VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 TOGETHER WITH AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT

To The Shareholders and Board of Directors of
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.

1. We have audited the accompanying statement of balance sheet of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company") as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes in accordance with the auditing standards issued by Capital Market Board ("CMB").

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting standards published by Capital Market Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards published by CMB. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

6. In our opinion, the financial statements present fairly, in all material respects, the balance sheet of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted by the CMB.

EREN Bağımsız Denetim Serbest Muhasebecilik Mali Müşavirlik A.Ş.
Member Firm of Grant Thornton International

Nazım Hikmet
Partner

İstanbul, 08.03.2013

Abide-i Hürriyet Caddesi
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İstanbul

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(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

	Note	31.12.2012	31.12.2011
Assets			
Current assets			
Cash and cash equivalents	4	27.218	7.321
Trade receivables	7	635.609	605.567
Other receivables	8	49.916	33.989
Inventories	9	221.283	229.778
Derivative financial instruments	5	--	12.557
Other assets	15	20.740	4.471
Total current assets		**954.766**	**893.683**
Non-current assets			
Property, plant and equipment	10	308.563	291.049
Intangible assets	11	48.501	34.276
Other assets		3.397	--
Total non-current assets		**360.461**	**325.325**
Total assets		**1.315.227**	**1.219.008**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
BALANCE SHEET
AS OF 31 DECEMBER 2012 AND 31 DECEMBER 2011

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

	Note	**31.12.2012**	**31.12.2011**
Liabilities			
Current liabilities			
Financial liabilities	6	287.817	187.867
Trade payables	7	413.006	442.238
Current income tax liabilities	23	--	--
Derivative financial instruments	5	8.673	--
Provisions	13.a	928	20.183
Other liabilities	15	9.715	9.435
Total current liabilities		**720.139**	**659.723**
Non-current liabilities			
Financial liabilities	6	87.698	36.352
Provision for employment termination benefits	14	12.607	9.461
Deferred tax liability	23	3.527	3.725
Total non-current liabilities		**103.832**	**49.538**
Equity			
Paid in capital	16.a	190.000	190.000
Adjustments to share capital	16.b	9.734	9.734
Share premium	16.c	109.031	109.031
Restricted reserve	16.d	38.886	37.921
Retained earnings	16.e	162.096	142.916
Net income (loss) for the year		(18.491)	20.145
Total equity		**491.256**	**509.747**
Total liabilities and equity		**1.315.227**	**1.219.008**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

	Note	01.01.- 31.12.2012	01.01.- 31.12.2011
Continuing operations			
Revenue	17	2.143.057	1.973.169
Cost of sales (-)	17	(2.089.805)	(1.788.425)
Gross profit		**53.252**	**184.744**
Marketing, selling and distribution expenses (-)	18	(32.874)	(74.438)
General administrative expenses (-)	18	(27.142)	(26.371)
Research and development expenses (-)	18	(20.663)	(25.857)
Other income	20.a	24.375	2.808
Other expense (-)	20.b	(531)	(1.032)
Operating profit (loss)		**(3.583)**	**59.854**
Financial income	21	156.834	249.796
Financial expense (-)	22	(171.940)	(287.961)
Income (loss) before tax		**(18.689)**	**21.689**
Tax (expense) / benefit			
Current tax expense (-)	23	--	(2.597)
Deferred tax benefit	23	198	1.053
Net income (loss)		**(18.491)**	**20.145**
Other comprehensive income (after tax)		**--**	**--**
Total comprehensive income (loss)		**(18.491)**	**20.145**
Earnings (loss) per share (TL, full)	24	**(0,10)**	**0,11**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

	Paid in capital	Adjustments to share capital	Share premium	Restricted reserve	Retained earnings	Net income for the year	Total equity
Balances at 01.01.2011	**190.000**	**9.734**	**109.031**	**35.067**	**142.916**	**25.258**	**512.006**
Comprehensive income;							
Net income for the year	--	--	--	--	--	20.145	20.145
Other comprehensive income:	--	--	--	--	--	--	--
Total comprehensive income for the period	**--**	**--**	**--**	**--**	**--**	**20.145**	**20.145**
Transfer to retained earnings	--	--	--	--	25.258	(25.258)	--
Transfer to restricted reserve	--	--	--	2.854	(2.854)	--	--
Dividends paid	--	--	--	--	(22.404)	--	(22.404)
Balances at 31.12.2011	**190.000**	**9.734**	**109.031**	**37.921**	**142.916**	**20.145**	**509.747**
Comprehensive income:							
Net loss for the period	--	--	--	--	--	(18.491)	(18.491)
Other comprehensive income:	--	--	--	--	--	--	--
Total comprehensive loss for the period	**--**	**--**	**--**	**--**	**--**	**(18.491)**	**(18.491)**
Transfer to retained earnings	--	--	--	--	20.145	(20.145)	--
Transfer to restricted reserve	--	--	--	965	(965)	--	--
Balances at 31.12.2012	**190.000**	**9.734**	**109.031**	**38.886**	**162.096**	**(18.491)**	**491.256**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

(All amounts in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Note	01.01.-31.12.2012	01.01.-31.12.2011
Income (loss) before tax		**(18.689)**	**21.689**
Adjustments to reconcile net cash provided from operating activities to income (loss) before taxes	27	81.602	74.088
Net cash flow from operating activities before changes in operating assets and liabilities		**62.913**	**95.777**
Changes in operating assets and liabilities	27	(73.988)	(80.070)
Corporate taxes paid		(2.997)	(2.642)
Net cash flows (used in) provided by operating activities		**(14.072)**	**13.065**
Cash flows from investing activities			
Changes in financial assets held for trading		--	14.947
Acquisitions of property, plant and equipment	10	(77.099)	(70.978)
Cash provided from sale of property, plant and equipment and intangible assets		424	1.415
Acquisitions of intangible assets	11	(18.711)	(16.537)
Net cash used in investing activities		**(95.386)**	**(71.153)**
Cash flows from financing activities			
Proceeds from bank borrowings		421.084	481.769
Repayment of bank borrowings		(272.750)	(405.879)
Dividend paid		--	(22.404)
Interest paid		(19.606)	(8.149)
Interest received		732	415
Net cash provided byfinancing activities		**129.460**	**45.752**
Net decrease in cash and cash equivalent		**20.002**	**(12.336)**
Cash and cash equivalent as of 01 January		**7.216**	**19.552**
Cash and cash equivalent as of 31 December	4	**27.218**	**7.216**

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

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 – ORGANISATION AND NATURE OF ACTIVITIES

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

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

The Company is a member of Vestel Group of Companies which are under the control of the Ahmet Nazif Zorlu family. The Company performs its foreign sales and domestic sales via Vestel Ticaret A.Ş. and Vestel Ticaret A.Ş Istanbul Branch., respectively, which are also members of Vestel Group of Companies.

The Company is registered to Capital Market Board and its shares have been quoted to Istanbul Stock Exchange since 21 April 2006.

As of 31.12.2012, the shareholders of the Company and their percentage shareholdings were as follows:

	Shareholding %
Vestel Elektronik Sanayi ve Ticaret A.Ş.	75,28
Other shareholders	24,72
	100,0

As of 31.12.2012, 59.800.000 shares of the Company have been quoted at the Istanbul Stock Exchange ("ISE") (31,5% of its Share Capital)

As of 31 December 2012, the number of personnel employed was 5.886 (31.12.2011: 4.860).

The financial statements for the year ended 31 December 2012 (including comparatives) were approved by the Board of Directors on 08.03.2013. The above mentioned financial statements will be finalized after the approval of the General Assembly.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The financial statements of the Company have been prepared in accordance with the accounting and reporting principles issued by the CMB, namely "CMB Financial Reporting Standards". CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with Communiqué XI, No. 29," Principles of Financial Reporting in Capital Markets". The Communiqué is effective for the annual periods starting from 1 January 2008. According to the Communiqué, the entities shall prepare their financial statements in accordance with the International Financial Reporting Standards ("IAS" / "IFRS") endorsed by the European Union ("EU"). Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Public Oversight Accounting and Auditing Standards Authority (former Turkish Accounting Standards Board), IAS/IFRS issued by the IASB shall be applied.

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, IAS 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.

As the differences of the IAS / IFRS endorsed by EU from the ones issued by the IASB have not been announced by Public Oversight Accounting and Auditing Standards Authority as of the date of the preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No. 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS / IFRS. The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB with the announcements dated 14 April 2008 and 9 January 2009 including the compulsory disclosures.

2.2. Going Concern

Company prepared financial statements in accordance with the going concern assumption.

2.3. Functional and presentation currency

The accompanying financial statements have been presented in Turkish Lira which is also the functional currency of the Company.

2.4. Offsetting

Financial assets and liabilities are offset and the net amount reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the asset and settle the liabilities simultaneously.

2.5. Comparatives and restatement of prior periods' financial statements
The financial statements of the Company include comparative financial information to enable the determination of the balance sheet and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current year financial statements and the significant changes are explained.

As of 31.12.2011, "Deferred tax asset" amounting to TL 7.908 was netted off with "Deferred tax liability".

2.6. Restatement and errors in the accounting policies and estimates
Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior periods' consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

2.7. Critical accounting estimates, assumptions and judgments
The preparation of financial statements requires Management to make estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, explanations for the contingent assets and liabilities and the amounts of revenues and expenses realized in the reporting period. Actual results may differ from these estimates. The estimates are reviewed on an ongoing basis, revisions to accounting estimates are recognized in the period in which the revision is made.

The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the following financial reporting periods are set out below:

- Physical inventory verifications are performed periodically and allowance for diminution in value is provided for items which are determined to be unsellable by the technical personnel. all stocks are subjected to review and their usage possibility ascertained on basis of the opinion of the technical personnel; provisions are set aside for items expected not to have usage possibility. Net realizable value of the inventory is determined based on the estimated selling prices, and estimated expenses to be incurred to make the sale. When the net realizable value of inventory is less than its cost, the inventory is written-down to the net realizable value and the expense is included in the statement of income in the period the write-down occurred (note 9).

- In accordance with the accounting policies stated in note 2.8, property, plant and equipment and intangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their useful lives, using the straight line method. The estimated useful lives are reviewed at each balance sheet date with the effect of any changes in the estimate accounted for on a prospective basis.

2.8. Summary of significant accounting policies

The significant accounting policies followed in the preparation of the financial statements are summarized below:

Revenue

Revenues are recognized on an accrual basis at the fair values incurred when the goods are delivered, the risk and rewards of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity. Net sales represent the fair value of the goods shipped less actual and estimated sales discounts and returns.

Trade receivables / payables

Trade receivables that are created by the Company by way of providing goods or services to a debtor are carried at amortized cost using the effective interest rate method. Receivables with short term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs elements included in inventories are materials, direct labour costs and factory overheads. Cost is determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and estimated costs to make the sale.

Foreign currency translations

Transactions in currencies TL are recorded at the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing on the balance sheet date. Exchange gains or losses arising from translation of foreign currency transactions and monetary items are recognized in profit or loss in the period in which they arise.

Property, plant and equipment
Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Depreciation is provided on related amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets, except for land due to their indefinite useful lives.

The useful lives of property, plant and equipment are as follows:

	Yearly
• Land improvements	8 - 25
• Buildings	25 - 50
• Leasehold improvements	5
• Leasehold improvements	5 - 20
• Motor vehicles	5
• Furniture and fittings	5 - 10

The Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use.

Gains or losses on disposals of property, plant and equipment are included in the other income or expense accounts as appropriate.

Intangible assets

Rights
Rights consist of acquired computer software, computer software development costs and other identifiable rights. Rights are recognised at their acquisition costs and are amortized on a straight line basis over their expected useful lives which are less than 5 years.

Research and development costs
Research costs are recognized as expense in the period in which they are incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that they will generate future economic benefits and are amortized on a straight line basis over their useful lives, which is two to eight years.

The carrying amounts of capitalized research and development costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

Other intangible assets
Other intangible assets are recognised at their acquisition costs and are amortized on a straight line basis over their expected useful lives which are two to ten years.

Impairment of assets
Impairment loss is recognized in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use refers the discounted present value of the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life..

Borrowing costs
Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Capitalization of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Derivative financial instruments
The derivative financial instruments of the Company consist of forward foreign exchange contracts.
These derivative instruments, although providing effective economic hedges for the Company, do not qualify for hedge accounting under the requirements of IAS 39-"Financial Instruments: Recognition and Measurement", and therefore are accounted for as derivative financial instruments held for trading in the financial statements.

Derivative financial instruments are initially recognized at cost and subsequently measured at their fair value and changes therein are recognized in profit or loss. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Company.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Earnings per share

The calculation of the basic and diluted earnings per share is based on net profit for the related period divided by the weighted average number of ordinary shares outstanding during the year.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and revisions to accounting estimates are recognized in the period in which re revision is made.

Contingent assets and liabilities

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 future events not wholly within the control of the Company are not included in the balance sheet and are disclosed as contingent assets or liabilities. If a reliable estimate can be made for the part of the obligation for which out flow of resources is probable, this part is recognized as liability and expense. If it has become virtually certain that an inflow of economic benefits will arise, the related income is recognized in the financial statements.

Leases – The Company as a lessee

Finance lease

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset or at the present value of the lease payment, whichever is the lower. Lease payments are treated as comprising of capital and interest elements; the capital element is treated as reducing the capitalized obligation under the lease and the interest element is charged to the statement of income. The property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset.

Operating lease

Leases in which all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating lease are recognized as an expense on a straight-line basis over the lease term.

Related parties

For the purpose of these financial statements shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them, associated companies and other companies within Zorlu Holding group are considered and referred to as related parties.

Segment reporting

The Company mainly produces and sells white goods. The Company's industrial and geographical segmental information are disclosed in note 3.

Government incentives and subsidies

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the company will comply with all the necessary conditions.

Liabilities to governmental departments which may be forgone are accepted as government incentives when there is reasonable assurance that the Company will comply with all the requirements related to that liability.

Employment termination benefits
Under Turkish labour law, the Company and its Turkish subsidiaries are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. The amount payable consists of one months' salary limited to the declared maximum amount prevailing as at the balance sheet date. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

Income taxes
The tax currently payable is based on the 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 not taxable or deductible.

Income tax payable represents the sum of the tax currently payable and deferred tax.

Deferred income tax is provided, using the liability method. 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 recognized for all taxable temporary differences.

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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Cash flow statement
For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand; deposits with banks and other financial institutions with the original maturity of three months or less.

2.9. The new and amended International Financial Reporting Standards (IFRS)

The Company has adopted the new and amended IFRSs and International Financial Reporting Committee (IFRIC) interpretations effective from the financial periods beginning on 1 January 2012 which are related to its operations.

2.9.1 Standards, amendments and interpretations effective in 2012:

- IAS 12 (Amendment) "Income Taxes: Recovery of Underlying Assets"
- IFRS 7 (Amendment) "Financial Instruments-Disclosures –Transfer of Financial Assets"

2.9.2 Standards, amendments and interpretations in issue but not yet effective and not early adopted by the Company:

- IAS 1 (Amendment) "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income"
- IAS 19 (Amendment) "Employee Benefits"
- IAS 27 (Amendment) "Separate Financial Statements"
- IAS 28 (Amendment) "Investments in Associates and Joint Ventures"
- IAS 32 (Amendment) "Financial Instruments: Presentation- Offsetting of Financial Assets and Financial Liabilities"
- IFRS 7 (Amendment) "Financial Instruments-Disclosures-Offsetting of Financial Assets and Financial Liabilities"
- IFRS 9 "Financial Instruments- Classification and measurement"
- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IFRS 13 "Fair Value Measurement"
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

The management shall consider the potential impact of the adoption of new and revised standards and interpretations stated in 2.9.2 within the period beginning on 01.01.2013. The management does not anticipate that these amendments will have a significant effect on the Company's financial statements.

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

2.10. Additional paragraph for convenience translation into English of consolidated financial statements originally issued in Turkish

The financial reporting standards described in note 2 (defined as “CMB Financial Reporting Standards”) to the consolidated financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and also for certain disclosure requirements of CMB. Accordingly, the accompanying financial statements are not intended to present the financial position, financial performance and cash flows of the Company in accordance with IFRS.

NOTE 3 - SEGMENT INFORMATION

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

The Management has decided that the geographical segments are the secondary reporting segments considering that risks and returns are affected by the differences in each region.

Geographical segments	**01.01.- 31.12.2012**	**01.01.- 31.12.2011**
Turkey	697.181	709.582
Europe	1.177.062	956.043
Other	278.608	309.226
Gross sales	2.152.851	1.974.851
Sales discount (-)	(9.794)	(1.682)
Net sales	**2.143.057**	**1.973.169**

The amount of export is TL 1.455.670 for the period ended 31.12.2012.Export sales are denominated in EURO, USD and RUB as 90,1% ,7,3% and 2,6% of total export respectively.

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

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 4- CASH AND CASH EQUIVALENTS

	31.12.2012	31.12.2011
Cash	36	35
Bank deposits		
- Demand deposit	1.698	1.558
- Time deposit	25.484	5.728
	27.218	**7.321**
Bank overdrafts (-)	**--**	(105)
Cash and cash equivalents presented in cash flow statement	**27.218**	**7.216**

As of balance sheet dates, the maturity date of time deposit account was January 2013 (31.12.2011: January 2012) and the interest rates are given below:

- TL	%6,0	%9,5
- USD	%0,75	%1,5
- EUR	%0,5	%1,5

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2012		31.12.2011	
	Contract Amount	**Fair Value Assets (Liabilities)**	**Contract Amount**	**Fair Value Assets (Liabilities)**
Held for trading				
Forward foreign exchange contracts	1.363.384	(9.310)	500.062	12.557
Foreign currency swap contracts	20.000	637	--	--
	1.383.384	**(8.673)**	**500.062**	**12.557**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 6 –FINANCIAL LIABILITIES

	31.12.2012	31.12.2011
Current financial liabilities		
Bank borrowings		
- TL	147.131	16.249
- USD	89.294	63.620
- EUR	51.392	107.998
	287.817	**187.867**
Non-current financial liabilities		
Bank borrowings		
- TL	17.694	--
- USD	--	7.623
- EUR	70.004	28.729
	87.698	**36.352**

Maturity schedule of Company’s total current and non-current financial liabilities is as follows:

Due in one year	287.817	187.867
One to two years	72.931	21.187
Two to three years	7.677	5.792
Three to four years	3.806	5.543
Four to five years	3.284	3.645
Over five years	--	185
	375.515	**224.219**

The Company obtained various loans denominated in EUR from non-Turkish financial institutions with a maturity of 5 years in years between 2005-2008 for financing investments in production machinery and equipment. As of 31.12.2012, short term payable of these loans amount to TL 5.550 (EUR 2.360 thousand) (2011: TL 9.704 (EUR 3.791 thousand)) and long term payable amount to TL 9.374 (EUR 3.986 thousand) (2011: TL 15.165 (EUR 6.206 thousand)). The principal amounts of these loans are repayable at six months intervals and the last repayment date is December 2015. The annual interest rate is between Euribor + 0,3%.

As of 31.12.2012, The Company also obtained various Turkish Lira and foreign currency bank loans for operational purposes which amounts to a short term payable of TL 282.267 (TL 147.131, EUR 19.493 thousand, USD 50.092 thousand), (2011: TL 171.062 (TL 9.147, EUR 40.222 thousand ,USD 33.681 thousand.)) and long term payable of TL 78.324 (TL 17.694 , EUR 25.781 thousand and), (2011: TL 21.187, (EUR 5.500 thousand , USD 4.036 thousand)). The annual interest rate is 9,87 % - 13,51% for TL ,2,27 % - 5,65 % for EUR and,4,62 % for USD.

Company has given various letters of guarantees to financial institutions for obtained bank loans (note 13).

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

	31.12.2012	**31.12.2011**
Current trade receivables		
Trade receivables		
- Related parties (note 25)	624.535	606.573
- Other	13.151	4.037
Notes receivables		
- Other	520	--
	638.206	610.610
Unearned interest on receivables (-)		
- Related parties (note 25)	(2.464)	(4.966)
- Other	(95)	(39)
Allowance for doubtful receivables (-)	(38)	(38)
	635.609	**605.567**

Movement of doubtful receivables is given below:

	01.01.-31.12.2012	**01.01.-31.12.2011**
Opening balance, 01 January	**38**	**38**
Charge for the year	--	--
Closing balance, 31 December	**38**	**38**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

	31.12.2012	31.12.2011
Current trade payables		
Trade payables		
- Related parties, (note 25)	7.589	18.297
- Third parties	406.082	425.175
	413.671	443.472
Unearned interest on payables (-)		
- Related parties, (note 25)	(2)	(19)
- Third parties	(663)	(1.215)
	413.006	**442.238**

NOTE 8 – OTHER RECEIVABLES

Other current receivables		
VAT receivable	47.688	33.332
Deposits and guarantees given	2.055	582
Other sundry receivables	21	--
Due from personnel	152	75
	49.916	**33.989**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 9 –INVENTORIES

	31.12.2012	31.12.2011
Raw materials	132.539	160.766
Work in process	7.327	5.881
Finished goods	84.580	62.985
Merchandise	27	1.717
Other inventories	1.207	1.639
	225.680	232.988
Provision for diminution in value (-)	(4.397)	(3.210)
	221.283	**229.778**

Provision for diminution in value of inventories is as follows:

Raw materials	1.278	1.508
Finished goods	3.119	1.702
	4.397	**3.210**

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

	01.01.- 31.12.2012	01.01.- 31.12.2011
Opening balance, 01 January	**3.210**	**598**
Charge for the year	1.187	2.612
Closing balance, 31 December	**4.397**	**3.210**

As of 31.12.2012, inventory was insured for TL 267.390 (2011: TL 283.335).

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 10 –PROPERTY, PLANT AND EQUIPMENT

	01.01.2012	Additions	Disposals	Transfers	31.12.2012
Cost					
Land	6.547	--	--	--	6.547
Land improvements	2.660	--	--	--	2.660
Buildings	62.140	883	--	171	63.194
Leasehold improvements	2.146	371	--	117	2.634
Machinery and equipment	499.407	43.192	(509)	41.167	583.257
Motor vehicles	212	296	(168)	--	340
Furniture and fixtures	25.417	4.510	(125)	252	30.054
Construction in progress	37.924	27.847	--	(41.707)	24.064
	636.453	**77.099**	**(802)**	**--**	**712.750**
Accumulated depreciation					
Land improvements	1.708	152	--	--	1.860
Buildings	22.480	2.470	--	--	24.950
Leasehold improvements	1.571	93	--	--	1.664
Machinery and equipment	303.605	53.744	(409)	--	356.940
Motor vehicles	204	38	(168)	--	74
Furniture and fixtures	15.836	2.954	(91)	--	18.699
	345.404	**59.451**	**(668)**	**--**	**404.187**
Net book value	**291.049**				**308.563**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

	01.01.2011	Additions	Disposals	Transfers	31.12.2011
Cost					
Land	6.547	--	--	--	6.547
Land improvements	2.627	33	--	--	2.660
Buildings	61.558	266	--	316	62.140
Leasehold improvements	1.780	279	--	87	2.146
Machinery and equipment	461.748	3.278	(4.400)	38.781	499.407
Motor vehicles	335	--	(123)	--	212
Furniture and fixtures	19.784	3.296	(71)	2.408	25.417
Construction in progress	15.690	63.826	--	(41.592)	37.924
	570.069	**70.978**	**(4.594)**	**--**	**636.453**
Accumulated depreciation					
Land improvements	1.549	159	--	--	1.708
Buildings	20.113	2.367	--	--	22.480
Leasehold improvements	1.521	50	--	--	1.571
Machinery and equipment	260.558	46.182	(3.135)	--	303.605
Motor vehicles	218	25	(39)	--	204
Furniture and fixtures	13.328	2.576	(68)	--	15.836
	297.287	**51.359**	**(3.242)**	**--**	**345.404**
Net book value	**272.782**				**291.049**

The Company's policy is to trace all material and significant fixed asset additions under construction in progress and transfer to the related fixed asset accounts when the construction process is completed. Construction-in-progress balance represented investment made to increase its first and second refrigerator, washing machine, cooker and dishwasher factories.

Leased assets included in the table above comprise plant and machinery amounting to TL 2.931 net of accumulated depreciation. (2011: TL 5.205).

As of 31.12.2012, property, plant and equipment were insured for TL 948.529 (2011: TL 914.212).

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 11 –INTANGIBLE ASSETS

	01.01.2012	Additions	Disposals	31.12.2012
Cost				
Rights	6.395	2	(21)	6.376
Development cost	53.680	16.794	(128)	70.346
Other intangible assets	3.217	1.915	--	5.132
	63.292	**18.711**	**(149)**	**81.854**
Accumulated amortization				
Rights	6.339	5	(2)	6.342
Development cost	20.890	4.003	--	24.893
Other intangible assets	1.787	331	--	2.118
	29.016	**4.339**	**(2)**	**33.353**
Net book value	**34.276**			**48.501**

	01.01.2011	Additions	Disposals	31.12.2011
Cost				
Rights	6.351	44	--	6.395
Development cost	38.749	15.563	(632)	53.680
Other intangible assets	2.287	930	--	3.217
	47.387	**16.537**	**(632)**	**63.292**
Accumulated amortization				
Rights	6.338	1	--	6.339
Development cost	17.531	3.359	--	20.890
Other intangible assets	1.420	367	--	1.787
	25.289	**3.727**	**--**	**29.016**
Net book value	**22.098**			**34.276**

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

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 – GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures.

Date	No	Subject	Commencing date	Final date	Total investment in TL
15.04.2010	C 94275	B. Y. S. Manufacture of household appliances	28.09.2009	28.09.2013	163.152

The grants obtained by the company from above mentioned incentives are as follows:

a) 100% exemption from customs duty on machinery and equipment to be imported
b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets
c) Discounted corporate tax incentive
d) Insurance premium employer share incentive

However, the grants obtained by the company from the government are as follow:

a) Incentives under the jurisdiction of the research and development law
b) Inward processing permission certificates
c) Cash refund from Tübitak - Teydeb for research and development expenses

Research and development incentive premium from Tubitak-Teydep amounts to TL 1.182 for the year ended 31.12.2012. (01.01-31.12.2011: TL 889)

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 13 – PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

a) Provision for expenses

	31.12.2012	31.12.2011
Current		
Warranty provision	--	19.627
Provision for legal claims	928	556
	928	**20.183**

Movement of provision for expenses is as follows:

	Warranty provision	Provision for legal claims	Total provision
Opening balance, 01.01	**19.627**	**556**	**20.183**
Addition	--	372	372
Disposals (*) (-)	(19.627)	--	(19.627)
Closing balance, 31.12	**--**	**928**	**928**

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

b) Contingent asset

As of the balance sheet dates letters of guarantee obtained from customers and suppliers is shown below:

	31.12.2012	31.12.2011
Letters of guarantee	5.777	2.563
Cheques and notes	12.793	8.948
Guarantees received from related companies	1.978.924	1.322.577

- Vestel Elektronik Sanayi ve Ticaret A.Ş. has given guarantee to Royal Bank of Scotland PLC and HSBC Bank A.S. in favour of the Company for forward contracts and loans obtained.

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

c) Commitments and contingencies

Collaterals, Pledges, Mortgages ("CPM") given by the Company are as follows:

CPM's given by the Company	**USD ('000)**	**EUR ('000)**	**TL ('000)**	**Total TL equivalent**
31.12.2012				
A. On behalf of its own legal entity	--	2.000	10.970	15.673
B. On behalf of fully consolidated subsidiaries	--	--	--	--
C. CPM's given on behalf of third parties for ordinary course of business	--	--	--	--
D. Other contingent liabilities	1.553.886	169.700	829.915	3.998.955
i. Total amount of CPM's given on behalf of the parent company	1.298.000	65.000	581.739	3.048.414
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	255.886	104.700	248.176	950.541
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	--	--	--	--
Total	**1.553.886**	**171.700**	**840.885**	**4.014.628**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

CPM's given by the Company	USD ('000)	EUR ('000)	TL ('000)	Total TL equivalent
31.12.2011				
A. On behalf of its own legal entity	--	2.000	5.194	10.082
B. On behalf of fully consolidated subsidiaries	--	--	--	--
C. CPM's given on behalf of third parties for ordinary course of business	--	--	--	--
D. Other contingent liabilities	1.163.924	80.066	348.549	2.742.750
i. Total amount of CPM's given on behalf of the parent company	1.108.132	14.686	132.493	2.261.533
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	55.792	65.380	216.056	481.217
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	--	--	--	--
Total	**1.163.924**	**82.066**	**353.743**	**2.752.832**

As of 31.12.2012, the Company's CPM to equity ratio is 814% (31.12.2011: 538%).

The Company has given various guarantees to group companies for financial institutions.

- Due to the export and investment incentive certificates obtained for tax purposes, the Company has committed to realize exports amounting to USD 332.845 thousand (31.12.2011: USD 102.598 thousand) as of 31.12.2012.

- The Company is the guarantor for the bank loans which have been obtained by Vestel CIS ltd and OOO Vestel Trade from Citibank.

- The Company has given guarantee to Royal Bank of Scotland PLC in favour of Vestel Germany GMBH, Vestel Ticaret A.Ş. Istanbul Branch and Vestel Elektronik Sanayi ve Ticaret A.Ş. for forward contracts.

- The Company has given guarantee to HSBC Bank A.Ş. in favour of Vestel Ticaret A.Ş. Istanbul Branch and Vestel Elektronik Sanayi ve Ticaret A.Ş. for forward contracts..

- The payment of VAT on certain export sales may be postponed and later cancelled by the tax office subject to clearance of certain routine formalities in due course. Responsibility of the Company continues until such clearance however no liability has arisen in the past and no liability is reasonably expected for the future. As of 31.12.2012, the amount of VAT is TL 66.421 (31.12.2011: TL 39.112).

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

- The ongoing consumer lawsuits against the Company amount to TL 663 (31.12.2011: TL 226) and there are no any lawsuits which have been finalized in favour of the Company as of 31.12.2012 (31.12.2011: TL 252).

- As of the balance sheet dates operational lease commitments are as follows:

	31.12.2012	**31.12.2011**
Less than one year	153	186
More than one year and less than four years	51	194
	204	**380**

d) Derivatives

As of 31.12.2012, the Company has entered in forward exchange contracts amounting to USD 383.667 thousand, EUR 140.241 thousand, RUB 48.832 thousand and TL 339.247 on a fixed amount USD 62.478 thousand, EUR 418.885 thousand, RUB 808.282 thousand and TL 219.974.

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 14 –PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31.12.2012	31.12.2011
Provision for employment termination benefits	**12.607**	**9.461**

Under Turkish law, the Company is required to pay employment termination benefits to each employee whose employment is terminated without due caus. In addition, under the existing Social Security Law No.506, clause No. 60, amended by the Labour Laws dated 06.03.1981, No.2422 and 25.08.1999, No.4447, the Company is also required to pay termination benefits to each employee who has earned the right to retire by receiving termination indemnities.

The amount payable is the equivalent of one month's salary for each year of service limited to a maximum of TL 3.033,98/year as of 2012 (31.12.2011: TL 2.731,85/year).

The Company has no other obligation for employee termination other than the retirement pay above.

The provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. Turkish Accounting Standards No: 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined employee plans. Accordingly actuarial assumptions were used in the calculation of the total liability which 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 at 31 December 2011 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31.12.2012 the liability for employment termination benefits was calculated based on an annual real discount rate of 3,83% (2011: 4,05%) assuming an annual inflation rate of 5,00% and discount rate of 9,02%.

Movements of the reserve for retirement pay during the years are as follows:

	01.01.- 31.12.2012	01.01.- 31.12.2011
Opening balance, 01 January	**9.461**	**7.231**
Charge for the year	5.409	4.560
Disposals (-)	(2.263)	(2.330)
Ending balance, 31 December	**12.607**	**9.461**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 15 –OTHER ASSETS AND LIABILITIES

	31.12.2012	31.12.2011
Other short term current assets		
Prepaid expenses	3.353	1.775
Prepaid taxes	2.997	2.642
Order advances given	14.382	42
Other	8	12
	20.740	**4.471**

	31.12.2012	31.12.2011
Other short term current liabilities		
Taxes and dues payable	3.379	4.263
Social security premiums payable	2.856	2.361
Due to personnel	3.457	2.793
Other	23	18
	9.715	**9.435**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 16 – SHARE CAPITAL

a) Paid in capital

	31.12.2012	31.12.2011
Shares of par value TL 1 each		
Issued share capital	190.000	190.000

As of 31.12.2012, the composition of shareholders and their respective percentage ownership are summarized as follows:

	Shareholding percentage %	Shareholding amount
Vestel Elektronik Sanayi ve Ticaret A.Ş.		
(Includes of the board of directors.)	75,28%	143.023
Shares open to the public (ISE)	24,72%	46.977
Paid in capital	**100,0%**	**190.000**

b) Adjustments to share capital (“inflation adjustment of share capital)

Adjustment to share capital (restated to 31.12.2004 purchasing power of money) is the difference between restated share capital and historical share capital.

Adjustment to share capital	**9.734**	**9.734**

c) Share premium

The share premium account refers the difference between the per value of the company’s shares and the amount the company received for newly issued shares. The share premium accounts are disclosed under equity as a separate line item and cannot be distrubuted.İt can be used in capital increase.

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

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

d) Restricted reserve (“Legal reserve”)

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.

	31.12.2012	31.12.2011
Legal reserves	**38.866**	**37.921**

e) Retained earnings

Extraordinary reserves	122.432	104.122
Previous years loss	39.628	38.758
Other inflation adjustment differences	36	36
	162.096	**142.916**

Other inflation adjustmen of share capital can be used in free capital increase, and loss deduction. Carrying value of extra ordinary reserves can be used in free capital increase, loss deduction and cash profit distribiton.

NOTE 17 – REVENUE AND COST OF SALES

a) Revenue	01.01.- 31.12.2012	01.01.- 31.12.2011
Domestic sales	697.181	709.582
Overseas sales	1.455.670	1.265.269
	2.152.851	1.974.851
Sales discounts (-)	(9.794)	(1.682)
Net sales	**2.143.057**	**1.973.169**
Cos of sales	(2.089.805)	(1.788.425)
	53.252	**184.744**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 18 – RESEARCH AND DEVELOPMENT EXPENCES, MARKETING SELLING AND DISTRIBUTION EXPENSES, GENERAL AND ADMINISTRATIVE EXPENSES

	01.01.-31.12.2012	**01.01.-31.12.2011**
Marketing and selling expenses	32.874	74.438
General administrative expenses	27.142	26.371
Research and development expenses	20.663	25.857
	80.679	**126.666**

NOTE 19 –NATURE OF EXPENSES

Nature of expenses consists of cost of sales, research and development, selling, general and administrative expenses.

Direct materials and merchandise expenses	1.883.865	1.627.641
Changes in semi-finished goods and finished goods	(23.213)	(17.733)
Warranty expenses	--	52.834
Personnel cost	133.063	109.189
Depreciation and amortization	63.790	55.086
Energy expenses	19.469	15.235
Office and rent expenses	14.519	9.990
Transportation expenses	10.839	9.338
Subcontract expenses	5.993	5.658
Consulting expenses	5.893	5.086
Outsourcing expenses	4.024	3.647
Insurance expenses	3.640	3.291
Taxes paid	3.355	2.663
Travelling expenses	3.291	3.079
Employment termination benefits	2.263	2.330
Export expenses	1.704	2.125
Other	37.989	25.632
	2.170.484	**1.915.091**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 20 – OTHER INCOME AND EXPENSE

a) Other income

	01.01.-31.12.2012	**01.01.-31.12.2011**
Grant income	1.450	927
Profit on sale of property, plant and equipment	197	342
Income on insurance claims	914	34
Provisions released (*)	19.627	--
Other	2.187	1.505
	24.375	**2.808**

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

b) Other expense

Loss on sale of property, plant and equipment	54	911
Loss on insurance claims	101	--
Other	376	121
	531	**1.032**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 21 – FINANCIAL INCOME

	01.01.-31.12.2012	**01.01.-31.12.2011**
Foreign exchange gains	83.061	185.929
Gains on financial assets held for trading	--	538
Unearned interest on payables	2.484	3.849
Interest income from term sales	59	34
Interest income from bank deposits	732	415
Gains on forward exchange contracts	70.498	59.031
	156.834	**249.796**

NOTE 22 – FINANCIAL EXPENSE

Foreign exchange losses	74.159	223.015
Losses on financial assets held for trading	--	249
Unearned interest on receivables	608	6.093
Bank loans interest expense	22.673	9.392
Letters of credit expenses	3.710	3.446
Losses on forward exchange contracts	68.680	43.643
Interest expense from term purchases	1.929	1.268
Bank commission expenses	160	44
Other	21	811
	171.940	**287.961**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 23 –TAXES ON INCOME

a) Current tax

	01.01.- 31.12.2012	**01.01.- 31.12.2011**
Profit before tax	**(18.689)**	**21.689**
Tax calculated at a tax rate of 20%	--	4.338
Provision for employment termination benefits	(629)	--
Depreciation and amortization	584	53
Other provisions	(529)	(720)
Disallowable expenses	--	170
Unearned interest on receivables and payables	376	449
The advantages of reduced Corporation tax	--	(130)
Research and development allowances	--	(2.616)
	(198)	**1.544**

The Company's taxation on income is as follows:

Current tax expense	--	2.597
Deferred tax benefit	(198)	(1.053)
Taxation on income	**(198)**	**1.544**

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

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses and by deducting other exempt income. In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed at the rate of % 15, except for companies receiving dividends who are resident companies in Turkey. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

In Turkey, advance tax returns are filed on a quarterly basis at the rate of %20, until the 10^{th} day of the following month and paid until the 17^{th} 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.

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

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

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

A reconciliation of the Company's tax expense is as follows:

	31.12.2012	**31.12.2011**
Corporate tax provision	--	2.597
Prepaid taxes (-)	--	(2.597)
Current income tax liabilities	--	--
Deferred tax assets, net	3.527	3.725
	3.527	**3.725**

b) Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences between its financial statements as reported according to CMB Financial Reporting Standards (communiqué XI, No: 29) and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

In the calculation of the deferred tax assets and liabilities based on the liability method, the tax rate of 20% is used

The composition of cumulative temporary differences and the related deferred tax assets/liabilities in respect of items for which deferred tax has been provided at the balance sheet dates using the expected future tax rates were as follows:

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

	Cumulative temporary difference		Deferred tax	
	31.12.2012	**31.12.2011**	**31.12.2012**	**31.12.2011**
Deferred tax asset				
Employment termination benefits	12.607	9.461	2.521	1.892
Warranty provision	--	19.627	--	3.925
Unearned interest on receivables	2.559	5.005	512	1.001
Provision for financial assets held for trading	8.673	--	1.735	--
Provision for diminution in value of inventories	4.397	3.210	879	642
Other	2.172	2.241	435	448
			6.082	**7.908**
Deferred tax liability				
Restatement of property, plant and equipment and intangible assets	47.298	44.380	9.460	8.876
Unearned interest on payables	665	1.229	133	246
Provision for financial assets held for trading	--	12.557	--	2.511
Other	80	--	16	--
			9.609	**11.633**

A reconciliation of the deferred tax expense is as follows:

	01.01.- 31.12.2012	**01.01.- 31.12.2011**
Opening balance, 01 January	**(3.725)**	**(4.778)**
Deferred tax benefit	198	1.053
Ending balance, 31 December	**(3.527)**	**(3.725)**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 24 –EARNING/ (LOSS) PER SHARE

	01.01.- 31.12.2012	01.01.- 31.12.2011
Net profit attributable to shareholders	(18.491)	20.145
Weighted average number of ordinary shares in issue	190.000.000	190.000.000
Earning (loss) per share – TL, full	**(0,10)**	**0,11**

NOTE 25 –RELATED PARTY DISCLOSURE

a) Trade receivables- current

	31.12.2012	31.12.2011
Vestel Ticaret A.Ş. İstanbul Branch	192.203	222.562
Vestel CIS Limited	2.655	2.679
Vestel Ticaret A.Ş..	429.658	381.305
Other related parties	19	27
	624.535	**606.573**
Unearned interest on receivables (-)	(2.464)	(4.966)
	622.071	**601.607**

b) Trade payables- current

Vestel Elektronik Sanayi ve Ticaret A.Ş.	1.958	4.333
Vestel Holland B.V.	5.288	13.603
Other related parties	343	361
	7.589	**18.297**
Unearned interest on payables (-)	(2)	(19)
	7.587	**18.278**

The receivables result from the Company's foreign and domestic sales performed via Vestel Ticaret A.Ş. and Vestel Ticaret A.Ş. Istanbul Branch respectively which are also members of Vestel Group Companies.

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

c) Transactions carried out with related parties are given below:

	01.01.-31.12.2012	**01.01.-31.12.2011**
Sales		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	10.540	6.035
Vestel Ticaret A.Ş. Istanbul Branch	415.292	455.675
Vestel Ticaret A.Ş.	1.442.980	1.263.163
Other	3.633	523
	1.872.445	**1.725.396**
Purchases and operating income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	14.324	9.003
Vestel Ticaret A.Ş. Istanbul Branch	2.005	41.089
Vestel Dış Ticaret A.Ş.	3.608	4.348
Other	3.583	3.525
	23.520	**57.965**
Financial income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	2	407
Vestel Ticaret A.Ş. Istanbul Branch	2.552	527
Vestel Ticaret A.Ş.	19.597	139.355
Other	1.560	1.283
	23.711	**141.572**

Financial expenses		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	81	67
Vestel Ticaret A.Ş.Istanbul Branch	1.193	5.856
Vestel Ticaret A.Ş.	30.574	82.059
Other	1.838	499
	33.686	**88.481**

The Company performs its foreign and domestic sales via Vestel Ticaret A.Ş. and Vestel Ticaret A.Ş. Istanbul Branch respectively which are also members of Vestel Group Companies.

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

d) Short term borrowing

	31.12.2012	31.12.2011
Vestel Ticaret A.Ş.	--	7.101

The bank loans obtained from Eximbank amounting to TL 7.101 by Vestel Ticaret A.Ş., a subsidiary of Vestel Elektronik Sanayi ve Ticaret A.Ş. were paid 10.01.2012 and 17.02.2012.

e) Key management compensation

Total compensation provided management personnel by the Company during the year ended 31 December 2012, amount to TL 2.309 (2011: TL 2.557).

f) Guarantees and commitments

The Company had taken various letters of guarantees for Vestel Elektronik Sanayi ve Ticaret A.Ş. and other subsidiaries (note 13).

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 26 –NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial asset

Financial instruments and financial risk management

The Company is exposed to a variety of financial risks through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result both from its operating and investing activities. The Company's risk management program focuses on minimizing the potential adverse effects of the unpredictable financial markets on the financial performance of the Company.

Interest rate risk

The Company is subject to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The exposures are managed by balancing the interest rate sensitive assets and liabilities.

The Company's interest rate position is as follows:

	31.12.2012	31.12.2011
Fixed interest rate financial instruments		
Financial liabilities –time deposits	25.484	5.728
Financial liabilities	342.587	199.350
Variable interest rate financial instruments		
Financial assets	Not available	Not available
Financial liabilities	32.928	24.869

As of balance sheet dates, the Company's annual effective interest rates are as follows:

20112 (%)	USD	EUR	TL
Assets			
Cash and cash equivalents	%0,75	%0,50	%5,86
Trade receivables	%0,32	%0,14	%6,11
Liabilities			
Financial liabilities	%4,62	%4,41	%6,40
Trade payables	%0,29	%0,14	--

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

2011 (%)	USD	EUR	TL
Assets			
Cash and cash equivalents	%1,50	%1,50	%9,49
Trade receivables	%0,81	--	%11,60
Liabilities			
Financial liabilities	%3,53	%2,49	%9,07
Trade payables	%0,39	%1,08	%11,56

As of 31.12.2012, if the variable interest rates of bank borrowing increased or decreased of +1% and -1% and if all other variables are held constant the result before tax would have been influenced favorably or unfavorably by TL 754 (31.12.2011: TL 448) for an increase and for a decrease in value of TL.

Liquidity risk
The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

The breakdown of liabilities according to their contractual maturity is based on the maturity dates from the date of the balance sheet is given below:

31.12.2012	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Contractual maturities						
Bank borrowings	**375.515**	**390.317**	**96.066**	**196.367**	**97.884**	**--**
Expected maturities						
Trade payables	413.006	413.670	327.682	85.988	--	--
Other liabilities	10.643	10.643	9.715	928	--	--
Non derivative financial liabilities	**423.649**	**424.313**	**337.397**	**86.916**	**--**	**--**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

31.12.2012	**Book value**	**Total cash out flow**	**Within 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**
Derivative cash inflow	--	1.354.711	653.839	700.872	--	--
Derivative cash outflow	--	(1.363.384)	(658.172)	(705.212)	--	--
Derivative financial liabilities	**(8.673)**	**(8.673)**	**(4.333)**	**(4.340)**	**--**	**--**

31.12.2011	**Book value**	**Total cash out flow**	**Within 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**
Contractual maturities						
Bank borrowings	**224.219**	**228.034**	**73.929**	**116.327**	**37.573**	**205**
Expected maturities						
Trade payables	442.238	443.472	282.370	161.102	--	--
Other liabilities	29.618	29.618	9.435	20.183	--	--
Non derivative financial liabilities	**471.856**	**473.090**	**291.805**	**181.285**	**--**	**--**

31.12.2011	**Book value**	**Total cash out flow**	**Within 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**
Derivative cash inflow	--	512.619	296.263	216.356	--	--
Derivative cash outflow	--	(500.062)	(286.935)	(213.127)	--	--
Derivative financial liabilities	**12.557**	**12.557**	**9.328**	**3.229**	**--**	**--**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

Foreign currency risk

The net currency position of the Company as of the balance sheet dates are shown below:

31.12.2012	**USD ('000)**	**EUR ('000)**	**GBP ('000)**	**CHF ('000)**	**RUB ('000)**	**TL Equivalent**
1. Trade receivables	16.048	152.229	--	174	781.171	432.313
2a. Monetary financial assets	426	518	3	--	485	2.014
2b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	11.220	4.511	4	49	--	30.716
4. Current assets (1+2+3)	**27.694**	**157.258**	**7**	**223**	**781.656**	**465.043**
5. Trade receivables	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--
7. Other	--	--	--	--	--	--
8. Non-current assets (5+6+7)	**--**	**--**		**--**	**--**	**--**
9. Total assets (4+8)	**27.694**	**157.258**	**7**	**223**	**781.656**	**465.043**
10. Trade payables	105.968	39.624	8	49	--	282.200
11. Financial liabilities	50.092	21.853	--	--	--	140.686
12a. Other monetary liabilities	--	--	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--	--
13. Current liabilities (10+11+12)	**156.060**	**61.477**	**8**	**49**	**--**	**422.886**
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	--	29.767	--	--	--	70.004
16a. Other monetary liabilities	--	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--	--
17. Non-current liabilities (14+15+16)	**--**	**29.767**	**--**	**--**	**--**	**70.004**
18. Total liabilities (13+17)	**156.060**	**91.244**	**8**	**49**	**--**	**492.890**
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a-19b)	321.189	(278.644)	--	--	(759.450)	(126.844)
19a. Hedged total assets	383.667	140.241	--	--	48.832	1.016.566
19b. Hedged total liabilities	(62.478)	(418.885)	--	--	(808.282)	(1.143.410)
20. Net foreign currency asset/ (liability) (position (9-18+19)	**192.823**	**(212.630)**	**(1)**	**174**	**22.206**	**(154.691)**
21. Net foreign currency monetary asset/ (liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(139.586)**	**61.503**	**(5)**	**125**	**781.656**	**(58.563)**
22. Fair value of financial instruments used in foreign currency hedging	**321.189**	**(278.644)**	**--**	**--**	**(759.450)**	**(126.844)**
23. Export	59.498	570.162	--	309	655.259	1.455.670
24. Import	251.244	218.536	60	27	--	955.284

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31.12.2011	**USD ('000)**	**EUR ('000)**	**GBP ('000)**	**CHF ('000)**	**RUB ('000)**	**TL Equivalent**
1. Trade receivables	20.324	136.290	--	161	209.881	383.984
2a. Monetary financial assets	2.330	623	1	--	5.617	6.253
2b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	--	--	--	--	--	--
4. Current assets (1+2+3)	**22.654**	**136.913**	**1**	**161**	**215.498**	**390.237**
5. Trade receivables	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--
7. Other	--	--	--	--	--	--
8. Non-current assets (5+6+7)	**--**	**--**	**--**	**--**	**--**	**--**
9. Total assets (4+8)	**22.654**	**136.913**	**1**	**161**	**215.498**	**390.237**
10. Trade payables	127.974	37.148	--	--	--	332.512
11. Financial liabilities	33.681	44.193	--	--	--	171.618
12a. Other monetary liabilities	--	--	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--	--
13. Current liabilities (10+11+12)	**161.655**	**81.341**	**--**	**--**	**--**	**504.130**
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	4.036	11.756	--	--	--	36.352
16a. Other monetary liabilities	--	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--	--
17. Non-current liabilities (14+15+16)	**4.036**	**11.756**	**--**	**--**	**--**	**36.352**
18. Total liabilities (13+17)	**165.691**	**93.097**	**--**	**--**	**--**	**540.482**
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a-19b)	104.106	(77.607)	--	(1.459)	--	4.063
19a. Hedged total assets	129.406	62.479	--	146	--	397.414
19b. Hedged total liabilities	(25.300)	(140.086)	--	(1.605)	--	(393.351)
20. Net foreign currency asset/ (liability) (position (9-18+19)	**(38.931)**	**(33.791)**	**1**	**(1.298)**	**215.498**	**(146.182)**
21. Net foreign currency monetary asset/ (liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(143.037)**	**43.816**	**1**	**161**	**215.498**	**(150.245)**
22. Fair value of financial instruments used in foreign currency hedging	**104.106**	**(77.607)**	**--**	**(1.459)**	**--**	**4.063**
23. Export	36.389	513.316	--	1.449	45	1.265.269
24. Import	227.793	207.025	48	--	--	857.701

In accordance with Turkish financial reporting standards, inventories are accounted for in Turkish Lira even if they obtained are through import, hence are not subject to foreign currency valuation. If the stocks were valuated as foreign currency asset, the net open foreign currency position of the Company would have been lower.

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

Foreign currency sensitivity analyses are as follows:

	Profit / Loss		**Equity**	
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
31.12.2012				
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(24.883)	24.883	(24.883)	24.883
Secured portion from USD risk (-)	--	--	--	--
USD net effect	**(24.883)**	**24.883**	**(24.883)**	**24.883**
+/- 10% fluctuation of EUR rate:				
EUR net asset/ liability	14.464	(14.464)	14.464	(14.464)
Secured portion from EUR risk (-)	--	--	--	--
EUR net effect	**14.464**	**(14.464)**	**14.464**	**(14.464)**
+/- 10% fluctuation of CHF rate:				
EUR net asset/ liability	24	(24)	24	(24)
Secured portion from CHF risk (-)	--	--	--	--
CHF net effect	**24**	**(24)**	**24**	**(24)**
+/- 10% fluctuation of RUB rate:				
RUB net asset/ liability	4.540	(4.540)	4.540	(4.540)
Secured portion from RUB risk (-)	--	--	--	--
RUB net effect	**4.540**	**(4.540)**	**4.540**	**(4.540)**

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	Profit / Loss		Equity	
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
31.12.2011				
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(27.018)	27.018	(27.018)	27.018
Secured portion from USD risk (-)	19.665	(19.665)	19.665	(19.665)
USD net effect	**(7.353)**	**7.353**	**(7.353)**	**7.353**
+/- 10% fluctuation of EUR rate:				
EUR net asset/ liability	10.708	(10.708)	10.708	(10.708)
Secured portion from EUR risk (-)	(18.966)	18.966	(18.966)	18.966
EUR net effect	**(8.258)**	**8.258**	**(8.258)**	**8.258**
+/- 10% fluctuation of CHF rate:				
GBP net asset/ liability	32	(32)	32	(32)
Secured portion from GBP risk (-)	(293)	293	(293)	293
CHF net effect	**(261)**	**261**	**(261)**	**261**
+/- 10% fluctuation of RUB rate:				
RUB net asset/ liability	1.253	(1.253)	1.253	(1.253)
Secured portion from RUB risk (-)	--	--	--	--
RUB net effect	**1.253**	**(1.253)**	**1.253**	**(1.253)**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of debt and equity balance.

The Company's management reviews the capital structure considering the cost of capital and the risks associated with each class of capital. Based on recommendations, the Company will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of the existing debt.

The Company's net debt to overall financing ratios as at the balance sheet dates are follows:

	31.12.2012	**31.12.2011**
Total liabilities (note 6)	375.515	224.219
Cash and cash equivalents (note 4)	(27.218)	(7.321)
Net debt	**348.297**	**216.898**
Equity	491.256	509.747
Total share capital	**839.553**	**726.645**
Ratio net debt/equity	**%41,5**	**%29,8**

Credit risk

Ownership of financial assets brings with it the risk that the counterparty may not be able to meet its obligations. An important part of the trade receivables are the receivables from the related companies. Local sales are made through Vestel Ticaret A.Ş. Istanbul Branch. Export sales are made through Vestel Ticaret A.S. Istanbul and the receivable from this related company is under the guarantee of Turkish Eximbank.

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

As of balance sheet dates, the Company's exposure to credit risk is as summarized below:

	Receivables						
	Trade receivables		Other receivables				
	Related parties	Related parties	Related parties	Third parties	Bank amounts	Derivatives	Other
31.12.2012							
- Secured portion of maximum credit risk with collateral	--	--	--	--	--	--	--
A. Net book value of financial assets that are not overdue and not impaired	622.071	13.538	--	49.916	27.182	--	36
B. Net book value of assets that are overdue but not impaired	--	--	--	--	--	--	--
- Secured portion by collateral, etc.	--	--	--	--	--	--	--
C. Net book value of assets that are impaired							
- Overdue (gross carrying amount)	--	38	--	--	--	--	--
- Impairment	--	(38)	--	--	--	--	--
- Carrying amount secured with collateral	--	--	--	--	--	--	--
Maximum exposure to credit risk as of 31.12.2012(A+B+C)	**622.071**	**13.538**	**--**	**49.916**	**27.182**	**--**	**36**

	Receivables						
	Trade receivables		Other receivables				
	Related parties	Related parties	Related parties	Third parties	Bank amounts	Derivatives	Other
31.12.2011							
- Secured portion of maximum credit risk with collateral	--	--	--	--	--	--	--
A. Net book value of financial assets that are not overdue and not impaired	598.937	3.625	--	33.989	7.286	--	35
B. Net book value of assets that are overdue but not impaired	2.670	335	--	--	--	--	--
- Secured portion by collateral, etc.	--	--	--	--	--	--	--
C. Net book value of assets that are impaired							
- Overdue (gross carrying amount)	--	38	--	--	--	--	--
- Impairment	--	(38)	--	--	--	--	--
- Carrying amount secured with collateral	--	--	--	--	--	--	--
Maximum exposure to credit risk as of 31.12.2011 (A+B+C)	**601.607**	**3.960**	**--**	**33.989**	**7.286**	**--**	**35**

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

Aging of overdue trade receivables is given below:

31.12.2012	**Trade receivables**	**Other receivables**
Not more than 30 days	--	--
Within 1 month to 3 months	--	--
Within 3 months to 12 months	--	--
Within 1 year to 5 years	--	--
- Carrying amount secured with collateral	--	--
	--	**--**

31.12.2011	**Trade receivables**	**Other receivables**
Not more than 30 days	316	--
Within 1 month to 3 months	36	--
Within 3 months to 12 months	10	--
Within 1 year to 5 years	2.643	--
- Carrying amount secured with collateral	--	--
	3.005	**--**

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information, management’s judgment and appropriate valuation methodologies. However judgement is required to interpret market data to estimate the fair value. Accordingly the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the Company’s financial instruments:

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for un-collectability are estimated to be their fair values.

The carrying amounts of financial assets are considered to approximate their fair values.

Financial liabilities

The carrying values of trade payables are estimated to be their fair values

The carrying values of bank borrowings which are denominated in foreign currencies and translated at year-end exchange rates are considered to approximate their fair values.

(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

NOTE 27 – SUPPLEMENTARY CASH FLOW INFORMATION

	01.01.- 31.12.2012	**01.01.- 31.12.2011**
Depreciation and amortisation expense,	63.790	55.086
Provision for employment termination benefits, note 14	5.409	4.560
Provision for diminution in value of inventories, note 9	1.187	2.612
Profit (loss) on sale of property, plant and equipment, net	(143)	569
Warranty provision (release) , note 13	(19.627)	14.738
Provision for legal claims , note 13	372	103
Forward expense (income) accruals , note 5	8.673	(12.557)
Interest income , note 21	(732)	(415)
Interest expense , note 21	22.673	9.392
	81.602	**74.088**
Trade receivables	(30.042)	(161.501)
Inventories	7.308	(70.345)
Other assets	(20.039)	(20.261)
Trade payables	(29.232)	171.254
Other liabilities	280	3.113
Payments of employee termination benefits	(2.263)	(2.330)
	(73.988)	**(80.070)**

Depreciation expense and amortization charged to:

Cost of sales	56.479	43.722
Research and development expenses	6.822	10.866
Marketing and selling expenses	206	279
General and administrative expenses	283	219
	63.790	**55.086**