

Vestel Beyaz Eşya

Touching the Future



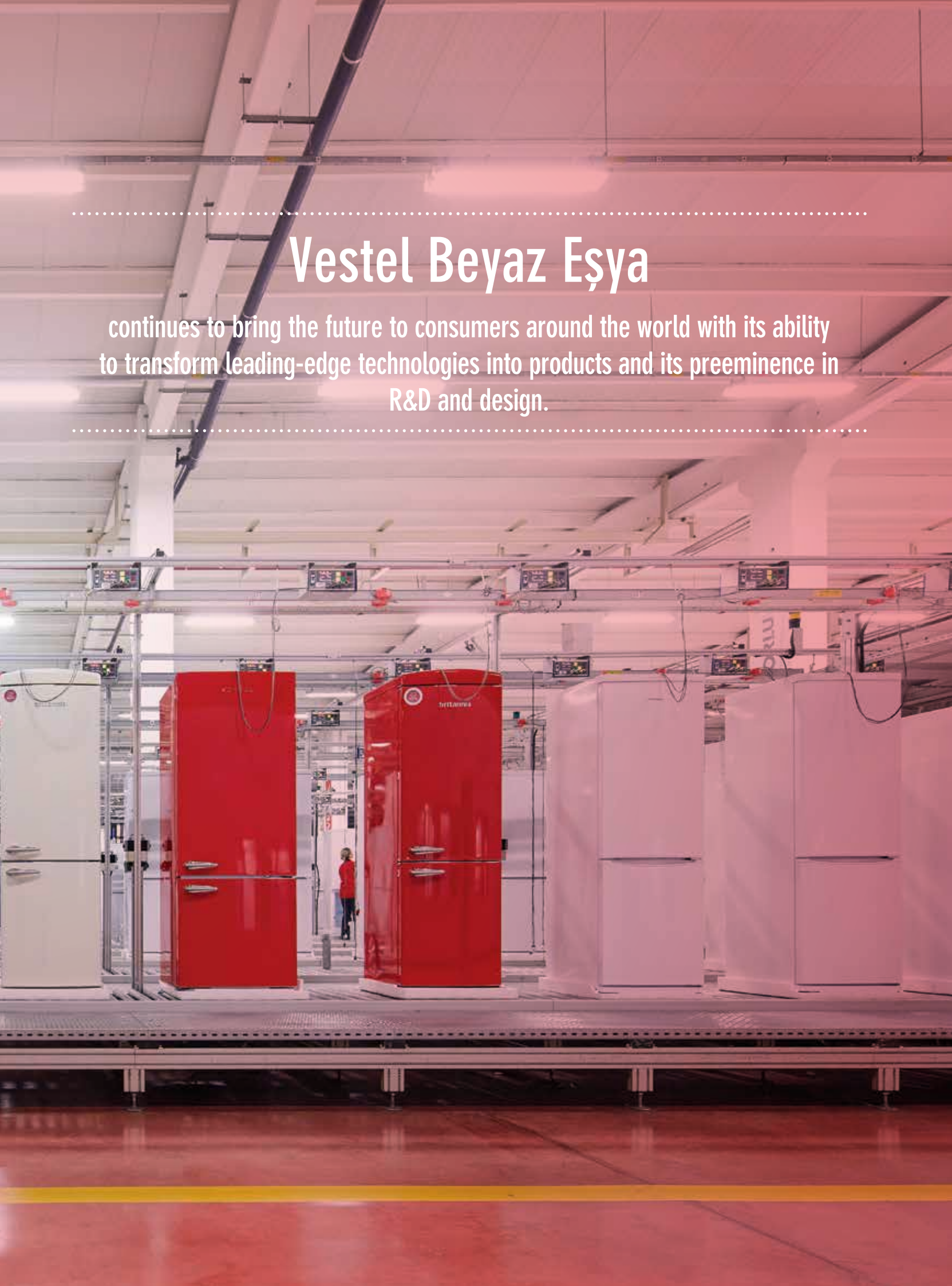
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Vestel Beyaz Eşya

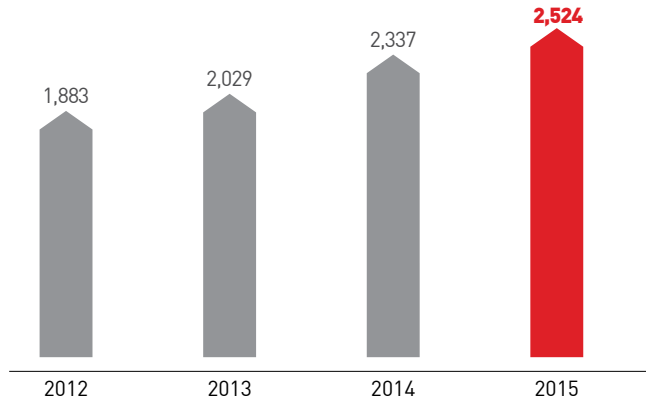
continues to bring the future to consumers around the world with its ability to transform leading-edge technologies into products and its preeminence in R&D and design.



SUMMARY FINANCIAL AND OPERATIONAL INDICATORS

Net Sales

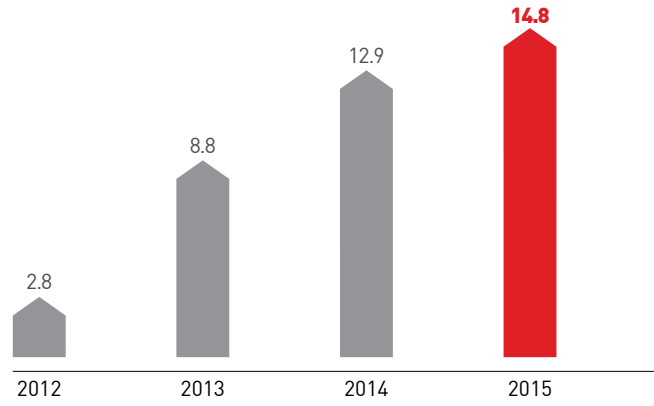
(TL million)



Vestel Beyaz Eşya's revenues grew by 8% YoY to reach TL 2,524 million in 2015.

Gross Profit Margin

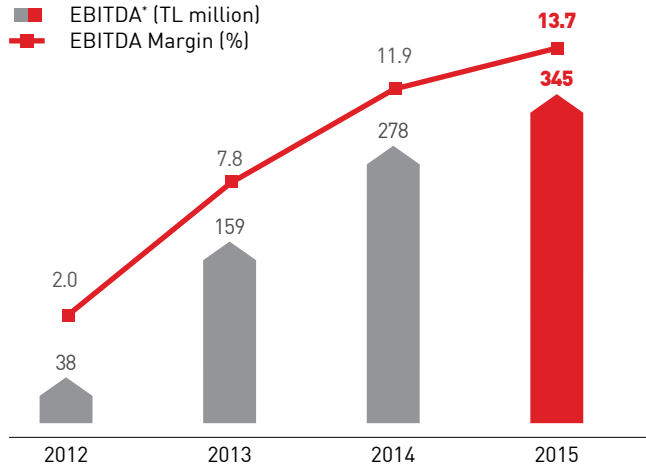
(%)



In 2015, the Company's gross profit margin increased from 13% to 15%.

EBITDA and EBITDA Margin

■ EBITDA* (TL million)
■ EBITDA Margin (%)

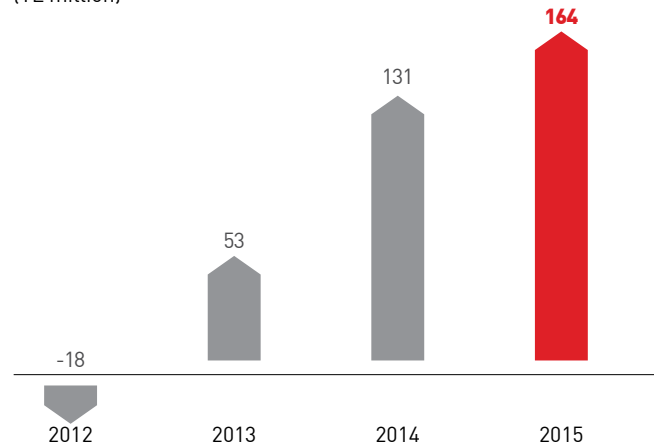


EBITDA grew by 24% YoY to TL 345 million and EBITDA margin rose from 11.9% to 13.7% in 2015, which was a record-breaking year for profitability.

*Excluding other income and expenses from operating activities

Net Profit

(TL million)



Supported by the solid growth in operational profitability, Vestel Beyaz Eşya recorded TL 164 million of net profit in 2015, representing a 25% growth YoY.

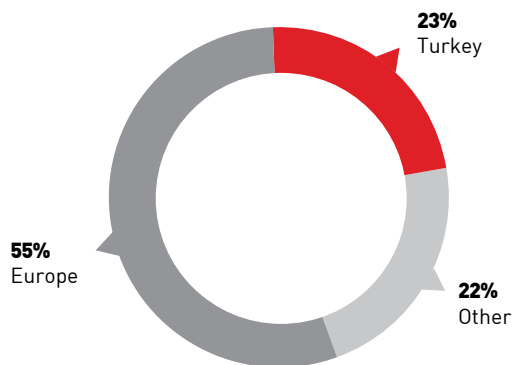
Summary Income Statements (million Euro)	2012	2013	2014	2015
Net Sales	817	803	804	837
Exports/Sales	77%	72%	75%	77%
Gross Profit	23	71	103	123
Gross Profit Margin	2.8%	8.8%	12.9%	14.8%
Operating Profit/(Loss)*	(11)	33	67	86
Operating Profit Margin	(1.4%)	4.1%	8.3%	10.3%
EBITDA*	16	63	96	114
EBITDA Margin	2.0%	7.8%	11.9%	13.7%
Net Profit/(Loss)	(8)	21	45	54
Net Profit Margin	(0.9%)	2.6%	5.6%	6.5%

*Excluding other income and expenses from operating activities.

Summary Balance Sheets (million Euro)	2012	2013	2014	2015
Cash and Cash Equivalents	12	6	58	28
Trade Receivables	270	184	233	259
Inventories	94	110	81	82
Current Assets	406	328	406	415
Property, Plant and Equipment	131	112	117	99
Total Assets	559	461	549	542
Short-Term Liabilities	306	189	230	241
Long-Term Liabilities	44	87	84	76
Shareholders' Equity	209	184	235	225
Net Debt	148	93	35	42

Summary Statements of Cash Flow (million Euro)	2012	2013	2014	2015
Net Cash Flows from Operating Activities	(0.2)	94	109	59
Net Cash Flows from Investing Activities	(41)	(42)	(32)	(29)
Net Cash Flows from Financing Activities	50	(56)	(26)	(55)

Geographical Breakdown of Sales (2015)



77%
International sales
accounted for 77%
of total revenues in 2015.

SHAREHOLDER STRUCTURE AND VESTEL BEYAZ EŞYA SHARES

Shareholding Structure

Shareholders	Nominal Value of Shares (TL)	Share in Capital (%)
Vestel Elektronik Sanayi ve Ticaret AŞ	179,780,447	94.62
Other Shareholders (free float)	10,219,553	5.38
Total	190,000,000	100.00

Vestel Elektronik Sanayi ve Ticaret AŞ's ("Vestel Elektronik" or "Vestel") stake in Vestel Beyaz Eşya increased from 94.54% to 94.62% result of the share purchase/sale transactions conducted in the stock market during 2015.

Vestel Beyaz Eşya Shares

The shares of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ("Vestel Beyaz Eşya" or the "Company") have been trading on Borsa İstanbul (BİST) under the VESBE ticker since 2006.

As of the end of 2015, Vestel Beyaz Eşya, which trades on the BIST STARS MARKET, was included in the BIST METAL PRODUCTS, MACHINERY, BIST INDUSTRIAL, BIST ALL, BIST STARS, BIST 100 and BIST 100-30 indices.

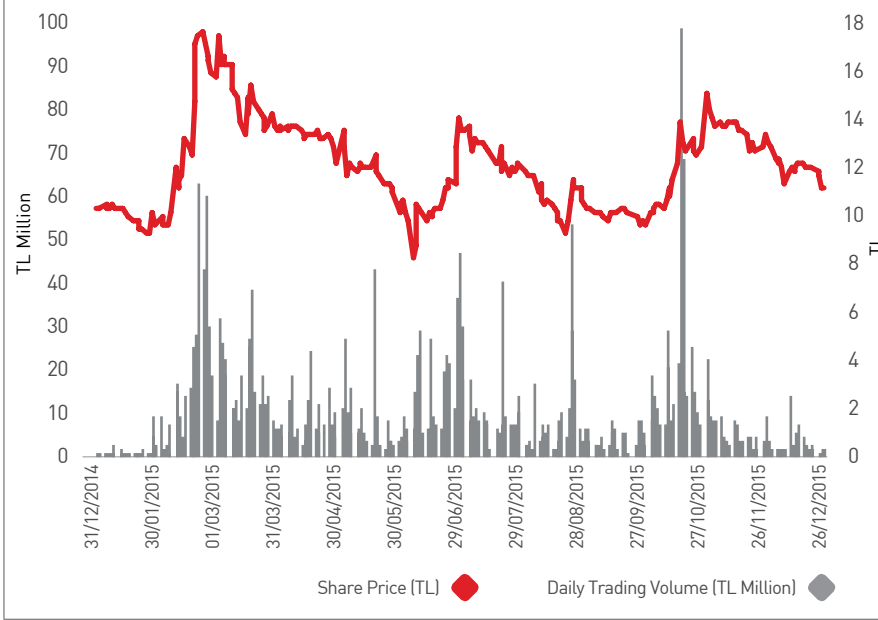
2015 Share Price Summary (TL)

Number of Shares	190,000,000
Free-float*	10,219,553
Yearly High	17.46
Yearly Low	8.21
Year-End Price	11.18
Market Capitalization*	2,124,200,000

*As of 31.12.2015



Vestel Beyaz Eşya - Share Price Performance



Following a strong performance in 2014, the share price of Vestel Beyaz Eşya, which succeeded in increasing its profitability under the challenging market conditions in 2015, increased by 8% during 2015, closing the year at TL 11.2.

Vestel Beyaz Eşya - Relative Performance



In the same period, BIST 100 index fell by 16%.

Vestel Beyaz Eşya's market capitalisation stood at TL 2,124 million as of the end of 2015.

.....

EXCELLENCE AWARD

.....

VESTEL BEYAZ EŞYA WON
THE AWARD FOR “TPM
EXCELLENCE” GIVEN
BY THE JIPM (JAPAN
INSTITUTE OF PLANT
MAINTENANCE).



HIGHLIGHTS OF 2015

Vestel Beyaz Eşya introduced its Smart Built-in Cooker Set and Turkey's first built-in oven that can be remotely accessed

Vestel Beyaz Eşya introduced its "Smart Built-In Cooker Set", which consists of a Smart Extraction Hood, Smart Oven and a Smart Hob, offering consumers a combination of technology and style.

The Vestel Smart Built-In Oven can be controlled remotely with Android or IOS supported tablets and smartphones. Users can view the temperature, active program or timer information and can start and stop the cooking function remotely through a mobile app called "The mind of the house" which they can download to their tablets and smartphones.





Vestel obtained CIPS, the world's most prestigious Certificate in Procurement and Supply

Vestel obtained CIPS (Chartered Institute of Procurement and Supply), a corporate procurement certificate held by only 127 companies in the world.

Vestel's purchasing teams were assessed by CIPS on the basis of 110 different criteria under 5 main headings which include "Leadership and Organization", "Strategy", "People", "Processes and Systems" and "Performance Management" during a six-month evaluation process. With the CIPS certificate, Vestel has certified that it has achieved international standards in its procurement practices and manages its purchases in a consistent, transparent and effective manner.

Vestel Beyaz Eşya and its parent, Vestel Elektronik authored yet another first by simultaneously qualifying for the CIPS Corporate Certification.



Turkey's Leading Exporter in its sector in 2014

Vestel Beyaz Eşya's parent company, Vestel Elektronik won the top prize at the Stars of Exports Award ceremony organized by IMMEA (Istanbul Minerals and Metals Exporters' Association) for making the highest contribution to Turkey's exports in 2014. Vestel maintained its 18 year run as Turkey's leading exporter in the electronics sector. It won a total of six "Star of Exports" Awards, as the first in the "Electrical and Electronics Nationwide", "TV Receivers" and "Other Electrical and Electronic Production and Distribution Equipment" categories and second prize in the "Iron and Steel Products" category and third in the "White Goods" category. Vestel won the highest number of first prizes in all categories and the most awards of any company in total.

Vestel ranked the 4th in the top 1,000 exporters ranking prepared by the Turkish Exporters Assembly based on total exports in 2014.

Two Excellence Awards for Vestel City from Japan

The Excellence Awards are given each year by the JIPM (Japan Institute of Plant Maintenance) to companies which exhibit the best practices in the area of Total Productive Maintenance (TPM) in the world. In this context, Vestel Elektronik and Vestel Beyaz Eşya won two separate awards with their total of 10 plants at Vestel City.

Vestel Beyaz Eşya won the Award for TPM Excellence as a result of its TPM activities simultaneously carried out at its refrigerator, washing machine, dishwasher, air conditioner and oven plants. Being the first company to win this award for its 5 facilities at the same time in the white goods sector, Vestel Beyaz Eşya achieved a worldwide success.

HIGHLIGHTS OF 2015



13 awards for Vestel Beyaz Eşya in international design competitions

Vestel Beyaz Eşya continued to advance its strength in design and once again registered its success in this area with the prizes it had won in the international competitions during 2015.

The Company won a total of 13 awards in the international design competitions in 2015 including the following;

- Design award for the Solid Refrigerator and Karma Washing Machine in the IF Design Award,
- Design award for the Neo Refrigerator in the Red Dot Design Award,
- High quality, design and ease of use awards with the Inline and Amaranth Dishwashers in the Plus X Award,
- Design and ease of use awards with the Neo Refrigerator in the Plus X Award,
- Functionality and ease of use awards with the Sefa Tea Maker in the Plus X Award.



A record breaking 13 awards in the Crystal Apple 2015 Awards

Vestel won 13 awards in 12 categories including 4 crystal, 6 silver and 3 bronze apples with the 'Am I Not Vestel?', 'Mothers Who Do the Same', 'Speaking Recipes', the '4K curved TV' and the 'Proudly Local' campaigns in the fields of digital and media in the "Crystal Apple Creativity Awards" given within the scope of the Crystal Apple Festival, which is one of Turkey's largest events in the communications sector. Vestel both broke a record with its 13 awards and became the most awarded brand in its sector.

The 'Notice the Bicycle!' Campaign won one Crystal Apple Award in 2015 and was also awarded at the Communication Academicians Media and Communications Awards organized by Maltepe University. Another campaign that won the Crystal Apple Award was the 'Proudly Local Guerrilla Channel'.

No other brand received an award in the Online Film branch in the consumer durables category, in which only white goods and consumer electronics companies compete.



Gold Effie Award for Vestel with "Very Thoughtful Mothers" campaign

Vestel won the Gold Award in the "Achievers on Special Occasions" category in Effie Turkey 2015 with the "Very Thoughtful Mothers" campaign, organized especially for the Mother's Day.

Vestel's "Very Thoughtful Mothers" campaign, which received three awards from Crystal Apple and two awards from MediaCat Felis increased the total number of awards to six with the Gold Effie Award. Vestel's "Very Thoughtful Mothers" commercial is dedicated to mothers who always consider their children with a humorous story of a mother and her young son who gives his mother a Vestel Sultan tea maker as a gift.



Vestel wins the “Retail Sun” Award with its social media campaign for the second time.

Acting with a vision to become Turkey’s leading retailer, Vestel’s “Sunday Breakfast” themed campaign, launched via social media on Women’s Day on the 8th of March, was awarded with the “Most Successful Use of Social Media Award” in the Retail Sun Awards.

Technology show at the IFA Fair

Vestel has been participating in the IFA Fair for the past 25 years, which is Europe’s largest electronics fair held in Germany’s capital city, Berlin. At the 2015 exhibition, Vestel displayed 680 different products in a 3,000 square meter booth. At the IFA Fair, Vestel shared its vision of the future with visitors and business partners through the “Smart City” technology platform at its booth. Smart products capable of communicating with each other and which can be controlled via mobile devices located in “Smart City” have been among the most outstanding products exhibited at the Vestel stand. The ‘Internet of Things’ platform, which is the infrastructure of the “Smart City” built at IFA, will form the basis of Vestel’s new product range.



Vestel Beyaz Eşya at the Living Kitchen Fair

Vestel Beyaz Eşya participated in the Living Kitchen Fair held in Cologne, Germany, in which 200 companies took part, with its 58 different free standing and built-in appliances. Vestel won wide acclaim, especially with the 2016 model 177 cm built-in fridge-freezer and sliding door built-in dishwasher exhibited at its booth.

Business Management Certificate Program for Vestel’s Authorized Service Centers from Yaşar University

Following the graduation of 96 students in the first term of the Authorized Service Center Business Management Certificate Program, which was launched by Vestel in cooperation with the Yaşar University Continuing Education Center (YÜSEM), a total of 115 Vestel authorized service center owners and managers received their certificates by successfully completing the program in the second term.

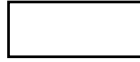
This training program, which is the sector’s only program of its kind covering service management in after-sales services, aims to improve the quality of service, which will then be reflected to customer satisfaction and finally, to Vestel’s brand value.



Vestel Beyaz Eşya

is one of the strongest players in its sector, not only in Turkey but also in international markets.

Constantly adding to its successes through the systematic efforts in research, design, production and marketing processes, which it reflects its vision and innovation, Vestel Beyaz Eşya has been deemed worthy of many national and international awards.



13 DESIGN AWARDS

VESTEL BEYAZ EŞYA WON
A TOTAL OF 13 AWARDS
IN THE INTERNATIONAL
DESIGN COMPETITIONS
WHICH IT PARTICIPATED IN
2015.

CHAIRMAN'S MESSAGE

Modest growth in global economy

For the first time in nearly a decade, Fed raised interest rates in December 2015.

Esteemed Shareholders,

Global growth has not yet reached the desired level.

The world economy could not achieve the strong recovery that we had hoped for during 2015. The pressure associated with the Fed's impending rate hike left its mark, especially on those developing countries that have a high dependence on external financing. The robust signals of recovery in the US economy and the improvement in the labor market created a suitable environment for the Fed to raise interest rates, even though the inflation remained below the 2% target. Thus, the long awaited rate hike came before the end of the year.

The upcoming rate hike cycle bears importance for the capital flows into developing countries. The signs of weakening in the US economy, which emerged in the 4th quarter of 2015, have raised the expectations that the future interest rate hikes would be pushed further away, which should help shield the emerging economies from sudden shocks, at least for a while.

Despite the significant steps taken in 2015, the recovery in the European economy is expected to remain limited in scope, with no signs in the near future for the existing weak demand-low inflation cycle to be overcome, leaving the EU economies on course for another tough year in 2016. The quantitative easing program, which the European Central Bank has initiated in 2015 to stimulate the economy and which was extended until 2017 at the end of the year, constitutes the main premise for the growth expectations.

The slowdown in China, associated with the world's second largest economy's quest for a new economic equilibrium, continues to weigh on global economic growth. The extended

Despite the challenging external conditions and the two elections held during the year, Turkish economy succeeded to grow by 4% in 2015.

slump in oil and commodity prices on the back of the sharp decline in demand, the supply glut and the strengthening of the US dollar have put the oil and commodity exporting countries in an increasingly challenging situation.

In spite of the internal and external uncertainties, Turkish economy grew by 4% in 2015.

Despite the challenging external conditions and the two elections held during the year, the Turkish economy succeeded to grow by 4% in 2015. However, for sustainable growth it is essential to shift the existing consumption oriented growth model to a more production oriented structure. Focusing on structural reforms and putting these into implementation is very important in this respect. For the coming period, the emphasis should be on boosting the investments, improving the productivity and value add in the industrial sector and raising the share of medium-high and high technology products in overall exports.

Turkey's current account deficit contracted in 2015 with the help of the falling oil prices and the decline in import demand, which was in turn caused by the weakening currency and relatively modest economic growth. On the other hand, while export revenues were hurt by the sharp fall in EUR/\$ parity and continuing turmoil in the Middle East, the crisis with Russia in

Vestel Beyaz Eşya has been growing and increasing its profitability with its robust financial structure and extensive range of mid to high-end products.

Ahmet Nazif Zorlu
Chairman



CHAIRMAN'S MESSAGE

White goods also present an expanding potential for growth as a key component of the smart homes of the future, in the development of which we have been playing a leading role in Turkey.

the last quarter of the year and the growing unease since then has also begun to take a toll on tourism revenues. Meanwhile, inflation, which is trending well above the target, remains a risk factor that requires prudent measures to be taken.

Turkey's economy is expected to maintain its growth momentum in 2016. While imports continue to benefit from the low energy prices, the negative effect of the exchange rate on inflation is expected to abate gradually. Domestic demand is expected to contribute positively to economic growth with the support of Turkey's favorable demographics and the 30% minimum wage hike effective from the beginning of 2016. Compared to other developing countries Turkey is relatively immune against the risk of a slowdown in the Chinese economy. The main risk factors facing Turkey in the coming period would be the geopolitical risks, persistently high inflation and the sizable capital outflows, which may be experienced depending on the global capital movements.

Vestel Beyaz Eşya continues to improve its growth momentum with its products which reflect the latest technologies.

As a manufacturer which is preeminent in R&D and design and good at exploiting market opportunities, Vestel Beyaz Eşya has been growing and increasing its profitability with its solid financial structure and extensive range of medium and upper segment products, which are eco-friendly as well as water and energy efficient. White goods also present an expanding potential for growth as a key component of the smart homes of the future, in the development of which we have been playing a leading role in Turkey.

As a manufacturer which is preeminent in R&D and design and good at exploiting market opportunities, Vestel Beyaz Eşya has been growing and increasing its profitability with its solid financial structure and extensive range of mid to high-end products, which are both eco-friendly and efficient in water and energy consumption.

There is considerable demand for white goods in Turkey given the country's favorable demographics, developing infrastructure and rapid transition to a digital economy. The growth potential of domestic demand is an important driver for Vestel Beyaz Eşya's growth map in Turkey. Meanwhile, Vestel Beyaz Eşya is also increasing its presence in international markets by both expanding its export volumes and by adding new A brand clients to its customer portfolio.

In our age, there are four basic trends which are affecting the businesses all around the world, namely; mobility, social applications, the cloud and big data. To successfully achieve the digital transformation and to pioneer in the Industry 4.0 era, accepted as the "New Industrial Revolution", companies need to be able to manage these four forces effectively. Besides, the digitization of processes, successful handling of extraordinary situations and monitoring of all processes across the enterprise are also essential for today's companies.

Our imagination, our confidence that enables us to achieve our objectives, our innovation, our faith in research and development and our entrepreneurial spirit lie at the heart of our successes.

We are open to innovation and change in every circumstance. This approach has guided us since our foundation and has been one of the most important factors that have carried us to our leading position. We reflect what the time brings and necessitates to our business processes in all the areas we operate. We can put forward projects, products and services that break new ground by blending change with development.

Our imagination, our confidence that enables us to achieve our objectives, our innovation, our commitment to research and development and our entrepreneurial spirit lie at the heart of our successes. I fully believe that we will continue to grow by working together and will always catch the era.

We will increasingly raise our contribution to Turkish economy in 2016.

We will continue to move forward by increasing our contribution to Turkish economy through the investments we will undertake and through our operations in the coming period. We will continue to contribute to the goal of a more livable world and increase our social support through the activities, events and sponsorships that we will carry out.

I would like to thank all of our stakeholders who have helped bring our dreams to life and have made Vestel Beyaz Eşya a competitive force in the global arena.

Yours faithfully,

Ahmet Nazif Zorlu
Chairman



The growth potential of domestic demand is an important driver for Vestel Beyaz Eşya's growth map in Turkey. Meanwhile, Vestel Beyaz Eşya is also increasing its presence in international markets by both expanding its export volumes and by adding new A brand clients to its customer portfolio.

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 in Denizli, Babadağ. He opened his first textile store in Trabzon, later in 1970 Mr. Zorlu moved the Company's headquarters to Istanbul and laid the foundations of Zorlu Holding with his brother, Zeki Zorlu. Ahmet Zorlu set up his first company, Korteks in 1976 and gathered all of his companies under the roof of Zorlu Holding in 1990. Acquiring Vestel in 1994, Ahmet Zorlu opened the door to new lines of business for Zorlu Holding. Mr. Zorlu's entrepreneurialism, which began with the textile industry, went on to manifest itself in more companies operating in highly diverse fields such as white goods, electronics, energy, property development, metallurgy and defense. Ahmet Zorlu has been serving as the Chairman or Deputy Chairman of the Board in numerous Zorlu Group companies operating in different sectors.

With a keen interest in civil society organizations, Ahmet Zorlu is a member of the Board of Directors of the Foreign Economic Relations Board, the Turkish Industry and Business Association, the Education and Culture Foundation of the Society of Denizli, the Babadağ Industry and Business Association and the Turkish Home Textile Industrialists and Businessmen Association. Ahmet Zorlu is the founder of Mehmet Zorlu Education, Health, Culture, and Solidarity Foundation (MZV) and carries out his social responsibility projects through MZV since its foundation in 1999. MZV has built many schools and provides scholarships to a large number of students. Ahmet Zorlu also attaches great importance to the social efforts aimed to boost the influence of the Turkish business world in international markets. Accordingly, he was awarded the Royal Spanish Order of Civil Merit by King Juan Carlos I of Spain in 2007 for his contribution in developing and strengthening the relations between Spain and Turkey.

Hacı Ahmet Kılıçoğlu Vice Chairman

(1956 - Giresun) Ahmet Kılıçoğlu graduated from the University of Essex with a Bachelor's degree in Economics in 1977 and a Master's degree in Economics in 1978. He began his professional career at the Ministry of Industry and Technology in 1979 and continued his career as an Assistant Specialist at Türkiye İş Bankası in 1980. After completing his military service, Mr. Kılıçoğlu worked in the private sector for a couple of years. Mr. Kılıçoğlu then held administrative positions at the United Nations Development Program (UNDP) and the F-16 project, before going on to take 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. Mr. Kılıçoğlu served as a Board Member at the Turkish Banks Association 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. Mr. Kılıçoğlu served as a Vice Chairman at Denizbank in 2010. In addition to being a Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Mr. Kılıçoğlu also serves as a Board Member at Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ, which are Zorlu Group companies. He is also a Board Member at Şeker Mortgage Finansman AŞ, Şekerbank Kıbrıs Ltd, Doğan Gazetecilik AŞ and Doğan Holding AŞ.

Olgun Zorlu Board Member

(1965 - Trabzon) After graduating from university in the United Kingdom with degrees in Textile and Business Administration, Mr. Olgun Zorlu began his professional career in 1986. He has

started to serve in managerial positions at various Zorlu Group companies in 1988 and managed their foreign market research and business development operations. Mr. Zorlu started serving as a Board Member at Zorlu Holding in 1998. In addition to his board membership at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Mr. Zorlu also serves as a Board Member at Zorlu Holding and other 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. Mrs. 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 the 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 CIS on 1 July 2011. He continues to serve as a Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ.

Ali Akın Tarı Board Member

(1943 - Korköy) After his graduation from the Istanbul Law Faculty, Ali Akın Tarı 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 to the Banking Regulation and Supervision Agency in 2001. Ali Akın Tarı was also elected as a Board Member to the Saving Deposits Insurance Fund in addition to being a Board Member of the Banking Regulation and Supervision Agency 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 to the Ministry of Finance. Mr. Tarı 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. Tarı became a member of the Board of Directors and the Audit Committee of Dilerbank in 2008; in addition to this position, he was also appointed as a member of the Board of Directors of Diler Holding in 2011. Besides his board membership at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Akın Tarı has also been serving as a Board Member at Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ, which are Zorlu Group companies.

INTERVIEW WITH THE CEO

Vestel Beyaz Eşya

successfully maintained its growth in 2015 despite all the negative developments in domestic and international markets.

As we leave behind a difficult year, could you briefly assess the impact of the economic developments in 2015 on the sectors and the markets in which you operate?

The year 2015 was indeed a fragile year for both Turkey and the world economy. The expectations of the Fed hiking the interest rates for the first time since 2006 had been putting pressure on the economies of the developing countries such as Turkey while regional turmoil has weighed on international trade. Against the backdrop of these challenges, the continued growth in the Turkish economy marks a major achievement. However, in terms of the composition of growth, the increase in domestic consumption and decline in exports do bring the structural reforms to the forefront, raising the importance of shifting to a new growth model based on production from the perspective of sustainability.

The country's current account deficit contracted significantly in 2015 due to the decline in imports, which in turn came on the back of both the falling oil prices and the relatively modest economic growth. On the other hand, the decline in EUR/US\$ parity had negative consequences for Turkey, given that its export revenues are mostly denominated in Euros while its imports are predominantly based in US dollars. In fact, companies with a short FX position suffered from significant losses due to the movements in the exchange rate.

According to data released by the White Goods Manufacturers' Association of Turkey ("WGMAT"), domestic white goods sales reached 7.1 million units in 2015, showing an almost 6% growth on a yoy basis. Although the consumer confidence index dipped to its lowest level of the last few years, white goods sales increased in 2015 driven by the realization of the pent-up demand from 2014 and an 11% increase in housing sales.

As for international sales, despite the adverse developments in Russia, Ukraine and the Middle East, white goods exports reached a record high 18.1 million units in 2015, with a 7% yoy growth, supported by the recovery in the Western European market - our main export market - and improved competitiveness of Turkish manufacturers against their Far Eastern rivals with the sharp fall in Euro/US\$ parity during

In parallel with the growth in gross profit, EBITDA rose by 24% to TL 345 million, reaching an all-time high, with the EBITDA margin edging up by 1.8 percentage points to 13.7%.

the year. Reflecting the strong growth in domestic and international volumes, total white goods production reached 24.6 million units in 2015 and Turkey maintained its position as a production hub for white goods in Europe.

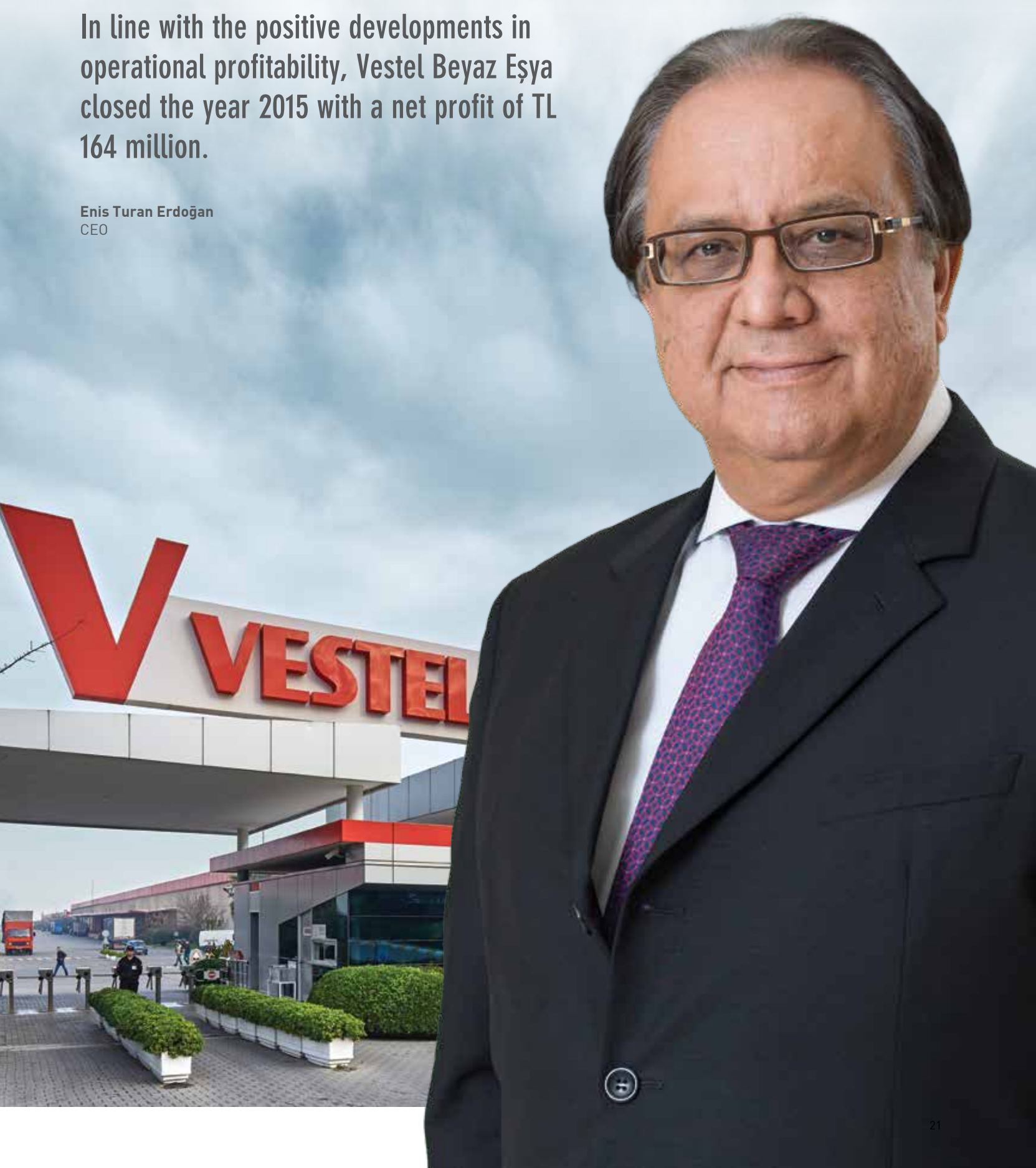
How did 2015 turn out for Vestel Beyaz Eşya? How would you evaluate your financial and operating results with your position in domestic and foreign markets?

Vestel Beyaz Eşya maintained its strong performance in 2015, as it did in 2014, despite the fluctuations experienced in its operating markets. The Company's sales revenues grew by 8% yoy to reach TL 2.5 billion in 2015, with international sales accounting for 77% of the total turnover. European countries accounted for 55% of sales and other countries 22% while sales to the domestic market had a 23% share in total revenues.

Our domestic revenues were slightly hurt by the restructuring of the sales and distribution network of the Regal brand, which is our second largest brand in the Turkish market after Vestel. The said restructuring was carried out to improve the market position and profitability of the Regal brand. With 97% of our export revenues being denominated in Euros, the limited appreciation in Euro against TL restricted the growth in our international revenues. In 2015, Vestel Beyaz Eşya increased its export volumes thanks to the recovery in the Western European market and the improved competitiveness against the Far Eastern rivals as a result of the sharp decline in the Euro/US\$ parity and added new A-brand customers to its portfolio. Also in 2015, the Company started selling Sharp branded products for the first time in the European market under the brand licensing agreement with the Sharp Corporation.

In line with the positive developments in operational profitability, Vestel Beyaz Eşya closed the year 2015 with a net profit of TL 164 million.

Enis Turan Erdoğan
CEO



INTERVIEW WITH THE CEO

We introduced our customers to a new world, consisting of the “Internet of Things”, “Smart Houses”, and “Smart Cities”, with the products which we brought to the market in 2015 and made a big difference in energy efficiency.

Despite limited growth in revenues, 2015 was a record breaking year for Vestel Beyaz Eşya in terms of profitability. The Company's gross profit increased by 24% yoy to TL 372 million supported by the sharp decline in raw material prices, especially of steel and plastics, hedging gains recorded from the financial derivative transactions entered into in order to hedge the Company against the changes in the Euro/US\$ parity and continued efficiency and cost reduction efforts. In parallel with the growth in gross profit, EBITDA rose by 24% yoy to TL 345 million, reaching an all-time high, with the EBITDA margin edging up by 1.8 percentage points to 13.7%. In line with the robust growth at the operating profit level, Vestel Beyaz Eşya closed the year with a net profit of TL 164 million.

Could you talk about the most important developments for Vestel Beyaz Eşya in 2015? Could you also evaluate the collaboration initiated with Sharp? Which new products and models have attracted the most attention in 2015?

In September 2014, Vestel Ticaret, the wholly owned subsidiary of our parent, Vestel Elektronik, signed an agreement with Sharp Corporation covering 5 years for the licensing of the Sharp brand for the European market in the white goods sector.

Vestel Ticaret took over the rights and privileges for the development, manufacturing, sales and marketing of white goods products in Europe under the brand license of Sharp from 1 January 2015. A team of 50 people was set up to exclusively work for the Sharp brand in the countries where Vestel Ticaret has sales offices. In addition, a sales and product management team of 10 people was established within Vestel Ticaret in Turkey.

Prior to licensing, in the white goods segment Sharp was only selling refrigerators and microwave ovens in the European market. After brand licensing, we expanded Sharp's product

range to include all the major household appliances by developing a unique product lineup for the Sharp brand. At the 2015 IFA Fair in Berlin, we launched Sharp as a white goods brand for the first time in Europe with a range of products which we exhibited in the refrigerator, washing machine, dishwasher, built-in oven, cooker, extractor hood and microwave oven categories. At present, the Sharp branded Vestel products are sold and offered to consumers in all the main sales channels in Europe.

Vestel Beyaz Eşya continued to bring the latest technologies to its customers in 2015. While we introduced new concepts to the market such as the “Internet of Things”, “Smart Houses” and “Smart Cities” with our products, we provided a significant benefit to our customers with our new technologies which create a major difference in energy efficiency.

We achieved significant success at the IFA Fair, one of the world's largest consumer electronics fairs, with the “Smart City” concept. One of the products we promoted at IFA was the Vestel Pyrojet washing machine, which consumes 70% less energy than machines with an 8 kg capacity and 60% less energy than machines with a 9 kg capacity in the A+++ energy efficiency class and is the world record holder for energy efficiency.

Another product is the “Vestel Nora Dishwasher” with the Auto Door and Water Box technology, which stands out by consuming 20% less energy than even the A+++ energy class dishwashers. Nora dishwasher, which is able to wash the place settings of 14 people by only consuming 5.5 liters of water and boasts the best price/performance ratio of any dishwasher, was introduced to consumers in 2015.

The Vestel “Smart Built-in Oven”, brought to the market in September, was a first in its category in Turkey. Due to the Smart Built-in Oven feature, this product can be controlled remotely with Android or IOS supported tablets and smartphones and provides users with status information. The oven includes a cooking feature with 150 ready recipes and a color LCD screen on which the users can set the cooking, offering an extra ease of use to consumers.

¹Excluding other income and expenses from operating activities.



Vestel Beyaz Eşya has attracted attention with the advanced technology used in its products. For example, the Digital Drive technology used in Vestel's washing machines ensures high energy efficiency, low noise levels and long-term performance. On the other hand, users are guaranteed an optimum performance with the removal of the brush, which is a cause of excess noise in engines and reduces efficiency, and with specially designed algorithms.

Vestel's washing machine with the Allergy Specialist program, endorsed by Allergy UK, one of the world's most prestigious allergy institutions, purifies laundry from allergens to a large extent with maximum hygiene. With this new washing machine, Vestel aims to be the first choice of mothers who are sensitive about hygiene and their children's health.

We also launched the 70 cm double door "Top Freezer Frost Free" products with a new generation cooling system in the first half of 2015. We are able to offer a more spacious interior volume than our competitors through these products with the new generation design concept. Also, thanks to the new generation cooling system, we ensure the protection of vitamin values and increase the shelf life of food.

Vestel introduced a first in Turkey with its remotely connected

The Industry 4.0 concept, which emerged with the digital transformation and the associated "Mobility" and "Connectivity" technologies constitute an important pillar of Vestel Beyaz Eşya's R&D activities.

air conditioner ("A/C"). This feature allows users to remotely control the A/C in their homes from their smartphones or tablets, so the room is already at the required temperature by the time they come home. This air conditioner is able to clean ambient air 10 times more effectively than similar air conditioners thanks to its active carbon filter, which was developed in collaboration with Akdeniz University.

R&D is one of the fundamental driving forces behind Vestel Beyaz Eşya's success. What are the trends for the R&D organization? Could you talk about Industry 4.0 investments?

R&D is one of the primary elements of Vestel Beyaz Eşya's competitive advantages and differentiation, and is an area on which we have continued to place emphasis during 2015. Our spending on R&D activities, which we carry out to create new and innovative technologies and develop designs and products that meet global consumer needs and tastes, accounted for 1.6% of our total turnover in 2015.

The Industry 4.0 concept, which emerged with the digital transformation and the associated "Mobility" and "Connectivity" technologies constitute an important pillar of Vestel Beyaz Eşya's R&D activities. The exhibition of the "Smart Home" system, in which all the devices in a house can communicate with each other, at the IFA Fair was an important reflection of this vision.

We develop smart home systems, which consist of A/Cs, ovens, refrigerators, dishwashers and washing machines, which can be controlled by the Smart TVs, tablets and smartphones produced by Vestel Elektronik. All of our technologies are 'smart' including the technologies we employ in the production of mobile phones, consumer electronics and white goods. We have integrated the Industry 4.0 model into all of our processes at Vestel City, which is one of Europe's largest production facilities in a single location, in accordance with the "smart factory" approach.

INTERVIEW WITH THE CEO



Vestel Beyaz Eşya has been continuously redoubling its efforts to ensure that its manufacturing facilities and processes excel. What would you like to say about this?

We continue our activities with the vision of creating “the highest quality” accessible to our customers and becoming the leader in the market. We achieve lasting success by reflecting this vision across the entire organization.

As a result of this approach, we were awarded the CIPS [Chartered Institute of Procurement and Supply] Certificate in 2015. The CIPS Certificate brings considerable prestige to companies which hold it. The CIPS Certificate, which demonstrates the presence of a robust and a professional procurement management system at Vestel Beyaz Eşya, is held by more than 100 international companies.

Vestel Beyaz Eşya was subjected to a six-month evaluation process by CIPS before being awarded the CIPS Certificate. Vestel Beyaz Eşya’s procurement teams were assessed in 110 different criteria under 5 main headings including “Leadership and Organization”, “Strategy”, “People”, “Processes and Systems” and “Performance Management”. Both Vestel Elektronik’s and Vestel Beyaz Eşya’s procurement teams are holders of the CIPS Certificate. The CIPS Certificate certifies that Vestel Group has met the international standards in its procurement practices and manages its purchases in a consistent, transparent and effective manner.

In 2015, the Japan Institute of Plant Maintenance (JIPM) deemed our five plants worthy of the Award for TPM Excellence, which is a source of pride for us.

In 2015, the Japan Institute of Plant Maintenance (JIPM) deemed our five plants worthy of the Award for TPM Excellence, which is a source of pride for us. We were the first company in the world to receive this award at the same time with 5 separate production plants in the white goods sector, as a result of the Total Productive Maintenance activities carried out simultaneously at our refrigerator, washing machine, dishwasher, air conditioner and oven plants.

Vestel sets itself apart in both sales and after-sales service organization as well as its corporate communications strategy in Turkey. What would you like to say about this?

According to the Şikayetindex study, which measures the satisfaction level of customers who leave feedback on the www.sikayetvar.com website, Vestel was declared to be the brand which received the highest number of thank you messages from its customers by ranking the first in five categories with its success in complaint management in both 2013 and 2014. The sikayetvar.com website revised its assessment criteria in 2015. The new report prepared as a “Customer Experience Index” consists of two main categories, namely brand perception change (satisfaction, loyalty and recommendations) and customer sharing management (contact speed, complaint process, solution rate, satisfaction with the result and gratitude rate) as well as sub-categories.



156 cyclists from 21 countries passed through the Vestel City, which is one of Europe's largest industrial complexes established in a single location, in the Selcuk- Izmir stage of the Presidential Cycling Tour.*

According to the Customer Experience Index measurements, Vestel, by making a difference in after-sales services, once again ranked the 1st and maintained its leadership in the White Goods category in 2015.

Vestel was also declared to be "The Company with the highest rate of gratitude" in 2015 by the sikayetvar.com website independent of sector.

As a company which attaches the highest priority to listening to our customers' requests and responding to their demands as quickly as possible, we introduced a novel approach in after-sales support services and launched the "Live Support" (CapCanlı Destek) Project in 2015 in order to show our customers that a real person instead of robots, is striving to address their problems.

Live support is offered on the <http://www.capcanlidestek.com/> website where customers can access the team members through online messaging. In order to prove this, real-time video recording was made and presented for viewing on the internet. A total of 16 hours of video recording was prepared for the website. These records were prepared in a manner which reflects the work in real time either during day or night work hours.

Vestel rapidly saw the positive results of the Live Support team's efforts. Accordingly, the number of requests from consumers by phone decreased and the use of Live Support increased by 30%, with the duration of online conversations decreasing by 18%.

In 2015, we also expanded our service organization and carried out activities to measure customer, product and service network satisfaction. Established with the aim of improving the quality of after-sales services and to ensure

customer satisfaction, Vestel Customer Services, which was established under the roof of our parent, Vestel Elektronik, set up the Vestel Service Academy in collaboration with the Yaşar University Continuing Education Center (YÜSEM). The Vestel Service Academy provides extensive support to authorized service center owners and managers to help them achieve sustainable success, which is a prime example of the collaboration between industry and university. Vestel Service Academy and YÜSEM were awarded the Grand Prize in the "Successful Team of the Year-Public" category in the Excellence Quest Symposium organized for the 16th time by the Izmir Branch of KalDer in 2015. We intend to continue with our projects aimed at improving customer satisfaction in 2016.

What are your forecasts and wishes for the coming period?

We will continue to develop our technologies in accordance with the needs and expectations of customers, which will be shaped by the concepts of the "Internet of Things", "Smart Home" and "Smart Cities". In the future, our customers will be able to check how much milk is left in the fridge and be able to place orders over the internet before they run out of it. Smart living solutions, through which truly smart devices will be in our lives, will continue to shape our vision for the future. We will remain the biggest patron of Industry 4.0 in Turkey. We will set an example to all domestic and foreign companies with our efforts in this direction.

We will continue to develop our technologies in accordance with the needs and expectations of customers, which will be shaped by the concepts of the "Internet of Things", "Smart Home" and "Smart City".

*Vestel City has been the first manufacturing complex in the world hosting an international bicycle race.

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



Ahmet Süha Erol
Executive Committee Member



Nedim Sezer
Executive Committee Member



Özer Ekmekçiler
Executive Committee Member

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

(1955 - Mersin) Enis Turan Erdoğan graduated from the Department of Mechanical Engineering at Istanbul Technical University in 1976 and completed a master's degree in Production Management at Brunel University in the UK in 1979. After returning to Turkey, he served in a number of different managerial positions for various companies before joining Vestel in 1988. Mr. Erdoğan has served in various managerial positions at Vestel since 1988. He has 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 January 1, 2013. Mr. Erdoğan served as the President of TURKTRADE (Turkish Foreign Trade Association) for two periods between 2002 and 2006. He also served as a Board Member of Europe's largest ICT Confederation, DIGITALEUROPE, between 2010 and 2014 as the first Turkish citizen to be elected.

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 a master's degree at Bilkent University in 1990. Cem Köksal, who worked in the banking industry between 1990 and 2001, was appointed as the Assistant General Manager at Denizbank in 1997. Mr. Köksal joined Vestel as the Chief Financial Officer in 2002. Mr. Köksal currently serves as the Executive Committee Member in charge of Finance at the Vestel Group of Companies.

İhsaner Alkım**Executive Committee Member**

(1954 - Kırklareli) İhsaner Alkım graduated from the Department of Electronics and Communications Engineering at Istanbul Technical University in 1977. After assuming various positions in the communications and electronics sectors, he joined Vestel family in 1988. Mr. Alkım has served in various R&D related positions at 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 at the Vestel Group of Companies.

Necmi Kavuşturan**Executive Committee Member**

(1956 - Gaziantep) Necmi Kavuşturan graduated from the Faculty of Political Sciences at Ankara University in 1979. He began his banking career at İş Bank in 1979. He held various managerial positions at Interbank between 1985 and 1997. He was appointed as the Assistant General Manager of the Management Services Group at Denizbank in 1997. Mr. Kavuşturan was appointed as the Group Head of Human Resources of Zorlu Holding in 2003. He has been serving as the Executive Committee Member in charge of Human Resources at the Vestel Group of Companies since 2005.

Ahmet Süha Erol**Executive Committee Member**

(1957 - İzmir) Ahmet Süha Erol graduated from the Department of Electrical Engineering at 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 began 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 of 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 January 1, 2013 and has been serving in this position since then.

Nedim Sezer**Executive Committee Member**

(1958 - Tekirdağ) Mr. Sezer graduated from the Department of Mechanical Engineering at 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. Mr. Sezer, who also assumed duty as the General Manager of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ until April 1, 2015, has been serving as the Executive Committee Member in charge of White Goods at the Vestel Group of Companies since 2012.

Özer Ekmekçiler¹**Executive Committee Member**

(1957 - İzmir) Özer Ekmekçiler graduated from the Department of Industrial Engineering at 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. Mr. Ekmekçiler who was appointed as a Member of the Executive Committee in 2005, remained in this post until February 15, 2016.

¹Mr. Ekmekçiler retired from office as of 15.02.2016.

THE PRIDE OF TURKEY

VESTEL IS TURKEY'S
ICON AND A SOURCE OF
PRIDE IN THE FIELD OF
TECHNOLOGY EXPORTS TO
THE WORLD.



VESTEL BEYAZ EŞYA IN BRIEF

Vestel Beyaz Eşya

One of the ten largest manufacturers of white goods in Europe and among the top three players in Turkey.

Maintaining its steady growth since its establishment in 1997, Vestel Beyaz Eşya today is a player, which leads the market with its long-term strategies and vision and as one of the largest manufacturers of white goods in both Turkey and Europe.

Vestel Beyaz Eşya carries out its production activities by employing the state-of-the-art technology in its six factories at Vestel City, which is one of the largest industrial complexes in Europe established in a single location, covering an area of 1.1 million m² in Manisa. Vestel Beyaz Eşya manufactures refrigerators, washing machines, cooking appliances, dishwashers, air-conditioners and water heaters in an enclosed area of 312,500 m² at Vestel City. The Company has an annual production capacity of 9.4 million units.

Vestel Beyaz Eşya ranks among the Europe's top manufacturers employing the latest 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 leading edge technological trends.

Vestel Beyaz Eşya is one of Europe's largest original design manufacturers (ODM). Vestel Beyaz Eşya's sales in Europe are carried out mainly on an ODM basis accompanied with some branded sales through the well-known regional brands owned and global brands licensed by Vestel Group.

The Company pursues a growth strategy with Vestel Group's own brands in Turkey, the CIS and the MENA region.

Through its strong R&D organization and competence in the development of technology, Vestel Beyaz Eşya offers a continuously expanding environmentally friendly product range, which appeals to a wide consumer base on a global scale. The Company strives to bring more comfort to millions of homes with its products. Vestel Beyaz Eşya accounts for nearly 30% of Turkey's total white goods exports.

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 lower unit labor costs stand out 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 activities, its wide network of dealers and services offered with a technological infrastructure reinforce Vestel Beyaz Eşya's strong brand image in the domestic market. After-sales services are provided by the Central Services and call center under Vestel Customer Services General Directorate and the authorized service centers.

VESTEL BEYAZ EŞYA'S MAIN STRENGTHS

Innovation

- Creating innovation by combining strengths in R&D and industrial design with manufacturing competency,
- Rapidly transforming new technologies into products in a cost effective manner.

Flexibility in Manufacturing and Product Customization

- Product development and diversification according to customers' varying needs; being able to differentiate mass production on an order basis thanks to flexible manufacturing capability,
- Product customization according to customer demand and/or geographical and socio-cultural characteristics,
- Ability to develop a wide range of models for various brands.

Customer Commitment

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

Cost Advantages

- Benefiting from economies of scale in procurements, in particular, in component purchases, as one of the Europe's fast-growing white goods manufacturers,
- Efficiency, effectiveness 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 its production plants to the European market, when compared to the Far Eastern competitors,
- The existence of a developed supplier base in Manisa and the cost advantages in terms of distribution and logistics, facilitated by Vestel City's close proximity to Izmir port and suppliers,
- Relatively low unit labor costs when compared to European manufacturers,
- Newer and modern production facilities when compared to European manufacturers,
- The import tax advantage in countries with which Turkey has a Free Trade Agreement over the manufacturers of countries for which there is no such agreement.

VESTEL'S MANUFACTURING POWER: 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 the world's first electronics and white goods company and Turkey's first brand and industrial facility to appear in the documentary series, which features the world's most famous brands.

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

In 2014, Vestel Elektronik received the "Award for Excellence in Consistent TPM Commitment" 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 "Award for TPM Excellence".

Vestel City:

- Manufacturing on an area of 1.1 million m²
- A total manufacturing capacity of 24 million units/year including an annual production capacity of 15 million units for consumer electronics and digital products and 9.4 million units for white goods.



VESTEL IS PRODUCING FOR THE WORLD



Domestic Sales Network

Reaching a wide range of consumers through the domestically pursued "multi-brand and multi-channel strategy", Vestel boasts one of the most extensive sales and after-sales service networks in Turkey.

1,250 Vestel stores
11 VS Outlet stores
emagaza.vestel.com.tr
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 effectiveness and market share in the domestic market, reaching a higher number of consumers.

Domestic After-Sales Services

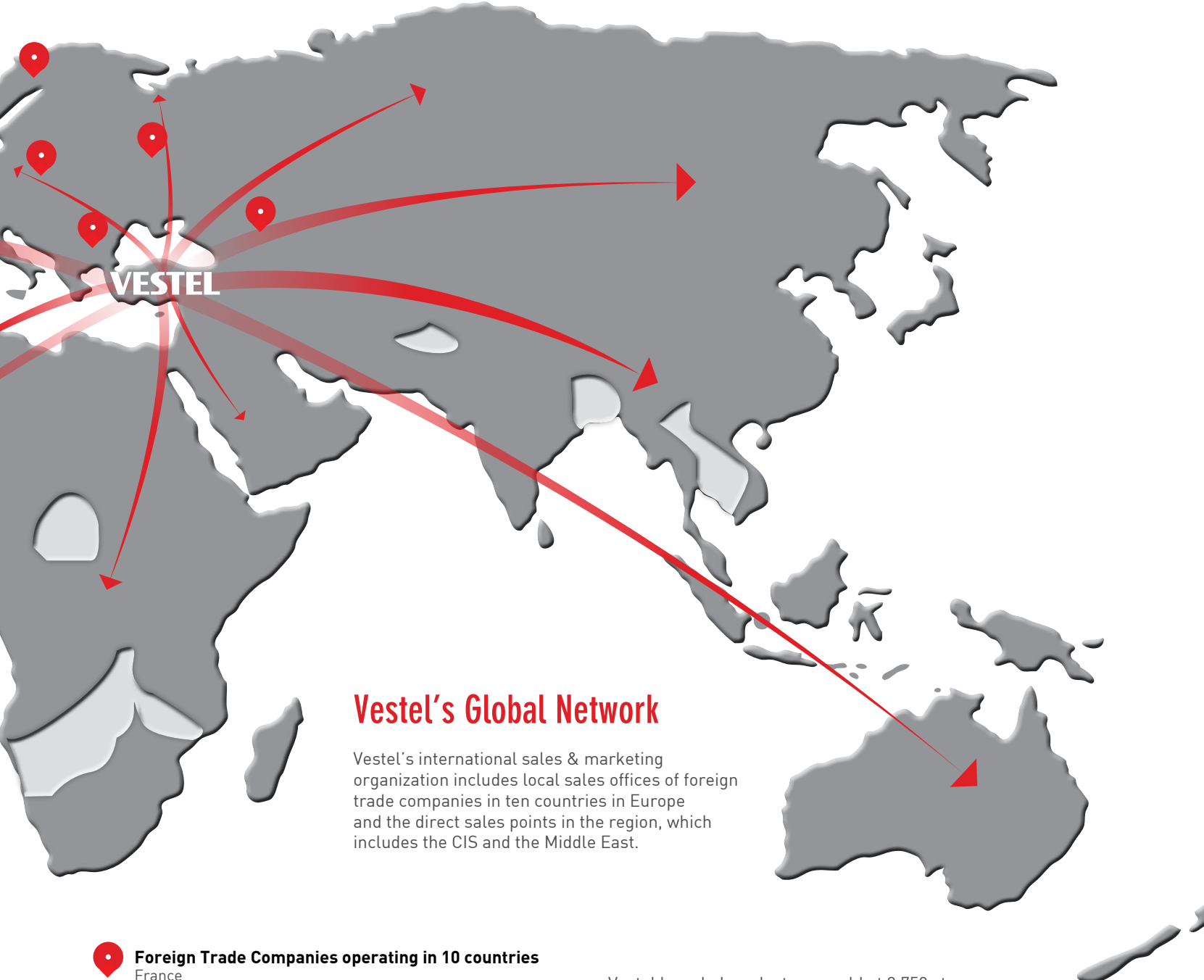
334 Authorized Service Centers
13 Central Services
Call Center

152
Export
destinations

10
Foreign trade
companies in Europe

2,750
Stores and sales
points abroad

1,250
Domestic
Vestel stores



Vestel's Global Network

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



Foreign Trade Companies operating in 10 countries

France
Germany
Spain
England
Netherlands
Finland
Russia
Kazakhstan
Romania
Poland

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

VESTEL BEYAZ EŞYA'S STRATEGY AND REALIZATIONS IN 2015

Main strategy

To invest and expand in its main areas of operation and in new business lines that offer high growth potential.

Strategies

1

Increasing market diversity

To be more active in markets other than Europe, which is Vestel's main export market, where it is among the leading ODM producers.

To evaluate different entry alternatives into these markets, such as direct investment, partnerships and contract manufacturing.

2

Increasing customer and product diversity

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

To expand market share by diversifying the product range: Focus on products with higher profit margins, further diversification of the product range.

To obtain a higher share in the rising "outsourcing" trend, especially among the A-brand customers.

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

3

Branded growth

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

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

To strengthen its market position in the surrounding region by developing operations in nearby countries.

Main strategic goal

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

Realizations

Exports to 152 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 in line with the increasing competitiveness in the European market.

New generation products in white goods: A dishwasher which is the world record holder in its class and 20% more efficient than the A+++ energy class and a washing machine 70% more efficient than the A+++ energy class; Turkey's first remotely accessible smart built-in oven, 70 cm double door Top Freezer Frost Free products with a new generation cooling system and Turkey's first remotely accessed inverter air conditioner.

Continuing the successful sales and marketing initiative launched with the "Turkey is Vestelized" campaign with the "Proudly Local" campaign, continuation of the activities aimed at the strengthening of the after-sales services, customer services and dealer network and continued growth in the new sales channels entered into under the multi-channel strategy.

As part of the strategy to increase branded sales in international markets, commencement of the first Sharp branded white goods exports to Europe under the brand licensing agreement entered into with Sharp Corporation.

ZORLU GROUP



Home Textile

Korteks

Zorluteks

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



Energy

Zorlu Enerji Group

- A rising player in Turkey with 627 MW of installed capacity
- 56.4 MW of installed capacity in Pakistan and 290 MW of installed capacity in Israel (through a 25% stake in the 840 MW Dorad Natural Gas Combined-Cycle Power Plant and a 42.15% stake in the 64.54 MW Ashdod and 126.4 MW Ramat Negev Natural Gas Co-generation Power Plants)
- Competency in providing integrated services, which comprise generation and sale of electricity and steam, electricity trading; "turnkey" construction of power plants, including the project development phase, long term operation, maintenance and repair of power plants and natural gas distribution and trade.

Consumer Electronics and Digital Products, Household Appliances

Vestel

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



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



Real Estate

Zorlu Gayrimenkul Geliştirme ve Yatırım

- Established in 2006 to develop, sell, lease and operate quality housing, office space, business centers, shopping malls, hospitals, hotels and mixed-use real estate projects at prime locations both in Turkey and abroad.
- Standing out as Turkey's first mixed-use project with five functions, the Zorlu Center is home to a Performing Arts Center, a shopping mall, a hotel (Raffles Istanbul Zorlu Center), offices and residential areas. Zorlu Center commenced full operation with all of its functions with the opening of the Raffles Hotel in 2014.
- The Group's Levent 199 office project on Büyükdere Avenue was completed in the third quarter of 2014. Zorlu Levent 199, a Class A+ office building has 40,000 m² of gross leasable area.



Mining - Metallurgy

Meta Nikel Kobalt Madencilik

- Specialized in the development of nickel cobalt resources
- Aiming to become a regional supplier of nickel and cobalt
- Additional investments in the Gördes Nickel Cobalt Plant and the extraction of nickel-cobalt reserves under the permits in Eskişehir and Uşak

Gördes Nickel Cobalt Plant:

- 300,000 tones 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 US\$400 million.
- As of September 2014, the commissioning works at the plant have commenced and the first concentrate nickel was produced in December 2014. Within the scope of trial production activities, commercial concentrate nickel production commenced in 2015 and was exported to China.
- There are plans for the doubling of the Gördes Nickel Cobalt Plant's nickel concentrate production capacity and for the production of high value added end products within the scope of the ongoing R&D activities in the coming period.



Factoring

Zorlu Faktoring

- Established in 2012 to provide factoring services in Turkey and abroad
- Operating with the objective of extending its factoring products and services throughout Turkey by focusing on leading companies with a wide supplier and dealer network, in addition to medium and large scale companies.

LEADING TECHNOLOGIES

VESTEL BEYAZ EŞYA
DEVELOPS LEADING
TECHNOLOGIES WITH ITS
R&D TEAM OF 398 PEOPLE
BASED IN VESTEL CITY.



R&D AT VESTEL BEYAZ EŞYA

In 2015, Vestel Beyaz Eşya's R&D expenditures accounted for 1.6% of its sales revenues.

R&D is one of Vestel Beyaz Eşya's primary competitive advantages and differentiating factors.

The development of new and leading technologies and the creation of designs and products that capture the needs and tastes of global consumers are the result of the competence and efforts of Vestel Beyaz Eşya's strong R&D team.

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

In 2015, Vestel Beyaz Eşya's R&D spending accounted for 1.6% of its sales revenues.

Vestel Beyaz Eşya's R&D Department carries out separate R&D activities in accordance with the areas of production. In addition to the R&D units for each plant, there is also a Technology Development Center under the General Directorate which carries out industrial design and innovation studies for all the product groups. Vestel Beyaz Eşya's R&D staff increased from 358 in 2014 to 398 in 2015.

Vestel Beyaz Eşya's R&D works comprise functional and aesthetic designs and the development of environmentally friendly technologies and products which use resources efficiently by maximizing energy and water saving and providing extra hygiene.

The R&D strategy adopted in this direction can be summarized as follows;

- To develop new platforms that will adapt to the 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 collaboration,
- To directly contribute to technological development, in addition to closely following up on the technological developments,

- To protect the intellectual rights of the designs developed by Vestel Beyaz Eşya and to gain a competitive advantage over rivals,
- To develop products which meet the preferences and habits of different markets,
- To reflect the design trends evolving on the axes of functionality and ease of use to its products.

The teams within the R&D Department work in the following areas;

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

Vestel Beyaz Eşya's R&D units and Technology Development Center aim to develop products which will enhance the Company's competitive edge in international markets and improve 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
- Mold Design
- Intellectual Rights
- Materials
- Performance Tests
- Thermodynamics
- Acoustics



R&D AT VESTEL BEYAZ EŞYA

Vestel Beyaz Eşya submitted a total of 21 patent family applications during the year and holds 124 registered patent families as of the end of 2015.

As it has done every year, Vestel Beyaz Eşya added new awards to its existing collection of awards in 2015. Vestel Beyaz Eşya was deemed worthy of awards in the categories of “The Company with the Most International Design Applications” by the Turkish Patent Institute and “Intellectual Property Competency” in the Private Sector R&D Centers Summit organized for the 4th time by the Ministry of Science, Technology and Industry.

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;

- Following technical, academic and industrial publications in the area of white goods in order to keep close track of the 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 existing products,
- Designing products with more functionality by improving production parameters,
- Carrying out pre-production qualification tests for the 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 carried out by the Company.



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Vestel Beyaz Eşya has been deploying its competent technical infrastructure with significant success in the process of converting 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.

Vestel Beyaz Eşya’s R&D Collaborations

In 2015, twelve TUBITAK TEYDEB (the Technology and Innovation Funding Programs Directorate under the Scientific and Technological Research Council of Turkey) projects were carried out at the Vestel Beyaz Eşya R&D center, seven of which have been successfully completed. All of the projects were carried out through collaboration with the universities. The most intensive collaboration is carried out with Dokuz Eylül University, Ege University, Yeditepe University, Istanbul Technical University and Katip Çelebi University.

In the area of international collaborations, active work continues with the testing/approval institutions such as VDE (Verband der Elektrotechnik Elektronik Informationstechnike.V.), Intertek and TÜV (Technischer Überwachungsverein).

With its membership at CECED (European Committee of Domestic Equipment Manufacturers), Vestel Beyaz Eşya participates in a community that leads the white goods sector and contributes to the development of the future technologies with its R&D and innovation capabilities.



R&D AT VESTEL BEYAZ EŞYA

Product Groups and Innovations

Product Group	Products	Specifications/Explanations
Refrigerator	70 cm wide No-Frost Products with Frost Free Technology	Thanks to a new generation cooling system, food shelf life is increased and vitamins are retained; food aromas do not mix with each other thanks to two independent air cycles in the fridge and freezer sections; the dual cooling system allows the unit to use less energy and cool faster.
		Thanks to the patented V-Lift mechanism, the refrigerator door shelves provide storage areas to suit needs. The shelf height adjustment can be made at 6 different levels with the V-Lift smart storage solution unit, therefore rendering it unnecessary to take out other food in order to place items in the refrigerator door shelves.
		Every corner of the refrigerator can be seen clearly thanks to the LED lighting system that is located on the side of the cooler, above the freezer.
		The ice maker, designed with a minimalist touch, provides flexible use alternatives based on the size of the foods thanks to its moving structure.
		The Zero Overflow System allows the new generation no-frost products to fit snugly into the allocated space in the kitchen with the no-overflow gate design eliminating the need for extra space to open the door.
Refrigerator	A++ No-Frost Refrigerator with Single Speed Engine Technology	Highly energy efficient and high performance fridge with a spacious interior capacity with its 195x70 cm dimensions.
Refrigerator	A+++ (-20%) Refrigerator with Pro-Drive Engine Technology	The refrigerator with Pro-Drive engine technology, consumes 20% less energy than A+++ products and 80% less energy than A class products due to its smart software. The two different cooling systems in the cooler and freezer sections prevent scents in the refrigerator from mixing with each other.
Deep Freezer	54 cm Vertical Type Freezer with 15 kg Freezing Capacity	A high-volume vertical deep freezer which has interior accessories with minimalist and stylish design, electronic control panel, fast freezing feature and high energy efficiency.
Cooker	75 liter Built-in Oven Product Family	Oven with 75 liter interior volume, slim control panel, 6 cooking racks, a wide range of remote control functions from simple oven remote controls to top level electronic oven controls, detachable large interior glazing and large visor oven door, hinge system (SoftClose) which prevents the slamming of the oven door by instantly braking at the moment of closure, wire shelf, fully extendable telescopic rails, catalytic cleaning, VapClean® cleaning function.
Cooker	90 cm Sekurit Built-in Cooker	90 cm wide glass stove plate, 5 gas hobs, highly efficient dual controlled triple flame wok burner (triple circle of flame that can be separately controlled with extra power gas burner), emergency gas cut-off switch, large-surface cast grid and automatic ignition.
Cooker	65 liter Active Cool Pyrolytic Built-in Oven	By creating a cold surface on the large inner glass oven door with a specially designed cooling system on the 65 liter pyrolytic built-in oven platform, even when the temperature inside the oven rises to about 500°C when the oven is in the cleaning process (pyrolysis), the temperature on the door surface is kept below the 35 K limit and below 10 K under normal cooking functions.
Cooker	A++ Energy Class Built-in Oven	Built-in oven developed by Vestel Beyaz Eşya, with the best energy class ranking in the world in its segment with an 'A++' rating.
Air Conditioner	Buzz Inverter A/C	Inverter air conditioner with an A++ energy efficiency, capable of efficiently cooling at temperatures of up to 46° C with 170 Watt and capable of operating at temperatures of up to 54°C with a 145 Watt power supply.
Air Conditioner	Turkey's first remotely accessed Inverter A/C designed & manufactured in Turkey	Turkey's first remotely accessed inverter air conditioner which is designed and developed by the Vestel Beyaz Eşya's R&D team and manufactured at Vestel Beyaz Eşya's production facilities. The built-in remote access connection feature allows the A/C to be operated from outside the home. The ambient temperature can be displayed on a smartphone or a tablet, from which the desired temperature and desired operating mode can be set.
Air Conditioner	Active Carbon Filtered Inverter A/C	A/Cs which clean the air 10 times more effectively than existing filters due to an active carbon filter which was developed in collaboration with a university and productized through the Vestel branded A/Cs.

Air Conditioner	A+++ (-7%) Inverter A/C	The highly efficient inverter air conditioner designed by Vestel Beyaz Eşya, enabling optimal operating efficiency at entire heat loads with the electronically controlled throttle, DC compressor with variable speed and silent design with external fan motor and high efficiency.
Washing Machine	9 kg Capacity Pyrojet™ Washing Machine	The washing machine with Pyrojet™ technology, consumes 60% less energy than products with a 9 kg capacity in the A+++ energy class, saves 3,080 liters of water annually and provides maximum hygiene with the Allergy Specialist Program endorsed by Allergy UK.
Washing Machine	Product Family with Low Energy Consumption	A range of 6, 7, 8 and 9 kg capacity washing machines reaching A+++ energy efficiency – the highest class on the energy label, offering economy and high performance.
Washing Machine	Digital Drive™ Product Family	A range of 8-9 kg Digital Drive™ Washer and Washer&Dryer product family offering high energy efficiency (improvements of up to 30%) and low noise levels (reductions of up to 8 dBA at the washing cycle, and up to 5 dBA in the spin cycle) compared to the existing engine technology widely used in washing machines.
Washing Machine	10 kg Capacity TwinJet™ Washing Machine	A standard body sized washing machine with large internal volume and a 10 kg loading capacity with TwinJet™ technology reaching a A +++ (-10%) energy efficiency level.
Dishwasher	Product Family with Low Energy Consumption	Economical and high performance products with “Waterbox” and “Autodoor” technologies, washing capacity for 14 people, 20% more energy efficient than A +++, “Smartwash” technology that sets the washing program according to the degree of soiling, and “EasyTray” 3 rd basket feature.
Dishwasher	Touch Control Full Built-in Product Family	Economical and high performance touch control full built-in product family with washing capacity for 12 and 15 people, reaching A+++ energy efficiency which is the highest class on the energy label.
Dishwasher	45 cm Product Family with 3 rd basket	Economical and high performance products with washing capacity for 10 people, variable speed washing pump with “Autodoor” technology reaching A+++ energy class / 44 dBA noise level, and “EasyTray” 3 rd basket feature.



OFFERING A UNIQUE CUSTOMER EXPERIENCE IN SALES AND AFTER-SALES SERVICES

Vestel offers its products to millions of consumers through its strong sales organization in Turkey and in international markets, which is managed with proactive strategies.

Vestel Beyaz Eşya offers its products to millions of consumers through Vestel Group's strong sales organization in Turkey and in international markets, which is managed through proactive strategies.

Vestel Beyaz Eşya carries out its domestic and international marketing and sales activities through Vestel Ticaret AŞ ("Vestel Ticaret"), which is a wholly owned subsidiary of Vestel Elektronik.

International Sales

Vestel Beyaz Eşya's international sales strategy is implemented on the axis of 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 owned and global brands licensed by Vestel Group.

Besides expanding its ODM client portfolio, Vestel Beyaz Eşya aims to increase its brand penetration and market share in global markets through the well-known regional brands acquired in Europe and the global brands licensed by Vestel Ticaret.

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

Vestel Beyaz Eşya exported to 152 countries in 2015.

Vestel Beyaz Eşya carries out its marketing and sales activities in the European market through the local sales and distribution networks of Vestel Ticaret's foreign trade subsidiaries in France, Germany, Spain, the UK, the Netherlands, Finland, Russia, Kazakhstan, Romania and Poland. Sales and marketing activities in other international markets are carried out directly by Vestel Ticaret.

Vestel Ticaret took over the rights and privileges for the development, manufacturing, sales and marketing of white goods products in Europe under the Sharp brand through

the brand licensing agreement signed in September 2014. As of 1 January 2015, Vestel Ticaret became the exclusive distributor of Sharp branded white goods products in Europe which are manufactured at Vestel Beyaz Eşya's production plants in Manisa and Sharp Corporation's facilities in Asia. This agreement will strengthen Vestel's presence in the European white goods market, while also increasing its premium and branded product sales.

Domestic Sales

The quality and diversity of Vestel Beyaz Eşya's product range and Vestel's experience gained in the multi-brand concept are complemented by Vestel Ticaret's strong distribution channels, which represent an important competitive advantage.

In addition to its physical distribution network, Vestel was the first consumer durables brand which started selling products over the internet where the Company reaches consumers through the emagaza.vestel.com.tr website. All Vestel products are available for sale on this website, which offers an eye-catching, user friendly design.

Periodic campaigns and promotions are constantly held on the e-store. Shoppers visiting the Vestel e-store can take advantage of the special offers which can be followed at this site. Vestel also sells its products through vsoutlet.com.tr over the internet.

As of the end of 2015, the vestel.com.tr platform had 241,778 members while vsoutlet.com.tr platform had 9,632 members.

With the domestic sales organization of Vestel Group, Vestel Beyaz Eşya accesses to a broad customer base through 1,250 Vestel stores, 11 VsOutlet stores, e-store, vsoutlet.com.tr, technology retailers, supermarkets, household stores and e-commerce websites.



OFFERING A UNIQUE CUSTOMER EXPERIENCE IN SALES AND AFTER-SALES SERVICES

A big step was taken in the direction of providing faster after-sales services and resolution to customers with the Central Service organization.

Vestel's renewed retail concept

Within the framework of the new store concept, Vestel renewed the exterior frontage and the interior layout of the majority of its 1,250 dealers' stores. Vestel adheres to an integrated approach in everything from the window display layouts to in-store events at every point where it comes into contact with the consumers.

With the new arrangement, all products can describe themselves to customers through the POPs in the Vestel stores. Shoppers can learn all the details and features of a product and the advantages which separate that product from other products through the POPs in the store. Consumers are also permitted to test the products. This creates an appropriate environment that allows consumers to comfortably carry out comparisons in each product group.

Distinguishing itself with its after-sales services

Vestel Beyaz Eşya's after-sales activities are carried out by the Vestel Customer Services General Directorate ("Vestel Customer Services"). Vestel Customer Services promises a unique customer experience with the mission of providing reliable services that transform expectations into satisfaction and satisfaction into gratitude through the 334 authorized service centers, which provide services across the country, the Central Services positioned in 13 locations in 12 different cities, the call center and the technical and field units.

Vestel Customer Services General Directorate created a difference in after-sales services in the sector through its new organization and the new practices which it has initiated.

Investments carried out during this transformation process include the Central Services, training leaps, revisions to the spare parts unit and the warehouse, projects developed in the IT field and re-structuring of the call center.

The Call Center service was restructured within the Customer Services General Directorate at Vestel City in Manisa, which is the heart of Vestel's production activities. With the capacity

Vestel Service Academy team together with Yaşar University received the award for the "Successful Team of the Year" by KalDer with the Authorized Service Center Business Management Certificate Program in 2015.

to respond to 400 calls at the same time, Vestel Call Center is comprised of two units: a Communications Center that initially answers the calls and a Solution Center that monitors the resolution process. Specialist customer representatives working on a 24/7 basis strive to offer solutions in the first call. Calls from social media, the internet, the website and all other defined channels as well as by phone are all monitored. The Call Center aims to resolve the customer problems primarily on the phone by providing customers with the right information.

Vestel Customer Services established the Central Services to be a role model for the authorized service centers. Central Services, which were established for the coordination, training, inspection and rapid supply of spare parts to authorized service centers, operate in 13 locations in 12 different cities throughout the country.

A big step was taken in the direction of providing faster after-sales services and resolution to customers with the Central Service organization. In addition, the Central Services work in coordination with the central technical units in new product testing.

Within the framework of this organization, Vestel relocated its spare parts warehouse to its new location at Vestel City, thus increasing the inventory carrying capacity. This allowed Vestel to dispatch 97% of spare part demands within 24 hours.

Vestel Central Services in Turkey



An array of impressive pioneering projects commissioned by Vestel Customer Services in 2015

Mobile Assistant

Through the Mobile Assistant application, which the customers can download to their smartphones, they may request an after-sales service for their device, chat with the customer representative, track the service process and instantly access the technical details of products.

Live (CapCanlı) Support

The “Live (CapCanlı) Support” project was developed and introduced in 2015 in order to differentiate the after-sales support services. Live support is offered on the <http://www.capcanlidestek.com/> website where customers can access the Live Support team members through online messaging. In order to prove this live feature, real-time video recordings were made and presented for viewing on the internet.

Vestel Live Support team’s efforts produced positive results; phone requests from consumers declined and the use of the Live Support team increased by 30%, with the duration of online conversations decreasing by 18%.

The Company receiving the most gratitude according to Şikayetindex report

According to the Şikayetindex report, which measures the satisfaction level of customers who leave feedback on the www.sikayetvar.com website, Vestel was declared to be the brand receiving the most thanks from its customers, ranking

the first in five categories with its success in complaint management in both 2013 and 2014. The Sikayetvar.com website revised the assessment criteria in 2015. The new report, prepared as a “Customer Experience Index”, consists of two main categories, including brand perception change (satisfaction, loyalty and recommendations) and the customer sharing management (contact speed, complaint process, solution rate, satisfaction with the result and gratitude rate) as well as sub-categories.

According to the Customer Experience Index measurements, Vestel, by making a difference in after-sales services, once again ranked the 1st and maintained its leadership in the White Goods and Television categories in 2015. Vestel was also declared “The Company with the highest gratitude rate” in 2015 by the sikayetvar.com website independent of sector.

Long-Term Specialist Education Project

The Long-Term Specialist Education Project was launched under the roof of the Vestel Service Academy for the training of technicians who are in direct contact with the customers.

In 2015, a total of 320 technicians, including Home Type Air-Conditioners Systems in 4 Groups, Image and Sound Systems in 4 Groups, Washing Machines in 4 Groups, Coolers in 4 Groups and Cookers and Built-in Appliances as 1 Group, completed the Long-Term Specialist Training Program and went back to the field as “Specialist Technicians”. A total of 646 Specialist Technicians have been trained so far.

OFFERING A UNIQUE CUSTOMER EXPERIENCE IN SALES AND AFTER-SALES SERVICES

The Vestel Service Academy team received the “Successful Team of the Year-Public” Grand Prize with Yaşar University from KalDer in 2015.

Diplomas awarded to Vestel Authorized Service Centers from Yaşar University in the second term of the Certificate Program.

In line with the concept of “Perfect service”, an Authorized Service Center Business Management Certificate Program was developed in collaboration with Yaşar University, specifically for the authorized service center owners and managers. The Program produced its first graduates in April 2014 when 96 authorized service center owners received their diplomas after completing 80 hours of training. The second Certificate Program began in 2015 with the participation of 115 authorized service center owners, who graduated in May 2015.

The objectives of the certification program are to help authorized service centers to improve themselves in the area of efficient and profitable business management, to increase the quality of the service which they provide on behalf of Vestel, to ensure that they completely and properly fulfill their legal and regulatory obligations, and to maximize customer satisfaction.

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

The Vestel Service Academy team together with Yaşar University received the Grand Award for the “Successful Team of the Year” by KalDer with the Authorized Service Center Business Management Certificate Program in 2015.

The Certified Quality in Customer Services

The ISO 9001: 2008 Quality Management System Certificate was obtained in the first quarter of 2015 as part of the pursuit of quality launched by the Customer Services General Directorate.

Vestel Customer Services is currently working on projects to qualify for the ISO 10002:2006 Customer Satisfaction Management System Certification.



The campaign that features the “Proudly Local” theme was built on communicating the importance of home-grown production and demonstrating how the world’s latest technologies are produced at Vestel City, which is one of Europe’s mega factories.

Vestel's "Turkey is Vestelized" ("Türkiye Vestelleniyor") communications campaign achieved its targets in its first year and continued to achieve further success in 2015.



Corporate Brand and Communications Strategy

Launched by Vestel in 2014, the "Turkey is Vestelized" ("Türkiye Vestelleniyor") communications campaign achieved its targets in its first year and continued to achieve further success in 2015.

The basic elements of Vestel's new communications 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 for consumers 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, the solid power behind the Vestel brand.

The new communications 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 other global brands' and 'Vestel brings world class technology to Turkey at affordable prices'. With the "Vestelizing" concept, we aim to spread the purpose of Vestel's existence throughout Turkey. Turkey's "Vestelizing" stories will continue to be told through the innovative Vestel products over the course of the campaign.

"Turkey continues to be Vestelized through the pride of domestic production."

Vestel City is at the focal point of the communications campaign introduced in 2015 as a continuation of the Vestel's existing campaign. The campaign that features the "Proudly Local" theme was built on "communicating the importance of home-grown production and demonstrating how the world's latest technology is produced at Vestel City, which is one of Europe's mega factories".

To emphasize the mission of "being the pioneer of Turkey's digital revolution" adopted by Vestel, Vestel highlighted in its new ad campaign where and how the products which will be the pride of Turkey are produced by opening the doors of Vestel City, which is a giant industrial complex, where the world's latest technologies are developed for the whole world and which is seen as the epicenter of the digital revolution carried out by Vestel.

SUSTAINABILITY AND VESTEL BEYAZ EŞYA

By investing in quality human resources, Vestel Beyaz Eşya has been steadily strengthening its existing workforce and making a notable contribution to Turkey's employment.

In parallel with Vestel Group of Companies' ("Vestel") sustainability perspective, Vestel Beyaz Eşya's approach to sustainability has been shaped by the goal of a better future on the basis of the economy, people, the environment and social contributions.



Innovative, dynamic, team spirited human resources

Vestel is aware that it is not the giant factories or the state-of-the-art products manufactured that are behind its sustainable success, but rather it is the highly motivated and happy employees who have the skills to manage and utilize these in pursuit of a common goal. Accordingly, Vestel Beyaz Eşya is continuously reinforcing its workforce and contributing to the nation's employment by constantly investing in qualified human resources.

Vestel Group of Companies of which Vestel Beyaz Eşya is a part, formulates its change and development strategies based on the idea of "To be where the talent is". Vestel began the journey towards becoming a preferred employer with "The campuses are Vestelized" project in 2013 in order to "Vestelize" young talented individuals required by the Company. The Company initiated awareness efforts at universities and continued to spread its internal communication works in 2015. The starting point of this project was the creation of new ways outside the existing means in reaching qualified candidates and finding talented individuals before they graduate.

On the basis of the importance which Vestel attaches to the employment of new graduates and young talented individuals, university students were identified as potential candidates and intensive activities were carried out in university campuses to further enhance the perception of Vestel as an "Attractive Employer". These activities have included university career activities, engineering competitions, graduation projects, sponsorships, workshops and case studies that require close relationships with the university career centers and student clubs, and projects that support the collaboration between university and industry. As a result of these activities, Vestel won acclaim in a study of "Turkey's Best Employers". In 2014, Vestel was the only institution deemed worthy of receiving the "Most Admired Company" Award among the candidates in Kariyer.net with its human resources practices.

One of the most important goals of Vestel's Human Resources Policy is to become a company which talented individuals target working for and to ensure their loyalty to the Company by providing them a suitable career path. In line with this goal, projects are being developed aimed not only at reaching such individuals, but also at retaining them and ensuring their loyalty to the Company.



In line with this goal, Vestel Beyaz Eşya:

- Pays attention to the needs of its personnel in order for them to achieve successful business results,
- Upholds justice and equal opportunities among personnel by balancing their expectations with those of the Company,
- Ensures the development of its personnel by continuously providing training programs,
- Keeps track of and evaluates the performance of its personnel and encourages and rewards achievement,
- Performs career planning with vertical and horizontal promotions and maintaining long term cooperation with employees,
- Conducts internal duty backups on a periodic basis in order to ensure sustainability,
- Primarily utilizes in-house human resources to meet its needs,
- Monitors, evaluates and implements new developments in human resources management.

The Human Resources are represented at the Executive Committee level in the Company in order to set the basis for the Human Resources Policy and to implement it effectively.

Continuity in Training activities

At Vestel Beyaz Eşya, each employee is recognized as an asset, and a steady training model is adopted to improve the existing talents of the employees and facilitate their adaptation to innovation and change. In this context, qualified and sustainable training activities are carried out in order to sustain the human resources who contemplate, explore, question and who are creative, entrepreneurial and productive. In line with this, in 2015, the Company held technical training programs such as ISO 9001, ISO 27001, project management, in addition to soft skills training such as team work, innovation, presentation techniques and leadership skills. Technology Academy trainings continued in the electrical, electronics, computer, industrial and mechanical engineering fields and trainings were also carried out to raise the awareness of personnel in the areas of occupational health and safety and environment.

At Vestel Beyaz Eşya, each employee is recognized as an asset, and a consistent training model is adopted to improve the employees' existing talents and facilitate their adaptation to innovation and change.

Vestel's human resources processes are awarded.

Vestel invests in qualified human resources and contributes to country's employment by continuously strengthening its workforce. The methods applied by the Company in the formation of its human resources, which Vestel 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 from different organizations in 2015.

"Respect for Human" Award by Kariyer.net

Vestel won the "Respect for Human" Award from Kariyer.net with hundred percent response rate to all the job applicants in recognition of the value it attaches to people.

"The Company which received the most job applications in Anatolia" Award by Kariyer.net

Vestel won this award as the Company to have received the highest number of applications for its job postings.

Brandon Hall Competition Award

Vestel's training activities were deemed worthy of silver prize in the "Best Learning Team" category with "V for VESTEL, WE for learning" project in the Brandon Hall Awards, which is considered to be one of the most prestigious prizes at international level in the field of education.

Vestel Technology Academy

Lifelong learning opportunity is provided at Vestel Technology Academy which was developed via collaboration between Vestel Group of Companies and Özyeğin University. The Program is aimed at enhancing the technical knowledge and experience of Vestel's engineers in their fields.

SUSTAINABILITY AND VESTEL BEYAZ EŞYA

The Program:

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

A total of 283 Vestel employees attended the training programs offered by the Vestel Technology Academy in 2015, of which 213 are employed at Vestel Beyaz Eşya.

Vestel Management Academy

In addition to the technical training programs, the Company carries out Master of Business Administration Program without a thesis in Management Academy in collaboration with Özyeğin University. The Program is also designed to support the education of non-engineering personnel. 34 Vestel employees are currently enrolled in this Program.

Vestel Management Trainee Program

Vestel launched its sixth Vestel Management Trainee ("MT") Program which is carried out with the academic support of Özyeğin University in order to cultivate young talented

university graduates as potential managers of the future.

A total of 24 candidates, who successfully completed all phases of the MT Program, joined Vestel in 2015. Two of these candidates will take up duty in other Zorlu Group companies.

Within the scope of the MT Program, the young talented individuals who join Vestel, after going through a number of phases, receive four months of theoretical training starting from their first day at work and two months of internship at Vestel companies before assuming their duties.

The Program aims to ensure that the young management candidates who join the Vestel family comprehend both Vestel and the sector thoroughly, develop new projects by employing what they had learned in the Program and create value for the Company.

Vestel Supply Chain Academy

The Supply Chain Academy was established for the Vestel Supply Chain Group in 2015. Both technical and personal development training were provided to employees with the aim of increasing their competence in this field.

Vestel Retail Academy

The foundation of Vestel Retail Academy Project, which is intended for the training of the personnel in domestic sales

Vestel Beyaz Eşya's Basic HR Indicators - Based on the end of 2015 Data

Personnel	Number	%
Total	5,793	
Female	1,525	26
Male	4,268	74
Average Seniority	4 years	
Breakdown of Senior Management Based on Gender	Female	Male
General Manager	-	2
Assistant General Manager	-	7
Mid Level Management	6	42
Breakdown of Personnel Based on Education Level	Female	Male
PhD	1	-
Master's degree	19	41
University graduate	123	434
Vocational high school graduate	143	350
High school graduate	1,239	3,443
Total	1,525	4,268

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)
57	5,736	2,513	20,564	44	3.6

90% of Vestel Beyaz Eşya's product range consists of environmentally friendly products. Vestel Beyaz Eşya reduced its energy consumption by 80% and water consumption by 45% compared to its levels 5 years ago.

channels, was laid out in cooperation with the Sabancı University. The aim of this project is to train all personnel who are involved in the sales and marketing channels, primarily dealers and stores, throughout the country.

Occupational Health and Safety: Another definition of respect for people

Vestel, which demonstrates sensitivity regarding occupational health and safety towards ensuring a safe and healthy work environment, attaches importance to the assessment and management of the potential impact of risks in the workplace on personnel, subcontractors, visitors, solution partners and other personnel in the workplace 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 consist 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 course of the operations and to create a healthier work environment by conducting up-to-date risk analyses based on the policy of "preventing before it happens",
- To establish occupational health and safety together with the personnel, by asking for their feedback through continual training and the platforms in which the personnel 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 risk and accidents affecting health and safety during the operations,

- To eliminate or minimize unsafe situations or acts in the workplace by conducting risk analyses and implementing preventive plans based on the principle of "The right work for the right employee".

Vestel Beyaz Eşya is also a leading institution in its environmental practices.

Vestel Beyaz Eşya adopted an organizational culture which complies with the philosophy of Total Quality Management. The Company together with its employees 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.

In this respect, Vestel Beyaz Eşya's fundamental targets are as follows:

- To continuously improve its energy performance by employing energy efficient and eco-friendly technologies,
- To continuously improve its energy performance by benchmarking it 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 which require improvement in energy efficiency,
- To raise awareness of energy efficiency through training, seminars and informative posters in order to ensure that all employees play a role in the reduction of energy consumption,
- To modify equipment and processes in order to optimize energy consumption,
- To support creative ideas for using and improving new technology.

SUSTAINABILITY AND VESTEL BEYAZ EŞYA



Maximum energy efficiency in all products

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

Continuously revising its energy efficiency targets, Vestel Beyaz Eşya shifted its entire product range towards A+ and above rated energy efficient appliances. Vestel Beyaz Eşya strives to develop highly energy efficient and environmentally friendly products which have a minimum impact on the environment by continuously carrying out R&D and innovation studies. Vestel Beyaz Eşya currently allocates half of its R&D budget to the development of environmentally friendly products as well as provides additional funding to such projects, which are commenced without delay.

90% of Vestel Beyaz Eşya's product range consists of environmental friendly products. Vestel Beyaz Eşya reduced its energy consumption by 80% and water consumption by 45% compared to its levels 5 years ago.

- Vestel Pyrojet washing machine, which consumes 70% less energy than machines with an 8 kg capacity and 60% less energy and 22% less water than machines with a 9 kg capacity in the A+++ energy class, is now the world record holder for energy efficiency.
- Vestel Ekomaks dishwasher consumes 20% less energy than an A+++ energy class dishwasher.
- Pyrojet and Ekomaks received VDE approval from the German Association for Electrical, Electronic and Information Technologies by virtue of their energy efficiency.
- The Eco Time mode embedded in Vestel Beyaz Eşya's new generation washing machines allow the machines to work at off-peak hours at lower electricity tariffs by setting the program's start time.
- Vestel Beyaz Eşya's 100% domestically produced first induction cookers consume 40% less energy than electric cookers and 55% less energy than gas cookers.
- Vestel Puzzle fridge enables energy efficiency through its lights that automatically turn themselves off in a motionless environment with the Motion Sensored Smart Light Technology and also its sections that can be closed when not used.

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

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

Environmentally friendly practices in the production process

Vestel Beyaz Eşya carries out its operations within the framework of the "TS-EN-ISO 14001 / Environmental Management System Certificate" and the "ISO 50001 / Energy Management System Certificate".

In accordance with the Environmental Policy which it has adopted, Vestel Beyaz Eşya is committed to carrying out activities in the following areas, and allocating sufficient and pertinent resources in this direction:

- Ensuring continuous development in the field of environment, prevention of pollution, compliance with the existing legislation and administrative regulations relating to the environment,
- Consideration of the environmental factors in the evaluation of operations and new product developments, reducing the use of hazardous substances in the product design and production processes and searching for less pollutant materials in accordance with the relevant European Union Directives (RoHS, Reach etc.) and the domestic legislation, and consequently, restricting the use of the six heavy metals in its products namely, lead, mercury, cadmium, chromium+6, PBB, PBDE, which present a threat to life and the environment,
- Conducting activities aimed at the reduction, reuse, recycling and recovery of waste,
- Ensuring savings of energy, water and natural resources by promoting higher productivity and use of new technology,
- Using recyclable packaging material where appropriate,
- Organizing events to promote environmental awareness.



Vestel Beyaz Eşya manufactures all of its products in accordance with the Restriction of Hazardous Substances Directive (RoHS) that restricts the use of six heavy metals that pose a threat to life and the environment.

Vestel Beyaz Eşya has not used solder, which contains lead, in any of the electronic card and electrical components of its products since many years. The Company also ensures the use of ozone friendly gases in its refrigerators.

In addition, in the procurement of its raw materials, Vestel Beyaz Eşya also seeks to reduce packaging waste and to minimize the environmental impact of packaging by both making more intelligent use of it and by adhering to the principle of reusing plastic wrapping and separators.

Vestel Beyaz Eşya has been successfully implementing the Total Productive Maintenance (TPM) Management System since 2011, thus ensuring its sustainability. TPM is a maintenance system, which 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 trouble-shooting, and maximizes the equipment efficiency.

The Company's environmental gains from the TPM system approach can be listed as follows:

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



Vestel Beyaz Eşya was granted the "TPM Excellence Award" by the Japan Institute of Plant Maintenance (JIPM) in recognition of its Total Productive Maintenance practices carried out simultaneously at its refrigerator, washing machine, dishwasher, air conditioner and oven plants. As the first company in the world to win this award with its 5 facilities at the same time in the white goods sector, Vestel Beyaz Eşya notched up a worldwide success.

Vestel Beyaz Eşya's social responsibility projects

Viewing its duty to act with an awareness of social responsibility in all of its activities as one of the central and unchangeable elements of its management approach, Vestel Beyaz Eşya develops and carries out social projects which benefit the society.

Many projects are carried out within Vestel, where sensitivity is shown to disabled citizens at every opportunity. These projects are summarized in brief below:

- We employed four disabled young people, including two with Down syndrome and two with mental disabilities through the "I'm part of life" project which was developed to help them be "part of life" by offering them job opportunities at Vestel and including them in work life.
- Vestel employees have demonstrated their sensitivity not only in the form of employment, but also at every point where they can support the lives of people with disabilities. Under the leadership of the Vestel Air Conditioner Production Directorate, wheelchairs were distributed to eight disabled individuals on the World Disability Day on 8 December 2015.
- During the last one year, 63 disabled people were employed at Vestel Beyaz Eşya, thus taking the total number of employees with disabilities working at the Company to 118.

FINANCIAL INFORMATION AND REPORTS



RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

Risk Management

Zorlu Holding's Enterprise Risk Management Department is responsible for the early detection of risks which could jeopardize Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's ("Company") existence, development and continuity, implementation of the necessary measures against such risks and management of risks in a centralized manner. Zorlu Holding Risk Policy and Procedure and Enterprise Risk Management Framework, which are applicable to all the Zorlu Group companies, form the basis for the Group's risk management activities.

Zorlu Holding Enterprise Risk Management Policy is summarized below:

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

Vestel Beyaz Eşya's Early Detection of Risk Committee, which was established on 15 March 2013, undertakes studies for the early detection of risk factors which could jeopardize the existence, development and continuity of the Company, implementation of the necessary actions and remedies, and managing the risks in a coordinated manner for the purpose of achieving compliance with the Article 378 of the Turkish Commercial Code no. 6102. During 2015, Enterprise Risk Management Department submitted 6 risk reports to the Early Detection of Risk Committee to enable the Committee to effectively supervise the enterprise risk management processes, and these reports were presented to the Board of Directors following the Committee's reviews.

The Company's vision is defined as creating sustainable value for all the parties involved by securing operational effectiveness, growth and regulatory compliance. Below is the summary of the four existing and potential risk categories which may have an impact on the attainment of the Company's goals towards its vision, and the actions taken in relation thereto.

Strategic Risks

Strategic risks mean the inadequacy of the Company's strategies and inability to remain competitive and achieve targets due to failure to accurately identify the external factors, the employment of an outdated business model, incorrect composition of the business portfolio, inefficient organizational structure, inconsistency of performance measures with the business strategies and insufficient resource allocation.

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:

- Conducting of coordinated feasibility studies, benefit and cost analysis and budgeting studies by the relevant departments in relation to new investment decisions,
- Evaluation of the 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,
- Monitoring of the return on investments,
- Using dealers, distributors, online sales and similar distribution channels actively and considering each one as a business model,
- Entering new business lines by making use of strategic partnerships in public and private sectors,
- Determining innovative strategies with respect to sales and marketing.

Financial Risks

Financial risks refer to the Company's inadequate finances, the emergence of currency, interest rate, credit risks and other uncertainties and fluctuations in financial markets, which may have a 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, energy and commodity prices, stock prices, liquidity, cash flow management and receivable collection.

The following actions are taken in relation to these risks:

- Use of alternative financing methods,
- Asset and liability management,
- Making use of various derivatives for hedging purposes, when necessary,
- Paying attention to not take on a financing burden which cannot be covered with the highly liquid assets as per the Company's philosophy,
- Following up the budget targets with the actual results on a monthly basis and making revisions as necessary,
- Following up the profit target with the realizations on a monthly basis and making revisions as necessary,
- Insuring receivables and obtaining various guarantees.

Operational Risks

Operational risks refer to the inability of the Company's business model to secure and sustain operational efficiency over the course of its operations towards 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 decision making with respect to operational processes such as supply, capacity, business interruption, customer satisfaction, human resources, environmental health and safety, information capital, authorization, information processing and technology, contractual obligations and pricing and risks related to financial reporting processes and budgeting and fraud risks.

RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

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 Enterprise Risk Management Department of the operational risks deemed significant via key risk indicators through the IT system, and informing the related business units on risk levels, when necessary,
- Measuring, reporting, and monitoring of customer satisfaction in relation to products and service network,
- Regularly providing compulsory training programs on occupational health and safety to all Zorlu Holding employees in accordance with the related regulations,
- Centralized follow-up on the recommendations proposed by the insurers to Group companies subsequent to risk inspections,
- Monitoring and keeping records of repair and maintenance of plant and machinery,
- Following-up the policies and procedures for compliance with the 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 the presence of external factors that may affect the continuity of the Company's business model and the core values that drive the overall targets and strategies.

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, sector 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 monitoring business continuity and emergency action plans,
- Determining a broad insurance coverage across the Company, taking into consideration the 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 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 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 / Cargo
9. Fidelity Guarantee
10. Personal Accident

INTERNAL AUDIT DEPARTMENT AND ITS ACTIVITIES

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 legal requirements and audit programs approved by the senior management. 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, the Audit Committees and the Sector Heads. In addition to the Internal Audit Department, Financial Audit and Taxation Department was established in 2011 in order to perform financial audits across all the Group companies and commenced 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. The said documents were revised on 1 April 2014 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, audits are conducted in the areas of efficient and productive use of resources, compliance with the applicable laws, regulations, in-house policies and rules and the accuracy, reliability and security of information. Whenever deemed necessary, prior to each audit, the Department meets with the senior management to make risk assessments, and position the companies' targets and risks that could jeopardize these targets in the risk matrix according to their effects and probabilities. During the audit field work, tests are carried out to evaluate the effectiveness of internal controls which monitor 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).

Audit Committee meetings are organized by the Audit Committee during the year. The Board of Directors is also invited to some of these meetings. In the meetings, information is provided on the planned or completed audits and the findings of the audit reports which were shared with the Board of Directors during the period.

Zorlu Group supports and promotes Zorlu Group Internal Audit Team, which consists of 13 people, in the areas of receiving 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), and 6 CRMA (Certification in Risk Management Assurance).

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The Corporate Governance studies were initiated at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ("Vestel Beyaz Eşya" or "Company") in 2005. Within the scope of these efforts, in the first stage, a series of amendments were made in 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 in the Corporate Governance Principles while radical changes were made to the management structure in pursuit of "better governance". The Corporate Governance practices were continued with the establishment of the Corporate Governance mechanisms within the Company. While the Board of Directors was vested with greater objectivity with the addition of independent members, committees were set up under the Board with the aim of further enhancing the effectiveness of corporate governance. In addition, the Company's Disclosure Policy was put into writing and submitted to the information of shareholders at the General Assembly Meeting. In line with the Corporate Governance Principles, an Investor Relations website was prepared to submit the maximum amount of information to the public in a timely, simultaneous, accurate and complete manner.

Vestel Beyaz Eşya carries out all its activities in compliance with the applicable regulations and the Capital Markets Board's (CMB) "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. As briefly summarized below, the Company took the following actions in order to further improve its compliance with the Corporate Governance Principles in 2015.

- The Company's "Code of Ethics" has been amended within the framework of the Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance, and has been made available for the information of shareholders via the Company website.
- The Company's "Disclosure Policy" has been amended in accordance with the changes made in the CMB regulations, and has been presented to 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 and Article 5 of the Communiqué Serial: IV-41 on the "Principles to be Adhered to by Joint Stock Companies Subject to the Capital Market Law", the conclusion section of the report on the 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 no. 6362, the upper limit for the donations to be made in 2015, as proposed by the Board, was submitted to the approval of shareholders at the General Assembly Meeting and was approved by the General Assembly.

In the implementation of Corporate Governance Principles, certain principles which do not conform to the Company's structure and which are regarded as potential obstacles to operations are 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 the minority rights:** Since the existing provisions in the Turkish Commercial Code on the appointment of a special auditor and minority rights are considered to be adequate, these rights are not separately stipulated in the Company's Articles of Association.
- Due to the number of the members of the Board of Directors and the committee formation requirements, some Board members serve on more than one committee.
- Pursuant to the Article 4.6.5 of Corporate Governance Principles, remuneration and benefits provided to Board members and executive managers are publicly disclosed in the Company's annual report. However, such disclosure is not made on an individual basis.
- Currently, Mrs. Şule Cümbüş is the only female member on the Company's Board of Directors and increasing the ratio of female Directors to the level set forth in the Article 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 to cover the losses which the Company may suffer due to the wrongful acts of the members of the Board of Directors in the execution of their duties; however, the total annual liability limit 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 among the stakeholders to this date.

In the implementation of the Corporate Governance Principles, the Company's Board of Directors, senior management and the employees supported the activities and participated in the efforts. With this widespread support, Vestel Beyaz Eşya was able to establish a responsible, accountable, transparent and equitable management approach towards its shareholders.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART II - SHAREHOLDERS

2.1. Investor Relations Department

The Investor Relations Department is responsible for managing and maintaining the relations with the existing and potential shareholders, protecting and facilitating the use of the shareholder rights, including first and foremost, the rights to obtain information and examination, raising 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, the Company's Executive Committee Member in charge of Finance.

The Investor Relations Department presents a report on its activities to the Board of Directors at least once a year. The Department submitted its report on its 2015 activities to the Board on January 8, 2016.

The individuals in charge of the investor relations are as follows:

Name	Duty	License
Gökçe Serim	Investor Relations Manager and Member of Corporate Governance Committee	Capital Market Activities Advanced Level License (No: 206912) Corporate Governance Rating Specialist License (No: 701349)
Emine Özcan	Investor Relations Department Member	-

Information relating to individuals working in the Investor Relations Department was announced on the Public Disclosure Platform (in Turkish: KAP) on December 29, 2014.

The Investor Relations Department performed the following activities during 2015:

- Ensured that the records of correspondences between the Company and the investors, and of other information and documents are kept in a proper, secure and up-to-date manner; coordinated the transactions related with Merkezi Kayıt Kuruluşu AŞ (Central Registry Agency) jointly with the Legal Affairs Department,
- Responded to the 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 via face-to-face meetings or using various other 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 the 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 at the General Assembly Meeting, and posted all kinds of updated information and disclosure that might affect the execution of the shareholders' rights on the Company's website,
- Maintained the Company website up-to-date, thereby enabling shareholders to access continuous and timely information about the Company,
- Made a total of 59 material event disclosures within the scope of public disclosure as per the CMB regulations. All of the material event disclosures were published simultaneously on the Company website,
- Monitored and supervised the fulfillment of the obligations arising from the capital market legislation, including all aspects of the corporate governance and material event disclosure, coordinated the communication with the public, as well as the public disclosures required by the legislation; held informative meetings with the domestic and foreign investors and analysts about the Company's operations, financial performance and other developments during the reporting period; and participated in the conferences and roadshows organized by the brokerage houses.

2.2. Exercise of Shareholders' Rights to Obtain Information

- The Company's Articles of Association does not contain any provisions, which eliminate or restrict the shareholders' rights to obtain information and examination, which are recognized by the legislation.
- The Company received various information requests from the shareholders during 2015. In accordance with the Company's Disclosure Policy, these requests were responded to in a coherent, clear, and detailed manner, and all the inquiries, except those related to trade secrets, were replied to the satisfaction of shareholders. These queries were responded to via phone, e-mail or postal mail, in writing or verbally, further to the demands of the shareholders.
- During 2015, developments that might have an impact on the use of the shareholders' rights were disclosed to the public through the material event disclosures made on the Public Disclosure Platform (PDP) and via the Company website.
- To facilitate the exercise of the shareholders' rights to obtain information and examination, the Investor Relations website was redesigned and its content was enriched in 2011, and thereby, it was ensured that both domestic and international investors have an easy access to the highest amount of information within the shortest period of time in an accurate, quick, simultaneous, complete and comprehensive manner. All the information required in the CMB's Corporate Governance Principles is included on the Company website. Updating and monitoring of the website are the responsibility of the Investor Relations Department.
- The Company's Articles of Association does not contain any clauses that prohibit special audit. Since this right is already granted to each shareholder at joint stock companies by the Article 438 of the Turkish Commercial Code, it was not deemed necessary to further stipulate it in the Articles of Association. The Company received no requests for the appointment of a special auditor during the reporting period.

2.3. General Assembly Meetings

- The Company's General Assembly meetings are held in compliance with the principles listed under the "General Assembly" heading of the Corporate Governance Principles.
- General Assembly meetings are held in a way not causing any inequality between the shareholders and enabling them to participate in the least costly manner as possible, in order to increase the participation of shareholders.
- Vestel Beyaz Eşya held its Ordinary General Assembly Meeting for the year 2014 on April 27, 2015 at 13:30 at the address of Levazım Mahallesi, Kuru Sokak No: 2, Zorlu Center, Meydan Fuaye Alanı, 34340 Beşiktaş, İstanbul.
- Invitation for the meeting 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. 8792 and dated April 2, 2015 and in Dünya and Milliyet newspapers both dated April 2, 2015, and also by being posted on the Public Disclosure Platform, E-General Assembly System of Merkezi Kayıt Kuruluşu AŞ and the Company's website at "<http://vesbe.vestelyatirimciiliskileri.com>", by announcing the date and the 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 and documents concerning the Ordinary General Assembly Meeting, including the meeting invitation and the General Assembly Information Document, were posted on the Company's website. With the General Assembly Information Document prepared in accordance with the Corporate Governance Principle no. 1.3.1, access was given to all the necessary information about the General Assembly Meeting as well as to the information and announcements required by the regulations, and the relevant documents were also made available in hard copy for the examination of shareholders at the Company's headquarters. A sample power of attorney form was also made available for the use of shareholders on the Company's website.
- Out of the total 190,000,000 shares corresponding to the Company's total share capital of TL 190,000,000.00, 156 shares corresponding to TL 156.00 in capital were represented in person and 184,393,047 shares corresponding to TL 184,393,047.00 in capital were represented by proxy at the General Assembly Meeting. The meeting quorum achieved in the General Assembly was 97.05%.
- The agenda of the meeting was prepared in such a way that, each proposal was given under a separate heading and the headings were expressed clearly and in a way that will not lead to different interpretations. The care was shown for the agenda not to include phrases such as "other" and "various" and the information to be provided prior to the General Assembly Meeting was given with a reference to the related agenda items.
- Prior to the Ordinary General Assembly Meeting, the shareholders, Capital Markets Board and/or other relevant public agencies and institutions did not request to add any items to the 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 Ordinary General Assembly through an electronic medium.
- The Company's Articles of Association contains no provisions for 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 2014 Ordinary General Assembly Meeting while there was no attendance either from the other stakeholders or the media.

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- It was ensured that the Board members who were related to the significant agenda items of the General Assembly, other related persons and officers who had responsibility in the preparation of the financial statements as well as the auditors were present at the General Assembly Meeting so that they could provide the necessary information and answer the questions about the important subjects on the agenda.
- Shareholders were allowed to express their opinions and pose questions under equal conditions at the Ordinary General Assembly Meeting. The shareholders did not ask any questions irrelevant to the agenda or so detailed that they could not be answered immediately, during the Ordinary General Assembly Meeting.
- At the General Assembly Meeting, shareholders were informed under a separate agenda item about the total donations amounting to TL 2,284,013.07 made during the year 2014 to Mehmet Zorlu Foundation and various educational institutions.
- The upper limit for the donations to be made in 2015 pursuant to the Article 19 of the Capital Market Law numbered 6362 was submitted to the approval of the General Assembly.
- In 2014, there has not been any transaction which required the approval of the majority of the independent Board members for the Board of Directors to take a decision and where the decision was left to be resolved by the General Assembly.
- During the year, the controlling shareholders, Board members, executives with administrative responsibilities and their spouses and relatives by blood or marriage up to second degree did not conduct any material transaction which may lead to a conflict of interest with the Company or its subsidiaries and/or did not carry out a commercial business transaction which is in the same field of activity with the Company or its subsidiaries on behalf of themselves or for a third party or did not become an unlimited shareholder in another company which operates in the same field of activity with the Company or its subsidiaries. There were also no transactions conducted by individuals who have access to the Company information in a privileged way, on their behalf within the scope of the Company's field of activity.
- The minutes of the General Assembly Meeting and the list of attendees were disclosed to the public via the Public Disclosure Platform on the same day with the General Assembly Meeting. They are also made available for the examination of shareholders at the Company's headquarters. All the announcements, documents, and other materials related to the General Assembly Meetings are accessible to the shareholders and all other stakeholders on the Company website.

2.4. Voting Rights and Minority Rights

- At Vestel Beyaz Eşya, the practices that impede the exercise of the right to vote are avoided and each shareholder, including the international shareholders, is given the opportunity to exercise his/her voting right in the easiest and most convenient way. In this context, according to the Article 16 of the Articles of Association titled the Ordinary and Extraordinary General Assembly and Quorum, shareholders who are entitled to attend the Company's General Assembly Meetings are given the right to participate in these meetings via the electronic media as per the Article 1527 of the Turkish Commercial Code.
- All Vestel Beyaz Eşya shares are entitled to the same rights. There is no privilege concerning the voting right and this is stipulated in the Company's Articles of Association.
- 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.
- The Company's Articles of Association does not contain any specific arrangements for the shareholders representing less than one twentieth of the Company's paid-in capital, apart from the rights given by the law. However, two independent members serve on the Board of Directors to represent the interests of all shareholders and stakeholders, particularly those of the minority shareholders.

2.5. Dividend Right

- There is no privilege granted to shareholders regarding the distribution of dividends. Each share is entitled to an equal dividend.
- The Company's Dividend Distribution Policy, which has been put in place by the Board of Directors' resolution no. 2007/8 and dated 19 March 2007, has been amended in line with the CMB's Communiqué on Dividends no. II-19.1. The Policy was submitted to 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 Company 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 domestic and global economic conditions, and the Company's growth and investment plans and financial position.
- At the Ordinary General Assembly Meeting for the year 2014, Board of Director's proposal for dividend distribution, dated 01.04.2015 and numbered 2015/07, was accepted and the decision was taken to start the dividend payments on 04.05.2015.

2.6. Transfer of Shares

- The Company's Articles of Association does not contain any provisions restricting the transfer of shares.

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and its Content

- Vestel Beyaz Eşya's website was developed 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.
- Company's web address is <http://vesbe.vestelinvestorrelations.com/>. Furthermore, pursuant to the "Regulation on Websites to be Launched by Joint Stock Companies" and the 1st 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 Central Registry Agency ("CRA") and the announcements that are required to be made by the Company by law can be accessed through the e-Company Information Portal of the CRA.
- The Company's website contains the required information and documents stipulated in the CMB's Corporate Governance Principles and 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 and interim reports are prepared in accordance with 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, the 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

- The stakeholders of the Company can be classified as employees, suppliers, customers, financial institutions and the public.
- The Company protects the rights of the stakeholders, which are set by the legislation and mutual agreements in its transactions and operations. In cases, where these rights are not protected by law and mutual agreements, utmost care is given to protect the stakeholders' rights in good faith and within the Company means.
- Stakeholders are regularly informed about the matters related to them in accordance with the Company's Public Disclosure Policy. Employees are informed via e-mails and the corporate portal. Also, periodic inter-departmental meetings as well as periodic meetings are held for the employees.
- The Company's domestic and international sales are carried out by Vestel Ticaret AŞ ("Vestel Ticaret"), which is the sales and marketing arm of the Vestel Group of Companies. Vestel Beyaz Eşya pays regular visits to customers together with Vestel Ticaret. Thanks to these one-on-one meetings, customer satisfaction can be directly observed and complaints can be addressed on site. Improvement activities are carried out when necessary or in line with the customer complaints received either directly by Vestel Beyaz Eşya or through Vestel Ticaret. Apart from these, periodic meetings are held with Vestel Ticaret to discuss the actions taken to meet the customer expectations and to maximize the level of quality. At certain intervals, customer satisfaction surveys are conducted.
- The stakeholders can report Company's transactions violating legislation or not compliant with the ethical rules to the Corporate Governance Committee, Audit Committee or the Investor Relations Department by accessing them via phone and/or e-mail.

4.2. Stakeholders' Participation in Management

- Models supporting the participation of stakeholders, primarily of the employees, in company management are developed in a manner not to hinder the activities of the Corporation. Besides, 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.
- The Executive Committee Member responsible for Human Resources represents the employees, one of the Company's largest stakeholder groups, on the Executive Committee.

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- Employees may convey their proposals that will add value to the Company and their complaints, if any, to the Human Resources Department through the “Vestel Suggestion and Improvement System” located on the Company’s corporate portal. Moreover, the employees can share their quality, cost and efficiency improving suggestions regarding the daily production processes and their creative ideas with the management within the scope of the Total Productive Maintenance and Kaizen-Continuous Improvement activities, in which the participation of all employees is ensured, by using the kiosks located in different parts of the factories, via the web, through the “Suggestion and Appreciation Recognition System” located on the corporate portal or via the suggestion forms left in the suggestion boxes or in the autonomous maintenance boxes. The employee suggestions which are deemed to be suitable are transformed into projects in line with the Company’s goals and strategies and improvements are achieved in all processes with teamwork.
- In making important decisions with regard to stakeholders, senior executives representing stakeholders are invited to the Board and Executive Committee meetings to express their opinions. Moreover, attention is paid to ensure that employees participate in the Board 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 carried out by the Vestel Human Resources Department, which reports to the Zorlu Holding Human Resources Group. The Department includes a Human Resources and Training Unit and an Industrial Relations Unit. Transactions related to the administrative affairs, career development and recruitment are carried out under the direct supervision of the Human Resources Director. Zorlu Holding Human Resources Group Head is also a member in the Executive Committee of the Vestel Group of Companies. Thus, provision of information on employee related issues to the management on a regular basis is ensured.
- The Company’s Human Resources Policy is set forth in writing and covers all the 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 about their job descriptions and division of tasks, as well as the 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 Promotion Regulation, respectively.
 - Vestel Group has in place a performance evaluation system which is based on individual performance, but is also linked to departmental and company-wide results, and 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 an 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 system and a remuneration system has been established, which is updated in line with the prevailing conditions.
 - Comprehensive training programs are held for the employees. While the training process is centrally handled for all the Vestel Group of 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 plans and needs.
 - 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 planned and implemented on a yearly basis in order to cultivate qualified managers.
 - Two separate career development structures have been set up: promotion and horizontal advancement. The system is run at 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 the employees related to discrimination.

4.4. Code of Ethics and Social Responsibility

- Vestel Beyaz Eşya's Code of Ethics has been set forth in writing and published on the Company website within the frame of the Public Disclosure Policy. The employees were informed about the Company's Code of Ethics. 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 takes part in the corporate social responsibility projects carried out by its parent company, Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Holding AŞ. Zorlu Group, of which Vestel Beyaz Eşya is a part, took a major step in bringing a global social responsibility dimension to the principles and values espoused since its foundation, by signing the United Nations Global Compact in 2007.
- Vestel Beyaz Eşya fulfills its obligations as a responsible corporate citizen by reducing the environmental impact of its activities, and by manufacturing products which are compatible with the environment. The Company has been manufacturing all its products in compliance with the RoHS (Restriction of the use of certain Hazardous Substances) Directive since June 2006. Accordingly, the Company restricted the use of six heavy metals (lead, mercury, cadmium, chromium+6, PBB, PBDE), which are hazardous to the environment and human life in its products. To ensure that the Turkish people live in a healthier environment, Vestel Beyaz Eşya bore the costs resulting from the compliance and started supplying products to the domestic market that conform to the RoHS Directive even before the regulation went into effect in Turkey.
- 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 related to its products. Vestel Beyaz Eşya is carrying out the necessary preparations with a view to adhering to the WEEE Directive in the most effective manner in coordination with the related governmental bodies.
- In accordance with its global environmental responsibility, Vestel Beyaz Eşya made it a principle ever since its foundation to 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 refrigerators and air conditioners.
- With its environmental policy, Vestel Beyaz Eşya 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 its products and production processes, and search for less polluting materials,
 - Undertake activities for the reduction, reuse, recycling and recovery of waste,
 - Ensure savings of energy, water and natural resources by promoting higher productivity and use of new technology,
 - Use recycled packaging material wherever 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 for preventing direct consumption of natural resources, ISO 50001 Energy Management System activities were integrated into the ISO 14001 Management System.
- In addition, in order to use the natural resources and electricity efficiently, priority is given to the manufacture of A++ and A+++ energy class products at Vestel Beyaz Eşya and research and development activities mainly focus on the development of products which consume less electricity, water, detergent, and gas.

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- Under its ISO 50001 Energy Management System, which was certified in 2012, Vestel Beyaz Eşya is committed to:
 - The use of energy efficient and environmentally friendly technologies to continuously improve its energy performance and to ensure economic and environmental sustainability,
 - Benchmark the Company's energy performance with the best practices in the world and with those of its peers for continuous improvement and development,
 - To use renewable energy resources,
 - To cultivate a culture of participation and innovation among stakeholders for continuous improvement in energy saving,
 - To ensure full compliance with the legal requirements,
 - To identify energy efficiency improvement areas by regularly conducting internal and external energy efficiency studies,
 - To ensure the participation of all employees in achieving the Company's energy consumption targets,
 - To raise energy efficiency awareness via training, seminars and visual posters,
 - To support creative ideas for the modification, replacement and improvement of equipment and processes in order to optimize energy consumption.
- Within the scope of the Company's Integrated Management Systems:
 - Policy activities for raising environmental awareness include:
 - Training employees on the subjects of environment and energy. In 2015, 2,809 employees received training in these areas.
 - Distributing booklets on environment and energy to employees.
 - Placing environmental awareness leaflets on the panels and behind the bathroom doors which can be seen by the employees. The leaflets are changed on a bi-monthly basis.
 - Within the scope of social responsibility and waste management, 11 battery-operated and 15 manual wheelchairs were bought for the relatives of the Company's 26 employees with the plastic lid collection campaign carried out within the Company in 2015.
 - 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 views climate change as a significant risk for the world's future and sustainability of the Company, and undertakes 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 ("CDP"), which has been initiated to encourage companies, investors and governments to gather and share information to help the fight against the climate change threat. The Company aims to improve its performance by setting carbon-cutting targets by means of disclosing data on its greenhouse gas emissions, climate change strategies and sustainable water consumption to the public and investors via the CDP.
- Vestel Beyaz Eşya has been successfully implementing the Total Productive Maintenance ("TPM") Management System since 2011, thus ensuring its sustainability. TPM is a maintenance system, which 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 the 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 Company's environmental gains through the TPM system approach can be listed as follows;

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

Vestel Beyaz Eşya was awarded the "TPM Excellence Award" by JIPM (Japan Institute of Plant Maintenance) in 2014.

- The framework of Vestel Beyaz Eşya's policy in relation to occupational health and safety is as follows:

The Company;

- Fulfills the legal obligations and administrative requirements towards employees, and complies with the rules of the organizations of which it is a member,
 - Ensures continuous improvement by incorporating the international standards, new technologies and employees' suggestions to its practices,
 - Devises and implements plans to prevent work accidents and occupational diseases by conducting occupational health and safety risk analyses,
 - Provides continuous training to employees to help them adopt the correct behavioral habits with regard to potential health and safety risks,
 - Eliminates or minimizes unsafe conditions and unsafe acts at the workplace in order to prevent or reduce occupational accidents, review working conditions on a regular basis and take necessary measures with regard to problematic areas, provide resources for these measures and review the policy in accordance with the changing conditions,
 - Adopts the principle of "the right work for the right employee" in order to prevent or reduce the accidents.
- In 2014, Vestel Beyaz Eşya has established breastfeeding rooms for working mothers in many parts of the campus in order for them to provide child care and feeding.
 - Vestel Beyaz Eşya won 13 design awards at Europe's and the world's most prestigious design competitions (Red Dot Awards, IF Design Awards, Good Design, Plus X Awards etc.) in 2015. With these awards, the Company increased the total number of awards garnered in design competitions in which it has participated since 2008 to 171. While the awards which 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 Vestel Beyaz Eşya, they also play a major role in promoting the Turkish design across the world. "The Most Innovative Brand" Award won in 2012 and "The Best Design Brand" Award given in the consumer durables category for the years of 2014 and 2015 are quite important for both the improvement of the Turkish economy and the endorsement of the quality of the Turkish products.
 - At 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 the corporate social responsibility initiatives that add value to society, pioneer new initiatives in this area, and raise the 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. Prior to developing social responsibility projects, the Company first identifies the areas in which public support is insufficient or lacking. In the social responsibility initiatives it undertakes, Vestel demonstrates the same high performance and meticulousness which it displays in all of its operations, never compromising its total quality approach.
 - Many projects are carried out at Vestel, where the greatest care is shown for the disabled citizens at every opportunity. These projects are summarized below:
 - On the back of an initiative launched in 2014 in cooperation with the Manisa Branch of ZİÇEV (Foundation for the Training and Protection of Mentally Handicapped Children), Vestel Beyaz Eşya both contributes to fund raising for the Foundation and helps children enjoy the "happiness of producing" by providing them with employment and past time activities.
 - Within the scope of "I am part of life" Project, aiming to support young people with Down syndrome and with mental disabilities and to include them in work life by offering them job opportunities at Vestel, 4 young people have been employed at Vestel; two with Down syndrome and two with mental disabilities.
 - Vestel does not only consider employment for the handicapped, but also tries to make their lives easier. For this purpose, the Company distributed wheelchairs to 8 handicapped citizens on the World Disability Day on December 8, 2015; under the leadership of Vestel A/C Production Directorate.
 - Within the last one year, 63 individuals with disabilities have been employed at Vestel Beyaz Eşya, raising the total number of employees with disabilities to 118.

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PART V - BOARD OF DIRECTORS

5.1. Structure and Composition of the 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 2015 Ordinary General Assembly Meeting	Chairman and Vice Chairman - Zorlu Group Companies	-	Non-executive
Hacı Ahmet Kılıçoğlu	Vice Chairman	Until 2015 Ordinary General Assembly Meeting	Board Member - Vestel Elektronik San. ve Tic. AŞ, Board Member - Zorlu Enerji Elektrik Üretim AŞ	Board Member - Doğan Gazetecilik, Board Member - Şeker Mortgage Finansman	Independent
Olgun Zorlu	Board Member	Until 2015 Ordinary General Assembly Meeting	Board Member	-	Non-executive
Şule Cümbüş	Board Member	Until 2015 Ordinary General Assembly Meeting	Board Member	Chairman of the Board at Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ	Non-executive
İzzet Güvenir	Board Member	Until 2015 Ordinary General Assembly Meeting	-	-	Non-executive
Ali Akın Tarı	Board Member	Until 2015 Ordinary General Assembly Meeting	Vice Chairman - Vestel Elektronik San. ve Tic. AŞ, Vice Chairman - Zorlu Enerji Elektrik Üretim AŞ	Board Member and Audit Committee Member - Dilerbank, Board Member - Diler Holding	Independent

Ahmet Nazif Zorlu **Chairman**

(1944 - Denizli) Ahmet Nazif Zorlu began his professional career in a family owned textiles business in Denizli, Babadağ. He opened his first textile store in Trabzon, later in 1970 Mr. Zorlu moved the Company's headquarters to Istanbul and laid the foundations of Zorlu Holding with his brother, Zeki Zorlu. Ahmet Zorlu set up his first company, Korteks in 1976 and gathered all of his companies under the roof of Zorlu Holding in 1990. Acquiring Vestel in 1994, Ahmet Zorlu opened the door to new lines of business for Zorlu Holding. Zorlu's entrepreneurialism, which began with the textile industry, went on to manifest itself in more companies operating in highly diverse fields such as white goods, electronics, energy, property development, metallurgy, and defense.

With a keen interest in civil society organizations, Ahmet Zorlu is a member of the Board of Directors of the Foreign Economic Relations Board, the Turkish Industry and Business Association, the Education and Culture Foundation of the Society of Denizli, the Babadağ Industry and Business Association, and the Turkish Home Textile Industrialists and Businessmen Association. Ahmet Zorlu is the founder of Mehmet Zorlu Education, Health, Culture, and Solidarity Foundation (MZV) and carries out his social responsibility projects through MZV since its foundation in 1999. MZV has built many schools and provides scholarships to a large number of students. Ahmet Zorlu also attaches great importance to the social efforts aimed to boost the Turkish business world's influence abroad. Accordingly, he was awarded the Royal Spanish Order of Civil Merit by King Juan Carlos I of Spain in 2007 for his contribution to developing and strengthening the relations between Spain and Turkey.

Hacı Ahmet Kılıçoğlu **Vice Chairman**

(1956 - Giresun) Hacı Ahmet Kılıçoğlu graduated with a Bachelor's degree and a Master's degree in Economics 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. In addition to his position as a Board Member at Vestel Beyaz Eşya, Mr. Kılıçoğlu also serves as a Board Member at Vestel Elektronik and Zorlu Enerji, which are Zorlu Group Companies. He is also a Board Member at Şeker Mortgage Finansman AŞ and Doğan Gazetecilik AŞ.

Olgun Zorlu **Board Member**

(1965 - Trabzon) After graduating from university in the United Kingdom with degrees in Textile and Business Administration, Mr. Olgun Zorlu began his professional career in 1986. He started to serve in managerial positions at various Zorlu Group companies in 1988 and managed their foreign market research and business development operations. Mr. Zorlu started serving as a Board Member at Zorlu Holding in 1998. In addition to his board membership at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Mr. Zorlu has also been serving as a Board Member at Zorlu Holding and various other 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 the 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 CIS on 1 July 2011. He continues to serve as a Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Ali Akın Tarı **Board Member**

(1943 - Koruköy) After his graduation from the Istanbul Law Faculty, Ali Akın Tarı 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 to 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. Tarı 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. Tarı 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. Besides his position as a Board Member at Vestel Beyaz Eşya, Mr. Tarı also serves as a Board Member at Vestel Elektronik and Zorlu Enerji.

The Chairman of the Executive Committee 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 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, Mr. Erdoğan joined Vestel in 1988. Having held various managerial positions at Vestel since 1988, he served as the President of Vestel Foreign Trade 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 January 1, 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.

- The Company's Board of Directors is structured to provide the highest level of efficiency and effectiveness. The Company pays utmost attention to compliance with the Capital Market Law and CMB regulations in this area.
- Vestel Beyaz Eşya's Board of Directors consists of 6 members. Four of the six members of the Board are non-executive members and two are independent members. In accordance with the CMB's Corporate Governance Communiqué, one third of the Board is comprised of independent Directors.
- There are no restrictions with respect to the Board members taking up other duty or duties outside the Company, but the regulations set forth in the Corporate Governance Principles are complied with in this regard.
- The Chairman of the Board and the Chairman of the Executive Committee are different individuals: The Chairman of the Board is Ahmet Nazif Zorlu and Chairman of the Executive Committee is Enis Turan Erdoğan.
- Prior to the General Assembly Meeting for the year 2014, two independent Board member candidates were presented to the Corporate Governance Committee, which also fulfills the duties of the Nomination Committee. The candidates for the independent board membership submitted their written statement of independency within the framework of the legislation, Articles of Association and the independence criteria set forth in the Corporate Governance Communiqué to the Corporate Governance Committee at the time they were proposed as candidates. The Committee submitted its assessment report on whether these candidates fulfill the independence criteria to the Board of Directors on March 30, 2015. Upon a resolution by the Board of Directors dated April 1, 2015 and numbered 2015/13, it was decided that these candidates would be submitted to the approval of shareholders at the General Assembly to become independent Directors. The Board's proposal was approved by the shareholders at the 2014 General Assembly Meeting held on April 27, 2015. Information on the independent Board member candidates was disclosed to the public with the General Assembly Information Document issued together with the General Assembly invitation.

Statement of independence of the independent board member candidates is provided herein below:

"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 for Independent Board membership 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 Akın Tarı are independent Directors who fulfill the independence criteria envisaged in the CMB's Corporate Governance Principles. No circumstances occurred during the reporting period to end the independence status of the independent Board members.
- 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 Directors. However, a policy has not yet been devised towards reaching this goal.

5.2. Operating Principles of the Board of Directors

- The gathering procedures and frequency of Board meetings are set forth in the Company's Articles of Association.
- Agendas for the Board meetings are determined by the Chairman and 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 as and when deemed necessary, and at least once a month. The Board of Directors shall be convened by the Chairman of the Board or the Deputy Chairman when the Chairman is not available. Any member may request from the Chairman to call the Board for a meeting. In order to increase the attendance at the meetings, the meeting dates are determined and notified to the Board Members at the beginning of the year. As a result, Board Members are given the opportunity to adjust their schedules according to meeting dates. As another measure to increase attendance at the meetings, the following article was added to the Company's Articles of Association: "The Board membership of a Board Member who fails to participate in three consecutive meetings without the Board's permission is deemed to be null and void."
- The Board of Directors convenes with absolute majority and resolves with the majority of those present at the meetings.
- During 2015, the Board of Directors passed 44 decisions in 36 meetings held. The meeting attendance rate was 97%, and 100% of the decisions were passed with the unanimous votes of the attendants.
- Invitation to the meetings is made via e-mail at least 7 days before the meeting. The secretariat, which has been set up within the Company to report to the Board of Directors, provides the Board Members with the agenda and the documents related to the matters on the agenda, together with the invitation.
- Reasonable and detailed justifications for dissenting votes are required to be entered into the records on matters for which there were differing opinions at the Board meetings. The dissenting opinions and votes of the independent board members are disclosed to the public. However, to date there has never been an instance of differing opinions by the independent members or other members at the Board meetings.
- No Board member, including the Chairman, has a preferential voting right or the right to veto the Board's decisions. Each member possesses an equal vote.
- The Board decisions relating to all kinds of related party transactions of the Company are taken with the approval of the majority of the independent board members in accordance with the Corporate Governance Principles.
- A Directors & Officers Liability Policy has been purchased to cover the potential losses which the Company may suffer due to the wrongful acts of the members of the Board in the execution of their duties. However, the total annual liability limit does not exceed 25% of the Company's share capital.

5.3. Number, Structure and Independence of the Board Committees

- In order to help the Board of Directors to perform its duties and responsibilities more effectively, a Corporate Governance Committee, an Early Detection of Risk Committee and an Audit Committee have been set up, all three of which report directly to the Board. Owing to the nature of the Board structure, the Company has not set up a separate "Remuneration Committee" or a "Nomination Committee", the duties of which are performed by the Corporate Governance Committee.
- The independent board members, Mr. Ali Akın Tarı and Mr. Hacı Ahmet Kılıçoğlu serve on more than one committee due to the number of the Board Members and the committee formation requirements in accordance with the CMB's Corporate Governance Principles.
- Committees convene at intervals stipulated by the legislation and the related Committee's working principles or upon a request from a member. The Committees' activities and meeting minutes are presented to the Board of Directors.
- All kinds of resources and support are provided by the Board of Directors to the committees to enable them to perform their duties. Committees can invite individuals who are deemed to be necessary to their meetings in order to obtain their views.
- Duties, working principles and the members of the Committees are determined by the Board of Directors and are publicly disclosed on the Public Disclosure Platform and the Company website.

Audit Committee

- The Audit Committee was set up for the effective oversight of the Company's financial and operational activities pursuant to the Article 3 of the CMB's Communiqué Serial X, No: 19. The Committee is responsible for the supervision of the Company's accounting system, public disclosure of the financial information, independent auditing and the operation and efficiency of the Company's internal control and internal audit system.
- Pursuant to the CMB's Communiqué on Corporate Governance no: II-17.1, the "Working Principles of the Audit Committee" were revised and approved at the Board of Directors' meeting dated March 27, 2014. The revised version of the working principles was disclosed to the shareholders via the Public Disclosure Platform and the Company website.

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- The Audit Committee is structured in accordance with the Capital Markets Board's Corporate Governance Principles and comprises two members.
- The Chairman of the Committee was elected from among the independent members of the Board and certain criteria were taken into account in the election process. The Chairman of the Audit Committee is ensured to have served in a similar position previously, have the knowledge and experience needed to analyze financial statements and be versed in accounting standards.
- Both Audit Committee members were elected from among the independent Directors. The Chairman of the Committee is Mr. Ali Akın Tari, and the other member is Mr. Hacı Ahmet Kılıçoğlu.

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 28 April 2015:

Committee Members	Duty	Status
Ali Akın Tari	Chairman of the Committee	Independent Board Member
Hacı Ahmet Kılıçoğlu	Member of the Committee	Independent Board Member

- In principle, the Audit Committee shall convene at least four times a year, being once in each quarter. The Committee convened 6 times in 2015.
- The Board of Directors' secretariat is responsible for keeping the records of the decisions made by the Committee, as well as the minutes of the meetings.
- The Audit Committee can benefit from the independent expert opinions on matters which it deems necessary with regard to its activities. The costs of the consultancy services required by the Audit Committee are borne by the Company.
- The Committee carries out its activities in line with the working principles put into writing in detail.

In 2015, the Audit Committee performed the following functions:

- Monitoring of the Company's financial and operational activities,
- Supervision and approval of the accuracy and conformity of the annual and interim financial statements, which will be disclosed to the public, with the accounting principles employed by the Company,
- Election of the independent audit firm, preparation of the independent audit contract and initiation of the independent audit process,
- Following up of the effectiveness and performance of the independent audit activity,
- Supervision of the operation and efficiency of the internal control and internal audit system,
- Conducting studies on the efficiency and adequacy of the internal control system and reporting its evaluations to the Board of Directors,
- Review and approval of the internal control and internal audit reports.

Corporate Governance Committee

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

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 28 April 2015:

Committee Members	Duty	Status
Ali Akın Tarı	Chairman of the Committee	Independent Board Member
Olgun Zorlu	Member of the Committee	Non-executive Board Member
Gökçe Serim	Member of the Committee	Investor Relations Manager

- In principle, the Committee convenes at least twice a year in order to ensure the effective performance of its duties. Corporate Governance Committee convened 3 times in 2015.
- The activities carried out by the Corporate Governance Committee in 2015, in accordance with its working principles put into writing in detail, are presented below:
 - Proposing improvements in corporate governance practices to the Board of Directors to enhance compliance with the CMB's Communiqué on Corporate Governance no. II-17.1; conducting and supervising the necessary works for alignment with the legislation,
 - Overseeing the activities of the Investor Relations Department,
 - Preparing the evaluation reports on the independency status of the independent Board member candidates for submission to the Board of Directors.

Early Detection of Risk Committee

- The Early Detection of Risk Committee was set up in order to identify the risks which could threaten the existence, development and continuity of the Company, take the necessary measures against the identified risks and undertake risk management activities in line with the Turkish Commercial Code, Articles of Association and CMB's Communiqué on Corporate Governance Principles. The Committee continues its activities with regard to the early detection of threats which may have negative consequences on the development and continuity of the Company and manage the risks effectively by developing action plans against the identified threats.
- Pursuant to the CMB's Communiqué on Corporate Governance no: II-17.1, the "Working Principles of the Early Detection of Risk Committee" were revised and approved at the Board of Directors' meeting dated 27 March 2014. The revised version of the working principles was disclosed to the shareholders via the Public Disclosure Platform and the Company 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 Chairman of the Committee is the independent Board member, Mr. Hacı Ahmet Kılıçoğlu. The other member is Mrs. Şule Cümbüş.
- Early Detection of Risk Committee submits a report to the Board of Directors once in every two months.

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 28 April 2015:

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

- The Committee held 6 meetings in 2015 and presented 6 risk reports to the Board of Directors.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- The activities carried out by the Committee in 2015, in line with the working principles put into writing in detail, are presented below:
 - High risk evaluation was carried out and risk inventory was prepared containing strategic, financial and operational risks which are critically important for the Company.
 - 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 measures.
 - Inherent and residual risks contained in the 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 analyses, risk reports were prepared and submitted to the Committee in order to ensure early detection of risks which may jeopardize the Company's existence, development and continuity and adoption of the necessary measures against the detected risks and management of risk.

These reports were as follows:

- PESTLE analysis for the White Goods Sector,
- PESTLE analysis for the Consumer Electronics Sector,
- Corporate Sustainability,
- Evaluation of the performance in the first quarter of 2015,
- Vestel Risk Inventory and
- Risk Management in Real Sector and Vestel's Practices.
- Risks and action plans are registered into and followed-up through the SAP GRC (Governance, Risk and Compliance) System by the Corporate Risk Management Department.

5.4. Risk Management and Internal Control Mechanism

- Zorlu Holding Corporate Risk Management Department was founded in 2012 with the purpose of early detecting the risks that may jeopardize the existence, development and continuity of Vestel Beyaz Eşya, taking the necessary measures against the identified risks, and managing the risks in a centralized manner. The Zorlu Holding Risk Policy and Procedure and Corporate Risk Management Framework, which are applicable to all the Zorlu Group companies, form the basis for the Group's risk management activities.
- The Company 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/registered 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. Vestel Beyaz Eşya employs the SAP GRC (Governance Risk Compliance) system to monitor 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 the internal control activities and by taking into account the related actions for risk reduction. During the course of its activities carried out in line with its vision and mission, the Company may become exposed to risks related with the 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 throughout 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,
 - Proactively managing these risks through the best actions taken in accordance with the risk appetite.

- Founded on 15 March 2013, the Early Detection of Risk Committee is involved in the early detection of risks that could jeopardize the existence, development and continuity of the Company, implementation of the necessary measures against the identified risks, and management of risks for the purposes 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. Strategic Targets of the Company

- In addition to managing and representing the Company with a rational and prudent risk approach which optimizes the balance between growth, risk and return and which is above all the mindful of the Company's long-term interests, the Board of Directors is also responsible for achievement of the Company's pre-set financial and operational targets.
- 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 the 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. Actions to achieve the approved targets are initiated as soon as possible; the results are regularly monitored throughout the year by the managers and reported to the Board of Directors.
- The Board of Directors holds an evaluation meeting at least once a year in order to review the Company's operational performance and degree of target achievement.

5.6. Financial Benefits

- The Company's Remuneration Policy for the Board Members 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 in line with the new Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance, and was publicly disclosed on 26 March 2014 on the Public Disclosure Platform and was also made available for the information of shareholders via the Company website.
- The attendance fees to be paid to Board members are determined each year at the General Assembly Meeting. The fee is determined according to the Board Member's status (whether independent or executive), responsibilities, seniority, know-how, skills and experience.
- Vestel Beyaz Eşya's Board members were paid a total gross sum of TL 101,000.00 as an attendance fee in 2015, commensurate with the practices of the peer companies in the sector. The amounts for 2016 will be decided at the 2015 Ordinary General Assembly Meeting. No other benefits are provided to Board members.
- There is no rewarding scheme based on the performance measurement for the Board members.
- The Company does not use payment plans such as dividend, stock options or payment options based on the Company's performance in the remuneration of the independent Board members.
- The salaries of Vestel Beyaz Eşya's Executive Managers are determined by the Board of Directors. In addition, Executive Managers may be entitled to bonus payments at the end of the year, 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, the level of knowledge required to sustain the operations, the characteristics of the sector, the competitive environment, and the level of salaries paid by the peer companies.
- Remunerations provided to the Company's Chairman, Board Members and Executive Managers are disclosed in the footnotes of the financial statements and in the annual report on a cumulative basis. In this regard, the total amount of remunerations paid to the above during the 12 months ending on 31 December 2015 was TL 5,534 thousand (01.01-31.12.2014: TL 4,108 thousand).
- During 2015, the Company did not lend money or make credit available to any Board Member or Executive Manager, did not extend the maturity of the existing loans nor improved conditions, did not lend any credit via a third party under the name of a personal loan or grant any guarantee such as surety in their favor.

THE EVALUATION OF THE BOARD OF DIRECTORS REGARDING THE WORKING PRINCIPLES AND EFFECTIVENESS OF THE BOARD COMMITTEES

The Board Committees were established in order to help the Board of Directors to fulfill its duties and responsibilities more effectively. In line with the Corporate Governance Principles of the Capital Markets Board, at its meeting on 28 April 2015 the Board of Directors resolved to:

- Elect Mr. Ali Akın Tarı, Independent Member of the Board, as the Chairman of the Corporate Governance Committee and Mr. Olgun Zorlu, Board Member, and Mr. Gökçe Serim, Investor Relations Manager, as the Committee members,
- Elect Mr. Ali Akın Tarı, Independent Member of the Board, as the Chairman of the Audit Committee and Mr. Hacı Ahmet Kılıçoğlu, Independent Member of the Board, as the Committee Member,
- Elect Mr. Hacı Ahmet Kılıçoğlu, Independent Member of the Board, as the Chairman of the Early Detection of Risk Committee and Mrs. Şule Cümbüş, Board Member, as the Committee Member.

Due to the structure of the Board, the Company did not establish a separate “Remuneration Committee” and a “Nomination Committee”. The duties of these Committees are fulfilled by the Corporate Governance Committee.

The Working Principles of the Board Committees were revised in accordance with the CMB’s Communiqué on Corporate Governance no. II-17.1, and approved at the Board meeting held on 27.03.2014. The revised Working Principles were announced to the public via the Public Disclosure Platform and the Company’s website (<http://vesbe.vestelinvestorrelations.com/>).

In 2015, the Board Committees performed their duties and responsibilities as required in the Corporate Governance Principles and their own Working Principles.

In compliance with the way required for the effectiveness of their functions, their Working Principles and annual meeting schedules, in 2015:

- Corporate Governance Committee met twice on 25.06.2015 and 24.12.2015,
- Corporate Governance Committee convened on 30.03.2015 in order to fulfill the duty of the Nomination Committee,
- Audit Committee met 6 times on 12.02.2015, 30.03.2015, 21.04.2015, 27.04.2015, 30.07.2015 and 21.10.2015,
- Early Detection of Risk Committee met 6 times on 26.01.2015, 18.03.2015, 15.04.2015, 20.05.2015, 20.08.2015 and 23.12.2015.

The Committees submitted reports to the Board regarding the results of their meetings held during the year.

According to these meetings;

- The Corporate Governance Committee, established in line with the Capital Markets Board’s Corporate Governance Communiqué to monitor the Company’s compliance with the Corporate Governance Principles, carry out studies for improvement and make proposals to the Board in order to improve the implementation of corporate governance practices, identified whether the Corporate Governance Principles were implemented at the Company, assessed the rationale for incompliance, if any and the conflicts of interest caused by such incompliance and made recommendations to the Board of Directors to improve corporate governance practices, oversaw the activities of the Investor Relations Department and updated the Company’s Code of Ethics and Disclosure Policy in line with the changes in the Capital Markets Board regulations.
- The Audit Committee, which was established for the supervision of the Company’s accounting system, the independent audit, public disclosure of the financial information, and the functioning and efficiency of the Company’s internal control and internal audit system, presented its views and recommendations in the areas of its responsibility to the Board of Directors.
- Early Detection of Risk Committee, which was established for the early detection of risks which could threaten the Company’s existence, development and continuity, implementation of the necessary measures against the identified risks and management of risks, made a high-level risk assessment during the year, prepared a risk inventory pertaining to the risks in strategic, financial and operational areas which have critical importance for the Company and prepared and submitted six Risk Reports to the Board within the scope of its duties set forth in its Working Principles.

AGENDA FOR THE 2015 ORDINARY GENERAL ASSEMBLY MEETING

1. Opening, the moment of silence and election of the Presidential Board,
2. Authorization of the Presidential Board for signing the minutes of the General Assembly Meeting,
3. Review and discussion of the 2015 Annual Report of the Board of Directors,
4. Review of the Summary Statement of the Independent Audit Report for the fiscal year 2015,
5. Review, discussion and approval of the Financial Statements for the fiscal year 2015,
6. Acquittal of the members of the Board of Directors severally for their activities and transactions in relation to the Company for the year 2015,
7. Determination of the number and the tenure of office for the members of the Board of Directors and election of the Board members including the Independent Directors,
8. Determination of the remuneration for the members of the Board of Directors for the year 2016,
9. Discussion and approval of the Board of Directors' proposal for dividend distribution for the year 2015 and the date of distribution,
10. Granting permission to the members of the Board of Directors for performing the transactions stated in the Articles 395 and 396 of the Turkish Commercial Code,
11. Discussion and approval of the Board of Directors' proposal regarding the selection of the independent audit company for auditing the Company's accounts and transactions for the fiscal year 2016 in accordance with the Capital Market Law and the Turkish Commercial Code,
12. Informing the General Assembly about the donations and aids made in 2015; discussion and approval of the upper limit for the donations to be made during the period of 1 January-31 December 2016,
13. Informing the General Assembly about the collaterals, pledges, mortgages and sureties granted by the Company in favor of third parties and the income and benefits generated therefrom in accordance with the CMB regulations,
14. Closing.

DIVIDEND DISTRIBUTION POLICY

The Company distributes profit in accordance with the provisions of the Turkish Commercial Code, Capital Market Regulations, Tax Regulations and other pertinent legislation as well as the profit distribution provision of its Articles of Association. The amount of profit to be distributed and date of distribution are approved by the General Assembly, upon the proposal of the Board of Directors.

The Company has adopted the profit distribution policy of distributing at least 25% of its distributable profit in cash and/or as bonus shares. Board of Directors shall review this policy every year, by taking into account the domestic and global economic conditions, Company's growth and investment plans and financial position. Revisions made in the policy shall be submitted to the approval of the shareholders at the first General Assembly Meeting following such revisions and the policy will be published on the Company's website.

Distribution of profit shall commence on the date determined by the General Assembly, provided that it is no later than the end of the year in which the General Assembly Meeting is held. Subject to the provisions of the legislation in force, the Company may consider distributing advance dividends or paying dividends in equal or in varying installments.

Board's Proposal for Profit Distribution for the Year 2015

Our Company's Board of Directors took the following decisions at its meeting on 28 March 2016:

Our Company recorded TL 163,895,000 of net profit in its CMB financial statements prepared within the framework of the Communiqué on Principles of Financial Reporting in Capital Markets numbered II-14.1 and in compliance with the Turkish Accounting Standards/ Turkish Financial Reporting Standards and audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik AŞ; and TL 150,542,328 of net profit in its statutory financial statements.

After deducting the 5% First Legal Reserve amounting TL 7,527,116, which has to be set aside in accordance with the Article 519 of the Turkish Commercial Code, from the TL 163,895,000 of net profit recorded in CMB financials and adding to this amount the TL 3,140,351 of donations made during the year 2015, the base for the First Dividend is calculated as TL 159,508,234.

In accordance with the Company's Articles of Association and Dividend Distribution Policy, the First Dividend is determined as TL 39,877,059, which is calculated as 25% of the distributable profit in CMB financials.

After deducting the First Dividend from the TL 143,015,211 of distributable profit based on the statutory financials and setting aside a second legal reserve of TL 12,137,746, the remaining TL 91,000,406 is decided to be distributed as Second Dividend to shareholders.

Accordingly, the Company's Board of Directors resolved to propose the distribution of TL 130,877,645 of gross cash dividends (as first and second dividend), corresponding to a gross cash dividend of TL 0.6888 and net cash dividend of TL 0.5855 per share from May 2, 2016, to submit this decision to the approval of shareholders at the General Assembly Meeting, which will be held on 26 April 2016 and to announce this proposal together with the annexed Dividend Distribution Table on the Public Disclosure Platform and the Company's website.

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

During 2015, our Company did not enter into any legal transaction on behalf of Zorlu Holding AŞ (our controlling company) or its affiliates and did not take or avoid any measures to benefit Zorlu Holding AŞ or its affiliates under the direction of Zorlu Holding AŞ.

STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

24 March 2016

Statement of Independence

To the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ

I hereby declare that, I am a candidate for assuming the role of an “Independent Member” on the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ within the scope of the criteria stipulated in the legislation, the Company’s Articles of Association, and the Capital Markets Board’s Communiqué on Corporate Governance no. II-17.1, and in that regard;

- a) Within the last five years, no employment relationship has been established between me, my spouse and my relatives by blood or marriage up to second degree and the Company, the affiliated companies which the Company controls the management of or has material influence over, shareholders who control the management of or have material influence over the Company and legal entities which these shareholders control the management of, in an executive position with important duties and responsibilities, nor have I/we individually or jointly held more than 5% of the capital or voting rights or privileged shares in or established a material business relationship with the same,
- b) Within the last five years, I have not been a shareholder (5% and more), or held an executive position with significant duties and responsibilities, or served as a Board member in any company from or to which the Company purchases or sells a significant quantity of products or services based on the agreements made during the periods these products or services were sold or purchased including particularly those companies which provide auditing (including tax audit, legal audit and internal audit), rating and consultancy services to the Company,
- c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent Board member,
- d) I will not be 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 a faculty member at a university provided that this is in compliance with the relevant legislation,
- e) I am deemed to be a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193,
- f) I have strong ethical standards, professional reputation and experience which will allow me to make positive contributions to the operations of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,
- g) I will be 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 to duly perform the duties I shall assume,
- h) I have not served as a Board member at the Company’s Board of Directors for more than 6 years within the last ten years,
- i) I am not serving as an independent board member at more than three companies whose management is controlled by the shareholders controlling the Company and Company management and at more than five companies which are traded on the stock exchange,
- j) I am not registered and declared on behalf of the legal entity which is elected as a board member.

Hacı Ahmet KILIÇOĞLU



STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

24 March 2016

Statement of Independence

To the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ

I hereby declare that, I am a candidate for assuming the role of an “Independent Member” on the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ within the scope of the criteria stipulated in the legislation, the Company’s Articles of Association, and the Capital Markets Board’s Communiqué on Corporate Governance no. II-17.1, and in that regard;

- a) Within the last five years, no employment relationship has been established between me, my spouse and my relatives by blood or marriage up to second degree and the Company, the affiliated companies which the Company controls the management of or has material influence over, shareholders who control the management of or have material influence over the Company and legal entities which these shareholders control the management of, in an executive position with important duties and responsibilities, nor have I/we individually or jointly held more than 5% of the capital or voting rights or privileged shares in or established a material business relationship with the same,
- b) Within the last five years, I have not been a shareholder (5% and more), or held an executive position with significant duties and responsibilities, or served as a Board member in any company from or to which the Company purchases or sells a significant quantity of products or services based on the agreements made during the periods these products or services were sold or purchased including particularly those companies which provide auditing (including tax audit, legal audit and internal audit), rating and consultancy services to the Company,
- c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent Board member,
- d) I will not be 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 a faculty member at a university provided that this is in compliance with the relevant legislation,
- e) I am deemed to be a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193,
- f) I have strong ethical standards, professional reputation and experience which will allow me to make positive contributions to the operations of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,
- g) I will be 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 to duly perform the duties I shall assume,
- h) I have not served as a Board member at the Company’s Board of Directors for more than 6 years within the last ten years,
- i) I am not serving as an independent board member at more than three companies whose management is controlled by the shareholders controlling the Company and Company management and at more than five companies which are traded on the stock exchange,
- j) I am not registered and declared on behalf of the legal entity which is elected as a board member.

Ali Akın TARI



STATEMENT OF RESPONSIBILITY

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

RESOLUTION DATE: 11.02.2016

RESOLUTION NUMBER: 2016/3

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:

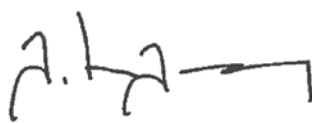
- We have reviewed our Company's financial statements and annual report for the fiscal year ended 31 December 2015, which have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards published by the Public Oversight Accounting and Auditing Standards Authority 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 11 February 2016 and numbered 2016/3,
- 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 or any omission of material 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,

Hacı Ahmet KILIÇOĞLU
Vice Chairman



Ali Akın TARI
Board Member



Alp DAYI
Financial Affairs Coordinator



Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

INDEPENDENT AUDITOR'S REPORT



To the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.

Report on the Financial Statements

1. We have audited the accompanying financial statements of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.; (the "Company"), which comprise the statement of financial position as at 31 December 2015 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.

Opinion

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. as at 31 December 2015 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi INDEPENDENT AUDITOR'S REPORT



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 11 February 2016.
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 2015 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, consisting of a series of vertical strokes and a large, sweeping horizontal stroke at the bottom.

Mehmet Karakurt, SMMM
Partner

Istanbul, 12 February 2016

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Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

BALANCE SHEETS AS OF 31 DECEMBER 2015 AND 31 DECEMBER 2014

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

	Notes	Audited 31 December 2015	Audited 31 December 2014
ASSETS			
Current assets			
Cash and cash equivalents	4	88.687	163.711
Derivative financial instruments	27	21.072	30.312
Trade receivables		824.585	657.750
Related parties	6	818.706	646.554
Other parties	7	5.879	11.196
Other receivables		98.237	50.557
Other parties	8	98.237	50.557
Inventories	9	261.376	229.782
Prepaid expenses	10	10.306	13.325
Current income tax assets	25	13.460	-
Other current assets	18	292	100
Total current assets		1.318.015	1.145.537
Non-current assets			
Prepaid expenses	10	3.752	5.694
Property, plant and equipment	11	314.570	330.230
Intangible assets		84.963	67.976
Other intangible assets	12	84.963	67.976
Total non-current assets		403.285	403.900
TOTAL ASSETS		1.721.300	1.549.437

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

BALANCE SHEETS AS OF 31 DECEMBER 2015 AND 31 DECEMBER 2014

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

	Notes	Audited 31 December 2015	Audited 31 December 2014
LIABILITIES			
Current liabilities			
Short-term financial liabilities	5	5.973	60.744
Trade payables		730.650	555.571
Related parties	6	25.198	8.758
Other parties	7	705.452	546.813
Liabilities for employee benefits	16	20.054	17.660
Derivative financial instruments	27	616	5.946
Current income tax liabilities	25	-	2.601
Short-term provisions		1.358	1.100
Other provisions	14	1.358	1.100
Other current liabilities	18	6.470	5.580
Total current liabilities		765.121	649.202
Non-current liabilities			
Long-term financial liabilities	5	54.516	58.220
Other payables		160.438	142.372
Related parties	6	160.438	142.372
Long-term provisions		21.907	25.382
Provision for employee benefits	16	21.907	25.382
Derivative financial instruments	27	-	5.800
Deferred tax liability	25	5.045	5.898
Total non-current liabilities		241.906	237.672
TOTAL LIABILITIES		1.007.027	886.874

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

BALANCE SHEETS AS OF 31 DECEMBER 2015 AND 31 DECEMBER 2014

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

	Notes	Audited 31 December 2015	Audited 31 December 2014
EQUITY			
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		(3.686)	(9.209)
Revaluation gain/loss	24	(3.686)	(9.209)
Other comprehensive income/expense to be reclassified to profit or loss	24	7.629	20.512
Cash flow hedges		7.629	20.512
Restricted reserves	19	57.354	41.803
Retained earnings	19	180.316	169.515
Net income for the period		163.895	131.177
Total equity		714.273	662.563
TOTAL LIABILITIES AND EQUITY		1.721.300	1.549.437

Financial statements for the period 1 January - 31 December 2015 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 11 February 2016.

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2015 AND 2014

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

	Notes	Audited 1 January - 31 December 2015	Audited 1 January - 31 December 2014
Revenue	20	2.524.068	2.337.141
Cost of sales	20	(2.151.671)	(2.036.804)
Gross profit		372.397	300.337
Marketing, selling and distribution expenses	21	(40.606)	(42.748)
General administrative expenses	21	(45.925)	(36.395)
Research and development expenses	21	(25.666)	(27.123)
Other operating income	22	155.451	66.942
Other operating expense	22	(150.492)	(111.347)
Operating profit/(loss)		265.159	149.666
Financial income	23	186.021	90.534
Financial expense	23	(274.239)	(88.041)
Profit before tax		176.941	152.159
Tax (expense)/benefit			
Current tax expense	25	(12.059)	(20.767)
Deferred tax benefit	25	(987)	(215)
Income for the period		163.895	131.177
Earnings per 100 shares with a Kr 1 of face value (TL)	26	0,86	0,69
Other comprehensive income/(loss)			
Items not to be reclassified to profit or loss		5.523	(9.017)
Actuarial gain/(loss) arising from defined benefit plans		6.904	(11.271)
Tax effect of other comprehensive income not to be reclassified to profit or loss		(1.381)	2.254
Deferred tax income/loss		(1.381)	2.254
Items to be reclassified to profit or loss		(12.883)	24.408
Cash flow hedges		(16.104)	30.510
Tax effect of other comprehensive income/expense to be reclassified to profit or loss		3.221	(6.102)
Deferred tax income/loss		3.221	(6.102)
Other comprehensive (loss)/income		(7.360)	15.391
Total comprehensive income		156.535	146.568

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS

1 JANUARY - 31 DECEMBER 2015 AND 2014

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

				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 2014	190.000	9.734	109.031	(192)
Transfer to accumulated deficit	-	-	-	-
Transfer to restricted reserves	-	-	-	-
Dividends	-	-	-	-
Total comprehensive income	-	-	-	(9.017)
Balances at 31 December 2014	190.000	9.734	109.031	(9.209)
Balances at 1 January 2015	190.000	9.734	109.031	(9.209)
Transfer to accumulated deficit	-	-	-	-
Transfer to restricted reserves	-	-	-	-
Dividends	-	-	-	-
Total comprehensive (loss)/income	-	-	-	5.523
Balances at 31 December 2015	190.000	9.734	109.031	(3.686)

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS

1 JANUARY - 31 DECEMBER 2015 AND 2014

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

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	Net profit/(loss) for the period	
	(3.896)	38.886	144.552	52.689	540.804
	-	-	52.689	(52.689)	-
	-	2.917	(2.917)	-	-
	-	-	(24.809)	-	(24.809)
	24.408	-	-	131.177	146.568
	20.512	41.803	169.515	131.177	662.563
	20.512	41.803	169.515	131.177	662.563
	-	-	131.177	(131.177)	-
	-	15.551	(15.551)	-	-
	-	-	(104.825)	-	(104.825)
	(12.883)	-	-	163.895	156.535
	7.629	57.354	180.316	163.895	714.273

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2015 AND 2014

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

	Notes	Audited 1 January - 31 December 2015	Audited 1 January - 31 December 2014
Operating activities:			
Income before tax		176.941	152.159
Adjustments to reconcile net cash provided from operating activities to (loss)/income before taxes:			
- Depreciation and amortization of fixed assets	11	85.237	84.070
- Changes in other provisions		258	734
- Provision for employment termination benefits	16	8.629	6.044
- Provision for impairment on inventories	9	(449)	(994)
- Interest expense	23	19.507	17.245
- Interest income	23	(1.267)	(173)
- (Gain)/loss from sales of tangible and intangible assets		(206)	(209)
- Derivative financial instruments (income)/expense accrual		(17.994)	(3.988)
- Unrealized foreign exchange gains/losses		1.489	4.095
Change in blocked cash and cash equivalents	4	600	(86)
Changes in working capital:			
(Increase)/decrease in trade receivables	6,7	(166.835)	(117.814)
(Increase)/decrease in inventories	9	(31.145)	95.360
(Increase)/decrease in other receivables and other current assets		(42.911)	12.245
Increase/(decrease) in trade payables	6,7	175.079	83.073
Increase/(decrease) in other payables and other liabilities		3.284	6.210
Cash flows from operating activities:			
Employment termination benefits paid	16	(5.200)	(4.367)
Current income tax paid	25	(28.120)	(17.655)
Net cash provided by operating activities		176.897	315.949

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2015 AND 2014

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

		Audited 1 January - 31 December 2015	Audited 1 January - 31 December 2014
Investing activities:	Notes		
Acquisition of tangible assets	11	(57.012)	(74.919)
Cash provided from sales of tangible and intangible assets		1.025	2.325
Acquisition of intangible assets	12	(30.371)	(21.642)
Net cash used in investing activities		(86.358)	(94.236)
Financing activities:			
Proceeds from bank borrowings		176.387	29.570
Repayment of bank borrowings		(236.688)	(210.413)
Other payables to related parties	6	18.066	142.372
Dividends paid	6	(104.825)	(24.809)
Interest paid		(19.170)	(13.557)
Interest received		1.267	173
Net cash provided by financing activities		(164.963)	(76.664)
Net (decrease)/increase in cash and cash equivalents		(74.424)	145.049
Cash and cash equivalents at the beginning of the period	4	163.089	18.040
Cash and cash equivalents at the end of the period	4	88.665	163.089

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

(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 2015, the number of personnel employed was 5.793 (31 December 2014: 5.566)

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.	94,62
Other shareholders	5,38
	100,00

As of 31 December 2015, 59.800.000 shares of the Company have been quoted at the Borsa Istanbul ("BİST") (31,5% of its share capital; 31 December 2014: 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.

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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

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

2.3. Amendments in Turkish Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2015 and are adopted by the Company:

- **TAS 19 (amendments), "Defined Benefit Plans"**, effective for annual periods beginning on or after 1 July 2014. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments had no effect on the financial position or performance of the Group.
- **Annual improvements 2010-2012:** Effective for annual periods beginning on or after 1 July 2014. The 2010-2012 Cycle improvements have amended the below standards:
 - TFRS 2, Share - Based Payment
 - TFRS 3, Business Combinations
 - TFRS 8, Operating Segments
 - TFRS 13, Fair Value Measurement
 - TAS 16, Property, Plant and Equipment and TAS 38 Intangible Assets
 - TFRS 9, Financial Instruments, TAS 37, Provisions, Contingent Liabilities and Contingent Assets
 - TAS 39, Financial Instruments: Recognition and Measurement
- **Annual improvements 2011-2013:** Effective for annual periods beginning on or after 1 July 2014. Annual Improvements to TFRSs 2011-2013 Cycle amend the following 4 standards:
 - TFRS 1, First-time Adoption of International Financial Reporting Standards
 - TFRS 3, Business Combinations
 - TFRS 13, Fair Value Measurement
 - TAS 40, Investment Property

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

- **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.
- **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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

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

2.3. Amendments in Turkey Financial Reporting Standards (Cont'd)

- **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
- **TAS 1, "Presentation of financial statements",** is effective for annual periods beginning on or after 1 January 2016, address perceived impediments to preparers exercising their judgements in presenting their financial reports.

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.

c) Other new standards, amendments and interpretations issued and effective as of 1 January 2015 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

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

2.4. Summary of significant accounting policies (Cont'd)

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.

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.

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

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

2.4. Summary of significant accounting policies (Cont'd)

2.4.5 Financial instruments (Cont'd)

Loans and receivables

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

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

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

2.4. Summary of significant accounting policies (Cont'd)

2.4.5 Financial instruments (Cont'd)

c) Derivative financial instruments and hedge accounting:

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently 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.

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 Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

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

2.4. Summary of significant accounting policies (Cont'd)

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 Sanayi ve Ticaret Anonim Şirketi

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

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

2.4. Summary of significant accounting policies (Cont'd)

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).

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's 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's 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 3 - SEGMENT REPORTING (Cont'd)

Segment revenue	1 January - 31 December 2015	1 January - 31 December 2014
Turkey	578.897	589.876
Europe	1.381.443	1.287.188
Other	566.851	466.952
Gross sales	2.527.191	2.344.016
Discounts (-)	(3.123)	(6.875)
Net sales	2.524.068	2.337.141

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

The amount of export is 1.948.294 thousand TL for the period ended 31 December 2015 (1 January-31 December 2014: 1.754.140 thousand TL). Export sales are denominated in EURO, USD, GBP and RUB as 97%, 2,5%, 0,4% and 0,1% of total export respectively. (1 January-31 December 2014: 95,5% EUR, 3,8% USD, 0,7% 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.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Cash	147	86
Bank deposits		
- Demand deposits	28.340	53.828
- Time deposits	56.178	109.175
Cheques and notes	4.000	-
Blocked deposits	22	622
Cash and cash equivalents	88.687	163.711

Effective interest rates	31 December 2015	31 December 2014
EUR	-	0,05%
TL	10,80%	9,64%
USD	0,75%	0,71%

As of 31 December 2015 the Company's time deposits have an average maturity of less than 1 month (31 December 2014: less than 1 month).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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NOTE 5 - FINANCIAL LIABILITIES

	31 December 2015	31 December 2014
Short - term financial liabilities		
Short-term bank loans	86	24.023
Short-term portion of long-term bank loans	5.887	36.721
	5.973	60.744
Long - term financial liabilities		
Long-term bank loans	54.516	58.220
	54.516	58.220

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

Currency	31 December 2015			31 December 2014		
	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	-	86	86	-	60	60
			86			24.023

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

Currency	31 December 2015			31 December 2014		
	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	4,25%	1.853	5.887	3,25%	11.590	32.691
- TL	-	-	-	8,26%	4.030	4.030
Short-term portion			5.887			36.721
- EUR	3,85%	17.156	54.516	4,63%	3.320	9.365
- TL	-	-	-	8,26%	48.855	48.855
Long-term portion			54.516			58.220
			60.403			94.941

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

	31 December 2015	31 December 2014
One to two years	54.516	53.861
Two to three years	-	4.359
	54.516	58.220

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NOTE 5 - FINANCIAL LIABILITIES (Cont'd)

As of 31 December 2015 total amount of Company's floating rate loans is TL 11.041. (31 December 2014: TL 19.094).

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

	31 December 2015	31 December 2014
6-12 month	11.041	19.094

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 2015	31 December 2014
Vestel Ticaret A.Ş.	821.584	647.352
Other related parties	-	162
	821.584	647.514
Unearned interest on receivables (-)	(2.878)	(960)
	818.706	646.554

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.

b) Short-term trade payables to related parties

	31 December 2015	31 December 2014
Vestel Elektronik Sanayi ve Ticaret A.Ş.	16.573	7.450
Vestel Holland B.V.	8.354	876
Other related parties	473	528
	25.400	8.854
Unearned interest on payables (-)	(202)	(96)
	25.198	8.758

c) Other long-term liabilities to related parties

	31 December 2015	31 December 2014
Vestel Elektronik Sanayi ve Ticaret A.Ş.	160.438	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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 6 - RELATED PARTY DISCLOSURES (Cont'd)

d) Transactions with related parties

	1 January - 31 December 2015	1 January - 31 December 2014
Sales		
Vestel Ticaret A.Ş.	2.487.201	2.226.807
Vestel Elektronik Sanayi ve Ticaret A.Ş.	10.963	8.706
Other related parties	26	147
	2.498.190	2.235.660

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

Purchases and Operating expenses		
Vestel Holland B.V.	134.417	292.274
Vestel Elektronik Sanayi ve Ticaret A.Ş.	74.908	50.544
Other related parties	10.740	23.736
	220.065	366.554

Other operating income		
Vestel Ticaret A.Ş.	122.316	53.857
Other related parties	1.924	9.169
	124.240	63.026

Other operating expense		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	1.004	81
Vestel Holland BV.	2.550	2.685
Vestel Ticaret A.Ş.	37.320	69.642
Other related parties	3.571	4.638
	44.445	77.046

d) Transactions with related parties

	1 January - 31 December 2015	1 January - 31 December 2014
Financial income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	12.855	10.192
	12.855	10.192
Financial expense		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	24.186	4.037
	24.186	4.037
Dividend paid		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	99.189	23.215
Other Shareholders	5.636	1.594
	104.825	24.809

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 2015 is 5.534 thousand TL (1 January - 31 December 2014: 4.108 thousand TL).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2015	31 December 2014
Short-term trade receivables		
Trade receivables		
- Related parties (note 6)	821.584	647.514
- Other parties	6.464	7.960
Cheques and notes receivables	-	3.661
	828.048	659.135
Unearned interest expense (-)		
- Related parties (note 6)	(2.878)	(960)
- Other parties	(375)	(230)
Allowance for doubtful receivables (-)	(210)	(195)
Total short-term trade receivables	824.585	657.750

The Company provides allowance for doubtful receivables based on historical experience.

	31 December 2015	31 December 2014
Short-term trade payables		
Trade payables		
- Related parties (note 6)	25.400	8.854
- Other parties	707.759	548.459
	733.159	557.313
Unearned interest income (-)		
- Related parties (note 6)	(202)	(96)
- Other parties	(2.307)	(1.646)
Total short-term trade payables	730.650	555.571

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

NOTE 8 - OTHER RECEIVABLES

	31 December 2015	31 December 2014
Short-term other receivables		
VAT receivable	91.251	43.948
Deposits and guarantees given	5.862	5.461
Other	1.124	1.148
	98.237	50.557

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 9 - INVENTORIES

	31 December 2015	31 December 2014
Raw materials	138.839	135.499
Work in process	4.004	4.607
Finished goods	119.151	90.540
Other	4	207
	261.998	230.853
Provision for impairment on inventories (-)	(622)	(1.071)
	261.376	229.782

As of 31 December 2015 the Company does not have inventories pledged as security for liabilities (31 December 2014: None).

Cost of the inventory included in the cost of sales for the period 1 January - 31 December 2015 amounts to 1.835.191 thousand TL (1 January - 31 December 2014: 1.751.462 thousand TL).

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

	31 December 2015	31 December 2014
Raw materials	93	392
Finished goods and merchandise	529	679
	622	1.071

Movement of obsolescence provision on inventory is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance, 1 January	1.071	2.065
Current year additions	622	1.071
Realised due to sale of inventory	(1.071)	(2.065)
Balance at 31 December	622	1.071

NOTE 10 - PREPAID EXPENSES

	31 December 2015	31 December 2014
Prepaid expenses in current assets		
Order advances given	3.578	7.531
Prepaid expenses	6.725	5.779
Business advances given	3	15
	10.306	13.325
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	3.014	4.718
Prepaid expenses	738	976
	3.752	5.694

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2015	Additions	Disposals	Transfers	31 December 2015
Cost or revaluation					
Land	6.547	-	-	-	6.547
Land improvements	3.112	60	-	32	3.204
Buildings	66.233	1.349	-	326	67.908
Leasehold improvements	4.726	646	-	372	5.744
Plant and machinery	744.670	38.179	(6.653)	7.691	783.887
Motor vehicles	396	25	-	-	421
Furniture and fixtures	37.578	3.892	(108)	2.078	43.440
Construction in progress	2.272	12.861	-	(10.499)	4.634
	865.534	57.012	(6.761)	-	915.785
Accumulated depreciation					
Land improvements	2.268	51	-	-	2.319
Buildings	26.927	1.127	-	-	28.054
Leasehold improvements	1.996	382	-	-	2.378
Plant and machinery	479.632	66.775	(6.263)	-	540.144
Motor vehicles	172	60	-	-	232
Furniture and fixtures	24.309	3.876	(97)	-	28.088
	535.304	72.271	(6.360)	-	601.215
Net book value	330.230				314.570
	1 January 2014	Additions	Disposals	Transfers	31 December 2014
Cost					
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
	797.020	74.919	(6.405)	-	865.534
Accumulated depreciation					
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
	467.508	73.788	(5.992)	-	535.304
Net book value	329.512				330.230

Additions to property, plant and equipment in the period 1 January - 31 December 2015 and 2014 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker and dishwasher factories.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

Allocation of period depreciation and amortization expenses is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Cost of sales	71.177	71.215
Research and development expenses	13.287	12.167
Marketing, selling and distribution expenses	276	291
General administrative expenses	497	397
	85.237	84.070

NOTE 12 - INTANGIBLE ASSETS

	1 January 2015	Additions	Disposals	31 December 2015
Cost				
Rights	6.376	-	-	6.376
Development cost	105.380	28.519	(418)	133.481
Other intangible assets	8.166	1.852	-	10.018
	119.922	30.371	(418)	149.875
Accumulated amortization				
Rights	6.348	3	-	6.351
Development cost	42.597	12.329	-	54.926
Other intangible assets	3.001	634	-	3.635
	51.946	12.966	-	64.912
Net book value	67.976			84.963

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 12 - INTANGIBLE ASSETS (Cont'd)

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

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,

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to 750 thousand TL for the period 1 January - 31 December 2015 (1 January - 31 December 2014: 927 thousand TL).

Brand support incentive Turquality obtained from Republic of Turkey Prime Ministry Undersecretariat of Treasury amounts to 725 thousand TL in year 2015 (2014: 414 thousand TL).

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2015	31 December 2014
Short - term provisions		
Provision for lawsuit risks	1.358	1.100
	1.358	1.100

The movements in the provision for lawsuits are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance, 1 January	1.100	366
Current year additions	596	808
Provisions no longer required	(338)	(74)
Balance at 31 December	1.358	1.100

b) Guarantees received by the Company

Guarantee letters, collaterals, cheques and notes received

	31 December 2015	31 December 2014
Guarantee letters	5.945	4.949
Cheques and notes	5.700	7.393
Collaterals and pledges	2.740.159	2.637.433
	2.751.804	2.649.775

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.

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 Equivalent	TL Equivalent
31 December 2015				
A. CPM's given on behalf of its own legal entity	-	2.000	5.923	12.278
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	1.607.821	58.490	1.892.025	6.752.783
i. Total amount of CPM's given on behalf of the parent company	1.224.184	-	1.241.688	4.801.125
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	383.637	58.490	650.337	1.951.658
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	1.607.821	60.490	1.897.948	6.765.061

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

CPM's given by the Group	USD (‘000)	EUR (‘000)	TL	TL Equivalent
31 December 2014				
A. CPM's given on behalf of its own legal entity	-	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.	-	-	-	-
Total	1.513.267	152.424	2.393.712	6.332.769

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 959% as of 31 December 2015 (31 December 2014: 954%)

NOTE 15 - COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to 323.995 thousand USD (31 December 2014: 316.070 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2015 the Company has forward foreign currency purchase contract that amounts to 143.000 thousand USD, 73.875 thousand EUR, 132.516 thousand TL against forward foreign currency sales contract that amounts to 99.535 thousand USD, 147.544 thousand EUR, 9.930 thousand RUB. (31 December 2014 : 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 sales contract).

NOTE 16 - EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2015	31 December 2014
Due to personnel	14.531	12.720
Social security payables	5.523	4.940
	20.054	17.660

Long-term provisions for employee benefits:

	31 December 2015	31 December 2014
Provision for employment termination benefits	21.907	25.382

Under Turkish law, the Company is required to pay employment termination benefits to each employee whose employment is terminated without due caus. In addition, under the existing Social Security Law No. 506, clause No. 60, amended by the 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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 16 - EMPLOYEE BENEFITS (Cont'd)

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 3.828,37/year as of 31 December 2015 (31 December 2014: TL 3.438,22/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 2015 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 2015 provision is calculated based on real discount rate of 4,48% (31 December 2014: 2,26%) assuming 6% annual inflation rate and 10,75% discount rate.

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

	1 January - 31 December 2015	1 January - 31 December 2014
Balance at 1 January	25.382	12.434
Increase during the year	8.105	4.649
Payments during the year	(5.200)	(4.367)
Actuarial (gain)/loss	(6.904)	11.271
Interest expense	524	1.395
Balance at 31 December	21.907	25.382

NOTE 17 - EXPENSES BY NATURE

	1 January - 31 December 2015	1 January - 31 December 2014
Raw materials, supplies and finished goods	1.863.199	1.693.545
Changes in finished goods, work in process and trade goods	(28.008)	57.917
Personnel expenses	205.415	174.978
Depreciation and amortization	85.237	84.070
Other	138.025	132.560
	2.263.868	2.143.070

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 18 - OTHER ASSETS AND LIABILITIES

	31 December 2015	31 December 2014
Other current assets		
VAT carried forward	72	94
Other	220	6
	292	100
Other current liabilities		
Taxes and dues payable	6.396	5.517
Other	74	63
	6.470	5.580

NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	31 December 2015	31 December 2014
Shares of par value Kr 1 each		
Issued share capital	190.000	190.000

As of 31 December 2015 and 31 December 2014 the shareholding structure is as follows:

	Shareholding %		Amount	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Vestel Elektronik Sanayi ve Ticaret A.Ş.	94,62%	94,54%	179.780	179.618
(with Board of Directors members)				
Shares held by public	5,38%	5,46%	10.220	10.382
	100,00%	100,00%	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 2015	31 December 2014
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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Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)**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	57.354	41.803
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e) Retained earnings

	31 December 2015	31 December 2014
Extraordinary reserves	133.233	122.432
Previous year's gain	47.083	47.083
	180.316	169.515

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 20 - SALES

	1 January - 31 December 2015	1 January - 31 December 2014
Domestic sales	578.897	589.876
Overseas sales	1.948.294	1.754.140
Gross sales	2.527.191	2.344.016
Less: Sales discounts (-)	(3.123)	(6.875)
Net sales	2.524.068	2.337.141
Cost of sales	(2.151.671)	(2.036.804)
Gross profit	372.397	300.337

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) General administrative expenses:

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses	11.469	8.186
Depreciation and amortization	497	397
Office and rent expenses	9.255	7.609
Advertising and IT expenses	7.508	7.472
Other	17.196	12.731
	45.925	36.395

b) Marketing expenses:

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses	8.381	4.818
Depreciation and amortization	276	291
Transportation expenses	24.243	23.049
Other	7.706	14.590
	40.606	42.748

c) Research and development expenses:

Personnel expenses	5.424	7.004
Depreciation and amortization	13.287	12.167
Other	6.955	7.952
	25.666	27.123

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

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

	1 January - 31 December 2015	1 January - 31 December 2014
Credit finance gains arising from trading activities	29.848	16.898
Foreign exchange gains arising from trading activities	119.172	45.043
Other income	6.431	5.001
	155.451	66.942

b) Other expense from operating activities:

	1 January - 31 December 2015	1 January - 31 December 2014
Debit finance charges arising from trading activities	23.932	16.479
Foreign exchange expenses arising from trading activities	121.615	91.208
Other expenses	4.945	3.660
	150.492	111.347

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

	1 January - 31 December 2015	1 January - 31 December 2014
Foreign exchange gains	9.793	21.251
Gains on derivative financial instruments	174.961	69.110
Interest income	1.267	173
	186.021	90.534

b) Financial Expense:

	1 January - 31 December 2015	1 January - 31 December 2014
Foreign exchange losses	41.486	15.861
Losses on derivative financial instruments	210.920	53.253
Interest expense	19.507	17.245
Other finance expenses	2.326	1.682
	274.239	88.041

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 24 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

a) Cash flow hedge fund:

	1 January - 31 December 2015	1 January - 31 December 2014
1 January	20.512	(3.896)
(Profit)/loss from cash flow hedges	(16.104)	30.510
Deferred tax calculated over profit/(loss) from cash flow hedges	3.221	(6.102)
31 December	7.629	20.512

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

	1 January - 31 December 2015	1 January - 31 December 2014
1 January	(9.209)	(192)
Actuarial income/loss arising from defined benefit plans	6.904	(11.271)
Deferred tax calculated over actuarial gain/loss arising from defined benefit plans	(1.381)	2.254
31 December	(3.686)	(9.209)

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

	31 December 2015	31 December 2014
Corporation and income taxes	12.059	20.767
Prepaid taxes (-)	(25.519)	(18.166)
Current income tax liabilities - net	(13.460)	2.601
Deferred tax liabilities	(5.045)	(5.898)

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

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

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 25 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

As of 1 January - 31 December 2015 and 2014 tax expense in the statement of income is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Current period tax expense	(12.059)	(20.767)
Deferred tax expense	(987)	(215)
Total tax expense	(13.046)	(20.982)

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

	1 January - 31 December 2015	1 January - 31 December 2014
Profit before tax	176.941	152.159
Local tax rate	20%	20%
Tax income calculated using local tax rate	(35.388)	(30.432)
Effect of unused tax losses for which no deferred tax asset was recognised	(16)	(682)
Research and development incentives	4.910	4.042
Reduced taxation	17.448	6.090
	(13.046)	(20.982)

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 2015. (31 December 2014:20%).

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 2015	31 December 2014	31 December 2015	31 December 2014
Deferred tax assets				
Employment termination benefits	(21.907)	(25.382)	4.381	4.886
Provision for impairment on inventories	(620)	(1.070)	124	214
Other	(8.885)	(7.235)	1.777	1.447
			6.282	6.547

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 25 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

	Cumulative temporary differences		Deferred tax	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Deferred tax liabilities				
Useful life and valuation differences on property, plant and equipment and intangible assets	35.200	42.905	(7.040)	(8.581)
Derivative financial instruments	20.456	18.566	(4.091)	(3.713)
Other	980	755	(196)	(151)
			(11.327)	(12.445)
Deferred tax liabilities - net			(5.045)	(5.898)

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

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance, 01 January	(5.898)	(1.835)
Tax expense recognized in income statement	(987)	(215)
Recognized in shareholders' equity	1.840	(3.848)
Deferred tax liabilities at the end of the period, net	(5.045)	(5.898)

NOTE 26 - EARNINGS PER SHARE

	1 January - 31 December 2015	1 January - 31 December 2014
Net income attributable to equity holders of the parent	163.895	131.177
Weighted number of ordinary shares with a Kr 1 of face value (thousand shares)	190.000	190.000
	0,86	0,69

NOTE 27 - DERIVATIVE INSTRUMENTS

	31 December 2015		31 December 2014	
	Contract amount	Fair Value Assets/ (Liabilities)	Contract amount	Fair Value Assets/ (Liabilities)
Held for trading				
Forward foreign currency transactions	171.258	9.536	489.833	(1.274)
Foreign currency swap contracts	-	-	50.000	(5.800)
Cash flow hedge				
Forward foreign currency transactions	611.791	10.920	321.874	25.640
	783.049	20.456	861.707	18.566

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

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 2015 and 31 December 2014 the Company's net debt/total equity ratios are as follows:

	31 December 2015	31 December 2014
Total financial liabilities (note 5)	60.489	118.964
Cash and cash equivalents (note 4)	(88.687)	(163.711)
Net debt	(28.198)	(44.747)
Total equity	714.273	662.563
Capital invested	686.075	617.816
Net debt/capital invested	(0,04)	(0,07)

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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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 2015 and 31 December 2014:

31 December 2015	Receivables				Bank deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
Maximum exposed credit risk as at 31 December 2015 (A+B+C+D)	818.706	5.879	-	98.237	84.518	4.169
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	818.706	2.691	-	98.237	84.518	4.169
- Secured portion by guarantees, etc	-	-	-	-	-	-
B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired	-	3.087	-	-	-	-
C. Net book value of overdue but not impaired financial assets	-	101	-	-	-	-
- Secured portion by guarantees, etc	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Overdue	-	210	-	-	-	-
- Impairment	-	(210)	-	-	-	-
- Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2014	Receivables				Bank deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
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	-	-	-	-	-	-

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

	31 December 2015	31 December 2014
0 -1 month	101	1.947
1 -3 month	-	1.061
Total overdue receivables	101	3.008

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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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 2015:

Contractual Maturities	Book Value	Total contractual cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Bank Borrowings	60.489	62.865	2.890	3.081	56.894	-
Trade Payables	730.650	732.370	549.022	183.348	-	-
Other Payables	160.438	174.217	2.601	2.578	169.038	-
	951.577	969.452	554.513	189.007	225.932	-
Derivative financial instruments						
Derivative cash inflows	-	(783.049)	(535.887)	(247.162)	-	-
Derivative cash outflows	-	758.637	521.696	236.941	-	-
	(20.456)	(24.412)	(14.191)	(10.221)	-	-

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
Non-derivative financial liabilities						
Bank Borrowings	118.964	125.442	26.673	34.592	64.177	-
Trade Payables	555.571	556.568	357.700	198.868	-	-
Other Payables	142.372	160.273	2.317	2.410	135.054	20.492
	816.907	842.283	386.690	235.870	199.231	20.492
Derivative financial instruments						
Derivative cash inflows	-	(861.707)	(442.103)	(369.604)	(50.000)	-
Derivative cash outflows	-	769.073	432.314	354.485	(17.726)	-
	(18.566)	(92.634)	(9.789)	(15.119)	(67.726)	-

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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.

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 2015	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	7.741	190.252	21.785	648.837
2a. Monetary financial assets (including cash and cash equivalents)	9.179	378	60	27.950
2b. Non-monetary financial assets	-	-	-	-
3. Other	90	-	-	262
4. Current assets (1+2+3)	17.010	190.630	21.845	677.049
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	17.010	190.630	21.845	677.049
10. Trade payables	115.246	52.299	684	501.959
11. Financial liabilities	-	1.853	-	5.887
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	115.246	54.152	684	507.846
14. Trade payables	-	-	-	-
15. Financial liabilities	-	17.156	-	54.516
16a. Other monetary liabilities	-	50.490	-	160.437
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	67.646	-	214.953
18. Total liabilities (13+17)	115.246	121.798	684	722.799
19. Off-balance sheet derivative instruments/net asset (liability) position (19a+19b)	43.465	(73.669)	(495)	(108.207)
19a. Hedged total assets	143.000	73.875	-	650.532
19b. Hedged total liabilities	(99.535)	(147.544)	(495)	(758.739)
20. Net foreign currency asset/(liability) position (9-18+19)	(54.771)	(4.837)	20.666	(153.957)
21. Net foreign currency monetary asset/(liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(98.326)	68.832	21.161	(46.012)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	20.456
23. Export	18.225	620.790	8.905	1.948.294
24. Import	164.800	176.613	897	977.992

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2015 and 31 December 2014, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2015				
+/- 10% fluctuation of USD rate:				
USD net asset/liability	(28.589)	28.589	(28.589)	28.589
Secured portion from USD risk (-)	4.358	(4.358)	12.737	(12.737)
USD net effect	(24.231)	24.231	(15.852)	15.852
+/- 10% fluctuation of EUR rate:				
EUR net asset/liability	21.872	(21.872)	21.872	(21.872)
Secured portion from EUR risk (-)	(7.287)	7.287	(23.429)	23.429
EUR net effect	14.585	(14.585)	(1.557)	1.557
+/- 10% fluctuation of other currency rates:				
Other currencies net asset/liability	2.116	(2.116)	2.116	(2.116)
Secured portion from other currency risk (-)	(39)	39	(39)	39
Other currency net effect	2.077	(2.077)	2.077	(2.077)
	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2014				
+/- 10% fluctuation of USD rate:				
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)
USD net effect	(12.789)	12.789	19.375	(19.375)
+/- 10% fluctuation of EUR rate:				
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
EUR net effect	10.685	(10.685)	(18.914)	18.914
+/- 10% fluctuation of other currency rates:				
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
Other currency net effect	(304)	304	(304)	304

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**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 2015	31 December 2014
Financial instruments with fixed interest rates		
Time Deposits	56.178	109.175
Financial Liabilities	49.448	99.870
Financial instruments with variable interest rates		
Financial Liabilities	11.041	19.094

On 31 December 2015, 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 85 TL (2014: 207 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.

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 2015, the carrying value and the fair value of long-term-borrowings, including the short-term portions are equal to 60,403 TL (31 December 2014:94,941 TL) (note 5) and 60,403 TL (31 December 2014: 94,941 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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Cont'd)**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 2015 and 31 December 2014 are as follows:

31 December 2015	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities	-	20.456	-	20.456
31 December 2014	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities	-	18.566	-	18.566

INVESTOR INFORMATION

General Information

Reporting Period: 01.01.2015 - 31.12.2015

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: TL 190,000,000

Headquarters/Branches Contact Details:

Headquarters: Levent 199 Büyükdere Cad. No: 199 34394 Şişli - ISTANBUL

Phone: +90 (212) 456 22 00

Branch: Organize Sanayi Bölgesi, 45030 - MANISA

Phone: +90 (236) 226 30 00

Independent Auditor

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

A member of PricewaterhouseCoopers

Süleyman Seba Cad. BJK Plaza No: 48 B Blok, Kat: 9 34357 Akaretler Beşiktaş - ISTANBUL

Phone: +90 (212) 326 60 60

Fax: +90 (212) 326 60 50

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.vestelinvestorrelations.com/>

Additionally, requests for information can be submitted to the Investor Relations Directorate of Vestel Group of Companies via phone and e-mail.

Investor Relations

Serap Mutlu

Investor Relations Director

Levent 199 Büyükdere Cad. No: 199 34394 Şişli - ISTANBUL

Phone: +90 (212) 456 34 56

E-mail: yatirimci@vestel.com.tr

Emine Özcan

Investor Relations Officer

Vestel Beyaz Eşya Sanayi ve Ticaret AŞ

Organize Sanayi Bölgesi 45030 - MANISA

E-mail: yatirimci@vestel.com.tr

