VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2014 TOGETHER WITH INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

Report on review of interim financial information

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

Introduction

1. We have reviewed the accompanying condensed consolidated statement of financial position of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries (collectively referred to as the "Group") as at 30 June 2014 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

2. We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying condensed consolidated interim financial information of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi is not prepared, in all material respects, in accordance with TAS 34.

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

Talar Gül, SMMM
Partner

Istanbul, 5 August 2014

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

	Notes	Reviewed 30 June 2014	Audited 31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents	5	559.726	350.978
Derivative financial instruments	25	6.475	491
Trade receivables		1.800.821	1.627.968
Related parties	8	59.503	48.440
Other parties	9	1.741.318	1.579.528
Other receivables		173.617	156.669
Related parties	8	53.747	4.269
Other parties	10	119.870	152.400
Inventories	11	1.496.187	1.268.452
Prepaid expenses	12	62.957	61.277
Current income tax assets		5.582	7.636
Other current assets	18	106.158	36.512
Total current assets		**4.211.523**	**3.509.983**
Non-current assets			
Financial investments	6	2.342	2.452
Trade receivables		107.809	99.382
Other parties	9	107.809	99.382
Other receivables		264.848	159.382
Related parties	8	249.293	143.417
Other parties	10	15.555	15.965
Prepaid expenses	12	12.455	4.541
Property, plant and equipment	13	1.368.508	1.376.499
Intangible assets		449.483	433.299
Goodwill		198.017	202.433
Other intagible assets	14	251.466	230.866
Other non-current assets	18	11.548	9.991
Deferred tax asset	23	41.547	41.279
Total non-current assets		**2.258.540**	**2.126.825**
TOTAL ASSETS		**6.470.063**	**5.636.808**

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2014 AND 31 DECEMBER 2013

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

	Notes	Reviewed 30 June 2014	Audited 31 December 2013
LIABILITIES			
Current liabilities			
Short term financial liabilities	7	576.651	265.296
Short term portion of long term financial liabilities	7	403.868	296.172
Trade payables		3.069.202	2.815.631
Related parties	8	5.415	3.017
Other parties	9	3.063.787	2.812.614
Liabilities for employee benefits	17	49.867	41.919
Other payables		2.782	4.455
Other parties		2.782	4.455
Derivative financial instruments	25	27.140	16.562
Current income tax liabilities	23	7.845	970
Short term provisions		128.946	128.043
Other short term provisions	15	128.946	128.043
Other current liabilities	18	183.591	105.266
Total current liabilities		**4.449.892**	**3.674.314**
Non-current liabilities			
Long term financial liabilities	7	447.376	438.549
Trade payables		-	20.381
Other parties		-	20.381
Long term provisions		64.202	61.408
Provision for employee benefits	17	40.611	40.262
Other long term provisions	15	23.591	21.146
Derivative financial instruments	25	5.779	36.075
Other non-current liabilities		750	750
Deferred tax liability	23	64.523	60.141
Total non-current liabilities		**582.630**	**617.304**
TOTAL LIABILITIES		**5.032.522**	**4.291.618**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2014 AND 31 DECEMBER 2013

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

	Notes	Reviewed 30 June 2014	Audited 31 December 2013
EQUITY			
Paid in capital	19	335.456	335.456
Adjustments to share capital	19	688.315	688.315
Share premium	19	102.816	95.566
Other comprehensive income/expense not to be reclassified to profit or loss		439.340	442.413
Revaluation gain/loss		439.340	442.413
- Revaluation of tangible fixed assets	19	442.401	443.773
- Actuarial gain/loss arising from defined benefit plans		(3.061)	(1.360)
Other comprehensive income/expense to be reclassified to profit or loss		13.511	11.641
Foreign currency translation differences		11.978	24.237
Cash flow hedges		1.249	(12.960)
Financial assets revaluation fund	19	284	364
Restricted reserves	19	28.314	28.314
Accumulated deficit	19	(338.633)	(239.297)
Net profit /(loss) for the period		125.180	(99.721)
Non-controlling interest		**43.242**	**82.503**
Total equity		**1.437.541**	**1.345.190**
TOTAL LIABILITIES AND EQUITY		**6.470.063**	**5.636.808**

Condensed consolidated financial statements for the interim period 1 January - 30 June 2014, were approved by the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. on 5 August 2014.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2014 AND 2013

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

	Notes	Reviewed 1 January - 30 June 2014	Reviewed 1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Revenue	20	3.622.151	2.802.279	1.924.787	1.540.023
Cost of sales		(2.833.753)	(2.314.794)	(1.520.762)	(1.252.615)
Gross profit		**788.398**	**487.485**	**404.025**	**287.408**
Marketing, selling and distribution expenses		(382.785)	(302.567)	(200.299)	(160.248)
General administrative expenses		(88.437)	(79.216)	(46.888)	(39.280)
Research and development expenses		(48.857)	(44.588)	(26.787)	(27.925)
Other operating income	21	91.101	138.719	15.699	86.040
Other operating expense	21	(119.213)	(159.459)	(24.666)	(100.701)
Operating profit / (loss)		**240.207**	**40.374**	**121.084**	**45.294**
Financial income	22	120.062	103.297	35.941	27.781
Financial expense	22	(210.567)	(214.139)	(73.564)	(133.334)
Profit / (loss) before tax		**149.702**	**(70.468)**	**83.461**	**(60.259)**
Tax benefit / (expense)					
Current tax expense	23	(15.290)	(673)	(7.037)	(625)
Deferred tax benefit	23	(4.580)	12.510	1.966	(604)
Net income / (loss) for the period		**129.832**	**(58.631)**	**78.390**	**(61.488)**
Attributable to:					
Non-controlling interests		4.652	4.314	2.005	334
Equity holders of the parent		125.180	(62.945)	76.385	(61.822)
Net income / (loss) for the period		**129.832**	**(58.631)**	**78.390**	**(61.488)**
Earnings / (Loss) per 100 shares with a Kr 1 of face value (TL)		**0,37**	**(0,19)**	**0,23**	**(0,18)**

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2014 AND 2013

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

	Reviewed 1 January - 30 June 2014	Reviewed 1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Other comprehensive income / (loss)				
Items not to be reclassified to profit or loss	**(1.721)**	**(626)**	**(1.721)**	**(626)**
Actuarial loss arising from defined benefit plans	(2.151)	(782)	(2.151)	(782)
Tax effect of other comprehensive income not to be reclassified to profit or loss	430	156	430	156
Deferred tax income / loss	430	156	430	156
Items to be reclassified to profit or loss	**2.287**	**(14.034)**	**5.310**	**(17.786)**
Currency translation differences	(12.259)	1.932	(914)	(1.068)
Fair value increse / decrase on available for sale financial assets	(100)	125	(20)	(815)
Cash flow hedges	18.282	(20.082)	7.800	(20.082)
Tax effect of other comprehensive income/ expense to be reclassified to profit or loss	(3.636)	3.991	(1.556)	4.179
Deferred tax income / loss	(3.636)	3.991	(1.556)	4.179
Other comprehensive income / (loss)	**566**	**(14.660)**	**3.589**	**(18.412)**
Total comprehensive income / (loss)	**130.398**	**(73.291)**	**81.979**	**(79.900)**
Attributable to:				
Non-controlling interests	4.777	1.626	2.070	(2.354)
Equity holders of the parent	125.621	(74.917)	79.909	(77.546)

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIODS
1 JANUARY - 30 JUNE 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				
Reviewed	**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	-	27.132	552	-	22.348	(136.346)	(112.825)	1.265.617	76.065	1.341.682
Impact of amendment in TAS 19	-	-	-	-	(2.417)	-	-	-	-	-	2.417	-	-	-
	335.456	688.315	79.191	361.794	(2.417)	27.132	552	-	22.348	(136.346)	(110.408)	1.265.617	76.065	1.341.682
Corrections	-	-	-	(31.124)	-	1.609	-	-	-	24.912	-	(4.603)	80.733	76.130
Transfer to accumulated deficit	-	-	-	-	-	-	-	-	-	(110.408)	110.408	-	-	-
Transfer to restricted reserves	-	-	-	-	-	-	-	-	3.493	(3.493)	-	-	-	-
Depreciation transfer	-	-	-	(5.049)	-	-	-	-	-	5.049	-	-	-	-
Total comprehensive income	-	-	-	-	(528)	1.932	100	(13.476)	-	-	(62.945)	(74.917)	1.626	(73.291)
Transactions with non-controlling interests	-	-	-	10.828	(81)	-	-	-	-	(12.496)	-	(1.749)	(43.780)	(45.529)
Balances at 30 June 2013	335.456	688.315	79.191	336.449	(3.026)	30.673	652	(13.476)	25.841	(232.782)	(62.945)	1.184.348	114.644	1.298.992
Reviewed														
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	-	-	-	(9.130)	-	-	-	-	-	9.130	-	-	-	-
Total comprehensive (loss) / income	-	-	-	-	(1.688)	(12.259)	(80)	14.468	-	-	125.180	125.621	4.777	130.398
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(1.594)	(1.594)
Transactions with non-controlling interests	-	-	7.250	7.758	(13)	-	-	(259)	-	(8.745)	-	5.991	(42.444)	(36.453)
Balances at 30 June 2014	335.456	688.315	102.816	442.401	(3.061)	11.978	284	1.249	28.314	(338.633)	125.180	1.394.299	43.242	1.437.541

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS
1 JANUARY - 30 JUNE 2014 AND 2013
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Reviewed 1 January - 30 June 2014	Reviewed 1 January - 30 June 2013
Operating activities:			
Profit / (loss) before tax		**149.702**	**(70.468)**
Adjustments to reconcile net cash provided from operating activities to profit before taxes:			
- Depreciation and amortization	13	131.904	115.090
- Goodwill impairment		4.416	-
- Impairment of subsidiaries		110	8.989
- Changes in other provisions		3.348	(255)
- Provision for employment termination benefits		3.159	9.288
- Provision for impairment on inventories	11	10.398	(5.494)
- Provision for doubtful receivables	9	30.683	15.604
- Interest expense	22	72.459	60.624
- Interest income	22	(7.141)	(7.324)
- (Gain) / loss from sales of tangible and intangible assets		(1.765)	(1.334)
- Derivative financial instruments (income) / expense accrual		(7.420)	(13.884)
- Unrealized foreign exchage differences		10.502	19.082
Change in blocked deposits	5	(9.649)	(44.964)
Changes in working capital:			
(Increase) / decrease in trade receivables		(211.963)	(223.835)
(Increase) / decrease in inventories		(236.295)	(237.817)
(Increase) / decerase in other receivables and other current assets		(35.129)	50.683
(Increase) / decrease in other non-current assets		(1.147)	(6.927)
Increase / (decrease) in trade payables		233.190	234.892
Increase / (decrease) in other payables and other liabilities		84.600	(14.282)
Cash flows from operating activities			
Employment termination benefits paid		(4.961)	(5.956)
Income taxes paid	23	(9.527)	(1.591)
Net cash provided by / (used in) operating activities		**209.474**	**(119.879)**

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS
1 JANUARY - 30 JUNE 2014 AND 2013
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

Investing activities:	**Notes**	**1 January - 30 June 2014**	**1 January - 30 June 2013**
Acquisition of tangible assets	13	(113.213)	(82.985)
Cash provided from sales of tangible and intangible assets		4.552	2.881
Acquisition of intangible assets	14	(46.523)	(36.173)
Increase in other receivables from related parties		(155.354)	-
Transactions with non-controlling interests		(36.453)	(45.529)
Correction		-	(10.927)
Net cash used in investing activities		**(346.991)**	**(172.733)**
Financing activities:			
Proceeds from bank borrowings		828.619	744.354
Repayment of bank borrowings		(424.270)	(376.574)
Interest paid		(59.432)	(26.929)
Interest received		7.141	7.324
Net cash provided by financing activities		**352.058**	**348.175**
Net increase/(decrease) in cash and cash equivalents before foreign currency translation differences		**214.541**	**55.563**
Effect of currency translation differences on cash and cash equivalents		(15.442)	1.932
Net increase/(decrease) in cash and cash equivalents		**199.099**	**57.495**
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	**506.789**	**389.172**

NOTE 1 – GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

The Group's refrigerator and air conditioner sales include the effects of seasonal variations whilst television and electronic devices and other segment sales are not materially affected by seasonality.

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.

As of 30 June 2014 the number of personnel employed at Group is 14.239 (31 December 2013: 13.673).

The Company's subsidiaries and associates are as follows:

Subsidiaries	Country	Nature of
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

Investements accounted for using equity method	Country	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 Group prepared its condensed interim consolidated financial statements for the period ended 30 June 2013 in accordance with the TAS 34 "Interim Financial Reporting" in the framework of the Communiqué Serial II, No: 14.1 and its related announcements. The condensed interim consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

In compliance with the TAS 34, entities have preference in presenting their interim consolidated financial statements whether full set or condensed. In this framework, Group preferred to present its interim consolidated financial statements in condensed.

Group's condensed interim consolidated financial statements do not include all disclosure and notes that should be included at year end financial statements. Therefore the condensed interim consolidated financial statements should be examined together with the year end financial statements.

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:	**30 June 2014**	**31 December 2013**
Turkish Lira / EUR	0,3458	0,3405
Turkish Lira / GBP	0,2771	0,2848
Turkish Lira / RUB	15,934	15,437

Average:	**1 January - 30 June 2014**	**1 January - 30 June 2013**
Turkish Lira / EUR	0,3371	0,4211
Turkish Lira / GBP	0,2775	0,3586
Turkish Lira / RUB	16,262	17,259

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 30 June 2014 and 31 December 2013, carrying value of those investment in associates accounted for by equity method is resulted as nil in the consolidated balance sheets.

The Group's voting rights and effective ownership rates in Vestel Savunma and Aydın Yazılım are 35% and 21% respectively (31 December 2013: 35%, 21%).

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

2.2 Changes in accounting policies

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

2.3. 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"**, 'exeptions 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) Other new standards, amendments and interpretations issued and effective as of 1 January 2014 have not been presented since they are not relevant to the operations of the 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:

- **TAS 19 (amandments), "Defined benefit plans"**, is effective for annual periods beginning on or after 1 January 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- **Annual improvements 2012,** Effective for annual periods beginning on or after 1 July 2014. Annual Improvements to TFRSs 2010–2012 Cycle amend the following 7 standards:
  - TFRS 2; Share-based Payment
  - TFRS 3 Business Combinations
  - TFRS 8, Operating Segments
  - TMS 16; Property, Plant and Equipment and TMS 38, Intangible Assets
  - TFRS 9, Financial Instruments: TAS 37, Provisions, Contingent Liabilities and Contingent Assets
  - TMS 39, Financial Instruments: Recognition and Measurement

- **Annual improvements 2013,** Effective for annual periods beginning on or after 1 July 2014. Annual Improvements to TFRSs 2011–2013 Cycle amend the following 4 standards:
  - TFRS 1; First-time Adoption of TFRS
  - TFRS 3, Business Combinations
  - TFRS 13, Fair Value Measurement
  - TAS 40, Investment Property

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

- **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.

- **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 revenuebased 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.

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

- **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'.

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.

2.4. Summary of significant accounting policies

2.4.1 Revenue recognition

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

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

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

2.4.2 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory. 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.

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

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.

2.4.3 Property, plant and equipment

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

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

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

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

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

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

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

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.

2.4.4 Intangible assets

a) Research and development costs

Research costs are recognized as expense in the period in which they are incurred. An intangible asset arising from development (or from the development phase of an internal project) 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.

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

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

b) Rights and other intangible assets

Rights and other intangible assets consist acquired computer software, computer software development costs and other identifiable rights. Rights and other intangible assets are recognized at their acquisition costs and are amortized on a straight line basis over their expected useful lives which are less than five years.

c) Goodwill

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

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

2.4.5 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.

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

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

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

Loans and receivables

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

Available for sale financial assets

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

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

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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.

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

For financial assets carried at amortized cost, if the amount of a past impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the impairment is reversed through profit or loss. However, the carrying amount should not be increased to an amount that exceeds what the amortized cost would have been at the date of the reversal had the impairment not been recognized.

For financial assets carried at cost, if there is objective evidence of impairment, the amount of the impairment loss is measured as the difference between carrying amount and the present value of estimated future cash flows discounted at the current rate of return for a similar financial asset. Once an impairment loss has been recognized on a financial asset recognized at cost, it is not permitted to recognize a reversal.

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

b) Financial liabilities

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

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

<u>Other financial liabilities</u>
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.

<u>Derivative financial instruments held for trading</u>

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.

<u>Cash flow hedges</u>

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)

2.4.6 Foreign currency transactions

Transactions in foreign currencies during the period are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary items denominated in foreign currencies are translated to TL at the rates prevailing on the balance sheet date. Exchange differences on foreign currency denominated monetary assets and liabilities are recognized in profit or loss in the period in which they arise except for the effective portion of the foreign currency hedge of net investments in foreign operations. on-monetary items which are denominated in foreign currency and measured with historical costs are translated using the exchange rates at the dates of initial transactions.

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.

2.4.7 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)

2.4.8 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.

2.4.9 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.

2.4.10 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.

2.4.11 Employee benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Group is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Employment termination benefits are considered as being part of defined retirement benefit plan as per TAS 19. All actuarial gains and losses are recognized in consolidated statements of income.

2.4.12 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)

2.4.13 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.

2.4.14 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.

2.4.15 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)

2.4.16 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.

2.4.17 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.

2.5. 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. <u>Income Taxes:</u>

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The 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 23).

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 and 2012 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. (note 13).

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

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.

- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.

- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

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

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 30 June 2014 and 31 December 2013 the Group's major subsidiaries are as follows:

	30 June 2014		31 December 2013	
Consolidated subsidiaries	**Voting rights**	**Effective ownership**	**Voting rights**	**Effective ownership**
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	94,3	94,3	87,7	87,7
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	100	100	99,4	99,4
Vestel Ticaret A.Ş.	100	100	100	100
Vestel CIS Ltd.	100	100	100	100
Deksar Multimedya ve Telekomünikasyon A.Ş.	99,9	99,9	99,9	99,9
Vestel Iberia SL	100	100	100	100
Vestel France SA	99,9	99,9	99,9	99,9
Vestel Holland BV	100	100	100	100
Vestel Germany GmbH	100	100	100	100
Cabot Communications Ltd.	90,8	90,8	90,8	90,8
Vestel Benelux BV	100	100	100	100
Vestel UK Ltd.	100	100	100	100
Vestek Elektronik Araştırma Geliştirme A.Ş.	94	94	94	94
Vestel Trade Ltd.	100	100	100	100
OY Vestel Scandinavia AB	100	100	100	100
Intertechnika LLC	99,9	99,9	99,9	99,9

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:

	30 June 2014	31 December 2013
Accumulated non-controlling interests	42.066	81.277
Comprehensive income attributable to non-controlling interests	4.464	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.

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

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

Condensed balance sheets:

	30 June 2014	31 December 2013
Current assets	1.094.615	963.168
Non-current assets	524.809	528.658
Current liabilities	(796.585)	(556.330)
Non-current liabilities	(109.648)	(278.014)
Net assets	**713.191**	**657.482**

Condensed statement of comprehensive income:

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Net sales	1.119.352	1.058.209	606.330	584.412
Income / (loss) before tax	91.413	25.556	45.133	6.864
Net income / (loss) for the period	78.321	26.294	38.629	10.200

Condensed statement of cash flows:

Net cash used in operating activities	4.816	(115.046)	46.524	(63.825)
Net cash used in investing activities	(34.899)	(42.983)	(16.653)	(20.639)
Net cash provided by financing activities	13.465	134.293	(32.401)	78.813
Cash and cash equivalents at the beginning of the period	18.040	25.887	-	-
Cash and cash equivalents at the end of the period	1.422	2.151	(2.530)	(5.651)

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2014

(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 -30 June 2014				
Revenue	2.277.268	1.343.076	1.807	3.622.151
Cost of sales	(1.788.038)	(1.039.822)	(5.893)	(2.833.753)
Gross profit	489.230	303.254	(4.086)	788.398
Depreciation and amortization	79.753	48.699	3.452	131.904
1 January -30 June 2013				
Revenue	1.531.945	1.258.630	11.704	2.802.279
Cost of sales	(1.275.824)	(1.023.900)	(15.070)	(2.314.794)
Gross profit	256.121	234.730	(3.366)	487.485
Depreciation and amortization	67.866	45.707	1.517	115.090

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

NOTE 4 - SEGMENT REPORTING (Cont'd)

	Television and electronic devices	White goods	Other	Total
1 April -30 June 2014				
Revenue	1.195.348	729.292	147	1.924.787
Cost of sales	(949.688)	(567.898)	(3.176)	(1.520.762)
Gross profit	245.660	161.394	(3.029)	404.025
Depreciation and amortization	41.408	24.990	1.593	67.991

	Television and electronic devices	White goods	Other	Total
1 April -30 June 2013				
Revenue	826.726	710.133	3.164	1.540.023
Cost of sales	(675.365)	(570.124)	(7.126)	(1.252.615)
Gross profit	151.361	140.009	(3.962)	287.408
Depreciation and amortization	36.229	20.874	659	57.762

Capital expenditure

	Television and Electronical devices	White goods	Other	Total
1 January -30 June 2014	118.465	41.083	188	159.736
1 January -30 June 2013	67.817	51.132	209	119.158

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

NOTE 4 - SEGMENT REPORTING (Cont'd)

Geographical segments:

Segment revenue	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Turkey	1.074.757	916.330	592.900	494.981
Europe	2.408.715	1.759.502	1.257.714	974.234
Other	307.778	256.231	161.723	147.462
Gross segment sales	3.791.250	2.932.063	2.012.337	1.616.677
Discounts (-)	(169.099)	(129.784)	(87.550)	(76.654)
Net sales	**3.622.151**	**2.802.279**	**1.924.787**	**1.540.023**

The amount of export for the period 1 January -30 June 2014 is 2.716.493 thousand TL (1 January -30 June 2013: 2.015.733 thousand TL). Export sales are denominated in EUR and USD as 88,7% and 11,3% of total exports respectively. (1 January -30 June 2013: 87,3% EUR,12,7% USD).

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

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

NOTE 5– CASH AND CASH EQUIVALENTS

	30 June 2014	31 December 2013
Cash	579	564
Bank deposits		
- Demand deposits	249.079	220.812
- Time deposits	211.845	55.243
Cheques and notes	27.271	16.827
Other	18.015	14.244
Blocked deposits	52.937	43.288
Cash and cash equivalents	**559.726**	**350.978**

Effective interest rates

	30 June 2014	31 December 2013
EUR	0,16%	0,63%
TL	9,08%	7,25%
USD	0,48%	0,92%

NOTE 6 – FINANCIAL ASSETS

		Ownership		Amount	
		30 June		30 June	
	Country	2014	2013	2014	2013
Financial assets available for sale:					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	< %1	< %1	1.975	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
				2.048	**2.158**

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

NOTE 6 – FINANCIAL ASSETS (Cont'd)

		Ownership		Amount	
		30 June		30 June	
Non-consolidated subsidiaries :	**Country**	**2014**	**2013**	**2014**	**2013**
Vestel Elektronica SRL	Romania	100%	100%	1.778	1.778
Uts-United Technical Services, S.R.O	Slovakia	100%	100%	6	6
Vestel Central Asia	Kazakhstan	100%	100%	8.989	8.989
Vestel Electronics Shanghai Trading Co. Ltd	China	100%	100%	288	288
				11.061	**11.061**
Impairment of subsidiaries (-)					
Vestel Elektronica SRL				(1.778)	(1.778)
Vestel Central Asia				(8.989)	(8.989)
				294	**294**

NOTE 7 – FINANCIAL LIABILITIES

	30 June 2014	31 December 2013
Short - term financial liabilities		
Short term bank loans	576.651	265.296
Short term portion of long term bank loans	403.868	296.172
	980.519	**561.468**
Long - term financial liabilities		
Long term bank loans	447.376	438.549
	447.376	**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 is given below:

	30 June 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	2,92%	65.223	138.495	-	-	-
- EUR	1,49%	19.573	56.604	-	-	-
- TL	10,50%	381.552	381.552	9,53%	265.296	265.296
			576.651			**265.296**

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

	30 June 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	4,33%	33.895	71.973	4,29%	54.499	116.318
- EUR	5,08%	24.613	71.177	5,07%	24.658	72.409
- TL	10,60%	260.718	260.718	13,26%	107.445	107.445
Short term portion			**403.868**			**296.172**
- USD	4,23%	25.026	53.140	3,86%	28.980	61.851
- EUR	4,30%	4.548	13.151	3,72%	6.524	19.159
- TL	11,22%	381.085	381.085	9,20%	357.539	357.539
Long term portion			**447.376**			**438.549**
			851.244			**734.721**

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

NOTE 7 – FINANCIAL LIABILITIES (Cont'd)

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

	30 June 2014	31 December 2013
One to two years	425.414	272.697
Two to three years	17.971	153.281
Three to four years	3.991	12.571
	447.376	**438.549**

Total amount of Group's floating bank loans is 95.608 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 are as follows:

	30 June 2014	31 December 2013
6 months or less	95.608	146.473
	95.608	**146.473**

Guarantees given for the bank loans obtained are disclosed in note 15.

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

NOTE 8 – RELATED PARTY DISCLOSURES

a) Short-term trade receivables from related parties

	30 June 2014	31 December 2013
Vestel Central Asia	38.469	31.559
UTS- United Technical Services, Spol S.R.O.	7.771	4.545
Vestel Elektronica S.R.L.	10.789	10.691
Other related parties	2.482	1.659
	59.511	48.454
Unearned interest on receivables (-)	(8)	(14)
	59.503	**48.440**

b) Short-term trade payables to related parties

	30 June 2014	31 December 2013
ABH Turizm Temsilcilik ve Ticaret A.Ş.	1.591	1.476
Other related parties	3.831	1.545
	5.422	3.021
Unearned interest on payables (-)	(7)	(4)
	5.415	**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

	30 June 2014	31 December 2013
Z.F.S Financial Services Ireland	4.247	4.269
Vestel Savunma Sanayi	49.500	-
	53.747	4.269

As of 30 June 2014 the annual average effective interest rate of other receivables from Vestel Savunma Sanayi denominated in TL is 14,4%.

d) Other long term receivables from related parties

Z.F.S Financial Services Ireland	65.893	61.562
Zorlu Holding A.Ş.	183.400	81.855
	249.293	143.417

As of 30 June 2014 and 31 December 2013 the annual average effective interest rate of other receivables from Z.F.S Financial Services Ireland and Zorlu Holding denominated in USD is 6%.

e) Transactions with related parties

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Sales				
UTS- United Technical Services, Spol S.R.O.	5.452	4.935	2.140	1.994
Zorlu Yapı Yatırım A.Ş	847	-	472	-
Vestel Electronica S.R.L.	2.472	-	1.991	-
Other related parties	2.690	7.242	1.107	2.409
	11.461	12.177	5.710	4.403

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

NOTE 8 – RELATED PARTY DISCLOSURES (Cont'd)

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Operating expenses				
ABH Turizm Temsilcilik ve Ticaret A.Ş.	9.321	5.972	4.449	3.272
Other related parties	12.522	6.601	6.781	5.491
	21.843	**12.573**	**11.230**	**8.763**

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Other income from operating activities				
Z.F.S Financial Services Ireland	2.548	4.932	(1.262)	3.906
Zorlu Holding A.Ş.	11.030	10.516	5.600	10.516
Other related parties	114	1.489	(944)	1.340
	13.692	**16.937**	**3.394**	**15.762**

f) Guarantees received from and given to related parties are disclosed in note 15.

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 six months period ended 30 June 2014 is 12.838 thousand TL (1 January -30 June 2013: 10.642 thousand TL).

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

NOTE 9 – TRADE RECEIVABLES AND PAYABLES

	30 June 2014	31 December 2013
Short - term trade receivables		
Trade receivables		
- Related parties (note 8)	59.511	48.454
- Other parties	1.386.424	1.314.874
Cheques and notes receivables	406.018	280.860
Other	68.030	66.216
	1.919.983	1.710.404
Unearned interest expense (-)		
- Related parties (note 8)	(8)	(14)
- Other parties	(20.392)	(14.343)
Allowance for doubtful receivables (-)	(98.762)	(68.079)
Total short - term trade receivables	**1.800.821**	**1.627.968**

Long - term trade receivables		
Receivables from other parties	95.503	95.951
Cheques and notes receivables	13.665	3.919
Unearned interest expense (-)	(1.359)	(488)
Total long - term trade receivables	**107.809**	**99.382**

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

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

	30 June 2014	31 December 2013
Short term trade payables		
Trade payables		
- Related parties (note 8)	5.422	3.021
- Other parties	3.061.517	2.807.956
Notes payables		
- Other parties	5.968	6.337
Other	42	62
	3.072.949	2.817.376
Unearned interest income (-)		
- Related parties (note 8)	(7)	(4)
- Other parties	(3.740)	(1.741)
Total short term trade payables	**3.069.202**	**2.815.631**

NOTE 10 – OTHER RECEIVABLES

	30 June 2014	31 December 2013
Short - term other receivables		
VAT receivable	94.511	120.331
Receivables from related parties (note 8)	53.747	4.269
Deposits and guarantees given	24.299	24.256
Other	90.436	97.189
	262.993	**246.045**
Allowance for doubtful receivables (-)	(89.376)	(89.376)
	173.617	**156.669**

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

NOTE 10 – OTHER RECEIVABLES (Cont'd)

	30 June 2014	31 December 2013
Long - term other receivables		
Deposits and guarantees given	15.555	15.965
Receivables from related parties (note 8)	249.293	143.417
Other	8.278	8.278
	273.126	167.660
Allowance for doubtful receivables (-)	(8.278)	(8.278)
	264.848	**159.382**

NOTE 11 – INVENTORIES

	30 June 2014	31 December 2013
Raw materials	747.207	612.638
Work in process	59.434	44.901
Finished goods	640.542	555.833
Merchandise	71.843	69.193
Other	3.104	1.484
	1.522.130	1.284.049
Provision for impairment on inventories (-)	(25.943)	(15.597)
	1.496.187	**1.268.452**

NOTE 12 – PREPAID EXPENSES

	30 June 2014	31 December 2013
Prepaid expenses in current assets		
Order advances given	38.079	45.526
Prepaid expenses	22.924	13.639
Business advances given	1.954	2.112
	62.957	**61.277**
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	10.328	4.321
Prepaid expenses	2.127	220
	12.455	**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	30 June 2014
Cost or revaluation						
Land	163.994	-	-	(1.582)	-	162.412
Land improvements	49.190	87	(4)	(638)	177	48.812
Buildings	588.433	9.909	(17)	(7.823)	766	591.268
Leasehold improvements	120.237	1.763	-	(18)	-	121.982
Plant and machinery	1.401.366	79.051	(13.737)	(2.927)	28.356	1.492.109
Motor vehicles	4.938	15	(121)	(20)	736	5.548
Furniture and fixtures	224.021	13.237	(718)	(185)	72	236.427
Other tangible assets	849	-	-	-	-	849
Construction in progress	25.813	9.151	(4)	-	(30.107)	4.853
	2.578.841	**113.213**	**(14.601)**	**(13.193)**	**-**	**2.664.260**
Accumulated depreciation						
Land improvements	-	5.976	(2)	(59)	-	5.915
Buildings	-	9.669	(13)	(766)	-	8.890
Leasehold improvements	88.439	3.358	-	(6)	-	91.791
Plant and machinery	948.759	78.853	(12.249)	(1.608)	-	1.013.755
Motor vehicles	2.533	480	(103)	(16)	-	2.894
Furniture and fixtures	161.767	10.566	(525)	(146)	-	171.662
Other tangible assets	844	1	-	-	-	845
	1.202.342	**108.903**	**(12.892)**	**(2.601)**	**-**	**1.295.752**
Net book value	**1.376.499**					**1.368.508**

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

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

	1 January 2013	Additions	Disposals	Currency translation differences	Transfers	Correction	30 June 2013
Cost							
Land	145.069	-	-	99	-	-	145.168
Land improvements	43.742	371	-	28	-	-	44.141
Buildings	492.615	1.683	(165)	798	347	-	495.278
Leasehold improvements	115.886	4.093	(426)	56	-	(2.260)	117.349
Plant and machinery	1.365.043	49.232	(13.854)	600	26.620	(9.656)	1.417.985
Motor vehicles	5.144	1.186	(36)	22	-	(147)	6.169
Furniture and fixtures	209.960	9.891	(1.059)	191	34	(6.276)	212.741
Other tangible assets	849	-	-	-	-	-	849
Construction in progress	24.261	16.529	-	1	(27.001)	-	13.790
	2.402.569	**82.985**	**(15.540)**	**1.795**	**-**	**(18.339)**	**2.453.470**
Accumulated depreciation							
Land improvements	-	2.925	-	9	-	-	2.934
Buildings	-	6.521	(45)	314	447	-	7.237
Leasehold improvements	84.085	2.609	(19)	15	(447)	(980)	85.263
Plant and machinery	899.839	71.634	(13.301)	324	-	(8.731)	949.765
Motor vehicles	2.331	328	(26)	8	-	(85)	2.556
Furniture and fixtures	148.612	11.190	(871)	127	-	(4.384)	154.674
Other tangible assets	843	1	-	-	-	-	844
	1.135.710	**95.208**	**(14.262)**	**797**	**-**	**(14.180)**	**1.203.273**
Net book value	**1.266.859**						**1.250.197**

(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 disposal of Vestel Savunma and Aydın Yazılım from the scope of consolidation.

Additions to property, plant and equipment in the period 1 January – 30 June 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.

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 period depreciation and amortization expenses is as follows:

	1 January - 30 June 2014	1 January - 31 December 2013
Cost of sales	88.813	78.678
Research and development expenses	26.299	21.575
Marketing, selling and distribution expenses	10.060	9.461
General administrative expenses	6.062	4.748
Other operating expense (idle capacity depreciation expense)	670	628
	131.904	**115.090**

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

NOTE 14 – INTANGIBLE ASSETS

	1 January 2014	Additions	Disposals	Currency translation differences	Transfers	30 June 2014
Cost						
Rights	56.895	1.440	-	(33)	-	58.302
Development cost	358.959	42.326	(1.078)	-	-	400.207
Other intangible assets	67.470	2.757	-	(12)	-	70.215
	483.324	**46.523**	**(1.078)**	**(45)**	**-**	**528.724**
Accumulated amortization						
Rights	34.602	1.355	-	(32)	-	35.925
Development cost	170.660	19.681	-	-	-	190.341
Other intangible assets	47.196	3.803	-	(7)	-	50.992
	252.458	**24.839**	**-**	**(39)**	**-**	**277.258**
Net book value	**230.866**					**251.466**

	1 January 2013	Additions	Disposals	Currency translation differences	Transfers	30 June 2013
Cost						
Rights	53.727	2.221	(1)	116	87	56.150
Development cost	293.378	31.510	(268)	-	(87)	324.533
Other intangible assets	62.952	2.442	-	36	-	65.430
	410.057	**36.173**	**(269)**	**152**	**-**	**446.113**
Accumulated amortization						
Rights	31.633	1.297	-	111	-	33.041
Development cost	138.935	14.623	-	-	-	153.558
Other intangible assets	38.234	4.855	-	23	-	43.112
	208.802	**20.775**	**-**	**134**	**-**	**229.711**
Net book value	**201.255**					**216.402**

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

NOTE 14 – INTANGIBLE ASSETS (Cont'd)

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

Useful lives of intangible assets is as follows:

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

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	30 June 2014	31 December 2013
Short - term provisions		
Warranty and assembly provision	87.185	82.352
Other provisions	33.787	42.064
Provision for lawsuit risks	7.974	3.627
	128.946	**128.043**
Long - term provisions		
Warranty and assembly provision	**23.591**	**21.146**

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

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

b) Guarantees received by the Group

Guarantee letters, collaterals, cheques and notes received

	30 June 2014	31 December 2013
Guarantee letters	186.005	166.524
Cheques and notes	46.668	62.230
Collaterals and pledges	713.461	681.765
	946.134	**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.

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
30 June 2014				
A. CPM's given on behalf of its own legal entity	29.369	25.057	81.011	215.835
B. CPM's given on behalf of fully consolidated subsidiaries (*)	2.161.738	410.451	2.500.623	8.277.841
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	63.845	-	120.019	255.587
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.	63.845	-	120.019	255.587
iii.Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**2.254.952**	**435.508**	**2.701.653**	**8.749.263**

(*) 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 15 - 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. As of 30 June 2014 proportion of other CPM's given by the Group to its equity is 18% (31 December 2013: 17%).

NOTE 16 - COMMITMENTS

As of the balance sheet date the Group has committed to realize exports amounting to 668.925 thousand USD (31 December 2013: 741.733 thousand USD) due to the export and investment incentive certificates obtained.

As of 30 June 2014 the Group has forward foreign currency purchase contract that amounts to 1.111.484 thousand USD, 95.825 thousand EUR, 162 thousand CHF, 247.118 thousand TL against forward foreign currency sales contract that amounts to 193.164 thousand USD, 446.893 thousand EUR, 620.083 thousand RUB, 3.683 thousand CHF, 11.786 thousand GBP and 1.049.857 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 17 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	30 June 2014	31 December 2013
Due to personnel	37.272	30.677
Social security payables	12.595	11.242
	49.867	**41.919**

Long term provisions for employee benefits:

	30 June 2014	31 December 2013
Provision for employment termination benefits	**40.611**	**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 30 June 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 30 June 2014, the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 30 June 2014 provision is calculated based on real discount rate of 4,54% (31 December 2013: 4,54%) assuming 6,50% annual inflation rate and 11,56% discount rate.

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

NOTE 18 – OTHER ASSETS AND LIABILITIES

	30 June 2014	31 December 2013
Other current assets		
VAT carried forward	101.029	28.847
Other	5.129	7.665
	106.158	**36.512**

	30 June 2014	31 December 2013
Other non - current assets		
Assets held for sale	11.548	9.991
	11.548	**9.991**

	30 June 2014	31 December 2013
Other current liabilities		
Advances received	97.120	65.599
Taxes and dues payable	17.495	18.903
VAT payable	56.805	-
Other	12.171	20.764
	183.591	**105.266**

NOTE 19 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

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

As of 30 June 2014 and 31 December 2013 the shareholding structures are as follows:

	Shareholding %		Amount	
	30 June 2014	**31 December 2013**	**30 June 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%	**100%**	**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.

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

c) Share premium

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

	30 June 2014	31 December 2013
Share premium	**102.816**	**95.566**

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

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

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.

	30 June 2014	31 December 2013
Legal reserves	**28.314**	**28.314**

e) Revaluation reserve

Fair value gains on financial assets	284	364
Revaluation of property, plant and equipment	442.401	443.773
	442.685	**444.137**

f) Accumulated deficit

Extraordinary reserves	415.036	415.036
Previous year's loss	(873.387)	(774.051)
Other inflation adjustment of share capital	119.718	119.718
	(338.633)	**(239.297)**

NOTE 19 – 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, up to 5% of retained earnings after dividend distribution could be allocated to the Board of Directors or used for certain reasons designated by the Board of Directors when necessary.

- Based on the approval of the General Assembly, up to 3% of retained earnings after dividend distribution could be allocated to plant investments designated in accordance with article of 468 in TCC,
- Up to 5% of retained earnings after dividend distribution could be allocated to the Board of Directors as necessary,
- Up to 5% of retained earnings after dividend distribution could be allocated to donations, bonuses etc.

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

NOTE 20 – SALES

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Domestic sales	1.074.757	916.330	592.900	494.981
Overseas sales	2.716.493	2.015.733	1.419.437	1.121.696
Gross sales	**3.791.250**	**2.932.063**	**2.012.337**	**1.616.677**
Less: Sales discounts (-)	(169.099)	(129.784)	(87.550)	(76.654)
Net sales	**3.622.151**	**2.802.279**	**1.924.787**	**1.540.023**
Cost of sales	(2.833.753)	(2.314.794)	(1.520.762)	(1.252.615)
Gross profit	**788.398**	**487.485**	**404.025**	**287.408**

NOTE 21 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Credit finance gains arising from trading activities	56.801	38.751	27.178	19.958
Foreign exchange gains arising from trading activities	6.455	66.533	(23.540)	50.627
Reversals of provisions	1.452	8.298	-	-
Other income	26.393	25.137	12.061	15.455
	91.101	**138.719**	**15.699**	**86.040**

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

NOTE 21 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES (Cont'd)

b) Other expense from operating activities:

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Debit finance charges arising from trading activities	31.517	34.825	10.230	25.430
Foreign exchange expenses arising from trading activities	15.233	78.613	(26.620)	45.959
Goodwill impairment	4.416	-	-	-
Provision expenses	29.652	10.376	22.606	8.531
Provision for impairment on subsidiary	-	8.989	-	8.989
Other expenses	38.395	26.656	18.450	11.792
	119.213	**159.459**	**24.666**	**100.701**

NOTE 22 – FINANCIAL EXPENSE AND FINANCIAL INCOME

a) Financial expense:

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Foreign exchange losses	41.176	60.153	(17.438)	44.693
Losses on derivative financial instruments	95.124	90.097	54.419	56.244
Interest expense	72.459	60.624	35.690	35.227
Other finance expnses	1.808	3.265	893	(2.830)
	210.567	**214.139**	**73.564**	**133.334**

b) Financial income:

Foreign exchange gains	35.503	8.516	6.914	723
Gains on derivative financial instruments	77.418	87.457	25.025	23.343
Interest income	7.141	7.324	4.002	3.715
	120.062	**103.297**	**35.941**	**27.781**

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

NOTE 23 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	30 June 2014	31 December 2013
Corporation and income taxes	16.402	3.707
Prepaid taxes (-)	(8.557)	(2.737)
Current income tax liabilities - net	**7.845**	**970**
Subsidiares with net deferred tax liabilities	(64.523)	(60.141)
Subsidiares with net deferred assets	41.547	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 10th day of the following month and paid until the 17th day. Advance tax returns files within the year are offset against corporate income tax calculated over the annual taxable corporate income.

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

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

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

NOTE 23- 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% (2012: 20%). Under the Russian Federation taxation system, tax losses can be carried forward to be offset against future taxable income for up to ten years. There are no restrictions on the amounts subject to net off. On the other hand, tax, currency and customs legislations are subject to various interpretations and changes which can 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 - 30 June 2014 and 2013 tax benefit in the consolidated statement of income is as follows:

	1 January - 30 June 2014	1 January - 30 June 2013
Current period tax expense	(15.290)	(673)
Deferred tax benefit	(4.580)	12.510
Total tax benefit	**(19.870)**	**11.837**

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

NOTE 23 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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).

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	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Deferred tax assets				
Employment termination benefits	(40.611)	(40.262)	7.736	7.697
Warranty provision	(62.600)	(58.230)	12.520	11.646
Provision for doubtful receivables	(162.920)	(147.920)	32.584	29.584
Unearned interest expense	(20.165)	(12.244)	4.033	2.449
Provision for impairment on inventories	(11.265)	(9.885)	2.253	1.977
Derivative financial instruments	(32.909)	(51.655)	6.423	10.445
Carryforward tax losses	-	(105.445)	-	21.089
Other	(92.540)	(68.520)	18.508	13.704
			84.057	**98.591**

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

NOTE 23 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

	Cumulative temporary differences		Deferred tax	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Deferred tax liabilites				
Income accruals of derivative transactions	6.465	491	(1.293)	(98)
Useful life and valuation differences on property, plant and equipment and intangible assets	71.365	129.250	(14.273)	(25.850)
Revaluation of tangible fixed assets	536.560	548.269	(87.745)	(90.086)
Other	18.610	7.095	(3.722)	(1.419)
			(107.033)	**(117.453)**
Deferred tax assets / (liabilites) - net			**(22.976)**	**(18.862)**

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

	1 January - 30 June 2014	1 January - 30 June 2013
Opening balance, 01 January	**(18.862)**	**(4.714)**
Tax expense recognized in income statement	(4.580)	12.510
Correction	-	(8.986)
Recognized in shareholders' equity	(3.206)	4.147
Currency translation differences	3.672	849
Deferred tax (liabilities) / assets at the end of the period, net	**(22.976)**	**3.806**

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

NOTE 24 -EARNINGS/(LOSS) PER SHARE

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Net income/(loss) attributable to equity holders of the parent	125.180	(62.945)	76.385	(61.822)
Weighted number of ordinary shares with a Kr 1 of face value (thousand shares)	33.546.000	33.546.000	33.546.000	33.546.000
	0,37	**(0,19)**	**0,23**	**(0,18)**

NOTE 25 - DERIVATIVE INSTRUMENTS

	30 June 2014		31 December 2013	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
Held for trading				
Forward foreign currency transactions	1.709.079	(23.151)	1.150.045	(17.971)
Foreign currency swap contracts	220.000	(5.767)	220.000	(10.191)
Cash flow hedge				
Forward foreign currency transactions	1.175.663	2.474	1.084.704	(23.984)
	3.104.742	**(26.444)**	**2.454.749**	**(52.146)**

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

30 June 2014	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	336.749	268.086	64.154	1.554.485
2a. Monetary financial assets (including cash and cash equivalents)	108.394	3.623	10.828	251.469
2b. Non-monetary financial assets	-	-	-	-
3. Other	2.116	3	446	5.089
4. Current assets (1+2+3)	**447.259**	**271.712**	**75.428**	**1.811.043**
5. Trade receivables	31.826	-	-	67.579
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	117.488	17	-	249.523
8. Non-current assets (5+6+7)	**149.314**	**17**	**-**	**317.102**
9. Total assets (4+8)	**596.573**	**271.729**	**75.428**	**2.128.145**
10. Trade payables	1.292.857	59.046	18.191	2.934.199
11. Financial liabilities	99.118	44.186	-	338.249
12a. Other monetary liabilities	22	2	-	52
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**1.391.997**	**103.234**	**18.191**	**3.272.500**
14. Trade payables	-	-	-	-
15. Financial liabilities	25.026	4.548	-	66.291
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**25.026**	**4.548**	**-**	**66.291**
18. Total liabilities (13+17)	**1.417.023**	**107.781**	**18.191**	**3.338.791**
19. Off-balance sheet derivative instruments net asset / (liability) position (19a+19b)	**918.320**	**(371.068)**	(89.811)	787.058
19a. Hedged total assets	1.111.484	95.825	384	2.637.625
19b. Hedged total liabilities	(193.164)	(466.893)	(90.195)	(1.850.567)
20. Net foreign currency asset/ (liability) position (9-18+19)	**97.870**	**(207.120)**	**(32.574)**	**(423.588)**
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(940.054)**	**163.928**	**56.791**	**(1.465.258)**
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(26.444)
23. Export	142.215	811.941	-	2.716.493
24. Import	827.445	97.689	453	2.079.060

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

NOTE 26 – 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	351.310	1.604.532	-	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 26 – FINANCIAL INTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 30 June 2014 and 31 December 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	
30 June 2014	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(199.611)	199.611	(199.611)	199.611
Secured portion from USD risk (-)	107.684	(107.684)	191.716	(191.716)
USD net effect	**(91.927)**	**91.927**	**(7.895)**	**7.895**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	47.406	(47.406)	47.406	(47.406)
Secured portion from EUR risk (-)	(24.738)	24.738	(108.215)	108.215
EUR net effect	**22.668**	**(22.668)**	**(60.809)**	**60.809**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	5.679	(5.679)	5.679	(5.679)
Secured portion from other currency risk (-)	(4.729)	4.729	(4.729)	4.729
Other currency net effect	**950**	**(950)**	**950**	**(950)**

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

NOTE 26 – 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)**