

**VESTEL ELEKTRONİK SANAYİ VE TİCARET  
ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE INTERIM PERIOD  
1 JANUARY- 30 JUNE 2018 (TOGETHER WITH  
INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT)**

**(ORIGINALLY ISSUED IN TURKISH)**

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

---

| <b><u>CONTENTS</u></b>                                                                                              | <b><u>PAGE</u></b> |
|---------------------------------------------------------------------------------------------------------------------|--------------------|
| <b>CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS .....</b>                                                          | <b>1-5</b>         |
| <b>CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER<br/>COMPREHENSIVE INCOME .....</b>         | <b>6-7</b>         |
| <b>CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN<br/>SHAREHOLDERS' EQUITY .....</b>                       | <b>8</b>           |
| <b>CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS.....</b>                                                 | <b>9-11</b>        |
| <b>NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE<br/>PERIOD 1 JANUARY – 30 JUNE 2018</b> |                    |
| NOTE 1      GROUP'S ORGANISATION AND NATURE OF OPERATIONS .....                                                     | 12-13              |
| NOTE 2      BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....                                         | 13-35              |
| NOTE 3      INTERESTS IN OTHER ENTITIES.....                                                                        | 36-37              |
| NOTE 4      SEGMENT REPORTING.....                                                                                  | 38-39              |
| NOTE 5      CASH AND CASH EQUIVALENTS.....                                                                          | 40                 |
| NOTE 6      FINANCIAL ASSETS.....                                                                                   | 40-41              |
| NOTE 7      FINANCIAL LIABILITIES.....                                                                              | 41-43              |
| NOTE 8      RELATED PARTY DISCLOSURES.....                                                                          | 44-46              |
| NOTE 9      TRADE RECEIVABLES AND PAYABLES.....                                                                     | 47-48              |
| NOTE 10     OTHER RECEIVABLES.....                                                                                  | 48-49              |
| NOTE 11     INVENTORIES.....                                                                                        | 49-50              |
| NOTE 12     PREPAID EXPENSES.....                                                                                   | 50                 |
| NOTE 13     INVESTMENTS RECOGNIZED BY EQUITY PICKUP METHOD .....                                                    | 51                 |
| NOTE 14     PROPERTY, PLANT AND EQUIPMENT .....                                                                     | 52-54              |
| NOTE 15     INTANGIBLE ASSETS.....                                                                                  | 55-56              |
| NOTE 16     PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....                                                      | 56-59              |
| NOTE 17     COMMITMENTS .....                                                                                       | 60                 |
| NOTE 18     EMPLOYEE BENEFITS.....                                                                                  | 60-61              |
| NOTE 19     OTHER ASSETS AND LIABILITIES.....                                                                       | 61-62              |
| NOTE 20     CAPITAL, RESERVES AND OTHER EQUITY ITEMS .....                                                          | 62-64              |
| NOTE 21     SALES .....                                                                                             | 65                 |
| NOTE 22     EXPENSES BY NATURE .....                                                                                | 65                 |
| NOTE 23     GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH<br>AND DEVELOPMENT EXPENSES.....          | 66                 |
| NOTE 24     OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES .....                                               | 67                 |
| NOTE 25     FINANCIAL INCOME AND FINANCIAL EXPENSES .....                                                           | 67-68              |
| NOTE 26     TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) .....                                   | 68-72              |
| NOTE 27     EARNINGS / (LOSS) PER SHARE .....                                                                       | 72                 |
| NOTE 28     DERIVATIVE INSTRUMENTS .....                                                                            | 73                 |
| NOTE 29     FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT.....                                                | 73-77              |
| NOTE 30     EVENTS AFTER THE REPORTING PERIOD.....                                                                  | 77                 |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2018 AND**  
**31 DECEMBER 2017**

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

|                                                 |                  | <b>Reviewed</b>     | <b>Audited</b>          |
|-------------------------------------------------|------------------|---------------------|-------------------------|
|                                                 | <b>Footnotes</b> | <b>30 June 2018</b> | <b>31 December 2017</b> |
| <b>ASSETS</b>                                   |                  |                     |                         |
| <b>CURRENT ASSETS</b>                           |                  |                     |                         |
| Cash and Cash Equivalents                       | 5                | 1.660.207           | 2.000.337               |
| Trade Receivables                               |                  | 3.958.916           | 3.662.822               |
| Trade Receivables Due from Related Parties      | 8                | 57.542              | 39.173                  |
| Trade Receivables Due from Unrelated Parties    | 9                | 3.901.374           | 3.623.649               |
| Other Receivables                               |                  | 356.640             | 261.521                 |
| Other Receivables Due from Unrelated Parties    | 10               | 356.640             | 261.521                 |
| Derivative Financial Assets                     |                  | 161.621             | 13.489                  |
| Derivative Financial Assets Held for Trading    | 28               | 48.025              | 11.237                  |
| Derivative Financial Assets Held for Hedging    | 28               | 113.596             | 2.252                   |
| Inventories                                     | 11               | 3.182.514           | 2.944.179               |
| Prepayments                                     |                  | 91.834              | 60.769                  |
| Prepayments to Unrelated Parties                | 12               | 91.834              | 60.769                  |
| Current Tax Assets                              |                  | 10.539              | 8.739                   |
| Other Current Assets                            |                  | 29.053              | 28.394                  |
| Other Current Assets Due from Unrelated Parties | 19               | 29.053              | 28.394                  |
| <b>TOTAL CURRENT ASSETS</b>                     |                  | <b>9.451.324</b>    | <b>8.980.250</b>        |

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2018 AND**  
**31 DECEMBER 2017**

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

|                                                            |                  | <b>Reviewed</b>     | <b>Audited</b>          |
|------------------------------------------------------------|------------------|---------------------|-------------------------|
|                                                            | <b>Footnotes</b> | <b>30 June 2018</b> | <b>31 December 2017</b> |
| <b>NON-CURRENT ASSETS</b>                                  |                  |                     |                         |
| Financial Investments                                      |                  | 52.478              | 51.831                  |
| Financial Assets Available-for-Sale                        | 6                | 52.478              | 51.831                  |
| Investments in subsidiaries, joint ventures and associates | 13               | 1.153.025           | -                       |
| Trade Receivables                                          |                  | 33.667              | 68.540                  |
| Trade Receivables Due from Unrelated Parties               | 9                | 33.667              | 68.540                  |
| Other Receivables                                          |                  | 1.870.434           | 1.449.788               |
| Other Receivables Due from Related Parties                 | 8                | 1.869.218           | 1.448.685               |
| Other Receivables Due from Unrelated Parties               | 10               | 1.216               | 1.103                   |
| Property, Plant and Equipments                             |                  | 2.634.558           | 2.366.014               |
| Land and Premises                                          | 14               | 474.241             | 470.475                 |
| Land Improvements                                          | 14               | 87.273              | 88.118                  |
| Buildings                                                  | 14               | 1.029.912           | 965.443                 |
| Machinery and Equipments                                   | 14               | 769.385             | 639.173                 |
| Vehicles                                                   | 14               | 3.427               | 4.016                   |
| Fixtures and Fittings                                      | 14               | 89.195              | 84.418                  |
| Leasehold Improvements                                     | 14               | 28.600              | 26.874                  |
| Construction in Progress                                   | 14               | 152.525             | 87.497                  |
| Intangible Assets and Goodwill                             |                  | 710.994             | 666.433                 |
| Goodwill                                                   |                  | 197.793             | 197.793                 |
| Other Rights                                               | 15               | 20.086              | 20.274                  |
| Capitalized Development Costs                              | 15               | 415.819             | 386.224                 |
| Other Intangible Assets                                    | 15               | 77.296              | 62.142                  |
| Prepayments                                                |                  | 59.722              | 81.436                  |
| Prepayments to Unrelated Parties                           | 12               | 59.722              | 81.436                  |
| Deferred Tax Asset                                         | 26               | 126.787             | 174.309                 |
| Other Non-current Assets                                   |                  | 5.922               | 7.060                   |
| Other Non-Current Assets Due from Unrelated Parties        | 19               | 5.922               | 7.060                   |
| <b>TOTAL NON-CURRENT ASSETS</b>                            |                  | <b>6.647.587</b>    | <b>4.865.411</b>        |
| <b>TOTAL ASSETS</b>                                        |                  | <b>16.098.911</b>   | <b>13.845.661</b>       |

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2018 AND**  
**31 DECEMBER 2017**

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

|                                                                  |                  | <b>Reviewed</b>     | <b>Audited</b>          |
|------------------------------------------------------------------|------------------|---------------------|-------------------------|
|                                                                  | <b>Footnotes</b> | <b>30 June 2018</b> | <b>31 December 2017</b> |
| <b>LIABILITIES</b>                                               |                  |                     |                         |
| <b>CURRENT LIABILITIES</b>                                       |                  |                     |                         |
| Current Borrowings                                               |                  | 3.544.503           | 1.341.892               |
| Current Borrowings from Unrelated Parties                        |                  | 3.544.503           | 1.341.892               |
| Bank Loans                                                       | 7                | 3.543.549           | 1.341.413               |
| Leasing Debts                                                    | 7                | 954                 | 479                     |
| Current Portion of Non-current Borrowings                        |                  | 1.618.541           | 2.142.397               |
| Current Portion of Non-current Borrowings from Unrelated Parties |                  | 1.618.541           | 2.142.397               |
| Bank Loans                                                       | 7                | 1.618.541           | 2.142.397               |
| Trade Payables                                                   |                  | 6.583.114           | 5.751.347               |
| Trade Payables to Related Parties                                | 8                | 19.076              | 7.239                   |
| Trade Payables to Unrelated Parties                              | 9                | 6.564.038           | 5.744.108               |
| Employee Benefit Obligations                                     | 18               | 102.353             | 107.735                 |
| Other Payables                                                   |                  | 49.244              | 10.095                  |
| Other Payables to Related Parties                                | 8                | 44.812              | 9.295                   |
| Other Payables to Unrelated Parties                              |                  | 4.432               | 800                     |
| Derivative Financial Liabilities                                 |                  | 187.879             | 163.545                 |
| Derivative Financial Liabilities Held for Trading                | 28               | 169.581             | 90.931                  |
| Derivative Financial Liabilities Held for Hedging                | 28               | 18.298              | 72.614                  |
| Current Tax Liabilities                                          | 26               | 7.302               | 9.023                   |
| Current Provisions                                               |                  | 474.861             | 403.308                 |
| Other Current Provisions                                         | 16               | 474.861             | 403.308                 |
| Other Current Liabilities                                        |                  | 256.337             | 295.477                 |
| Other Current Liabilities to Unrelated Parties                   | 19               | 256.337             | 295.477                 |
| <b>TOTAL CURRENT LIABILITIES</b>                                 |                  | <b>12.824.134</b>   | <b>10.224.819</b>       |

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2018 AND**  
**31 DECEMBER 2017**

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

|                                                    |                  | <b>Reviewed</b>     | <b>Audited</b>          |
|----------------------------------------------------|------------------|---------------------|-------------------------|
|                                                    | <b>Footnotes</b> | <b>30 June 2018</b> | <b>31 December 2017</b> |
| <b>NON-CURRENT LIABILITIES</b>                     |                  |                     |                         |
| Long Term Borrowings                               |                  | 529.713             | 1.024.003               |
| Long Term Borrowings from Unrelated Parties        |                  | 529.713             | 1.024.003               |
| Bank Loans                                         | 7                | 522.680             | 1.016.557               |
| Leasing Debts                                      | 7                | 7.033               | 7.446                   |
| Trade Payables                                     |                  | 18.018              | 1.959                   |
| Trade Payables to Unrelated Parties                |                  | 18.018              | 1.959                   |
| Non-current Provisions                             |                  | 186.285             | 180.980                 |
| Non-current Provisions for Employee Benefits       | 18               | 100.152             | 96.078                  |
| Other Non-current Provisions                       | 16               | 86.133              | 84.902                  |
| Deferred Tax Liabilities                           | 26               | 69.342              | 129.591                 |
| Other Non-current Liabilities                      |                  | 6.715               | 6.281                   |
| Other Non-current Liabilities to Unrelated Parties |                  | 6.715               | 6.281                   |
| <b>TOTAL NON-CURRENT LIABILITIES</b>               |                  | <b>810.073</b>      | <b>1.342.814</b>        |
| <b>TOTAL LIABILITIES</b>                           |                  | <b>13.634.207</b>   | <b>11.567.633</b>       |

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2018 AND**  
**31 DECEMBER 2017**

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

|                                                                                               |                  | <b>Reviewed</b>     | <b>Audited</b>          |
|-----------------------------------------------------------------------------------------------|------------------|---------------------|-------------------------|
|                                                                                               | <b>Footnotes</b> | <b>30 June 2018</b> | <b>31 December 2017</b> |
| <b>EQUITY</b>                                                                                 |                  |                     |                         |
| <b>Equity Attributable to Owners of Parent</b>                                                |                  | <b>2.411.055</b>    | <b>2.205.269</b>        |
| Issued Capital                                                                                | 20               | 335.456             | 335.456                 |
| Inflation Adjustments on Capital                                                              |                  | 688.315             | 688.315                 |
| Share Premium (Discount)                                                                      |                  | 103.776             | 103.165                 |
| Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss |                  | 889.499             | 900.139                 |
| Gains (Losses) on Revaluation and Remeasurement                                               |                  | 889.499             | 900.139                 |
| Increases (Decreases) on Revaluation of Property, Plant and Equipment                         | 20               | 908.103             | 917.385                 |
| Gains (Losses) on Remeasurements of Defined Benefit Plans                                     |                  | (18.604)            | (17.246)                |
| Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss     |                  | 171.087             | 69.373                  |
| Exchange Differences on Translation                                                           |                  | 139.863             | 76.183                  |
| Gains (Losses) on Hedge                                                                       |                  | 26.700              | (10.959)                |
| Gains (Losses) on Cash Flow Hedges                                                            |                  | 26.700              | (10.959)                |
| Gains (Losses) on Revaluation and Reclassification                                            |                  | 4.524               | 4.149                   |
| Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets  | 20               | 4.524               | 4.149                   |
| Restricted Reserves Appropriated from Profits                                                 |                  | 48.909              | 46.195                  |
| Legal Reserves                                                                                | 20               | 48.909              | 46.195                  |
| Prior Years' Profits or Losses                                                                | 20               | 75.143              | 7.518                   |
| Current Period Net Profit Or Loss                                                             |                  | 98.870              | 55.108                  |
| <b>Non-controlling Interests</b>                                                              |                  | <b>53.649</b>       | <b>72.759</b>           |
| <b>TOTAL EQUITY</b>                                                                           |                  | <b>2.464.704</b>    | <b>2.278.028</b>        |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                                           |                  | <b>16.098.911</b>   | <b>13.845.661</b>       |

Consolidated condensed interim financial statements for the period 1 January - 30 June 2018, were approved by the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. on 6 August 2018.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2018 AND 2017**

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

|                                                                 | Footnotes | Reviewed<br>1 January -<br>30 June<br>2018 | Reviewed<br>1 January -<br>30 June<br>2017 | 1 April -<br>30 June<br>2018 | 1 April -<br>30 June<br>2017 |
|-----------------------------------------------------------------|-----------|--------------------------------------------|--------------------------------------------|------------------------------|------------------------------|
| <b>PROFIT OR LOSS</b>                                           |           |                                            |                                            |                              |                              |
| Revenue                                                         | 21        | 6.894.222                                  | 5.341.299                                  | 3.888.080                    | 2.958.425                    |
| Cost of Sales                                                   | 21        | (5.091.891)                                | (4.241.506)                                | (2.793.026)                  | (2.336.685)                  |
| <b>GROSS PROFIT (LOSS)</b>                                      |           | <b>1.802.331</b>                           | <b>1.099.793</b>                           | <b>1.095.054</b>             | <b>621.740</b>               |
| General Administrative Expenses                                 | 23        | (162.180)                                  | (139.871)                                  | (89.525)                     | (77.804)                     |
| Marketing Expenses                                              | 23        | (850.659)                                  | (629.827)                                  | (471.922)                    | (345.621)                    |
| Research and Development Expense                                | 23        | (109.961)                                  | (82.856)                                   | (60.416)                     | (44.204)                     |
| Other Income from Operating Activities                          | 24        | 599.047                                    | 497.336                                    | 363.755                      | 255.734                      |
| Other Expenses from Operating Activities                        | 24        | (1.186.991)                                | (399.947)                                  | (824.746)                    | (129.830)                    |
| <b>PROFIT (LOSS) FROM OPERATING<br/>ACTIVITIES</b>              |           | <b>91.587</b>                              | <b>344.628</b>                             | <b>12.200</b>                | <b>280.015</b>               |
| <b>PROFIT (LOSS) BEFORE FINANCING<br/>INCOME (EXPENSE)</b>      |           | <b>91.587</b>                              | <b>344.628</b>                             | <b>12.200</b>                | <b>280.015</b>               |
| Finance Income                                                  | 25        | 1.283.283                                  | 568.770                                    | 853.159                      | 162.408                      |
| Finance Costs                                                   | 25        | (1.278.273)                                | (793.000)                                  | (708.456)                    | (358.872)                    |
| <b>PROFIT (LOSS) FROM CONTINUING<br/>OPERATIONS,</b>            |           | <b>96.597</b>                              | <b>120.398</b>                             | <b>156.903</b>               | <b>83.551</b>                |
| Tax (Expense) Income, Continuing                                |           | 13.222                                     | 19.889                                     | (21.991)                     | 14.371                       |
| Current Period Tax (Expense) Income                             | 26        | (9.195)                                    | (5.326)                                    | (6.067)                      | (4.043)                      |
| Deferred Tax (Expense) Income                                   | 26        | 22.417                                     | 25.215                                     | (15.924)                     | 18.414                       |
| <b>PROFIT (LOSS) FROM CONTINUING<br/>OPERATIONS</b>             |           | <b>109.819</b>                             | <b>140.287</b>                             | <b>134.912</b>               | <b>97.922</b>                |
| <b>PROFIT (LOSS)</b>                                            |           | <b>109.819</b>                             | <b>140.287</b>                             | <b>134.912</b>               | <b>97.922</b>                |
| <b>Profit (loss), attributable to</b>                           |           |                                            |                                            |                              |                              |
| Non-controlling Interests                                       |           | 10.949                                     | 7.995                                      | 6.147                        | 4.004                        |
| Owners of Parent                                                |           | 98.870                                     | 132.292                                    | 128.765                      | 93.918                       |
| <b>Earnings per 100 share with a Kr 1 of Par<br/>Value (TL)</b> | 27        | <b>0,29</b>                                | <b>0,39</b>                                | <b>0,38</b>                  | <b>0,28</b>                  |

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2018 AND 2017**

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

|                                                                                                                              | Reviewed<br>1 January -<br>30 June<br>2018 | Reviewed<br>1 January -<br>30 June<br>2017 | 1 April -<br>30 June<br>2018 | 1 April -<br>30 June<br>2017 |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|------------------------------|------------------------------|
| <b>OTHER COMPREHENSIVE INCOME</b>                                                                                            |                                            |                                            |                              |                              |
| Other Comprehensive Income That will not<br>be Reclassified to Profit or Loss                                                | (1.338)                                    | (590)                                      | (134)                        | (99)                         |
| Gains (Losses) on Remeasurements of Defined Benefit<br>Plans                                                                 | (1.672)                                    | (737)                                      | (167)                        | (123)                        |
| Taxes Relating to Components of Other Comprehensive<br>Income                                                                | 334                                        | 147                                        | 33                           | 24                           |
| Taxes Relating to Remeasurements of Defined<br>Benefit Plans                                                                 | 334                                        | 147                                        | 33                           | 24                           |
| Other Comprehensive Income that will be<br>Reclassified to Profit or Loss                                                    | 102.501                                    | (72.876)                                   | 68.038                       | (67.653)                     |
| Exchange Differences on Translation                                                                                          | 63.680                                     | 23.825                                     | 32.830                       | (4.805)                      |
| Gains (Losses) on Exchange Differences on                                                                                    | 63.680                                     | 23.825                                     | 32.830                       | (4.805)                      |
| Gains (Losses) on Remeasuring or Reclassification<br>Adjustments on Available-for-sale Financial Assets                      | 466                                        | 1.590                                      | (3.200)                      | 1.590                        |
| Gains (losses) on Remeasuring Available-for-sale<br>Financial Assets                                                         | 466                                        | 1.590                                      | (3.200)                      | 1.590                        |
| Other Comprehensive Income (Loss) Related with Cash<br>Flow Hedges                                                           | 49.292                                     | (122.466)                                  | 48.420                       | (80.150)                     |
| Gains (Losses) on Cash Flow Hedges                                                                                           | 49.292                                     | (122.466)                                  | 48.420                       | (80.150)                     |
| Taxes Relating to Components of Other Comprehensive<br>Income that will be Reclassified to Profit or Loss                    | (10.937)                                   | 24.175                                     | (10.012)                     | 15.712                       |
| Taxes Relating to Gains (Losses) on Remeasuring or<br>Reclassification Adjustments on Available-for-sale<br>Financial Assets | (93)                                       | (318)                                      | 640                          | (318)                        |
| Taxes Relating to Cash Flow Hedges                                                                                           | (10.844)                                   | 24.493                                     | (10.652)                     | 16.030                       |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>                                                                                     | <b>101.163</b>                             | <b>(73.466)</b>                            | <b>67.904</b>                | <b>(67.752)</b>              |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>                                                                                     | <b>210.982</b>                             | <b>66.821</b>                              | <b>202.816</b>               | <b>30.170</b>                |
| <b>Total Comprehensive Income Attributable to</b>                                                                            |                                            |                                            |                              |                              |
| Non-controlling Interests                                                                                                    | 11.713                                     | 6.219                                      | 7.497                        | 2.775                        |
| Owners of Parent                                                                                                             | 199.269                                    | 60.602                                     | 195.319                      | 27.395                       |

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIODS 1 JANUARY – 30 JUNE 2018 AND 2017**

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

| Issued Capital | Inflation Adjustments on Capital | Share Premiums or Discounts |                                                                       |                                                           |                                                |                                                                                        |                                     |                  |                                     |                                                                                              |                                                    |                                                                                    | Restricted Reserves Appropriated From Profits |                                |                    |                   | Equity attributable to owners of parent | Non-controlling interests | Equity    |  |
|----------------|----------------------------------|-----------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------|------------------|-------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------|--------------------------------|--------------------|-------------------|-----------------------------------------|---------------------------|-----------|--|
|                |                                  |                             | Increases (Decreases) on Revaluation of Property, Plant and Equipment | Gains (Losses) on Remeasurements of Defined Benefit Plans | Gains (Losses) Revaluations and Remeasurements | Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss | Exchange Differences on Translation | Cash Flow Hedges | Reserve Of Gains or Losses on Hedge | Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets | Gains (Losses) on Revaluation and Reclassification | Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss |                                               | Prior Years' Profits or Losses | Net Profit or Loss | Retained Earnings |                                         |                           |           |  |
|                |                                  |                             |                                                                       |                                                           |                                                |                                                                                        |                                     |                  |                                     |                                                                                              |                                                    |                                                                                    |                                               |                                |                    |                   |                                         |                           |           |  |
| 335.456        | 688.315                          | 103.165                     | 561.662                                                               | (9.798)                                                   | 551.864                                        | 551.864                                                                                | 10.038                              | 48.184           | 48.184                              | 1.476                                                                                        | 1.476                                              | 59.698                                                                             | 41.029                                        | (168.010)                      | 167.719            | (291)             | 1.779.236                               | 59.889                    | 1.839.125 |  |
| -              | -                                | -                           | -                                                                     | -                                                         | -                                              | -                                                                                      | -                                   | -                | -                                   | -                                                                                            | -                                                  | -                                                                                  | 5.166                                         | 162.553                        | (167.719)          | (5.166)           | -                                       | -                         | -         |  |
| -              | -                                | -                           | (6.243)                                                               | (583)                                                     | (6.826)                                        | (6.826)                                                                                | 23.825                              | (96.204)         | (96.204)                            | 1.272                                                                                        | 1.272                                              | (71.107)                                                                           | -                                             | 6.243                          | 132.292            | 138.535           | 60.602                                  | 6.219                     | 66.821    |  |
| -              | -                                | -                           | (6.243)                                                               | -                                                         | (6.243)                                        | (6.243)                                                                                | -                                   | -                | -                                   | -                                                                                            | -                                                  | -                                                                                  | -                                             | 6.243                          | 132.292            | 138.535           | 132.292                                 | 7.995                     | 140.287   |  |
| -              | -                                | -                           | -                                                                     | (583)                                                     | (583)                                          | (583)                                                                                  | 23.825                              | (96.204)         | (96.204)                            | 1.272                                                                                        | 1.272                                              | (71.107)                                                                           | -                                             | -                              | -                  | -                 | (71.690)                                | (1.776)                   | (73.466)  |  |
| -              | -                                | -                           | -                                                                     | -                                                         | -                                              | -                                                                                      | -                                   | -                | -                                   | -                                                                                            | -                                                  | -                                                                                  | -                                             | -                              | -                  | -                 | -                                       | (9.461)                   | (9.461)   |  |
| 335.456        | 688.315                          | 103.165                     | 555.419                                                               | (10.381)                                                  | 545.038                                        | 545.038                                                                                | 33.863                              | (48.020)         | (48.020)                            | 2.748                                                                                        | 2.748                                              | (11.409)                                                                           | 46.195                                        | 786                            | 132.292            | 133.078           | 1.839.838                               | 56.647                    | 1.896.485 |  |
|                |                                  |                             |                                                                       |                                                           |                                                |                                                                                        |                                     |                  |                                     |                                                                                              |                                                    |                                                                                    |                                               |                                |                    |                   |                                         |                           |           |  |
|                |                                  |                             |                                                                       |                                                           |                                                |                                                                                        |                                     |                  |                                     |                                                                                              |                                                    |                                                                                    |                                               |                                |                    |                   |                                         |                           |           |  |
| 335.456        | 688.315                          | 103.165                     | 917.385                                                               | (17.246)                                                  | 900.139                                        | 900.139                                                                                | 76.183                              | (10.959)         | (10.959)                            | 4.149                                                                                        | 4.149                                              | 69.373                                                                             | 46.195                                        | 7.518                          | 55.108             | 62.626            | 2.205.269                               | 72.759                    | 2.278.028 |  |
| -              | -                                | -                           | (1.526)                                                               | -                                                         | (1.526)                                        | (1.526)                                                                                | -                                   | -                | -                                   | -                                                                                            | -                                                  | -                                                                                  | 2.714                                         | 53.920                         | (55.108)           | (1.188)           | -                                       | -                         | -         |  |
| -              | -                                | -                           | (9.519)                                                               | (1.322)                                                   | (10.841)                                       | (10.841)                                                                               | 63.680                              | 37.666           | 37.666                              | 375                                                                                          | 375                                                | 101.721                                                                            | -                                             | 9.519                          | 98.870             | 108.389           | 199.269                                 | 11.713                    | 210.982   |  |
| -              | -                                | -                           | (9.519)                                                               | -                                                         | (9.519)                                        | (9.519)                                                                                | -                                   | -                | -                                   | -                                                                                            | -                                                  | -                                                                                  | -                                             | 9.519                          | 98.870             | 108.389           | 98.870                                  | 10.949                    | 109.819   |  |
| -              | -                                | -                           | -                                                                     | (1.322)                                                   | (1.322)                                        | (1.322)                                                                                | 63.680                              | 37.666           | 37.666                              | 375                                                                                          | 375                                                | 101.721                                                                            | -                                             | -                              | -                  | -                 | 100.399                                 | 764                       | 101.163   |  |
| -              | -                                | -                           | -                                                                     | -                                                         | -                                              | -                                                                                      | -                                   | -                | -                                   | -                                                                                            | -                                                  | -                                                                                  | -                                             | -                              | -                  | -                 | -                                       | (12.909)                  | (12.909)  |  |
| ng             | -                                | 611                         | 1.763                                                                 | (36)                                                      | 1.727                                          | 1.727                                                                                  | -                                   | (7)              | (7)                                 | -                                                                                            | -                                                  | (7)                                                                                | -                                             | 4.186                          | -                  | 4.186             | 6.517                                   | (17.914)                  | (11.397)  |  |
| 335.456        | 688.315                          | 103.776                     | 908.103                                                               | (18.604)                                                  | 889.499                                        | 889.499                                                                                | 139.863                             | 26.700           | 26.700                              | 4.524                                                                                        | 4.524                                              | 171.087                                                                            | 48.909                                        | 75.143                         | 98.870             | 174.013           | 2.411.055                               | 53.649                    | 2.464.704 |  |

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS**  
**1 JANUARY – 30 JUNE 2018 AND 2017**

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

|                                                                               |                  | <b>Reviewed<br/>1 January -<br/>30 June<br/>2018</b> | <b>Reviewed<br/>1 January -<br/>30 June<br/>2017</b> |
|-------------------------------------------------------------------------------|------------------|------------------------------------------------------|------------------------------------------------------|
|                                                                               | <b>Footnotes</b> |                                                      |                                                      |
| <b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>                         |                  | <b>847.219</b>                                       | <b>276.718</b>                                       |
| Profit (Loss)                                                                 |                  | 109.819                                              | 140.287                                              |
| Profit (Loss) from Continuing Operations                                      |                  | 109.819                                              | 140.287                                              |
| <b>Adjustments to Reconcile Profit (Loss)</b>                                 |                  | <b>587.919</b>                                       | <b>264.460</b>                                       |
| Adjustments for Depreciation and Amortisation Expense                         | 14               | 217.748                                              | 177.442                                              |
| Adjustments for Impairment Loss (Reversal of Impairment Loss)                 |                  | 21.981                                               | 7.649                                                |
| Adjustments for Impairment Loss (Reversal of Impairment Loss) of Receivables  | 9                | 4.046                                                | 3.422                                                |
| Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories  | 11               | 17.935                                               | 4.227                                                |
| Adjustments for Provisions                                                    |                  | 84.904                                               | 38.305                                               |
| Adjustments for (Reversal of) Provisions Related with Employee Benefits       | 18               | 12.120                                               | 11.412                                               |
| Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions               | 16               | 5.907                                                | (1.772)                                              |
| Adjustments for (Reversal of) Warranty Provisions                             | 16               | 44.685                                               | 26.548                                               |
| Adjustments for (Reversal of) Other Provisions                                | 16               | 22.192                                               | 2.117                                                |
| Adjustments for Interest (Income) Expenses                                    |                  | 91.153                                               | 88.796                                               |
| Adjustments for Interest Income                                               | 25               | (185.888)                                            | (97.958)                                             |
| Adjustments for Interest Expense                                              | 25               | 277.041                                              | 186.754                                              |
| Adjustments for Unrealised Foreign Exchange Losses (Gains)                    |                  | 268.935                                              | 43.020                                               |
| Adjustments for Fair Value Losses (Gains)                                     |                  | (74.506)                                             | (121.015)                                            |
| Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments |                  | (74.506)                                             | (121.015)                                            |
| Adjustments for Tax (Income) Expenses                                         |                  | (13.222)                                             | (19.889)                                             |
| Adjustments for Losses (Gains) on Disposal of Non-Current Assets              |                  | (4.390)                                              | (1.233)                                              |
| Adjustments for Losses (Gains) Arised from Sale of Tangible Assets            |                  | (4.390)                                              | (1.233)                                              |
| Other Adjustments to Reconcile Profit (Loss)                                  | 5                | (4.684)                                              | 51.385                                               |

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS**  
**1 JANUARY – 30 JUNE 2018 AND 2017**

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

|                                                                                  |                  | <b>Reviewed<br/>1 January -<br/>30 June<br/>2018</b> | <b>Reviewed<br/>1 January -<br/>30 June<br/>2017</b> |
|----------------------------------------------------------------------------------|------------------|------------------------------------------------------|------------------------------------------------------|
|                                                                                  | <b>Footnotes</b> |                                                      |                                                      |
| <b>Changes in Working Capital</b>                                                |                  | <b>176.312</b>                                       | <b>(107.212)</b>                                     |
| Decrease (Increase) in Financial Investments                                     | 6                | (647)                                                | (14.252)                                             |
| Adjustments for Decrease (Increase) in Trade Accounts Receivable                 |                  | (265.267)                                            | (494.468)                                            |
| Decrease (Increase) in Trade Accounts Receivables from Related Parties           |                  | (18.369)                                             | 7.161                                                |
| Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties         |                  | (246.898)                                            | (501.629)                                            |
| Adjustments for Decrease (Increase) in Other Receivables Related with Operations |                  | (95.232)                                             | (49.108)                                             |
| Decrease (Increase) in Other Unrelated Party Receivables Related with Operations |                  | (95.232)                                             | (49.108)                                             |
| Adjustments for Decrease (Increase) in Inventories                               |                  | (259.240)                                            | (768.489)                                            |
| Decrease (Increase) in Prepaid Expenses                                          |                  | (9.351)                                              | (26.718)                                             |
| Adjustments for Increase (Decrease) in Trade Accounts Payable                    |                  | 847.826                                              | 1.193.030                                            |
| Increase (Decrease) in Trade Accounts Payables to Related Parties                |                  | 11.837                                               | (1.663)                                              |
| Increase (Decrease) in Trade Accounts Payables to Unrelated Parties              |                  | 835.989                                              | 1.194.693                                            |
| Increase (Decrease) in Employee Benefit Liabilities                              |                  | (5.382)                                              | 5.619                                                |
| Adjustments for Increase (Decrease) in Other Operating Payables                  |                  | 3.632                                                | 4.954                                                |
| Increase (Decrease) in Other Operating Payables to Unrelated Parties             |                  | 3.632                                                | 4.954                                                |
| Other Adjustments for Other Increase (Decrease) in Working Capital               |                  | (40.027)                                             | 42.220                                               |
| Decrease (Increase) in Other Assets Related with Operations                      |                  | (1.321)                                              | 17.706                                               |
| Increase (Decrease) in Other Payables Related with Operations                    |                  | (38.706)                                             | 24.514                                               |
| <b>Cash Flows from (used in) Operations</b>                                      |                  | <b>874.050</b>                                       | <b>297.535</b>                                       |
| Payments Related with Provisions for Employee Benefits                           | 18               | (9.718)                                              | (9.133)                                              |
| Income Taxes Refund (Paid)                                                       | 26               | (17.113)                                             | (11.684)                                             |

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS**  
**1 JANUARY – 30 JUNE 2018 AND 2017**

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

|                                                                                                       |                  | <b>Reviewed<br/>1 January -<br/>30 June<br/>2018</b> | <b>Reviewed<br/>1 January -<br/>30 June<br/>2017</b> |
|-------------------------------------------------------------------------------------------------------|------------------|------------------------------------------------------|------------------------------------------------------|
|                                                                                                       | <b>Footnotes</b> |                                                      |                                                      |
| <b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>                                                 |                  | <b>(2.078.968)</b>                                   | <b>(475.900)</b>                                     |
| Cash Outflows from Purchase of Additional Shares of Subsidiaries                                      |                  | (11.397)                                             | -                                                    |
| Cash Outflows Arising from Purchase of Shares or Capital Increase of Associates and/or Joint Ventures | 13               | (1.153.025)                                          | -                                                    |
| Proceeds from Sales of Property, Plant, Equipment and Intangible Assets                               |                  | 6.321                                                | 2.038                                                |
| Proceeds from Sales of Property, Plant and Equipment                                                  |                  | 6.321                                                | 2.038                                                |
| Purchase of Property, Plant, Equipment and Intangible Assets                                          |                  | (500.334)                                            | (260.865)                                            |
| Purchase of Property, Plant and Equipment                                                             | 14               | (404.417)                                            | (184.665)                                            |
| Purchase of Intangible Assets                                                                         | 15               | (95.917)                                             | (76.200)                                             |
| Cash Advances and Loans Made to Other Parties                                                         |                  | (420.533)                                            | (217.073)                                            |
| Cash Advances and Loans Made to Related Parties                                                       | 8                | (420.533)                                            | (217.073)                                            |
| <b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>                                                 |                  | <b>846.985</b>                                       | <b>421.874</b>                                       |
| Proceeds from Borrowings                                                                              |                  | 4.330.641                                            | 1.219.022                                            |
| Proceeds from Loans                                                                                   |                  | 4.330.641                                            | 1.219.022                                            |
| Repayments of Borrowings                                                                              |                  | (3.380.863)                                          | (752.000)                                            |
| Loan Repayments                                                                                       |                  | (3.380.925)                                          | (732.294)                                            |
| Cash Outflows from Other Financial Liabilities                                                        |                  | 62                                                   | (19.706)                                             |
| Increase in Other Payables to Related Parties                                                         |                  | 35.517                                               | 697                                                  |
| Dividends Paid                                                                                        |                  | (12.909)                                             | (9.461)                                              |
| Interest Paid                                                                                         |                  | (311.289)                                            | (134.342)                                            |
| Interest Received                                                                                     |                  | 185.888                                              | 97.958                                               |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES</b>    |                  | <b>(384.764)</b>                                     | <b>222.692</b>                                       |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents                                          |                  | 39.950                                               | 17.237                                               |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                           |                  | <b>(344.814)</b>                                     | <b>239.929</b>                                       |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD                                              | 5                | 1.991.848                                            | 1.210.714                                            |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                                             |                  | <b>1.647.034</b>                                     | <b>1.450.643</b>                                     |

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 1 – GROUP’S ORGANISATION AND NATURE OF OPERATIONS**

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi ("Vestel Elektronik" or "the Company") and its subsidiaries (together "the Group"), mainly produce and sell a range of brown goods and white goods. The Company's head office is located at Levent 199, Büyükdere Caddesi No: 199, 34394 Şişli / İstanbul. The Group's production facilities are located in Manisa Organized Industrial Zone, İzmir Aegean Free Zone, Poland and Russia.

The ultimate controller of the Company is Zorlu Family.

Vestel Elektronik is registered to Capital Market Board ("CMB") and its shares have been quoted to Borsa İstanbul ("BİST") since 1990. As of 30 June 2017, 35,59 % of the Company's shares are publicly traded (2017: 35,59%).

As of 30 June 2018 the number of personnel employed at Group is 15.978 (31 December 2017: 15.856).

The Company's subsidiaries and associates are as follows:

| <b>Subsidiaries</b>                         | <b>Country</b> | <b>Nature of operations</b> |
|---------------------------------------------|----------------|-----------------------------|
| Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.    | Turkey         | Production                  |
| Vestel Komünikasyon Sanayi ve Ticaret A.Ş.  | Turkey         | Sales                       |
| Vestel Ticaret A.Ş.                         | Turkey         | Sales                       |
| Vestel CIS Ltd.                             | Russia         | Sales                       |
| Vestel Iberia SL                            | Spain          | Sales                       |
| Vestel France SA                            | France         | Sales                       |
| Vestel Holland BV                           | Holland        | Sales                       |
| Vestel Germany GmbH                         | Germany        | Sales                       |
| Cabot Communications Ltd.                   | UK             | Software                    |
| Vestel Benelux BV                           | Holland        | Sales                       |
| Vestel UK Ltd.                              | UK             | Sales                       |
| Vestek Elektronik Araştırma Geliştirme A.Ş. | Turkey         | Software                    |
| Vestel Trade Ltd.                           | Russia         | Sales                       |
| OY Vestel Scandinavia AB                    | Finland        | Sales                       |
| Intertechnika LLC                           | Russia         | Service                     |
| Vestel Central Asia LLP                     | Kazakhstan     | Sales                       |
| Vestel Ventures Ar-ge A.Ş.                  | Turkey         | Service                     |
| Vestel Poland sp. z.o.o.                    | Poland         | Sales                       |
| Vestel Polska Technology Center sp. z o.o.  | Poland         | Production/Sales            |
| Vestel Electronics Gulf DMC                 | UAE            | Sales                       |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

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

| <b>Investments accounted for using equity method<br/>(Associates)</b>  | <b>Country</b> | <b>Nature of<br/>operations</b> |
|------------------------------------------------------------------------|----------------|---------------------------------|
| Vestel Savunma Sanayi A.Ş.                                             | Turkey         | Production/ Sales               |
| Aydın Yazılım Elektronik ve Sanayi A.Ş.                                | Turkey         | Software                        |
| Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş (note 13)                | Turkey         | Mining                          |
| Türkiye'nin Otomobili Girişim Grubu Sanayi ve<br>Ticaret A.Ş (note 13) | Turkey         | Automotive                      |

**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

**2.1 Basis of presentation**

**2.1.1 Statement of compliance**

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

The Group prepared its condensed interim consolidated financial statements for the period ended 30 June 2018 in accordance with ("TAS") 34 "Interim Financial Reporting" in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

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

The Group and its subsidiaries operating in Turkey maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The consolidated financial statements, except for land, buildings and land improvements and the financial assets and liabilities presented with their fair values, are maintained under historical cost conversion in TL.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

---

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

Consolidated subsidiaries operating in foreign countries have prepared their financial statements in accordance with the laws and regulations of the countries in which they operate with the required adjustments and reclassifications reflected in accordance with CMB Financial Reporting Standards. These financial statements are based on the statutory records which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/IFRS.

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.

**2.1.2 Currency used**

i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements are prepared and presented in Turkish Lira (“TL”), which is the functional currency of the parent company.

ii) Transactions and balances

Transactions in foreign currencies have been translated into functional currency at the exchange rates prevailing at the date of the transaction. Exchange gains or losses arising from the settlement and translation of monetary assets and liabilities denominated in foreign currency at the exchange rates prevailing at the balance sheet dates are included in consolidated comprehensive income, except for the effective portion of foreign currency hedge of cash flow and net investment which are included under shareholders’ equity.

iii) Translation of financial statements of subsidiaries operating in foreign countries

Assets and liabilities of subsidiaries operating in foreign countries are translated into TL at the exchange rates prevailing at the balance sheet dates. Comprehensive income items of those subsidiaries are translated into TL using average exchange rates for the period (if the average exchange rates for the period do not reasonably reflect the exchange rate fluctuations, transactions are translated using the exchange rates prevailing at the date of the transaction). Exchange differences arising from using average and balance sheet date rates are included in “currency translation differences” under the shareholders’ equity.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

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

The balance sheet date rates and average rates used for translation of income statement items for the related periods are as follows:

| <b><u>Period End:</u></b> | <b><u>30 June 2018</u></b> | <b><u>31 December 2017</u></b> |
|---------------------------|----------------------------|--------------------------------|
| Turkish Lira/EUR          | 0,1884                     | 0,2215                         |
| Turkish Lira/GBP          | 0,1672                     | 0,1968                         |
| Turkish Lira/RUB          | 13,833                     | 15,3681                        |
| Turkish Lira/PLN          | 0,8216                     | 0,9227                         |
|                           | <b><u>1 January -</u></b>  | <b><u>1 January -</u></b>      |
| <b><u>Average:</u></b>    | <b><u>30 June 2018</u></b> | <b><u>30 June 2017</u></b>     |
| Turkish Lira/EUR          | 0,2025                     | 0,2544                         |
| Turkish Lira/GBP          | 0,1784                     | 0,2192                         |
| Turkish Lira/RUB          | 14,635                     | 16,0258                        |
| Turkish Lira/PLN          | 0,8537                     | 1,0851                         |

**2.1.3 Basis of consolidation**

The consolidated financial statements include the accounts of the parent, Company, and its subsidiaries from the date on which the control is transferred to the Group until the date that the control ceases. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards by applying uniform accounting policies and presentation.

**a) Subsidiaries**

The Group has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the entity's returns. On the other hand, the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In order to be consistent with accounting policies accepted by the Group, accounting policies of the subsidiaries are modified where necessary.

The balance sheet and statement of income of the subsidiaries are consolidated on a line-by-line basis and all material intercompany payable /receivable balances and sales / purchase transactions are eliminated. The carrying value of the investment held by Vestel Elektronik and its subsidiaries is eliminated against the related shareholders' equity.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

---

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

The non-controlling share in the net assets and results of subsidiaries for the period are separately classified as “non-controlling interest” in the consolidated statements of comprehensive income and the consolidated statements of changes in shareholders’ equity.

As of the balance sheet date, consolidated companies and the proportion of ownership interest of Vestel Elektronik in these subsidiaries are disclosed in note 3.

Financial assets in which the Group has direct or indirect voting rights equal to or above 50% which are immaterial to the Group financial results or over which a significant influence is not exercised by the Group are carried at cost less any provisions for impairment.

**b) Investments in associates**

Investments in associates are accounted for by the equity method and are initially recognized at cost. These are entities in which the Group has an interest which is more than 20% and less than 50% of the voting rights or over which a significant influence is exercised. Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group’s interest in the associates, whereas unrealized losses are eliminated unless they do not address any impairment of the asset transferred. Net increase or decrease in the net asset of associates is included in the consolidated statements of comprehensive income in regards with the Group’s share.

The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. After the Group’s interest in the associates becomes nil, additional losses are provided for, and a liability recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes including its share of those profits only after its share of the profits equals the share of net losses not recognized.

Since Vestel Savunma and Aydın Yazılım has net liability position as of 30 June 2018 and 31 December 2017, carrying value of those investment in associates accounted for by equity method is resulted as nil in the consolidated balance sheets.

The Group’s voting rights and effective ownership rates in Vestel Savunma and Aydın Yazılım are 35% and 21% respectively (31 December 2017: 35%, 21%).

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

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

As on 29 June 2018, in order to secure the supply of nickel sulphate and cobalt sulphate compounds, which are critical raw materials for the production of EV batteries, the Group has purchased 50% shares of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret A.Ş., which is a subsidiary of Zorlu Holding A.Ş. and is involved in nickel-cobalt mining (note 13).

Within the framework of Turkey's Automobile Project, following the work undertaken by the Joint Initiative Group, to which Company's controlling shareholder, Zorlu Holding A.Ş. was a party, Vestel Elektronik Sanayi ve Ticaret A.Ş. decided has participated with a 19% share in "Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş.", which is planned to be established to produce mainly electric passenger cars and carry out supporting activities.

**2.2 Comparatives**

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

The Group has made adjustment in tangible assets of consolidated financial statements year ended 31 December 2017 related to classification of revaluation amounts, the amounts of 94.346 thousand TL and 4.713 thousand TL which have been shown in "Buildings" and "Land Improvements" respectively, have been reclassified to the "Land and Premises".

Transition to IFRS 15 "Revenue from contracts with customers":

The Group has applied IFRS 15 "Revenue from contracts with customers", which has replaced TMS 18, by using the cumulative effect method on the transition date. In accordance with this method, The Group has not needed to restate the prior years' financial statements. Therefore, prior year financial statements are not restated and these financial statements are presented in accordance with TMS 18. Cumulative effect of the first time adoption has not made any material changes that has to be recognized in retained earnings as of 1 January 2018.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

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

Transition to IFRS 9 “Financial instruments”:

The Group has applied IFRS 9 “Financial instruments” standard with the amendments including the classification, measurement, and the expected credit risk model as of 1 January 2018. The Group has accounted the effect of transition based on the simplified approach, therefore, prior year financial statements are not restated and these financial statements are presented in accordance with TMS 39. Cumulative effect of the first time adoption has not made any material changes that has to be recognized in retained earnings as of 1 January 2018.

Changes regarding the classification of financial assets and liabilities in terms of IFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

| <b>Financial Assets</b>      | <b>Prior classification under TAS 39</b> | <b>New classification under IFRS 9</b> |
|------------------------------|------------------------------------------|----------------------------------------|
| Cash and cash equivalents    | Loans and receivables                    | Amortised cost                         |
| Trade receivables            | Loans and receivables                    | Amortised cost                         |
| Derivative instruments       | Fair value through profit or loss        | Fair value through profit or loss      |
| Other receivables            | Loans and receivables                    | Amortised cost                         |
| <b>Financial Liabilities</b> | <b>Prior classification under TAS 39</b> | <b>New classification under IFRS 9</b> |
| Borrowings                   | Amortised cost                           | Amortised cost                         |
| Finance leases               | Amortised cost                           | Amortised cost                         |
| Derivative instruments       | Fair value through profit or loss        | Fair value through profit or loss      |
| Trade payables               | Amortised cost                           | Amortised cost                         |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

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

**2.3 Restatement and errors in the accounting estimates**

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

The Group has revised its accounting policies related to revenue and financial instruments in accordance with IFRS 15 and IFRS 9. Revisions applied do not have material impact on measurement and classification of Group's financial statements.

**2.4 Amendments in International Financial Reporting Standards**

**a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2018:**

- **Amendment to IFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- **IFRS 9 'Financial instruments'**, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

---

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

- **Amendments to IFRS 2, ‘Share based payments’** on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.
  - **Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
    - IFRS 1, ‘First time adoption of IFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,
    - IAS 28, ‘Investments in associates and joint venture’ regarding measuring an associate or joint venture at fair value
  - **IFRIC 22, ‘Foreign currency transactions and advance consideration’**, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2018**
- **Amendment to IFRS 9, ‘Financial instruments’;** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

---

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

- **Amendment to IAS 28, ‘Investments in associates and joint venture’;** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9
- **IFRS 16 ‘Leases’;** effective from annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, ‘Revenue from Contracts with Customers’, is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **IFRIC 23, ‘Uncertainty over income tax treatments’;** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

---

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

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
  - IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- **Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
  - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
  - recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.
- c) **Other new standards, amendments and interpretations issued and effective as of 1 January 2018 have not been presented since they are not relevant to the operations of the Group or have insignificant impact on the financial statements.**

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

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

**2.5 Summary of significant accounting policies**

**2.5.1 Revenue recognition**

The group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles:

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled.

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

- a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- b) Group can identify each party’s rights regarding the goods or services to be transferred,
- c) Group can identify the payment terms for the goods or services to be transferred,
- d) The contract has commercial substance,
- e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer’s ability and intention to pay that amount of consideration when it is due.

**2.5.2 Inventories**

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

Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income in the period the write-down or loss occurred.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

---

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

When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

**2.5.3 Property, plant and equipment**

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 2017 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.

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

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

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

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

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

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

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

Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate. On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

Subsequent costs such as repairs and maintenance or part replacement of plant and equipment are included in the asset’s carrying value or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company. All other costs are charged to the statements of comprehensive income during the financial period in which they are incurred.

**2.5.4 Intangible assets**

**a) Research and development costs**

Research costs are recognized as expense in the period in which they are incurred. Intangible assets arising from development (or from the development phase of an internal project) are recognized as intangible assets when the following criteria are met;

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

---

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

**b) Rights and other intangible assets**

Rights and other intangible assets consist of 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 fifteen years.

**c) Goodwill**

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

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

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

In case the consideration transferred in a business combination includes any contingent considerations, the Group recognizes the acquisition date fair value of the contingent consideration as part of the consideration transferred. During the measurement period, contingent considerations recognized at the acquisition date fair value are retrospectively adjusted when necessary. The measurement period is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognized for a business combination. This period shall not exceed one year from the acquisition date.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

---

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

**2.5.5 Financial instruments**

**a) Financial assets**

The Group classifies its financial assets into the following specified categories: financial assets as at fair value through profit or loss, loans and receivables and available for sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost.

The Group’s financial assets carried at amortized cost comprise “trade receivables” and “cash and cash equivalents” in the statement of financial position.

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision to the trade receivables as a result of a specific event, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected loss is performed based on the past experience of the Group and its expectations for the future indications.

Financial assets carried at fair value

Assets that are held by the Group for collection of contractual cash flows and for selling the financial assets are measured at their fair value.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

---

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

Impairment of financial assets

Impairment of the financial and contractual assets measured by using “Expected credit loss model”. The impairment model applies for amortized financial and contractual assets.

Group has preferred to apply “simplified approach” defined in IFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to “lifetime expected credit losses” except incurred credit losses in which trade receivables are already impaired for a specific reason.

**b) Financial liabilities**

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value.

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

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

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

---

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

Derivative financial instruments held for trading

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

Cash flow hedges

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

**2.5.6 Foreign currency transactions**

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period. Exchange differences arising are recognized in other comprehensive income and in equity.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

---

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

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

**2.5.7 Provisions, contingent assets and liabilities**

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

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

**2.5.8 Warranty and assembly expenses provision**

Warranty expenses include repair and maintenance expenses of products sold and labor and material costs of authorized services for products under the scope of warranty terms without any charge to the customers. Based on estimations using past statistical information, warranty expense provision is recognized for the products sold with warranty terms in the period, for possible repair and maintenance expenses to be incurred during the warranty period.

Based on estimations using past statistical information, assembly expenses provision is recognized for products sold during the period but not yet installed in the sites of the end customers, against the cost of free of charge installments.

**2.5.9 Related parties**

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

---

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

**2.5.10 Taxation on income**

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

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

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

Investment incentives that are conducive to payment of corporate taxes at reduced rates are subject to deferred tax calculation when there is reasonable assurance that the Group will benefit from the related incentive.

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

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

---

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

**2.5.11 Employee benefits**

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

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

**2.5.12 Government grants**

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

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

**2.5.13 Earnings per share**

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

**2.5.14 Statement of cash flows**

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

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

**2.5.15 Segment reporting**

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

The Group management evaluates the operational results at industrial and geographical level. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses.

Group’s operations are reported under three industrial segments:

- Television and electronic devices
- White goods
- Other

Group’s operations are reported under three geographical segments:

- Turkey
- Europe
- Other

**2.5.16 Offsetting**

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

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

**2.5.17 Events after the balance sheet date**

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

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

**2.5.18 Going Concern**

The Group prepared consolidated financial statements in accordance with the going concern assumption

**2.5.19 Trade Receivables**

Trade receivables that are created by the Group by way of providing goods or services in the ordinary course of business directly to a debtor are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method, less provision for impairment. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant

The Group collects some of its receivables via factoring. The Group follows related receivables in its consolidated financial statements since the collection risk of these receivables belongs to the Group until these ceded receivables are collected by the factoring company.

**2.6. Critical accounting estimates and judgments**

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

i. Revaluation of land, buildings and land improvements:

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 2017 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. (Note 14).

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

---

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

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

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.
- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

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

As of initial recognition and as of balance sheet date, the Group performs impairment assessment for buildings and land improvements of which valuations are based on cost approach, accordance with the TAS 36 "Impairment of Assets", and no impairment indicator is identified.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

**NOTE 3 – INTERESTS IN OTHER ENTITIES**

**Subsidiaries:**

As of 30 June 2018 and 31 December 2017 the Group’s major subsidiaries are as follows:

| <b>Consolidated subsidiaries</b>            | <b>30 June 2018</b>  |                            | <b>31 December 2017</b> |                            |
|---------------------------------------------|----------------------|----------------------------|-------------------------|----------------------------|
|                                             | <b>Voting rights</b> | <b>Effective ownership</b> | <b>Voting rights</b>    | <b>Effective ownership</b> |
| Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.    | 95,2                 | 95,2                       | 94,6                    | 94,6                       |
| Vestel Komünikasyon Sanayi ve Ticaret A.Ş.  | 100                  | 100                        | 100                     | 100                        |
| Vestel Ticaret A.Ş.                         | 100                  | 100                        | 100                     | 100                        |
| Vestel CIS Ltd.                             | 100                  | 100                        | 100                     | 100                        |
| Vestel Iberia SL                            | 100                  | 100                        | 100                     | 100                        |
| Vestel France SA                            | 100                  | 100                        | 100                     | 100                        |
| Vestel Holland BV                           | 100                  | 100                        | 100                     | 100                        |
| Vestel Germany GmbH                         | 100                  | 100                        | 100                     | 100                        |
| Cabot Communications Ltd.                   | 90,8                 | 90,8                       | 90,8                    | 90,8                       |
| Vestel Benelux BV                           | 100                  | 100                        | 100                     | 100                        |
| Vestel UK Ltd.                              | 100                  | 100                        | 100                     | 100                        |
| Vestek Elektronik Araştırma Geliştirme A.Ş. | 100                  | 100                        | 100                     | 100                        |
| Vestel Trade Ltd.                           | 100                  | 100                        | 100                     | 100                        |
| OY Vestel Scandinavia AB                    | 100                  | 100                        | 100                     | 100                        |
| Intertechnika LLC                           | 99,9                 | 99,9                       | 99,9                    | 99,9                       |
| Vestel Central Asia LLP                     | 100                  | 100                        | 100                     | 100                        |
| Vestel Poland sp. z.o.o.                    | 100                  | 100                        | 100                     | 100                        |
| Vestel Polska Technology Center sp. z o.o.  | 100                  | 100                        | 100                     | 100                        |

Financial information of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. which is not wholly owned by the Group and has significant non-controlling interests is as follows.

|                                                                | <b>30 June 2018</b> | <b>31 December 2017</b> |
|----------------------------------------------------------------|---------------------|-------------------------|
| Accumulated non-controlling interests                          | 51.483              | 70.593                  |
| Comprehensive income attributable to non-controlling interests | 11.713              | 22.331                  |

The financial statements of the subsidiary is adjusted to include the effects of revaluation of land, buildings and land improvements in accordance with the Group’s accounting policies applied in preparation of the consolidated financial statements.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

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

**Condensed balance sheet:**

|                         | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-------------------------|---------------------|-------------------------|
| Current assets          | 2.488.360           | 2.289.940               |
| Non-current assets      | 1.305.866           | 1.134.824               |
| Current liabilities     | (2.320.602)         | (1.706.307)             |
| Non-current liabilities | (183.153)           | (377.662)               |
| <b>Net assets</b>       | <b>1.290.471</b>    | <b>1.340.795</b>        |

**Condensed statement of comprehensive income:**

|                                    | <b>1 January -<br/>30 June<br/>2018</b> | <b>1 January -<br/>30 June<br/>2017</b> |
|------------------------------------|-----------------------------------------|-----------------------------------------|
| Net sales                          | 2.388.326                               | 1.744.512                               |
| Income / (loss) before tax         | 206.180                                 | 141.673                                 |
| Tax benefit / (expense)            | 9.223                                   | (3.380)                                 |
| Net income / (loss) for the period | 215.403                                 | 138.293                                 |
| Total comprehensive income         | 231.254                                 | 137.746                                 |

**Condensed statement of cash flows:**

**Operating activities:**

|                                                  |                |                  |
|--------------------------------------------------|----------------|------------------|
| Changes in working capital                       | (25.820)       | (349.158)        |
| <b>Net cash provided by operating activities</b> | <b>310.504</b> | <b>(133.096)</b> |

**Investing activities:**

|                                              |               |                |
|----------------------------------------------|---------------|----------------|
| <b>Net cash used in investing activities</b> | <b>91.803</b> | <b>129.595</b> |
|----------------------------------------------|---------------|----------------|

**Financing activities:**

|                                                              |                  |               |
|--------------------------------------------------------------|------------------|---------------|
| Proceeds from bank borrowings                                | 449.538          | 175.724       |
| Repayment of bank borrowings                                 | (555.649)        | (171.652)     |
| Other payables to related parties                            | (240.000)        | (180.000)     |
| <b>Net cash (used in) / provided by financing activities</b> | <b>(351.445)</b> | <b>14.262</b> |

|                                                          |         |        |
|----------------------------------------------------------|---------|--------|
| Cash and cash equivalents at the beginning of the period | 65.190  | 11.840 |
| Cash and cash equivalents at the end of the period       | 113.347 | 13.579 |

Company's associate META (note 13) has share pledge agreement and commercial pledge agreement with the bank with respect to the investment loan previously utilized from that bank.

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 4 - SEGMENT REPORTING**

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

Considering the fact that the Group's risks and rate of returns are dissimilar between product types and between geographical areas, The Group management uses industrial segments as primary reporting format and geographical segments as secondary reporting format.

**Industrial segments**

|                                | <b>Television and<br/>electronic<br/>devices</b> | <b>White goods</b> | <b>Other</b> | <b>Total</b> |
|--------------------------------|--------------------------------------------------|--------------------|--------------|--------------|
| <b>1 January -30 June 2018</b> |                                                  |                    |              |              |
| Revenue                        | 3.720.160                                        | 3.174.062          | -            | 6.894.222    |
| Cost of sales                  | (2.733.389)                                      | (2.358.502)        | -            | (5.091.891)  |
| Gross profit                   | 986.771                                          | 815.560            | -            | 1.802.331    |
| Depreciation and amortization  | 127.255                                          | 90.493             | -            | 217.748      |
| <b>1 January -30 June 2017</b> |                                                  |                    |              |              |
| Revenue                        | 2.940.791                                        | 2.339.138          | 61.370       | 5.341.299    |
| Cost of sales                  | (2.385.360)                                      | (1.795.202)        | (60.944)     | (4.241.506)  |
| Gross profit                   | 555.431                                          | 543.936            | 426          | 1.099.793    |
| Depreciation and amortization  | 112.726                                          | 64.675             | 41           | 177.442      |
| <b>1 April -30 June 2018</b>   |                                                  |                    |              |              |
| Revenue                        | 2.027.269                                        | 1.860.811          | -            | 3.888.080    |
| Cost of sales                  | (1.436.933)                                      | (1.356.093)        | -            | (2.793.026)  |
| Gross profit                   | 590.336                                          | 504.718            | -            | 1.095.054    |
| Depreciation and amortization  | 66.444                                           | 45.711             | -            | 112.155      |
| <b>1 April -30 June 2017</b>   |                                                  |                    |              |              |
| Revenue                        | 1.524.047                                        | 1.373.008          | 61.370       | 2.958.425    |
| Cost of sales                  | (1.215.804)                                      | (1.059.937)        | (60.944)     | (2.336.685)  |
| Gross profit                   | 308.243                                          | 313.071            | 426          | 621.740      |
| Depreciation and amortization  | 55.813                                           | 33.360             | 41           | 89.214       |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 4 - SEGMENT REPORTING (Cont'd)**

**Capital expenditure**

|                         | <b>Television and<br/>Electronical<br/>devices</b> | <b>White goods</b> | <b>Total</b> |
|-------------------------|----------------------------------------------------|--------------------|--------------|
| 1 January -30 June 2018 | 163.792                                            | 336.542            | 500.334      |
| 1 January -30 June 2017 | 119.274                                            | 141.591            | 260.865      |

**Geographical segments:**

| <b>Segment revenue</b> | <b>1 January -<br/>30 June<br/>2018</b> | <b>1 January -<br/>30 June<br/>2017</b> | <b>1 April -<br/>30 June<br/>2018</b> | <b>1 April -<br/>30 June<br/>2017</b> |
|------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|---------------------------------------|
| Turkey                 | 2.303.257                               | 2.142.301                               | 1.344.149                             | 1.190.660                             |
| Europe                 | 4.516.885                               | 3.141.862                               | 2.491.634                             | 1.712.049                             |
| Other                  | 590.344                                 | 507.045                                 | 343.949                               | 299.214                               |
| Gross segment sales    | 7.410.486                               | 5.791.208                               | 4.179.732                             | 3.201.923                             |
| Discounts (-)          | (516.264)                               | (449.909)                               | (291.652)                             | (243.498)                             |
| <b>Net sales</b>       | <b>6.894.222</b>                        | <b>5.341.299</b>                        | <b>3.888.080</b>                      | <b>2.958.425</b>                      |

The amount of export for the period 1 January - 30 June 2018 is 5.107.229 thousand TL (1 January - 30 June 2017: 3.648.907 thousand TL). Export sales are denominated in EUR, USD and other currencies as 60%, 28,9%, and 11,1% of total exports respectively. (1 January – 30 June 2017: 64,9% EUR, 29,3 % USD, 5,8 % other)

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 5 - CASH AND CASH EQUIVALENTS**

|                                  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|----------------------------------|---------------------|-------------------------|
| Cash                             | 1.927               | 1.186                   |
| Bank deposits                    |                     |                         |
| - Demand deposits                | 351.784             | 346.131                 |
| - Time deposits                  | 1.163.693           | 1.523.842               |
| Cheques and notes                | 53.676              | 55.599                  |
| Other                            | 75.954              | 65.090                  |
| Blocked deposits                 | 13.173              | 8.489                   |
| <b>Cash and cash equivalents</b> | <b>1.660.207</b>    | <b>2.000.337</b>        |

**Effective interest rates**

|     | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-----|---------------------|-------------------------|
| TL  | 17,68%              | 14,75%                  |
| USD | 1,50%               | -                       |

As of 30 June 2018 and 31 December 2017 the Group's time deposits have an average maturity of less than 3 months.

**NOTE 6 - FINANCIAL ASSETS**

|                                             |                | <b>Ownership</b> |                    | <b>Amount</b>  |                    |
|---------------------------------------------|----------------|------------------|--------------------|----------------|--------------------|
|                                             |                | <b>30 June</b>   | <b>31 December</b> | <b>30 June</b> | <b>31 December</b> |
|                                             | <b>Country</b> | <b>2018</b>      | <b>2017</b>        | <b>2018</b>    | <b>2017</b>        |
| <b>Financial assets available for sale:</b> |                |                  |                    |                |                    |
| Zorlu Enerji Elektrik Üretim A.Ş.           | Turkey         | < 1%             | < 1%               | 13.764         | 13.117             |
| Tursoft A.Ş.                                | Turkey         | 7%               | 7%                 | 11             | 11                 |
| Zorlu Endüstriyel Enerji A.Ş.               | Turkey         | 1%               | 1%                 | 51             | 51                 |
| İzmir Teknoloji Geliştirme A.Ş.             | Turkey         | 5%               | 5%                 | 11             | 11                 |
| Other                                       | Turkey         | -                | -                  | 200            | 200                |
|                                             |                |                  |                    | <b>14.037</b>  | <b>13.390</b>      |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 6 – FINANCIAL ASSETS (Cont'd)**

|                                             |                | Ownership    |                  | Amount        |                  |
|---------------------------------------------|----------------|--------------|------------------|---------------|------------------|
|                                             |                | 30 June 2018 | 31 December 2017 | 30 June 2018  | 31 December 2017 |
| <b>Non-consolidated subsidiaries :</b>      | <b>Country</b> |              |                  |               |                  |
| Vestel Ventures Ar-ge A.Ş.                  | Turkey         | 100%         | 100%             | 36.275        | 36.275           |
| Vestel Electronics Gulf DMC                 | UAE            | 100%         | 100%             | 1.409         | 1.409            |
| Vestel Electronica SRL                      | Romania        | 100%         | 100%             | 1.778         | 1.778            |
| Vestel Electronics Shanghai Trading Co. Ltd | China          | 100%         | 100%             | 751           | 751              |
| Uts-United Technical Services, S.R.O        | Slovakia       | 100%         | 100%             | 6             | 6                |
|                                             |                |              |                  | <b>40.219</b> | <b>40.219</b>    |
| <b>Impairment of subsidiaries (-)</b>       |                |              |                  |               |                  |
| Vestel Electronica SRL                      |                |              |                  | (1.778)       | (1.778)          |
|                                             |                |              |                  | <b>38.441</b> | <b>38.441</b>    |

**NOTE 7 – FINANCIAL LIABILITIES**

|                                            | 30 June 2018     | 31 December 2017 |
|--------------------------------------------|------------------|------------------|
| <b>Short term financial liabilities</b>    |                  |                  |
| Short term bank loans                      | 3.543.549        | 1.341.413        |
| Short term portion of long term bank loans | 1.618.541        | 2.142.397        |
| Leasing debts                              | 954              | 479              |
|                                            | <b>5.163.044</b> | <b>3.484.289</b> |
| <b>Long term financial liabilities</b>     |                  |                  |
| Long term bank loans                       | 522.680          | 1.016.557        |
| Leasing debts                              | 7.033            | 7.446            |
|                                            | <b>529.713</b>   | <b>1.024.003</b> |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 7 – FINANCIAL LIABILITIES (Cont'd)**

Details of the Group's short term bank loans are given below:

|          | 30 June 2018                                                    |                      |                  | 31 December 2017                                                |                      |                  |
|----------|-----------------------------------------------------------------|----------------------|------------------|-----------------------------------------------------------------|----------------------|------------------|
|          | Weighted<br>average of<br>effective interest<br>rates per annum | Original<br>currency | TL<br>Equivalent | Weighted<br>average of<br>effective interest<br>rates per annum | Original<br>currency | TL<br>Equivalent |
| Currency |                                                                 |                      |                  |                                                                 |                      |                  |
| - USD    | 2,89%                                                           | 82.174               | 374.770          | 2,33%                                                           | 87.097               | 328.521          |
| - EUR    | 1,48%                                                           | 208.555              | 1.107.260        | 2,41%                                                           | 180.671              | 815.820          |
| - TL     | 20,43%                                                          | 2.061.519            | 2.061.519        | 17,33%                                                          | 197.072              | 197.072          |
|          |                                                                 |                      | 3.543.549        |                                                                 |                      | 1.341.413        |

Details of the Group's long term bank loans are given below:

| 30 June 2018       |                                                                 |                      |                  | 31 December 2017                                                |                      |                  |
|--------------------|-----------------------------------------------------------------|----------------------|------------------|-----------------------------------------------------------------|----------------------|------------------|
|                    | Weighted<br>average of<br>effective interest<br>rates per annum | Original<br>currency | TL<br>Equivalent | Weighted<br>average of<br>effective interest<br>rates per annum | Original<br>currency | TL<br>Equivalent |
| Currency           |                                                                 |                      |                  |                                                                 |                      |                  |
| - USD              | 7,58%                                                           | 103.396              | 471.560          | 5,33%                                                           | 93.076               | 351.074          |
| - EUR              | 5,29%                                                           | 99.596               | 528.777          | 3,91%                                                           | 69.055               | 311.818          |
| - TL               | 18,26%                                                          | 618.204              | 618.204          | 14,71%                                                          | 1.479.505            | 1.479.505        |
| Short term portion |                                                                 |                      | 1.618.541        | 2.142.397                                                       |                      |                  |
| - USD              | 5,61%                                                           | 50.050               | 228.264          | 7,51%                                                           | 78.831               | 297.342          |
| - EUR              | 3,57%                                                           | 30.009               | 159.324          | 5,09%                                                           | 93.709               | 423.145          |
| - TL               | 17,74%                                                          | 135.092              | 135.092          | 17,88%                                                          | 296.070              | 296.070          |
| Long term portion  |                                                                 |                      | 522.680          | 1.016.557                                                       |                      |                  |
|                    |                                                                 |                      | 2.141.221        | 3.158.954                                                       |                      |                  |

As of the balance sheet date, the Group could not obtain the necessary approvals as per the obligation clauses of the facilities agreement, from the majority of the lenders prior to the acquisition of META (note 13). Therefore the Group classified its borrowings amounting to TL415 million as short term as of the balance sheet date which were previously classified as long term borrowings. Negotiations with financial institutions are ongoing in the subsequent period and waiver letters have been obtained from financial institutions representing significant portion of the agreement. Accordingly, the Group will reclassify aforementioned borrowing as long term in the subsequent period.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 7 – FINANCIAL LIABILITIES (Cont'd)**

The maturity schedule of Group's long term bank loans is given below:

|                     | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------|---------------------|-------------------------|
| One to two years    | 426.780             | 690.684                 |
| Two to three years  | 85.545              | 142.837                 |
| Three to four years | 7.415               | 102.007                 |
| Four years and over | 2.940               | 81.029                  |
|                     | <b>522.680</b>      | <b>1.016.557</b>        |

Total amount of Group's floating bank loans is 681.052 thousand TL (31 December 2017: 807.406 thousand TL)

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

|                  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|------------------|---------------------|-------------------------|
| 6 months or less | 681.052             | 807.406                 |
|                  | <b>681.052</b>      | <b>807.406</b>          |

Guarantees given for the bank loans obtained are presented in note 16.

As of 30 June 2018 and 31 December 2017, the Group's net financial debt reconciliation is shown below:

|                                                   | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------------------------------------|---------------------|-------------------------|
| <b>Net financial debt as of 1 January</b>         | <b>2.507.955</b>    | <b>1.829.566</b>        |
| Cash inflows from loans                           | 4.330.641           | 3.136.583               |
| Cash outflows from loan payments                  | (3.380.925)         | (1.959.030)             |
| Cash inflow/outflow from other financial debts    | 62                  | (19.981)                |
| Unrealized Fx gain/loss                           | 268.935             | 138.674                 |
| Accrued interest                                  | 84.229              | 118.477                 |
| Change in cash and cash equivalents               | 340.130             | (736.334)               |
| <b>Net financial debt as of end of the period</b> | <b>4.151.027</b>    | <b>2.507.955</b>        |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 8 – RELATED PARTY DISCLOSURES**

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

|                                                            | <b>30 June 2018</b> | <b>31 December 2017</b> |
|------------------------------------------------------------|---------------------|-------------------------|
| UTS- United Technical Services, Spol S.R.O. <sup>(3)</sup> | 23.006              | 16.551                  |
| Vestel Elektronika S.R.L. <sup>(3)</sup>                   | 17.906              | 9.764                   |
| Other related parties                                      | 16.708              | 12.923                  |
|                                                            | <b>57.620</b>       | <b>39.238</b>           |
| Unearned interest on receivables (-)                       | (78)                | (65)                    |
|                                                            | <b>57.542</b>       | <b>39.173</b>           |

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

|                                                       | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-------------------------------------------------------|---------------------|-------------------------|
| ABH Turizm Temsilcilik ve Ticaret A.Ş. <sup>(1)</sup> | 2.215               | 2.912                   |
| Zorlu Holding A.Ş. <sup>(2)</sup>                     | 2.596               | 3.159                   |
| Other related parties                                 | 14.310              | 1.193                   |
|                                                       | <b>19.121</b>       | <b>7.264</b>            |
| Unearned interest on payables (-)                     | (45)                | (25)                    |
|                                                       | <b>19.076</b>       | <b>7.239</b>            |

**c) Other long term receivables from related parties**

|                                           | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-------------------------------------------|---------------------|-------------------------|
| Zorlu Holding A.Ş. <sup>(2)</sup>         | 1.616.048           | 1.242.427               |
| Vestel Savunma Sanayi A.Ş. <sup>(3)</sup> | 253.170             | 206.258                 |
|                                           | <b>1.869.218</b>    | <b>1.448.685</b>        |

As of 30 June 2018, the annual average effective interest rate of other receivables in USD is 7%, average effective interest rate of other receivables in TL is 22% (31 December 2017: USD- 6%, TL 18%).

(1) Zorlu Holding Group Company, (2) Parent (3) Subsidiary

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 8 – RELATED PARTY DISCLOSURES (Cont'd)**

**d) Other payables to related parties**

|                                     | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-------------------------------------|---------------------|-------------------------|
| Zorlu Family <sup>(2)</sup>         | 43.851              | -                       |
| Vestel Ventures A.Ş. <sup>(3)</sup> | 961                 | 9.295                   |
|                                     | <b>44.812</b>       | <b>9.295</b>            |

**e) Transactions with related parties**

|                                                            | <b>1 January -<br/>30 June<br/>2018</b> | <b>1 January -<br/>30 June<br/>2017</b> | <b>1 April -<br/>30 June<br/>2018</b> | <b>1 April -<br/>30 June<br/>2017</b> |
|------------------------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|---------------------------------------|
| <b>Sales</b>                                               |                                         |                                         |                                       |                                       |
| UTS- United Technical Services, Spol S.R.O. <sup>(3)</sup> | 6.775                                   | 3.879                                   | 2.611                                 | 1.094                                 |
| Vestel Electronica S.R.L. <sup>(3)</sup>                   | 28.007                                  | 3.796                                   | 17.755                                | 1.327                                 |
| Zorluteks Tekstil Sanayi ve Ticaret A.Ş. <sup>(1)</sup>    | 4.452                                   | -                                       | -                                     | (2.853)                               |
| Zorlu Solar Enerji Tedarik ve Ticaret A.Ş. <sup>(1)</sup>  | -                                       | 61.370                                  | -                                     | 61.370                                |
| Zorlu Yapı Yatırım A.Ş. <sup>(1)</sup>                     | -                                       | 990                                     | -                                     | 990                                   |
| Other related parties                                      | 1.383                                   | 8.437                                   | 485                                   | 7.575                                 |
|                                                            | <b>40.617</b>                           | <b>78.472</b>                           | <b>20.851</b>                         | <b>69.503</b>                         |

|                                                             | <b>1 January -<br/>30 June<br/>2018</b> | <b>1 January -<br/>30 June<br/>2017</b> | <b>1 April -<br/>30 June<br/>2018</b> | <b>1 April -<br/>30 June<br/>2017</b> |
|-------------------------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|---------------------------------------|
| <b>Operating expenses</b>                                   |                                         |                                         |                                       |                                       |
| ABH Turizm Temsilcilik ve Ticaret A.Ş. <sup>(1)</sup>       | 22.349                                  | 13.879                                  | 16.397                                | 8.203                                 |
| Zorlu Holding A.Ş. <sup>(2)</sup>                           | 13.016                                  | 11.099                                  | 7.426                                 | 5.720                                 |
| Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş. <sup>(1)</sup> | 4.727                                   | 4.107                                   | 2.330                                 | 2.114                                 |
| Zorlu Air Havacılık A.Ş. <sup>(1)</sup>                     | 1.725                                   | 1.200                                   | 1.010                                 | 711                                   |
| Other related parties                                       | 3.332                                   | 1.926                                   | 2.174                                 | 954                                   |
|                                                             | <b>45.149</b>                           | <b>32.211</b>                           | <b>29.337</b>                         | <b>17.702</b>                         |

(1) Zorlu Holding Group Company, (2) Parent (3) Subsidiary

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 8 – RELATED PARTY DISCLOSURES (Cont'd)**

|                                                | 1 January -<br>30 June<br>2018 | 1 January -<br>30 June<br>2017 | 1 April -<br>30 June<br>2018 | 1 April -<br>30 June<br>2017 |
|------------------------------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|
| <b>Other income from operating activities</b>  |                                |                                |                              |                              |
| Other related parties                          | 4.797                          | 4.357                          | 3.246                        | 827                          |
| <b>Other expense from operating activities</b> |                                |                                |                              |                              |
| Other related parties                          | 1.334                          | 587                            | 1.133                        | (59)                         |
| <b>Financial income</b>                        |                                |                                |                              |                              |
| Zorlu Holding A.Ş. <sup>(2)</sup>              | 384.795                        | 71.395                         | 280.603                      | 10.605                       |
| Vestel Savunma Sanayi A.Ş. <sup>(3)</sup>      | 9.537                          | 9.899                          | -                            | 6.699                        |
| Other related parties                          | 27                             | 689                            | -                            | (3.418)                      |
|                                                | <b>394.359</b>                 | <b>81.983</b>                  | <b>280.603</b>               | <b>13.886</b>                |
| <b>Financial expense</b>                       |                                |                                |                              |                              |
| Zorlu Holding A.Ş. <sup>(2)</sup>              | 11.607                         | 41.123                         | (754)                        | 36.501                       |
| Other related parties                          | 944                            | -                              |                              |                              |
|                                                | <b>12.551</b>                  | <b>41.123</b>                  | <b>(754)</b>                 | <b>36.501</b>                |
| <b>Dividends paid</b>                          |                                |                                |                              |                              |
| Other related parties                          | 12.909                         | 9.461                          | 12.909                       | 9.461                        |

g) Guarantees received from and given to related parties are disclosed in note 16.

**h) Compensation paid to key management including directors, the Chairman and members of Board of Directors, general managers and assistant general managers**

Compensation paid to key management for the six months period ended 30 June 2018 is 16.739 thousand TL(1 January -30 June 2017: 16.727 thousand TL)

(1) Zorlu Holding Group Company, (2) Parent (3) Subsidiary

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 9 – TRADE RECEIVABLES AND PAYABLES**

|                                           | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-------------------------------------------|---------------------|-------------------------|
| <b>Short term trade receivables</b>       |                     |                         |
| Trade receivables                         |                     |                         |
| - Related parties (note 8)                | 57.620              | 39.238                  |
| - Other parties                           | 3.757.743           | 3.405.019               |
| Cheques and notes receivables             | 245.120             | 309.915                 |
| Other                                     | 47.031              | 34.886                  |
|                                           | <b>4.107.514</b>    | <b>3.789.058</b>        |
| Unearned interest expense (-)             |                     |                         |
| - Related parties (note 8)                | (78)                | (65)                    |
| - Other parties                           | (79.034)            | (61.433)                |
| Allowance for doubtful receivables (-)    | (69.486)            | (64.738)                |
| <b>Total short term trade receivables</b> | <b>3.958.916</b>    | <b>3.662.822</b>        |
| <b>Long term trade receivables</b>        |                     |                         |
| Receivables from other parties            | 32.835              | 62.410                  |
| Cheques and notes receivables             | 1.104               | 7.326                   |
| Unearned interest expense (-)             | (272)               | (1.196)                 |
| <b>Total long term trade receivables</b>  | <b>33.667</b>       | <b>68.540</b>           |

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

|                                   | <b>1 January -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> |
|-----------------------------------|-------------------------------------|-------------------------------------|
| <b>Opening balance, 1 January</b> | <b>64.738</b>                       | <b>56.866</b>                       |
| Current year additions            | 12.812                              | 6.774                               |
| Doubtful receivables written-off  | (8.766)                             | (3.352)                             |
| Currency translation differences  | 702                                 | 259                                 |
| <b>Balance at 30 June</b>         | <b>69.486</b>                       | <b>60.547</b>                       |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

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

|                                        | <b>30 June 2018</b> | <b>31 December 2017</b> |
|----------------------------------------|---------------------|-------------------------|
| <b>Short term trade payables</b>       |                     |                         |
| Trade payables                         |                     |                         |
| - Related parties (note 8)             | 19.121              | 7.264                   |
| - Other parties                        | 6.575.063           | 5.751.561               |
| Notes payables                         |                     |                         |
| - Other parties                        | 56                  | 51                      |
| Other                                  | 2.194               | 2.027                   |
|                                        | <b>6.596.434</b>    | <b>5.760.903</b>        |
| Unearned interest income (-)           |                     |                         |
| - Related parties (note 8)             | (45)                | (25)                    |
| - Other parties                        | (13.275)            | (9.531)                 |
| <b>Total short term trade payables</b> | <b>6.583.114</b>    | <b>5.751.347</b>        |

**NOTE 10 – OTHER RECEIVABLES**

|                                        | <b>30 June 2018</b> | <b>31 December 2017</b> |
|----------------------------------------|---------------------|-------------------------|
| <b>Short term other receivables</b>    |                     |                         |
| VAT receivable                         | 223.700             | 216.171                 |
| Deposits and guarantees given          | 46.136              | 41.171                  |
| Other                                  | 176.180             | 93.555                  |
|                                        | <b>446.016</b>      | <b>350.897</b>          |
| Allowance for doubtful receivables (-) | (89.376)            | (89.376)                |
|                                        | <b>356.640</b>      | <b>261.521</b>          |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 10 – OTHER RECEIVABLES (Cont'd)**

|                                           | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-------------------------------------------|---------------------|-------------------------|
| <b>Long term other receivables</b>        |                     |                         |
| Deposits and guarantees given             | 1.216               | 1.103                   |
| Receivables from related parties (note 8) | 1.869.218           | 1.448.685               |
| Other                                     | 8.278               | 8.278                   |
|                                           | 1.878.712           | 1.458.066               |
| Allowance for doubtful receivables (-)    | (8.278)             | (8.278)                 |
|                                           | <b>1.870.434</b>    | <b>1.449.788</b>        |

The Group provides allowance for doubtful receivables.

**NOTE 11 – INVENTORIES**

|                                             | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------------------------------|---------------------|-------------------------|
| Raw materials                               | 1.602.837           | 1.355.573               |
| Work in process                             | 110.710             | 77.577                  |
| Finished goods                              | 1.322.418           | 1.346.329               |
| Merchandise                                 | 193.295             | 189.383                 |
| Other                                       | 2.464               | 3.622                   |
|                                             | 3.231.724           | 2.972.484               |
| Provision for impairment on inventories (-) | (49.210)            | (28.305)                |
|                                             | <b>3.182.514</b>    | <b>2.944.179</b>        |

Cost of the inventory included in the consolidated statement of comprehensive income in the period 1 January – 30 June 2018 is 4.468.355 thousand TL (2017: 3.738.380 thousand TL).

As of 30 June 2018 the Group does not have inventories pledged as security for liabilities (31 December 2017: None)

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 11 – INVENTORIES (Cont'd)**

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

|                                | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--------------------------------|---------------------|-------------------------|
| Raw materials                  | 8.980               | 8.980                   |
| Finished goods and merchandise | 40.230              | 19.325                  |
|                                | <b>49.210</b>       | <b>28.305</b>           |

Movement of provision for impairment on inventories is as follows:

|                                   | <b>1 January -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> |
|-----------------------------------|-------------------------------------|-------------------------------------|
| <b>Opening balance, 1 January</b> | <b>28.305</b>                       | <b>21.156</b>                       |
| Current year additions            | 23.248                              | 14.561                              |
| Realised due to sale of inventory | (5.313)                             | (10.334)                            |
| Currency translation differences  | 2.970                               | 622                                 |
| <b>Balance at 30 June</b>         | <b>49.210</b>                       | <b>26.005</b>                       |

**NOTE 12 – PREPAID EXPENSES**

|                                               | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-----------------------------------------------|---------------------|-------------------------|
| <b>Prepaid expenses in current assets</b>     |                     |                         |
| Order advances given                          | 35.324              | 19.903                  |
| Prepaid expenses                              | 55.197              | 39.887                  |
| Business advances given                       | 1.313               | 979                     |
|                                               | <b>91.834</b>       | <b>60.769</b>           |
| <b>Prepaid expenses in non-current assets</b> |                     |                         |
| Advances given for fixed asset purchases      | 55.100              | 74.087                  |
| Prepaid expenses                              | 4.622               | 7.349                   |
|                                               | <b>59.722</b>       | <b>81.436</b>           |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

**NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

|                                                           | 30 June 2018 |                  | 31 December 2017 |          |
|-----------------------------------------------------------|--------------|------------------|------------------|----------|
|                                                           | %            | Amount           | %                | Amount   |
| <b>Subsidiaries</b>                                       |              |                  |                  |          |
| Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş.            | 50%          | 1.152.075        | -                | -        |
| Türkiyenin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş. | 19%          | 950              | -                | -        |
|                                                           |              | <b>1.153.025</b> |                  | <b>-</b> |

As on 29 June 2018, pursuant to the Group’s goal to diversify its lines of business and achieve profitable growth by investing in new-generation technologies, in order to secure the supply of nickel sulphate and cobalt sulphate compounds, which are critical raw materials for the production of EV batteries, of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret A.Ş. (“META”), which is a Zorlu Holding A.Ş. subsidiary and is involved in nickel-cobalt mining. The Group has purchased 916.335.000 shares (each with a nominal value of TL1 and representing 50% of the company’s share capital) from Ahmet Nazif Zorlu, Olgun Zorlu, Mehmet Emre Zorlu, Selen Zorlu Melik, Meta Madencilik Enerji Turizm Danışmanlık Sanayi ve Ticaret A.Ş. and Zorlu Holding AŞ, for a total consideration of US\$250 mn. The acquisition value is in accordance with the valuation range of US\$447,2 million and US\$572 million stated in the independent appraisal report prepared by Ernst & Young Advisory Services, which is licensed by the Capital Markets Board.

META was founded in 2000 to undertake nickel mining in Turkey, has been operating under Zorlu Group since 2007. The company’s nickel cobalt mining facility in Gördes, Manisa was commissioned at the end of 2014. The facility has a production capacity of 10.000 tons of nickel content and 550 tons of cobalt content per annum. Besides Gördes, META also has a licensed field in Eskişehir and undertakes surveying activities in various regions of Turkey. Currently, META produces nickel-cobalt hydroxide (MHP), which is an intermediate product, and plans to undertake an investment for the production of nickel sulfate and cobalt sulfate compounds, which are critical for Li-ion battery production in the upcoming period.

Within the framework of Turkey’s Automobile Project, following the work undertaken by the Joint Initiative Group, to which Company’s controlling shareholder, Zorlu Holding AŞ was a party, Vestel Elektronik Sanayi ve Ticaret AŞ decided has participated with a 19% share in “Türkiye’nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş.”, which is planned to be established to produce mainly electric passenger cars and carry out supporting activities. In this respect, the Shareholders Agreement and Articles of Association have been signed on 31 May 2018. Establishment of the new company is completed on 28 June 2018.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 14 – PROPERTY, PLANT AND EQUIPMENT**

|                                 | <b>1 January<br/>2018</b> | <b>Additions</b> | <b>Disposals</b> | <b>Currency<br/>translation<br/>differences</b> | <b>Transfers</b> | <b>30 June<br/>2018</b> |
|---------------------------------|---------------------------|------------------|------------------|-------------------------------------------------|------------------|-------------------------|
| <b>Cost or revaluation</b>      |                           |                  |                  |                                                 |                  |                         |
| Land                            | 470.475                   | -                | -                | 3.766                                           | -                | 474.241                 |
| Land improvements               | 88.118                    | -                | (8)              | 1.361                                           | -                | 89.471                  |
| Buildings                       | 965.443                   | 3.776            | (1.495)          | 28.500                                          | 57.843           | 1.054.067               |
| Leasehold improvements          | 139.786                   | 8.592            | (33)             | 591                                             | 269              | 149.205                 |
| Plant and machinery             | 2.199.886                 | 175.513          | (51.163)         | 15.491                                          | 70.435           | 2.410.162               |
| Motor vehicles                  | 9.727                     | 153              | (1.690)          | 285                                             | -                | 8.475                   |
| Furniture and fixtures          | 356.692                   | 21.446           | (761)            | 3.239                                           | 1.386            | 382.002                 |
| Other tangible assets           | 849                       | -                | -                | -                                               | -                | 849                     |
| Construction in progress        | 87.497                    | 194.937          | -                | 24                                              | (129.933)        | 152.525                 |
|                                 | <b>4.318.473</b>          | <b>404.417</b>   | <b>(55.150)</b>  | <b>53.257</b>                                   | <b>-</b>         | <b>4.720.997</b>        |
| <b>Accumulated depreciation</b> |                           |                  |                  |                                                 |                  |                         |
| Land improvements               | -                         | 1.863            | (2)              | 337                                             | -                | 2.198                   |
| Buildings                       | -                         | 17.274           | -                | 6.881                                           | -                | 24.155                  |
| Leasehold improvements          | 112.912                   | 7.400            | (9)              | 302                                             | -                | 120.605                 |
| Plant and machinery             | 1.560.713                 | 118.781          | (50.984)         | 12.267                                          | -                | 1.640.777               |
| Motor vehicles                  | 5.711                     | 599              | (1.536)          | 274                                             | -                | 5.048                   |
| Furniture and fixtures          | 272.274                   | 18.502           | (727)            | 2.758                                           | -                | 292.807                 |
| Other tangible assets           | 849                       | -                | -                | -                                               | -                | 849                     |
|                                 | <b>1.952.459</b>          | <b>164.419</b>   | <b>(53.258)</b>  | <b>22.819</b>                                   | <b>-</b>         | <b>2.086.439</b>        |
| <b>Net book value</b>           | <b>2.366.014</b>          |                  |                  |                                                 |                  | <b>2.634.558</b>        |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 14 – PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

|                                 | <b>1 January<br/>2017</b> | <b>Additions</b> | <b>Disposals</b> | <b>Currency<br/>translation<br/>differences</b> | <b>Transfers</b> | <b>30 June<br/>2017</b> |
|---------------------------------|---------------------------|------------------|------------------|-------------------------------------------------|------------------|-------------------------|
| <b>Cost or revaluation</b>      |                           |                  |                  |                                                 |                  |                         |
| Land                            | 241.478                   | 32.516           | (12)             | 2.214                                           | -                | 276.196                 |
| Land improvements               | 61.976                    | 6                | -                | 410                                             | -                | 62.392                  |
| Buildings                       | 722.232                   | 3.542            | (3)              | 12.459                                          | 755              | 738.985                 |
| Leasehold improvements          | 139.456                   | 4.238            | (320)            | 153                                             | 224              | 143.751                 |
| Plant and machinery             | 1.900.703                 | 100.995          | (1.788)          | 5.944                                           | 6.901            | 2.012.755               |
| Motor vehicles                  | 6.244                     | 101              | (456)            | 195                                             | 5                | 6.089                   |
| Furniture and fixtures          | 321.300                   | 16.288           | (906)            | 1.396                                           | 733              | 338.811                 |
| Other tangible assets           | 849                       | -                | -                | -                                               | -                | 849                     |
| Construction in progress        | 7.832                     | 26.979           | -                | 2                                               | (8.688)          | 26.125                  |
|                                 | <b>3.402.070</b>          | <b>184.665</b>   | <b>(3.485)</b>   | <b>22.773</b>                                   | <b>(70)</b>      | <b>3.605.953</b>        |
| <b>Accumulated depreciation</b> |                           |                  |                  |                                                 |                  |                         |
| Land improvements               | 3.177                     | 1.301            | -                | 85                                              | -                | 4.563                   |
| Buildings                       | 25.047                    | 11.907           | (2)              | 2.741                                           | -                | 39.693                  |
| Leasehold improvements          | 113.695                   | 5.783            | (217)            | 84                                              | 41               | 119.386                 |
| Plant and machinery             | 1.373.174                 | 95.288           | (1.728)          | 5.025                                           | -                | 1.471.759               |
| Motor vehicles                  | 5.032                     | 369              | (434)            | 182                                             | -                | 5.149                   |
| Furniture and fixtures          | 238.172                   | 16.694           | (1.102)          | 1.170                                           | -                | 254.934                 |
| Other tangible assets           | 846                       | -                | -                | -                                               | -                | 846                     |
|                                 | <b>1.759.143</b>          | <b>131.342</b>   | <b>(3.483)</b>   | <b>9.287</b>                                    | <b>41</b>        | <b>1.896.330</b>        |
| <b>Net book value</b>           | <b>1.642.927</b>          |                  |                  |                                                 |                  | <b>1.709.623</b>        |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 14 – PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

Additions to property, plant and equipment in the period 1 January – 30 June 2018 mainly consist of machinery and equipment investments made to television and electronic devices factory, first and second refrigerator, cooker, dishwasher, washing machine and tumbler drier factories.

As of 30 June 2017 the Group does not have property, plant and equipment pledged (2017: None)

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

|                        | Useful life   |
|------------------------|---------------|
| Land improvements      | 5 - 35 years  |
| Buildings              | 25 - 50 years |
| Leasehold improvements | 3 - 10 years  |
| Plant and machinery    | 2 - 25 years  |
| Motor vehicles         | 5 - 10 years  |
| Furniture and fixtures | 5 - 14 years  |

Allocation of current year depreciation and amortization expenses is as follows:

|                                                              | 1 January -<br>30 June<br>2018 | 1 January -<br>30 June<br>2017 |
|--------------------------------------------------------------|--------------------------------|--------------------------------|
| Cost of sales                                                | 122.796                        | 97.585                         |
| Research and development expenses                            | 58.934                         | 50.872                         |
| Marketing, selling and distribution expenses                 | 17.853                         | 15.531                         |
| General administrative expenses                              | 14.607                         | 10.101                         |
| Other operating expense (idle capacity depreciation expense) | 3.558                          | 3.353                          |
|                                                              | <b>217.748</b>                 | <b>177.442</b>                 |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 15 – INTANGIBLE ASSETS**

|                                 | 1 January<br>2018 | Additions     | Disposals    | Currency<br>translation<br>differences | Transfers  | 30 June<br>2018  |
|---------------------------------|-------------------|---------------|--------------|----------------------------------------|------------|------------------|
| <b>Cost</b>                     |                   |               |              |                                        |            |                  |
| Rights                          | 67.730            | 1.534         | -            | 688                                    | -          | 69.952           |
| Development cost                | 817.336           | 77.118        | -            | -                                      | -          | 894.454          |
| Other intangible assets         | 140.616           | 17.265        | (785)        | 4.207                                  | 964        | 162.267          |
|                                 | <b>1.025.682</b>  | <b>95.917</b> | <b>(785)</b> | <b>4.895</b>                           | <b>964</b> | <b>1.126.673</b> |
| <b>Accumulated amortization</b> |                   |               |              |                                        |            |                  |
| Rights                          | 47.456            | 1.777         | -            | 633                                    | -          | 49.866           |
| Development cost                | 431.112           | 47.523        | -            | -                                      | -          | 478.635          |
| Other intangible assets         | 78.474            | 4.029         | (746)        | 3.214                                  | -          | 84.971           |
|                                 | <b>557.042</b>    | <b>53.329</b> | <b>(746)</b> | <b>3.847</b>                           | <b>-</b>   | <b>613.472</b>   |
| <b>Net book value</b>           | <b>468.640</b>    |               |              |                                        |            | <b>513.201</b>   |

|                                 | 1 January<br>2017 | Additions     | Disposals    | Currency<br>translation<br>differences | Transfers   | 30 June<br>2017 |
|---------------------------------|-------------------|---------------|--------------|----------------------------------------|-------------|-----------------|
| <b>Cost</b>                     |                   |               |              |                                        |             |                 |
| Rights                          | 64.279            | 479           | -            | 249                                    | (570)       | 64.437          |
| Development cost                | 677.726           | 64.931        | (803)        | -                                      | -           | 741.854         |
| Other intangible assets         | 109.712           | 10.790        | -            | 2.403                                  | 640         | 123.545         |
|                                 | <b>851.717</b>    | <b>76.200</b> | <b>(803)</b> | <b>2.652</b>                           | <b>70</b>   | <b>929.836</b>  |
| <b>Accumulated amortization</b> |                   |               |              |                                        |             |                 |
| Rights                          | 43.886            | 1.560         | -            | 222                                    | (41)        | 45.627          |
| Development cost                | 346.240           | 41.194        | -            | -                                      | -           | 387.434         |
| Other intangible assets         | 66.366            | 3.346         | -            | 2.173                                  | -           | 71.885          |
|                                 | <b>456.492</b>    | <b>46.100</b> | <b>-</b>     | <b>2.395</b>                           | <b>(41)</b> | <b>504.946</b>  |
| <b>Net book value</b>           | <b>395.225</b>    |               |              |                                        |             | <b>424.890</b>  |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 15 – INTANGIBLE ASSETS (Cont'd)**

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

Useful lives of intangible assets are as follows:

|                  | <u>Useful life</u> |
|------------------|--------------------|
| Rights           | 2 - 15 years       |
| Development cost | 2 - 10 years       |
| Other            | 2 - 15 years       |

**NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

**a) Provisions**

|                                 | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------------------|---------------------|-------------------------|
| <b>Short term provisions</b>    |                     |                         |
| Warranty and assembly provision | 237.607             | 193.900                 |
| Other provisions                | 200.816             | 178.877                 |
| Provision for lawsuit risks     | 36.438              | 30.531                  |
|                                 | <b>474.861</b>      | <b>403.308</b>          |
| <b>Long term provisions</b>     |                     |                         |
| Warranty and assembly provision | 53.534              | 52.556                  |
| Other provisions                | 32.599              | 32.346                  |
|                                 | <b>86.133</b>       | <b>84.902</b>           |

As of 30 June 2018, the amount of provision provided for the cases for which the probability of losing the case is assessed to be high by the Group management and legal advisors is 36.438 thousand TL (31 December 2017: 30.531 thousand TL).

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)**

As of 30 June movements of warranty and assembly provisions are as follows:

|                                   | <b>1 January -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> |
|-----------------------------------|-------------------------------------|-------------------------------------|
| <b>Opening balance, 1 January</b> | <b>246.456</b>                      | <b>186.892</b>                      |
| Current year additions            | 167.503                             | 130.822                             |
| Provisions no longer required     | (122.818)                           | (104.274)                           |
| <b>Balance at 30 June</b>         | <b>291.141</b>                      | <b>213.440</b>                      |

**b) Waste Electrical and Electronic Equipment Directive**

Legal regulation prepared in conformity with European Union Waste Electrical and Electronic Equipment Directive ("WEEE") has been effective in Turkey since 2012. The Directive set collection, recycling and recovery targets for all types of electrical and electronic goods upon manufacturers. The Group fulfills these obligations.

**c) Guarantees received by the Group**

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

|                         | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-------------------------|---------------------|-------------------------|
| Guarantee letters       | 635.733             | 548.083                 |
| Cheques and notes       | 1.209.564           | 835.895                 |
| Collaterals and pledges | 1.325.215           | 1.545.237               |
|                         | <b>3.170.512</b>    | <b>2.929.215</b>        |

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. and Vestel Ticaret A.Ş. has given collaterals to various banks on behalf of the Company for its forward contracts and loans utilized.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)**

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

| <b>CPM's given by the Group</b>                                                                          | <b>USD<br/>(‘000)</b> | <b>EUR<br/>(‘000)</b> | <b>TL</b>        | <b>TL Equivalent</b> |
|----------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|------------------|----------------------|
| <b>30 June 2018</b>                                                                                      |                       |                       |                  |                      |
| A. CPM's given on behalf of its own legal entity                                                         | 18.780                | 32.572                | 78.922           | 337.503              |
| B. CPM's given on behalf of fully consolidated subsidiaries (*)                                          | 2.120.451             | 349.208               | 2.886.101        | 14.410.857           |
| C. CPM's given on behalf of third parties for ordinary course of business                                | -                     | -                     | -                | -                    |
| D. Total amount of other CPM's given                                                                     | 30.766                | -                     | 15.413           | 155.727              |
| i. Total amount of CPM's given on behalf of the parent company                                           | -                     | -                     | -                | -                    |
| ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C. | 30.766                | -                     | 15.413           | 155.727              |
| iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.                 | -                     | -                     | -                | -                    |
| <b>Total</b>                                                                                             | <b>2.169.997</b>      | <b>381.780</b>        | <b>2.980.436</b> | <b>14.904.087</b>    |

(\*)Fully consolidated subsidiaries have given collaterals to various financial institutions on behalf of each other for their forward contracts and for the total amount of bans utilized.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)**

| <b>CPM's given by the Group</b>                                                                          | <b>USD<br/>(‘000)</b> | <b>EUR<br/>(‘000)</b> | <b>TL</b>        | <b>TL Equivalent</b> |
|----------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|------------------|----------------------|
| <b>31 December 2017</b>                                                                                  |                       |                       |                  |                      |
| A. CPM's given on behalf of its own legal entity                                                         | 17.013                | 27.424                | 93.019           | 281.023              |
| B. CPM's given on behalf of fully consolidated subsidiaries                                              | 2.073.784             | 367.117               | 2.511.303        | 11.991.126           |
| C. CPM's given on behalf of third parties for ordinary course of business                                | -                     | -                     | -                | -                    |
| D. Total amount of other CPM's given                                                                     | 30.766                | -                     | 17.314           | 133.360              |
| i. Total amount of CPM's given on behalf of the parent company                                           | -                     | -                     | -                | -                    |
| ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C. | 30.766                | -                     | 17.314           | 133.360              |
| iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.                 | -                     | -                     | -                | -                    |
| <b>Total</b>                                                                                             | <b>2.121.563</b>      | <b>394.541</b>        | <b>2.621.636</b> | <b>12.405.509</b>    |

As of 30 June 2018 proportion of other CPM's given by the Group to its equity is 6% (31 December 2017: 6%).

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 17 – COMMITMENTS**

As of the balance sheet date the Group has committed to realize exports amounting to 575.922 thousand USD (31 December 2017: 568.309 thousand USD) due to the export and investment incentive certificates obtained.

As of 30 June 2018 the Group has forward foreign currency purchase contract that amounts to 1.350.456 thousand USD, 332.404 thousand EUR, 49.633 thousand GBP, 33.186 thousand PLN, 1.024 thousand CHF, 7.747 thousand RON, 58.000 thousand RUB and 764.247 thousand TL against forward foreign currency sales contract that amounts to 527.438 thousand USD, 368.515 thousand EUR, 108.640 thousand GBP, 2.255 thousand CHF, 1.453.658 thousand RUB, 24.336 thousand RON, 140.572 thousand PLN, 9.447 thousand SEK and 3.756.732 thousand TL. (31 December 2017: 1.522.920 thousand USD, 273.243 thousand EUR, 17.803 thousand GBP, 17.514 thousand PLN, 104 thousand CHF, 2.224 thousand RON, 82.891 thousand RUB and 492.689 thousand TL against forward foreign currency purchase contract; 282.759 thousand USD, 641.161 thousand EUR, 94.710 thousand GBP, 1.000 thousand CHF, 1.218.572 thousand RUB, 12.825 thousand RON, 187.881 thousand PLN, 16.143 thousand SEK and 2.999.135 thousand TL against forward foreign currency sales contract).

**NOTE 18 – EMPLOYEE BENEFITS**

**Liabilities for employee benefits:**

|                          | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--------------------------|---------------------|-------------------------|
| Due to personnel         | 76.331              | 69.328                  |
| Social security payables | 26.022              | 38.407                  |
|                          | <b>102.353</b>      | <b>107.735</b>          |

**Long term provisions for employee benefits:**

|                                               | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-----------------------------------------------|---------------------|-------------------------|
| Provision for employment termination benefits | <b>100.152</b>      | <b>96.078</b>           |

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

The amount payable is the equivalent of one month's salary for each year of service and is limited to a maximum of 5.001,76 TL/year as of 30 June 2018 (31 December 2017: 4.732,48 TL/year).

Provision for employment termination benefits is not subject to any funding.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 18 – EMPLOYEE BENEFITS (Cont'd)**

The provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined employee plans. Accordingly actuarial assumptions were used in the calculation of the total liability which are described below:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as of 30 June 2018, the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 30 June 2018 provision is calculated based on real discount rate of 4,67% (31 December 2017: 4,67%) assuming 6,5% annual inflation rate and 11,47% discount rate.

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

|                             | <b>1 January -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> |
|-----------------------------|-------------------------------------|-------------------------------------|
| <b>Balance at 1 January</b> | <b>96.078</b>                       | <b>76.463</b>                       |
| Increase during the year    | 6.543                               | 8.010                               |
| Payments during the year    | (9.718)                             | (9.133)                             |
| Actuarial (gain) /loss      | 1.672                               | 737                                 |
| Interest expense            | 5.577                               | 3.402                               |
| <b>Balance at 30 June</b>   | <b>100.152</b>                      | <b>79.479</b>                       |

**NOTE 19 – OTHER ASSETS AND LIABILITIES**

|                                   | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-----------------------------------|---------------------|-------------------------|
| <b>Other current assets</b>       |                     |                         |
| VAT carried forward               | 19.573              | 13.608                  |
| Other                             | 9.480               | 14.786                  |
|                                   | <b>29.053</b>       | <b>28.394</b>           |
| <b>Other non - current assets</b> |                     |                         |
| Assets held for sale              | 5.922               | 7.060                   |
|                                   | <b>5.922</b>        | <b>7.060</b>            |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 19 – OTHER ASSETS AND LIABILITIES (Cont'd)**

|                                  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|----------------------------------|---------------------|-------------------------|
| <b>Other current liabilities</b> |                     |                         |
| Advances received                | 116.169             | 48.891                  |
| Tax payables                     | 75.796              | 86.318                  |
| Other                            | 64.372              | 160.268                 |
|                                  | <b>256.337</b>      | <b>295.477</b>          |

**NOTE 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS**

**a) Paid in capital**

|                                   | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-----------------------------------|---------------------|-------------------------|
| Shares of par value Kr 1 each     |                     |                         |
| Limit on registered share capital | 1.000.000           | 1.000.000               |
| Issued share capital              | 335.456             | 335.456                 |

As of 30 June 2018 and 31 December 2017 the shareholding structures are as follows:

|                       | <b>Shareholding</b> |                         | <b>Amount</b>       |                         |
|-----------------------|---------------------|-------------------------|---------------------|-------------------------|
|                       | <b>30 June 2018</b> | <b>31 December 2017</b> | <b>30 June 2018</b> | <b>31 December 2017</b> |
| Zorlu Holding A.Ş.    | 64,41%              | 64,41%                  | 216.054             | 216.054                 |
| Shares held by public |                     |                         |                     |                         |
| Other shareholders    | 22,46%              | 22,46%                  | 75.355              | 75.355                  |
| Zorlu Holding A.Ş.    | 13,13%              | 13,13%                  | 44.047              | 44.047                  |
|                       | <b>100%</b>         | <b>100%</b>             | <b>335.456</b>      | <b>335.456</b>          |

**b) Adjustment to share capital**

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)**

**c) Share premium**

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

**d) Legal reserves**

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

|                | <b>30 June 2018</b> | <b>31 December 2017</b> |
|----------------|---------------------|-------------------------|
| Legal reserves | <b>48.909</b>       | <b>46.195</b>           |

**e) Revaluation reserve**

|                                              |                |                |
|----------------------------------------------|----------------|----------------|
| Fair value gains on financial assets         | 4.524          | 4.149          |
| Revaluation of property, plant and equipment | 908.103        | 917.385        |
|                                              | <b>912.627</b> | <b>921.534</b> |

**f) Accumulated deficit**

|                                             |               |              |
|---------------------------------------------|---------------|--------------|
| Extraordinary reserves                      | 512.541       | 512.541      |
| Previous year's loss                        | (557.116)     | (624.741)    |
| Other inflation adjustment of share capital | 119.718       | 119.718      |
|                                             | <b>75.143</b> | <b>7.518</b> |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

**NOTE 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont’d)**

**g) Dividend distribution**

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

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

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

On the other hand, in accordance with the Articles of Association of the Company, the net period income is allocated after deducting the accumulated losses from the previous years, if any, as follows:

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 21 – SALES**

|                     | <b>1 January -<br/>30 June<br/>2018</b> | <b>1 January -<br/>30 June<br/>2017</b> | <b>1 April -<br/>30 June<br/>2018</b> | <b>1 April -<br/>30 June<br/>2017</b> |
|---------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|---------------------------------------|
| Domestic sales      | 2.303.257                               | 2.142.301                               | 1.344.149                             | 1.190.660                             |
| Overseas sales      | 5.107.229                               | 3.648.907                               | 2.835.583                             | 2.011.263                             |
| <b>Gross sales</b>  | <b>7.410.486</b>                        | <b>5.791.208</b>                        | <b>4.179.732</b>                      | <b>3.201.923</b>                      |
| Sales discounts (-) | (516.264)                               | (449.909)                               | (291.652)                             | (243.498)                             |
| <b>Net sales</b>    | <b>6.894.222</b>                        | <b>5.341.299</b>                        | <b>3.888.080</b>                      | <b>2.958.425</b>                      |
| Cost of sales       | (5.091.891)                             | (4.241.506)                             | (2.793.026)                           | (2.336.685)                           |
| <b>Gross profit</b> | <b>1.802.331</b>                        | <b>1.099.793</b>                        | <b>1.095.054</b>                      | <b>621.740</b>                        |

**NOTE 22 – EXPENSES BY NATURE**

|                                                         | <b>1 January -<br/>30 June<br/>2018</b> | <b>1 January -<br/>30 June<br/>2017</b> | <b>1 April -<br/>30 June<br/>2018</b> | <b>1 April -<br/>30 June<br/>2017</b> |
|---------------------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|---------------------------------------|
| Raw materials, supplies and finished goods              | 4.481.489                               | 3.906.665                               | 2.173.840                             | 2.132.371                             |
| Changes in finished goods, work in process, trade goods | (13.134)                                | (168.285)                               | 278.137                               | (82.971)                              |
| Personnel expenses                                      | 498.747                                 | 413.619                                 | 271.803                               | 228.242                               |
| Depreciation and amortization                           | 214.190                                 | 174.089                                 | 110.304                               | 87.572                                |
| Export, transportation, warehouse expenses              | 257.692                                 | 174.989                                 | 150.978                               | 94.156                                |
| Warranty and assembly expenses                          | 167.503                                 | 130.822                                 | 89.364                                | 73.947                                |
| Advertising expenses                                    | 74.129                                  | 62.056                                  | 28.496                                | 34.249                                |
| Other                                                   | 534.075                                 | 400.105                                 | 311.967                               | 236.748                               |
|                                                         | <b>6.214.691</b>                        | <b>5.094.060</b>                        | <b>3.414.889</b>                      | <b>2.804.314</b>                      |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 23 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH**  
**AND DEVELOPMENT EXPENSES**

**a) General administrative expenses:**

|                               | <b>1 January -<br/>30 June<br/>2018</b> | <b>1 January -<br/>30 June<br/>2017</b> | <b>1 April -<br/>30 June<br/>2018</b> | <b>1 April -<br/>30 June<br/>2017</b> |
|-------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|---------------------------------------|
| Personnel expenses            | 54.506                                  | 53.551                                  | 31.566                                | 31.955                                |
| Depreciation and amortization | 14.607                                  | 10.101                                  | 7.508                                 | 5.081                                 |
| Other                         | 93.067                                  | 76.219                                  | 50.451                                | 40.768                                |
|                               | <b>162.180</b>                          | <b>139.871</b>                          | <b>89.525</b>                         | <b>77.804</b>                         |

**b) Marketing expenses:**

|                               |                |                |                |                |
|-------------------------------|----------------|----------------|----------------|----------------|
| Personnel expenses            | 141.969        | 110.333        | 79.575         | 59.075         |
| Depreciation and amortization | 17.853         | 15.531         | 9.208          | 7.887          |
| Other                         | 690.837        | 503.963        | 383.139        | 278.659        |
|                               | <b>850.659</b> | <b>629.827</b> | <b>471.922</b> | <b>345.621</b> |

**c) Research and development expenses:**

|                               |                |               |               |               |
|-------------------------------|----------------|---------------|---------------|---------------|
| Personnel expenses            | 17.127         | 15.442        | 10.234        | 9.911         |
| Depreciation and amortization | 58.934         | 50.872        | 29.408        | 25.602        |
| Other                         | 33.900         | 16.542        | 20.774        | 8.691         |
|                               | <b>109.961</b> | <b>82.856</b> | <b>60.416</b> | <b>44.204</b> |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 24 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES**

**a) Other income from operating activities:**

|                                                        | <b>1 January -<br/>30 June<br/>2018</b> | <b>1 January -<br/>30 June<br/>2017</b> | <b>1 April -<br/>30 June<br/>2018</b> | <b>1 April -<br/>30 June<br/>2017</b> |
|--------------------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|---------------------------------------|
| Credit finance gains arising from trading activities   | 120.114                                 | 84.309                                  | 78.810                                | 46.809                                |
| Foreign exchange gains arising from trading activities | 431.603                                 | 368.487                                 | 250.782                               | 187.755                               |
| Reversals of provisions                                | 48                                      | 7.988                                   | 48                                    | 3.988                                 |
| Other income                                           | 47.282                                  | 36.552                                  | 34.115                                | 17.182                                |
|                                                        | <b>599.047</b>                          | <b>497.336</b>                          | <b>363.755</b>                        | <b>255.734</b>                        |

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

|                                                           |                  |                |                |                |
|-----------------------------------------------------------|------------------|----------------|----------------|----------------|
| Debit finance charges arising from trading activities     | 120.136          | 76.890         | 72.995         | 46.896         |
| Foreign exchange expenses arising from trading activities | 992.067          | 270.094        | 713.433        | 58.033         |
| Provision expenses                                        | 9.974            | 19.061         | 819            | 7.677          |
| Other expenses                                            | 64.814           | 33.902         | 37.499         | 17.224         |
|                                                           | <b>1.186.991</b> | <b>399.947</b> | <b>824.746</b> | <b>129.830</b> |

**NOTE 25 – FINANCIAL INCOME AND FINANCIAL EXPENSE**

**a) Financial income:**

|                                         | <b>1 January -<br/>30 June<br/>2018</b> | <b>1 January -<br/>30 June<br/>2017</b> | <b>1 April -<br/>30 June<br/>2018</b> | <b>1 April -<br/>30 June<br/>2017</b> |
|-----------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|---------------------------------------|
| Foreign exchange gains                  | 401.026                                 | 91.344                                  | 283.243                               | (8.491)                               |
| Gains on derivative financial instrumen | 696.369                                 | 379.468                                 | 469.758                               | 119.225                               |
| Interest income                         | 185.888                                 | 97.958                                  | 100.158                               | 51.674                                |
|                                         | <b>1.283.283</b>                        | <b>568.770</b>                          | <b>853.159</b>                        | <b>162.408</b>                        |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 25 – FINANCIAL INCOME AND FINANCIAL EXPENSE (Cont'd)**

**b) Financial expense:**

|                                         | <b>1 January -<br/>30 June<br/>2018</b> | <b>1 January -<br/>30 June<br/>2017</b> | <b>1 April -<br/>30 June<br/>2018</b> | <b>1 April -<br/>30 June<br/>2017</b> |
|-----------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|---------------------------------------|
| Foreign exchange losses                 | 504.578                                 | 148.707                                 | 318.354                               | 61.438                                |
| Losses on derivative financial instrume | 496.401                                 | 457.256                                 | 237.989                               | 201.409                               |
| Interest and commision expense          | 277.041                                 | 186.754                                 | 151.990                               | 95.977                                |
| Other finance expenses                  | 253                                     | 283                                     | 123                                   | 48                                    |
|                                         | <b>1.278.273</b>                        | <b>793.000</b>                          | <b>708.456</b>                        | <b>358.872</b>                        |

**NOTE 26 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

|                                             | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------------------------------|---------------------|-------------------------|
| Corporation and income taxes                | 13.592              | 19.182                  |
| Prepaid taxes (-)                           | (16.829)            | (18.898)                |
| <b>Current income tax liabilities - net</b> | <b>(3.237)</b>      | <b>284</b>              |
| Deferred tax liabilities                    | (69.342)            | (129.591)               |
| Deferred tax assets                         | 126.787             | 174.309                 |

Turkish Tax Legislation does not permit a parent company its subsidiaries and investments in associates to file a consolidated tax return. Therefore, tax liabilities as reflected in these consolidated financial statements have been calculated on a separate entity basis for the fully consolidated subsidiaries.

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, 50% of the capital gains arising from the sale of tangible assets and 75% of the earning from 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.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

---

**NOTE 26 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont’d)**

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.

For the years 2006-2017, corporate tax rate in Turkey is 20%. In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 30 June 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

Russian Federation

In Russia, corporate tax rate applicable is 20% (2016: 20%). Under the Russian Federation taxation system, tax losses can be carried forward to be offset against future taxable income for up to ten years. There are no restrictions on the amounts subject to net off. On the other hand, tax, currency and customs legislations are subject to various interpretations and changes which can occurs frequently in Russian Federation. Management's interpretation for such legislation, which is applied to the Company's operations and activities, can be interpreted by regional and federal authorities in different ways.

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 26 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)**

The events of the recent past in Russian Federation, shows that risk could be possible on approval of operations and activities, which approved in the past may not be approved in the future as a result of reviews by the tax authorities on legislation. According to a review by the tax inspection authorities, without exceptional circumstances, tax inspection covers three years prior to the final inspection. Under certain circumstances, such views may cover longer periods.

The tax results of Group's subsidiaries in other countries are not material to consolidated financial statements

As of 1 January - 30 June 2018 and 2017 tax benefit in the consolidated statement of income is as follows:

|                                      | <b>1 January -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> |
|--------------------------------------|-------------------------------------|-------------------------------------|
| Current period tax expense           | (9.195)                             | (5.326)                             |
| Deferred tax benefit                 | 22.417                              | 25.215                              |
| <b>Total tax (expense) / benefit</b> | <b>13.222</b>                       | <b>19.889</b>                       |

Due to modernization, plant extension and investments incentive documents in Manisa Organized Industrial Zone, the Group has reduced rate of corporate tax advantage.

**Deferred tax assets and liabilities**

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

As of 30 June 2018, the Group has not recognized deferred tax assets arising from its investment incentive certificate, in accordance with conservatism principle of accounting.

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:

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 26 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)**

|                                                                                              | <b>Cumulative temporary</b> |                    | <b>Deferred tax</b> |                    |
|----------------------------------------------------------------------------------------------|-----------------------------|--------------------|---------------------|--------------------|
|                                                                                              | <b>30 June</b>              | <b>31 December</b> | <b>30 June</b>      | <b>31 December</b> |
|                                                                                              | <b>2018</b>                 | <b>2017</b>        | <b>2018</b>         | <b>2017</b>        |
| <b>Deferred tax assets</b>                                                                   |                             |                    |                     |                    |
| Employment termination benefits                                                              | (97.635)                    | (93.880)           | 19.527              | 18.776             |
| Warranty provision                                                                           | (142.568)                   | (132.382)          | 31.365              | 29.124             |
| Provision for doubtful receivables                                                           | (121.164)                   | (124.241)          | 26.656              | 27.333             |
| Unearned interest expense                                                                    | (86.041)                    | (59.859)           | 18.929              | 13.169             |
| Provision for impairment on inventories                                                      | (11.264)                    | (7.627)            | 2.478               | 1.678              |
| Derivative financial instruments                                                             | (26.258)                    | (150.056)          | 5.777               | 33.005             |
| Carryforward tax losses and R&D incentives                                                   | (599.623)                   | (521.750)          | 125.695             | 104.350            |
| Other                                                                                        | (138.359)                   | (131.291)          | 30.439              | 28.884             |
|                                                                                              |                             |                    | <b>260.866</b>      | <b>256.319</b>     |
| <b>Deferred tax liabilities</b>                                                              |                             |                    |                     |                    |
| Useful life and valuation differences on property, plant and equipment and intangible assets | 55.895                      | 86.840             | (11.179)            | (17.368)           |
| Revaluation of tangible fixed assets                                                         | 1.117.944                   | 1.129.982          | (191.531)           | (194.063)          |
| Other                                                                                        | 3.232                       | 773                | (711)               | (170)              |
|                                                                                              |                             |                    | <b>(203.421)</b>    | <b>(211.601)</b>   |
| <b>Deferred tax assets / (liabilities) - net</b>                                             |                             |                    | <b>57.445</b>       | <b>44.718</b>      |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 26 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)**

|                                                | <b>30 June 2018</b> | <b>31 December 2017</b> |
|------------------------------------------------|---------------------|-------------------------|
| Subsidiaries with net deferred tax liabilities | (69.342)            | (129.591)               |
| Subsidiaries with net deferred tax assets      | 126.787             | 174.309                 |

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

|                                                                              | <b>1 January -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> |
|------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| <b>Opening balance, 1 January</b>                                            | <b>44.718</b>                       | <b>14.094</b>                       |
| Tax benefit recognized in income statement                                   | 22.417                              | 25.215                              |
| Recognized in shareholders' equity                                           | (10.603)                            | 24.322                              |
| Currency translation differences                                             | 913                                 | (114)                               |
| <b>Deferred tax (liabilities) / assets<br/>at the end of the period, net</b> | <b>57.445</b>                       | <b>63.517</b>                       |

**NOTE 27 – EARNINGS / (LOSS) PER SHARE**

|                        | <b>1 January -<br/>30 June<br/>2018</b> | <b>1 January -<br/>30 June<br/>2017</b> |
|------------------------|-----------------------------------------|-----------------------------------------|
| parent                 | 98.870                                  | 132.292                                 |
| value (hundred shares) | 33.546.000                              | 33.546.000                              |
|                        | <b>0,29</b>                             | <b>0,39</b>                             |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 28 – DERIVATIVE INSTRUMENTS**

|                                                 | <b>30 June 2018</b> |                      | <b>31 December 2017</b> |                      |
|-------------------------------------------------|---------------------|----------------------|-------------------------|----------------------|
|                                                 | <b>Contract</b>     | <b>Fair Value</b>    | <b>Contract</b>         | <b>Fair Value</b>    |
|                                                 | <b>amount</b>       | <b>Assets /</b>      | <b>amount</b>           | <b>Assets /</b>      |
|                                                 |                     | <b>(Liabilities)</b> |                         | <b>(Liabilities)</b> |
| <b><u>Derivative financial assets:</u></b>      |                     |                      |                         |                      |
| <b>Held for trading</b>                         |                     |                      |                         |                      |
| Forward foreign currency transactions           | 1.866.240           | 48.025               | 1.147.859               | 11.237               |
| <b>Cash flow hedge</b>                          |                     |                      |                         |                      |
| Forward foreign currency transactions           | 2.234.872           | 113.596              | 509.405                 | 2.252                |
| <b><u>Derivative financial liabilities:</u></b> |                     |                      |                         |                      |
| <b>Held for trading</b>                         |                     |                      |                         |                      |
| Forward foreign currency transactions           | 4.662.428           | (169.581)            | 4.092.737               | (90.931)             |
| <b>Cash flow hedge</b>                          |                     |                      |                         |                      |
| Forward foreign currency transactions           | 279.438             | (18.298)             | 1.838.130               | (72.614)             |
|                                                 | <b>9.042.978</b>    | <b>(26.258)</b>      | <b>7.588.131</b>        | <b>(150.056)</b>     |

**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

**Foreign currency risk:**

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

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**

| <b>30 June 2018</b>                                                                                           | <b>USD</b>       | <b>EUR</b>       | <b>Other (TL<br/>Equivalent)</b> | <b>TL Equivalent</b> |
|---------------------------------------------------------------------------------------------------------------|------------------|------------------|----------------------------------|----------------------|
| 1. Trade receivables                                                                                          | 124.047          | 214.115          | 480.548                          | 2.183.069            |
| 2a. Monetary financial assets (including<br>cash and cash equivalents)                                        | 13.747           | 19.474           | 6.549                            | 172.636              |
| 2b. Non-monetary financial assets                                                                             | -                | -                | -                                | -                    |
| 3. Other                                                                                                      | -                | -                | -                                | -                    |
| <b>4. Current assets (1+2+3)</b>                                                                              | <b>137.794</b>   | <b>233.589</b>   | <b>487.097</b>                   | <b>2.355.705</b>     |
| 5. Trade receivables                                                                                          | 7.038            | -                | -                                | 32.098               |
| 6a. Monetary financial assets                                                                                 | 350.541          | -                | -                                | 1.598.712            |
| 6b. Non-monetary financial assets                                                                             | 2.081            | 4.106            | -                                | 31.290               |
| 7. Other                                                                                                      | -                | 51               | -                                | 271                  |
| <b>8. Non-current assets (5+6+7)</b>                                                                          | <b>359.660</b>   | <b>4.157</b>     | <b>-</b>                         | <b>1.662.371</b>     |
| <b>9. Total assets (4+8)</b>                                                                                  | <b>497.454</b>   | <b>237.746</b>   | <b>487.097</b>                   | <b>4.018.076</b>     |
| 10. Trade payables                                                                                            | 1.196.089        | 101.491          | 6.410                            | 6.000.249            |
| 11. Financial liabilities                                                                                     | 185.570          | 222.651          | -                                | 2.028.430            |
| 12a. Other monetary liabilities                                                                               | 6.849            | 578              | 1.135                            | 35.440               |
| 12b. Other non-monetary liabilities                                                                           | -                | -                | -                                | -                    |
| <b>13. Current liabilities (10+11+12)</b>                                                                     | <b>1.388.508</b> | <b>324.720</b>   | <b>7.545</b>                     | <b>8.064.119</b>     |
| 14. Trade payables                                                                                            | 882              | 2.428            | -                                | 16.913               |
| 15. Financial liabilities                                                                                     | 50.050           | 30.009           | -                                | 387.588              |
| 16a. Other monetary liabilities                                                                               | -                | -                | -                                | -                    |
| 16b. Other non-monetary liabilities                                                                           | -                | -                | -                                | -                    |
| <b>17. Non-current liabilities (14+15+16)</b>                                                                 | <b>50.932</b>    | <b>32.437</b>    | <b>-</b>                         | <b>404.501</b>       |
| <b>18. Total liabilities (13+17)</b>                                                                          | <b>1.439.440</b> | <b>357.157</b>   | <b>7.545</b>                     | <b>8.468.620</b>     |
| <b>19. Off-balance sheet derivative instruments<br/>net asset / (liability) position (19a+19b)</b>            | <b>823.018</b>   | <b>(36.111)</b>  | <b>(613.727)</b>                 | <b>2.948.091</b>     |
| 19a. Hedged total assets                                                                                      | 1.350.456        | 332.404          | 354.906                          | 8.278.730            |
| 19b. Hedged total liabilities                                                                                 | (527.438)        | (368.515)        | (968.633)                        | (5.330.639)          |
| <b>20. Net foreign currency asset/ (liability)<br/>position (9-18+19)</b>                                     | <b>(118.968)</b> | <b>(155.522)</b> | <b>(134.175)</b>                 | <b>(1.502.453)</b>   |
| <b>21. Net foreign currency monetary asset/<br/>(liability) position<br/>(=1+2a+5+6a-10-11-12a-14-15-16a)</b> | <b>(944.067)</b> | <b>(123.568)</b> | <b>479.552</b>                   | <b>(4.482.105)</b>   |
| <b>22. Fair value of financial instruments used<br/>in foreign currency hedging</b>                           | <b>-</b>         | <b>-</b>         | <b>-</b>                         | <b>(26.258)</b>      |
| 23. Export                                                                                                    | 315.452          | 541.375          | 476.760                          | 5.107.229            |
| 24. Import                                                                                                    | 793.503          | 109.788          | 1.214                            | 3.728.219            |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**

| <b>31 December 2017</b>                                                                               | <b>USD</b>       | <b>EUR</b>       | <b>Other (TL<br/>Equivalent)</b> | <b>TL Equivalent</b> |
|-------------------------------------------------------------------------------------------------------|------------------|------------------|----------------------------------|----------------------|
| 1. Trade receivables                                                                                  | 221.245          | 287.728          | 129.655                          | 2.263.405            |
| 2a. Monetary financial assets (including cash and cash equivalents)                                   | 17.615           | 20.622           | 4.844                            | 164.405              |
| 2b. Non-monetary financial assets                                                                     | -                | -                | -                                | -                    |
| 3. Other                                                                                              | -                | -                | -                                | -                    |
| <b>4. Current assets (1+2+3)</b>                                                                      | <b>238.860</b>   | <b>308.350</b>   | <b>134.499</b>                   | <b>2.427.810</b>     |
| 5. Trade receivables                                                                                  | 16.548           | -                | -                                | 62.417               |
| 6a. Monetary financial assets                                                                         | 329.460          | -                | -                                | 1.242.690            |
| 6b. Non-monetary financial assets                                                                     | 4.504            | 7.157            | -                                | 49.306               |
| 7. Other                                                                                              | -                | 51               | -                                | 230                  |
| <b>8. Non-current assets (5+6+7)</b>                                                                  | <b>350.512</b>   | <b>7.208</b>     | <b>-</b>                         | <b>1.354.643</b>     |
| <b>9. Total assets (4+8)</b>                                                                          | <b>589.372</b>   | <b>315.558</b>   | <b>134.499</b>                   | <b>3.782.453</b>     |
| 10. Trade payables                                                                                    | 1.295.301        | 76.141           | 2.138                            | 5.231.699            |
| 11. Financial liabilities                                                                             | 180.173          | 171.726          | -                                | 1.455.024            |
| 12a. Other monetary liabilities                                                                       | 9.425            | 426              | 2.663                            | 40.137               |
| 12b. Other non-monetary liabilities                                                                   | -                | -                | -                                | -                    |
| <b>13. Current liabilities (10+11+12)</b>                                                             | <b>1.484.899</b> | <b>248.293</b>   | <b>4.801</b>                     | <b>6.726.860</b>     |
| 14. Trade payables                                                                                    | -                | -                | -                                | -                    |
| 15. Financial liabilities                                                                             | 78.831           | 93.709           | -                                | 720.487              |
| 16a. Other monetary liabilities                                                                       | -                | -                | -                                | -                    |
| 16b. Other non-monetary liabilities                                                                   | -                | -                | -                                | -                    |
| <b>17. Non-current liabilities (14+15+16)</b>                                                         | <b>78.831</b>    | <b>93.709</b>    | <b>-</b>                         | <b>720.487</b>       |
| <b>18. Total liabilities (13+17)</b>                                                                  | <b>1.563.730</b> | <b>342.002</b>   | <b>4.801</b>                     | <b>7.447.347</b>     |
| <b>19. Off-balance sheet derivative instruments net asset / (liability) position (19a+19b)</b>        | <b>1.240.162</b> | <b>(367.918)</b> | <b>(670.296)</b>                 | <b>2.346.138</b>     |
| 19a. Hedged total assets                                                                              | 1.522.920        | 273.243          | 117.367                          | 7.095.498            |
| 19b. Hedged total liabilities                                                                         | (282.758)        | (641.161)        | (787.663)                        | (4.749.360)          |
| <b>20. Net foreign currency asset/ (liability) position (9-18+19)</b>                                 | <b>265.804</b>   | <b>(394.362)</b> | <b>(540.598)</b>                 | <b>(1.318.756)</b>   |
| <b>21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)</b> | <b>(978.862)</b> | <b>(33.652)</b>  | <b>129.698</b>                   | <b>(3.714.430)</b>   |
| <b>22. Fair value of financial instruments used in foreign currency hedging</b>                       | <b>-</b>         | <b>-</b>         | <b>-</b>                         | <b>(150.056)</b>     |
| 23. Export                                                                                            | 696.046          | 1.177.060        | 648.405                          | 8.649.358            |
| 24. Import                                                                                            | 1.751.687        | 211.432          | 1.475                            | 7.240.650            |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY – 30 JUNE 2018**

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

**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)**

As of 30 June 2018 and 31 December 2017 sensitivity analysis of foreign exchange rates is presented in below tables. Secured portions include impact of off-balance sheet derivative instruments.

|                                                         | <b>Gain / Loss</b>                           |                                              | <b>Equity</b>                                |                                              |
|---------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|
|                                                         | <b>Foreign<br/>exchange<br/>appreciation</b> | <b>Foreign<br/>exchange<br/>depreciation</b> | <b>Foreign<br/>exchange<br/>appreciation</b> | <b>Foreign<br/>exchange<br/>depreciation</b> |
| <b>30 June 2018</b>                                     |                                              |                                              |                                              |                                              |
| <b>+/- 10% fluctuation of USD rate:</b>                 |                                              |                                              |                                              |                                              |
| USD net asset / liability                               | (430.561)                                    | 430.561                                      | (430.561)                                    | 430.561                                      |
| Secured portion from USD risk (-)                       | 214.691                                      | (214.691)                                    | 328.176                                      | (328.176)                                    |
| <b>USD net effect</b>                                   | <b>(215.870)</b>                             | <b>215.870</b>                               | <b>(102.385)</b>                             | <b>102.385</b>                               |
| <b>+/- 10% fluctuation of EUR rate:</b>                 |                                              |                                              |                                              |                                              |
| EUR net asset / liability                               | (65.605)                                     | 65.605                                       | (65.605)                                     | 65.605                                       |
| Secured portion from EUR risk (-)                       | 50.391                                       | (50.391)                                     | (23.009)                                     | 23.009                                       |
| <b>EUR net effect</b>                                   | <b>(15.214)</b>                              | <b>15.214</b>                                | <b>(88.614)</b>                              | <b>88.614</b>                                |
| <b>+/- 10% fluctuation of other<br/>currency rates:</b> |                                              |                                              |                                              |                                              |
| Other currencies net asset / liability                  | 47.955                                       | (47.955)                                     | 47.955                                       | (47.955)                                     |
| risk (-)                                                | (58.717)                                     | 58.717                                       | (58.717)                                     | 58.717                                       |
| <b>Other currency net effect</b>                        | <b>(10.762)</b>                              | <b>10.762</b>                                | <b>(10.762)</b>                              | <b>10.762</b>                                |

**VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM**  
**PERIOD 1 JANUARY - 30 JUNE 2018**

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

**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**

|                                                         | Gain / Loss                         |                                     | Equity                              |                                     |
|---------------------------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                                                         | Foreign<br>exchange<br>appreciation | Foreign<br>exchange<br>depreciation | Foreign<br>exchange<br>appreciation | Foreign<br>exchange<br>depreciation |
| <b>31 December 2017</b>                                 |                                     |                                     |                                     |                                     |
| <b>+/- 10% fluctuation of USD rate:</b>                 |                                     |                                     |                                     |                                     |
| USD net asset / liability                               | (369.217)                           | 369.217                             | (369.217)                           | 369.217                             |
| Secured portion from USD risk (-)                       | 336.827                             | (336.827)                           | 466.316                             | (466.316)                           |
| <b>USD net effect</b>                                   | <b>(32.390)</b>                     | <b>32.390</b>                       | <b>97.099</b>                       | <b>(97.099)</b>                     |
| <b>+/- 10% fluctuation of EUR rate:</b>                 |                                     |                                     |                                     |                                     |
| EUR net asset / liability                               | (15.196)                            | 15.196                              | (15.196)                            | 15.196                              |
| Secured portion from EUR risk (-)                       | (53.652)                            | 53.652                              | (166.870)                           | 166.870                             |
| <b>EUR net effect</b>                                   | <b>(68.848)</b>                     | <b>68.848</b>                       | <b>(182.066)</b>                    | <b>182.066</b>                      |
| <b>+/- 10% fluctuation of other<br/>currency rates:</b> |                                     |                                     |                                     |                                     |
| Other currencies net asset / liability                  | 12.970                              | (12.970)                            | 12.970                              | (12.970)                            |
| risk (-)                                                | (142.581)                           | 142.581                             | (142.581)                           | 142.581                             |
| <b>Other currency net effect</b>                        | <b>(129.611)</b>                    | <b>129.611</b>                      | <b>(129.611)</b>                    | <b>129.611</b>                      |

**DİPNOT 30 – EVENTS AFTER REPORTING PERIOD**

As on 5 July 2018, The Company acquired 100% shares (50,000 shares each with a nominal value of 1 TL) of Zorlu Gayrimenkul Proje Taahhüt Anonim Şirketi at their nominal value of 50.000 TL from the existing shareholders Ahmet Nazif Zorlu, Zeki Zorlu, Selen Zorlu Melik, Olgun Zorlu and Mehmet Emre Zorlu with the purpose of converting it to a new company whose corporate title is "Vest Batarya Sistemleri Anonim Şirketi" and will operate in production, marketing, sales, import and export of battery anode, cathode and cells and battery packs used in electric vehicles and electrical energy storage systems.