

**VESTEL ELEKTRONİK SANAYİ VE TİCARET
ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY- 30 SEPTEMBER 2018**

(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 SEPTEMBER 2018

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

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

	Footnotes	30 September 2018	31 December 2017	Audited
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	5	2.720.250	2.000.337	
Trade Receivables		3.958.584	3.662.822	
Trade Receivables Due from Related Parties	8	72.372	39.173	
Trade Receivables Due from Unrelated Parties	9	3.886.212	3.623.649	
Other Receivables		525.850	261.521	
Other Receivables Due from Related Parties	8	5.512	-	
Other Receivables Due from Unrelated Parties	10	520.338	261.521	
Derivative Financial Assets		161.737	13.489	
Derivative Financial Assets Held for Trading	28	73.611	11.237	
Derivative Financial Assets Held for Hedging	28	88.126	2.252	
Inventories	11	4.027.691	2.944.179	
Prepayments		109.756	60.769	
Prepayments to Unrelated Parties	12	109.756	60.769	
Current Tax Assets		15.039	8.739	
Other Current Assets		62.128	28.394	
Other Current Assets Due from Unrelated Parties	19	62.128	28.394	
TOTAL CURRENT ASSETS		11.581.035	8.980.250	

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31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Footnotes	30 September 2018	31 December 2017	Audited
NON-CURRENT ASSETS				
Financial Investments		49.962	51.831	
Financial Assets Available-for-Sale	6	49.962	51.831	
Investments in subsidiaries, joint ventures and associates	13	1.109.875	-	
Trade Receivables		1.948	68.540	
Trade Receivables Due from Unrelated Parties	9	1.948	68.540	
Other Receivables		2.414.791	1.449.788	
Other Receivables Due from Related Parties	8	2.413.187	1.448.685	
Other Receivables Due from Unrelated Parties	10	1.604	1.103	
Property, Plant and Equipments		3.304.413	2.366.014	
Land and Premises	14	632.030	470.475	
Land Improvements	14	125.185	88.118	
Buildings	14	1.441.306	965.443	
Machinery and Equipments	14	922.719	639.173	
Vehicles	14	3.185	4.016	
Fixtures and Fittings	14	93.652	84.418	
Leasehold Improvements	14	27.799	26.874	
Construction in Progress	14	58.537	87.497	
Intangible Assets and Goodwill		718.147	666.433	
Goodwill		197.793	197.793	
Other Rights	15	19.278	20.274	
Capitalized Development Costs	15	429.360	386.224	
Other Intangible Assets	15	71.716	62.142	
Prepayments		63.015	81.436	
Prepayments to Unrelated Parties	12	63.015	81.436	
Deferred Tax Asset	26	127.480	174.309	
Other Non-current Assets		6.077	7.060	
Other Non-Current Assets Due from Unrelated Parties	19	6.077	7.060	
TOTAL NON-CURRENT ASSETS		7.795.708	4.865.411	
TOTAL ASSETS		19.376.743	13.845.661	

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

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

	Footnotes	30 September 2018	31 December 2017	Audited
LIABILITIES				
CURRENT LIABILITIES				
Current Borrowings		4.654.401	1.341.892	
Current Borrowings from Unrelated Parties		4.654.401	1.341.892	
Bank Loans	7	4.649.355	1.341.413	
Leasing Debts	7	5.046	479	
Current Portion of Non-current Borrowings		1.980.892	2.142.397	
Current Portion of Non-current Borrowings from				
Unrelated Parties		1.980.892	2.142.397	
Bank Loans	7	1.980.892	2.142.397	
Trade Payables		7.468.549	5.751.347	
Trade Payables to Related Parties	8	30.687	7.239	
Trade Payables to Unrelated Parties	9	7.437.862	5.744.108	
Employee Benefit Obligations	18	126.534	107.735	
Other Payables		50.800	10.095	
Other Payables to Related Parties	8	43.851	9.295	
Other Payables to Unrelated Parties		6.949	800	
Derivative Financial Liabilities		354.989	163.545	
Derivative Financial Liabilities Held for Trading	28	339.425	90.931	
Derivative Financial Liabilities Held for Hedging	28	15.564	72.614	
Current Tax Liabilities	26	7.094	9.023	
Current Provisions		579.495	403.308	
Other Current Provisions	16	579.495	403.308	
Other Current Liabilities		382.698	295.477	
Other Current Liabilities to Unrelated Parties	19	382.698	295.477	
TOTAL CURRENT LIABILITIES		15.605.452	10.224.819	

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 SEPTEMBER 2018 AND
31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Footnotes	30 September 2018	31 December 2017	Audited
NON-CURRENT LIABILITIES				
Long Term Borrowings		456.030	1.024.003	
Long Term Borrowings from Unrelated Parties		456.030	1.024.003	
Bank Loans	7	447.193	1.016.557	
Leasing Debts	7	8.837	7.446	
Trade Payables		17.664	1.959	
Trade Payables to Unrelated Parties		17.664	1.959	
Non-current Provisions		196.594	180.980	
Non-current Provisions for Employee Benefits	18	104.269	96.078	
Other Non-current Provisions	16	92.325	84.902	
Deferred Tax Liabilities	26	98.145	129.591	
Other Non-current Liabilities		8.938	6.281	
Other Non-current Liabilities to Unrelated Parties		8.938	6.281	
TOTAL NON-CURRENT LIABILITIES		777.371	1.342.814	
TOTAL LIABILITIES		16.382.823	11.567.633	

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 SEPTEMBER 2018 AND
31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Footnotes	30 September 2018	31 December 2017	Audited
EQUITY				
Equity Attributable to Owners of Parent		2.922.797	2.205.269	
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		1.321.923	900.139	
Gains (Losses) on Revaluation and Remeasurement		1.321.923	900.139	
Increases (Decreases) on Revaluation of Property, Plant and Equipment	20	1.342.586	917.385	
Gains (Losses) on Remeasurements of Defined Benefit Plans		(20.663)	(17.246)	
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		287.430	69.373	
Exchange Differences on Translation		278.479	76.183	
Gains (Losses) on Hedge		6.299	(10.959)	
Gains (Losses) on Cash Flow Hedges		6.299	(10.959)	
Gains (Losses) on Revaluation and Reclassification		2.652	4.149	
Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets	20	2.652	4.149	
Restricted Reserves Appropriated from Profits		48.909	46.195	
Legal Reserves	20	48.909	46.195	
Prior Years' Profits or Losses	20	81.223	7.518	
Current Period Net Profit Or Loss		55.765	55.108	
Non-controlling Interests		71.123	72.759	
TOTAL EQUITY		2.993.920	2.278.028	
TOTAL LIABILITIES AND EQUITY		19.376.743	13.845.661	

Consolidated condensed interim financial statements for the period 1 January - 30 September 2018, were approved by the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. on 26 October 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 SEPTEMBER 2018 AND 2017
 (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Footnotes	1 January - 30 September 2018	1 January - 30 September 2017	1 July- 30 September 2018	1 July- 30 September 2017
PROFIT OR LOSS					
Revenue	21	10.469.145	8.234.481	3.574.923	2.893.182
Cost of Sales	21	(7.319.605)	(6.573.235)	(2.227.714)	(2.331.729)
GROSS PROFIT (LOSS)		3.149.540	1.661.246	1.347.209	561.453
General Administrative Expenses	23	(248.301)	(205.658)	(86.121)	(65.787)
Marketing Expenses	23	(1.360.182)	(1.008.307)	(509.523)	(378.480)
Research and Development Expense	23	(177.187)	(132.609)	(67.226)	(49.753)
Other Income from Operating Activities	24	1.065.795	683.511	466.748	186.175
Other Expenses from Operating Activities	24	(2.730.302)	(598.821)	(1.543.311)	(198.874)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		(300.637)	399.362	(392.224)	54.734
Share of Profit (Loss) from Investments Accounted for Using Equity Method		(46.000)	-	(46.000)	-
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		(346.637)	399.362	(438.224)	54.734
Finance Income	25	3.420.476	786.599	2.137.193	217.829
Finance Costs	25	(3.036.132)	(1.153.307)	(1.757.859)	(360.307)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		37.707	32.654	(58.890)	(87.744)
Tax (Expense) Income, Continuing		40.627	54.209	27.405	34.320
Current Period Tax (Expense) Income	26	(14.048)	(8.013)	(4.853)	(2.687)
Deferred Tax (Expense) Income	26	54.675	62.222	32.258	37.007
PROFIT (LOSS) FROM CONTINUING OPERATIONS		78.334	86.863	(31.485)	(53.424)
PROFIT (LOSS)		78.334	86.863	(31.485)	(53.424)
Profit (loss), attributable to					
Non-controlling Interests		22.569	11.689	11.620	3.694
Owners of Parent		55.765	75.174	(43.105)	(57.118)
Earnings per 100 share with a Kr 1 of Par Value (TL)	27	0,17	0,22	(0,13)	(0,17)

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 SEPTEMBER 2018 AND 2017
 (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	1 January - 30 September 2018	1 January - 30 September 2017	1 July- 30 September 2018	1 July- 30 September 2017
OTHER COMPREHENSIVE INCOME				
Other Comprehensive Income that will not be Reclassified to Profit or Loss	443.733	(1.996)	445.071	(1.406)
Gains (Losses) on Revaluation of Property, Plant and Equipment	535.781	-	535.781	-
Gains (Losses) on Remeasurements of Defined Benefit Plans	(4.275)	(2.495)	(2.603)	(1.758)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss	(87.773)	499	(88.107)	352
Taxes Relating to Gains (Losses) on Revaluation of Property, Plant and Equipment	(88.628)	-	(88.628)	-
Taxes Relating to Remeasurements of Defined Benefit Plans	855	499	521	352
Other Comprehensive Income that will be Reclassified to Profit or Loss	218.131	(50.854)	115.630	22.022
Exchange Differences on Translation	202.296	37.337	138.616	13.512
Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets	(1.870)	3.030	(2.336)	1.440
Other Comprehensive Income (Loss) Related with Cash Flow Hedges	22.219	(113.269)	(27.073)	9.197
Gains (Losses) on Cash Flow Hedges	22.219	(113.269)	(27.073)	9.197
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss	(4.514)	22.048	6.423	(2.127)
Taxes Relating to Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets	374	(606)	467	(288)
Taxes Relating to Cash Flow Hedges	(4.888)	22.654	5.956	(1.839)
OTHER COMPREHENSIVE INCOME (LOSS)	661.864	(52.850)	560.701	20.616
TOTAL COMPREHENSIVE INCOME (LOSS)	740.198	34.013	529.216	(32.808)
Total Comprehensive Income Attributable to				
Non-controlling Interests	29.187	10.132	17.474	3.913
Owners of Parent	711.011	23.881	511.742	(36.721)

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIODS 1 JANUARY – 30 SEPTEMBER 2018 AND 2017

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

	Issued Capital	Inflation Adjustments on Capital	Share Premiums or Discounts	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	Restricted Reserves Appropriated From Profits	Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings	Equity attributable to owners of parent	Non-controlling interests	Equity	
Previous Period																					
1 January -30 September 2017																					
Equity at Beginning of Period	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	
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.166	162.553	(167.719)	(5.166)	-	-	
Total Comprehensive Income (Loss)	-	-	-	(9.484)	(1.973)	(11.457)	(11.457)	37.337	(89.081)	(89.081)	2.424	2.424	(49.320)	-	-	9.484	75.174	84.658	23.881	10.132	34.013
Profit (Loss)	-	-	-	(9.484)	-	(9.484)	(9.484)	-	-	-	-	-	-	-	-	9.484	75.174	84.658	75.174	11.689	86.863
Other Comprehensive Income (Loss)	-	-	-	-	(1.973)	(1.973)	(1.973)	37.337	(89.081)	(89.081)	2.424	2.424	(49.320)	-	-	-	-	(51.293)	(1.557)	(52.850)	
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9.461)	(9.461)	-	
Equity at End of Period	335.456	688.315	103.165	552.178	(11.771)	540.407	540.407	47.375	(40.897)	(40.897)	3.900	3.900	10.378	46.195	4.027	75.174	79.201	1.803.117	60.560	1.863.677	
Current Period																					
1 January -30 September 2018																					
Equity at Beginning of Period	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	
Transfers	-	-	-	(1.526)	-	(1.526)	(1.526)	-	-	-	-	-	-	-	2.714	53.920	(55.108)	(1.188)	-	-	
Total Comprehensive Income (Loss)	-	-	-	424.964	(3.381)	421.583	421.583	202.296	17.265	17.265	(1.497)	(1.497)	218.064	-	15.599	55.765	71.364	711.011	29.187	740.198	
Profit (Loss)	-	-	-	(15.599)	-	(15.599)	(15.599)	-	-	-	-	-	-	-	15.599	55.765	71.364	55.765	22.569	78.334	
Other Comprehensive Income (Loss)	-	-	-	440.563	(3.381)	437.182	437.182	202.296	17.265	17.265	(1.497)	(1.497)	218.064	-	-	-	-	655.246	6.618	661.864	
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12.909)	(12.909)	-	
Transactions with noncontrolling sh	-	-	611	1.763	(36)	1.727	1.727	-	(7)	(7)	-	-	-	(7)	-	4.186	-	4.186	6.517	(17.914)	(11.397)
Equity at End of Period	335.456	688.315	103.776	1.342.586	(20.663)	1.321.923	1.321.923	278.479	6.299	6.299	2.652	2.652	287.430	48.909	81.223	55.765	136.988	2.922.797	71.123	2.993.920	

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 SEPTEMBER 2018 AND 2017

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

	Footnotes	1 January - 30 September 2018	1 January - 30 September 2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		(357.406)	115.917
Profit (Loss)		78.334	86.863
Profit (Loss) from Continuing Operations		78.334	86.863
Adjustments to Reconcile Profit (Loss)		(577.559)	477.748
Adjustments for Depreciation and Amortisation Expense	14	335.647	271.699
Adjustments for Impairment Loss			
(Reversal of Impairment Loss)		20.135	10.494
Adjustments for Impairment Loss			
(Reversal of Impairment Loss) of Receivables	9	5.046	3.741
Adjustments for Impairment Loss			
(Reversal of Impairment Loss) of Inventories	11	15.089	6.753
Adjustments for Provisions		204.266	85.541
Adjustments for (Reversal of) Provisions Related with			
Employee Benefits	18	20.656	18.214
Adjustments for (Reversal of) Lawsuit and/or			
Penalty Provisions	16	15.371	(5.443)
Adjustments for (Reversal of) Warranty Provisions	16	87.680	44.596
Adjustments for (Reversal of) Other Provisions	16	80.559	28.174
Adjustments for Interest (Income) Expenses		173.848	135.166
Adjustments for Interest Income	25	(313.622)	(152.856)
Adjustments for Interest Expense	25	487.470	288.022
Adjustments for Unrealised Foreign			
Exchange Losses (Gains)		830.073	120.014
Adjustments for Fair Value Losses (Gains)		65.415	(137.414)
Adjustments for Fair Value (Gains) Losses on			
Derivative Financial Instruments		65.415	(137.414)
Adjustments for Undistributed Profits of Investments Accounted			
for Using Equity Method		46.000	-
Adjustments for Tax (Income) Expenses		(40.627)	(54.209)
Adjustments for Losses (Gains) on Disposal of			
Non-Current Assets		(6.630)	(2.253)
Adjustments for Losses (Gains) Arised from			
Sale of Tangible Assets		(6.630)	(2.253)
Other Adjustments to Reconcile Profit (Loss)	5	(2.205.686)	48.710

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1 JANUARY - 30 SEPTEMBER 2018 AND 2017

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

	Footnotes	1 January - 30 September 2018	1 January - 30 September 2017
Changes in Working Capital		178.298	(417.843)
Decrease (Increase) in Financial Investments	6	1.869	(32.001)
Adjustments for Decrease (Increase) in Trade Accounts Receivable		(234.216)	(792.557)
Decrease (Increase) in Trade Accounts Receivables from Related Parties		(33.199)	2.898
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties		(201.017)	(795.455)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(259.318)	(37.327)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations		(259.318)	(37.327)
Adjustments for Decrease (Increase) in Inventories		(1.108.153)	(1.305.172)
Decrease (Increase) in Prepaid Expenses		(30.566)	(38.228)
Adjustments for Increase (Decrease) in Trade Accounts Payable		1.732.907	1.697.962
Increase (Decrease) in Trade Accounts Payables to Related Parties		23.448	(745)
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties		1.709.459	1.698.707
Increase (Decrease) in Employee Benefit Liabilities		18.799	18.851
Adjustments for Increase (Decrease) in Other Operating Payables		6.149	2.983
Increase (Decrease) in Other Operating Payables to Unrelated Parties		6.149	2.983
Other Adjustments for Other Increase (Decrease) in Working Capital		50.827	67.646
Decrease (Increase) in Other Assets Related with Operations		(39.051)	1.404
Increase (Decrease) in Other Payables Related with Operations		89.878	66.242
Cash Flows from (used in) Operations		(320.927)	146.768
Payments Related with Provisions for Employee Benefits	18	(16.740)	(14.683)
Income Taxes Refund (Paid)	26	(19.739)	(16.168)

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

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

	Footnotes	1 January - 30 September 2018	1 January - 30 September 2017
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(2.828.478)	(684.329)
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	(1.155.875)	-
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		8.875	5.168
Proceeds from Sales of Property, Plant and Equipment		8.875	5.168
Purchase of Property, Plant, Equipment and Intangible Assets		(700.067)	(424.584)
Purchase of Property, Plant and Equipment	14	(569.217)	(310.575)
Purchase of Intangible Assets	15	(130.850)	(114.009)
Cash Advances and Loans Made to Other Parties		(970.014)	(264.913)
Cash Advances and Loans Made to Related Parties	8	(970.014)	(264.913)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		1.600.757	925.661
Proceeds from Borrowings		5.291.223	1.871.860
Proceeds from Loans		5.291.223	1.871.860
Repayments of Borrowings		(3.550.347)	(888.993)
Loan Repayments		(3.556.305)	(869.298)
Cash Outflows from Other Financial Liabilities		5.958	(19.695)
Increase in Other Payables to Related Parties		34.556	4.996
Dividends Paid		(12.909)	(9.461)
Interest Paid		(475.388)	(205.597)
Interest Received		313.622	152.856
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(1.585.127)	357.249
Effect of Exchange Rate Changes on Cash and Cash Equivalents		99.354	24.209
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1.485.773)	381.458
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	1.991.848	1.210.714
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		506.075	1.592.172

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM
PERIOD 1 JANUARY - 30 SEPTEMBER 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 September 2018, 35,59 % of the Company's shares are publicly traded (2017: 35,59%).

As of 30 September 2018 the number of personnel employed at Group is 16.009 (31 December 2017: 15.856).

The Company's subsidiaries and associates are as follows:

Subsidiaries	Country	Nature of operations
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
Vest Batarya Sistemleri A.Ş.	Turkey	Production

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

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

Investments accounted for using equity method	Country	Nature of operations
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	Turkey	Mining
Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş	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 September 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
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 (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.

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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:

<u>Period End:</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
Turkish Lira/EUR	0,1439	0,2215
Turkish Lira/GBP	0,1281	0,1968
Turkish Lira/RUB	11,034	15,3681
Turkish Lira/PLN	0,616	0,9227
<u>Average:</u>	<u>1 January -</u>	<u>1 January -</u>
	<u>30 September 2018</u>	<u>30 September 2017</u>
Turkish Lira/EUR	0,1839	0,2503
Turkish Lira/GBP	0,1629	0,2187
Turkish Lira/RUB	13,591	16,305
Turkish Lira/PLN	0,7804	1,0667

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.

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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 September 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
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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. 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.

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
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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 summarized below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

Financial Assets	Prior classification under TAS 39	New classification under IFRS 9
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

Financial Liabilities	Prior classification under TAS 39	New classification under IFRS 9
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

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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.

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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 September 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.

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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. 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. Earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied
- **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.

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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.**

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

2.5 Summary of significant accounting policies

2.5.1 Revenue recognition

Group recognizes revenue in accordance with IFRS 15 "Revenue from contracts with customers" standard by applying the following five step model:

- 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.

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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 30 September 2018 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.

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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.

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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.

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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.

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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" for the recognition of impairment losses on trade receivables, carried at amortized 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.

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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.

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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.

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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.

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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.

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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.

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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 30 September 2018 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. (Note 14).

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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 m^2 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.

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NOTE 3 - INTERESTS IN OTHER ENTITIES

Subsidiaries:

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

Consolidated subsidiaries	30 September 2018		31 December 2017	
	Voting rights	Effective ownership	Voting rights	Effective ownership
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.

	30 September 2018	31 December 2017
Accumulated non-controlling interests	68.957	70.593
Comprehensive income attributable to non-controlling interests	29.187	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.

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

Condensed balance sheet:

	30 September 2018	31 December 2017
Current assets	3.434.846	2.289.940
Non-current assets	1.548.903	1.134.824
Current liabilities	(3.151.175)	(1.706.307)
Non-current liabilities	(175.641)	(377.662)
Net assets	1.656.933	1.340.795

Condensed statement of comprehensive income:

	1 January -	1 January -
	30 September	30 September
	2018	2017
Net sales	3.841.723	2.828.740
Income / (loss) before tax	365.250	214.805
Tax benefit / (expense)	40.628	(7.059)
Net income / (loss) for the period	405.878	207.746
Total comprehensive income	543.181	206.189

Condensed statement of cash flows:

Operating activities:

Changes in working capital	75.148	(321.444)
Net cash provided by operating activities	891.329	(4.258)

Investing activities:

Net cash used in investing activities	(663.303)	(12.838)
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Financing activities:

Proceeds from bank borrowings	681.146	418.421
Repayment of bank borrowings	(656.974)	(166.913)
Other payables to related parties	(240.000)	(180.000)
Net cash (used in) / provided by financing activities	(237.677)	8.700

Cash and cash equivalents at the beginning of the period	65.190	11.840
Cash and cash equivalents at the end of the period	55.539	3.444

Company's associate META (note 13) has share pledge agreement with financial institutions with respect to the loans previously utilized for investments.

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

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NOTE 4 - SEGMENT REPORTING

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

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

Industrial segments

	Television and electronic devices	White goods	Other	Total
1 January -30 September 2018				
Revenue	5.493.669	4.975.476	-	10.469.145
Cost of sales	(3.882.607)	(3.436.998)	-	(7.319.605)
Gross profit	1.611.062	1.538.478	-	3.149.540
Depreciation and amortization	196.818	142.024	-	338.842
1 January -30 September 2017				
Revenue	4.499.950	3.673.161	61.370	8.234.481
Cost of sales	(3.686.806)	(2.825.485)	(60.944)	(6.573.235)
Gross profit	813.144	847.676	426	1.661.246
Depreciation and amortization	172.449	99.188	62	271.699
1 July-30 September 2018				
Revenue	1.773.509	1.801.414	-	3.574.923
Cost of sales	(1.149.218)	(1.078.496)	-	(2.227.714)
Gross profit	624.291	722.918	-	1.347.209
Depreciation and amortization	69.563	51.531	-	121.094
1 July-30 September 2017				
Revenue	1.559.159	1.334.023	-	2.893.182
Cost of sales	(1.301.446)	(1.030.283)	-	(2.331.729)
Gross profit	257.713	303.740	-	561.453
Depreciation and amortization	59.723	34.513	62	94.298

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NOTE 4 - SEGMENT REPORTING (Cont'd)

Capital expenditure

	Television and Electronical devices	White goods	Total
1 January -30 September 2018	230.140	469.927	700.067
1 January -30 September 2017	193.236	231.348	424.584

Geographical segments:

Segment revenue	1 January - 30 September 2018	1 January - 30 September 2017	1 July- 30 September 2018	1 July- 30 September 2017
Turkey	3.307.952	3.353.660	1.004.695	1.211.359
Europe	7.038.173	4.872.823	2.521.288	1.730.961
Other	942.119	770.217	351.775	263.172
Gross segment sales	11.288.244	8.996.700	3.877.758	3.205.492
Discounts (-)	(819.099)	(762.219)	(302.835)	(312.310)
Net sales	10.469.145	8.234.481	3.574.923	2.893.182

The amount of export for the period 1 January - 30 September 2018 is 7.980.292 thousand TL (1 January - 30 September 2017: 5.643.040 thousand TL). Export sales are denominated in EUR, USD and other currencies as 59,9%, 28,2%, and 11,9% of total exports respectively. (1 January - 30 September 2017: 63,2% EUR, 29,4 % USD, 7,4 % 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.

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NOTE 5 - CASH AND CASH EQUIVALENTS

	30 September 2018	31 December 2017
Cash	1.701	1.186
Bank deposits		
- Demand deposits	325.918	346.131
- Time deposits	66.050	1.523.842
Cheques and notes	69.370	55.599
Other	43.036	65.090
Blocked deposits	2.214.175	8.489
Cash and cash equivalents	2.720.250	2.000.337

Effective interest rates

	30 September 2018	31 December 2017
TL	24,00%	14,75%
USD	1,25%	-
EUR	0,40%	-
PLN	1,55%	-

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

NOTE 6 - FINANCIAL ASSETS

	Ownership		Amount		
			30 September 2018	31 December 2017	
	Country	2018	2017	2018	2017
Financial assets available for sale:					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	< 1%	< 1%	11.198	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
				11.471	13.390

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NOTE 6 - FINANCIAL ASSETS (Cont'd)

	Ownership		Amount		
	30 September Country	2018	31 December 2017	30 September 2018	31 December 2017
Non-consolidated subsidiaries :					
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
Vest Batarya Sistemleri A.Ş.	Turkey	100%	100%	50	-
Uts-United Technical Services, S.R.O	Slovakia	100%	100%	6	6
				40.269	40.219
Impairment of subsidiaries (-)					
Vestel Electronica SRL				(1.778)	(1.778)
				38.491	38.441

NOTE 7 - FINANCIAL LIABILITIES

	30 September 2018	31 December 2017
Short term financial liabilities		
Short term bank loans	4.649.355	1.341.413
Short term portion of long term bank loans	1.980.892	2.142.397
Leasing debts	5.046	479
	6.635.293	3.484.289
Long term financial liabilities		
Long term bank loans	447.193	1.016.557
Leasing debts	8.837	7.446
	456.030	1.024.003

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NOTE 7 - FINANCIAL LIABILITIES (Cont'd)

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

30 September 2018				31 December 2017			
Currency	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	
- USD	3,31%	69.412	415.793	2,33%	87.097	328.521	
- EUR	1,45%	231.268	1.607.429	2,41%	180.671	815.820	
- TL	27,51%	2.626.133	2.626.133	17,33%	197.072	197.072	
4.649.355				1.341.413			

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

30 September 2018				31 December 2017			
Currency	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	
- USD	7,71%	96.306	576.891	5,33%	93.076	351.074	
- EUR	4,47%	111.621	775.822	3,91%	69.055	311.818	
- TL	18,29%	628.179	628.179	14,71%	1.479.505	1.479.505	
Short term portion				1.980.892			
- USD	5,73%	42.540	254.824	7,51%	78.831	297.342	
- EUR	3,56%	6.897	47.935	5,09%	93.709	423.145	
- TL	17,61%	144.434	144.434	17,88%	296.070	296.070	
Long term portion				447.193			
2.428.085				3.158.954			

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NOTE 7 - FINANCIAL LIABILITIES (Cont'd)

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

	30 September 2018	31 December 2017
One to two years	369.831	690.684
Two to three years	66.594	142.837
Three to four years	7.726	102.007
Four years and over	3.042	81.029
	447.193	1.016.557

Total amount of Group's floating bank loans is 573.180 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:

	30 September 2018	31 December 2017
6 months or less	573.180	807.406
	573.180	807.406

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

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

	30 September 2018	30 September 2017
Net financial debt as of 1 January	2.516.444	1.882.855
Cash inflows from loans	5.291.223	1.871.860
Cash outflows from loan payments	(3.674.782)	(892.932)
Cash inflow/outflow from other financial debts	5.958	(19.695)
Unrealized Fx gain/loss	830.073	120.014
Accrued interest	130.559	106.059
Change in cash and cash equivalents	1.485.773	(381.458)
Net financial debt at the end of the period	6.585.248	2.686.703

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NOTE 8 - RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	30 September 2018	31 December 2017
UTS- United Technical Services, Spol S.R.O. ⁽³⁾	30.417	16.551
Vestel Electronica S.R.L. ⁽³⁾	14.207	9.764
Other related parties	27.979	12.923
	72.603	39.238
Unearned interest on receivables (-)	(231)	(65)
	72.372	39.173

b) Short term trade payables to related parties

	30 September 2018	31 December 2017
ABH Turizm Temsilcilik ve Ticaret A.Ş. ⁽¹⁾	3.927	2.912
Zorlu Holding A.Ş. ⁽²⁾	2.596	3.159
Other related parties	24.224	1.193
	30.747	7.264
Unearned interest on payables (-)	(60)	(25)
	30.687	7.239

c) Other short term receivables from related parties

	30 September 2018	31 December 2017
Vestel Ventures A.Ş ⁽³⁾	5.486	-
Other related parties	26	-
	5.512	-

As of 30 September 2018, the annual average effective interest rate of other receivables in TL is 39%.

d) Other long term receivables from related parties

	30 September 2018	31 December 2017
Zorlu Holding A.Ş. ⁽²⁾	2.059.813	1.242.427
Vestel Savunma Sanayi A.Ş. ⁽³⁾	353.374	206.258
	2.413.187	1.448.685

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

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NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)

As of 30 September 2018, the annual average effective interest rate of other receivables in USD is 9%, average effective interest rate of other receivables in TL is 39% (31 December 2017: USD 6%, TL 18%).

e) Other payables to related parties

	30 September 2018	31 December 2017
Zorlu Family ⁽³⁾	43.851	-
Vestel Ventures A.Ş ⁽³⁾	-	9.295
	43.851	9.295

f) Transactions with related parties

	1 January - 30 September 2018	1 January - 30 September 2017	1 July- 30 September 2018	1 July- 30 September 2017
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Sales

UTS- United Technical Services, Spol S.R.O. ⁽³⁾	6.908	6.425	133	2.546
Vestel Electronica S.R.L. ⁽³⁾	37.172	6.549	9.165	2.753
Zorluteks Tekstil Sanayi ve Ticaret A.Ş. ⁽¹⁾	7.365	9.067	2.913	2.464
Zorlu Solar Enerji Tedarik ve Ticaret A.Ş. ⁽¹⁾	-	61.370	-	-
Zorlu Yapı Yatırım A.Ş. ⁽¹⁾	142	1.275	142	285
Other related parties	8.555	2.832	7.172	998
	60.142	87.518	19.525	9.046

Operating expenses

ABH Turizm Temsilcilik ve Ticaret A.Ş. ⁽¹⁾	30.686	21.350	8.337	7.471
Zorlu Holding A.Ş. ⁽²⁾	19.646	16.848	6.630	5.749
Zorlu Gayrimenkul Gel. ve Yat. A.Ş. ⁽¹⁾	7.281	6.215	2.554	2.108
Zorlu Air Havacılık A.Ş. ⁽¹⁾	3.064	1.938	1.339	738
Other related parties	6.070	3.101	2.738	1.175
	66.747	49.452	21.598	17.241

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

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NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)

	1 January - 30 September 2018	1 January - 30 September 2017	1 July- 30 September 2018	1 July- 30 September 2017
Other income from operating activities				
Other	9.765	4.070	4.968	(287)
Other expense from operating activities				
Other	5.564	1.406	4.230	819
Financial income				
Zorlu Holding A.Ş. ⁽²⁾	1.008.968	99.844	624.173	28.449
Vestel Savunma Sanayi A.Ş. ⁽³⁾	42.237	17.569	32.700	7.670
Other related parties	244	2.522	217	1.833
	1.051.449	119.935	657.090	37.952
Financial expense				
Zorlu Holding A.Ş. ⁽²⁾	21.777	35.559	10.170	(5.564)
Other related parties	952	615	8	615
	22.729	36.174	10.178	(4.949)
Dividends paid				
Other	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 nine months period ended 30 September 2018 is 22.907 thousand TL(1 January -30 September 2017: 25.397 thousand TL)

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

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	30 September 2018	31 December 2017
Short term trade receivables		
Trade receivables		
- Related parties (note 8)	72.603	39.238
- Other parties	3.761.809	3.405.019
Cheques and notes receivables	242.974	309.915
Other	58.779	34.886
	4.136.165	3.789.058
Unearned interest expense (-)		
- Related parties (note 8)	(231)	(65)
- Other parties	(105.424)	(61.433)
Allowance for doubtful receivables (-)	(71.926)	(64.738)
Total short term trade receivables	3.958.584	3.662.822
Long term trade receivables		
Receivables from other parties	736	62.410
Cheques and notes receivables	1.682	7.326
Unearned interest expense (-)	(470)	(1.196)
Total long term trade receivables	1.948	68.540

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

	1 January -	1 January -
	30 September 2018	30 September 2017
Opening balance, 1 January	64.738	56.866
Current year additions	14.597	8.592
Doubtful receivables written-off	(9.551)	(4.851)
Currency translation differences	2.142	427
Balance at 30 September	71.926	61.034

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

	30 September 2018	31 December 2017
Short term trade payables		
Trade payables		
- Related parties (note 8)	30.747	7.264
- Other parties	7.455.021	5.751.561
Notes payables		
- Other parties	71	51
Other	2.510	2.027
	7.488.349	5.760.903
Unearned interest income (-)		
- Related parties (note 8)	(60)	(25)
- Other parties	(19.740)	(9.531)
Total short term trade payables	7.468.549	5.751.347

NOTE 10 - OTHER RECEIVABLES

	30 September 2018	31 December 2017
Short term other receivables		
Receivables from official institutions	414.565	216.171
Receivables from related parties (note 8)	5.512	-
Deposits and guarantees given	67.764	41.171
Other	127.385	93.555
	615.226	350.897
Allowance for doubtful receivables (-)	(89.376)	(89.376)
	525.850	261.521

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NOTE 10 - OTHER RECEIVABLES (Cont'd)

	30 September 2018	31 December 2017
Long term other receivables		
Deposits and guarantees given	1.604	1.103
Receivables from related parties (note 8)	2.413.187	1.448.685
Other	8.278	8.278
	2.423.069	1.458.066
Allowance for doubtful receivables (-)	(8.278)	(8.278)
	2.414.791	1.449.788

The Group provides allowance for doubtful receivables.

NOTE 11 - INVENTORIES

	30 September 2018	31 December 2017
Raw materials	1.835.735	1.355.573
Work in process	128.967	77.577
Finished goods	1.921.605	1.346.329
Merchandise	191.264	189.383
Other	3.066	3.622
	4.080.637	2.972.484
Provision for impairment on inventories (-)	(52.946)	(28.305)
	4.027.691	2.944.179

Cost of the inventory included in the consolidated statement of comprehensive income in the period 1 January - 30 September 2018 is 6.385.341 thousand TL (2017: 5.783.670 thousand TL).

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

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NOTE 11 - INVENTORIES (Cont'd)

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

	30 September 2018	31 December 2017
Raw materials	18.287	8.980
Finished goods and merchandise	34.659	19.325
	52.946	28.305

Movement of provision for impairment on inventories is as follows:

	1 January -	1 January -
	30 September 2018	30 September 2017
Opening balance, 1 January	28.305	21.156
Current year additions	22.366	21.288
Realised due to sale of inventory	(7.277)	(14.535)
Currency translation differences	9.552	964
Balance at 30 September	52.946	28.873

NOTE 12 - PREPAID EXPENSES

	30 September 2018	31 December 2017
Prepaid expenses in current assets		
Order advances given	40.574	19.903
Prepaid expenses	67.667	39.887
Business advances given	1.515	979
	109.756	60.769
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	59.527	74.087
Prepaid expenses	3.488	7.349
	63.015	81.436

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NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 September 2018		31 December 2017	
	%	Amount	%	Amount
Subsidiaries				
Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş.	50%	1.106.075	-	-
Türkiyenin Otomobil Girişim Grubu Sanayi ve Ticaret A.Ş.	19%	3.800	-	-
		1.109.875		-

As on 29 June 2019, 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 A.Ş. 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 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. 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.

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

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

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

Additions to property, plant and equipment in the period 1 January – 30 September 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 September 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 - 30 September 2018	1 January - 31 December 2017
Cost of sales	190.009	149.299
Research and development expenses	89.785	78.157
Marketing, selling and distribution expenses	27.206	23.822
General administrative expenses	24.020	15.159
Other operating expense (idle capacity depreciation expense)	4.627	5.262
	335.647	271.699

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NOTE 15 - INTANGIBLE ASSETS

	1 January	2018	Additions	Disposals	Currency translation differences	Transfers	30 September	2018
Cost								
Rights	67.730	1.725	-	2.111	-	-	71.566	
Development cost	817.336	115.909	(21)	-	-	-	933.224	
Other intangible assets	140.616	13.216	(1.027)	15.716	117	-	168.638	
	1.025.682	130.850	(1.048)	17.827	117	117	1.173.428	
Accumulated amortization								
Rights	47.456	2.728	-	2.104	-	-	52.288	
Development cost	431.112	72.752	-	-	-	-	503.864	
Other intangible assets	78.474	6.651	(895)	12.692	-	-	96.922	
	557.042	82.131	(895)	14.796	-	-	653.074	
Net book value	468.640						520.354	

	1 January	2017	Additions	Disposals	Currency translation differences	Transfers	30 September	2017
Cost								
Rights	64.279	564	-	410	(570)	-	64.683	
Development cost	677.726	99.589	(1.789)	-	-	-	775.526	
Other intangible assets	109.712	13.856	-	3.255	528	-	127.351	
	851.717	114.009	(1.789)	3.665	(42)	528	967.560	
Accumulated amortization								
Rights	43.886	2.251	-	366	(41)	-	46.462	
Development cost	346.240	63.847	-	-	-	-	410.087	
Other intangible assets	66.366	5.092	-	2.837	-	-	74.295	
	456.492	71.190	-	3.203	(41)	528	530.844	
Net book value	395.225						436.716	

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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

	30 September 2018	31 December 2017
Short term provisions		
Warranty and assembly provision	274.946	193.900
Other provisions	258.647	178.877
Provision for lawsuit risks	45.902	30.531
	579.495	403.308
Long term provisions		
Warranty and assembly provision	59.190	52.556
Other provisions	33.135	32.346
	92.325	84.902

As of 30 September 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 45.902 thousand TL (31 December 2017: 30.531 thousand TL).

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

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

	1 January - 30 September 2018	1 January - 30 September 2017
Opening balance, 1 January	246.456	186.892
Current year additions	268.843	219.135
Provisions no longer required	(181.163)	(174.539)
Balance at 30 September	334.136	231.488

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

	30 September 2018	31 December 2017
Guarantee letters	646.971	548.083
Cheques and notes	834.102	835.895
Collaterals and pledges	1.426.186	1.545.237
	2.907.259	2.929.215

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.

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

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
30 September 2018				
A. CPM's given on behalf of its own legal entity	6.678	28.101	83.054	318.373
B. CPM's given on behalf of fully consolidated subsidiaries (*)	2.085.682	327.768	2.862.384	17.634.188
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	199.707
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	199.707
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	2.123.126	355.869	2.960.851	18.152.268

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

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

<u>CPM's given by the Group</u>	<u>USD ('000)</u>	<u>EUR ('000)</u>	<u>TL</u>	<u>TL Equivalent</u>
31 December 2017				
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.	-	-	-	-
Total	2.121.563	394.541	2.621.636	12.405.509

As of 30 September 2018 proportion of other CPM's given by the Group to its equity is 7% (31 December 2017: 6%).

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NOTE 17 - COMMITMENTS

As of the balance sheet date the Group has committed to realize exports amounting to 577.130 thousand USD (31 December 2017: 568.309 thousand USD) due to the export and investment incentive certificates obtained.

As of 30 September 2018 the Group has forward foreign currency purchase contract that amounts to 1.144.774 thousand USD, 329.055 thousand EUR, 50.609 thousand GBP, 8.995 thousand PLN, 4.700 thousand RON, 10.700 thousand RUB, 34.000 thousand KZT and 1.679.359 thousand TL against forward foreign currency sales contract that amounts to 601.463 thousand USD, 280.476 thousand EUR, 124.545 thousand GBP, 1.454.552 thousand RUB, 13.239 thousand RON, 123.170 thousand PLN, 9.447 thousand SEK, 39.489 thousand KZT and 4.683.251 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:

	30 September 2018	31 December 2017
Due to personnel	81.719	69.328
Social security payables	44.815	38.407
	126.534	107.735

Long term provisions for employee benefits:

	30 September 2018	31 December 2017
Provision for employment termination benefits	104.269	96.078

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 5.434,42 TL/year as of 30 September 2018 (31 December 2017: 4.732,48 TL/year).

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

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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 September 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 September 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:

	1 January - 30 September 2018	1 January - 30 September 2017
Balance at 1 January	96.078	76.463
Increase during the year	12.290	13.110
Payments during the year	(16.740)	(14.683)
Actuarial (gain) /loss	4.275	2.495
Interest expense	8.366	5.104
Balance at 30 September	104.269	82.489

NOTE 19 – OTHER ASSETS AND LIABILITIES

	30 September 2018	31 December 2017
Other current assets		
VAT carried forward	38.367	13.608
Other	23.761	14.786
	62.128	28.394
Other non - current assets		
Assets held for sale	6.077	7.060
	6.077	7.060

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

	30 September 2018	31 December 2017
Other current liabilities		
Advances received	220.388	48.891
Tax payables	86.528	86.318
Other	75.782	160.268
	382.698	295.477

NOTE 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	30 September 2018	31 December 2017
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 September 2018 and 31 December 2017 the shareholding structures are as follows:

	Shareholding		Amount	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	2018	2017	2018	2017
Zorlu Holding A.Ş.	64,41%	64,41%	216.054	216.054
Shares held by public				
Other shareholders	22,46%	22,46%	75.355	75.355
Zorlu Holding A.Ş.	13,13%	13,13%	44.047	44.047
	100%	100%	335.456	335.456

b) Adjustment to share capital

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

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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

	30 September 2018	31 December 2017
Legal reserves	48.909	46.195
e) Revaluation reserve		
Fair value gains on financial assets	2.652	4.149
Revaluation of property, plant and equipment	1.342.586	917.385
	1.345.238	921.534

f) Accumulated deficit

Extraordinary reserves	512.541	512.541
Previous year's loss	(551.036)	(624.741)
Other inflation adjustment of share capital	119.718	119.718
	81.223	7.518

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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.

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NOTE 21 - SALES

	1 January - 30 September 2018	1 January - 30 September 2017	1 July- 30 September 2018	1 July- 30 September 2017
Domestic sales	3.307.952	3.353.660	1.004.695	1.211.359
Overseas sales	7.980.292	5.643.040	2.873.063	1.994.133
Gross sales	11.288.244	8.996.700	3.877.758	3.205.492
Sales discounts (-)	(819.099)	(762.219)	(302.835)	(312.310)
Net sales	10.469.145	8.234.481	3.574.923	2.893.182
Cost of sales	(7.319.605)	(6.573.235)	(2.227.714)	(2.331.729)
Gross profit	3.149.540	1.661.246	1.347.209	561.453

NOTE 22 - EXPENSES BY NATURE

	1 January - 30 September 2018	1 January - 30 September 2017	1 July- 30 September 2018	1 July- 30 September 2017
Raw materials, supplies and finished goods	6.837.600	6.273.892	2.356.111	2.367.227
Changes in finished goods, work in process, trade goods	(628.547)	(490.222)	(615.413)	(321.937)
Personnel expenses	779.422	640.663	280.675	227.044
Depreciation and amortization	331.020	266.437	116.830	92.348
Export, transportation and warehouse expenses	407.478	272.901	149.786	97.912
Warranty and assembly expenses	268.843	219.135	101.340	88.313
Advertising expenses	129.302	105.218	55.173	43.162
Other	980.157	631.785	446.082	231.680
	9.105.275	7.919.809	2.890.584	2.825.749

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

a) General administrative expenses:

	1 January - 30 September 2018	1 January - 30 September 2017	1 July- 30 September 2018	1 July- 30 September 2017
Personnel expenses	83.653	73.181	29.147	19.630
Depreciation and amortization	24.020	15.159	9.413	5.058
Other	140.628	117.318	47.561	41.099
	248.301	205.658	86.121	65.787

b) Marketing expenses:

Personnel expenses	229.365	172.423	87.396	62.090
Depreciation and amortization	27.206	23.822	9.353	8.291
Other	1.103.611	812.062	412.774	308.099
	1.360.182	1.008.307	509.523	378.480

c) Research and development expenses:

Personnel expenses	28.095	24.815	10.968	9.373
Depreciation and amortization	89.785	78.157	30.851	27.285
Other	59.307	29.637	25.407	13.095
	177.187	132.609	67.226	49.753

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NOTE 24 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January - 30 September 2018	1 January - 30 September 2017	1 July- 30 September 2018	1 July- 30 September 2017
Credit finance gains arising from trading activities	192.373	126.282	72.259	41.973
Foreign exchange gains arising from trading activities	793.178	484.833	361.575	116.346
Reversals of provisions	2.474	16.275	2.426	8.287
Other income	77.770	56.121	30.488	19.569
	1.065.795	683.511	466.748	186.175

b) Other expense from operating activities:

Debit finance charges arising from trading activities	244.336	130.590	124.200	53.700
Foreign exchange expenses arising from trading activities	2.352.431	389.704	1.360.364	119.610
Provision expenses	22.686	20.379	12.712	1.318
Other expenses	110.849	58.148	46.035	24.246
	2.730.302	598.821	1.543.311	198.874

NOTE 25 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 30 September 2018	1 January - 30 September 2017	1 July- 30 September 2018	1 July- 30 September 2017
Foreign exchange gains	1.074.388	131.562	673.362	40.218
Gains on derivative financial instruments	2.032.466	502.181	1.336.097	122.713
Interest income	313.622	152.856	127.734	54.898
	3.420.476	786.599	2.137.193	217.829

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

b) Financial expense:

	1 January - 30 September 2018	1 January - 30 September 2017	1 July- 30 September 2018	1 July- 30 September 2017
Foreign exchange losses	1.454.132	208.634	949.554	59.927
Losses on derivative financial instruments	1.094.151	656.185	597.750	198.929
Interest and commision expense	487.470	288.022	210.429	101.268
Other finance expenses	379	466	126	183
	3.036.132	1.153.307	1.757.859	360.307

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

	30 September 2018	31 December 2017
Corporation and income taxes	11.510	19.182
Prepaid taxes (-)	(19.455)	(18.898)
Current income tax liabilities - net	(7.945)	284
Deferred tax liabilities	(98.145)	(129.591)
Deferred tax assets	127.480	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.

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

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.

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 September 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.

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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 September 2018 and 2017 tax benefit in the consolidated statement of income is as follows:

	1 January - 30 September 2018	1 January - 30 September 2017
Current period tax expense	(14.048)	(8.013)
Deferred tax benefit	54.675	62.222
Total tax (expense) / benefit	40.627	54.209

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 September 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:

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

	Cumulative temporary		Deferred tax	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Deferred tax assets				
Employment termination benefits	(101.320)	(93.880)	20.264	18.776
Warranty provision	(140.936)	(132.382)	31.006	29.124
Provision for doubtful receivables	(119.464)	(124.241)	26.282	27.333
Unearned interest expense	(101.623)	(59.859)	22.357	13.169
Provision for impairment on inventories	(14.159)	(7.627)	3.115	1.678
Derivative financial instruments	(193.252)	(150.056)	42.515	33.005
Carryforward tax losses and R&D incentives	(599.623)	(521.750)	127.445	104.350
Other	(284.459)	(131.291)	62.581	28.884
			335.565	256.319
Deferred tax liabilities				
Useful life and valuation differences on property, plant and equipment and intangible assets	34.390	86.840	(6.878)	(17.368)
Revaluation of tangible fixed assets	1.117.944	1.129.982	(259.495)	(194.063)
Other	181.168	773	(39.857)	(170)
			(306.230)	(211.601)
Deferred tax assets / (liabilities) - net			29.335	44.718

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

	30 September 2018	31 December 2017
Subsidiaries with net deferred tax liabilities	(98.145)	(129.591)
Subsidiaries with net deferred tax assets	127.480	174.309

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

	1 January -	1 January -
	30 September 2018	30 September 2017
Opening balance, 1 January	44.718	14.094
Tax benefit recognized in income statement	54.675	62.222
Recognized in shareholders' equity	(73.156)	22.547
Currency translation differences	3.098	65
Deferred tax (liabilities) / assets at the end of the period, net	29.335	98.928

NOTE 27 - EARNINGS / (LOSS) PER SHARE

	1 January -	1 January -
	30 September	30 September
	2018	2017
Net income / (loss) attributable to equity holders of the parent	55.765	75.174
Weighted number of ordinary shares with a Kr 1 of par value (hundred shares)	33.546.000	33.546.000
	0,17	0,22

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NOTE 28 – DERIVATIVE INSTRUMENTS

	30 September 2018		31 December 2017	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
<u>Derivative financial assets:</u>				
Held for trading				
Forward foreign currency transactions	3.008.114	73.611	1.147.859	11.237
Cash flow hedge				
Forward foreign currency transactions	1.719.216	88.126	509.405	2.252
<u>Derivative financial liabilities:</u>				
Held for trading				
Forward foreign currency transactions	6.197.413	(339.425)	4.092.737	(90.931)
Cash flow hedge				
Forward foreign currency transactions	316.825	(15.564)	1.838.130	(72.614)
	11.241.568	(193.252)	7.588.131	(150.056)

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.

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

30 September 2018	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	125.839	219.398	620.680	2.899.407
2a. Monetary financial assets (including cash and cash equivalents)	13.936	10.409	19.365	175.192
2b. Non-monetary financial assets	-	-	-	-
3. Other	5.634	-	69	33.818
4. Current assets (1+2+3)	145.409	229.807	640.114	3.108.417
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	2.081	3.450	-	36.445
7. Other	331.228	51	-	1.984.476
8. Non-current assets (5+6+7)	333.309	3.501	-	2.020.921
9. Total assets (4+8)	478.718	233.308	640.114	5.129.338
10. Trade payables	1.015.743	116.638	10.182	6.905.378
11. Financial liabilities	165.718	257.389	-	2.781.667
12a. Other monetary liabilities	5.654	675	2.865	41.425
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	1.187.115	374.702	13.047	9.728.470
14. Trade payables	-	2.428	-	16.876
15. Financial liabilities	42.540	6.897	-	302.759
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	42.540	9.325	-	319.635
18. Total liabilities (13+17)	1.229.655	384.027	13.047	10.048.105
19. Off-balance sheet derivative instruments net asset / (liability) position (19a+19b)	543.311	48.579	1.747.873	5.340.063
19a. Hedged total assets	1.144.774	329.055	417.688	9.562.210
19b. Hedged total liabilities	(601.463)	(280.476)	1.330.185	(4.222.147)
20. Net foreign currency asset/ (liability) position (9-18+19)	(207.626)	(102.140)	2.374.940	421.296
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(1.089.880)	(154.220)	626.998	(6.973.506)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(193.252)
23. Export	452.358	802.374	-	7.980.292
24. Import	1.073.239	158.804	1.877	5.638.477

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

31 December 2017	USD	EUR	Other (TL Equivalent)	TL Equivalent
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	-	-	-	-
4. Current assets (1+2+3)	238.860	308.350	134.499	2.427.810
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
8. Non-current assets (5+6+7)	350.512	7.208	-	1.354.643
9. Total assets (4+8)	589.372	315.558	134.499	3.782.453
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	-	-	-	-
13. Current liabilities (10+11+12)	1.484.899	248.293	4.801	6.726.860
14. Trade payables	-	-	-	-
15. Financial liabilities	78.831	93.709	-	720.487
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	78.831	93.709	-	720.487
18. Total liabilities (13+17)	1.563.730	342.002	4.801	7.447.347
19. Off-balance sheet derivative instruments net asset / (liability) position (19a+19b)	1.240.162	(367.918)	(670.296)	2.346.138
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)
20. Net foreign currency asset/ (liability) position (9-18+19)	265.804	(394.362)	(540.598)	(1.318.756)
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(978.862)	(33.652)	129.698	(3.714.430)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(150.056)
23. Export	696.046	1.177.060	648.405	8.649.358
24. Import	1.751.687	211.432	1.475	7.240.650

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

As of 30 September 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.

	Gain / Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
30 September 2018				
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(652.860)	652.860	(652.860)	652.860
Secured portion from USD risk (-)	239.089	(239.089)	327.611	(327.611)
USD net effect	(413.771)	413.771	(325.249)	325.249
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	(107.190)	107.190	(107.190)	107.190
Secured portion from EUR risk (-)	107.525	(107.525)	31.072	(31.072)
EUR net effect	335	(335)	(76.118)	76.118
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	62.700	(62.700)	62.700	(62.700)
Secured portion from other currency risk (-)	(109.048)	109.048	(109.048)	109.048
Other currency net effect	(46.348)	46.348	(46.348)	46.348

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

	Gain / Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2017				
+/- 10% fluctuation of USD rate:				
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)
USD net effect	(32.390)	32.390	97.099	(97.099)
+/- 10% fluctuation of EUR rate:				
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
EUR net effect	(68.848)	68.848	(182.066)	182.066
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	12.970	(12.970)	12.970	(12.970)
Secured portion from other currency risk (-)	(142.581)	142.581	(142.581)	142.581
Other currency net effect	(129.611)	129.611	(129.611)	129.611