales discounts (-)	(287.786)	(290.230)
<b>Net sales</b>	<b>6.217.957</b>	<b>7.028.972</b>
Cost of sales	(5.133.478)	(6.190.414)
<b>Gross profit</b>	<b>1.084.479</b>	<b>838.558</b>

**NOTE 24 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES****a) General administrative expenses:**

	1 January - 31 December 2013	1 January - 31 December 2012
Personnel expenses	61.295	45.831
Depreciation and amortization	10.009	7.429
Other	89.979	116.426
	<b>161.283</b>	<b>169.686</b>

**b) Marketing expenses:**

	1 January - 31 December 2013	1 January - 31 December 2012
Personnel expenses	80.948	63.366
Depreciation and amortization	19.345	15.592
Other	570.926	593.179
	<b>671.219</b>	<b>672.137</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### c) Research and development expenses:

Personnel expenses	13.886	10.866
Depreciation and amortization	45.752	32.783
Other	36.582	26.088
	<b>96.220</b>	<b>69.737</b>

### NOTE 25 - 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	77.773	79.236
Foreign exchange gains arising from trading activities	296.015	373.231
Reversals of provisions	8.896	2.122
Other income	46.991	40.192
	<b>429.675</b>	<b>494.781</b>

#### b) Other expense from operating activities:

	1 January - 31 December 2013	1 January - 31 December 2012
Debit finance charges arising from trading activities	58.432	71.910
Foreign exchange expenses arising from trading activities	286.075	372.333
Provision expenses	3.731	22.771
Provision for impairment on subsidiary	10.767	-
Other expenses	55.695	54.513
	<b>414.700</b>	<b>521.527</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### NOTE 26 - FINANCIAL EXPENSE AND FINANCIAL INCOME

#### a) Financial expense:

	1 January - 31 December 2013	1 January - 31 December 2012
Foreign exchange losses	178.140	52.567
Losses on derivative financial instruments	161.962	195.437
Interest and commission expense	116.456	108.658
Other finance expenses	5.570	6.901
	<b>462.128</b>	<b>363.563</b>

#### b) Financial income:

Foreign exchange gains	30.301	111.169
Gains on derivative financial instruments	145.664	160.814
Interest income	12.591	39.523
	<b>188.556</b>	<b>311.506</b>

### NOTE 27 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

#### a) Fixed assets revaluation fund:

	1 January - 31 December 2013	1 January - 31 December 2012
<b>Opening balance, 1 January</b>	<b>361.794</b>	-
Correction (note 2.3)	(23.529)	-
Depreciation transfer upon revaluation reserves - net of deferred tax	(10.805)	-
Net depreciation transfer upon revaluation reserves attributable to non-controlling interests	464	-
Increase in reserves arising from revaluation of land, buildings and land improvements	130.635	431.140
Deferred tax income calculated over increase in revaluation reserves	(23.442)	(69.346)
Increase in revaluation reserves attributable to non-controlling interests	(3.792)	-
Deferred tax income calculated over increase in revaluation reserves attributable to non-controlling interest	674	-
Transactions with non-controlling interests	11.774	-
<b>Balance at 31 December</b>	<b>443.773</b>	<b>361.794</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### b) Cash flow hedge fund:

	1 January - 31 December 2013	1 January - 31 December 2012
<b>Opening balance, 1 January</b>	-	-
Loss from cash flow hedges	(16.802)	-
Deferred tax calculated over cash flow hedge fund	3.360	-
Loss from cash flow hedges attributable to non-controlling interests	601	-
Deferred tax calculated over loss from cash flow hedges attributable to non-controlling interests	(119)	-
<b>Balance at 31 December</b>	<b>(12.960)</b>	-

### c) Actuarial gain/loss arising from defined benefit plans:

<b>Opening balance, 1 January</b>	<b>(2.100)</b>	-
Actuarial gain/loss arising from defined benefit plans	1.187	(2.625)
Deferred tax calculated over actuarial gain/loss arising from defined benefit plans	(237)	525
Actuarial gain/loss arising from defined benefit plans attributable to non-controlling interests	(116)	-
Deferred tax calculated over actuarial gain/loss arising from defined benefit plans attributable to non-controlling interests	23	-
Transactions with non-controlling interests	(117)	-
<b>Balance at 31 December</b>	<b>(1.360)</b>	<b>(2.100)</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### NOTE 28 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2013	31 December 2012
Corporation and income taxes	3.707	7.512
Prepaid taxes (-)	(2.737)	(7.151)
<b>Current income tax liabilities - net</b>	<b>970</b>	<b>361</b>
Deferred tax liabilities	(60.141)	(74.273)
Deferred tax assets	41.279	69.559

Turkish Tax Legislation does not permit a parent company its subsidiaries and investments in associates to file a consolidated tax return. Therefore, tax liabilities as reflected in these consolidated financial statements have been calculated on a separate entity basis for the fully consolidated subsidiaries.

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. 15% withholding tax rate applies to dividends distributed to resident real persons except for those who are not liable to income and corporation tax, and to corporations except for those are resident companies in Turkey or are Turkish branches of foreign companies. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

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.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### Russian Federation

In Russia, corporate tax rate applicable is 20% (2012: 20%). Under the Russian Federation taxation system, tax losses can be carried forward to be offset against future taxable income for up to ten years. There are no restrictions on the amounts subject to net off. On the other hand, tax, currency and customs legislations are subject to various interpretations and changes which can occur frequently in Russian Federation. Management's interpretation for such legislation, which is applied to the Company's operations and activities, can be interpreted by regional and federal authorities in different ways. The events of the recent past in Russian Federation, shows that risk could be possible on approval of operations and activities, which approved in the past may not be approved in the future as a result of reviews by the tax authorities on legislation. According to a review by the tax inspection authorities, without exceptional circumstances, tax inspection covers three years prior to the final inspection. Under certain circumstances, such views may cover longer periods.

The tax results of Group's subsidiaries in other countries are not material to consolidated financial statements.

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

	<b>1 January - 31 December 2013</b>	<b>1 January - 31 December 2012</b>
Current period tax expense	(2.379)	(7.428)
Deferred tax benefit	11.734	35.240
<b>Total tax benefit</b>	<b>9.355</b>	<b>27.812</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

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

	1 January - 31 December 2013	1 January - 31 December 2012
<b>Loss before tax</b>	<b>(102.840)</b>	<b>(151.805)</b>
Local tax rate	20%	20%
Tax expense calculated using local tax rate	20.568	30.361
Carry forward tax losses	8.954	-
Effect of unused tax losses for which no deferred tax asset was recognised	(24.221)	(5.407)
Exemptions	9.637	-
Non-deductible expenses	(10.757)	(5.392)
Adjustments with no tax effects	(7.786)	(946)
Research and development incentives	12.598	7.653
Reduced taxation	362	243
Other	-	1.300
	<b>9.355</b>	<b>27.812</b>

### Deferred tax assets and liabilities

The Group 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 the Communiqué and tax purposes.

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

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
<b>Deferred tax assets</b>				
Employment termination benefits	(40.262)	(41.825)	7.697	8.365
Warranty provision	(58.230)	(57.315)	11.646	11.463
Provision for doubtful receivables	(147.920)	(151.425)	29.584	30.285
Unearned interest expense	(12.244)	(12.085)	2.449	2.417
Provision for impairment on inventories	(9.885)	(33.410)	1.977	6.682
Derivative financial instruments	(51.655)	(31.540)	10.445	6.308
Carryforward tax losses	(105.445)	(135.175)	21.089	27.035
Other	(68.520)	(65.915)	13.704	13.183
			<b>98.591</b>	<b>105.738</b>
	Cumulative temporary differences		Deferred tax	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
<b>Deferred tax liabilities</b>				
Income accruals of derivative transactions	491	49.960	(98)	(9.992)
Useful life and valuation differences on property, plant and equipment and intangible assets	129.250	145.970	(25.850)	(29.194)
Revaluation of tangible fixed assets	548.269	431.139	(90.086)	(69.346)
Other	7.095	9.600	(1.419)	(1.920)
			<b>(117.453)</b>	<b>(110.452)</b>
<b>Deferred tax liabilities - net</b>			<b>(18.862)</b>	<b>(4.714)</b>

24.312 thousand TL of carry forward tax loses expires in 2018 and 44.603 thousand TL expires in 2017. The Group has also R&D deduction of 36.536 thousand TL due to the incentives obtained under the jurisdiction of the research and development law.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

	31 December 2013	31 December 2012
Subsidiaries with net deferred tax liabilities	(60.141)	(74.273)
Subsidiaries with net deferred assets	41.279	69.559

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

	1 January - 31 December 2013	1 January - 31 December 2012
<b>Opening balance, 01 January</b>	<b>(4.714)</b>	<b>29.091</b>
Tax expense recognized in income statement	11.734	35.240
Disposal from the scope of consolidation (note 2.5)	(8.403)	-
Changes in fair value of financial assets available for sale	(20.272)	(68.772)
Currency translation differences	2.793	(273)
<b>Deferred tax (liabilities)/assets at the end of the period, net</b>	<b>(18.862)</b>	<b>(4.714)</b>

### NOTE 29 - (LOSS)/EARNINGS PER SHARE

	1 January - 31 December 2013	1 January - 31 December 2012
Net (loss)/income attributable to equity holders of the parent	(99.721)	(110.725)
Weighted number of ordinary shares with a Kr 1 of face value (thousand shares)	33.546.000	33.546.000
	<b>(0,30)</b>	<b>(0,33)</b>

### NOTE 30 - DERIVATIVE INSTRUMENTS

	31 December 2013		31 December 2012	
	Fair Value		Fair Value	
	Contract amount	Assets/(Liabilities)	Contract amount	Assets/(Liabilities)
<b>Held for trading</b>				
Forward foreign currency transactions	1.150.045	(17.971)	3.881.252	(35.504)
Foreign currency swap contracts	220.000	(10.191)	100.000	4.549
<b>Cash flow hedge</b>				
Forward foreign currency transactions	1.084.704	(23.984)	-	-
	<b>2.454.749</b>	<b>(52.146)</b>	<b>3.981.252</b>	<b>(30.955)</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### a) Capital risk management:

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

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

As of 31 December 2013 and 2012 gearing ratios are as follows:

	31 December 2013	31 December 2012
Total financial liabilities (note 7)	1.000.017	996.799
Cash and cash equivalents (note 5)	(350.978)	(333.008)
<b>Net debt</b>	<b>649.039</b>	<b>663.791</b>
Total shareholders' equity	1.345.190	1.341.682
<b>Total capital invested</b>	<b>1.994.229</b>	<b>2.005.473</b>
<b>Gearing ratio</b>	<b>33%</b>	<b>33%</b>

#### b) Financial risk factors:

The Group's activities expose it to currency risk, credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

##### b.1) Credit risk:

The Group is exposed to credit risk arising from receivables from credit finance sales and deposits with banks. Credit risk of receivables from third parties is managed by securing receivables with highest possible coverage. Methods used are:

- Bank guarantees (guarantee letters, etc.)
- Credit insurance
- Mortgages
- Cheque-notes

For customers receivables from which are not secured with collaterals, the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors and individual risk limits are determined and monitored regularly.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

31 December 2013	Receivables				Bank deposits	Other
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party		
<b>Maximum exposed credit risk as of 31 December 2013 (A+B+C+D)</b>	<b>48.440</b>	<b>1.678.910</b>	<b>147.686</b>	<b>168.365</b>	<b>276.055</b>	<b>74.923</b>
- Secured portion of the maximum credit risk by guarantees, etc.	-	(852.733)	-	-	-	-
A. Net book value of financial assets either are not due or not impaired	48.440	1.250.845	147.686	168.365	276.055	74.923
- Secured portion by guarantees etc.	-	(683.592)	-	-	-	-
B. Financial assets with renegotiated conditions	-	92.860	-	-	-	-
C. Net book value of the overdue but not impaired financial assets	-	314.581	-	-	-	-
- Secured portion by guarantees etc.	-	(148.517)	-	-	-	-
D. Net book value of the impaired financial assets	-	20.624	-	-	-	-
-Over due (gross book value)	-	88.703	-	97.654	-	-
-Impairment (-)	-	(68.079)	-	(97.654)	-	-
-Secured portion of the net value by guarantees etc.	-	(20.624)	-	-	-	-

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

31 December 2012	Receivables				Bank deposits	Other
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party		
<b>Maximum exposed credit risk as of 31 December 2012 (A+B+C+D)</b>	<b>60.313</b>	<b>1.410.680</b>	<b>59.848</b>	<b>147.098</b>	<b>296.081</b>	<b>35.596</b>
- Secured portion of the maximum credit risk by guarantees, etc.	-	(*)	-	-	-	-
A. Net book value of financial assets either are not due or not impaired	60.313	1.127.312	59.848	147.098	296.081	56.953
- Secured portion by guarantees etc.	-	12.521	-	-	-	-
B. Financial assets with renegotiated conditions	-	270.847	-	-	-	-
C. Net book value of the overdue but not impaired financial assets	-	-	-	-	-	-
- Secured portion by guarantees etc.	-	(*)	-	-	-	-
D. Net book value of the impaired financial assets	-	-	-	-	-	-
-Over due (gross book value)	-	112.691	-	97.654	-	-
-Impairment (-)	-	(112.691)	-	(97.654)	-	-
-Secured portion of the net value by guarantees etc.	-	(*)	-	-	-	-

(\*) Domestic sales are realized through the marketing company Vestel Ticaret A.Ş. İstanbul Branch and its receivables are secured by guarantees and mortgages obtained from dealers. Export sales are realized through Vestel Ticaret A.Ş. and its receivables are secured by Turkish Eximbank and other international insurance institutions

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

Aging of financial assets which are overdue but not impaired is as follows:

	31 December 2013	31 December 2012
Overdue 1 - 30 days	132.577	83.190
Overdue 1 - 3 months	70.035	53.779
Overdue 3 - 12 months	66.397	52.093
Overdue 1 - 5 years	43.254	79.810
Overdue more than 5 years	2.318	1.975
<b>Total</b>	<b>314.581</b>	<b>270.847</b>

### b.2) Liquidity risk:

The Group 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 following tables detail the Group'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 Group 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.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

As of 31 December 2013 maturity analysis of the Group's financial liabilities is as follows:

Contractual maturities	Carrying value	Contractual cash flows	Up to 3 months	3 - 12 months	1 - 5 year	More than 5 years
<b>Non-derivative financial liabilities</b>						
Financial liabilities	1.000.017	1.087.716	101.694	480.575	505.447	-
Trade payables	2.836.012	2.837.452	1.322.352	1.494.718	20.381	-
Other payables	110.471	110.471	110.471	-	-	-
	<b>3.946.500</b>	<b>4.035.639</b>	<b>1.534.517</b>	<b>1.975.293</b>	<b>525.828</b>	<b>-</b>
<b>Derivative financial instruments</b>						
Derivative cash inflows		2.234.749	1.228.464	866.005	140.280	-
Derivative cash outflows		(2.263.440)	(1.231.106)	(878.974)	(153.360)	-
	<b>52.146</b>	<b>(28.691)</b>	<b>(2.642)</b>	<b>(12.969)</b>	<b>(13.080)</b>	<b>-</b>

As of 31 December 2012 maturity analysis of the Group's financial liabilities is as follows:

Contractual maturities	Carrying value	Contractual cash flows	Up to 3 months	3 - 12 months	1 - 5 year	More than 5 years
<b>Non-derivative financial liabilities</b>						
Financial liabilities	996.799	1.046.793	291.238	332.299	423.256	-
Trade payables	2.139.683	2.141.734	1.089.027	1.052.707	-	-
Other payables	140.530	140.530	83.013	25.461	32.056	-
	<b>3.277.012</b>	<b>3.329.057</b>	<b>1.463.278</b>	<b>1.410.467</b>	<b>455.312</b>	<b>-</b>
<b>Derivative financial instruments</b>						
Derivative cash inflows		3.866.597	1.693.448	2.161.179	11.970	-
Derivative cash outflows		(3.835.642)	(1.682.860)	(2.138.641)	(14.141)	-
	<b>30.955</b>	<b>30.955</b>	<b>10.588</b>	<b>22.538</b>	<b>(2.171)</b>	<b>-</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### b.3) Foreign currency risk:

The Group 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 Group mainly prefers using foreign exchange forward contracts.

31 December 2013	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	386.901	262.023	65.704	1.660.897
2a. Monetary financial assets (including cash and cash equivalents)	56.059	10.613	15.866	166.678
2b. Non-monetary financial assets	-	-	-	-
3. Other	1.493	-	983	4.170
<b>4. Current assets (1+2+3)</b>	<b>444.453</b>	<b>272.636</b>	<b>82.553</b>	<b>1.831.745</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	96.374	17	-	205.741
<b>8. Non-current assets (5+6+7)</b>	<b>96.374</b>	<b>17</b>	<b>-</b>	<b>205.741</b>
<b>9. Total assets (4+8)</b>	<b>540.827</b>	<b>272.653</b>	<b>82.553</b>	<b>2.037.486</b>
10. Trade payables	1.184.792	36.156	15.612	2.650.486
11. Financial liabilities	54.499	24.658	-	188.725
12a. Other monetary liabilities	6	2	-	19
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>1.239.297</b>	<b>60.816</b>	<b>15.612</b>	<b>2.839.230</b>
14. Trade payables	-	6.941	-	20.382
15. Financial liabilities	28.980	6.524	-	81.010
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>28.980</b>	<b>13.465</b>	<b>-</b>	<b>101.392</b>
<b>18. Total liabilities (13+17)</b>	<b>1.268.277</b>	<b>74.281</b>	<b>15.612</b>	<b>2.940.622</b>
<b>19. Off-balance sheet derivative instruments/net asset (liability) position (19a+19b)</b>	<b>749.329</b>	<b>(413.022)</b>	<b>(40.240)</b>	<b>346.213</b>
19a. Hedged total assets	888.986	43.975	928	2.027.423
19b. Hedged total liabilities	(139.657)	(456.997)	(41.168)	(1.681.210)
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>21.879</b>	<b>(214.650)</b>	<b>26.701</b>	<b>(556.923)</b>
<b>21. Net foreign currency monetary asset/(liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(825.317)</b>	<b>198.355</b>	<b>65.958</b>	<b>(1.113.047)</b>
<b>22. Fair value of financial instruments used in foreign currency hedging</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52.146)</b>
23. Export	351.310	1.604.532	-	4.719.954
24. Import	1.509.884	226.842	10.566	3.448.860

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

31 December 2012	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	286.307	199.411	-	979.326
2a. Monetary financial assets (including cash and cash equivalents)	88.992	33.361	-	237.092
2b. Non-monetary financial assets	-	65.965	-	155.130
3. Other	11.307	13.528	-	51.970
<b>4. Current assets (1+2+3)</b>	<b>386.606</b>	<b>312.265</b>	-	<b>1.423.518</b>
5. Trade receivables	668	6	-	1.205
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	888	5.008	-	13.360
<b>8. Non-current assets (5+6+7)</b>	<b>1.556</b>	<b>5.014</b>	-	<b>14.565</b>
<b>9. Total assets (4+8)</b>	<b>388.162</b>	<b>317.279</b>	-	<b>1.438.083</b>
10. Trade payables	877.075	102.547	-	1.804.634
11. Financial liabilities	65.370	8.781	-	137.178
12a. Other monetary liabilities	8.664	24.497	-	73.054
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>951.109</b>	<b>135.825</b>	-	<b>2.014.866</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	135.267	29.767	-	311.132
16a. Other monetary liabilities	11.386	2.930	-	27.187
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>146.653</b>	<b>32.697</b>	-	<b>338.319</b>
<b>18. Total liabilities (13+17)</b>	<b>1.097.762</b>	<b>168.522</b>	-	<b>2.353.185</b>
<b>19. Off-balance sheet derivative instruments/net asset (liability) position (19a+19b)</b>	<b>694.315</b>	<b>(452.975)</b>	<b>(75.210)</b>	<b>97.214</b>
19a. Hedged total assets	1.265.630	188.192	3.527	2.702.210
19b. Hedged total liabilities	(571.315)	(641.167)	(78.737)	(2.604.996)
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(15.285)</b>	<b>(304.218)</b>	<b>(75.210)</b>	<b>(817.888)</b>
<b>21. Net foreign currency monetary asset/(liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(721.795)</b>	<b>64.256</b>	-	<b>(1.135.562)</b>
<b>22. Fair value of financial instruments used in foreign currency hedging</b>	-	-	-	<b>(30.955)</b>
23. Export	475.137	2.035.891	-	5.470.628
24. Import	2.043.898	218.536	1.701	4.158.192

As of 31 December 2013 and 2012 sensitivity analysis of foreign exchange rates is presented in below tables. Secured portions include impact of off-balance sheet derivative instruments.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

31 December 2013	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
<b>+/- 10% fluctuation of USD rate:</b>				
USD net asset/liability	(176.147)	176.147	(176.147)	176.147
Secured portion from USD risk (-)	107.145	(107.145)	159.561	(159.561)
<b>USD net effect</b>	<b>(69.002)</b>	<b>69.002</b>	<b>(16.586)</b>	<b>16.586</b>
<b>+/- 10% fluctuation of EUR rate:</b>				
EUR net asset/liability	58.247	(58.247)	58.247	(58.247)
Secured portion from EUR risk (-)	(54.306)	54.306	(121.964)	121.964
<b>EUR net effect</b>	<b>3.941</b>	<b>(3.941)</b>	<b>(63.717)</b>	<b>63.717</b>
<b>+/- 10% fluctuation of other currency rates:</b>				
Other currencies net asset/liability	6.596	(6.596)	6.596	(6.596)
Secured portion from other currency risk (-)	(2.589)	2.589	(2.589)	2.589
<b>Other currency net effect</b>	<b>4.007</b>	<b>(4.007)</b>	<b>4.007</b>	<b>(4.007)</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

31 December 2012	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
<b>+/- 10% fluctuation of USD rate:</b>				
USD net asset/liability	(128.667)	128.667	(128.667)	128.667
Secured portion from USD risk (-)	123.769	(123.769)	123.769	(123.769)
<b>USD net effect</b>	<b>(4.898)</b>	<b>4.898</b>	<b>(4.898)</b>	<b>4.898</b>
<b>+/- 10% fluctuation of EUR rate:</b>				
EUR net asset/liability	15.111	(15.111)	15.111	(15.111)
Secured portion from EUR risk (-)	(106.526)	106.526	(106.526)	106.526
<b>EUR net effect</b>	<b>(91.415)</b>	<b>91.415</b>	<b>(91.415)</b>	<b>91.415</b>
<b>+/- 10% fluctuation of other currency rates:</b>				
Other currencies net asset/liability	-	-	-	-
Secured portion from other currency risk (-)	7.521	(7.521)	7.521	(7.521)
<b>Other currency net effect</b>	<b>7.521</b>	<b>(7.521)</b>	<b>7.521</b>	<b>(7.521)</b>

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### b.4) Interest rate risk:

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

The financial instruments of the Group which are sensitive to exchange rate changes are as follows:

	31 December 2013	31 December 2012
<b>Financial instruments with fixed interest rates</b>		
Bank deposits	98.531	77.572
Financial liabilities	853.544	657.627
<b>Financial instruments with floating interest rates</b>		
Financial liabilities	146.473	339.172

For floating rate liabilities if as of 31 December 2013 the interest rates for all currencies had been 100 basis points higher/lower and all other variables were held constant, higher/lower interest income/expense from floating rate bank loans and bank deposits would result loss before decrease/increase by 1.483 TL (2012: 901 TL).

### NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

#### Categories of financial instruments and fair values

Group 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 Group's financial assets, cash and cash equivalents (note 5), trade receivables (notes 8 and 9) and other receivables (notes 8 and 10), are classified as loans and receivables and are measured at amortized cost using the effective interest method. Group's available for sale financial assets are disclosed in note 6.

Group's financial liabilities consist of financial liabilities (note 7), trade payables (note 8 and 9) and other payables (note 8) and are measured at amortized cost using the effective interest method.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

### 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 instrument have been determined by the Group using available market information and appropriate valuation methods. However judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amount the Group could realize in a current market exchange. Following methods and assumptions are used to estimate the fair value of the financial instruments:

#### 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

Due to their short term nature, the carrying amount of short term bank loans and other monetary liabilities approximate their fair values. As of 31 December 2013, the fair value of long term bank loans including short term portions as well is 734.721 thousand TL (31 December 2012: 483.577 thousand TL) (note 7).

Fair value is estimated based on cash flows discounted by rates determined considering variable country risks an market interest rates.

### Fair value hierarchy

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

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

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

Level 3: Valuation techniques does not include observable market inputs

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

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

31 December 2013	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Derivative financial assets	-	-	-	-
Financial investments	2.085	-	-	2.085
<b>Financial liabilities</b>				
Derivative financial liabilities	-	(52.146)	-	(52.146)
31 December 2012	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Derivative financial assets	-	-	-	-
Financial investments	2.320	-	-	2.320
<b>Financial liabilities</b>				
Derivative financial liabilities	-	(30.955)	-	(30.955)

### NOTE 33 - EVENTS AFTER THE REPORTING PERIOD

As of 31 December 2013 USD and EUR exchange rates are 2,1343 and 2,9365 respectively. Indicative exchange rates of USD and EUR are set by Central Bank of Turkey as 2,2118 and 3,0700 respectively on 11 March 2014 at 15.30.

The Group has won the tender held on 6 December 2013 by the Ministry of Transport, Maritime Affairs and Communication for the purchase of 347.369 interactive boards as part of the "Movement of Enhancing Opportunities and Improving Technology" (FATİH) Project. The agreement for the tender has been signed between the Group and the related Ministry as of 9 January 2014. The total contract value amounts to 999.722.266 TL.

## Investor Information

### Independent Auditor

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

Süleyman Seba Caddesi, BJK Plaza, No: 48 B Blok, Kat 9 Akaretler Beşiktaş 34357 İstanbul - Turkey

Telephone: +90 (212) 326 6060

Fax: +90 (212) 326 6050

### Financial Data and Company News

Financial statements, auditor reports, material disclosures and annual reports of Vestel Elektronik are available on the Company's website at <http://www.vestelyatirimciiliskileri.com>

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

### Investor Relations

#### Serap Mutlu

Investor Relations Director

Zorlu Plaza 34310 Avcılar-Istanbul

Phone: +90 (212) 456 22 00

[yatirimci@vestel.com.tr](mailto:yatirimci@vestel.com.tr)

#### Başak Dalga

Investor Relations Manager

Zorlu Plaza 34310 Avcılar-Istanbul

Phone: +90 (212) 456 22 00

[yatirimci@vestel.com.tr](mailto:yatirimci@vestel.com.tr)

# Contact

**VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.**

Organize Sanayi Bölgesi, 45030, Manisa

**Tel:** +90 (236) 233 01 31

**Fax:** +90 (236) 233 25 85

[www.vestel.com.tr](http://www.vestel.com.tr)

[www.vestel.com.tr](http://www.vestel.com.tr)