

A man in a purple hoodie and light-colored pants is holding a young child with curly hair. They are in a laundry room. A white Vestel washing machine is visible on the left, integrated into a wooden cabinet. The cabinet has shelves with various items like potted plants, bottles, and a basket. The man is smiling at the child, who is also smiling. A red banner with white text is overlaid on the bottom left of the image.

# It is Vestel time now

VESTEL BEYAZ EŞYA 2014 ANNUAL REPORT

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## It is Vestel time now

In 2014 Vestel Beyaz Eşya

- Maintained its place as one of the Europe's top ten white goods manufacturers and reinforced its position of being a preferred ODM business partner for the A-brand producers.
- Increased its market share in Turkey's white goods market and reinforced its position as one of the sector's top three players thanks to its new sales and marketing initiative, expansion into new sales channels and restructuring of its after-sales services, which were backed by its new communication strategy launched with the "Türkiye Vestelleniyor (Turkey is Vestelized)" campaign.

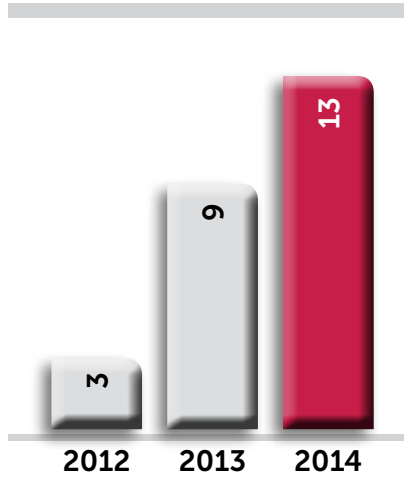
While advances in technology are increasingly affecting the course of our lives, Vestel Beyaz Eşya will continue to touch the lives of consumers with its products.

# SUMMARY FINANCIAL AND OPERATIONAL INDICATORS

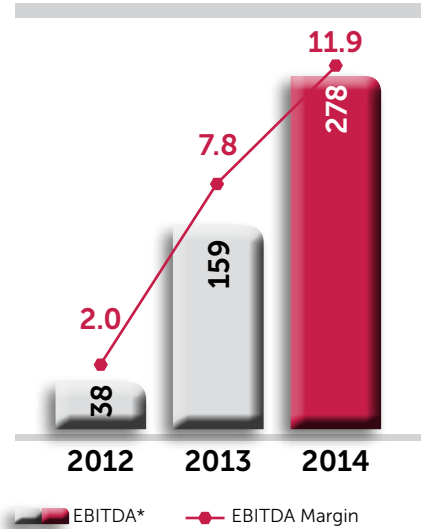
Net Sales  
(TL Million)



Gross Profit Margin  
(%)

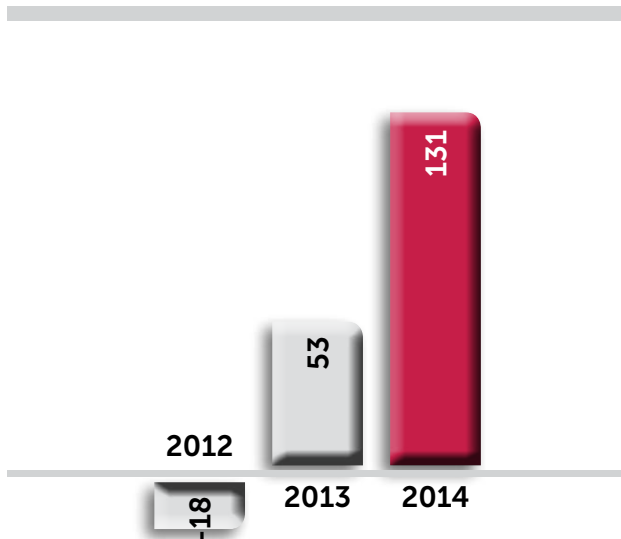


EBITDA (TL Million) and  
EBITDA Margin (%)

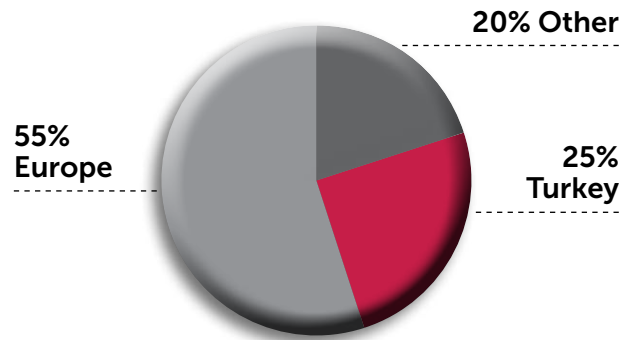


\* Excluding other income and expenses from operating activities

Net Profit  
(TL Million)



Geographical  
Breakdown of Sales



In 2014, sales revenues increased by 15% to TL2,337 million.

15%

EBITDA reached TL278 million in 2014, growing by 75%, with the EBITDA margin increasing from 7.8% in 2013 to 11.9% in 2014.

11.9%

Net profit amounted to TL131 million in 2014 with an increase of 149% YoY.

149%

## SUMMARY FINANCIAL AND OPERATIONAL INDICATORS

Vestel Beyaz Eşya's 2014 sales revenues grew by 15% to TL2.3 billion in 2014, with exports accounting for 75% of total revenues.

## Key Financial Indicators

Income Statement (Million Euro)	2012	2013	2014
Net Sales	817	803	804
Exports/Sales	77%	72%	75%
Gross Profit	23	71	103
Gross Profit Margin	2.8%	8.8%	12.9%
Operating Profit/(Loss)*	(11)	33	67
Operating Profit Margin	(1.4%)	4.1%	8.3%
EBITDA*	16	63	96
EBITDA Margin	2.0%	7.8%	11.9%
Net Profit/(Loss)	(8)	21	45
Net Profit Margin	(0.9%)	2.6%	5.6%

\* Excluding other income and expenses from operating activities

Balance Sheet (Million Euro)	2012	2013	2014
Cash and Cash Equivalents	12	6	58
Trade Receivables	270	184	233
Inventories	94	110	81
Current Assets	406	328	406
Property, Plant & Equipment	131	112	117
Total Assets	559	461	549
Short Term Financial Liabilities	306	189	230
Long Term Financial Liabilities	44	87	84
Shareholders' Equity	209	184	235
Net Financial Debt	148	93	35

Summary Statement of Cash Flow (Million Euro)	2012	2013	2014
Net Cash Flows From Operating Activities	(0.2)	94	109
Net Cash Flows From Investing Activities	(41)	(42)	(32)
Net Cash Flows From Financing Activities	50	(56)	(26)

## SUMMARY FINANCIAL AND OPERATIONAL INDICATORS

## Shareholding Structure

Shareholders	Amount of Shares (TL)	Share Percentage (%)
Vestel Elektronik Sanayi ve Ticaret AŞ*	179,618,141	94.54
Other Shareholders (free float)	10,381,859	5.46
<b>Total</b>	<b>190,000,000</b>	<b>100.00</b>

\* During 2014, Vestel Elektronik Sanayi ve Ticaret AŞ increased its stake in the Company from 87.65% to 94.54% via share purchases on the stock market.

## Vestel Beyaz Eşya Shares

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

At the end of 2014, Vestel Beyaz Eşya's shares were included in the NATIONAL MARKET, BIST METAL PRODUCTS-MACHINERY, BIST INDUSTRIAL, BIST ALL, BIST 100 and BIST NATIONAL indices.

Vestel Beyaz Eşya's market capitalization stood at TL2,052 million as of 31 December, 2014.

**TL2,052  
million**

## Share Price Summary (TL)

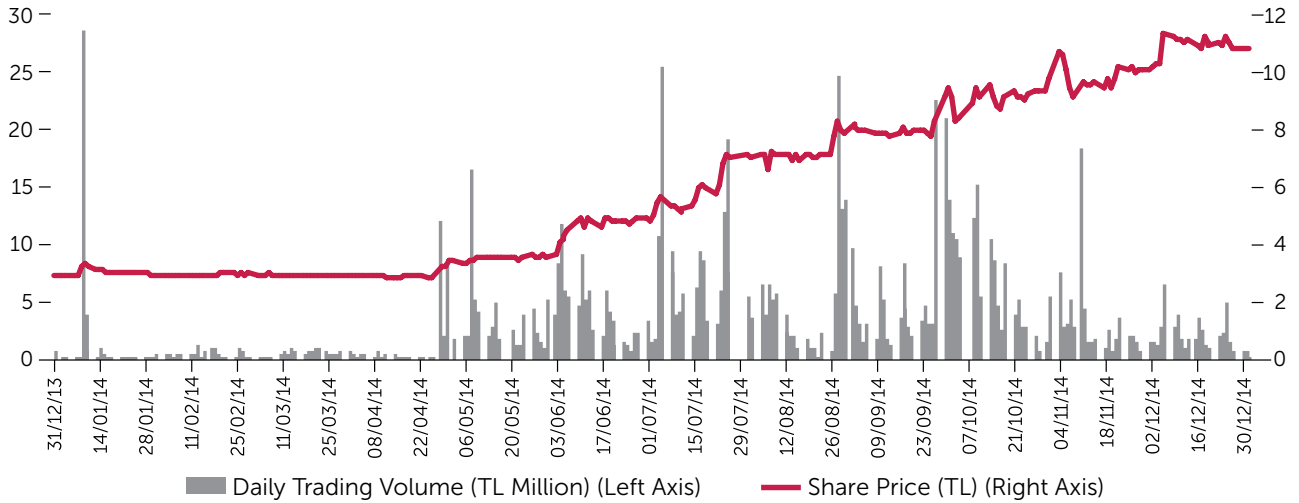
	2014
Number of Shares	190,000,000
Free-float*	10,381,859
Yearly High	11.3
Yearly Low	2.87
Year-End Price	10.8
Market Capitalization*	2,052,000,000

\* As of 31.12.2014



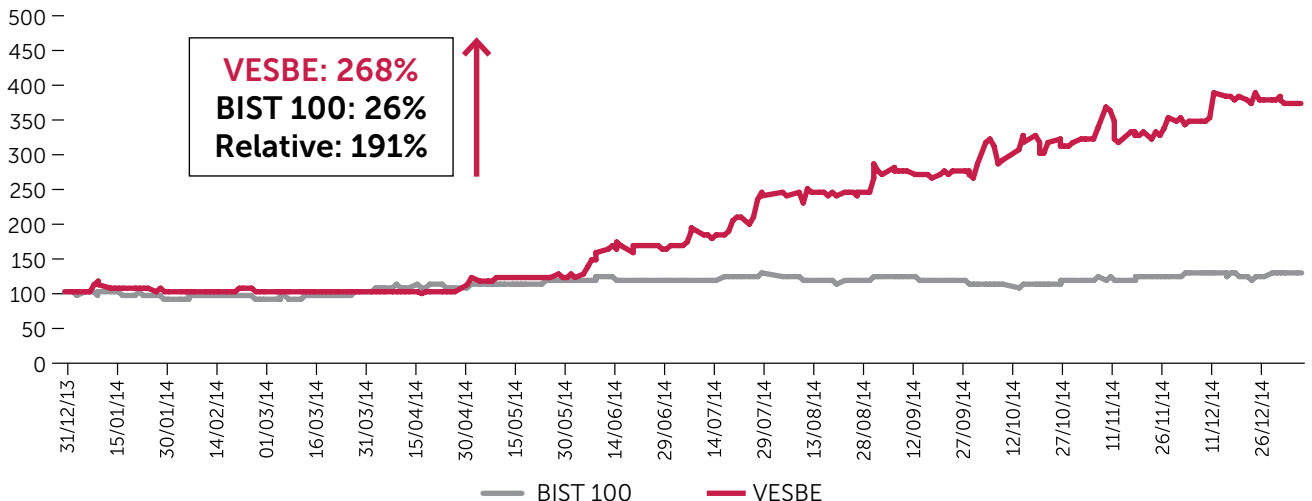
Vestel Beyaz Eşya's share price increased by 268% in 2014, closing the year at TL10.80, reflecting its strong financial performance during the year.

## Vestel Beyaz Eşya Share Price Performance (TL)



The BIST-100 index increased by 26% over the same period. With this performance, Vestel Beyaz Eşya notched up the 6<sup>th</sup> highest return among the companies in BIST All index in 2014.

## Vestel Beyaz Eşya - Relative Performance



## HIGHLIGHTS FROM VESTEL BEYAZ EŞYA IN 2014



# A+++

The Pyrojet washing machine that consumes 70% less energy than products in the A+++ energy class, is the holder of world record in terms of energy efficiency in its category.

Vestel Ticaret AŞ took over the rights to develop, manufacture, sell and market white goods products under the Sharp brand in Europe through the brand licensing agreement signed in September 2014.

## Collaboration between Vestel and Sharp in the European white goods market

Vestel signed a brand licencing agreement with Sharp in line with its strategy of enhancing collaboration with global brands. Vestel Ticaret AŞ, which is a 100% owned subsidiary of Vestel Elektronik Sanayi ve Ticaret AŞ, took over the rights to develop, manufacture, sell and market white goods products under the Sharp brand in Europe through the brand licensing agreement signed on 26 September, 2014. Vestel Ticaret AŞ will be the exclusive distributor of Sharp branded products in the European market which are produced at Vestel Beyaz Eşya factories and the Sharp Corporation's facilities in Asia as of 1 January 2015.

## Two new world record holding products from Vestel Beyaz Eşya

### Vestel Pyrojet Washing Machine

The washing machine with Pyrojet technology that consumes 70% less energy than products with 8 kg capacity and 60% less energy than products with 9 kg capacity in the A+++ energy class is the holder of world record in terms of energy efficiency in its category. Vestel Pyrojet is endorsed by German Electrical, Electronic and Information Technologies Association (VDE) for its energy efficiency.

Pyrojet also stands out with its Allergy Specialist Program, endorsed by one of the world's most prestigious allergy institutions, Allergy UK, as the first washing machine in Turkey to be effective in tackling 7 different allergens and 4 different bacteria types, in addition to holding a record in energy efficiency.

The success of the washing machine's anti-allergen program using Pyrojet technology was proven in an event that took place in the UK that is of particular pride for Vestel. Allergy UK donated a Vestel Pyrojet washing machine to the family of the 9 year old Daisy Ames, who had been suffering greatly from inflamed eczema wounds in her legs. The Pyrojet's anti-allergen program ended the eczema cycle by providing effective hygiene in the clothes, contributing to her rapid recovery.

The Pyrojet washing machine also possesses a large door, full graphic screen, sensitive wash

with bumerang body that reduces vibration and Digital Drive silent operation technologies.

### Vestel Ekomaks Dishwasher

Vestel Ekomaks was endorsed by the German Electrical, Electronic and Information Technologies Association (VDE) for its energy efficiency, it consumes 20% less energy than the A+++ energy class.

The Vestel Ekomaks Dishwasher provides its users with the opportunity to wash full cutlery for 14 people at once with its smart basket design and 3<sup>rd</sup> basket. It washes urgent dirty cutlery in 18 minutes with the Jetwash 18 washing program, while the Smartwash program measures the degree of soil and identifies the most appropriate washing program. Ekomaks also filters the last rinse of water from the dishes with its Waterbox technology and uses the water again in the pre-wash, thereby providing additional water savings.



## HIGHLIGHTS FROM VESTEL BEYAZ EŞYA IN 2014

**A member of CECED**

Vestel became a member of The European Committee of Domestic Equipment Manufacturers (CECED) that is one of the most important international sectoral associations in the European white goods industry.

CECED, whose members include the world's leading white goods and small household appliances manufacturers, operates with the aim of ensuring that the manufacturing of all household appliances from white goods to small household appliances is more innovative and environmentally friendly.

**Winner of the best brand award in complaint management**

Vestel continues to set itself apart in the field of after-sales services. Vestel won the winning award in the white goods category in the A.L.F.A. Awards organized for the first time this year jointly by the Marketing Turkey Magazine, the Marketing Management Institute, Şikayetvar.com and the Method Research Company, which measures the customer satisfaction processes. Vestel was selected as the best brand in complaint management in its category as a result of the evaluations conducted on the basis of the response times to complaints, the number of complaints received and the number of messages expressing thanks from customers.

As in 2013, Vestel received the highest complaint management success score, ranking the 1<sup>st</sup> by far in the all categories, i.e. dishwashers, fridges, washing machines, televisions and white goods in general, in all the quarters of 2014 according to the ŞikayetEndex data from Şikayetvar.com. Vestel was announced as the brand to have received the highest number of thank you messages from its customers.

**Vestel is ranked the first among R&D centers**

Vestel became the leader in both the electronics and consumer durables sectors in the R&D Awards given within the scope of the 3<sup>rd</sup> Private Sector R&D Centers Summit.

Vestel stood out in the evaluation, which was based on a number of criteria including personnel employment, R&D spending, project capacity, collaboration and interaction, commercialization and intellectual property competency among the 164 R&D centers from 24 sectors, ranking the first in both of the two sectors in which it operates.

**Vestel wins "Turquality Special Award"**

The "Design Turkey Industrial Design Awards" - Turkey's biggest award event in innovation and branding - was organized for the fourth time this year in trust of the Ministry of Economy and with the collaboration of the Turkish Exporters Assembly and Industrial Designers Professional Association.

The event, which was opened to the international arena for the first time this year, received a total of 410 applications with 65 products receiving the "Good Design Award". Vestel won the highest number of design awards in the event, with three awards in the white goods category and two awards in electronics. Vestel was also granted the Turquality Special Award, which was given for the first time.

**Award winning products**

Reflecting the quality, functionality, creativity and respect for ecology factors successfully to its products, Vestel Beyaz Eşya adds to its collection of awards by continuously enhancing its design capabilities.

At the 2014 Good Design Awards, the Company's Blue Line, Plain, Neo, XXL Smart NF fridge models, and the Linea dishwasher were nominated among the white goods which stand out in combining technology and design. Vestel Beyaz Eşya was deemed worthy of five awards.

Vestel Beyaz Eşya's products were granted three awards at the IF Design Awards and two awards at the Red Dot Design Awards.

The Puzzle Frenchdoor Refrigerator won the IF Design Award and the Exclusive 6D Large Volume Fridge won awards at both the IF Design Awards and the Red Dot Design Awards.



# Turququality

Vestel Beyaz Eşya received the Turququality Special Award, which was given for the first time in 2014.





# Always in our lives

Vestel Beyaz Eşya takes part in consumers' lives with its products in Turkey and in the 149 countries around the world.







# CHAIRMAN'S MESSAGE



**Ahmet Nazif Zorlu**  
Chairman

Dear stakeholders,

We leave behind what was a highly successful year for our Company. It gives me great pleasure to report that despite the problems encountered in the economy, Vestel Beyaz Eşya maintained its strong performance in 2014 and achieved successful results.

In the global economy, trade volume and the rate of economic growth failed to reach the desired levels in 2014. Although the US and UK economies demonstrated a more robust recovery than expected, the stagnation in Eurozone countries continued. China, the world's second biggest economy, lost some of the growth momentum, which it has maintained for a long period, while Japan could not reap the fruits it was expecting from its monetary expansion program.

In the USA, the FED started to gradually implement a monetary tightening program, which it had previously announced before, in

2014. This precipitated a depreciation in the value of the other countries' currencies against USD, a trend that was most keenly felt in the currencies of developing countries.

The global macroeconomic outlook from 2014 to 2015 demonstrates that the dust has not yet settled in the global economy, where differences in the economic growth rates between groups of countries are increasingly becoming more apparent.

Geopolitical developments, especially in Russia and the surrounding countries, including the Middle East, have given rise to fears regarding stability.

Economic recovery has gained momentum in the USA, whose economy started to exhibit growth with its indicators following a positive trend. The FED, which takes into account the globally weak growth performance especially in Europe, China and Japan in marked contrast with the strong growth in the USA, signaled that it would implement

the interest rate hikes which it had been planning to introduce from the second half of 2015, gradually and with more caution. In such a case, capital outflows from developing countries are expected to be more moderate. The latest Quantitative Easing Program announced by the European Central Bank (ECB) in January 2015 is expected to be a positive development for the upcoming period. In addition, the slump in oil prices has started to support the EU economy which is largely dependent on imported energy, giving rise to the first signals of recovery from the Eurozone.

Despite the loss of momentum in economic growth, in parallel with the trend seen in other developing countries, Turkey succeeded in maintaining its stable performance in 2014 with a 2.9% GDP growth.

The monetary policies pursued by the Central Bank of Turkey (CBT) were one of the basic determinants of our country's macroeconomic

# Vestel Beyaz Eşya's production is focused on high value-added, innovative, environmentally friendly and energy efficient products.

performance in 2014. The rebalancing achieved in domestic and international demand as a result of the economic policies implemented toward reducing the current account deficit, paved the way for a narrowing of the foreign trade deficit and the current account deficit. The plunge in oil prices, which declined by almost 50% in the second half of 2014, contributed to the reduction in the current account deficit thanks to the sharp drop in Turkey's energy import bill. This outlook is also expected to continue in 2015 and based on the forecasts that growth will be more driven by the domestic demand and private sector investments this year, economic growth is expected to remain at similar levels with 2014.

2014 marked an important milestone for Vestel Beyaz Eşya that has preserved its firm stance under all economic conditions with its astute foresight and strategies. The combination of a wider product range, expansion into new sales channels coupled with strong growth in retail sales in the domestic market, and our exports reaching 149 countries enabled us to grow in excess of the targets we had set out at the beginning of the year. Our sales and profit displayed strong growth and our successes were reflected to our Company's market capitalization. Hence, Vestel Beyaz Eşya delivered the 6<sup>th</sup> highest return among the companies in the BIST All index during 2014. In the domestic market, Vestel Beyaz Eşya increased its market share thanks to the new initiatives undertaken with a well-founded strategy in the areas of sales, marketing, distribution and after-sales services while in international markets, the acquisition of new A-brand customers and the signing

of a brand licensing agreement with Sharp for the European market were the most important developments of the year.

Vestel Beyaz Eşya's production is focused on high value-added, innovative, environmentally friendly and energy efficient products. As a result of the studies conducted in accordance with this focus, we lead the market with high energy and water saving products, which also offer extra hygienic and anti-allergic characteristics. We have demonstrated our innovative strength in design and functionality with the puzzle concept which we have created for fridges. We unwaveringly continue our efforts to offer Vestel's technology and design to Turkey and the world through our innovative products which exceed customer expectations and are developed in our R&D department, where we produce the technology of the future.

Social responsibility is one of the important factors, which increasingly affects consumer preferences in today's world.

Consumers increasingly care about whether the products and services they purchase harm the environment, or make contribution to the society. As a Group, we give priority to ensuring that our products include environmentally friendly features, such as energy efficiency and water conservation. We accord special consideration to the economic, environmental and social effects of all of our operations within the framework of our sustainability approach which we have maintained for years as part of our corporate culture. Accordingly, we carry out a number of projects in this area.

I am delighted to be able to say that all of our companies under the Vestel roof endorse a range of successful practices in a number of areas, particularly in education and environment, under the guidance of the Zorlu Group Sustainability Principles.

The feedback we receive from you, our shareholders, ensures that we look to the future with greater confidence and strengthens us. In the coming years, our main goals will be to reinforce the trust that has been shown in us and in our brands, and to maximize our prestige.

Our successes are based on the valuable efforts of our employees and managers, and the trust and support of our business partners and consumers. I believe we will build a better future together and I would like to take this opportunity to extend my gratitude to all.

It is our duty and responsibility to continue to invest in Turkey's future and to provide better quality products and services. We always dream big under the Vestel roof and derive strength from your presence to give life to our dreams. We believe that we will strengthen the position of Vestel Beyaz Eşya and Turkey in global markets by continuing to work towards our goals. There is no obstacle to achieving these dreams as we move towards our mutual goal...

Yours faithfully,



Ahmet Nazif Zorlu  
Chairman

# BOARD OF DIRECTORS



**Ahmet Nazif Zorlu**  
Chairman



**Hacı Ahmet Kılıçoğlu**  
Vice Chairman



**Olgun Zorlu**  
Board Member



**Şule Cümbüş**  
Board Member



**İzzet Güvenir**  
Board Member



**Ali Akın Tarı**  
Board Member



### **Ahmet Nazif Zorlu** Chairman

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

### **Hacı Ahmet Kılıçoğlu** Vice Chairman

(1956 - Giresun) Hacı Ahmet Kılıçoğlu graduated with a Bachelor's degree and Master's degree in Economics from the University of Essex. He started his professional career in 1979 at the Ministry of Industry and Technology. In 1980 he became an Assistant Specialist at Türkiye İş Bankası. After completing his military service and working in the private sector for a couple of years, Mr. Kılıçoğlu held administrative positions at the United Nations Development Program (UNDP) and the F-16 project from 1984 onward. He then took office at Türk Eximbank in 1987, where he worked in various positions. He later served as the CEO of the bank and as a Board Member between 1998 and 2010. He served as a Board Member at the Banks Association of Turkey between 1998 and 2010 and was also elected as the President of the World EximBanks Union (The Berne Union) in 2001. He also served as a Consultant to the President at the Islamic Development Bank between 2008 and 2009 and as a Vice Chairman at Denizbank in 2010. Mr. Kılıçoğlu also serves as a Board Member at Vestel Elektronik and Vestel Beyaz Eşya, at Beşiktaş Futbol Yatırımları Sanayi ve Ticaret AŞ and at Şeker Mortgage Finansman AŞ.

### **Olgun Zorlu** Board Member

(1965 - Trabzon) After graduating from university in the United Kingdom, Mr. Olgun Zorlu began his professional career in 1986 and gained managerial experience at Zorlu Group's textile companies. He started serving as a Board Member at Zorlu Holding in 1998. In addition to serving as a Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Mr. Zorlu also continues to serve as a Board Member at Zorlu Holding and Zorlu Group companies.

### **Şule Cümbüş** Board Member

(1976 - İstanbul) After graduating from Işık High School, Şule Cümbüş pursued her undergraduate studies in the USA. She studied business administration at the Pepperdine University in Los Angeles in her first year and at New Jersey's Silberman College/Farleigh Dickinson University in the following two years. She worked at Zorlu Holding's American subsidiary, Zorlu USA Textile, for about six months. In 1999, she returned to Turkey to take office as a Management Trainee at Denizbank, and went on to serve in various departments of the bank for two years. She became a Board member at Anadolu Kredi Kartları AŞ, which was acquired in early 2002. In 2003, she was appointed as the General Manager of Linens Pazarlama. Ms. Cümbüş has been serving as a Board Member in various Zorlu Group companies, and continues to serve as a Board Member at Vestel Beyaz Eşya and as Chairman of the Board at Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ.

### **İzzet Güvenir** Board Member

(1955 - İzmir) İzzet Güvenir graduated from the Department of Aeronautical Engineering at Istanbul Technical University in 1980. After serving in various positions in the white goods sector, he joined Vestel in 1998 as the Manager of the Air Conditioner Plant. Mr. Güvenir was appointed as the General Manager of Vestel Beyaz Eşya in 2000. He stepped down from his position as a Member of the Executive Committee responsible for White Goods and Vestel Russia on 1 July 2011. He continues to serve as a Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ.

### **Ali Akın Tari** Board Member

(1943 - Koruköy) After his graduation from the Istanbul Law Faculty, Ali Akın Tari served as a Tax Inspector and as a Chief Tax Inspector at the Ministry of Finance between 1972 and 1986. He was appointed as the Vice-President of the Tax Inspectors Board in 1986 and Group Head of the Istanbul Tax Inspectors Board in 1989, and continued to serve in this position until he was appointed as a Board Member of the Banking Regulation and Supervision Agency in 2001. He was also elected as a Board Member of the Saving Deposits Insurance Fund in the same year. He left his position at the Banking Regulation and Supervision Agency when his period of duty expired in 2004, and was appointed as a Consultant for the Ministry of Finance. Mr. Tari served in this position until 2007, when he voluntarily left his position in the public sector to work in different areas in the private sector. Mr. Tari became a member of the Board of Directors and the Audit Committee of Dilerbank in 2008; in addition to this position, he was appointed as a member of the Board of Directors of Diler Holding in 2011. Still serving in these positions, he holds the titles of Certified Public Accountant and Independent Auditor.

# INTERVIEW WITH THE CEO



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

## How would you evaluate 2014 for the economy and the white goods sector?

Even though the Turkish economy managed to grow in 2014, the growth rate with 2.9% fell short of the economy's long term potential growth rate of 5%. The Central Bank of Turkey's tight monetary policy was an instrumental factor in the economic developments throughout the year. As part of the macro-precautionary measures implemented since the end of 2013 to curb the current account deficit, which is the Achilles heel of the Turkish economy, the limitations imposed on consumer credits and credit card installments put a cap on consumers' tendency to

consume. Like all other sectors, these measures also took their toll on the white goods sector. White goods sales, which exhibited a sharp contraction in the first four months of the year, closed the year with a relatively smaller 1.8% decline to 6.7 million units thanks to the recovery in demand which started in September and gained further pace in the last quarter of the year.

As for the international markets, Turkish white goods manufacturers' exports reached 16.9 million units denoting a 5% growth from 2013, supported by the recovery in the European white goods market, which is our primary export destination.

## How did 2014 turn out for Vestel Beyaz Eşya? What were the highlights of the year?

2014 was a successful year for Vestel Beyaz Eşya with a number of noteworthy developments. There was a marked improvement in our sales and profitability, and in line with our strong financial performance, our market capitalization increased by 3.7 folds and surpassed the TL2 billion (USD885 million) level as of the end of the year. Hence, Vestel Beyaz Eşya chalked up the 6<sup>th</sup> highest return among the companies in the BIST All index during 2014.

EBITDA increased by 75% to TL278 million in 2014 - reaching its historically highest level in TL terms - in parallel with the growth in revenues and gross profit.

Vestel Beyaz Eşya's sales revenues grew by 15% YoY to reach TL2.3 billion in 2014, with exports accounting for 75% of total revenues. Sales to European countries accounted for 55% of total revenues, with other countries accounting for 20% and domestic sales accounting for 25%.

2014 was a record breaking year in terms of profitability. With a 68% YoY increase, our gross profit reached TL300 million representing its historically highest level thanks to the continuing efficiency and cost cutting efforts, increasing share of the mid-high end products in our sales mix, and the positive effect of a weaker TL on our export margins given our position as a net exporter. With TL278 million, EBITDA reached its highest value ever recorded in TL terms, marking an increase of 75% YoY in parallel with the growth in our revenues and gross profit. EBITDA margin also jumped by 4.1 percentage points from 7.8% in 2013 to 11.9% in 2014. In line with the improvement in profitability, Vestel Beyaz Eşya closed the year 2014 with a net profit of TL131 million.

Achieving a higher growth than the sector, our Company increased its share in the domestic white goods market in 2014. While we grew our exports we also added new A-brand clients to our portfolio during the year. The number of countries we export to increased to 149 in 2014. Our expansion into new export markets, notably in the Far East, Asia, South America and Africa, continues.

One of the most noteworthy developments of 2014 was the brand licensing agreement we signed with Sharp, under which we took over the rights to develop, manufacture, sell and market white goods products for the European market under the Sharp brand for a period of 5 years. We expect this agreement to support our export revenues as well as increase our branded and higher-segment product sales in the European market, where we currently operate mainly as an ODM producer.

#### **What are the competitive advantages of Vestel in R&D and how were these reflected onto the production and consumers in 2014?**

In 2014, we placed emphasis on the development of new models for both the domestic and international markets. We developed special products demanded by the key and niche markets, and products which offer the latest technology. Vestel developed the Pyrojet washing machine which consumes 70% less energy than the world's most efficient A+++ rated washing machine. We also developed the Ekomaks dishwasher that consumes the least amount of water at 5.5 liters per wash. Vestel received energy efficiency certificates for these two machines from the German Association of Electrical, Electronic and Information Technologies (VDE).

Vestel Beyaz Eşya will continue to develop highly energy and water efficient, environmentally friendly and innovative products with its production approach focused on a better future.

## INTERVIEW WITH THE CEO

As Vestel, we want to be associated with the smart home concept by moving ahead of our assertion with our R&D infrastructure.

Smart solutions gain importance due to the development of internet and wireless communication systems.

All devices and systems at home can be remotely controlled from mobile phones and tablet PCs through smart home integration. Vestel successfully integrated its product range with the smart home concept.

Within this scope, smart home systems comprising Air-conditioners, oven, fridge, dishwasher and washing machine can be remotely controlled by Vestel Smart TV, tablet PCs and smart phones.

Two factors stand out here; mobility and connectivity. I can assure that Vestel will continue its technological developments in these two areas. As Vestel, we want to be associated with the smart home concept by moving ahead of our assertion with our R&D infrastructure. In the coming period, Vestel will be able to completely design smart homes with its smart devices.

**Could you talk about your domestic market strategy and new expansion?**

Our expansion strategy for the domestic market goes back to two years ago. We started this transformation by establishing the Customer Services General Directorate. During this transformation, we connected all the processes from the service organization to training, from the appearance/layout of our shops where we touch our customers to the excellence in after-sales services; we built all the processes from one end to the other and on top of each other. On the other hand, in addition to our exclusive dealers, we entered into new sales channels and started selling our products in nearly all of the major technology retailers.

We are going through a new stage in which brand loyalty is getting weaker and the customer experience is becoming more important. In this period, those brands which listen to their customers and cater to their emerging demands would stand out.

Given these trends, we have positioned Vestel as a brand that works fully to meet its customers' demands above all else. In line with our new retailing concept, we set forth with a promise of bringing a customer friendly shopping experience.

We also positioned our communication strategy on this new approach. Our aim is to ensure that Vestel, which brings technology to Turkish people simultaneously with the world, commands the prestige it deserves among the consumers. We wanted every home in Turkey to have products created by Vestel's technology, R&D and design power. As a result of this vision, we have initiated our "Turkey is Vestelized (Türkiye Vestelleniyor)" campaign.

We can summarize the gains from these efforts as follows; increased recognition and trust, high customer satisfaction, and to be the first in all the sub-categories of white goods in the Complaint Index for the last two years.

We see Vestel as a global company, and we deem 2015 to be an important spring board to reinforce our position of being a world class company.

**What are your forecasts and wishes for the coming period?**

Volatility in global markets will continue in 2015. In Turkey, there will be a general election which may defer the consumption in the domestic market. However, supported by the increased political and financial visibility post the elections, domestic consumption is expected to recover in the second half of the year which may lead the demand to be better than in 2014 for the full year.

We maintain our 10% export growth target for 2015. We will continue to increase our emphasis on the domestic market this year and maintain the momentum in our growth. I hope to see the fruits of the actions we took in 2014 more clearly in 2015.

The expectation that the year will be difficult creates a reflex to develop new strategies for different scenarios and hence enables us to overcome the difficulties more easily. The experience we have gained from the deep crises in 2001 and 2008 have enabled us to develop an important resilience threshold. For large size companies like us being agile is crucial. In line with our master plan, we developed strategies to raise the equity value of the Vestel brand. We see Vestel as a global company and we deem 2015 as an important spring board to reinforce our position of being a world class company.

We combine our values that we have woven around a business culture that has people at its heart with an innovative approach that is in Vestel's DNA, and we will carry this to the future. We will continue to offer the best products and services to our stakeholders by recognizing their expectations and needs well and by basing our actions on the reality that technological development will define the world of the future.



# EXECUTIVE COMMITTEE



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



**Bekir Cem Köksal**  
Executive Committee Member



**İhsaner Alkım**  
Executive Committee Member



**Necmi Kavuşturan**  
Executive Committee Member



**Özer Ekmekçiler**  
Executive Committee Member



**Nedim Sezer**  
Executive Committee Member



**Ahmet Süha Erol**  
Executive Committee Member

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

(1955 - Mersin) Enis Turan Erdoğan graduated from the Department of Mechanical Engineering at the Istanbul Technical University in 1976 and completed a master's degree in Production Management at Brunel University in the UK in 1979. After serving in managerial positions for various firms in Turkey, he joined Vestel in 1988. Having held various managerial positions at Vestel since 1988, he served as the President of Vestel Dış Ticaret AŞ and a member of the Executive Committee of Vestel Elektronik until 2013. Turan Erdoğan was appointed as the Chairman of the Executive Committee of the Vestel Group of Companies on 1 January 2013. Mr. Erdoğan served as the President of TURKTRADE (Turkish Foreign Trade Association) for two periods between 2002 and 2006 before being the first Turkish citizen to be appointed as a Board Member of Europe's largest ICT Confederation, DIGITALEUROPE, a position which he held between 2010 and 2014.

**Bekir Cem Köksal****Executive Committee Member**

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

**İhsaner Alkım****Executive Committee Member**

(1954 - Kırcaali) İhsaner Alkım graduated from the Department of Electronics and Communications Engineering at the Istanbul Technical University in 1977. After assuming various positions in the communications and electronics sectors, he joined the Vestel family in 1988. Mr. Alkım has served in various R&D related positions in Vestel, except for a break which he took between 1998 and 2002. In 2005, Mr. Alkım was appointed as a Member of the Executive Committee and continues to hold this position as the Member in charge of Electronic Operations.

**Necmi Kavuşturan****Executive Committee Member**

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

**Özer Ekmekçiler****Executive Committee Member**

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

**Nedim Sezer****Executive Committee Member**

(1958 - Tekirdağ) Mr. Sezer graduated from the Department of Mechanical Engineering at the Istanbul Technical University in 1982. He completed a master's degree in the Institute of Business and Economics at Istanbul University in 1990. After serving in various Turkish companies, he was appointed as the Plant Manager at Vestel Beyaz Eşya's Washing Machine Factory in 1998. Since 2012, he has been serving as the General Manager of Vestel Beyaz Eşya in addition to serving as a Member of the Executive Committee of the Vestel Group of Companies.

**Ahmet Süha Erol****Executive Committee Member**

(1957 - İzmir) Ahmet Süha Erol graduated from the Department of Electrical Engineering at the Middle East Technical University in 1979. He worked as a Foreign Trade Executive in various companies in Algeria, the UK and Turkey before joining Vestel in 1998. Mr. Erol started his career at Vestel as a Procurement Manager between 1998 and 2000. He then continued serving as the Foreign Trade Assistant General Manager between 2000 and 2006 and as the General Manager at Vestel Dış Ticaret AŞ between 2006 and 2013. He was appointed as the Executive Committee Member in charge of Foreign Trade at the Vestel Group of Companies on 1 January 2013 and has been serving in this position since then.

## VESTEL BEYAZ EŞYA IN BRIEF



# 312,500 m<sup>2</sup>

Vestel Beyaz Eşya carries out its production activities in its 312,500 m<sup>2</sup> of enclosed area in the Vestel City by employing the state-of-the-art technology.

Vestel Beyaz Eşya is among the 10 largest white goods manufacturers in Europe and one of the top three players in Turkey.

**Maintaining a stable growth momentum since its establishment in 1997, Vestel Beyaz Eşya is a pioneer player and one of the largest white goods manufacturers in Turkey and Europe, backed by its long term vision and strategies.**

Vestel City is one of the largest industrial complexes in Europe established in a single location, with an area of 1.1 million m<sup>2</sup> in Manisa. Vestel Beyaz Eşya manufactures refrigerators, washing machines, cookers, dishwashers, air-conditioners and water heaters in an enclosed area of 312,500 m<sup>2</sup> at Vestel City. The Company has an annual production capacity of 9 million units.

Vestel Beyaz Eşya ranks among the Europe's top manufacturers employing the state-of-the-art technology. It is one of the ten largest manufacturers of white goods in Europe and one of the top three players in Turkey, developing products by closely following the latest technological trends.

Vestel Beyaz Eşya is one of the Europe's biggest original design manufacturers (ODM). The Company operates mainly as an ODM producer in the European market; while it pursues a strategy to grow

with the Vestel Group brands in Turkey and especially in Russia, CIS countries and the MENA region.

Through its strong R&D organization and competency in technology development, Vestel Beyaz Eşya offers a continuously expanding environmentally friendly product range, which appeals to a wide consumer mass on a global scale. The Company strives to bring more comfort to millions of homes. Vestel Beyaz Eşya accounts for nearly 30% of Turkey's total white goods exports. In 2014, 55% of the Company's total sales were directed to the European market, 20% to other countries and 25% to the domestic market.

A flexible production capability coupled with a high production capacity, competence in product differentiation, logistical advantages derived from its proximity to Europe as well as to the developing MENA and CIS regions and relatively low unit labor costs stand as Vestel Beyaz Eşya's key competitive advantages, reinforcing the Company's market position.

The logistics-distribution capabilities of Vestel Ticaret, which carries out Vestel Beyaz Eşya's sales and marketing services, its wide network of dealers and the services offered with a technological infrastructure reinforces the Vestel Beyaz Eşya's strong brand image in the domestic market. After-sales services are provided by authorized service centers and the Vestel Customer Services General Directorate.





## VESTEL BEYAZ EŞYA IN BRIEF

Creating innovation by combining its strength in R&D and industrial design with manufacturing competency is one of Vestel Beyaz Eşya's leading competitive advantages.

## Vestel Beyaz Eşya's Main Strengths

### Innovation

- Creating innovation by combining its strength in R&D and industrial design with its manufacturing competency
- Transforming new technologies into products in a rapid and cost effective manner

### Product Diversity

- Product development and diversification according to customers' varying needs; being able to differentiate mass production in accordance with orders thanks to its flexible manufacturing capability
- Product customization in accordance with customer demand and/or geographical and socio-cultural characteristics
- Being able to develop a wide range of models for various brands

### Customer Commitment

- An impeccable ODM service that covers everything from original design and manufacturing to point distribution
- Not directly competing with its customers' brands in Europe
- Prompt production and delivery; ability to handle small batch orders

### Cost Advantages

- Scale advantages in procurements from being one of the Europe's fast-growing white goods manufacturers
- Productivity, efficiency and cost advantages from manufacturing at Vestel City, one of Europe's largest industrial manufacturing complexes located under a single roof

- The logistical advantage for exports arising from the proximity of the Vestel plants to the European market, when compared to its Far Eastern competitors
- The Aegean Region's developed supplier industry and the cost advantages in terms of distribution and logistics, facilitated by Vestel City's close proximity to the İzmir port
- Relatively lower unit labor costs when compared to European manufacturers
- Relatively newer and modern production facilities when compared to European manufacturers
- The tax advantage in countries with which Turkey has signed a Free Trade Agreement, over the manufacturers of countries which did not sign this agreement





## A Mega Factory: Vestel City

Officially opened in 2003, Vestel City is today one of the Europe's largest industrial complexes manufacturing in a single location. Vestel's mega factory - Vestel City - was featured in the "Mega Factories" documentary series on the National Geographic Channel. Vestel was Turkey's first brand and industrial facility and the world's first electronics and white goods company to appear in the documentary series, which has featured some of the world's most famous brands.

In 2012, Vestel City was awarded Total Productive Maintenance (TPM) Certificate by the Japanese Institute of Plant Maintenance.

In 2014, Vestel Elektronik received the "Excellent Factory Maintenance Award" in recognition of its success in the field of TPM works which Vestel has advanced to the next level. Vestel Beyaz Eşya also won the "Excellent Factory Award".

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

Vestel City:

- Manufacturing on an area of 1.1 million m<sup>2</sup>
- A total manufacturing capacity of 24 million units/year
- Annual production capacities of 15 million units in electronics and digital products and 9 million units in white goods



# VESTEL'S GLOBAL OPERATION NETWORK

**1,250 Vestel stores**

**14 VS Outlet stores**

**The e-store**

[emagaza.vestel.com.tr](http://emagaza.vestel.com.tr)

[vsoutlet.com.tr](http://vsoutlet.com.tr)

Within the scope of its multi-channel strategy, Vestel reaches consumers through technology retailers, hypermarkets, household stores and e-commerce web sites, in addition to its exclusive dealers. With this new strategy, the Company increased its market share, reaching a higher number of consumers.

**318 Authorized Service Centers**

**15 Central Services**

**Call Center**

Vestel's international sales & marketing organization comprises local sales offices of foreign trade companies in ten countries in Europe and direct sales points in the region which includes the CIS and the Middle East.

**VESTEL**  
TASARLANMIŞ VE ÜRETİLMİŞTİR  
VESTEL VENUS 10" TABLET 3G  
POWER SOURCE:DC 5V 2A  
PC: 10086878 VPC:20262211



exporting to

**149**  
countries

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

Vestel reaches a wide range of consumers through the “multi-brand and multi-channel strategy” which it pursues domestically. Vestel also boasts one of Turkey’s most extensive sales and after-sales service networks.



# VESTEL BEYAZ EŞYA'S STRATEGY AND REALIZATIONS IN 2014

## Main strategic goal:

To create value for the Company's shareholders by increasing revenues and profitability through sustainable growth



## Strategy

Main Strategy: To invest and grow in main businesses and new business areas that offer high market potential



## Realizations in 2014





### Increase market diversity

To be more active in other markets besides Europe, which is Vestel Beyaz Eşya's main export market, where it is one of the leading ODM manufacturers. To evaluate different entry alternatives to these markets such as direct investment, partnerships and contract manufacturing.

### Increasing customer and product diversity

To increase the number of A-brand customers in the portfolio, for which ODM service is provided.

To expand market share by widening the product range: to increase the share of higher value added products in the sales mix, to further enrich the product range.

To benefit from the increasing "outsourcing" trend that is especially rising among the A-brand customers.

To maximize customer satisfaction through continuously working on areas such as energy efficiency, water conservation, "internet of things" and meeting market expectations in the best possible way with the existing products.

### Branded growth

To increase market share in the domestic market with own brands by strengthening the brand image, distribution and sales network and after-sales service quality.

To strengthen position in the European market through the well-known regional brands in Vestel's portfolio and global brands licensed.

To reinforce position in the surrounding markets by improving activities in those markets.



Exports to 149 countries through the addition of new markets.

Positive steps taken towards expanding exports, especially in North Africa, Eastern Europe and the Sub-Saharan region.



Gaining new A-brand customers

New generation products in white goods: A dishwasher that is 20% more efficient than the A+++ class and a washing machine 70% more efficient than the A+++ class, which is a holder of the world record for efficiency; a multi-functional fridge offering flexible use features; and a smart built-in oven, that holds the title of Turkey's first wi-fi connected white goods.



Successful sales and marketing initiative taken through the "Turkey is Vestelized" campaign, strengthening the after-sales services and dealer network, entrance into new sales channels with a multi-channel strategy.

Increasing the Company's share in Turkey's white goods market.

As part of the strategy to increase branded sales in international markets, a brand licencing agreement signed with Sharp that covers product development, manufacturing, sales and marketing of Sharp branded white goods in Europe.

# ZORLU GROUP



## Home Textiles

Korteks  
Zorluteks



## Electronic Products, IT and Consumer Durables

Vestel



## Energy

Zorlu Energy Group

- Turkey's biggest integrated producer and exporter of polyester yarn
- Europe's leading home textiles company

- One of the leading ODM providers of TVs, white goods and digital products for the European market
- One of the leading players in Europe's LCD TV market
- One of the biggest players in Turkey's LCD TV and white goods markets through its well-known Vestel brand

- A rising player in Turkey with 745 MW of installed capacity
- A wind farm with 56.4 MW of installed capacity in Pakistan and a 25% stake in a natural gas power plant in Israel with 840 MW of installed capacity, in addition to operations in Turkey
- Competence in providing integrated services, including generation, sales and trade of electricity, "turnkey" construction of power plants, including the project development process, long term operation and maintenance services and natural gas sales and trading

With its pioneering and strong companies in different sectors, Zorlu Group is focused on creating a higher and sustainable value for Turkey.



## Real Estate

Zorlu Real Estate Development and Investment

- Established in 2006 to develop, sell, lease and operate quality housing, office, business centers, shopping malls, hospitals, hotels and mixed-use real estate projects in prime locations in Turkey and abroad.
- Zorlu Center, that attracts attention as Turkey's first mixed use project with five functions, includes a shopping mall, hotel, offices, Performing Arts Center and residences. Zorlu Center commenced full operation with all of its functions with the opening of the Raffles Hotel in 2014.
- The Group's Levent 199 project on Büyükdere Avenue was completed in the third quarter of 2014. The whole project was planned as an office and has 70,000 m<sup>2</sup> of gross leasable area. The project comprises A+ offices.



## Mining - Metallurgy

Meta Nickel Cobalt

- Specialized in the development of nickel cobalt resources
- Aims to be a regional supplier of nickel and cobalt
- Nickel cobalt investment projects in Gördes, Eskişehir and Uşak
- The Gördes project:
  - 300,000 tons of proven nickel reserves
  - The first stage of the project is a hydro-metallurgy plant with 10,000 tons of annual nickel production capacity and undertaken with an investment of USD400 million. Commissioning works of the plant commenced in September 2014 with trial production commenced in December 2014. The plant will start commercial operations in 2015.
  - Its capacity is planned to be doubled in the coming period.



## Factoring

Zorlu Faktoring

- Established in 2012 to provide factoring services in Turkey and abroad.
- Aims to extend its factoring products and services throughout Turkey by focusing on leading companies with a wide supplier and dealer network, in addition to mid to large scale firms.



# Always the latest technology

Vestel Beyaz Eşya produces products that bring energy savings of up 70% and water savings of up to 22% with additional hygiene and anti-allergic features.





## R&D AT VESTEL BEYAZ EŞYA



# 71 projects

A total of 71 projects have been carried out at the Vestel R&D Center, of which 13 were realized with the support of the TÜBİTAK TEYDEB Project.



# Vestel Beyaz Eşya not only closely follows the technological developments; but also contributes to their development.

R&D is one of the primary competitive advantages and differentiation factors of Vestel Beyaz Eşya. The development of new and pioneering technologies and designs and products that meet the needs and tastes of global consumers were the result of Vestel Beyaz Eşya's R&D teams' competence and unwavering efforts.

Reflecting this, R&D spending had a 1.4% share in the Company's total revenues in 2014.

Vestel Beyaz Eşya's R&D department carries out its activities separately depending on the area of production. In addition to R&D units for each factory, there is also a Technology Development Center under the General Directorate which carries out industrial design and innovation studies for all products. The number of R&D personnel increased from 278 in 2013 to 358 in 2014.

Within the framework of the Law no. 5746 on Supporting Research and Development Activities, Vestel Beyaz Eşya received an R&D Center certificate on 17 October 2008.

A total of 71 projects are being carried out in the R&D Center, of which 13 are realized with the support of the TÜBİTAK TEYDEB Project. Academicians from different universities work in most of the projects, enabling R&D personnel to gain expertise in academic terms.

Vestel Beyaz Eşya's R&D work is comprised of functional and aesthetic designs and the development of environmentally friendly technologies and products that use resources efficiently by maximizing energy and water savings and providing extra hygiene. The R&D strategy adopted in this direction is as follows;

- To develop new platforms that will adapt to changing product trends in the market and offer products which provide user comfort,
- To maintain strong relations with national and international companies and institutions based on continuous cooperation,
- To directly contribute to technological development, in addition to following up on

technological developments closely,

- To protect the intellectual rights of the designs developed by Vestel and therefore to gain a competitive advantage over its rivals,
- To attract innovative and creative personnel to the Company's R&D department; to increase R&D resources in accordance with changing conditions; to ensure continuous development of R&D personnel,
- To develop products which comply with different markets' preferences and habits,
- To reflect design trends that develop on the axes of functionality and ease of use to its products.

The teams under the R&D department work in the following areas;

- Innovation and implementation of new technologies,
- New product designs,
- Environmentally friendly production,
- Product development,
- Increasing productivity and cost reduction.

**An increase in the R&D personnel from 278 in 2013 to 358 in 2014**

# 358



## R&amp;D at VESTEL BEYAZ EŞYA

Vestel Beyaz Eşya's R&D units and Technology Development Center aim to develop products that will enhance the Company's competitive edge in international markets and help increase customer satisfaction.

In this context, the specialty areas of the R&D personnel are as follows;

- Structural Design
- Structural Analysis
- Electronics Control
- Electronics Design
- Fluid Mechanics
- Fluid Analysis
- Mould Design
- Intellectual Rights
- Materials
- Performance Tests
- Thermodynamics
- Acoustics

R&D units are specialized in addressing the technical issues related to products and production methods through the competencies listed above.

In this context, the Company's R&D units and Technology Development Center are responsible for the following;

- Monitoring technical, academic and industrial publications on white goods to keep track of innovations and developments in the sector,
- Undertaking basic research in laboratories and applying the resulting innovations to the Company's products,
- Visiting customers and attending fairs to keep a close eye on consumer needs and demands, designing products in view of these findings and improving the already existing products,
- Designing products with more functionality by improving production parameters,
- Carrying out pre-production qualification tests for newly designed products or improved products through trial productions.

The patent team located in the Technology Development Center primarily conducts patent research studies and works on trademark registration. The team continues its work for the protection of Vestel Beyaz Eşya's brand name and the originality of all the work performed by the Company. Vestel Beyaz Eşya submitted 18 patent applications, taking the number of its registered patents to 92 in 2014.

Vestel Beyaz Eşya has been deploying its competent technical infrastructure with significant success in the process of turning knowledge into technology, and transforming technology into products. Vestel Beyaz Eşya undertakes exemplary investments in sustainable development supported by its competent and innovation-focused R&D team, the use of the latest technological equipment and systems, collaboration with universities and its national and international project partners.



R&D spending reached  
1.4% of revenues in  
2014.

1.4%



Vestel Beyaz Eşya submitted 18 patent applications, increasing the number of its registered patents to 92 in 2014.

## Vestel Beyaz Eşya Product Groups and Innovations

Product Group	Products	Specifications/Explanation
Washing Machine	Pyrojet Washing Machine	Pyrojet technology consumes 70% less energy than the A+++ energy class and is approved by VDE. It was the first washing machine in Turkey to be found effective against 7 different allergens and 4 different bacteria types with its Allergy Specialist Program, as endorsed by Allergy UK.
	New Generation Washing Machine	Drying, preventing the formation of limescale with a special nickel coating providing lime shield resistance, a cleaning tub, a suggestion system for detergent dosage, a load sensor, a deodorization program, preparation of laundry as washed and dried for the set time through the "Finish Time" mode, enabling the machine to operate at times when electricity is cheaper through the "Eco Time" mode, considerably reducing vibration during spin cycles through the bumerang body.
Dishwasher	Ekomaks Dishwasher	Ekomaks consumes 20% less energy than the A+++ energy class and is approved by the VDE. Features include "Smartwash", that determines the appropriate washing program according to soil level of the dishes, the "Waterbox" technology that recycles rinsing water after filtering, and the automatic door opening with the "Auto-door" feature.
Fridge	Puzzle Fridge	The VitaStore section, with a large volume of 82 liters, provides long term freshness, Smart Light Technology with a movement sensor, the ability to determine the cooling or freezing function of sections flexibly and to be able to use multi-functional smart sections in 14 different ways, contributing to energy saving through sections that can be closed when not in use.
Cooker	Smart Built-In Oven, that holds the title of being Turkey's first Wi-Fi connected white goods	4.3" TFT LCD color screen user interface, a manual option plus 150 ready cooking programs, the ability to register favorite cooking programs, the VapClean® cleaning function, the ability to view status information through the Vestel tablet and smart phone through an internet connection, the smart oven that offers options such as being able to pause the appliance and to prepare for operation after choosing the ready recipe.
Air-Conditioning	V-Plasma Air-Conditioners series	Creating healthy home and business environments by removing pollutants such as pollen, bacteria, mould spores, domestic animal dander and cigarette smoke through dual filtering system that consists of Plasma and Catechin filters, and the ability to emit negative ions, thereby reducing negative charges and stress in the environment, through the environmentally friendly R410A, which is ozone-friendly.



## EXCELLENCE IN SALES & MARKETING AND SERVICE



# Happy Customer

Vestel's Customer Services aim to turn expectations into satisfaction, and satisfaction into gratitude through the promise of 360 degree happiness.

Vestel Beyaz Eşya offers its products to millions of customers through its strong trading organization in Turkey and in international markets, which is managed with proactive strategies.

## Market and Competition Strategy

Vestel Beyaz Eşya has built its international sales strategy on two axes:

- In global markets: Sales to A-branded business partners, distributors, wholesalers and retail chains within the scope of ODM services, as well as branded sales through the regional brands Vestel Group owns and global brands whose manufacturing and sales licences are acquired by Vestel Group.
- Branded sales mainly with the Vestel brand, in the Middle East, Russia and CIS countries.

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

In line with its profitable growth strategy, Vestel Beyaz Eşya is increasing the share of mid to high-end products in its total sales.

Vestel Beyaz Eşya commands important competitive advantages with its flexible production and high capacity, its product differentiation capabilities, its logistical advantages derived from its close proximity to the Middle East, Africa and CIS countries in addition to the European market and relatively low labor costs. These advantages strengthen Vestel Beyaz Eşya's market position.

## A Strong and Wide Distribution-Service Network

Vestel Beyaz Eşya offers its products to millions of customers through its strong trade organization both in Turkey and in international markets, which is managed with proactive strategies.

Vestel Group's marketing and sales services both in Turkey and abroad are undertaken by Vestel Ticaret. Vestel Beyaz Eşya's superiority in high-quality products and its experience in the multi-brand concept are complemented by Vestel Ticaret's distribution organization, providing the Company with a significant competitive edge.

After-sales services are provided through the Vestel General Directorate of Customer Services. Vestel Customer Services aim to turn expectations into satisfaction and satisfaction into gratitude through its promise of 360 degree happiness.

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

Vestel periodically carries out campaigns and promotions at the e-store. Special opportunities offered to Vestel's e-store visitors can be followed at this address. The number of Vestel e-Store users had increased by 26% to reach 187,163 by the end of 2014.

Vestel also began to sell its products through [vsoutlet.com.tr](http://vsoutlet.com.tr) over the internet; the number of [vsoutlet.com.tr](http://vsoutlet.com.tr) users increased by 38% to reach 8,200 by the end of 2014.

## EXCELLENCE IN SALES &amp; MARKETING AND SERVICE

Central Services were formed in order to serve as a role model for the authorized service centers with the purpose of achieving fast service and solutions.

# 15

## Central Services

Vestel achieved the highest Complaint Management Success Score according to ŞikayetEndex data for 2014.



### Vestel's Target: To be Turkey's Largest Retailer

In addition to its strong position in international markets, Vestel achieved important progress during 2014 in the new movement which it had initiated in order to strengthen its position in the domestic market.

In this process Vestel has undertaken the following;

- It has astutely responded to customer needs and expectations and increased its focus on to the mid to high-end products.
- It set out 'being close to the customer' as a target for its brand perception in addition to physical access. It successfully applied the 360 degree integrated communication philosophy. It supported its advantages as a leading manufacturer in the consumer durables sector in Turkey and the world with marketing strategies, and succeeded in widening its consumer mass through the "Turkey is Vestelized" campaign.
- It increased the number of its sales points and took actions to raise customer experience to higher levels. In a bid to make shopping a more comfortable and easier experience, existing stores were renovated from the shop windows to the interior design and displays, and were standardized from a visual and service perspective. As such, Vestel invested in customer satisfaction during sales.
- It reinforced the cooperation and synergy with its dealers, who are Vestel's business

partners. It implemented its 'grow together' strategy through the implementation of effective practices.

- It established the General Directorate of Customer Services in order to carry customer satisfaction to the highest level. The Call Center was structured under this roof. Central Services, which were brought into operation, will be an exemplary model for the authorized service centers and will be responsible for their supervision and improvement.

The Vestel General Directorate of Customer Services set itself apart in the field of after-sales services in the sector through its new structuring and practices.

Action taken during this transformation process include Central Services, training leaps, re-organization of spare parts and warehousing, IT projects and the re-structuring of the call center.

The Call Center service was restructured within the General Directorate of Customer Services in Vestel City in Manisa, which is the heart of Vestel's production. With a capacity to respond to 400 calls simultaneously, the Vestel Call Center is comprised of two units: a Communications Center that initially answers calls and a Solution Center that monitors the resolution process. Specialist customer representatives who work on a 24/7 basis strive to offer a solution in the first call. Calls received via social media, the internet, the website and all other defined channels in addition to calls by phone are all monitored. The aim



## In 2014 Vestel achieved an important progress in its renewal movement, which was initiated to strengthen its position in the Turkish market.

is to address the customer problems primarily on the phone by giving them the right information.

Vestel Customer Services established Central Services to be a role model for the authorized service centers. The Central Services, which are responsible for the coordination, training and supervision of the authorized service centers and for prompt supply of spare parts, operate in 15 different locations throughout the country.

A significant step was taken towards providing faster after-sales services and resolutions to customers through the Central Service organization. It is also expected that Central Services, which are planned to take up duty in monitoring the field performances of new products that will be brought to the market, will be a supporter of the R&D units in field testing.

Within the framework of this organization, Vestel moved its spare parts warehouse to its new location in Vestel City, thus increasing its stocking capacity. This allowed Vestel to meet 97% of the demands for spare parts within 24 hours.

### Long Term Specialty Training Project

The Long Term Specialty Training Project was launched under the Vestel Service Academy to train technicians who are in direct contact with the customers.

As of the end of 2014, a total of 331 technicians and 17 groups completed the Long Term Specialty Training Program and returned to the field as Specialist Technicians.

The Vestel Service Academy team won "The Most Successful Team of the Year Grand Prize" for 2014 by KalDer with its Long Term Specialty Training Program.

### Vestel's authorized service centers received their diplomas from Yaşar University.

In line with the concept of "Perfect service", the Authorized Service Center Management Certificate Program developed in collaboration with Yaşar University specifically for the authorized service center owners and managers produced its first graduates in April 2014. A total of 96 authorized service owners received their diplomas after completing 80 hours of training.

The certificate program aimed to enable authorized service centers to improve themselves in the area of productive and profitable business management, to improve the quality of the service that they carry out on behalf of Vestel, to improve the management of their

human resources, to fulfill their legal obligations fully and duly and to achieve the highest level of customer satisfaction.

The first students taking part in the second Certificate Program, which includes 118 authorized service centers, will graduate in May 2015.

Authorized service center personnel may access up-to-date technical information very rapidly through the regular online trainings carried out from a live broadcast studio.

### Vestel, the sector leader in customer satisfaction

Vestel achieved the highest "Complaint Management Success Score" in the dishwasher, washing machine, fridge, television and general white goods categories in 2013, according to ŞikayetEndex data from Şikayetvar.com. Vestel maintained this success in all the quarters of 2014 and completed the year with top ranking.





## EXCELLENCE IN SALES &amp; MARKETING AND SERVICE

**Vestel Ticaret AŞ took over the rights to develop, manufacture, sell and market white goods products under the Sharp brand in Europe through the brand licensing agreement signed in September 2014.**

**VESTEL**  
**SHARP**

Vestel won the “Turkcell Mobile Technologies Award” in recognition of its innovative solutions regarding customer satisfaction.

Vestel was selected as the best brand in the white goods category for managing customer demands in after-sales services and achieving the highest customer satisfaction in this process, in the A.L.F.A. Awards organized for the first time in 2014.

#### **Certified quality in customer services**

Vestel started EFQM activities at authorized service centers and its Istanbul Authorized Service Center, MEGA Services, was granted the EFQM 2 Stars Determination Certificate by KalDer. Following this successful result, the model will be extended to other authorized service centers.

Vestel General Directorate of Customer Services completed the works on the ISO 9001 and ISO 9002 certificates in 2014 and expects to be certified in the first quarter of 2015.

#### **International Sales**

The number of countries Vestel exports to increased to 149 in 2014.

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

Vestel Beyaz Eşya aims to raise its market share in Europe by expanding its customer portfolio to which it provides ODM services, as well as through the new regional brands acquired and the global brands licenced by Vestel Group.

Vestel Ticaret AŞ took over the rights to develop, manufacture, sell and market white goods products under the Sharp brand in Europe through the brand licensing



# Vestel aims to increase its market share in Europe through the new regional brands acquired and the global brands licenced.

agreement signed in September 2014. Vestel Ticaret AŞ will be the exclusive distributor of the Sharp branded products in Europe which are produced at Vestel Beyaz Eşya's factories and Sharp Corporation's facilities in Asia as of 1 January 2015. This will strengthen Vestel's presence in the European white goods market, while also increasing its premium and branded product sales.

Besides Europe, Vestel Beyaz Eşya exports to markets in Australia, India, Africa, the Middle East, Oceania and Latin America. The Company unwaveringly continues to expand its export destinations.

Vestel Beyaz Eşya establishes specialized teams on a regional basis while carrying out its export activities. Vestel Beyaz Eşya formed a special team for the Sub-Saharan Africa which it deems to be an important region in terms of growth and designed its products according to the demands of the region. The Company foresees strong growth for exports to the Sub-Saharan region in 2015 and aims to maintain its growth trend in this region, for which it has long term business aspirations.

## Domestic Sales

Within the scope of domestic marketing, sales and after-sales services, Vestel has set up an extensive service network comprised of:

- 1,250 Vestel stores
- 14 Vs Outlet stores
- e-store
- Vsoutlet.com.tr
- 318 authorized service centers
- 15 Central Services
- Call center

## Vestel's renewed retailing concept

Within the framework of its new store concept, Vestel has renovated the exterior fronts of the majority of its 1,250 dealers' stores. Vestel applies the integrated approach which it pursues at all points where it reaches consumers in every area ranging from store window arrangements to in-store activities. With the new arrangement, all the products could directly communicate with and tell themselves to the customers through the POPs in Vestel stores. Visitors may learn the benefits of the products' individual features and their differentiating factors from other products through these POPs. Consumers are also allowed to test all the products. Therefore, a suitable environment is created which allows consumers to comfortably make comparisons in each product group.

## Corporate Brand and Communications Strategy

Vestel initiated a new period in communications in line with its target of integrated brand positioning through its "Turkey is Vestelized" campaign.

The basic elements of Vestel's new communication campaign can be summarized as follows;

- To convey "making world class technology accessible in Turkey" which represents the purpose of Vestel's existence as a key message to the consumer when communicating Vestel through the technology it produces,
- To reinforce the perception of Vestel as a technological brand in the minds of consumers through the narrative of Vestel City, that is the solid power behind the Vestel brand

Our new communication strategy focuses on highlighting the young, dynamic and competitive features of the Vestel brand while emphasizing the key messages of 'Vestel is "the smartest choice" for Turkish consumers when compared with the world brands' and "Vestel brings world class technology at reasonable prices to Turkey". With the "Vestelizing" concept we aim to spread the existence purpose of Vestel to all around Turkey. Turkey's "Vestelizing" stories will continue to be told through the innovative Vestel products during the campaign.



# Always smiling faces

Vestel is working to provide the best customer experience through its products and after-sales services.

VESTEL



# SUSTAINABILITY AND VESTEL BEYAZ EŞYA

Total training hours  
(Senior Management)

69

Total training hours  
(Other Employees)

43,194

## Innovative, dynamic and team spirited human resources

Vestel is aware that qualified human resources represent the most important asset in maintaining and improving its technological superiority and leadership in design and in offering high-quality services to its customers. In this context, in parallel with all the Group companies, Vestel Beyaz Eşya employs comprehensive HR procedures with respect to the recruitment processes, all legal and juridical requirements, training processes and needs, as well as satisfying these needs, conducting performance evaluations, reflecting performance results to remuneration, conducting career planning and overseeing promotions, resignations/terminations and indemnity processes.

Vestel's HR Policy aims to ensure sustainability through the value Vestel assigns to its personnel. One of the most important goals of this policy is to be the company of choice to work for.

In line with this goal, Vestel Beyaz Eşya:

- pays attention to the needs of its personnel in achieving successful business results,
- observes justice and equal opportunities among personnel, by balancing their expectations with those of the Company,
- ensures the development of its personnel by continuously conducting training programs,
- keeps track of, evaluates, encourages and rewards achievements and high performance,
- performs career planning with vertical and horizontal promotions, and maintains long-term relations with its personnel,
- for sustainability carries out in-house task back-ups periodically,
- benefits essentially from in-house human resources to meet the Company's needs,
- follows up, evaluates and implements new developments in the field of HR management.





Vestel's approach to sustainability is based on the economy, people, the environment and social contributions, with the target of ensuring a better future.

### Vestel Beyaz Eşya's Basic HR Indicators - According to 2014 year-end data

Number of Personnel by Category		Total Training Hours by Category		Average Training Hours per Employee	
Senior Management	Other Employees (Excluding Administrative Personnel)	Total training hours (Senior Management)	Total training hours (Other Employees)	Average training time per Senior Manager (hours)	Average training time per other employee (hours)
53	5,513	69	43,194	1.3	8

Personnel	Number	%
Total	5,566	
Female	1,392	25
Male	4,174	75
Average Seniority	4 years	
<b>Breakdown of Senior Management Based on Gender</b>	<b>Female</b>	<b>Male</b>
General Manager	-	1
Assistant General Manager	-	6
Mid Level Management	5	41
<b>Breakdown of Personnel Based on Education Level</b>	<b>Female</b>	<b>Male</b>
PhD	-	-
Master's degree	21	36
University graduate	133	413
Vocational high school graduate	118	321
High school graduate	1,120	3,404
<b>Total</b>	<b>1,392</b>	<b>4,174</b>

Total number of personnel working at Vestel Beyaz Eşya

5,566

Ratio of female personnel at Vestel Beyaz Eşya

25%

## SUSTAINABILITY AND VESTEL BEYAZ EŞYA

**Continuity in Training activities**

At Vestel, each employee is recognized as an asset and training programs are designed to improve personnel's existing talents and ensure their adaptation to innovation and change by complementing their areas that are open to improvement. Training activities at Vestel are configured so as to offer personnel a consistent learning opportunity. In this context, qualified and sustainable training activities are provided by Vestel in order to foster a team of personnel who contemplate, explore and question and who are creative, entrepreneurial and productive. In line with this, in 2014, the Company provided technical training programs such as pro-engineer, after effects, forklift truck driving and welding in addition to soft skills training such as interview techniques, presentation techniques and negotiation skills for white and blue-collar personnel. Technology Academy trainings continued in the electrical, electronics, computer, industrial and mechanical engineering fields, while training programs were carried out to raise the awareness of personnel in the areas of occupational health and safety and the environment.

**A clutch of awards for Vestel's human resource processes**

Vestel invests in qualified human resources and contributes to the country's employment by continuously strengthening its workforce. The methods applied by the Company in the formation of its human resource, which Vestel Beyaz Eşya considers to be one of the most important factors behind its position and success in the sector, were deemed worthy of a number of awards in 2014 from different organizations.

- **PERYÖN (Turkish Human Management Association) Human Resources Management Award / Recruitment Category / Finalist Award (2<sup>nd</sup> rank Award)**  
PERYÖN Human Resources Management Awards have been distributed in different categories since 2008 to reward successful practices in the human resources management field, to encourage companies which set themselves apart, to give direction to standards in this field and to provide opportunities for applicant companies to review and evaluate their processes.

Vestel won the 2<sup>nd</sup> place in the Recruitment Category in 2014.

- **İŞKUR's "The Enterprise Providing The Highest Level Of Employment" and "The Enterprise Employing The Most Women" Awards 2013**  
Vestel won the "The Enterprise Providing The Highest Level Of Employment" Award and "The Enterprise Employing The Most Women" Award in the 7<sup>th</sup> Manisa Employment Fair Award Ceremony organized by İŞKUR to support the companies' efforts to create employment.
- **2<sup>nd</sup> ranking in "The Company Creating The Most Jobs" category of İŞKUR's UMEM (Specialized Vocational Training Centers) Project for the 2011-2014 period**  
Within the scope of the UMEM Skill 10 Project implemented successfully in Manisa, Vestel won the 2<sup>nd</sup> place among the top 3 companies creating the most jobs in the 2011-2014 period.



# Vestel maintains its efforts aimed at improving its authorized service center network and achieving perfection in after-sales services through the Authorized Service Center Management Certificate Program.

## Vestel Technology Academy

Vestel Technology Academy is a collaboration between Vestel Group and Özyeğin University, which aims for enhancing the technical knowledge and experience of Vestel's engineers in their fields and provide a lifelong learning opportunity.

The Program;

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

In 2014, a separate collaboration was made with the Özyeğin University for Vestel Technology Academy to establish a research center that will operate and be located within Vestel. The works for the research center were commenced in 2014. The aim is to strengthen the education content and infrastructure with this center.

A total of 162 Vestel employees benefited from the training programs offered by the Vestel Technology Academy in 2014.

## Vestel Management Academy

In addition to the technical training programs, the Company launched a Master of Business Administration program without a thesis under the name of the Management Academy in cooperation with Özyeğin University. The program is designed to support the education of non-

engineering personnel. A total of 36 Vestel employees are enrolled in the program.

## Vestel Management Trainee Program

Vestel launched its fifth Vestel Management Trainee Program, which is carried out with the academic support of Özyeğin University, to cultivate young and talented university graduates as managers of the future. Vestel has so far offered employment opportunities to 104 university graduates as management trainees through its four programs. A total of 25 trainees, who successfully completed all the stages, joined Vestel within the scope of the Management Trainee Program.

Under the MT Program, young talented individuals who join Vestel after going through a number of phases receive four months of theoretical training including a two month internship at Vestel companies before taking up their duties.

The program aims to ensure that the management trainees who will join the Vestel family understand both Vestel and the sector thoroughly, develop new projects by employing what they have learned in the program and create value for the Company.

## Vestel Retail Academy

Vestel collaborated with Sabancı University to launch the Vestel Retail Academy Project, where it aims to provide training mainly related to domestic sales channels, and laid the foundations for the Academy in 2014. With this project all the sales and marketing personnel throughout

the country, including those employed at dealers and stores, will receive training in the area of retail sales.

## Educational campaign for authorized service centers

Vestel continues its efforts aimed at improving the authorized service center network and achieving perfection in after-sales services through the Authorized Service Center Management Certificate Program. Vestel launched Turkey's most comprehensive project in the field of after-sales services with this program developed in collaboration with the Yaşar University Continuous Education Center (YÜSEM). Besides aiming to ensure 100% customer satisfaction by improving the quality of the services provided to Vestel customers, the Program also targets to set up a management model for the authorized service centers, which are mostly small enterprises, for attaining an efficient, effective and sustainable business performance. Participants who successfully complete the program receive YU (Yaşar University) approved certificates.

The Authorized Service Center Management Certificate Program produced its first graduates in April 2014, when 96 authorized service center owners received their diplomas. The students who have enrolled in the second Certificate Program, that started with the participation of 118 authorized service centers, will graduate in May 2015. All authorized service center owners will have received enterprise management training in the planned 3 semesters.

## SUSTAINABILITY AND VESTEL BEYAZ EŞYA

90% of Vestel's white goods product range consists of environmentally friendly products. Vestel Beyaz Eşya has reduced its energy consumption by 80% and water consumption by 45% over the last 5 years.

The Vestel Service Academy provided training to a total of 331 specialist technicians in 2014.

331

#### Long Term Specialty Training Project

The Long Term Specialty Training Project, that comprises long term technical modules, customer relations development modules and personal development modules aimed at all the service technicians in the field, was launched in the second half of 2013. These training programs aim to improve the technical knowledge of the authorized service center technicians who work in the field, as well as encouraging them to adopt the corporate identity and enhance their loyalty to the Company. The training duration varies from 4 to 6 weeks according to the program

group with the aim of ensuring that more than 2,000 technicians in the field receive such training. Each newly hired technician in the authorized service centers will also receive this training.

As of the end of 2014, a total of 331 technicians and 17 groups completed the Long Term Specialty Training Program and returned to the field as Specialist Technicians.

During the Long Term Specialty Training Program, technicians stay at a guest house built by Vestel in Manisa. The capacity of the guest house was increased to 65 in 2014.

#### Distribution of Training Programs

Specialty Training	Number of Groups	Number of Specialist Technicians
Home Type Air-conditioners Systems	3	57
Image and Sound Systems	4	79
Cooker and Built-in Group	2	37
Cooling Products	4	79
Laundry Products	4	79
<b>TOTAL</b>	<b>17</b>	<b>331</b>

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

Attaching the highest level of sensitivity to occupational health and safety to ensure a safe and healthy work environment, Vestel places the utmost importance on the assessment and management of the potential impacts of risks in the workplace on its personnel, subcontractors, visitors, solution partners and other personnel in the work environment. Vestel continuously trains all of its personnel to ensure that they gain the right behavioral habits with respect to quality, environmental awareness, energy efficiency, information security and potential health and safety risks.

The framework of Vestel's occupational health and safety policies consists of the following:

- To create a "Safety Culture" throughout the Company and ensure that it is adopted,
- To avoid conditions that are dangerous and harmful to health which may arise during the Company's operations and to create a healthier work environment by conducting up-to-date risk analyses based on "prevention before it happens",
- To establish occupational health and safety together with its employees by asking their opinions through continuous training programs and the platforms in which they participate,
- To ensure that all employees accept occupational health and safety as an indispensable priority

and an inseparable part of their jobs,

- To create a safe working environment by completely preventing or minimizing fire risks and work accidents related with health and safety during the operations,
- To eliminate or limit the prevalence of unsafe situations or acts in the workplace by conducting risk analyses and implementing preventative plans based on the adoption of "The right work for the right employee" principle.

## A leading industrial corporation with its environmentally friendly practices

Vestel internalized an organizational culture that complies with the Total Quality Management philosophy. Vestel has adopted the general objective of maintaining and improving environmental quality by carrying out environmental impact reviews of all of its operations, production lines, and products together with its employees.

In this respect, Vestel's fundamental targets are as follows;

- To use energy efficient and eco-friendly technologies to ensure economic and environmental sustainability by continuously improving energy performance,
- To continuously improve and develop energy performance by benchmarking the Company's energy performance with the best practices in the world,
- To use renewable energy resources,

- To conduct activities necessary for the reduction, reuse, recycling and recovery of waste,
- To foster a culture of participation and innovation among stakeholders to ensure energy saving,
- To regularly conduct internal and external energy efficiency studies by identifying areas requiring improvement in energy efficiency,
- To raise energy efficiency awareness through training programs, seminars and informative posters by ensuring that all employees play a role in reducing energy consumption,
- To modify equipment and processes in order to optimize energy consumption,
- To support new ideas in using and improving new technology.

## Maximum energy efficiency in all products

A significant portion of Vestel's R&D efforts are directed towards developing environmentally friendly technologies and products that use resources efficiently by maximizing energy and water savings and that offer extra hygiene.

Continuously revising its energy efficiency targets, Vestel shifted its entire product range towards devices with A+ and above energy efficiency levels. Vestel strives to develop highly energy efficient and environmentally friendly products with a minimized impact on the environment by continuously carrying out R&D and innovation studies. Vestel currently allocates half of its R&D budget to the development of environmentally friendly products, and commences such projects when they arise by providing additional funding.



## SUSTAINABILITY AND VESTEL BEYAZ EŞYA

Vestel opened 18 Vestel Service Academies in 10 schools where Vestel products are used, as part of the practice it started in Technical and Industrial Vocational High Schools throughout Turkey.

90% of Vestel's white goods product range consists of environmentally friendly products. Vestel has reduced its energy consumption by 80% and its water consumption by 45% over the last 5 years.

- The Vestel Pyrojet washing machine, which consumes 70% less energy than machines with 8 kg capacity and 60% less energy than machines with 9 kg capacity, and 22% less water than the A+++ energy class, is the world record holder.
- The Vestel Ekomaks dishwasher consumes 20% less energy than A+++ energy class.
- The Pyrojet and Ekomaks received VDE approval by the German Electrical, Electronic and Information Technologies Association in recognition of their energy efficiency.
- The Eco Time mode, embedded in Vestel's new generation washing machines, enables machines to operate at times when electricity is cheaper, and setting the program's start time accordingly.
- Vestel's 100% domestically produced first induction cookers consume 40% less energy than electric cookers and 55% less energy than gas cookers.
- The Vestel Puzzle fridge increases energy efficiency with lights that automatically turn themselves off in a motionless environment with the Motion Sensor Smart Light Technology, as well its sections that can be closed when not in use.

#### The first Turkish company to be certified by the ISO 50001 Energy Management System

As a result of its efforts carried out to protect the environment, reduce greenhouse gas emissions, use resources effectively and to reduce energy expenses, Vestel Beyaz Eşya won the title of being the first Turkish company to be awarded the ISO 50001 Energy Management System Certificate. Vestel Beyaz Eşya, which has integrated its business processes with the Environmental Management System and other management systems in order to manage energy consumption systematically, was awarded this certificate by the Turkish Standards Institute (TSE).

#### Environmentally friendly practices in production phases

Vestel Beyaz Eşya conducts its activities under the framework of "TS-EN-ISO 14001 / Environment Management System Certificate" and "ISO 50001 / Energy Management System Certificate" granted by the Turkish Standards Institute.

As set out in its Environmental Policy, Vestel Beyaz Eşya embraces continuous development in its environmental approach, prevention of pollution and compliance with environmental legislation and administrative regulations. In the light of its Environmental Policy, Vestel Beyaz Eşya commits to pursue activities in the following areas and

allocate adequate and appropriate resources to this end:

- To take environmental factors into account when evaluating new products, projects and operations. To decrease the use of hazardous materials during the product design and manufacturing processes and to seek less hazardous materials in accordance with the related European Union Directives (RoHS, Reach, etc.) and local regulations, and accordingly to limit the use of the six heavy metals (lead, mercury, cadmium, Chromium+6, PBB, PBDE), which are hazardous to the environment and human life in its products,
- To conduct studies to reduce, reuse, recycle and recover waste,
- To ensure the conservation of energy, water and natural resources by encouraging increased productivity and through the use of new technology,
- To use recycled packaging material where feasible,
- To organize activities aimed at raising environmental awareness.

Vestel Beyaz Eşya manufactures all of its products in accordance with the Directive on the Restriction of Hazardous Substances which limits the use of six heavy metals which are hazardous to the environment and human life.

Vestel Beyaz Eşya has been using lead-free solder electronic cards and electronic components in

its products for a long time. The Company has exercised great care to avoid damage to the ozone layer in the use of gases in its refrigerators.

Moreover, when procuring raw materials, Vestel Beyaz Eşya minimizes the impact of its packaging on the environment by using smart packages, reusing nylon and separators based on the "principle of reuse", thus decreasing its overall packaging waste.

Vestel Beyaz Eşya has been implementing the Total Productive Maintenance (TPM) management system since 2011, thus ensuring its sustainability. TPM is a maintenance system that targets zero equipment breakdown and zero quality defects in production systems. TPM is a maintenance management approach, which requires the participation of all employees in production and service processes, envisages autonomous maintenance, adopts a preventive approach rather than trouble-shooting and allows for the highest degree of equipment efficiency.

The TPM system approach brought the following environmental gains to the Company:

- Maintaining an orderly organization with the 5S methodology and decreasing pollution,
- Improvement practices through the Kaizen approach,
- Saving energy and raw materials and reducing the incidence of breakdowns and waste under the autonomous maintenance approach,
- Reducing scrap and rework, and thus waste,
- Increasing productivity and quality, and achieving continuous development.

## Vestel Beyaz Eşya's social contribution efforts

Vestel Beyaz Eşya aims to continue its activities on the basis of integrity and trust and in accordance with the evolving requirements together with its employees, customers and suppliers. Vestel Beyaz Eşya considers awareness of social responsibility as an essential and inviolable factor of its management approach. It develops projects and carries out social activities which benefit the wider society.

### Growing by sharing with the community

The principle of creating value for the community and keeping values alive together with the community underpins Vestel's fundamental business strategy. Vestel aims to provide resources and opportunities, especially for the young generations through long term social contribution projects in areas that receive limited support. Vestel continues to develop social projects on the axes of the environment and people which focus on the future and reflect Vestel's perfectionism.

### The Vestel Service Academy, bringing support for Industrial Vocational High Schools

Vestel Customer Services extends support to the technicians of the future to ensure that they gain a better education by renewing the classrooms and workshops in the Industrial Vocational High Schools. Within this scope, Vestel Customer Services opened classrooms and workshops in 9 schools.

Within the framework of social responsibility, Vestel opened 18 Vestel Service Academies in 10

schools where Vestel products are used, thereby sharing its technology and technical and vocational knowhow. This was carried out as part of the project Vestel initiated in Technical and Industrial Vocational High Schools throughout Turkey.

In these schools, students have access to laboratories which were furnished with 200 products and 170 state-of-the-art technology technical equipment donated by Vestel.

Following the opening of the Vestel Service Academies in Istanbul, Adana, Diyarbakır, Ankara and Manisa with the approval of the Ministry of Education, a new Vestel Laboratory entered into operation in the İzmir Mimar Sinan Technical and Industrial Vocational High School for the 2014-2015 education year.

Within the framework of the signed protocol, students are provided with applied technical education in different product groups with 45 products, 400 items of equipment and laboratories in 4 branches including Air-conditioners systems, White Goods, Image and Sound Systems, Computer and Communication Systems over a 600 m<sup>2</sup> area at school. This allows both teachers and students to closely follow the current technological developments.

Vestel Service Academy's activities present a strong example of collaboration between industry and schools while also contributing to raising technical personnel who are specialized in their fields, fully equipped and competent, thus laying the foundations for the cultivation of a qualified workforce in vocational high schools.

# FINANCIAL INFORMATION AND REPORTS







## RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

### Risk Management

Zorlu Holding's Corporate Risk Management Department started its operations from the first quarter of 2012 in order to early detect the risks that could jeopardize Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's (the Company) existence, development and continuity, to take the necessary measures against these risks, and to engage in a centralized risk management. Within this scope, Zorlu Holding Risk Policy and Procedure and Corporate Risk Management Framework were prepared and became applicable at all the companies under Zorlu Holding.

Zorlu Holding Corporate Risk Management Policy is summarized below:

Goal Setting	<ul style="list-style-type: none"> <li>• Embedding risk management principles into strategic planning and goal setting processes</li> <li>• Aligning the strategy and goals set with the Company's risk appetite</li> </ul>
Risk Definition	<ul style="list-style-type: none"> <li>• Identifying the risks and opportunities that may affect the Company's goals with the participation of the entire organization in a coordinated fashion and within the framework of a shared perception</li> </ul>
Risk Assessment and Inherent Risk	<ul style="list-style-type: none"> <li>• Assessing the probability of risks and their impact on the Company in case of their occurrence</li> <li>• Determining the value of risk before the actions taken and control activities, i.e. inherent risk</li> </ul>
Determining Actions	<ul style="list-style-type: none"> <li>• Responding optimally to risks (Accepting the Risk, Transferring the Risk, Treating the Risk, Avoiding the Risk) taking into consideration the risk appetite and cost-and-benefit factors</li> <li>• Determining actions in line with the responses identified and managing the risks proactively</li> </ul>
Residual Risk and Action Plan Follow-up	<ul style="list-style-type: none"> <li>• Determining the value of risk after the actions taken and control activities, i.e. residual risk</li> <li>• Monitoring the completion process of the activities specified in action plans</li> </ul>
Reporting and Sharing the Risks	<ul style="list-style-type: none"> <li>• Prioritizing the revealed risks and tracking them using the Key Risk Indicators</li> <li>• Measuring and reporting the key risk indicators that give warnings and all other risks taking into consideration the control points</li> <li>• Sharing all activities transparently and ensuring that risk management process is integrated into the decision-making mechanisms upon the establishment of risk awareness and culture in all of the Group's activities</li> </ul>

Based on the Board of Directors' decision dated 15 March 2013, the Company's Early Detection of Risk Committee was set up and its Functions and Working Principles were accepted. The Committee works to early diagnose the factors that could jeopardize the existence, development and continuity of the related companies, to take the necessary actions and implement the remedies, and to manage the risk for the purposes of achieving compliance with the Article 378 of the Turkish Commercial Code no. 6102 and of coordinated risk management. During 2014, 6 risk reports were submitted to the Early Detection of Risk Committee to enable it to adequately supervise the corporate risk management processes, and these reports were presented to the Board of Directors in line with the decisions the Committee made as a result of its scrutiny. The headings of the risk reports submitted to the Committee and the Board of Directors are presented below:

1. Summary of the World Economic Forum Global Risks Report 2014
2. Vestel Key Risk Indicators Report
3. Insurance Solutions for Vestel Group Companies
4. Fraud Risk Survey
5. Receivables Risk Early Warning Signals
6. Vestel Group of Companies OHS Risk Assessment Obligation

The Company's vision is defined as creating sustainable value for all parties involved by securing operational efficiency, growth and regulatory compliance. Below is the summary of four existing and potential risk categories that may have an impact on the attainment of the Company's goals during the course of the activities carried out in line with this vision, and the actions taken in relation thereto.

#### STRATEGIC RISKS

- Strategic risks mean inadequacy of the Company's strategies, inability to remain competitive and to achieve targets due to the failure to correctly observe the external factors, the employment of an outdated business model, incorrect composition of the business portfolio, inefficient organizational structure, inconsistency of performance measures with business strategies, insufficient resource allocation, inefficient conveyance of strategic planning process and unreliability of information for following up the industry lifecycle.
- The strategic risks category includes, among others, various risks in relation to environmental analysis, business model and portfolio, organizational structure, resource allocation and planning.

The following actions are taken in relation to these risks:

- Coordinated feasibility studies, benefit and cost analysis and budgeting performed by relevant departments in relation to new investment decisions,
- Evaluation of legal, political, etc., risks before and after the investment by obtaining consultancy services as and when necessary,
- Diversification of investments made in different countries and business lines,
- Adoption of various management methods specific to the given investment,
- Monitoring the return on investments made,
- Using dealers, distributors, online sales channels and similar distribution channels actively and considering each one as a business model,
- Entering new business lines by making use of strategic partnerships in the public and private sectors,
- Determining innovative strategies with respect to sales and marketing.

## RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

### FINANCIAL RISKS

- Financial risks refer to the Company's inadequate finances, presence of currency, interest rate, credit risks and other financial uncertainties and volatilities, their negative impact on the Company, and inability to secure liquidity.
- The financial risks category includes, among others, risks in relation to interest rate, currency, capital, financial derivatives, commodity prices, stock prices, liquidity, cash flow management and receivable collection.

The following actions are taken in relation to these risks:

- Using alternative financing methods,
- Ensuring a balance between the assets and liabilities on the balance sheet,
- Making use of various derivatives for hedging purposes, when necessary,
- Paying attention to not take on a financing burden that cannot be covered with highly liquid assets as per the Company's philosophy,
- Following up the budget targets versus the actual results on a monthly basis and making revisions as necessary,
- Following up and evaluating the profit target and the realizations for the relevant year and the reasons for deviations from the targets in regularly held strategy meetings,
- Insuring receivables and obtaining various guarantees.

### OPERATIONAL RISKS

- Operational risks refer to inability to secure operational efficiency, effectiveness and continuity in the Company's business model while achieving customer satisfaction and the Company's performance targets in relation to quality, cost and time. The operational risks category includes, among others, risks in relation to operational processes such as supply, capacity, business interruption, customer satisfaction, human resources, environmental health and safety, information capital etc.; authorization, information processing and technology, and decision-making and reporting processes and frauds including contractual obligations, pricing, financial reporting and budgeting.

The following actions are taken in relation to these risks:

- Supervision of all operational activities by the Internal Audit, Financial Audit and Tax Audit Departments set up under the Holding organization,
- Oversight by Zorlu Holding Corporate Risk Management of the operational risks deemed significant via key risk indicators on the IT system, and informing the related business units on risk levels, when necessary,
- Measuring, reporting, and monitoring customer satisfaction in relation to products and service network,
- Regularly giving compulsory training programs on occupational health and safety to all Zorlu Holding employees in accordance with the related regulations,
- Centralized follow-up on recommendations proposed by the insurers to the Group Companies subsequent to risk inspections,
- Managing the critical aspects in the contracts executed with stakeholders and the risks in relation thereto based on the coordinated communication of all the units across the Group Companies,
- Following-up the policies and procedures for compliance with legally defined standards in relation to environmental health, stakeholder safety and stakeholder health,
- Making commitments in relation to compliance with various principles such as human rights, environment, society, ethics, and anti-corruption, etc. through the United Nations Global Compact.

## EXTERNAL RISKS

- External risks refer to presence of external factors that may affect the continuity of the organization's business model and the core values that drive the overall targets and the strategies that define this model.
- The external risks category includes, among others, risks in relation to access to capital, shareholder relations, natural disasters (force majeure risks), competition, customer demands (trends), financial markets, market sensitivity, sectoral risks, legal risks and risks in relation to regulatory compliance, political status and technological innovation.

The following actions are taken in relation to these risks:

- Developing necessary plans for recovering and resuming critical systems, technical infrastructure and facilities in alternative sites in case of a natural disaster or contingency,
- Regularly reviewing business continuity and contingency plans and organizing necessary drills,
- Determining a broad insurance coverage across the company, taking into consideration natural disasters and terrorist acts to transfer potential risks to insurance companies, and minimizing the potential tangible effects of such incidents,
- Managing regulatory changes, legal actions, tax conflicts, intellectual property infringements, unfair competition and the risks in relation thereto through coordinated communication among all the relevant Company units,
- Carrying out specific short-lived rehabilitations and works to integrate with the new technologies,
- Taking proper measures against adverse geographical and climatic conditions,
- Maintaining continuous and healthy communication that is open to all stakeholders through the activities of the Corporate Communications Department.

Other than the actions listed under the risk headings above, insurance policies are purchased intensively as a risk transfer mechanism. The primary insurance policies purchased are listed below:

1. Fire, Machinery Breakdown and Loss of Profit
2. Employer's Liability
3. Directors and Officers (D&O) Liability
4. Professional Indemnity
5. Third Party Liability
6. Product Liability
7. Credit Insurance
8. Marine
9. Fidelity
10. Personal Accident



## INTERNAL AUDIT DEPARTMENT AND ITS OPERATIONS

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

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

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

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

Zorlu Group supports and promotes Zorlu Group Internal Audit Team, consisting of 13 people, in the areas of obtaining additional training to improve and enhance their existing knowledge, skills and other qualifications, becoming a member of the related associations (e.g. The Institute of Internal Auditors, Turkey -TIA) and obtaining international certificates related with their occupation. Internal Audit team includes 2 CIA (Certified Internal Auditor), 2 CPA (Certified Public Accountant), 1 CISA (Certified Information Systems Auditor), 1 CPA (Independent Auditor) and 6 CRMA (Certification in Risk Management Assurance).

## STATEMENT OF RESPONSIBILITY

### BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS AND ANNUAL REPORT

RESOLUTION DATE: 12/02/2015

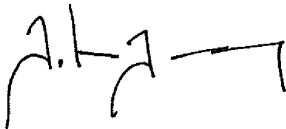
RESOLUTION NUMBER: 2015/5

### STATEMENT OF RESPONSIBILITY PURSUANT TO THE ARTICLE 9 OF THE SECOND SECTION OF THE CAPITAL MARKETS BOARD'S COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS NO: II-14.1

We hereby declare that:

- We have reviewed our Company's financial statements and annual report for the 12-month fiscal period ended 31 December 2014, which have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards published by the Public Oversight Accounting and Auditing Standards Authority pursuant to the provisions of the Capital Markets Board's Communiqué on the Principles of Financial Reporting in Capital Markets no. II-14.1 and approved by the Board of Directors' decision dated 12 February 2015 and no. 2015/5,
- Based on the information we possess within the scope of our duties and responsibilities in the Company, the financial statements and the annual report do not contain any incorrect statement in material matters or any omission of facts that may result in misleading conclusion as of the date of the issuance,
- Based on the information we possess within the scope of our duties and responsibilities in the Company, the financial statements prepared in accordance with the financial reporting standards in effect provide an accurate view of the assets, liabilities, financial position and profit (loss) of the Company, and the annual report provides an accurate view of the development and performance of the business and the financial position of the Company along with the principal risks and uncertainties the Company is exposed to.

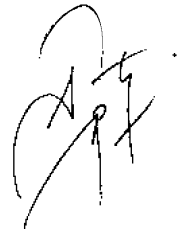
Sincerely,



Ali Akın TARI  
Vice Chairman



Hacı Ahmet KILIÇOĞLU  
Board Member



Alp DAYI  
Financial Affairs Coordinator

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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## PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's ("the Company") Corporate Governance Principles Compliance Report for 2014 has been prepared in accordance with the new format presented in the Capital Markets Board of Turkey's (CMB) Bulletin no. 2014/2 dated 27 January 2014.

In parallel with the Corporate Governance practices commenced in 2005, corporate governance mechanisms started to be implemented at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's line with the Principles. Within the scope of these activities, in the initial phase, a series of amendments were made to the Company's Articles of Association in order to offer an equitable, accountable, responsible and transparent structure to shareholders. These amendments served to grant rights to minority shareholders, which are envisaged by the Corporate Governance Principles though enforced by very few companies, while radical changes were made to the management structure in pursuit of "better governance". Following the revisions made to the Articles of Association, Corporate Governance practices were carried on with the establishment of Corporate Governance mechanisms at the Company. While the Board of Directors was vested with greater objectivity with the addition of independent members, committees were also set up under the Board with the aim of further increasing the effectiveness of corporate governance. In addition, the Company's Disclosure Policy was put into writing, and presented to the shareholders at the General Assembly Meeting. An investor relations website has been developed so as to achieve the maximum, timely, concurrent, accurate and complete public disclosure in line with the Corporate Governance Principles.

The Company has adopted the majority of the non-compulsory principles included among the Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance no. II-17.1, which was in effect during 2014. As briefly summarized below, the Company took the following actions in order to further improve its compliance with the Corporate Governance Principles in 2014.

- The Company's "Dividend Distribution Policy" has been amended in line with the CMB's Communiqué on Dividends no. II-19.1 and then presented for the approval of shareholders at the 2013 Ordinary General Assembly Meeting and for the information of shareholders via the Public Disclosure Platform and the Company website.
- The Company's "Remuneration Policy for the Members of the Board of Directors and Executive Managers" has been amended within the frame of the Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance no. II-17.1, and has been made available for the information of shareholders via the Public Disclosure Platform and the Company website.
- The Working Principles of the Audit Committee, the Corporate Governance Committee and the Early Detection of Risk Committee have been amended within the frame of the revised capital market legislation, and made available for the information of shareholders via the Public Disclosure Platform and the Company website.
- In order to achieve alignment with the Article 11 of the CMB Communiqué on Corporate Governance no. II-17.1, the names and contact information of the Company's Investor Relations Department Manager, who reports to the Company's Executive Committee Member in charge of Finance, and the member of the said department as well as the election of the Investor Relations Department Manager as a member to the Corporate Governance Committee have been presented for the information of shareholders via the Public Disclosure Platform and the Company website.
- Under the Article 10 of the CMB's Communiqué on Corporate Governance no. II-17.1 and the Article 5 of the CMB Communiqué Serial: IV-41 on the Principles to be Adhered to by Joint Stock Companies Governed by the Capital Market Law, the conclusion section of the report on related party transactions exceeding the stipulated thresholds between the Company and its related parties has been made available for the information of shareholders via the Public Disclosure Platform and the Company website.
- Pursuant to the Article 19 of the Capital Market Law numbered 6362, limit of the donations to be made in 2014, as determined by the Board, was submitted to the approval of the General Assembly and was approved by the General Assembly.



## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

- **Granting shareholders the right to demand special audit and inclusion of an additional provision in the Company's Articles of Association for minority rights:** Since the existing provisions on the appointment of a special auditor and minority rights in the Turkish Commercial Code are considered adequate, these rights are not separately stipulated by the Company's Articles of Association.
- Due to the number of the members of the Board of Directors and the committee structuring requirements, some Board members serve on more than one committee.
- Pursuant to Article 4.6.5 of Corporate Governance Principles, remuneration and all other benefits provided to Board members and executive managers are publicly disclosed in the annual report. However, such disclosure is not made on an individual basis.
- No model or mechanism has been formulated for the stakeholders' participation in management. However, the independent members serving on the Board of Directors guarantee that not only the Company and the shareholders, but also all the stakeholders are represented in management.
- Currently, Ms. Şule Cümbüş serves as the only female member on the Board of Directors and increasing the ratio of the female members on the Board to the amount set forth by the Principle no. 4.3.9 of the Corporate Governance Principles lies among the Company's medium-term targets.
- A Directors & Officers Liability Policy has been purchased against the losses that the Company may sustain due to the Board members' faults in the performance of their duties; however, the sum does not exceed 25% of the Company's share capital.

Those principles that remain outside the scope of the currently implemented principles and that are not yet implemented have not led to any conflicts of interest between the stakeholders to date.

During the implementation of the Corporate Governance Principles, the Company's Board of Directors, senior management and all employees supported the activities and participated in the studies held. With this widespread support, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ was able to establish its management approach, which is responsible, accountable, transparent and equitable toward its shareholders.

### PART II - SHAREHOLDERS

#### 2.1. Investor Relations Department

The Investor Relations Department is responsible for maintaining regular relations with the existing and potential shareholders, protecting and facilitating the use of the shareholder rights, increasing the investor awareness and market credibility of the Company, and carrying out the necessary works for ensuring compliance with the capital market legislation. The Department reports to Mr. Bekir Cem Köksal, Executive Committee Member in charge of Finance.

The Investor Relations Department submits a report on its activities to the Board of Directors at least once a year. The Department submitted its Report on its 2014 Activities to the Board on 8 January 2015.

The Head of the Investor Relations Department is Gökçe Serim, a full-time employee of our Company who holds Capital Market Activities Level 3 License (No: 206912). He is also a member of the Corporate Governance Committee. In addition, Emine Özcan works as a member of the Department.

Necessary information for the individuals working in the Investor Relations Department was published on the Public Disclosure Platform (in Turkish: KAP) on 29 December 2014.

**In 2014, the Investor Relations Department mainly carried out the following tasks:**

- Ensured that the records of correspondences between investors and the Company, and of other information and documents are kept in a healthy, secure and up-to-date manner; coordinated the transactions related with Merkezi Kayıt Kuruluşu AŞ (the Central Registry Agency) jointly with the Legal Affairs Department,
- Responded to the written and verbal information requests about the Company, except for confidential information and trade secrets that are not disclosed to the public, in a clear and timely manner and in line with the Company's Disclosure Policy, either face-to-face or using various communication means,
- In cooperation with the Legal Affairs Department, ensured that the Ordinary General Assembly Meeting during the reporting period was carried out in accordance with the legislation, Articles of Association, and other internal regulations,
- Developed ways that would facilitate shareholders' participation in the General Assembly Meeting and improve communication during the course of the meeting, prepared the necessary documents that will be utilized by the shareholders during the General Assembly Meeting and kept the Company website up-to-date, thereby enabling shareholders to obtain continuous and timely information about the Company,
- Monitored and supervised the fulfillment of the obligations arising from the capital market legislation, including all aspects of the corporate governance and public disclosure, coordinated the communication with the public, as well as the public disclosures required by the legislation; held meetings and conference calls with the investors and analysts, and participated in the conferences and roadshows organized by the brokerage houses.

## **2.2. Shareholders' Exercise of Their Right to Obtain Information**

- During 2014, the Company received information requests from the shareholders on various issues. These queries were responded to via phone, e-mail or postal mail, in writing or verbally, further to the demands of the investors. The responses to these information requests were open, clear, and in detail, in accordance with the Company's Disclosure Policy, and all inquiries except those related to trade secrets were responded to the satisfaction of the investors.
- All information and documents necessary for the shareholders to duly exercise their right to obtain information were disclosed via the Public Disclosure Platform (PDP) and Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's website.
- To facilitate the exercise of the shareholders' right to obtain and review information, the Investor Relations website was redesigned and its content was enriched in 2011, and thereby, it was ensured that domestic and international investors have a quick access to the highest amount of information within the shortest time, accurately, quickly, simultaneously, completely and comprehensibly. All the information required by the CMB's Corporate Governance Principles is included on the corporate website. Updating and monitoring the website are the responsibility of the Investor Relations Department.
- The right to request the appointment of a special auditor is not laid out in the Company's Articles of Association. Since this right is already granted to each shareholder of joint stock companies by the Article 438 of the Turkish Commercial Code, it is not found necessary to further mention it specifically in the Company's Articles of Association. The Company received no requests for the appointment of a special auditor during the reporting period.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 2.3. General Assembly Meetings

- Vestel Beyaz Eşya Sanayi ve Ticaret AŞ held its Ordinary General Assembly Meeting for the year 2013 on 22 April 2014 at 13:30 p.m. at the Company's head office, which is located at the address of Zorlu Plaza, Avcılar, İstanbul.
- Invitation for the meeting, including the agenda, was made in due time as set out in the Law and the Company's Articles of Association, by being published in the Turkish Trade Registry Gazette No. 8537 and dated 27 March 2014 and in Dünya and Milliyet newspapers both dated 27 March 2014, and also by being posted on the Public Disclosure Platform, E-General Assembly System of Merkezi Kayıt Kuruluşu AŞ as well as on the Company's website at "<http://vesbe.vestelyatirimciliskileri.com>", by announcing the day and agenda of the meeting. In order to facilitate attendance to the General Assembly, announcements were published in the Turkish dailies with high circulation and all the information concerning the Ordinary General Assembly including the meeting invitation was posted on the Company's website.
- Out of the 190,000,000 shares corresponding to the Company's total share capital of TL190,000,000.00, 80 shares corresponding to TL80.00 in capital were represented in person, and 181,848,630 shares corresponding to TL181,848,630.00 in capital were represented by proxy at the meeting. The meeting quorum achieved in the General Assembly as 90.75%.
- With the General Assembly Information Document and the announcement posted on the Company website, access was given to all sorts of information about the General Assembly in accordance with the Corporate Governance Principle no. 1.3.1, and the relevant documents were also made available in hard copy for the information of shareholders at the Company's headquarters.
- Prior to the General Assembly Meeting, the shareholders, the Capital Markets Board and/or other relevant public agencies and institutions did not request to add any items to the agenda.
- In accordance with the "Communiqué Regarding the Electronic General Assembly System to be Implemented in the General Assembly Meetings of Joint Stock Companies", published in the Official Gazette dated 29.08.2012 and numbered 28396, shareholders were granted the right to attend and cast vote at the General Assembly through an electronic medium.
- The Company's Articles of Association contain no provisions concerning the participation of stakeholders or the media at the General Assembly Meeting. However, participation is possible provided that the Company is informed beforehand. Only shareholders attended the General Assembly Meeting for 2013 and no other stakeholders or media representatives attended.
- It was ensured that the Board members who were related to the significant agenda items of the General Assembly, other related persons, officers who had responsibility in the preparation of the financial statements and auditors were present at the General Assembly Meeting so that they could provide the necessary information and answer the questions.
- Shareholders were allowed to express their opinions and pose questions under equal conditions at the General Assembly Meeting. The shareholders did not ask any questions during the meeting.
- At the General Assembly Meeting, shareholders were informed about the total donations amounting to TL49,094.86 made to various educational institutions during the year 2013.
- Limit of the donations to be made in 2014 pursuant to the Article 19 of the Capital Market Law numbered 6362 was determined and submitted to the approval of the General Assembly.
- The minutes of the General Assembly Meeting are made available for the examination of shareholders at the Company's headquarters. All announcements, documents, and other materials related to the General Assembly meetings are accessible to shareholders and all other stakeholders on the Company website.

## 2.4. Voting and Minority Rights

- There is no privilege with respect to voting right to any group or shareholder in the Articles of Association of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ.
- The Company does not have any subsidiaries. For this reason, there are no cross-shareholding interests and therefore, this issue was not put to vote at the General Assembly Meeting.
- Minority shareholders are not represented in management. The Company's Articles of Association do not contain any specific arrangement for shareholders representing less than one twentieth of the Company's paid-in capital. However, two independent members were elected to the Board of Directors to represent the interests of all shareholders and stakeholders, especially those of minority shareholders.

## 2.5. Dividend Rights

- There are no privileges in the Articles of Association concerning the participation in the Company's profits. Each share of stock is entitled to an equal dividend.
- Each year, the Company's Dividend Distribution Policy is presented to the shareholders as a separate agenda item at the General Assembly Meeting. The Dividend Distribution Policy is also disclosed to the public via the Company's website and the annual report.
- The Company's Dividend Distribution Policy, which has been put in place by the Board of Directors' decision no. 2007/8 dated 19 March 2007, has been amended in line with the CMB's Communiqué on Dividends no. II-19.1. The Policy was submitted for the approval of shareholders at the 2013 Ordinary General Assembly Meeting, and was also made available for the information of shareholders on the Public Disclosure Platform and the corporate website.

The Company's Dividend Distribution Policy, which has been accepted by the Board of Directors and disclosed on the Public Disclosure Platform, stipulates the ratio of dividend payouts which will be distributed in cash and/or in the form of bonus shares as minimum 25% of the net distributable profit, which will be reviewed by the Board each year depending on the national and global economic conditions, and the Company's growth and investment plans and financial position.

- At the 2013 Ordinary General Assembly Meeting, the Board of Directors' dividend distribution proposal dated 26 March 2014 was accepted and the decision was taken to commence dividend payments on 2 May 2014.

## 2.6. Transfer of Shares

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

## PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1. Corporate Website and its Contents

- Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's corporate website was created in early 2007. The website was set up to ensure that shareholders, stakeholders and the general public are kept informed in an open, clear and simultaneous fashion. Information presented on the website is regularly updated.

The Company's website may be reached at "http://vesbe.vestelyatirimciiliskileri.com". Furthermore, pursuant to the "Regulation on Websites to be Launched by Joint Stock Companies" and the 1<sup>st</sup> paragraph of the Article 1524 of the Turkish Commercial Code, in accordance with the principles and procedures regarding the launching of a website, allocation of a section of this website to publishing the announcements that are required to be made by the company under the law and to information society services, our Company procures Central Database Service Provider support services from Merkezi Kayıt Kuruluşu AŞ (CRA) and announcements that are required to be made by the Company by law is accessible through e-Company Information Portal of the CRA.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- The website contains the required information stipulated in the CMB's Corporate Governance Principles and in the Turkish Commercial Code.
- The information on the website is also available in English in order to provide information to international investors.

### 3.2. Annual Report

- The Company's annual reports are prepared in view of the Turkish Commercial Code and associated legislation, the Capital Market legislation, and hence, Corporate Governance Principles, and in sufficient detail to give the public access to complete and accurate information about the Company's operations and activities. Moreover, Board of Directors' Annual Report is prepared in accordance with the provisions of the "Regulation Regarding the Determination of the Minimum Contents of the Companies' Annual Reports", published in the Official Gazette dated 28.08.2012 and numbered 28395.

## PART IV - STAKEHOLDERS

### 4.1. Informing Stakeholders

- Stakeholders for the Company can be classified as employees, suppliers, finance institutions and the public.
- Stakeholders are regularly informed on matters concerning them within the framework of the Company's Public Disclosure Policy. Employees are informed via e-mails and the Intranet system. Furthermore, periodic inter-departmental meetings and periodic meetings for the employees are held.
- The Company's domestic and international sales are carried out by Vestel Ticaret AŞ, one of Vestel Group of Companies. Vestel Beyaz Eşya pays customer visits together with the Group's marketing company. Based on the assessments arising from these face-to-face contacts, customer satisfaction can be directly observed and complaints can be addressed onsite. When necessary, improvement work is carried out in line with the customer complaints received via this company or directly by Vestel Beyaz Eşya. Apart from these, periodic meetings are held with Vestel Ticaret AŞ to discuss the actions taken to meet customer expectations and to maximize the level of quality. At certain periods, the Company conducts customer satisfaction surveys.
- The stakeholders can report Company's transactions violating legislation or not compliant with ethical rules to the Corporate Governance Committee, the Audit Committee or the Investor Relations Department by accessing them via phone and/or e-mail.

### 4.2. Participation of Stakeholders in Management

- No model has been developed at the Company to include stakeholders in the Company's management. However, the two independent members on the Board safeguard and represent the interests of the shareholders and all the other stakeholders.
- The Executive Committee Member responsible for Human Resources represents the employees, one of the Company's largest stakeholder groups, on the Vestel Group Executive Board.
- In making important decisions with regard to the stakeholders, senior executives representing the stakeholders are invited to Board meetings to express their opinions. Moreover, attention is paid to ensure that employees participate in Board of Directors and Executive Committee meetings at certain intervals so that they can provide their opinions first-hand.



#### 4.3. Human Resources Policy

- The Company's human resources operations are managed by the Vestel Human Resources Department, which reports to the Zorlu Holding Human Resources Coordinator. The Department includes a Human Resources and Training Unit and an Industrial Relations Unit. Transactions related to the administrative affairs and recruitment functions are carried out under the direct supervision of the Human Resources Director. The Zorlu Holding Human Resources Coordinator is also a member of the Vestel Group's Executive Committee. Thus, providing information regularly to the management on any employee related issue is ensured.
- The Company's Human Resources Policy is set forth in writing and covers all issues related to hiring, promotion, dismissal, compensation, career planning, performance evaluation system, linking performance results to remuneration, and training policies. The employees have been informed of their job definitions and division of tasks, as well as performance and compensation criteria through the Human Resources Policy.
- The following are implemented within the scope of the Human Resources Policy:
- Recruitment, promotion and dismissal criteria are documented in writing. Recruitment and promotion criteria are detailed in the Recruitment Regulation and the Promotion Regulation, respectively.
- Vestel Group has in place a performance evaluation system that is based on individual performance, but is also linked to departmental and company-wide results, and that is aimed at contributing to the individual development of employees and the corporate development of the organization. The outcomes from the performance evaluation system are used as input for remuneration, training and career development.
- Job evaluation has been performed according to the criteria of the Hay Group Grade system, and the employees were assigned to grades. The remuneration policy has been determined taking into consideration the said grading and a remuneration system has been established, which is updated in line with current conditions.
- Comprehensive training programs are being implemented for employees. While the training process is centrally handled for all Vestel Companies, the whole process takes place on the intranet. Training programs are developed in a comprehensive scope and in a manner to facilitate advancement of employees in their careers. Employees are provided the opportunity to choose the training programs in line with their career planning and desires.
- Vestel Technology Academy was founded mainly for Vestel Group's engineering staff. The Academy provides masters and PhD level educational opportunities to around 200 employees. Additionally, the "Management Trainee" and similar programs are regularly planned and implemented each year in order to cultivate qualified managers.
- Two separate career improvement structures have been set up: promotion and horizontal advancement. The system is run at the periods specified in the regulation.
- Employee orientation programs are being carried out. Individual programs are designed specifically for each department and position. The programs present differences in terms of duration and content.
- Periodic information provision to employees is carried out using the corporate portal and the e-mail system. Each unit holds internal meetings at certain intervals. These are production meetings (every morning at factories), departmental meetings (every Monday), happy hour gatherings (on Fridays), quality management meetings (once in every two months), budget meetings (every month), and R&D new product meetings (every month).
- All employees are treated equally and without any discrimination based on ethnic background, religion, language, race, gender, and the like whatsoever in all matters involving training, career development and promotion.
- Measures are taken to prevent any practices that might cause discrimination among employees and all personnel are treated equally without any distinctions. There were no complaints from employees related to discrimination.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 4.4. Code of Ethics and Social Responsibility

- Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's Code of Ethics has been put down in writing and posted on the corporate website within the framework of the Public Disclosure Policy. Utmost care is taken to ensure that the Code of Ethics, which is formulated for the Company and its employees, is complied with in full.
- Within the scope of its social responsibility, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ takes part in the corporate social responsibility projects carried out by its parent company, Vestel Elektronik San. ve Tic. AŞ and Zorlu Holding AŞ. Zorlu Group, of which the Vestel Group of Companies is a member, took a major step in elevating its principles and values espoused since its foundation to global social responsibility dimension, by signing the United Nations Global Compact in 2007.
- Vestel Beyaz Eşya fulfills its obligations as a responsible corporate citizen by reducing the environmental impact arising from its activities, and by manufacturing products that are compatible with the environment. Since June 2006, the Company has adhered to the RoHS (Restriction of the Use of Certain Hazardous Substances) Directive in the manufacturing of all of its products. Accordingly, it limited the use of the six heavy metals (lead, mercury, cadmium, chrome+6, PBB, PBDE) which are hazardous to the environment and human life in its products. To ensure that the Turkish people live in healthier environments, Vestel Beyaz Eşya bore the costs resulting from this compliance and started supplying products to the domestic market that conform to the RoHS Directive even before this regulation went into effect in our country.
- Parallel to its RoHS efforts, the Company also carries out works in relation to WEEE (Waste of Electrical and Electronic Equipment Directive). According to this Directive, each brand is responsible for the collection and recycling of the wastes of its own products. Our Company is carrying out the necessary preparations with a view to adhering to the WEEE Directive in the most effective manner in coordination with the authorized governmental bodies.
- In accordance with its global environmental responsibility, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ made it a principle ever since its foundation not to use in its products and production processes the chemicals that deplete the ozone layer or lead to global warming by creating greenhouse effect. In keeping with this philosophy, gases with very low ODP (ozone depletion potential) and GWP (global warming potential) levels are being used in the production of our refrigerators and air conditioners.
- With its environmental policy, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ targets an approach that maintains and enhances the quality of life of its employees and customers. Under the environmental policy adopted, the Company pledges to:
  - Take into account environmental factors when considering new products, projects and operations;
  - Reduce the use of harmful materials in the product design and production processes, and search for less polluting materials;
  - Undertake activities for waste reduction, reuse, recycling and recovery;
  - Ensure savings of energy, water and natural resources by encouraging higher productivity and employment of new technology;
  - Use recycled packaging material whenever feasible;
  - Organize activities that raise and promote environmental awareness;
  - Comply with the environmental legislation and administrative regulations in effect.
- Due to the environmental significance of energy efficiency from the point of preventing direct consumption of natural resources, ISO 50001 Energy Management System activities were integrated into the ISO 14001 Management System.

In addition, with a view to contributing to the effective use of natural resources and electricity, priority is given to the manufacture of A and A+ energy class products at Vestel plants, and research and development activities mainly focus on products that consume less electricity, water, detergent, and gas.

- Under the ISO 50001 Energy Management System that was certified in 2012, the Company is committed to:
  - Using energy efficient and eco-friendly technologies for continuously improving its energy performance and ensuring economic and environmental sustainability,
  - Continuously benchmarking the Company's energy performance with the best practices in the world and its peers for improvement and development,
  - Making use of renewable energy sources,
  - Cultivating a culture of participation and innovation among stakeholders for continuous improvements in energy saving,
  - Achieving full compliance with legal requirements,
  - Identifying energy efficiency improvement areas by regularly conducting internal and external energy efficiency studies,
  - Ensuring that all employees play a role in the improvement of the Company's energy consumption performance,
  - Raising energy efficiency awareness via training, seminars and posters,
  - Encouraging creative ideas for the development and use of new technologies and modification of equipment and processes in order to optimize energy consumption.
- Within the scope of the Vestel Beyaz Eşya Sanayi ve Ticaret AŞ Integrated Management Systems Policy;
  - Activities for raising environmental awareness include;
    - Training all employees on the subject of environment and energy. In 2013, 7,286 people received training on environment and energy.
    - Distributing booklets on environment and energy to all employees.
    - Designing bi-monthly environmental awareness brochures which are placed on panels which employees can see and on panels behind the bathroom doors.
- Through the plastic cap collection campaign carried out at the Company as part of social responsibility and waste management efforts, wheelchairs were procured for the relatives of 40 employees in 2014.
- Through supporting the "White Goods Sector Hazardous Waste Guide" project, hazardous wastes in white goods sector were classified with the support of the Ministry of Environment and Urbanization, Marmara University and TÜBİTAK.
- An Environment Commission in Manisa Organized Industrial Zone, in which the Environmental Management Officer represents the Company, continues its environmental activities.
- Climate change is not only an ecological but also a social and economic threat. Vestel Beyaz Eşya Sanayi ve Ticaret AŞ views climate change as a significant risk for the world's future and the sustainability of the Company, and carries out important projects in this context. For this reason, the Company carried out studies for the measurement and reduction of its carbon footprint and joined the Carbon Disclosure Project, which has been initiated to encourage companies, investors and governments to gather and share information, which could help the fight against the climate change threat. The Company aims to realize performance improvement by setting carbon-cutting targets by means of disclosing data about greenhouse gas emissions, climate change strategies and sustainable water consumption to the public and investors.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Since 2011, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ensures sustainability by successfully implementing the TPM (Total Productive Maintenance) management system. TPM is a maintenance system, which targets zero equipment stoppage and zero quality defects in production systems. TPM is a maintenance management approach, which requires the participation of all employees in production and service processes, envisages autonomous maintenance, adopts a preventive approach rather than trouble-shooting and allows for the highest degree of equipment efficiency. Environmental gains through the TPM system approach may be listed as follows:
  - Ensuring organization and order and reducing contamination with the 5S Approach,
  - Improvement works with Kaizen approach,
  - Zero failure, zero dissemination, energy saving and raw material saving with the Autonomous Maintenance approach,
  - Reducing scrap and rework, therefore, reducing wastes,
  - Increasing productivity and quality - continuous improvement.

In 2014, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ was given the Award for TPM Excellence, Category A by JIPM (Japanese Institute of Plant Maintenance).

- Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's Puzzle Refrigerator was granted the Energy Efficient Product Award at the MOSB (Manisa Organized Industrial Zone) Energy Efficiency Competition, which is one of the tangible results of the Company's large-scale investments in eco-friendly products.
- Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's policy in relation to occupational health and safety is as follows:

The Company:

- Meets its legal obligations and administrative conditions toward employees and complies with the rules of the organizations to which it is a member,
- Achieves continuous improvement through incorporation of international standards, new technologies and employees' recommendations in its practices,
- Devises and implements plans that will prevent potential occupational accidents and diseases by undertaking occupational health and safety risk analysis,
- Offers continuous training to employees to help them adopt the correct behavioral habits with regard to potential health and safety risks,
- Reviews the policy according to changing conditions so as to eliminate or minimize unsafe situations and unsafe acts at workplaces with a view to prevent or reduce occupational accidents; to regularly review working conditions and to take necessary actions with regard to problematic areas; and to secure funds for such actions,
- Adopts the principle of "the right work for the employee and the right employee for the work" in order to prevent or reduce accidents.

- During 2014, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ set up nursing rooms at various spots across the complex so as to make it possible for working mothers to care for and feed their children.
- With 24 design awards claimed in 2014 in Europe's and the world's most prestigious design competitions including, among others, Red Dot Awards, IF Design Awards, and Good Design, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ increased the number of prizes garnered in competitions it has participated in since 2008 to 155. While the awards that are granted on the basis of various assessment criteria including ecology, functionality, ease of use, technology, innovation, ergonomics and design quality endorse the strong design capability of our Company, they also play a major role in promoting Turkish designs across the world. The Most Innovative Brand Award we received in 2012 and the Best Design Brand 2014/2015 Award we were given in the consumer durable goods category are highly important for the improvement of the national economy and for the endorsement of the quality of the Turkish products.
- At the Vestel Group of Companies ("Vestel"), of which Vestel Beyaz Eşya is a part, corporate development is equivalent to social development. With this approach, the Company will continue to firmly support social responsibility initiatives that add value to society, pioneer new initiatives in this area, and raise social awareness by promoting its future oriented and eco-friendly products.
- Vestel does its utmost to ensure that its corporate social responsibility activities deliver concrete and sustainable benefits to society. As a result, the Company chooses to support long-term projects. At the start of the social responsibility project development process, the Company first identifies areas in which the public support is insufficient or lacking. In the social responsibility initiatives it undertakes, Vestel demonstrates the same high performance and meticulousness that it displays in its other operations, never compromising its total quality approach.
- On the first day of the coalmine disaster that took place in the Soma district, both our employees and our Company spent their best efforts at and near the scene of the incident to meet the water and food needs of the survivors.
- On the back of an initiative it has launched in 2014 in cooperation with the Manisa Branch of ZİÇEV (Foundation for the Training and Protection of Mentally Handicapped Children), Vestel Beyaz Eşya Sanayi ve Ticaret AŞ contributes to raising funds for the Foundation and helps our children enjoy the "happiness of producing".



## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## PART V - BOARD OF DIRECTORS

## 5.1. Structure and Composition of Board of Directors

Member	Duty	Term of Office	Other Positions Held Within the Group	Positions Held Outside the Group	Status
Ahmet Nazif Zorlu	Chairman	Until 2014 Ordinary General Assembly Meeting	Chairman and Vice Chairman - Zorlu Group companies	-	Non-executive
Hacı Ahmet Kılıçoğlu	Vice Chairman	Until 2014 Ordinary General Assembly Meeting	Board Member - Vestel Elektronik San. ve Tic. AŞ and Zorlu Enerji Elektrik Üretim AŞ	Board Member Beşiktaş Futbol Yatırımları AŞ Board Member - Şeker Mortgage Finansman AŞ	Independent
Olgun Zorlu	Board Member	Until 2014 Ordinary General Assembly Meeting	Board Member	-	Non-executive
Şule Cümbüş	Board Member	Until 2014 Ordinary General Assembly Meeting	Board Member	Chairperson - Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ	Non-executive
İzzet Güvenir	Board Member	Until 2014 Ordinary General Assembly Meeting	Executive Committee Member and Board Member	-	Non-executive
Ali Akın Tarı	Board Member	Until 2014 Ordinary General Assembly Meeting	Vice Chairman - Vestel Elektronik San. ve Tic. AŞ and Zorlu Enerji Elektrik Üretim AŞ	Board Member and Audit Committee Member - Dilerbank; Board Member - Diler Holding AŞ	Independent

### **Ahmet Nazif Zorlu** **Chairman**

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

### **Hacı Ahmet Kılıçoğlu** **Vice Chairman**

(1956 - Giresun) Hacı Ahmet Kılıçoğlu graduated with a Bachelor's degree in Economics in 1977 and Master's degree in Economics in 1978 from the University of Essex. He started his professional career at the Ministry of Industry and Technology in 1979. In 1980 he became an Assistant Specialist at Türkiye İş Bankası and after working in the private sector for a couple of years, Mr. Kılıçoğlu held administrative positions at the United Nations Development Program (UNDP) and the F-16 project. He then took office at Türk Eximbank in 1987, where he worked in various positions. He later served as the CEO of the bank and as a Board Member between 1998 and 2010. He also served as a Board Member at the Banks Association of Turkey between 1998 and 2010 and was elected as the President of the World EximBanks Union (The Berne Union) in 2001. Mr. Kılıçoğlu also served as a Consultant to the President at the Islamic Development Bank between 2008 and 2009 and as a Vice Chairman at Denizbank in 2010. Mr. Kılıçoğlu is currently a Board Member at Beşiktaş Futbol Yatırımları Sanayi ve Ticaret AŞ and Şeker Mortgage Finansman AŞ.

### **Olgun Zorlu** **Board Member**

(1965 - Trabzon) After graduating from university in the United Kingdom, Olgun Zorlu began his professional career in 1986 and gained managerial experience in Zorlu Group's textiles companies. He was appointed as Board Member of Zorlu Holding in 1998. Mr. Zorlu continues to serve as a Board Member at Zorlu Holding and various Zorlu Group companies in addition to his board membership at Vestel Beyaz Eşya.

### **Şule Cümbüş** **Board Member**

(1976 - İstanbul) After graduating from Işık High School, Şule Cümbüş went to the USA to pursue her undergraduate studies. She studied business administration at the Pepperdine University in Los Angeles in her first year and at New Jersey's Silberman College/Farleigh Dickinson University in the following two years. For about six months she worked at Zorlu Holding's American subsidiary, Zorlu USA Textile. In 1999, she returned to Turkey to take office as a Management Trainee at Denizbank, and went on to serve in various departments of the bank. She became Executive Director at Anadolu Kredi Kartları AŞ, which was acquired in early 2002. In 2003, she was appointed as the General Manager of Linens Pazarlama. Having sat as a member on the boards of various companies under Zorlu Holding, Şule Cümbüş currently serves as a member of the Board of Directors of Vestel Beyaz Eşya and as the Chairperson of the Board of Directors of Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ.

### **İzzet Güvenir** **Board Member**

(1955 - İzmir) İzzet Güvenir graduated from Istanbul Technical University, Department of Aeronautical Engineering in 1980. After serving in various positions in the white goods sector, he joined Vestel in 1998 as the Manager of the Air Conditioner Plant. Mr. Güvenir was appointed as the General Manager of Vestel Beyaz Eşya in 2000. He stepped down from his position as a Member of the Executive Committee responsible for White Goods and Vestel Russia as of 1 July 2011. He continues to serve as a Board Member at Vestel Beyaz Eşya.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### **Ali Akin Tari** **Board Member**

(1943 - Koruköy) After his graduation from the Istanbul Law Faculty, Ali Akin Tari served as a Tax Inspector and as a Chief Tax Inspector at the Ministry of Finance between 1972 and 1986. He was appointed as the Vice-President of the Tax Inspectors Board in 1986 and Group Head of the Istanbul Tax Inspectors Board in 1989, and continued to serve in this position until he was appointed as a Board Member of the Banking Regulation and Supervision Agency in 2001. He was also elected as a Board Member of the Savings Deposit Insurance Fund in the same year. He left his position at the Banking Regulation and Supervision Agency when his period of duty expired in 2004, and was appointed as a Consultant for the Ministry of Finance. Mr. Tari served in this position until 2007, when he voluntarily left his position in the public sector to work in different areas in the private sector. Mr. Tari became a member of the Board of Directors and the Audit Committee of Dilerbank in 2008; in addition to this position, he was appointed as a member of the Board of Directors of Diler Holding in 2011. Still serving in these positions, Mr. Tari holds the titles of Certified Public Accountant and Independent Auditor.

The Chairman of the Executive Committee of our Company is Enis Turan Erdoğan.

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

(1955 - Mersin) Enis Turan Erdoğan graduated from the Department of Mechanical Engineering at the Istanbul Technical University in 1976 and completed a master's degree in Production Management at Brunel University in the UK in 1979. After serving in managerial positions for various firms in Turkey, he joined Vestel in 1988. Having held various managerial positions at Vestel since 1988, he served as the President of Vestel Dış Ticaret and a member of the Executive Committee of Vestel Elektronik until 2013. Turan Erdoğan was appointed as the Chairman of the Executive Committee of the Vestel Group of Companies on 1 January 2013. Mr. Erdoğan served as the President of TURKTRADE (Turkish Foreign Trade Association) for two periods between 2002 and 2006 before being the first Turkish citizen to be appointed as a Board Member of Europe's largest ICT Confederation, DIGITALEUROPE, a position which he held between 2010 and 2014.

- Four of the six members of the Board are non-executive members and two are independent members.
- The Chairman of the Board and the Chairman of the Executive Committee are two different individuals: The Chairman of the Board is Ahmet Nazif Zorlu and the Vestel Group of Companies' Chairman of the Executive Committee is Enis Turan Erdoğan.
- Prior to the Ordinary General Assembly Meeting for 2013, two independent candidates were presented to the Nomination Committee. The Committee's report dated 26 March 2014 on whether these candidates fulfill the independence criteria was submitted to the Board of Directors. Upon a resolution by the Board of Directors dated 26 March 2014 and numbered 2014/7, it was decided that these candidates would be submitted to the approval of shareholders at the General Assembly, to become independent Board Members.

Statement of independence of the candidates is provided hereinbelow:

"I hereby acknowledge, commit and declare that I have read and understood the capital market legislation, the Company's Articles of Association, and the Capital Markets Board's Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance no. II-17.1, and that I meet all of the criteria required of Independent Board Members that are stipulated in the Principle no. 4.3.6 appended hereto within the framework of the applicable legislation."

- Board Members Hacı Ahmet Kılıçoğlu and Ali Akin Tari are independent members who fulfill the CMB's Corporate Governance Principles pertaining to the independence criteria. No circumstances occurred during the reporting period to end the independence status of the independent members.

- No restrictions are imposed on Board Members' undertaking one or more duties outside the Company.
- Currently, one female member serves on the Company's Board of Directors, and it is among the Company's medium-term targets to reach the minimum 25% ratio set in the Corporate Governance Principles for the female Board members. However, a policy has not yet been developed towards attaining this goal.

## 5.2. Working Principles of the Board of Directors

- Agendas for the Board meetings are determined by the Chairman and the Board Members. Requests coming from the Company management are also taken into account when setting the meeting agendas. Article 10 of the Company's Articles of Association stipulates that Board meetings shall be held at the Company's headquarters as and when deemed necessary, and at least once a month. In order to increase attendance at the meetings, the meeting dates were determined and notified to the Board Members at the beginning of the year. As a result, Board Members were given the opportunity to shape their schedules according to the meeting dates. As another measure to increase attendance at the meetings, the following article was added to the Articles of Association: "The Board membership of a Board Member who fails to participate in three consecutive meetings without the Board's permission is deemed to be null and void."
- During 2014, the Board of Directors took 49 decisions in 33 meetings held. The meeting attendance rate was 97.28%, and 100% of the decisions were taken with the unanimous votes of the attendants.
- Invitations to the meetings are made by fax, and e-mail. In line with the Corporate Governance Principles, a secretariat has been set up within the Company that reports to the Board of Directors. This secretariat set up in the Vestel Group notifies Board Members of the meetings at least a week (seven days) in advance of the meeting date, and provides them with the agenda and documents related to the matters on the agenda.
- Differences of opinions arising at Board meetings and reasonable and detailed justifications for dissenting votes are entered into the records. The dissenting opinions and votes of the independent members are disclosed to the public. However, to date there has never been an instance of differing opinions by the independent or other members at the Board meetings.
- No Board members, including the Chairman, have preferential voting rights or the right to veto Board decisions. Each member, including the Chairman, possesses an equal vote.
- A Directors & Officers Liability Policy has been purchased against losses which the Company may sustain due to the Board members' faults in the performance of their duties. However, the sum does not exceed 25% of the Company's share capital.

## 5.3. Number, Structure and Independence of the Board Committees

- Vestel Beyaz Eşya Sanayi ve Ticaret AŞ established a Corporate Governance Committee, Early Detection of Risk Committee, and Audit Committee in line with the Capital Markets Board's Corporate Governance Principles. The duties assigned to the Nomination Committee and Remuneration Committee are carried out by the Corporate Governance Committee.
- Independent board members Ali Akın Tarı and Hacı Ahmet Kılıçoğlu serve in more than one committee due to the number of the Board Members and the requirements of the committee structures under the CMB's Corporate Governance Principles.
- Committee meetings are held at frequencies stipulated by the legislation, as and when deemed necessary, or upon a request from any member.
- The Committees' activities and working principles are publicly disclosed on the Company's website.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### Audit Committee

- The Audit Committee was set up pursuant to Article 3 of the CMB Communiqué Serial X, No: 19 and is responsible for the effective oversight of the Company's financial and operational activities. The objective of the Audit Committee, which reports to the Board of Directors, is to oversee the functioning of the Company's accounting system, the independent audit and public disclosure of the financial data, and the functioning and efficiency of the Company's internal control and internal audit system.
- Pursuant to the CMB's Communiqué on Corporate Governance Principles no: II-17.1, the "Audit Committee Working Principles" were revised and approved at the Board of Directors' meeting dated 27 March 2014. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the corporate website.
- The Audit Committee is structured in accordance with the Capital Markets Board's Corporate Governance Principles and consists of two members.
- The Head of the Committee was elected from among the independent members of the Board and certain criteria were taken into account in the selection process. The Head of the Audit Committee is ensured to have previously served in a similar position, have the knowledge and experience needed to analyze financial statements, be versed in accounting standards, and otherwise be highly qualified.
- Both Audit Committee members were elected from among the independent Board members. The Head of the Committee is Ali Akin Tari, and the other member is Hacı Ahmet Kılıçoğlu.

The distribution of duty in the Committee is as follows as per the decision taken in the Company's Board meeting held on 22 April 2014:

Committee members	Duty	Status
Ali Akin Tari	Head of the Committee	Independent Board Member
Hacı Ahmet Kılıçoğlu	Member of the Committee	Independent Board Member

- In principle, the Audit Committee shall meet at least four times a year, being once in each quarter.
- The Board of Directors' secretariat is responsible for keeping the records of the decisions made by the Committee, as well as the minutes of its meetings.
- The Committee carries out its activities in line with the working principles put into writing in detail.

In 2014, the Audit Committee carried out the following functions:

- monitor the Company's financial and operational activities,
- oversee and approve the accuracy and the conformity of the annual and interim financial statements, which will be disclosed to the public, to the accounting principles employed by the Company,
- selection of the independent audit firm, preparation of the independent audit agreement, and initiation of the independent audit process,
- follow up the effectiveness and performance of the independent audit activity,
- supervise the operation and efficiency of the internal control and internal audit system,
- assess the findings obtained on the internal control system and report these to the Board of Directors, and
- review and approve the internal control and internal audit reports.



### Corporate Governance Committee

- The Corporate Governance Committee is established to monitor the Company's compliance with the CMB's Communiqué on Corporate Governance Principles, to carry out studies for improvement and to make proposals to the Board of Directors.
- Pursuant to the CMB's Communiqué on Corporate Governance Principles no: II-17.1, the "Corporate Governance Committee Working Principles" were revised and approved at the Board of Directors' meeting dated 27 March 2014. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the corporate website.
- The Corporate Governance Committee is composed of at least three members, including two non-executive Board Members and the Investor Relations Department Manager. The Head of the Committee is Ali Akın Tari, an independent Board member, and the other members are Olgun Zorlu and Gökçe Serim.

Committee members	Duty	Status
Ali Akın Tari	Head of the Committee	Independent Board Member
Olgun Zorlu	Member of the Committee	Non-executive Board Member
Gökçe Serim	Member of the Committee	Investor Relations Department Manager

- In principle, the Committee should hold at least two meetings annually to ensure effective performance of its duties.
- The activities carried out by the Corporate Governance Committee in 2014, in accordance with its working principles put into writing in detail, are presented below:
  - Propose improvements on corporate governance practices to the Board of Directors in order to achieve compliance with the CMB Communiqué on Corporate Governance no. II-17.1; conduct and supervise the necessary work for alignment with the legislation,
  - Oversee the activities of the Investor Relations Department,
  - Make proposals pertaining to the structure and effectiveness of the Board of Directors,
  - Determine and monitor the principles, criteria and practices to be applied in the remuneration of the Board of Directors and executives with administrative responsibility, taking into consideration the Company's long-term targets,
  - Present proposals to the Board of Directors in relation to the remuneration to be provided to the Board members and executives with administrative responsibility taking into consideration the extent of the fulfillment of the remuneration criteria.

### Early Detection of Risk Committee

- The Early Detection of Risk Committee was set up with the Board's decision dated 15 March 2013 in order to identify the risks which could jeopardize the Company's existence, development and continuity and to take measures to counter and manage these risks in line with the Turkish Commercial Code, Articles of Association and CMB's Communiqué on Corporate Governance Principles.
- Pursuant to the CMB's Communiqué on Corporate Governance Principles no: II-17.1, the "Early Detection of Risk Committee Working Principles" were revised and approved at the Board of Directors' meeting dated 27 March 2014. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the corporate website.
- The Early Detection of Risk Committee is composed of at least two Board Members. In case the Committee has only two members, both of them, and in case it has more than two members, the majority of them, must be non-executive Board Members. The Head of the Committee is the independent Board Member Hacı Ahmet Kılıçoğlu. The other member is Şule Cümbüş.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The distribution of duty in the Committee is as follows as per the decision taken in the Company's Board meeting held on 22 April 2014:

Committee members	Duty	Status
Hacı Ahmet Kılıçoğlu	Head of the Committee	Independent Board Member
Şule Cümbüş	Member of the Committee	Non-executive Board Member

- The Early Detection of Risk Committee held 6 meetings in 2014 and presented the necessary risk reports to the Board of Directors.
- The activities carried out by the Committee in 2014, in line with the working principles put into writing in detail, are presented below:
  - Process-based risk inventory was prepared and opinions and evaluations of risk owners were obtained.
  - Risks were evaluated in two different ways, namely, with (residual risk) and without (inherent risk) taking into account the efficiency performance of the existing control and precaution activities.
  - Inherent and residual risks contained in risk reports were evaluated based on the 4-tier scale (Acceptable, Acceptable with Control, Undesired, Unacceptable).
  - Sector and company based risks contained in the risk reports were grouped under 9 main risk headings (External Environment, Operational, Authorization, Information Technology and Technology, Honesty/Integrity, Financial, Process/Operational, Reporting and Strategic) according to COSO (The Committee of Sponsoring Organizations of the Treadway Commission) risk taxonomy.
  - As a result of these assessments, it was seen that risks were generally gathered under the main headings of External Environment, Operational, Financial and Strategic.
  - As a result of the risk inventory and risk management researches, risk reports were prepared and submitted to the Committee in order to ensure early detection of risks that may jeopardize the Company's existence, development and continuity, and the adoption of necessary measures regarding the detected risks and management of risk.

These reports are as follows:

- Summary of the World Economic Forum Global Risks 2014
- Vestel Key Risk Indicators Report
- Insurance Solutions for Vestel Group Companies
- Fraud Risk Survey
- Receivables Risk Early Warning Signals
- Vestel Group of Companies OHS Risk Assessment Obligation
- On the SAP GRC (Governance, Risk and Compliance) System, part of the digitizable risks are expressed and followed-up in the form of KRIs (Key Risk Indicators). Work is ongoing for the others.
- Threshold values have been revised for some key risk indicators.

### 5.4. Risk Management and Internal Control Mechanism

- Zorlu Holding Corporate Risk Management Department began its operations in the first quarter of 2012 with the purpose of early diagnosing the risks that may jeopardize the existence, development and continuity of the Company, taking the necessary actions against the identified risks, and centrally managing the risks. Within this scope, Zorlu Holding Risk Policy and Procedure and Corporate Risk Management Framework that will be applicable to all the Zorlu Group companies were prepared and shared with the related units.

- Vestel Beyaz Eşya makes intensive use of information technologies and uses the SAP system to secure internal control. Through the SAP system, all the integrated business processes in the Company are carried out/recorded on the information systems, thus granting increased speed and productivity to the business. Efficient use of these systems allows employees and managers to easily access all sorts of information and reports that concern them in line with their authorities. SAP GRC (Governance Risk Compliance) is used as the system that covers and monitors all the risks which the Company is exposed to.
- The Company's internal control systems are evaluated with a risk-focused approach by taking into account the risks which are identified through the risk management analysis and/or during internal control activities and by taking into account the related risk reducing actions. During the course of the activities carried out in line with the Company's vision and mission, the Company may become exposed to risks related with strategic goals, financial position, operational activities, legislation, occupational health and safety, and protection of assets and reputation. In order to accurately define and manage these risks, Zorlu Holding Corporate Risk Management philosophy is summarized below:
  - Incorporating risks into the decision-making mechanisms by establishing risk awareness and risk culture in the operations of the Company,
  - Collaborating to reveal the risks and opportunities that may have an impact on the Company's targets based on a shared perception,
  - Defining and evaluating risks according to their impact and probability,
  - Using Key Risk Indicators to follow up the risks that have been identified and prioritized,
  - Measuring and reporting key risk indicators that give warnings and all other risks, taking into consideration the control points,
  - Proactively managing these risks through optimum actions taken in accordance with the risk appetite.
- Based on the Board of Directors' decision dated 15 March 2013, the Company's Early Detection of Risk Committee was set up and its Functions and Working Principles were accepted. The Committee works to early diagnose the factors that could jeopardize the existence, development and continuity of the Company, to take the necessary actions and implement the remedies, and to manage the risk for the purpose of achieving compliance with the Article 378 of the Turkish Commercial Code no. 6102 and of coordinated risk management.

The Internal Audit Department reviews the efficiency and effectiveness of these systems at certain intervals in accordance with the approved annual plans, and reports the results to the Board of Directors for necessary action.

### 5.5. Company's Strategic Targets

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 5.6. Financial Benefits

- The Company's Remuneration Policy for the Members of the Board of Directors and Executive Managers, which has been accepted by the Board of Directors' decision dated 18 May 2012 and made available for the information of shareholders on the Company website pursuant to the Corporate Governance Principles, was amended within the frame of the Corporate Governance Principles appended to the CMB Communiqué on Corporate Governance no. II-17.1, and was made available for the information of shareholders via the Public Disclosure Platform and the corporate website.
- The attendance fees to be received by the members of the Board of Directors are determined each year at the General Assembly Meeting. This fee is determined according to the Board Member's status (whether independent or executive), responsibilities, seniority, know-how, skills and experience.
- Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's Board members were paid a total gross sum of TL95,000.00 as an attendance fee in 2014, commensurate with the practices of the peer companies in the sector. The amounts for 2015 will be decided at the 2014 Ordinary General Assembly. No other benefits are provided to Board members.
- There is no rewarding scheme for the Board Members based on performance measurement.
- The salaries of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's senior executives are determined by the Board of Directors. In addition, senior executives may be entitled to bonus payments at year-end, in line with the Company's financial performance and their respective contribution to this performance. The amounts of such bonus payments are determined by the Board of Directors. The "Senior Executive Remuneration Policy" is determined in accordance with the size of the Company's production and sales activities, the extensiveness of its operations, existence of international operations, the number of employees, subsidiaries and their weight in total operations, the level of knowledge required to maintain operations, the characteristics of the sector, the competitive environment, and the level of salaries paid at the peer companies.
- The financial benefits provided to the Company's Chairman, Board Members, general manager, general coordinators and assistant general managers are outlined in the footnotes of the financial statements. In this regard, the total salaries and fees paid during the 12 months ending on 31 December 2014 was TL4,108 thousand (01.01-31.12.2013: TL3,493 thousand).
- During 2014, the Company did not lend money to any Board member or senior executive, nor did it extend any credit via a third party under the name of a personal loan or grant any guarantee such as surety in their favor.

## DIVIDEND DISTRIBUTION PROPOSAL

The Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi convened at the Company headquarters, under the chair of Mr. Ahmet Nazif Zorlu. During the meeting, deliberations were carried out on the agenda items and the following decisions were taken:

Based on the review of the Financial Statements for the fiscal period 1 January - 31 December 2014 and of the Independent Audit Report prepared by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ:

Total assets and total shareholders' equity on the Company's balance sheet, which is drawn up in accordance with the Capital Market Law and CMB's regulations are TL1,549,437,000.00 and TL662,563,000.00, respectively. The Company posted TL131,177,000.00 of net profit in its CMB financial statements, whereas it booked a net profit of TL120,375,970.00 according to the statutory financial statements.

5% legal reserve has been set aside, which is compulsory to be set aside pursuant to the Article 519 of the Turkish Commercial Code.

The Company recorded a net distributable profit of TL125,158,202.00 in accordance with the Capital Market Law and CMB regulations. Net distributable profit for the period including the donations is TL127,442,215.00, which is calculated by adding the donations made in 2014 amounting to TL2,284,013.00 to the afore-mentioned figure. The legal records, on the other hand, show a net distributable profit for the period of TL114,357,172.00, which remains after the legal reserves in the amount of TL6,018,799.00 are set aside from the net profit of TL120,375,970.00.

The members of the Board of Directors present in the meeting unanimously decided as follows:

As shown in the profit distribution table prepared in accordance with the CMB Communiqués, after the deduction of the legal reserves from the TL120,375,970.00 of net profit, which is reported in the statutory financial statements, the net distributable profit is TL114,357,172.00. It will be proposed to pay out TL104,824,701.00 out of the said amount as gross dividends to shareholders, and set aside the remaining TL9,532,470.00 as Second Legal Reserves;

If the profit distribution proposal above is approved by the General Assembly, then the proposal for paying a gross cash dividend of TL0.5517 and a net cash dividend of TL0.4689 per each share with a nominal value of TL1.00 and for commencing the dividend payments from 4 May 2015 will be discussed and decided at the 2014 Ordinary General Assembly Meeting.



## STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

### STATEMENT OF INDEPENDENCE

I hereby acknowledge, commit and declare that I have read and understood the capital market legislation, the Company's Articles of Association, and the Capital Markets Board's Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance no. II-17.1, and that I meet all of the criteria required of Independent Board Members that are stipulated in the Principle no. 4.3.6 appended hereto within the framework of the applicable legislation. 30 March 2015



Ali Akın TARI

"4.3.6.- A Board Member, who meets all of the following criteria shall be deemed as "independent Board member".

- a) Absence of an employment relationship between the individual, or his/her spouse or any relative of him/her whether by blood or by marriage unto the second degree, entered into within the most recent five years, in an executive position involving significant duties and responsibilities, having not collectively or individually held more than 5% of the capital or voting rights or privileged shares in, or established any commercial interest of a significant nature, with the Company, or with any company in which the Company has management control or material influence (*TFRS 10 and TAS 28 should be used as the basis to establish whether control and material influence as mentioned herein exists, respectively*) and with any shareholder having management control or material influence over the Company, or with any corporate entity which are controlled by these shareholders (*in the event that the companies under this paragraph were inactive for the last 3 fiscal periods, contradiction with the independence criteria shall not arise. Independence will be deemed compromised if the ratio of turnover/profit before tax derived from a commercial relation of a significant nature is equal to 20% or more than the total turnover/profit before tax derived from a business of the same nature for either the independent member candidate or the company*).
- b) Within the last five years, not being a shareholder (5% and more), nor an employee at an executive position with significant duties and responsibilities, nor a member of the Board, particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchases or sells significant amount of services or products within the framework of the agreements signed, during the periods in which these services or products were purchased or sold.
- c) Having the professional education, knowledge and experience necessary to duly carry out the duties that will be assumed as a result of the independent Board membership.
- d) Not working as a full time employee at any public institution or organization after being elected as a Board member with the exception of working as an academician at a university provided that this is in compliance with the relevant legislation.
- e) Being a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193.
- f) Having strong ethical standards, professional reputation and experience that will allow him/her to contribute positively to the activities of the Company, remain neutral in conflicts of interests between the Company and shareholders and decide independently by taking the stakeholders' rights into consideration.
- g) Being able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the company activities and duly perform the duties assumed.
- h) Having not served as a board member at the Company's Board of Directors for more than 6 years within the last ten years.
- i) Not serving as an independent board member at more than three of the companies controlled by the shareholders who control the management of the Company and at more than five publicly traded companies in total.
- j) Having not been registered and announced on behalf and in the name of the legal entity which is selected as a Board member.

## STATEMENT OF INDEPENDENCE

I hereby acknowledge, commit and declare that I have read and understood the capital market legislation, the Company's Articles of Association, and the Capital Markets Board's Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance no. II-17.1, and that I meet all of the criteria required of Independent Board Members that are stipulated in the Principle no. 4.3.6 appended hereto within the framework of the applicable legislation. 30 March 2015



Hacı Ahmet KILIÇOĞLU

"4.3.6.- A Board Member, who meets all of the following criteria shall be deemed as "independent Board member".

- a) Absence of an employment relationship between the individual, or his/her spouse or any relative of him/her whether by blood or by marriage unto the second degree, entered into within the most recent five years, in an executive position involving significant duties and responsibilities, having not collectively or individually held more than 5% of the capital or voting rights or privileged shares in, or established any commercial interest of a significant nature, with the Company, or with any company in which the Company has management control or material influence (*TFRS 10 and TAS 28 should be used as the basis to establish whether control and material influence as mentioned herein exists, respectively*) and with any shareholder having management control or material influence over the Company, or with any corporate entity which are controlled by these shareholders (*in the event that the companies under this paragraph were inactive for the last 3 fiscal periods, contradiction with the independence criteria shall not arise. Independence will be deemed compromised if the ratio of turnover/profit before tax derived from a commercial relation of a significant nature is equal to 20% or more than the total turnover/profit before tax derived from a business of the same nature for either the independent member candidate or the company*).
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- c) Having the professional education, knowledge and experience necessary to duly carry out the duties that will be assumed as a result of the independent Board membership.
- d) Not working as a full time employee at any public institution or organization after being elected as a Board member with the exception of working as an academician at a university provided that this is in compliance with the relevant legislation.
- e) Being a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193.
- f) Having strong ethical standards, professional reputation and experience that will allow him/her to contribute positively to the activities of the Company, remain neutral in conflicts of interests between the Company and shareholders and decide independently by taking the stakeholders' rights into consideration.
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- j) Having not been registered and announced on behalf and in the name of the legal entity which is selected as a Board member.

## CONCLUSION OF THE AFFILIATION REPORT PREPARED PURSUANT TO THE ARTICLE 199 OF THE TURKISH COMMERCIAL CODE

In accordance with the Turkish Commercial Code (TCC) provisions, our Company is an affiliated Company of Zorlu Holding AŞ Group of Companies for the operating year 2014. Pursuant to the Article 199 of TCC, Board of Directors of our Company gave the following declaration regarding the Affiliation Report it prepared on its relations with the controlling company or an affiliated company of the controlling company.

During 2014, our Company did not enter into any legal transaction on behalf of the controlling company or its affiliates and did not take or avoid any measures to benefit the controlling company or its affiliates under the direction of Zorlu Holding AŞ.

# INDEPENDENT AUDITOR'S REPORT



To the Board of Directors of  
Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## *Report on the Financial Statements*

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

## *Management's Responsibility for the Financial Statements*

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

## *Independent Auditor's Responsibility*

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

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

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

## INDEPENDENT AUDITOR'S REPORT

*Opinion*

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi as at 31 December 2014 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards (Note 2).

*Other Responsibilities Arising From Regulatory Requirements*

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 12 February 2015.
6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

A handwritten signature in black ink, appearing to read 'Mehmet Karakurt'.

Mehmet Karakurt, SMMM  
Partner

İstanbul, 12 February 2015

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

**BALANCE SHEETS AS OF  
31 DECEMBER 2014 AND 31 DECEMBER 2013**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Notes	Audited 31 December 2014	Audited 31 December 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	163.711	18.576
Derivative financial instruments	27	30.312	-
Trade receivables		657.750	539.936
Related parties	6	646.554	527.940
Other parties	7	11.196	11.996
Other receivables		50.557	63.472
Other parties	8	50.557	63.472
Inventories	9	229.782	324.125
Prepaid expenses	10	13.325	15.855
Current income tax assets	25	-	511
Other current assets	18	100	693
<b>Total current assets</b>		<b>1.145.537</b>	<b>963.168</b>
<b>Non-current assets</b>			
Prepaid expenses	10	5.694	1.901
Property, plant and equipment	11	330.230	329.512
Intangible assets		67.976	58.342
Other intangible assets	12	67.976	58.342
<b>Total non-current assets</b>		<b>403.900</b>	<b>389.755</b>
<b>TOTAL ASSETS</b>		<b>1.549.437</b>	<b>1.352.923</b>

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# BALANCE SHEETS AS OF 31 DECEMBER 2014 AND 31 DECEMBER 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Notes	Audited 31 December 2014	Audited 31 December 2013
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term financial liabilities	5	60.744	79.906
Trade payables		555.571	452.117
Related parties	6	8.758	19.235
Other parties	7	546.813	432.882
Liabilities for employee benefits	16	17.660	13.043
Derivative financial instruments	27	5.946	6.911
Current income tax liabilities	25	2.601	-
Short term provisions		1.100	366
Other provisions	14	1.100	366
Other current liabilities	18	5.580	3.987
<b>Total current liabilities</b>		<b>649.202</b>	<b>556.330</b>
<b>Non-current liabilities</b>			
Long term financial liabilities	5	58.220	212.118
Trade payables		-	20.381
Other parties	7	-	20.381
Other payables		142.372	-
Related parties	6	142.372	-
Long term provisions		25.382	12.434
Provision for employee benefits	16	25.382	12.434
Derivative financial instruments	27	5.800	9.021
Deferred tax liability	25	5.898	1.835
<b>Total non-current liabilities</b>		<b>237.672</b>	<b>255.789</b>
<b>TOTAL LIABILITIES</b>		<b>886.874</b>	<b>812.119</b>

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

**BALANCE SHEETS AS OF  
31 DECEMBER 2014 AND 31 DECEMBER 2013**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Notes	Audited 31 December 2014	Audited 31 December 2013
<b>EQUITY</b>			
Paid in capital	19	190.000	190.000
Adjustments to share capital	19	9.734	9.734
Share premium	19	109.031	109.031
Other comprehensive income/expense not to be reclassified to profit or loss		(9.209)	(192)
Revaluation gain/loss		(9.209)	(192)
- Actuarial gain/loss arising from defined benefit plans	24	(9.209)	(192)
Other comprehensive income/expense to be reclassified to profit or loss		20.512	(3.896)
Cash flow hedges	24	20.512	(3.896)
Restricted reserves	19	41.803	38.886
Accumulated deficit	19	169.515	144.552
Net loss for the period		131.177	52.689
<b>Total equity</b>		<b>662.563</b>	<b>540.804</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1.549.437</b>	<b>1.352.923</b>

Financial statements for the period 1 January - 31 December 2014 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 12 February 2015.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2014 AND 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Notes	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
Revenue	20	2.337.141	2.028.695
Cost of sales		(2.036.804)	(1.850.236)
<b>Gross profit</b>		<b>300.337</b>	<b>178.459</b>
Marketing, selling and distribution expenses	21	(42.748)	(36.617)
General administrative expenses	21	(36.395)	(32.733)
Research and development expenses	21	(27.123)	(24.958)
Other operating income	22	66.942	112.148
Other operating expense	22	(111.347)	(68.875)
<b>Operating profit</b>		<b>149.666</b>	<b>127.424</b>
Financial income	23	90.534	73.507
Financial expense	23	(88.041)	(147.480)
<b>Profit before tax</b>		<b>152.159</b>	<b>53.451</b>
<b>Tax (expense)/benefit</b>			
Current tax expense	25	(20.767)	(1.669)
Deferred tax benefit	25	(215)	907
<b>Net income for the period</b>		<b>131.177</b>	<b>52.689</b>
<b>Earnings per 100 shares with a Kr 1 of face value (TL)</b>	26	<b>0,69</b>	<b>0,28</b>

### Other comprehensive income/(loss)

<b>Items not to be reclassified to profit or loss</b>	<b>(9.017)</b>	<b>755</b>
Actuarial loss arising from defined benefit plans	(11.271)	944
Tax effect of other comprehensive income not to be reclassified to profit or loss	2.254	(189)
Deferred tax income/loss	2.254	(189)
<b>Items to be reclassified to profit or loss</b>	<b>24.408</b>	<b>(3.896)</b>
Cash flow hedges	30.510	(4.870)
Tax effect of other comprehensive income/expense to be reclassified to profit or loss	(6.102)	974
Deferred tax income/loss	(6.102)	974
<b>Other comprehensive income/(loss)</b>	<b>15.391</b>	<b>(3.141)</b>
<b>Total comprehensive (loss)</b>		<b>49.548</b>

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2014 AND 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

				Other Comprehensive income/(loss) not to be reclassified to profit or loss
	Paid in capital	Adjustments to share capital	Share premium	Actuarial loss on employee benefits
Balances at 1 January 2013	190.000	9.734	109.031	(947)
Transfer to accumulated deficit	-	-	-	-
Total comprehensive income	-	-	-	755
<b>Balances at 31 December 2013</b>	<b>190.000</b>	<b>9.734</b>	<b>109.031</b>	<b>(192)</b>
Balances at 1 January 2014	190.000	9.734	109.031	(192)
Transfer to accumulated deficit	-	-	-	-
Transfer to restricted reserves	-	-	-	-
Total comprehensive (loss)/income	-	-	-	(9.017)
Dividends	-	-	-	-
<b>Balances at 31 December 2014</b>	<b>190.000</b>	<b>9.734</b>	<b>109.031</b>	<b>(9.209)</b>

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

	Other Comprehensive income/(loss) to be reclassified to profit or loss	Accumulated deficit/Retained earnings			Total equity
		Cash flow hedge fund	Restricted reserves	Retained earnings	
	-	38.886	162.096	(17.544)	491.256
	-	-	(17.544)	17.544	-
	(3.896)	-	-	52.689	49.548
	(3.896)	38.886	144.552	52.689	540.804
	(3.896)	38.886	144.552	52.689	540.804
	-	-	52.689	(52.689)	-
	-	2.917	(2.917)	-	-
	24.408	-	-	131.177	146.568
	-	-	(24.809)	-	(24.809)
	20.512	41.803	169.515	131.177	662.563



VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

**STATEMENTS OF CASH FLOWS****FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2014 AND 2013**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

		Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
	Notes		
<b>Operating activities:</b>			
Profit/(loss) before tax		152.159	53.451
Adjustments to reconcile net cash provided from operating activities to profit/(loss) before taxes:			
- Depreciation and amortization of fixed assets	11	84.070	74.367
- Provision for lawsuit risks	14	734	(562)
- Provision for employment termination benefits	16	6.044	6.703
- Provision for impairment on inventories	9	(994)	(2.332)
- Interest expense	23	17.245	24.338
- Interest income	23	(173)	(186)
- (Gain)/loss from sales of tangible and intangible assets		(209)	(72)
- Derivative financial instruments (income)/expense accrual		(3.988)	2.389
- Unrealized foreign exchange gains/losses		4.095	33.085
Change in blocked cash and cash equivalents	4	(86)	795
<b>Changes in working capital:</b>			
(Increase)/decrease in trade receivables	6,7	(117.814)	95.673
(Increase)/decrease in inventories	9	95.360	(100.384)
(Increase)/decrease in other receivables and other current assets		12.245	(7.868)
Increase/(decrease) in trade payables	6,7	83.073	59.492
Increase/(decrease) in other payables and other liabilities		6.210	7.315
<b>Cash flows from operating activities</b>			
Employment termination benefits paid	16	(4.367)	(5.932)
Current income tax paid	25	(17.655)	(2.180)
<b>Net cash provided by operating activities</b>		<b>315.949</b>	<b>238.092</b>

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

## STATEMENTS OF CASH FLOWS

## FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2014 AND 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

		Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
<b>Investing activities:</b>	<b>Notes</b>		
Acquisition of tangible assets	11	(74.919)	(87.619)
Cash provided from sales of tangible and intangible assets		2.325	977
Acquisition of intangible assets	12	(21.642)	(18.569)
<b>Net cash used in investing activities</b>		<b>(94.236)</b>	<b>(105.211)</b>
<b>Financing activities:</b>			
Proceeds from bank borrowings		29.570	263.350
Repayment of bank borrowings		(210.413)	(387.962)
Other payables to related parties	6	142.372	-
Dividends paid	6	(24.809)	-
Interest paid		(13.557)	(16.302)
Interest received		173	186
<b>Net cash used in financing activities</b>		<b>(76.664)</b>	<b>(140.728)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>145.049</b>	<b>(7.847)</b>
Cash and cash equivalents at the beginning of the period	4	18.040	25.887
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>163.089</b>	<b>18.040</b>

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company" or "Vestel Beyaz Eşya") was incorporated in 1997 under the Turkish Commercial Code and its head office is located at Levent 199, Büyükdere Caddesi No: 199, 34394 Şişli/İstanbul.

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 346 thousand square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 395 thousand square meters.

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

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

As of 31 December 2014, the number of personnel employed was 5.566 (31 December 2013: 5.621)

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

	Share %
Vestel Elektronik Sanayi ve Ticaret A.Ş.	94,54
Other shareholders	5,46
	100,00

As of 31 December 2014, 59.800.000 shares of the Company have been quoted at the Borsa Istanbul ("BİST") (31,5% of its share capital; 31 December 2013: 31,5%).

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1 Basis of presentation

#### 2.1.1 Statement of compliance

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

The Company maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The financial statements, except for the financial assets and liabilities presented with their fair values, are maintained under historical cost conversion in TL. These financial statements are based on the statutory records which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/TFRS.

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.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

## 2.2 Comparative information and restatement of prior period financial statements

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

## 2.3. Amendments in Turkey 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 Company:

- **TAS 32 (amendment), "Financial instruments: Presentation"**, on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in TAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have any impact on the Company's financial statements.
- **TAS 36 (amendment), "Impairment on Assets"**, is effective for annual periods beginning on or after 1 January 2014. These amendments address the disclosure of information about the recoverable amount of the impaired assets if that amount is based on fair value less cost of disposal.
- **TAS 39 (amendment), "Financial instruments: Recognition and Measurement"**, is effective for annual periods beginning on or after 1 January 2014. These amendments address on novation of derivatives and hedge accounting and will allow hedge accounting to continue in a situation where a derivative is novated to effect clearing with a central counterparty as result of laws or regulation, if specific conditions are met.
- **TFRIC 21 - TAS 37, 'Levies'**, is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of "Provisions, contingent liabilities and contingent assets" that identifies the obligating event for the recognition of a liability for levy as the activity that triggers the payment of the levy in accordance with the relevant legislation. The interpretation is not applicable to the Company and will not have any impact on the Company's financial statements.

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 Company or have insignificant impact on the financial statements.

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

- **IFRS 9 "Financial instruments - 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'. IFRS 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 IAS 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.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

- **TFRS 9 (amendments), "Financial instruments', regarding general hedge accounting"** Effective for annual periods beginning on or after 1 January 2018. These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.
- **TAS 19 (amendments), "Defined benefit plans"**, is effective for annual periods beginning on or after 1 July 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.
- **TFRS 11 (amendments), "Joint Arrangements"**, is effective for annual periods beginning on or after 1 January 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 January 2016. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- **TFRS 14, "Regulatory deferral accounts"**, is effective for annual periods beginning on or after 1 January 2016. 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS.
- **TFRS 15, "Revenue from contracts with customers"**, is effective for annual periods beginning on or after 1 January 2017. The International Accounting Standards Board (IASB) and the US national standard-setter, the Financial Accounting Standards Board (FASB), initiated a joint project to clarify the principles for recognising revenue and to develop a common revenue standard for IFRS and US GAAP. The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The new model employs an asset and liability approach, rather than current revenue guidance focuses on an earnings process.
- **Annual improvements 2014:** Effective for annual periods beginning on or after 1 January 2016. Annual Improvements amend the following 4 standards
  - TFRS 5, 'Non-current assets held for sale and discontinued operations', changes in sales method
  - TFRS 7, 'Financial Instruments: Disclosures', with respect to TFRS 1, changes in labor contracts
  - TAS 19, 'Employee benefits', changes in discount rates
  - TAS 34, 'Interim financial reporting', changes in explanation of information

The Company 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 financial statements of the Company.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

### 2.4. Summary of significant accounting policies

#### 2.4.1 Revenue

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- Company has transferred to the buyer significant risks and reward of ownership of the goods,
- Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the 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. Company uses moving weighted average method for costing.

Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

#### 2.4.3 Property, plant and equipment

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

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains or losses on disposals of property, plant and equipment are included in other operating income and other operating expense.

Costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the Company. All other costs are charged to statements of profit or loss during the financial year in which they are incurred.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

### 2.4.4 Intangible assets

#### a) Research and development costs

Research costs are recognized as expense in the period in which they are incurred. An intangible asset arising from development (or from the development phase of an internal project) if and only if an entity can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development

Other development costs are recognized as expense as incurred. If it is not possible to distinguish the research phase from the development phase of an internal project, the entity treats the expenditure on that project as if it were incurred in the research phase only.

#### b) Rights and other intangible fixed assets

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

### 2.4.5 Financial instruments

#### a) Financial assets

The Company classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

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

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

##### Loans and receivables

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



VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

## Impairment of financial assets

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

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

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

## **b) Financial liabilities**

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

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

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

### Other financial liabilities

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

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

## **c) Derivative financial instruments and hedge accounting:**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values of derivatives are carried as assets when positive and as liabilities when negative. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

### Derivative financial instruments held for trading

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

### Cash flow hedges:

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity within cash flow hedge reserves. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income within finance income/expense. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place or portion related to the accrued interest). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized, in the statement of comprehensive income within finance income/expense. The Company has evaluated its forward contracts and recognized certain contracts as hedging derivative instruments since they have been carrying necessary hedging conditions regarding to TAS 39.

### **2.4.6 Foreign currency transactions**

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

### **2.4.7 Provisions, contingent assets and liabilities**

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the company are not included in the financial statements and treated as contingent assets or liabilities.

### **2.4.8 Related parties**

Shareholders, key management personnel and board members, their close family members and companies controlled, jointly controlled or significantly influenced by them and Zorlu Holding Group companies are considered and referred to as related parties.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

## 2.4.9 Taxation on income

Tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items directly recognized in equity. In that case, tax is recognized in shareholders' equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## 2.4.10 Employee termination benefits

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

## 2.4.11 Government grants

Government grants, including non-monetary grants at fair value, are recognized in financial statements when there is reasonable assurance that the entity will comply with the conditions attaching to them, and the grants will be received.

Incentives for research and development activities are recognized in financial statements when they are authorized by the related institutions.

## 2.4.12 Earnings per share

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

### 2.4.13 Statement of cash flows

In the statement of cash flows, cash flows are classified into three categories as operating, investment and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investment activities indicate cash inflows and outflows resulting from property, plant and equipments and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. Cash and cash equivalents comprise of cash in hand accounts, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months.

### 2.4.14 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting. As a result of the transactions in the normal course of business, revenue other than sales are presented as net if the nature of the transaction or the event qualify for offsetting.

### 2.4.15 Events after the balance sheet date

Events after the balance sheet date, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorized for issue.

In the case that events require a correction to be made on the balance sheet date, the Company makes the necessary corrections to the financial statements. Moreover, the events that occur subsequent to the balance sheet date and that do not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

## 2.5. Critical accounting estimates and judgments

Preparation of financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, disclosures of contingent assets and liabilities and the amount of revenue and expenses reported. Although these estimates and assumptions rely on the Company management's best knowledge about current events and transactions, actual outcomes may differ from those estimates and assumptions. Significant estimates of the Company management are as follows:

### i. Income taxes:

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

## NOTE 3 - SEGMENT REPORTING

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

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

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

Segment revenue	1 January - 31 December 2014	1 January - 31 December 2013
Turkey	589.876	567.052
Europe	1.287.188	1.056.813
Other	466.952	405.824
Gross sales	2.344.016	2.029.689
Discounts (-)	(6.875)	(994)
<b>Net sales</b>	<b>2.337.141</b>	<b>2.028.695</b>

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

The amount of export is 1.754.140 thousand TL for the period ended 31 December 2014 (1 January-31 December 2013: 1.462.637 thousand TL). Export sales are denominated in EURO, USD and RUB as 95,5%, 3,8% and 0,7% of total export respectively. (1 January-31 December 2013: 93,2% EUR, 5,3% USD, 1,5% RUB)

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

**NOTE 4 - CASH AND CASH EQUIVALENTS**

	31 December 2014	31 December 2013
Cash	86	63
Bank deposits		
- Demand deposits	53.828	918
- Time deposits	109.175	17.059
Blocked deposits	622	536
<b>Cash and cash equivalents</b>	<b>163.711</b>	<b>18.576</b>

**Effective interest rates**

	31 December 2014	31 December 2013
EUR	0,05%	0,62%
TL	9,64%	-
USD	0,71%	0,50%

As of 31 December 2014 the Company's time deposits have an average maturity of less than 1 month (31 December 2013: less than 1 month).

**NOTE 5 - FINANCIAL LIABILITIES**

	31 December 2014	31 December 2013
<b>Short - term financial liabilities</b>		
Short term bank loans	24.023	-
Short term portion of long term bank loans	36.721	79.906
	<b>60.744</b>	<b>79.906</b>
<b>Long - term financial liabilities</b>		
Long term bank loans	58.220	212.118
	<b>58.220</b>	<b>212.118</b>

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

Currency	31 December 2014			31 December 2013		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- EUR	1,42%	8.495	23.963	-	-	-
- TL	-	60	60	-	-	-
			<b>24.023</b>			<b>-</b>

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

Currency	31 December 2014			31 December 2013		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- USD	-	-	-	3,14%	774	1.653
- EUR	3,25%	11.590	32.691	5,03%	25.269	74.201
- TL	8,26%	4.030	4.030	8,27%	4.052	4.052
<b>Short term portion</b>			<b>36.721</b>			<b>79.906</b>
- USD	-	-	-	3,46%	33.305	71.082
- EUR	4,63%	3.320	9.365	3,52%	24.222	71.127
- TL	8,26%	48.855	48.855	8,26%	69.909	69.909
<b>Long term portion</b>			<b>58.220</b>			<b>212.118</b>
			<b>94.941</b>			<b>292.024</b>



VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

The redemption schedule of the Company's long term financial liabilities are given below:

	31 December 2014	31 December 2013
One to two years	53.861	139.208
Two to three years	4.359	68.579
Three to four years	-	4.331
Four to five years	-	-
	<b>58.220</b>	<b>212.118</b>

Total amount of Company's floating rate loans is TL 19.094. (31 December 2013: TL 11.777).

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

	31 December 2014	31 December 2013
6-12 month	19.094	11.777

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

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

## NOTE 6 - RELATED PARTY DISCLOSURES

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

	31 December 2014	31 December 2013
Vestel Ticaret A.Ş.	647.352	528.505
Vestel CIS Limited	70	47
Other related parties	92	18
	<b>647.514</b>	<b>528.570</b>
Unearned interest on receivables (-)	(960)	(630)
	<b>646.554</b>	<b>527.940</b>

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

**b) Short term trade payables to related parties**

	31 December 2014	31 December 2013
Vestel Elektronik Sanayi ve Ticaret A.Ş.	7.450	3.761
Vestel Holland B.V.	876	14.924
Other related parties	528	556
	8.854	19.241
Unearned interest on payables (-)	(96)	(6)
	<b>8.758</b>	<b>19.235</b>

**c) Other long term liabilities to related parties**

	31 December 2014	31 December 2013
Vestel Elektronik Sanayi ve Ticaret A.Ş.	142.372	-

The annual interest rate for EUR denominated other long term liabilities is Euribor +3,20 and last instalment will be paid in March 2020.

**d) Transactions with related parties**

	1 January - 31 December 2014	1 January - 31 December 2013
<b>Sales</b>		
Vestel Ticaret A.Ş.	2.226.807	1.996.029
Vestel Elektronik Sanayi ve Ticaret A.Ş.	8.706	9.048
Other related parties	147	141
	<b>2.235.660</b>	<b>2.005.218</b>
<b>Operating expenses</b>		
Vestel Holland B.V.	292.274	472.492
Vestel Elektronik Sanayi ve Ticaret A.Ş.	50.544	49.234
Other related parties	23.736	9.700
	<b>366.554</b>	<b>531.426</b>

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

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

	1 January- 31 December 2014	1 January- 31 December 2013
<b>Other operating income</b>		
Vestel Ticaret A.Ş.	53.857	94.319
Other related parties	9.169	4.060
	<b>63.026</b>	<b>98.379</b>
<b>Other operating expense</b>		
Vestel Ticaret A.Ş.	69.642	2.380
Other related parties	7.404	2.333
	<b>77.046</b>	<b>4.713</b>
<b>Dividend paid</b>		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	23.215	-
Other	1.594	-
	<b>24.809</b>	<b>-</b>

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

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

Compensation paid to key management for the twelve months period ended 31 December 2014 is 4.108 thousand TL (1 January - 31 December 2013: 3.493 thousand TL).

## NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2014	31 December 2013
<b>Short term trade receivables</b>		
Trade receivables		
- Related parties (note 6)	647.514	528.570
- Other parties	7.960	9.462
Cheques and notes receivables	3.661	2.900
	<b>659.135</b>	<b>540.932</b>
Unearned interest expense (-)		
- Related parties (note 6)	(960)	(630)
- Other parties	(230)	(193)
Allowance for doubtful receivables (-)	(195)	(173)
<b>Total short term trade receivables</b>	<b>657.750</b>	<b>539.936</b>

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance, 01 January	173	38
Current year additions	22	135
<b>Closing balance, 31 December</b>	<b>195</b>	<b>173</b>
	31 December 2014	31 December 2013
<b>Short term trade payables</b>		
Trade payables		
- Related parties (note 6)	8.854	19.241
- Other parties	548.459	434.007
	557.313	453.248
Unearned interest income (-)		
- Related parties (note 6)	(96)	(6)
- Other parties	(1.646)	(1.125)
<b>Total short term trade payables</b>	<b>555.571</b>	<b>452.117</b>
<b>Long term trade payables</b>		
Trade payables		
- Other parties	-	20.381
<b>Total long term trade payables</b>	<b>-</b>	<b>20.381</b>

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

## NOTE 8 - OTHER RECEIVABLES

	31 December 2014	31 December 2013
<b>Short term other receivables</b>		
VAT receivable	43.948	60.435
Deposits and guarantees given	5.461	2.765
Other	1.148	272
	50.557	63.472

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

**NOTE 9 - INVENTORIES**

	31 December 2014	31 December 2013
Raw materials	135.499	173.041
Work in process	4.607	11.417
Finished goods	90.540	141.647
Merchandise	-	29
Other	207	56
	230.853	326.190
Provision for impairment on inventories (-)	(1.071)	(2.065)
	<b>229.782</b>	<b>324.125</b>

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

Cost of the inventory included in the cost of sales for the period 1 January - 31 December 2014 amounts to 1.751.462 thousand TL (1 January - 31 December 2013: 1.597.574 thousand TL).

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

	31 December 2014	31 December 2013
Raw materials	392	1.518
Finished goods and merchandise	679	547
	<b>1.071</b>	<b>2.065</b>

Movement of obsolescence provision on inventory is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance, 1 January	2.065	4.397
Current year additions	1.071	2.065
Realised due to sale of inventory	(2.065)	(4.397)
<b>Balance at 31 December</b>	<b>1.071</b>	<b>2.065</b>

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

**NOTE 10 - PREPAID EXPENSES**

	31 December 2014	31 December 2013
<b>Prepaid expenses in current assets</b>		
Order advances given	7.531	11.645
Prepaid expenses	5.779	4.204
Business advances given	15	6
	<b>13.325</b>	<b>15.855</b>
<b>Prepaid expenses in non-current assets</b>		
Advances given for fixed asset purchases	4.718	1.869
Prepaid expenses	976	32
	<b>5.694</b>	<b>1.901</b>

**NOTE 11 - PROPERTY, PLANT AND EQUIPMENT**

	1 January 2014	Additions	Disposals	Transfers	31 December 2014
<b>Cost</b>					
Land	6.547	-	-	-	6.547
Land improvements	2.792	90	(4)	234	3.112
Buildings	65.506	489	(2)	240	66.233
Leasehold improvements	3.099	1.076	-	551	4.726
Plant and machinery	661.011	43.782	(6.342)	46.219	744.670
Motor vehicles	396	-	-	-	396
Furniture and fixtures	32.588	4.307	(57)	740	37.578
Construction in progress	25.081	25.175	-	(47.984)	2.272
	<b>797.020</b>	<b>74.919</b>	<b>(6.405)</b>	<b>-</b>	<b>865.534</b>
<b>Accumulated depreciation</b>					
Land improvements	2.063	207	(2)	-	2.268
Buildings	25.893	1.035	(1)	-	26.927
Leasehold improvements	1.784	212	-	-	1.996
Plant and machinery	416.648	68.918	(5.934)	-	479.632
Motor vehicles	113	59	-	-	172
Furniture and fixtures	21.007	3.357	(55)	-	24.309
	<b>467.508</b>	<b>73.788</b>	<b>(5.992)</b>	<b>-</b>	<b>535.304</b>
<b>Net book value</b>	<b>329.512</b>				<b>330.230</b>

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

Additions to property, plant and equipment in the period 1 January - 31 December 2014 and 2013 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker and dishwasher factories.

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

	Useful life
Land improvements	8 - 35 years
Buildings	25 - 50 years
Leasehold improvements	5 years
Plant and machinery	5 - 20 years
Motor vehicles	5 years
Furniture and fixtures	5 - 10 years



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# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

Allocation of period depreciation and amortization expenses is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Cost of sales	71.215	63.219
Research and development expenses	12.167	10.612
Marketing, selling and distribution expenses	291	258
General administrative expenses	397	278
	<b>84.070</b>	<b>74.367</b>

**NOTE 12 - INTANGIBLE ASSETS**

	1 January 2014	Additions	Disposals	31 December 2014
<b>Cost</b>				
Rights	6.376	-	-	6.376
Development cost	87.011	20.072	(1.703)	105.380
Other intangible assets	6.596	1.570	-	8.166
	<b>99.983</b>	<b>21.642</b>	<b>(1.703)</b>	<b>119.922</b>
<b>Accumulated amortization</b>				
Rights	6.345	3	-	6.348
Development cost	32.791	9.806	-	42.597
Other intangible assets	2.505	496	-	3.001
	<b>41.641</b>	<b>10.305</b>	<b>-</b>	<b>51.946</b>
<b>Net book value</b>	<b>58.342</b>			<b>67.976</b>

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

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.

Useful lives of intangible assets is as follows:

	Useful life
Rights	3-15 years
Development cost	2-10 years
Other intangible assets	2-15 years

## NOTE 13 - GOVERNMENT GRANTS

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

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Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to 927 thousand TL for the period 1 January - 31 December 2014 (1 January - 31 December 2013: 657 thousand TL).

Brand support incentive Turquality obtained from Republic of Turkey Prime Ministry Undersecretariat of Treasury amounts to 414 thousand TL in year 2014 (2013: 55 thousand TL).

## NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

### a) Provisions

	31 December 2014	31 December 2013
<b>Short term provisions</b>		
Provision for lawsuit risks	1.100	366
	<b>1.100</b>	<b>366</b>

The movements in the provision for lawsuits are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
<b>Opening balance, 1 January</b>	<b>366</b>	<b>928</b>
Current year additions	734	418
Provisions no longer required	-	(980)
<b>Balance at 31 December</b>	<b>1.100</b>	<b>366</b>

### b) Guarantees received by the Company

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

	31 December 2014	31 December 2013
Guarantee letters	4.949	5.461
Cheques and notes	7.393	8.054
Collaterals and pledges	2.637.433	2.809.689
	<b>2.649.775</b>	<b>2.823.204</b>

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

c) Collaterals, pledges and mortgages ("CPM's") given by the Company are as follows:

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
<b>31 December 2014</b>				
A. CPM's given on behalf of its own legal entity	-	2.000	6.267	11.908
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.513.267	150.424	2.387.445	6.320.861
i. Total amount of CPM's given on behalf of the parent company	1.106.806	67.381	1.633.286	4.389.920
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	406.461	83.043	754.159	1.930.941
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
<b>Total</b>	<b>1.513.267</b>	<b>152.424</b>	<b>2.393.712</b>	<b>6.332.769</b>

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

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

Proportion of other CPM's given by the Company to its equity is 954% as of 31 December 2014 (31 December 2013: 1.047%)

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

**NOTE 15 - COMMITMENTS**

As of the balance sheet date the Company has committed to realize exports amounting to 316.070 thousand USD (31 December 2013: 568.886 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2014 the Company has forward foreign currency purchase contract that amounts to 237.623 thousand USD, 78.268 thousand EUR, 804 thousand RUB, 39.880 thousand TL against forward foreign currency sales contract that amounts to 77.639 thousand USD, 199.400 thousand EUR, 804 thousand RUB and 44.281 thousand TL. (31 December 2013: 234.434 thousand USD, 635 thousand EUR and 50.208 thousand TL purchase contract against 4.342 thousand USD, 177.969 thousand EUR, 349.499 thousand RUB and 8.186 thousand TL sales contract).

**NOTE 16 - EMPLOYEE BENEFITS**

Liabilities for employee benefits:

	31 December 2014	31 December 2013
Due to personnel	12.720	9.474
Social security payables	4.940	3.569
	<b>17.660</b>	<b>13.043</b>

Long term provisions for employee benefits:

	31 December 2014	31 December 2013
Provision for employment termination benefits	<b>25.382</b>	<b>12.434</b>

Under Turkish law, the Company is required to pay employment termination benefits to each employee whose employment is terminated without due cause. In addition, under the existing Social Security Law No. 506, clause No. 60, amended by the Labor Laws dated 6 March 1981, No. 2422 and 25 August 1999, No. 4447, the Company is also required to pay termination benefits to each employee who has earned the right to retire by receiving termination indemnities.

The amount payable is the equivalent of one month's gross salary for each year of service and is limited to a maximum of TL 3.438,22/year as of 31 December 2014 (31 December 2013: TL 3.254,44/year).

The provision for employee termination benefits is not funded.

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as at 31 December 2014 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31 December 2014 provision is calculated based on real discount rate of 2,26% (31 December 2013: 4,54%) assuming 6% annual inflation rate and 8,40% discount rate.

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

	1 January - 31 December 2014	1 January - 31 December 2013
<b>Balance at 1 January</b>	<b>12.434</b>	<b>12.607</b>
Increase during the year	4.649	5.586
Payments during the year	(4.367)	(5.932)
Actuarial loss	11.271	(944)
Interest expense	1.395	1.117
<b>Balance at 31 December</b>	<b>25.382</b>	<b>12.434</b>

## NOTE 17 - NATURE OF EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
Raw materials, supplies and finished goods	1.693.545	1.658.731
Changes in finished goods, work in process and trade goods	57.917	(61.157)
Personnel expenses	174.978	153.235
Depreciation and amortization	84.070	74.367
Other	132.560	119.368
	<b>2.143.070</b>	<b>1.944.544</b>

## NOTE 18 - OTHER ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
<b>Other current assets</b>		
VAT carried forward	94	688
Other	6	5
	<b>100</b>	<b>693</b>
<b>Other liabilities</b>		
Tax payables and funds	5.517	3.944
Other	63	43
	<b>5.580</b>	<b>3.987</b>

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

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**NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS****a) Paid in capital**

	31 December 2014	31 December 2013
Shares of par value Kr 1 each		
Issued share capital	190.000	190.000

As of 31 December 2014 and 31 December 2013 the shareholding structure is as follows:

	Shareholding %		Amount	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Vestel Elektronik Sanayi ve Ticaret A.Ş. (with board of Directors Members)	94,54%	87,65%	179.618	166.526
Shares held by public	5,46%	12,35%	10.382	23.474
	100%	100%	190.000	190.000

**b) Adjustments to share capital**

Adjustment to share capital (restated to 31 December 2004 purchasing power of money) is the difference between restated share capital and historical share capital.

	31 December 2014	31 December 2013
Adjustment to share capital	9.734	9.734

**c) Share Premium**

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

Share premium	109.031	109.031
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**d) Restricted reserves ("Legal reserves")**

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

Legal reserves	41.803	38.886
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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

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**e) Retained earnings**

	31 December 2014	31 December 2013
Extraordinary reserves	122.432	122.432
Retained earnings	47.083	22.120
	<b>169.515</b>	<b>144.552</b>

**f) Dividend distribution**

For quoted companies dividends are distributed in accordance with the Communiqué Serial II:-19.1 on "Principals Regarding Distribution of Interim Dividends" issued by the CMB effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and in conformity with relevant legislations. The communiqué does not state a minimum dividend rate. Companies distribute dividends in accordance with the method defined in their dividend policy or articles of association. Additionally, dividend can be distributed in fixed or variable installments and dividend advances can be paid over the profit on interim financial statements.

Unless the general reserves that has to be appropriated in accordance with TCC or the dividend to shareholders as determined in the articles of association or dividend policy are set aside; no decision can be taken to set aside other reserves, to transfer reserves to the subsequent year or to distribute dividends to holders of usufruct right certificates, to board of directors members or to employees; and no dividend can be distributed to those unless the determined dividend to shareholders is paid in cash.

On the other hand, in accordance with the Articles of Association of the Company, up to 5% of retained earnings after dividend distribution could be allocated to the Board of Directors or used for certain reasons designated by the Board of Directors when necessary.

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



VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

**NOTE 20 - SALES**

	1 January - 31 December 2014	1 January - 31 December 2013
Domestic sales	589.876	567.052
Overseas sales	1.754.140	1.462.637
<b>Gross sales</b>	<b>2.344.016</b>	<b>2.029.689</b>
Less: Sales discounts (-)	(6.875)	(994)
<b>Net sales</b>	<b>2.337.141</b>	<b>2.028.695</b>
Cost of sales	(2.036.804)	(1.850.236)
<b>Gross profit</b>	<b>300.337</b>	<b>178.459</b>

**NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES****a) General administrative expenses:**

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	8.186	6.768
Depreciation and amortization	397	278
Office and rent expenses	7.609	6.302
Advertising expenses	7.472	6.515
Other	12.731	12.870
	<b>36.395</b>	<b>32.733</b>

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

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**b) Marketing expenses:**

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	4.818	3.967
Depreciation and amortization	291	258
Transportation expenses	23.049	20.927
Other	14.590	11.465
	<b>42.748</b>	<b>36.617</b>

**c) Research and development expenses:**

Personnel expenses	7.004	4.169
Depreciation and amortization	12.167	10.612
Other	7.952	10.177
	<b>27.123</b>	<b>24.958</b>

**NOTE 22 - OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES****a) Other income from operating activities:**

	1 January - 31 December 2014	1 January - 31 December 2013
Credit finance gains arising from trading activities	16.898	18.228
Foreign exchange gains arising from trading activities	45.043	89.760
Reversals of provisions	-	669
Other income	5.001	3.491
	<b>66.942</b>	<b>112.148</b>

**b) Other expense from operating activities:**

	1 January - 31 December 2014	1 January - 31 December 2013
Debit finance charges arising from trading activities	16.479	10.082
Foreign exchange expenses arising from trading activities	91.208	54.331
Other expenses	3.660	4.462
	<b>111.347</b>	<b>68.875</b>

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

**NOTE 23 - FINANCIAL EXPENSE AND FINANCIAL INCOME****a) Financial expense:**

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange losses	15.861	56.375
Losses on derivative financial instruments	53.253	64.256
Interest expense	17.245	24.338
Other finance expenses	1.682	2.511
	<b>88.041</b>	<b>147.480</b>

**b) Financial Income:**

Foreign exchange gains	21.251	14.123
Gains on derivative financial instruments	69.110	59.198
Interest income	173	186
	<b>90.534</b>	<b>73.507</b>

**NOTE 24 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS****a) Cash flow hedge fund:**

	1 January - 31 December 2014	1 January - 31 December 2013
<b>1 January</b>	(3.896)	-
Loss from cash flow hedges	30.510	(4.870)
Tax effect of other comprehensive income/expense to be reclassified to profit or loss	(6.102)	974
<b>31 December</b>	<b>20.512</b>	<b>(3.896)</b>

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

	1 January - 31 December 2014	1 January - 31 December 2013
<b>1 January</b>	(192)	(947)
Actuarial income/loss arising from defined benefit plans	(11.271)	944
Tax effect of other comprehensive income/expense not to be reclassified to profit or loss	2.254	(189)
<b>31 December</b>	<b>(9.209)</b>	<b>(192)</b>

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

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

	31 December 2014	31 December 2013
Corporation and income taxes	20.767	1.669
Prepaid taxes (-)	(18.166)	(2.180)
<b>Current income tax liabilities - net</b>	<b>2.601</b>	<b>(511)</b>

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 14<sup>th</sup> day of the following month and paid until the 17<sup>th</sup> 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.

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

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

As of 1 January - 31 December 2014 and 2013 tax expense in the statement of income is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Current period tax expense	(20.767)	(1.669)
Deferred tax benefit	(215)	907
<b>Total tax benefit/(expense)</b>	<b>(20.982)</b>	<b>(762)</b>

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

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

	1 January - 31 December 2014	1 January - 31 December 2013
<b>Profit/(loss) before tax</b>	<b>152.159</b>	<b>53.451</b>
Local tax rate	20%	20%
Tax income calculated using local tax rate	(30.432)	(10.690)
Carry forward tax losses	-	3.685
Effect of unused tax losses for which no deferred tax asset was recognised	(682)	(745)
Research and development incentives	4.042	6.627
Reduced taxation	6.090	361
	<b>(20.982)</b>	<b>(762)</b>

## Deferred tax assets and liabilities

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

Tax rate used in the calculation of deferred tax assets and liabilities based on the liability method is 20% as of 31 December 2014. (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	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
<b>Deferred tax assets</b>				
Employment termination benefits	(25.382)	(12.434)	4.886	2.298
Provision for impairment on inventories	(1.070)	(2.065)	214	413
Derivative financial instruments	-	(15.932)	-	3.186
Other	(7.235)	(6.200)	1.447	1.240
			<b>6.547</b>	<b>7.137</b>

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Cumulative temporary differences		Deferred tax	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
<b>Deferred tax liabilities</b>				
Useful life and valuation differences on property, plant and equipment and intangible assets	42.905	43.275	(8.581)	(8.655)
Revaluation of tangible fixed assets	18.566	-	(3.713)	-
Other	755	1.585	(151)	(317)
			<b>(12.445)</b>	<b>(8.972)</b>
<b>Deferred tax liabilities - net</b>			<b>(5.898)</b>	<b>(1.835)</b>

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

	1 January - 31 December 2014	1 January - 31 December 2013
<b>Opening balance, 01 January</b>	<b>(1.835)</b>	<b>(3.527)</b>
Tax expense recognized in income statement	(215)	907
Recognized in shareholders' equity	(3.848)	785
<b>Deferred tax liabilities at the end of the period, net</b>	<b>(5.898)</b>	<b>(1.835)</b>

**NOTE 26 - EARNINGS PER SHARE**

	1 January - 31 December 2014	1 January - 31 December 2013
Net income attributable to equity holders of the parent	131.177	52.689
Weighted number of ordinary shares with a 1 TL of face value (thousand shares)	190.000	190.000
	<b>0,69</b>	<b>0,28</b>

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

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**NOTE 27 - DERIVATIVE INSTRUMENTS**

	31 December 2014		31 December 2013	
	Contract amount	Fair Value Assets/(Liabilities)	Contract amount	Fair Value Assets/(Liabilities)
<b>Held for trading</b>				
Forward foreign currency transactions	489.833	(1.274)	61.329	(7.669)
Foreign currency swap contracts	50.000	(5.800)	50.000	(3.393)
<b>Cash flow hedge</b>				
Forward foreign currency transactions	321.874	25.640	491.095	(4.870)
	<b>861.707</b>	<b>18.566</b>	<b>602.424</b>	<b>(15.932)</b>

**NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT****a) Foreign currency risk:**

The Company is exposed to exchange rate risk due to its foreign currency denominated transactions. The main principle of foreign currency risk management is to maintain foreign exchange position at the level that minimizes the impact of foreign exchange fluctuations.

Derivative instruments are used in foreign currency risk management where necessary. In this respect the Company mainly prefers using foreign exchange forward contracts.

As of 31 December 2014 and 31 December 2013 the Company's net debt/total equity ratios are as follows:

	31 December 2014	31 December 2013
Total financial liabilities (note 5)	118.964	292.024
Cash and cash equivalents (note 4)	(163.711)	(18.576)
<b>Net debt</b>	<b>(44.747)</b>	<b>273.448</b>
Total equity	662.563	540.804
<b>Capital invested</b>	<b>617.816</b>	<b>814.252</b>
<b>Net debt/capital invested</b>	<b>(0,07)</b>	<b>0,34</b>

**b) Financial risk factors:**

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

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

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**b.1) Credit risk:**

Credit risk arises from bank deposits, trade receivables and other trade receivables. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of these agreements. The Company sells significant portion of its products to Vestel Ticaret A.Ş. which is a group company. Credit risk is evaluated by considering past experiences and current economic conditions and receivables is presented in the balance sheet after appropriate amount of provision for doubtful receivables is allocated. The company considers that the credit risk is managed effectively. The following statements show the analysis of credit risk as of 31 December 2014 and 31 December 2013:

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2014	Related Parties	Third Parties	Related Parties	Third Parties	Bank deposits	Other
Maximum exposed credit risk as at 31 December 2014 (A+B+C+D)	646.554	11.196	-	50.557	163.003	-
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	646.554	8.188	-	50.557	163.003	-
- Secured portion by guarantees, etc	-	-	-	-	-	-
B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired	-	-	-	-	-	-
C. Net book value of overdue but not impaired financial assets	-	3.008	-	-	-	-
- Secured portion by guarantees, etc	-	2.688	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Overdue	-	195	-	-	-	-
- Impairment	-	(195)	-	-	-	-
- Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-



VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

Aging analysis of the receivables which are overdue but not impaired:

	31 December 2014	31 December 2013
0 -1 month	1.947	1.697
1 -3 month	1.061	675
3 -12 month		142
1 -5 year	-	-
More than 5 years	-	-
<b>Total overdue receivables</b>	<b>3.008</b>	<b>2.514</b>

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

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**b.2) Price risk:**

Due to the fact that the Company's operating profit and cash flows from operating activities has been affected by competition in the sector and changes in raw material prices, the prices is monitored by the Company management and cost-cutting measures has been taken in order to mitigate cost pressure effect on price level. In addition, the Company reviews market prices for active financial and operational risk management regularly.

Existing risks has been monitored on Audit Committee and Board of Directors meetings and raw material prices in market is reviewed closely.

**b.3) Liquidity risk:**

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company manages liquidity risk by providing the continuity of sufficient funds and loan reserves by twinning the maturities of financial assets and liabilities by following cash flow regularly.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Derivative financial liabilities are presented by undiscounted net inflows and outflows.

The analysis of the Company's financial liabilities with respect to their maturities as of 31 December 2014:

Contractual Maturities	Book Value	Total contractual cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Bank Borrowings	118.964	125.442	26.673	34.592	64.177	-
Trade Payables	555.571	556.568	357.700	198.868	-	-
Other Payables	5.580	5.580	5.580	-	-	-
	<b>680.115</b>	<b>687.590</b>	<b>389.953</b>	<b>233.460</b>	<b>64.177</b>	<b>-</b>
<b>Derivative financial instruments</b>						
Derivative cash inflows	-	(861.707)	(442.103)	(369.604)	(50.000)	-
Derivative cash outflows	-	769.073	432.314	354.485	(17.726)	-
	<b>(18.566)</b>	<b>(92.634)</b>	<b>(9.789)</b>	<b>(15.119)</b>	<b>(67.726)</b>	<b>-</b>

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

The analysis of the Company's financial liabilities with respect to their maturities as of 31 December 2013:

Contractual Maturities	Book Value	Total contractual cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Bank Borrowings	292.024	314.914	4.553	77.721	232.640	-
Trade Payables	472.498	473.625	343.111	110.133	20.381	-
Other Payables	3.987	3.987	3.987	-	-	-
	<b>768.509</b>	<b>792.526</b>	<b>351.651</b>	<b>187.854</b>	<b>253.021</b>	<b>-</b>
<b>Derivative financial instruments</b>						
Derivative cash inflows	-	(602.425)	(223.314)	(305.731)	(73.380)	-
Derivative cash outflows	-	579.729	227.319	308.705	43.705	-
	<b>15.932</b>	<b>(22.696)</b>	<b>4.005</b>	<b>2.974</b>	<b>(29.675)</b>	<b>-</b>

**b.4) Foreign currency risk:**

The Company is exposed to exchange rate risk due to its foreign currency denominated transactions. The main principle of foreign currency risk management is to maintain foreign exchange position at the level that minimizes the impact of foreign exchange fluctuations.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

Derivative instruments are used in foreign currency risk management where necessary. In this respect the Company mainly prefers using foreign exchange forward contracts.

31 December 2014	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	10.086	178.250	19.603	545.781
2a. Monetary financial assets (including cash and cash equivalents)	19.457	490	-	46.501
2b. Non-monetary financial assets	-	-	-	-
3. Other	44	-	-	102
<b>4. Current assets (1+2+3)</b>	<b>29.587</b>	<b>178.740</b>	<b>19.603</b>	<b>592.384</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>29.587</b>	<b>178.740</b>	<b>19.603</b>	<b>592.384</b>
10. Trade payables	105.845	50.702	-	388.459
11. Financial liabilities	-	20.085	-	56.654
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>105.845</b>	<b>70.787</b>	<b>-</b>	<b>445.113</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	-	3.320	-	9.365
16a. Other monetary liabilities	-	50.474	-	142.372
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>-</b>	<b>53.794</b>	<b>-</b>	<b>151.737</b>
<b>18. Total liabilities (13+17)</b>	<b>105.845</b>	<b>124.581</b>	<b>-</b>	<b>596.850</b>
<b>19. Off-balance sheet derivative instruments/net asset (liability) position (19a+19b)</b>	<b>159.984</b>	<b>(121.132)</b>	<b>-</b>	<b>29.310</b>
19a. Hedged total assets	237.623	78.268	32	771.827
19b. Hedged total liabilities	(77.639)	(199.400)	(32)	(742.517)
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>83.726</b>	<b>(66.973)</b>	<b>19.603</b>	<b>24.844</b>
<b>21. Net foreign currency monetary asset/(liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(76.302)</b>	<b>54.159</b>	<b>19.603</b>	<b>(4.568)</b>
<b>22. Fair value of financial instruments used in foreign currency hedging</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.566</b>
23. Export	30.157	574.602	8.584	1.754.140
24. Import	186.884	182.094	880	935.394

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

As of 31 December 2014 and 31 December 2013, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

31 December 2014	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
<b>+/- 10% fluctuation of USD rate:</b>				
USD net asset/liability	(17.694)	17.694	(17.694)	17.694
Secured portion from USD risk (-)	4.905	(4.905)	37.069	(37.069)
<b>USD net effect</b>	<b>(12.789)</b>	<b>12.789</b>	<b>19.375</b>	<b>(19.375)</b>
<b>+/- 10% fluctuation of EUR rate:</b>				
EUR net asset/liability	15.277	(15.277)	15.277	(15.277)
Secured portion from EUR risk (-)	(4.592)	4.592	(34.191)	34.191
<b>EUR net effect</b>	<b>10.685</b>	<b>(10.685)</b>	<b>(18.914)</b>	<b>18.914</b>
<b>+/- 10% fluctuation of other currency rates:</b>				
Other currencies net asset/liability	1.960	(1.960)	1.960	(1.960)
Secured portion from other currency risk (-)	(2.264)	2.264	(2.264)	2.264
<b>Other currency net effect</b>	<b>(304)</b>	<b>304</b>	<b>(304)</b>	<b>304</b>

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

**b.5) Interest rate risk:**

The Company is exposed to interest rate risk as the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate hedge contracts and forward interest rate contracts.

Analysis of financial instruments of the Company which are sensitive to interest rate changes is as follows:

	31 December 2014	31 December 2013
<b>Financial instruments with fixed interest rates</b>		
Time Deposits	109.175	17.059
Financial Liabilities	99.870	280.247
<b>Financial instruments with variable interest rates</b>		
Financial Liabilities	19.094	11.777

On 31 December 2014, if interest rates of all currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes would have been 207 TL (2013: 133 TL) lower/higher as a result of interest expenses.

**NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)****Categories of financial instruments and fair values**

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

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



VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

## Fair value of financial instruments

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

The estimated fair values of financial instruments have been determined by the Company, using available market information and appropriate valuation methodologies. However, judgement is necessarily required interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

### Monetary assets

The book value of foreign currency denominated balances which are translated to TL using exchange rates prevailing on the date of the balance sheet approximate their fair values. For financial assets measured at cost including cash and cash equivalents, the carrying amounts are the same with fair values due to their short term nature. Carrying amounts of trade receivables net of impairments approximate their fair values.

### Monetary liabilities

The fair values of short term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term. As of 31 December 2014, the carrying value and the fair value of long term-borrowings, including the short term portions are equal to 94,941 TL (31 December 2013: 292,024 TL) (note 5) and 94,941 TL (31 December 2013: 292,024 TL) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in the market interest rates.

## Fair value hierarchy

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

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

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

31 December 2014	Level 1	Level 2	Level 3	Total
<b>Financial liabilities</b>				
Derivative financial liabilities	-	18.566	-	18.566
<b>31 December 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	(15.932)	-	(15.932)

# INVESTOR INFORMATION

## General Information

Reporting Period: 01.01.2014 - 31.12.2014

Corporate Title: Vestel Beyaz Eşya Sanayi ve Ticaret AŞ

Trade Register No: İstanbul Ticaret Sicil Müdürlüğü, No: 380814

Registered Capital Ceiling: No upper limit

Paid-in/Issued Capital: TL190.000.000

### Headquarters/Branches Contact Details:

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## Independent Auditor

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Serbest Muhasebeci Mali Müşavirlik AŞ

A member of PricewaterhouseCoopers

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## Financial Data and Company Announcements

Financial statements, auditor reports, material disclosures and annual reports of Vestel Beyaz Eşya are available on the Company's website at <http://vesbe.vestelyatirimciiliskileri.com/>

Additionally, requests for information can be submitted to the Investor Relations Directorate of Vestel Group of Companies via phone and e-mail.

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