VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi (the "Company") and its Subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of profit or loss, consolidated statement of consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Independent Auditing Standards that part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

   An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

4. In our opinion, the 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 2014 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 24 February 2015.

6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Talar Gül, SMMM
Partner

Istanbul, 24 February 2015

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

CONTENTS **PAGE**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY – 31DECEMBER 2014

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF 31DECEMBER 2014 AND 2013

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

	Notes	Audited 31 December 2014	Audited 31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents	5	618.673	350.978
Derivative financial instruments	30	99.300	491
Trade receivables		1.931.883	1.627.968
Related parties	8	54.449	48.440
Other parties	9	1.877.434	1.579.528
Other receivables		377.605	156.669
Related parties	8	177.098	4.269
Other parties	10	200.507	152.400
Inventories	11	1.722.930	1.268.452
Prepaid expenses	12	89.490	61.277
Current income tax assets		5.180	7.636
Other current assets	21	21.532	36.512
Total current assets		**4.866.593**	**3.509.983**
Non-current assets			
Financial investments	6	6.577	2.452
Trade receivables		118.358	99.382
Other parties	9	118.358	99.382
Other receivables		420.990	159.382
Related parties	8	404.455	143.417
Other parties	10	16.535	15.965
Prepaid expenses	12	8.726	4.541
Property, plant and equipment	13	1.365.087	1.376.499
Intangible assets		482.229	433.299
Goodwill	15	197.793	202.433
Other intagible assets	14	284.436	230.866
Other non-current assets	21	13.566	9.991
Deferred tax asset	28	39.219	41.279
Total non-current assets		**2.454.752**	**2.126.825**
TOTAL ASSETS		**7.321.345**	**5.636.808**

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF 31DECEMBER 2014 AND 2013

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

	Notes	Audited 31 December 2014	Audited 31 December 2013
LIABILITIES			
Current liabilities			
Short term financial liabilities	7	325.436	265.296
Short term portion of long term financial liabilities	7	125.889	296.172
Trade payables		3.720.176	2.815.631
Related parties	8	5.064	3.017
Other parties	9	3.715.112	2.812.614
Liabilities for employee benefits	19	60.840	41.919
Other payables		1.672	4.455
Other parties		1.672	4.455
Derivative financial instruments	30	32.391	16.562
Current income tax liabilities	28	4.224	970
Short term provisions		140.877	128.043
Other short term provisions	17	140.877	128.043
Other current liabilities	21	164.124	105.266
Total current liabilities		**4.575.629**	**3.674.314**
Non-current liabilities			
Long term financial liabilities	7	1.198.207	438.549
Trade payables		-	20.381
Other parties		-	20.381
Other payables		1.338	-
Other parties		1.338	-
Long term provisions		97.183	61.408
Provision for employee benefits	19	73.768	40.262
Other long term provisions	17	23.415	21.146
Derivative financial instruments	30	23.121	36.075
Other non-current liabilities		332	750
Deferred tax liability	28	54.886	60.141
Total non-current liabilities		**1.375.067**	**617.304**
TOTAL LIABILITIES		**5.950.696**	**4.291.618**

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF 31DECEMBER 2014 AND 2013

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

	Notes	Audited 31 December 2014	Audited 31 December 2013
EQUITY			
Paid in capital	22	335.456	335.456
Adjustments to share capital	22	688.315	688.315
Share premium	22	103.078	95.566
Other comprehensive income/expense not to be reclassified to profit or loss		411.851	442.413
Revaluation gain/loss		411.851	442.413
- Revaluation of tangible fixed assets	22	435.434	443.773
- Actuarial gain/loss arising from defined benefit plans	27	(23.583)	(1.360)
Other comprehensive income/expense to be reclassified to profit or loss		(3.691)	11.641
Foreign currency translation differences		(40.450)	24.237
Cash flow hedges	27	34.523	(12.960)
Financial assets revaluation fund	22	2.236	364
Restricted reserves	22	28.314	28.314
Accumulated deficit	22	(334.583)	(239.297)
Net profit / (loss) for the period		97.376	(99.721)
Non-controlling interest		**44.533**	**82.503**
Total equity		**1.370.649**	**1.345.190**
TOTAL LIABILITIES AND EQUITY		**7.321.345**	**5.636.808**

Consolidated financial statements for the period 1 January - 31 December 2014, were approved by the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. on 24 February 2015.

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

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

	Notes	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
Revenue	23	7.767.303	6.217.957
Cost of sales	23	(6.197.419)	(5.133.478)
Gross profit		**1.569.884**	**1.084.479**
Marketing, selling and distribution expenses	24	(826.217)	(671.219)
General administrative expenses	24	(186.993)	(161.283)
Research and development expenses	24	(103.139)	(96.220)
Other income from operating activities	25	232.972	391.681
Other expenses from operating activities	25	(440.107)	(410.757)
Operating profit		**246.400**	**136.681**
Financial income	26	470.272	222.607
Financial expenses	26	(590.182)	(462.128)
Profit / (Loss) before tax		**126.490**	**(102.840)**
Tax benefit / (expense)			
Current tax expense	28	(24.456)	(2.379)
Deferred tax benefit	28	2.088	11.734
Net income / (loss) for the period		**104.122**	**(93.485)**
Attributable to:			
Non-controlling interests		6.746	6.236
Equity holders of the parent		97.376	(99.721)
Net income/ (loss) for the period		**104.122**	**(93.485)**
Earnings / (loss) per 1000 shares with a Kr 1 of face value (TL)	29	**0,29**	**(0,30)**

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

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

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

	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
Other comprehensive (loss) / income:		
Items not to be reclassified to profit or loss	**(22.702)**	**108.143**
Revaluation of tangible fixed assets	-	130.635
Actuarial gain /(loss) arising from defined benefit plans	(28.378)	1.187
Tax effect of other comprehensive income not to be reclassified to profit or loss	5.676	(23.679)
Deferred tax income / loss	5.676	(23.679)
Items to be reclassified to profit or loss	**(13.729)**	**15.042**
Currency translation differences	(64.687)	28.672
Fair value increase / decrease on available for sale financial assets	2.340	(235)
Cash flow hedges	61.357	(16.802)
Tax effect of other comprehensive income/ expense to be reclassified to profit or loss	(12.739)	3.407
Deferred tax income / loss	(12.739)	3.407
Other comprehensive (loss) / income	**(36.431)**	**123.185**
Total comprehensive income	**67.691**	**29.700**
Attributable to:		
Non-controlling interests	7.582	8.965
Equity holders of the parent	60.109	20.735

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

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

				Other comprehensive loss not to be reclassified to profit or loss		Other comprehensive loss to be reclassified to profit or loss				Accumulated deficit / Retained Earnings				
	Paid in capital	Adjustments to share capital	Share premium	Fixed assets revaluation fund	Actuarial loss on employee benefits	Currency translation differences	Financial assets revaluation fund	Cash flow hedge fund	Restricted reserves	Accumulated deficit	Net Profit / (loss) for the period	Equity holders of the parent	Non-controlling interests	Total equity
Balances at 1 January 2013	**335.456**	**688.315**	**79.191**	**361.794**	**(2.100)**	**27.132**	**552**	**-**	**22.348**	**(136.346)**	**(110.725)**	**1.265.617**	**76.065**	**1.341.682**
Correction (note 2.3)	-	-	2.887	(23.529)	-	(31.567)	-	-	-	22.015	-	(30.194)	69.974	39.780
Transfer to accumulated deficit	-	-	-	-	-	-	-	-	-	(110.725)	110.725	-	-	-
Transfer to restricted reserves	-	-	-	-	-	-	-	-	5.966	(5.966)	-	-	-	-
Depreciation transfer - net (note 27)	-	-	-	(10.341)	-	-	-	-	-	10.341	-	-	-	-
Total comprehensive income	-	-	-	104.075	857	28.672	(188)	(12.960)	-	-	(99.721)	20.735	8.965	29.700
Transactions with non-controlling interests	-	-	13.488	11.774	(117)	-	-	-	-	(18.616)	-	6.529	(72.501)	(65.972)
Balances at 31 December 2013	**335.456**	**688.315**	**95.566**	**443.773**	**(1.360)**	**24.237**	**364**	**(12.960)**	**28.314**	**(239.297)**	**(99.721)**	**1.262.687**	**82.503**	**1.345.190**
Balances at 1 January 2014	**335.456**	**688.315**	**95.566**	**443.773**	**(1.360)**	**24.237**	**364**	**(12.960)**	**28.314**	**(239.297)**	**(99.721)**	**1.262.687**	**82.503**	**1.345.190**
Transfer to accumulated deficit	-	-	-	-	-	-	-	-	-	(99.721)	99.721	-	-	-
Depreciation transfer - net (note 27)	-	-	-	(16.378)	-	-	-	-	-	16.378	-	-	-	-
Total comprehensive (loss) / income	-	-	-	-	(22.210)	(64.687)	1.872	47.758	-	-	97.376	60.109	7.582	67.691
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(1.594)	(1.594)
Transactions with non-controlling interests	-	-	7.512	8.039	(13)	-	-	(275)	-	(11.943)	-	3.320	(43.958)	(40.638)
Balances at 31 December 2014	**335.456**	**688.315**	**103.078**	**435.434**	**(23.583)**	**(40.450)**	**2.236**	**34.523**	**28.314**	**(334.583)**	**97.376**	**1.326.116**	**44.533**	**1.370.649**

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2014 AND 2013
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
Operating activities:			
Profit / (loss) before tax		**126.490**	**(102.840)**
Adjustments to reconcile net cash provided from operating activities to profit / (loss) before taxes:			
- Depreciation and amortization	13	270.695	237.827
- Goodwill impairment	15	4.640	-
- Impairment of subsidiaries	6	-	10.767
- Changes in other provisions		15.103	22.036
- Provision for employment termination benefits	19	14.672	14.972
- Provision for impairment on inventories	11	8.093	(8.331)
- Provision for doubtful receivables	9	20.983	(42.083)
- Interest expense	26	164.364	116.456
- Interest income	26	(51.465)	(24.690)
- (Gain) / loss from sales of tangible and intangible assets		(2.332)	(4.080)
- Derivative financial instruments (income) / expense accrual		(34.577)	4.389
- Unrealized foreign exchage differences		9.076	46.887
Change in blocked cash and cash equivalents	5	(9.634)	(41.957)
Changes in working capital:			
(Increase) / decrease in trade receivables		(343.874)	(222.384)
(Increase) / decrease in inventories		(462.329)	(269.007)
(Increase) / decerase in other receivables and other current assets		(40.937)	64.303
(Increase) / decrease in other non-current assets		(4.145)	(85.172)
Increase / (decrease) in trade payables		884.164	703.672
Increase / (decrease) in other payables and other liabilities		75.916	29.211
Cash flows from operating activities			
Employment termination benefits paid	19	(9.544)	(11.835)
Current income tax paid	28	(22.132)	(3.098)
Net cash provided by operating activities		**613.227**	**435.043**

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2014 AND 2013
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

Investing activities:	**Notes**	**1 January - 31 December 2014**	**1 January - 31 December 2013**
Changes in financial assets		(4.125)	245
Acquisition of tangible assets	13	(287.639)	(204.978)
Cash provided from sales of tangible and intangible assets		6.423	12.007
Acquisition of intangible assets	14	(108.421)	(73.105)
Transactions with non-controlling interests		(40.638)	(65.972)
Correction (note 2.3)		-	(10.927)
Net cash used in investing activities		**(434.400)**	**(342.730)**
Financing activities:			
Proceeds from bank borrowings		2.091.057	1.067.934
Repayment of bank borrowings		(1.472.514)	(1.036.658)
Dividends paid		(1.594)	-
Increase in other receivables from related parties		(433.867)	(87.838)
Interest paid		(142.468)	(92.330)
Interest received		51.465	24.690
Net cash provided by / (used in) financing activities		**92.079**	**(124.202)**
Net increase / (decrease) in cash and cash equivalents before foreign currency translation differences		**270.906**	**(31.889)**
Effect of currency translation differences on cash and cash equivalents		(12.845)	7.902
Net increase / (decrease) in cash and cash equivalents		**258.061**	**(23.987)**
Cash and cash equivalents at the beginning of the period	5	**307.690**	**331.677**
Cash and cash equivalents at the end of the period	5	**565.751**	**307.690**

(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 Levent 199, Büyükdere Caddesi No: 199, 34394 Şişli / Istanbul. 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 ("BİST") since 1990 (note 22). As of 31 December 2014, 35,59 % of the Company's shares are publicly traded.

As of 31 December 2014 the number of personnel employed at Group is 15.877 (31 December 2013: 13.673).

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 Central Asia LLP	Kazakhstan	Production/ Sales
Vestel Ventures Ar-ge A.Ş.	Turkey	Service
Vestel Poland sp. z.o.o. (*)	Poland	Sales

(*):Refer to note 33.
(**)The BOD minutes related to merger of Deksar Multimedya ve Telekomünikasyon A.Ş. with Vestel Elektronik San. ve Tic. A.Ş. per simplified merger procedures and dissolution of Deksar Multimedya ve Telekomünikasyon A.Ş. are registered as of 31 December 2014.

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

NOTE 1 – GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Cont'd)

Investements 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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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.

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

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

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.

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 2014**	**31 December 2013**
Turkish Lira / EUR	0,3545	0,3405
Turkish Lira / GBP	0,2781	0,2848
Turkish Lira / RUB	24,851	15,437

Average:	**1 January - 31 December 2014**	**1 January - 31 December 2013**
Turkish Lira / EUR	0,3441	0,3960
Turkish Lira / GBP	0,2781	0,3366
Turkish Lira / RUB	17,385	16,863

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

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.

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.

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

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 2014 and 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 2013: 35%, 21%).

2.2 Comparatives

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.

Foreign exchange income and interest income from other receivables amounting to 37.994 thousand TL, and foreign exchange losses from other receivables amounting to 3.943 thousand TL, which were disclosed as other income from operating activities in the Group's consolidated statement of comprehensive income as of 31 December 2013 are reclassified as financial income.

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

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

2.3 Restatement and errors in the accounting estimates

Major changes in accounting policies are applied retrospectively and any major accounting errors that have been detected are corrected and the financial statements of the previous period are restated. Changes in accounting policies resulting from the initial implementation of a new standard, if any, are implemented retrospectively or prospectively in accordance with the transition provisions. If the changes in accounting estimates only apply to one period, then they are applied in the current period in which the change occurred; if the changes also apply to future periods, they are applied in both the period of change and in the future periods, prospectively.

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:

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

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.

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

2.4. Amendments in International Financial Reporting Standards

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

- **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. The amendment does not have any impact on the Group's consolidated financial statements

- **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. The amendment does not have any impact on the Group's consolidated financial statements

- **TFRS10, TFRS 12 and TAS 27 (amendments), "Consolidated financial statements",** 'exceptions for the consolidation of subsidiaries'; is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead,they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics.

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

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

b) New standards, amendments and interpretations issued and effective as of 1 January 2014 have not been presented since they are not relevant to the operations of the 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 – classification and measurement"**; Effective for annual periods beginning on or after 1 January 2018. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. TFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the TAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions.

- **TFRS 9 (amendments), "'Financial instruments', regarding general hedge accounting"** Effective for annual periods beginning on or after 1 January 2018. These amendments to TFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

- **TAS 19 (amendments), "Defined benefit plans"**, Effective for annual periods beginning on or after 1 July 2014. This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

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

- **TFRS 11 (amendments), "Joint Arrangements",** is effective for annual periods beginning on or after 1 July 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

- **TAS 16 and TAS 38 (amendments), "Tangible Assets ", "Intangible Assets",** is effective for annual periods beginning on or after 1 July 2016. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

- **TFRS 14, "Regulatory deferral accounts",** is effective for annual periods beginning on or after 1 July 2016. 'Regulatory deferral accounts' permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS.

- **TFRS 15, "Revenue from contracts with customers",** is effective for annual periods beginning on or after 1 July 2017. the International Accounting Standards Board (IASB) and the US national standard-setter, the Financial Accounting Standards Board (FASB), initiated a joint project to clarify the principles for recognising revenue and to develop a common revenue standard for IFRS and US GAAP. The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The new model employs an asset and liability approach, rather than current revenue guidance focuses on an 'earnings process'.

- **Annual improvements 2014 cycle,** are effective for annual periods beginning on or after 1 January 2016. Makes amendments to the following standarts:

  - TFRS 5, "Non-current assets held for sale and discontinued operations", changes in methods of disposal
  - TFRS 7, "Financal instruments: Disclosure", servicing contracts; applicability of the amendments per TFRS 1
  - TMS 19, "Employee benefits" changes related to discount ratios
  - TMS 34, "Interim financial reporting" changes related to disclosure of information.

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

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

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.

Where necessary, contract revenue is recognized in proportion to stage of completion of a fixed fee contract.

Service sales and other sales:

Service income and other income are recorded using accrual accounting assumptions about the fair value of the amount that is obtained or that can be obtained in the event that the service is rendered or items relating to the income are realised or risks and benefits are transferred and it is possible for the economic benefits relating to the transactions to flow into the Company.

Interest income:

Interest income is accrued in the relevant period at the effective interest rate, which reduces the remaining principal balance and the estimated cash inflow, to be obtained from the relevant financial asset throughout its life, and the book value of the asset.
Sales are recorded at the amount that remains after estimated discounts and returns are deducted from the price determined in the sales agreements during the sales. Customers have the right to return products in consistency with the market practice. Previous experiences are used for the estimation of discounts and returns. Discounts are determined by taking the performed yearly sales into consideration.

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

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.

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 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.

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

Each period, 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.

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

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.

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

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.

Impairment losses calculated on goodwill cannot be reversed in the statement of income even if the impairment ceases to exist in the following periods. Goodwill is linked to cash generating units during the impairment test.

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.

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

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.

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.

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

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.

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

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.

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

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.

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.

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

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.

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

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.

The effects of the significant forecasts used in employment termination benefits provision calculations have been recognised as actuarial gains and losses and they have been explained in the relevant note.

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.

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

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.

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 strategical 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

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

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.

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).

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

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 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.

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.

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

NOTE 3 – INTERESTS IN OTHER ENTITIES

Subsidiaries:

As of 31 December 2014 and 2013 the Group's major subsidiaries are as follows:

	31 December 2014		31 December 2013	
Consolidated subsidiaries	**Voting rights**	**Effective ownership**	**Voting rights**	**Effective ownership**
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	94,5	94,5	87,7	87,7
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
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
Intertechnika LLC	99,9	99,9	99,9	99,9

(**)The BOD minutes related to merger of Deksar Multimedya ve Telekomünikasyon A.Ş. with Vestel Elektronik San. ve Tic. A.Ş. per simplified merger procedures and dissolution of Deksar Multimedya ve Telekomünikasyon A.Ş.are registered as of 31 December 2014.

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

NOTE 3 – INTERESTS IN OTHER ENTITIES (Cont'd)

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 2014	31 December 2013
Accumulated non-controlling interests	42.532	81.277
Comprehensive income attributable to non-controlling interests	7.582	8.965

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.

Condensed balance sheet:

	31 December 2014	31 December 2013
Current assets	1.145.538	963.168
Non-current assets	532.426	528.658
Current liabilities	(650.434)	(556.330)
Non-current liabilities	(257.575)	(278.014)
Net assets	**769.955**	**657.482**

Condensed statement of comprehensive income:

Net sales	2.337.141	2.028.695
Income / (loss) before tax	140.550	85.095
Tax benefit / (expense)	(18.660)	(762)
Current tax expense	(20.767)	(1.669)
Deferred tax benefit	2.107	907
Net income / (loss) for the period	121.891	49.548
Total comprehensive income	137.282	75.552

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

NOTE 3 – INTERESTS IN OTHER ENTITIES (Cont'd)

Condensed statement of cash flows:

	31 December 2014	31 December 2013
Operating activities:		
Changes in working capital	79.074	54.228
Current income tax paid	(17.655)	(2.180)
Net cash provided by operating activities	**315.949**	**238.092**
Investing activities:		
Acquisition of tangible and intangible assets	(96.561)	(106.188)
Net cash used in investing activities	**(94.236)**	**(105.211)**
Financing activities:		
Proceeds from bank borrowings	29.570	263.350
Repayment of bank borrowings	(210.413)	(387.962)
Other payables to related parties	142.372	-
Net cash provided by financing activities	**(76.664)**	**(140.728)**
Cash and cash equivalents at the beginning of the period	18.040	25.887
Cash and cash equivalents at the end of the period	163.089	18.040

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

(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
1 January -31 December 2014				
Revenue	4.894.641	2.864.288	8.374	7.767.303
Cost of sales	(3.950.196)	(2.236.445)	(10.778)	(6.197.419)
Gross profit	944.445	627.843	(2.404)	1.569.884
Depreciation and amortization	156.720	113.607	368	270.695
1 January -31 December 2013				
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	134.117	103.388	322	237.827

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

NOTE 4 - SEGMENT REPORTING (Cont'd)

Capital expenditure

	Television and Electronical devices	White goods	Other	Total
1 January -31 December 2014	286.470	109.107	483	396.060
1 January -31 December 2013	141.159	107.765	29.159	278.083

Geographical segments:

Segment revenue	1 January - 31 December 2014	1 January - 31 December 2013
Turkey	2.405.402	1.785.789
Europe	5.248.597	4.052.005
Other	538.078	667.949
Gross segment sales	8.192.077	6.505.743
Discounts (-)	(424.774)	(287.786)
Net sales	**7.767.303**	**6.217.957**

The amount of export for the period 1 January -31 December 2014 is 5.786.675 thousand TL (1 January - 31 December 2013: 4.719.954 thousand TL). Export sales are denominated in EUR, USD and other currencies as 49,4%, 49,6% and 0,9% of total exports respectively. (1 January -31 December 2013: 51,1% EUR, 48,1% USD, 0,8% other).

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.

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

NOTE 5- CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash	544	564
Bank deposits		
- Demand deposits	383.110	220.812
- Time deposits	123.405	55.243
Cheques and notes	30.687	16.827
Other	28.005	14.244
Blocked deposits	52.922	43.288
Cash and cash equivalents	**618.673**	**350.978**

Effective interest rates

	31 December 2014	31 December 2013
EUR	0,59%	0,63%
TL	9,63%	7,25%
USD	0,72%	0,92%

As of 31 December 2014 and 2013 the Group's time deposits have an average maturity of 1 month.

NOTE 6 – FINANCIAL ASSETS

		Ownership		Amount	
		31 December		31 December	
	Country	2014	2013	2014	2013
Financial assets available for sale:					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	< %1	< %1	4.425	2.085
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
				4.498	**2.158**

The Group's publicly traded available for sale financial asset Zorlu Enerji Elektrik Üretim A.Ş.'s fair value decrease of 2.340 TL (31 December 2013: 235 TL fair value decrease) is recognized in consolidated shareholders' equity considering 468 TL of deferred tax (31December 2013: 47 TL).

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

NOTE 6 – FINANCIAL ASSETS (Cont'd)

		Ownership		Amount	
		31 December		31 December	
Non-consolidated subsidiaries :	**Country**	**2014**	**2013**	**2014**	**2013**
Vestel Ventures Ar-ge A.Ş.	Turkey	100%	-	1.776	-
Vestel Poland sp. z.o.o. (*)	Poland	100%	-	9	-
Vestel Elektronica SRL	Romania	100%	100%	1.778	1.778
Vestel Central Asia	Kazakhstan	100%	100%	8.989	8.989
Vestel Electronics Shanghai Trading Co. Ltd	China	100%	100%	288	288
Uts-United Technical Services, S.R.O	Slovakia	100%	100%	6	6
				12.846	**11.061**
Impairment of subsidiaries (-)					
Vestel Elektronica SRL				(1.778)	(1.778)
Vestel Central Asia				(8.989)	(8.989)
				2.079	**294**

(*) Refer to: note 33

NOTE 7 – FINANCIAL LIABILITIES

	31 December 2014	31 December 2013
Short term financial liabilities		
Short term bank loans	325.436	265.296
Short term portion of long term bank loans	125.889	296.172
	451.325	**561.468**
Long term financial liabilities		
Long term bank loans	1.198.207	438.549
	1.198.207	**438.549**

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

NOTE 7 – FINANCIAL LIABILITIES (Cont'd)

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

	31 December 2014			31 December 2013		
Currency	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- USD	2,38%	25.214	58.468	-	-	-
- EUR	1,42%	8.495	23.963	-	-	-
- TL	10,21%	243.005	243.005	9,53%	265.296	265.296
			325.436			**265.296**

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

	31 December 2014			31 December 2013		
Currency	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- USD	3,96%	13.559	31.442	4,29%	54.499	116.318
- EUR	2,96%	5.096	14.375	5,07%	24.658	72.409
- TL	12,32%	80.072	80.072	13,26%	107.445	107.445
Short term portion			**125.889**			**296.172**
- USD	3,73%	68.536	158.927	3,86%	28.980	61.851
- EUR	3,53%	52.056	146.834	3,72%	6.524	19.159
- TL	12,02%	892.446	892.446	9,20%	357.539	357.539
Long term portion			**1.198.207**			**438.549**
			1.324.096			**734.721**

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

NOTE 7 – FINANCIAL LIABILITIES (Cont'd)

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

	December 2014	31 December 2013
One to two years	1.051.734	272.697
Two to three years	54.767	153.281
Three to four years	38.534	12.571
Four years and over	53.172	-
	1.198.207	**438.549**

Total amount of Group's floating bank loans is 289.529 thousand TL (31 December 2013: 146.473 thousand TL).

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

	31 December 2014	31 December 2013
6 months or less	289.529	146.473
	289.529	**146.473**

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

Guarantees given for the bank loans obtained are presented in note 17, interest rate sensitivity analysis is disclosed in note 31.

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

NOTE 8 – RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 December 2014	31 December 2013
Vestel Central Asia	21.399	31.559
UTS- United Technical Services, Spol S.R.O.	8.821	4.545
Vestel Elektronica S.R.L.	17.936	10.691
Other related parties	6.317	1.659
	54.473	48.454
Unearned interest on receivables (-)	(24)	(14)
	54.449	**48.440**

b) Short term trade payables to related parties

	31 December 2014	31 December 2013
ABH Turizm Temsilcilik ve Ticaret A.Ş.	1.841	1.476
Other related parties	3.232	1.545
	5.073	3.021
Unearned interest on payables (-)	(9)	(4)
	5.064	**3.017**

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

NOTE 8 – RELATED PARTY DISCLOSURES (Cont'd)

c) Other short term receivables from related parties

	31 December 2014	31 December 2013
Zorlu Holding A.Ş.	167.822	-
Z.F.S Financial Services Ireland	9.276	4.269
	177.098	**4.269**

d) Other long term receivables from related parties

Z.F.S Financial Services Ireland	46.026	61.562
Zorlu Holding A.Ş.	358.429	81.855
	404.455	**143.417**

As of 31 December 2014 the annual average effective interest rate of other receivables from Z.F.S Financial Services Ireland and Zorlu Holding denominated in USD is between 5% - 7,5%.

e) Transactions with related parties

	1 January - 31 December 2014	1 January - 31 December 2013
Sales		
UTS- United Technical Services, Spol S.R.O.	9.074	8.070
Zorlu Yapı Yatırım A.Ş	2.494	6.652
Vestel Electronica S.R.L.	11.109	5.500
Other related parties	9.691	8.876
	32.368	**29.098**

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

NOTE 8 – RELATED PARTY DISCLOSURES (Cont'd)

	1 January - 31 December 2014	1 January - 31 December 2013
Operating expenses		
ABH Turizm Temsilcilik ve Ticaret A.Ş.	21.141	15.104
Other related parties	27.971	13.325
	49.112	**28.429**
Other income from operating activities		
Other related parties	2.267	4.976
	2.267	**4.976**
Other operating expense		
Other related parties	1.746	5.160
	1.746	**5.160**
Financial income		
Z.F.S Financial Services Ireland	10.334	16.048
Zorlu Holding A.Ş.	91.273	25.418
	101.607	**41.466**

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

g) 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 2014 is 19.433 thousand TL (1 January -31 December 2013: 17.137 thousand TL).

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

NOTE 9 – TRADE RECEIVABLES AND PAYABLES

	31 December 2014	31 December 2013
Short term trade receivables		
Trade receivables		
- Related parties (note 8)	54.473	48.454
- Other parties	1.496.004	1.314.874
Cheques and notes receivables	418.944	280.860
Other	69.161	66.216
	2.038.582	1.710.404
Unearned interest expense (-)		
- Related parties (note 8)	(24)	(14)
- Other parties	(17.613)	(14.343)
Allowance for doubtful receivables (-)	(89.062)	(68.079)
Total short term trade receivables	**1.931.883**	**1.627.968**
Long term trade receivables		
Receivables from other parties	97.452	95.951
Cheques and notes receivables	23.995	3.919
Unearned interest expense (-)	(3.089)	(488)
Total long term trade receivables	**118.358**	**99.382**

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 2014	1 January - 31 December 2013
Opening balance, 01 January	**68.079**	**112.691**
Current year additions	38.473	11.375
Correction (note 2.3)	-	(2.529)
Provisions no longer required	(2.349)	(11.974)
Doubtful receivables written-off	(14.149)	(42.653)
Currency translation differences	(992)	1.169
Balance at 31 December	**89.062**	**68.079**

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

NOTE 9 – TRADE RECEIVABLES AND PAYABLES (Cont'd)

	31 December 2014	31 December 2013
Short term trade payables		
Trade payables		
- Related parties (note 8)	5.073	3.021
- Other parties	3.714.117	2.807.956
Notes payables		
- Other parties	4.766	6.337
Other	69	62
	3.724.025	2.817.376
Unearned interest income (-)		
- Related parties (note 8)	(9)	(4)
- Other parties	(3.840)	(1.741)
Total short term trade payables	**3.720.176**	**2.815.631**

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

NOTE 10 – OTHER RECEIVABLES

	31 December 2014	31 December 2013
Short term other receivables		
VAT receivable	170.470	120.331
Receivables from related parties (note 8)	177.098	4.269
Deposits and guarantees given	27.719	24.256
Other	91.694	97.189
	466.981	**246.045**
Allowance for doubtful receivables (-)	(89.376)	(89.376)
	377.605	**156.669**

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

NOTE 10 – OTHER RECEIVABLES (Cont'd)

	31 December 2014	31 December 2013
Long term other receivables		
Deposits and guarantees given	15.197	15.965
Receivables from related parties (note 8)	404.455	143.417
Other	9.616	8.278
	429.268	167.660
Allowance for doubtful receivables (-)	(8.278)	(8.278)
	420.990	**159.382**

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 2014	1 January - 31 December 2013
Opening balance, 01 January	**97.654**	**97.654**
Current year additions	-	-
Provisions no longer required	-	-
Balance at 31 December	**97.654**	**97.654**

NOTE 11 – INVENTORIES

	31 December 2014	31 December 2013
Raw materials	875.075	612.638
Work in process	100.486	44.901
Finished goods	689.531	555.833
Merchandise	73.083	69.193
Other	8.203	1.484
	1.746.378	1.284.049
Provision for impairment on inventories (-)	(23.448)	(15.597)
	1.722.930	**1.268.452**

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

NOTE 11 – INVENTORIES (Cont'd)

Cost of the inventory included in the consolidated statement of comprehensive income in the period 1 January – 31December 2014 is 5.638.003 thousand TL (2013: 4.670.649 thousand TL)

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

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

	31 December 2014	31 December 2013
Raw materials	7.811	9.551
Finished goods and merchandise	15.637	6.046
	23.448	**15.597**

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

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance, 1 January	**15.597**	**23.211**
Current year additions	23.502	12.501
Realised due to sale of inventory	(15.409)	(20.832)
Currency translation differences	(242)	717
Balance at 31 December	**23.448**	**15.597**

NOTE 12 – PREPAID EXPENSES

	31 December 2014	31 December 2013
Prepaid expenses in current assets		
Order advances given	68.316	45.526
Prepaid expenses	19.133	13.639
Business advances given	2.041	2.112
	89.490	**61.277**
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	7.513	4.321
Prepaid expenses	1.213	220
	8.726	**4.541**

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

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2014	Additions	Disposals	Currency translation differences	Transfers	31 December 2014
Cost or revaluation						
Land	163.994	-	-	(4.785)	-	159.209
Land improvements	49.190	793	(4)	(4.990)	234	45.223
Buildings	588.433	16.337	(19)	(62.301)	4.589	547.039
Leasehold improvements	120.237	5.113	-	(48)	-	125.302
Plant and machinery	1.401.366	191.000	(25.980)	(36.510)	48.649	1.578.525
Motor vehicles	4.938	58	(126)	(192)	736	5.414
Furniture and fixtures	224.021	42.133	(2.080)	(1.969)	938	263.043
Other tangible assets	849	-	-	-	-	849
Construction in progress	25.813	32.205	-	-	(55.146)	2.872
	2.578.841	**287.639**	**(28.209)**	**(110.795)**	**-**	**2.727.476**
Accumulated depreciation						
Land improvements	-	11.628	(2)	(718)	-	10.908
Buildings	-	16.168	(13)	(8.735)	-	7.420
Leasehold improvements	88.439	6.939	-	(16)	-	95.362
Plant and machinery	948.759	161.407	(24.191)	(20.417)	-	1.065.558
Motor vehicles	2.533	936	(111)	(162)	-	3.196
Furniture and fixtures	161.767	20.468	(1.504)	(1.631)	-	179.100
Other tangible assets	844	1	-	-	-	845
	1.202.342	**217.547**	**(25.821)**	**(31.679)**	**-**	**1.362.389**
Net book value	**1.376.499**					**1.365.087**

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

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	1 January 2013	Correction (note 2.3)	Additions	Disposals	Currency translation differences	Transfers	Revaluation fund increase	31 December 2013
Cost								
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
	2.402.569	**(51.213)**	**204.978**	**(106.557)**	**21.982**	**(58)**	**107.140**	**2.578.841**
Accumulated depreciation								
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
	1.135.710	**(15.486)**	**195.470**	**(99.071)**	**9.215**	**-**	**(23.496)**	**1.202.342**
Net book value	**1.266.859**							**1.376.499**

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

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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 2014 mainly consist of machinery and equipment investments made to television and electronic devices factory, first and second refrigerator, washing machine, cooker and dishwasher factories.

As of 31 December 2014 the Group does not have property, palnt and equipment pledged (31 December 2013: None).

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 2014	**1 January - 31 December 2013**
Cost of sales	179.415	160.804
Research and development expenses	57.587	45.752
Marketing, selling and distribution expenses	19.431	19.345
General administrative expenses	12.527	10.009
Other operating expense (idle capacity depreciation expense)	1.735	1.917
	270.695	**237.827**

Movements in revaluation fund of land, land improvements and buildings in years 2014 and 2013 is disclosed in note 27.

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

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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 2014 and 2013 are as follows:

	Land	Buildings, land improvements
31 December 2014		
Cost	31.822	317.464
Less: Accumulated depreciation	-	(102.246)
Net book value	**31.822**	**215.218**
31 December 2013		
Cost	32.266	325.316
Less: Accumulated depreciation	-	(104.957)
Net book value	**32.266**	**220.359**

NOTE 14 – INTANGIBLE ASSETS

	1 January 2014	Additions	Disposals	Currency translation differences	Transfers	31 December 2014
Cost						
Rights	56.896	3.535	-	-	-	60.431
Development cost	358.959	97.133	(1.703)	-	-	454.389
Other intangible assets	67.470	7.753	-	-	-	75.223
	483.325	**108.421**	**(1.703)**	**-**	**-**	**590.043**
Accumulated amortization						
Rights	34.603	2.677	-	-	-	37.280
Development cost	170.660	42.821	-	-	-	213.481
Other intangible assets	47.196	7.650	-	-	-	54.846
	252.459	**53.148**	**-**	**-**	**-**	**305.607**
Net book value	**230.866**					**284.436**

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

NOTE 14 – INTANGIBLE ASSETS (Cont'd)

	1 January 2013	Additions	Disposals	Currency translation differences	Transfers	31 December 2013
Cost						
Rights	53.727	2.665	-	417	87	56.896
Development cost	293.378	66.109	(441)	-	(87)	358.959
Other intangible assets	62.952	4.331	-	129	58	67.470
	410.057	**73.105**	**(441)**	**546**	**58**	**483.325**
Accumulated amortization						
Rights	31.633	2.569	-	401	-	34.603
Development cost	138.935	31.725	-	-	-	170.660
Other intangible assets	38.234	8.878	-	84	-	47.196
	208.802	**43.172**	**-**	**485**	**-**	**252.459**
Net book value	**201.255**					**230.866**

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

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

NOTE 15 - GOODWILL

	31 December 2014	31 December 2013
Cost at the begining of the period	**202.433**	**202.433**
Impairment	(4.640)	-
Closing value	**197.793**	**202.433**

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 2014	31 December 2013
White goods	168.543	168.543
Television and electronic devices	26.998	31.638
Software	2.252	2.252
	197.793	**202.433**

Impairment of the goodwill amount relating to the listed subsidiary of the Group is tested through the evaluation of the fair value determined on the average transaction amounts effective as of the balance sheet date as recoverable amount.

The recoverable amount of the goodwill relating to the non-listed subsidiary of the Group is assessed by reference to value in use. Post-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.

(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 Undersecreteriat of Treasury.

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to 10.254 thousand TL for the period 1 January - 31 December 2014 (1 January - 31 December 2013: 8.147 thousand TL).

Brand support incentive Turquality obtained from Republic of Turkey Prime Ministry Undersecreteriat of Treasury amounts to 10.685 thousand TL in year 2014 (2013: 9.148 thousand TL).

NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2014	31 December 2013
Short term provisions		
Warranty and assembly provision	84.775	82.352
Other provisions	45.300	42.064
Provision for lawsuit risks	10.802	3.627
	140.877	**128.043**
Long term provisions		
Warranty and assembly provision	**23.415**	**21.146**

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

NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

As of 31 December 2014 and 2013 movements of warranty and assembly provisions are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance, 1 January	**103.498**	**93.302**
Current year additions	194.147	159.364
Provisions no longer required	(189.455)	(149.168)
Balance at 31 December	**108.190**	**103.498**

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 2014, it will not have a significant impact on the consolidated financial statements of the Group as of 31 December 2014.

c) Guarantees received by the Group

Guarantee letters, collaterals, cheques and notes received

	31 December 2014	31 December 2013
Guarantee letters	194.876	166.524
Cheques and notes	47.050	62.230
Collaterals and pledges	746.463	681.765
	988.389	**910.519**

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.

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

NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2014				
A. CPM's given on behalf of its own legal entity	1.686	39.395	63.535	178.566
B. CPM's given on behalf of fully consolidated subsidiaries (*)	2.244.072	377.458	2.588.217	8.856.691
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	84.920	-	132.103	329.024
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.	84.920	-	132.103	329.024
iii.Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**2.330.678**	**416.853**	**2.783.855**	**9.364.281**

(*) 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

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

NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2013				
A. CPM's given on behalf of its own legal entity	2.636	25.033	79.184	158.319
B. CPM's given on behalf of fully consolidated subsidiaries	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.	-	-	-	-
Total	**2.210.906**	**438.555**	**2.438.112**	**8.444.665**

The Group has blocked deposit of 52.300 thousand TL in favor of its subsidiary (31 December 2013: 41.800 thousand TL). As of 31 December 2014 proportion of other CPM's given by the Group to its equity is 24% (31 December 2013: 17%).

NOTE 18 – COMMITMENTS

As of the balance sheet date the Group has committed to realize exports amounting to 742.736 thousand USD (31 December 2013: 741.733 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2014 the Group has forward foreign currency purchase contract that amounts to 1.148.196 thousand USD, 140.204 thousand EUR, 4.232 thousand CHF, 804 thousand RUB, 2.791 thousand GBP and 332.461 thousand TL against forward foreign currency sales contract that amounts to 286.643 thousand USD, 518.100 thousand EUR, 804 thousand RUB, 4.232 thousand CHF, 20.172 thousand GBP and 1.135.338 thousand TL (31 December 2013 : 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).

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

NOTE 19 - EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2014	31 December 2013
Due to personnel	45.679	30.677
Social security payables	15.161	11.242
	60.840	**41.919**

Long term provisions for employee benefits:

	31 December 2014	31 December 2013
Provision for employment termination benefits	**73.768**	**40.262**

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 March1981, No.2422 and 25 August1999, 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 2014 (31 December 2013: 3.254,44 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 2014, the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31 December 2014 provision is calculated based on real discount rate of 2,26% (31 December 2013: 4,54%) assuming 6% annual inflation rate and 8,40% discount rate.

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

NOTE 19 – EMPLOYEE BENEFITS (Cont'd)

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

	1 January - 31 December 2014	1 January - 31 December 2013
Balance at 1 January	**40.262**	**41.529**
Increase during the year	10.345	12.390
Payments during the year	(9.544)	(11.835)
Actuarial (gain) /loss	28.378	(1.187)
Interest expense	4.327	2.582
Correction (note 2.3)	-	(3.217)
Balance at 31 December	**73.768**	**40.262**

NOTE 20 – EXPENSES BY NATURE

	1 January - 31 December 2014	1 January - 31 December 2013
Raw materials, supplies and finished goods	5.638.003	4.670.649
Changes in finished goods, work in process, trade goods	(193.173)	(167.295)
Personnel expenses	551.897	432.633
Depreciation and amortization	268.960	235.910
Warranty and assembly expenses	194.147	159.364
Transportation expenses	180.283	152.568
Advertising expenses	62.992	58.754
Other	610.659	519.617
	7.313.768	**6.062.200**

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

NOTE 21 – OTHER ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
Other current assets		
VAT carried forward	17.664	28.847
Other	3.868	7.665
	3.868	**7.665**
Other non - current assets		
Assets held for sale	13.566	9.991
	13.566	**9.991**

	31 December 2014	31 December 2013
Other current liabilities		
Advances received	99.965	65.599
Taxes and dues payable	30.379	18.903
Other	33.780	20.764
	164.124	**105.266**

NOTE 22 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	31 December 2014	31 December 2013
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

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

NOTE 22 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

As of 31 December 2014 and 31 December 2013 the shareholding structures are as follows:

	Shareholding %		Amount	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Zorlu Holding A.Ş.	64,41%	64,41%	216.054	216.054
Shares held by public				
Other shareholders	22,46%	22,46%	75.355	75.355
Zorlu Holding A.Ş.	13,13%	13,13%	44.047	44.047
	100,00%	**100,00%**	**335.456**	**335.456**

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 2014	31 December 2013
Adjustments to share capital	**688.315**	**688.315**

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

NOTE 22 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

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 2014	31 December 2013
Share premium	**103.078**	**95.566**

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.

Legal reserves	**28.314**	**28.314**

e) Revaluation reserve

Fair value gains on financial assets	2.236	364
Revaluation of property, plant and equipment	435.434	443.773
	437.670	**444.137**

f) Accumulated deficit

Extraordinary reserves	415.036	415.036
Previous year's loss	(869.337)	(774.051)
Other inflation adjustment of share capital	119.718	119.718
	(334.583)	**(239.297)**

NOTE 22 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

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, the net period income is allocated after deducting the accumulated losses from the previous years, if any, as follows:

- **a)** As per Article 519 of the Turkish Commercial Code, 5% is allocated to a general legal reserve.
- **b)** A dividend is allocated from the remaining amount, at the rate determined by the General Assembly over an amount to be found after the addition of a donation, which is made in line with the Turkish Commercial Code and Capital Market Legislation.
- **c)** After the deductions above, the General Assembly has the right to decide how to allocate the dividend to members of the board of directors and officers, employees and workers, foundations established with various purposes, and similar persons and corporations.
- **d)** After the amounts stated in paragraph (a), (b) and (c) are deducted from the net period profit, the General Assembly is authorised to allocate the remaining amount as a second dividend or to allocate the remaining amount to its own reserve as per Article 521 of the Turkish Commercial Code.
- **e)** One tenth of the amount obtained after a dividend of 5% of the paid in capital and other legal reserve are deducted from the amount that is agreed to be allocated to the shareholders and other persons participating to the profit is added to the general legal reserve as per paragraph (c) of the second clause of article 519 of the Turkish Commercial Code.

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

NOTE 23 – SALES

	1 January - 31 December 2014	1 January - 31 December 2013
Domestic sales	2.405.402	1.785.789
Overseas sales	5.786.675	4.719.954
Gross sales	**8.192.077**	**6.505.743**
Sales discounts (-)	(424.774)	(287.786)
Net sales	**7.767.303**	**6.217.957**
Cost of sales	(6.197.419)	(5.133.478)
Gross profit	**1.569.884**	**1.084.479**

NOTE 24 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) General administrative expenses:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	70.066	61.295
Depreciation and amortization	12.527	10.009
Other	104.400	89.979
	186.993	**161.283**

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

NOTE 24 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (Cont'd)

b) Marketing expenses:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	115.460	80.948
Depreciation and amortization	19.431	19.345
Other	691.326	570.926
	826.217	**671.219**

c) Research and development expenses:

Personnel expenses	20.299	13.886
Depreciation and amortization	57.587	45.752
Other	25.253	36.582
	103.139	**96.220**

NOTE 25 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January - 31 December 2014	1 January - 31 December 2013
Credit finance gains arising from trading activities	98.054	65.675
Foreign exchange gains arising from trading activities	83.980	270.119
Reversals of provisions	2.208	8.896
Other income	48.730	46.991
	232.972	**391.681**

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

NOTE 25 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES (Cont'd)

b) Other expense from operating activities:

	1 January - 31 December 2014	1 January - 31 December 2013
Debit finance charges arising from trading activities	73.714	58.432
Foreign exchange expenses arising from trading activities	256.911	282.132
Provision expenses	55.719	3.731
Provision for impairment on subsidiary	-	10.767
Other expenses	53.763	55.695
	440.107	**410.757**

NOTE 26 – FINANCIAL EXPENSE AND FINANCIAL INCOME

a) Financial expense:

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange losses	152.713	178.140
Losses on derivative financial instruments	271.048	161.962
Interest and commision expense	164.364	116.456
Other finance expenses	2.057	5.570
	590.182	**462.128**

b) Financial income:

Foreign exchange gains	124.268	52.253
Gains on derivative financial instruments	294.539	145.664
Interest income	51.465	24.690
	470.275	**222.607**

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

NOTE 27 – ANALYSIS OF OTHER COMPREHENSVE INCOME ITEMS

a) Fixed assets revaluation fund:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance, 1 January	**443.773**	**361.794**
Correction (note 2.3)	-	(23.529)
Depreciation transfer upon revaluation reserves - net of deferred tax	(20.985)	(10.805)
Net depreciation transfer upon revaluation reserves attributable to non-controlling interests	4.607	464
Increase in reserves arising from revaluation of land, buildings and land improvements	-	130.635
Deferred tax income calculated over increase in revaluation reserves	-	(23.442)
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	8.039	11.774
Balance at 31 December	**435.434**	**443.773**

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

NOTE 27 – ANALYSIS OF OTHER COMPREHENSVE INCOME ITEMS (Cont'd)

b) Cash flow hedge fund:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance, 1 January	(12.960)	-
Profit/ (loss) from cash flow hedges	61.357	(16.802)
Deferred tax calculated over cash flow hedge fund	(12.271)	3.360
(Profit) / loss from cash flow hedges attributable to non-controlling interests	(1.660)	601
Deferred tax calculated over profit / (loss) from cash flow hedges attributable to non-controlling interests	332	(119)
Transactions with non-controlling interests	(275)	-
Balance at 31 December	**34.523**	**(12.960)**

c) Actuarial gain / loss arising from defined benefit plans:

Opening balance, 1 January	**(1.360)**	**(2.100)**
Actuarial gain/ loss arising from defined benefit plans	(28.378)	1.187
Deferred tax calculated over actuarial gain/ loss arising from defined benefit plans	5.676	(237)
Actuarial gain/ loss arising from defined benefit plans attributable to non-controlling interests	615	(116)
Deferred tax calculated over actuarial gain/ loss arising from defined benefit plans attributable to non-controlling interests	(123)	23
Transactions with non-controlling interests	(13)	(117)
Balance at 31 December	**(23.583)**	**(1.360)**

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

NOTE 28 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2014	31 December 2013
Corporation and income taxes	25.386	3.707
Prepaid taxes (-)	(21.162)	(2.737)
Current income tax liabilities - net	**4.224**	**970**
Deferred tax liabilities	(54.886)	(60.141)
Deferred tax assets	39.219	41.279

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 14th day of the following month and paid until the 17th day. Advance tax returns files within the year are offset against corporate income tax calculated over the annual taxable corporate income.

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of tangible assets and investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity 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.

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

NOTE 28 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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.

Russian Federation

In Russia, corporate tax rate applicable is 20% (2013: 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 occurs 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 2014 and 2013 tax benefit in the consolidated statement of income is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Current period tax expense	(24.456)	(2.379)
Deferred tax benefit	2.088	11.734
Total tax (expense) / benefit	**(22.368)**	**9.355**

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

NOTE 28 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

	1 January - 31 December 2014	1 January - 31 December 2013
Profit / (loss) before tax	**126.490**	**(102.840)**
Local tax rate	20%	20%
Tax income calculated using local tax rate	(25.298)	20.568
Carry forward tax losses	6.939	8.954
Effect of unused tax losses for which no deferred tax asset was recognised	(34.028)	(24.221)
Carry forward tax losses utilized	1.829	9.637
Non-deductible expenses	(7.027)	(10.757)
Adjustments with no tax effects	11.740	(7.786)
Research and development incentives	17.386	12.598
Reduced taxation	6.091	362
Total tax (expense) / benefit	**(22.368)**	**9.355**

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 2013:%20).

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

NOTE 28 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

	Cumulative temporary differences		Deferred tax	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Deferred tax assets				
Employment termination benefits	(73.768)	(40.262)	13.471	7.697
Warranty provision	(63.980)	(58.230)	12.796	11.646
Provision for doubtful receivables	(163.670)	(147.920)	32.734	29.584
Unearned interest expense	(25.050)	(12.244)	5.010	2.449
Provision for impairment on inventories	(13.465)	(9.885)	2.693	1.977
Derivative financial instruments	(40.735)	(51.655)	8.147	10.445
Carryforward tax losses	(60.564)	(105.445)	12.113	21.089
Other	(86.815)	(68.520)	17.363	13.704
			104.327	**98.591**

	Cumulative temporary differences		Deferred tax	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Deferred tax liabilites				
Income accruals of derivative transactions	83.670	491	(16.734)	(98)
Useful life and valuation differences on property, plant and equipment and intangible assets	92.140	129.250	(18.428)	(25.850)
Revaluation of tangible fixed assets	527.284	548.269	(83.012)	(90.086)
Other	9.100	7.095	(1.820)	(1.419)
			(119.994)	**(117.453)**
Deferred tax liabilites - net			**(15.667)**	**(18.862)**

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

NOTE 28 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

25.869 thousand TL of carry forward tax loses expires in 2017. The Group has also R&D deduction of 34.695 thousand TL due to the incentives obtained under the jurisdiction of the research and development law.

	31 December 2014	31 December 2013
Subsidiares with net deferred tax liabilities	(54.886)	(60.141)
Subsidiares with net deferred tax assets	39.219	41.279

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

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance, 1 January	**(18.862)**	**(4.714)**
Tax benefit recognized in income statement	2.088	11.734
Disposal from the scope of consolidation (note 2.3)	-	(8.403)
Recognized in shareholders' equity	(7.063)	(20.272)
Currency translation differences	8.170	2.793
Deferred tax (liabilities) / assets at the end of the period, net	**(15.667)**	**(18.862)**

NOTE 29 – EARNINGS / (LOSS) PER SHARE

	1 January - 31 December 2014	1 January - 31 December 2013
Net income / (loss) attributable to equity holders of the parent	97.376	(99.721)
Weighted number of ordinary shares with a Kr 1 of face value (thousand shares)	33.546.000	33.546.000
	0,29	**(0,30)**

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

NOTE 30 - DERIVATIVE INSTRUMENTS

	31 December 2014		31 December 2013	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
Held for trading				
Forward foreign currency transactions	2.343.096	(15.618)	1.150.045	(17.971)
Foreign currency swap contracts	140.000	(23.121)	220.000	(10.191)
Cash flow hedge				
Forward foreign currency transactions	1.067.361	82.527	1.084.704	(23.984)
	3.550.457	**43.788**	**2.454.749**	**(52.146)**

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.

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

NOTE 31 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2014 and 2013 gearing ratios are as follows:

	31 December 2014	31 December 2013
Total financial liabilities (note 7)	1.649.532	1.000.017
Cash and cash equivalents (note 5)	(618.673)	(350.978)
Net debt	**1.030.859**	**649.039**
Total shareholders equity	1.370.649	1.345.190
Total capital invested	**2.401.508**	**1.994.229**
Gearing ratio	**43%**	**33%**

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.

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

NOTE 31 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	Receivables					
	Trade receivables		Other receivables			
31 December 2014	**Related party**	**Other party**	**Related party**	**Other party**	**Bank deposits**	**Other**
Maximum exposed credit risk as of 31 December 2014 (A+B+C+D)	**54.449**	**1.974.160**	**581.553**	**217.042**	**506.515**	**112.158**
- Secured portion of the maximum credit risk by guarantees, etc.	-	(1.412.462)	-	-	-	-
A.Net book value of financial assets either are not due or not impaired	54.449	1.512.304	581.553	217.042	506.515	112.158
- Secured portion by guarantees etc.	-	(1.229.136)	-	-	-	-
B. Financial assets with renegotiated conditions	-	103.089	-	-	-	-
C.Net book value of the overdue but not impaired financial assets	-	349.874	-	-	-	-
- Secured portion by guarantees etc.	-	(171.382)	-	-	-	-
D.Net book value of the impaired financial assets	-	8.893	-	-	-	-
-Over due (gross book value)	-	97.955	-	97.654	-	-
-Impairment (-)	-	(89.062)	-	(97.654)	-	-
-Secured portion of the net value by guarantees etc.	-	(11.944)	-	-	-	-

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

NOTE 31 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	Receivables					
	Trade receivables		Other receivables			
31 December 2013	**Related party**	**Other party**	**Related party**	**Other party**	**Bank deposits**	**Other**
Maximum exposed credit risk as of 31 December 2013 (A+B+C+D)	**48.440**	**1.678.910**	**147.686**	**168.365**	**276.055**	**74.923**
- Secured portion of the maximum credit risk by guarantees, etc.	-	(1.032.860)	-	-	-	-
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.	-	(863.719)	-	-	-	-
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)	-	-	-	-

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

NOTE 31 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Aging of financial assets which are overdue but not impaired is as follows:

	31 December 2014	31 December 2013
Overdue 1 - 30 days	108.694	132.577
Overdue 1 - 3 months	61.581	70.035
Overdue 3 - 12 months	152.118	66.397
Overdue 1 - 5 years	26.047	43.254
Overdue more than 5 years	1.434	2.318
Total	**349.874**	**314.581**

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.

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

NOTE 31 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2014 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 years	More than 5 years
Non-derivative financial liabilities						
Financial liabilities	1.649.532	1.774.052	258.678	201.392	1.251.463	62.519
Trade payables	3.720.176	3.724.025	1.595.627	2.128.398	-	-
Other payables	167.466	167.467	167.467	-	-	-
	5.537.174	**5.665.544**	**2.021.772**	**2.329.790**	**1.251.463**	**62.519**
Derivative financial instruments						
Derivative cash inflows		3.474.859	1.972.588	1.362.271	140.000	-
Derivative cash outflows		(3.325.255)	(1.948.426)	(1.320.291)	(56.538)	-
	(43.788)	**149.604**	**24.162**	**41.980**	**83.462**	**-**

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

NOTE 31 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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 years	More than 5 years
Non-derivative financial liabilities						
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	-	-	-
	3.946.500	**4.035.639**	**1.534.517**	**1.975.293**	**525.828**	**-**
Derivative financial instruments						
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)	-
	52.146	**(28.691)**	**(2.642)**	**(12.969)**	**(13.080)**	**-**

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.

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

NOTE 31 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2014	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	498.610	274.198	107.976	2.037.633
2a. Monetary financial assets (including cash and cash equivalents)	101.159	923	6.238	243.419
2b. Non-monetary financial assets	-	-	-	-
3. Other	80.554	-	1.874	188.671
4. Current assets (1+2+3)	**680.323**	**275.121**	**116.088**	**2.469.723**
5. Trade receivables	29.553	-	-	68.530
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	174.492	491	-	406.014
8. Non-current assets (5+6+7)	**204.045**	**491**	**-**	**474.544**
9. Total assets (4+8)	**884.368**	**275.612**	**116.088**	**2.944.267**
10. Trade payables	1.458.191	79.049	8.135	3.612.508
11. Financial liabilities	38.773	13.592	-	128.248
12a. Other monetary liabilities	1	-	190	192
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**1.496.965**	**92.641**	**8.325**	**3.740.948**
14. Trade payables	-	-	-	-
15. Financial liabilities	68.536	52.056	-	305.761
16a. Other monetary liabilities	-	474	-	1.337
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**68.536**	**52.530**	**-**	**307.098**
18. Total liabilities (13+17)	**1.565.500**	**145.171**	**8.325**	**4.048.046**
19. Off-balance sheet derivative instruments net asset / (liability) position (19a+19b)	**861.553**	**(377.896)**	**(64.640)**	**867.284**
19a. Hedged total assets	1.148.196	140.204	17.807	3.075.832
19b. Hedged total liabilities	(286.643)	(518.100)	(82.447)	(2.208.548)
20. Net foreign currency asset/ (liability) position (9-18+19)	**180.421**	**(247.455)**	**43.123**	**(236.495)**
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(936.178)**	**129.950**	**105.889**	**(1.698.464)**
22. Fair value of financial instruments used in foreign currency hedging	**-**	**-**	**-**	**43.788**
23. Export	1.209.127	910.422	50.252	5.786.675
24. Import	1.793.450	196.487	1.150	4.495.950

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

NOTE 31 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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
4. Current assets (1+2+3)	**444.453**	**272.636**	**82.553**	**1.831.745**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	96.374	17	-	205.741
8. Non-current assets (5+6+7)	**96.374**	**17**	**-**	**205.741**
9. Total assets (4+8)	**540.827**	**272.653**	**82.553**	**2.037.486**
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	-	-	-	-
13. Current liabilities (10+11+12)	**1.239.297**	**60.816**	**15.612**	**2.839.230**
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	-	-	-	-
17. Non-current liabilities (14+15+16)	**28.980**	**13.465**	**-**	**101.392**
18. Total liabilities (13+17)	**1.268.277**	**74.281**	**15.612**	**2.940.622**
19. Off-balance sheet derivative instruments net asset / (liability) position (19a+19b)	**749.329**	**(413.022)**	**(40.240)**	**346.213**
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)
20. Net foreign currency asset/ (liability) position (9-18+19)	**21.879**	**(214.650)**	**26.701**	**(556.923)**
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(825.317)**	**198.355**	**65.958**	**(1.113.047)**
22. Fair value of financial instruments used in foreign currency hedging	**-**	**-**	**-**	**(52.146)**
23. Export	1.084.515	868.667	-	4.719.954
24. Import	1.509.884	226.842	10.566	3.448.860

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

NOTE 31 – FINANCIAL INTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2014 and 2013 sensitivity analysis of foreign exchange rates is presented in below tables. Secured portions include impact of off-balance sheet derivative instruments.

	Gain / Loss		Equity	
31 December 2014	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(217.090)	217.090	(217.090)	217.090
Secured portion from USD risk (-)	52.215	(52.215)	122.079	(122.079)
USD net effect	**(164.875)**	**164.875**	**(95.011)**	**95.011**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	36.655	(36.655)	36.655	(36.655)
Secured portion from EUR risk (-)	(41.749)	41.749	(107.136)	107.136
EUR net effect	**(5.094)**	**5.094**	**(70.481)**	**70.481**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	10.589	(10.589)	10.589	(10.589)
Secured portion from other currency risk (-)	225	(225)	225	(225)
Other currency net effect	**10.814**	**(10.814)**	**10.814**	**(10.814)**

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

NOTE 31 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	Gain / Loss		Equity	
31 December 2013	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(176.147)	176.147	(176.147)	176.147
Secured portion from USD risk (-)	107.145	(107.145)	159.561	(159.561)
USD net effect	**(69.002)**	**69.002**	**(16.586)**	**16.586**
+/- 10% fluctuation of EUR rate:				
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
EUR net effect	**3.941**	**(3.941)**	**(63.717)**	**63.717**
+/- 10% fluctuation of other currency rates:				
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
Other currency net effect	**4.007**	**(4.007)**	**4.007**	**(4.007)**

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

NOTE 31 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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 2014	31 December 2013
Financial instruments with fixed interst rates		
Bank deposits	176.327	98.531
Financial liabilities	1.360.003	853.544
Financial instruments with floating interst rates		
Financial liabilities	289.529	146.473

For floating rate liabilities if as of 31 December 2014 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 5.685 TL (2013: 1.483 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.

NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Cont'd)

Fair value of financial instruments

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

The estimated fair values of financial 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 2014, the fair value of long term bank loans including short term portions as well is 1.324.096 thousand TL (31 December 2013: 734.721 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

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

NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Cont'd)

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

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	43.788	-	43.788
Financial investements	4.425	-	-	4.425
Financial liabilities				
Derivative financial liabilities	-	-	-	-

31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	-	-	-
Financial investements	2.085	-	-	2.085
Financial liabilities				
Derivative financial liabilities	-	(52.146)	-	(52.146)

An independent valuation of the Group's land, land improvements and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2013. The fair value of land, land improvements and buildings was determined using the inputs other than quoted prices (Level 2).

NOTE 33 – EVENTS AFTER THE REPORTING PERIOD

As of 31 December 2014, Vestel Poland sp. z.o.o. (Vestel Poland),100% subsidiary of Vestel Ticaret A.Ş , was established by acquisitton of a dormant company in Poland. Registy of Vestel Poland was completed as of 9 February 2015.