

**VESTEL ELEKTRONİK SANAYİ VE TİCARET
ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS AT
1 JANUARY- 31 DECEMBER 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018**

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

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	5	3.085.661	2.000.337
Trade Receivables		3.583.266	3.662.822
Trade Receivables Due from Related Parties	8	54.597	39.173
Trade Receivables Due from Unrelated Parties	9	3.528.669	3.623.649
Other Receivables		276.971	261.521
Other Receivables Due from Related Parties	8	13.525	-
Other Receivables Due from Unrelated Parties	10	263.446	261.521
Derivative Financial Assets		84.660	13.489
Derivative Financial Assets Held for Trading	31	68.025	11.237
Derivative Financial Assets Held for Hedging	31	16.635	2.252
Inventories	11	2.861.739	2.944.179
Prepayments		98.071	60.769
Prepayments to Unrelated Parties	12	98.071	60.769
Current Tax Assets		6.575	8.739
Other Current Assets		39.283	28.394
Other Current Assets Due from Unrelated Parties	21	39.283	28.394
TOTAL CURRENT ASSETS		10.036.226	8.980.250

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

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

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
NON-CURRENT ASSETS			
Financial Investments		49.081	51.831
Financial Assets Available-for-Sale	6	49.081	51.831
Investments in subsidiaries, joint ventures and associates	13	1.140.630	-
Trade Receivables		5.854	68.540
Trade Receivables Due from Unrelated Parties	9	5.854	68.540
Other Receivables		2.506.482	1.449.788
Other Receivables Due from Related Parties	8	2.504.781	1.448.685
Other Receivables Due from Unrelated Parties	10	1.701	1.103
Property, Plant and Equipments		3.334.707	2.366.014
Land and Premises	14	625.381	470.475
Land Improvements	14	126.962	88.118
Buildings	14	1.407.645	965.443
Machinery and Equipments	14	1.012.240	639.173
Vehicles	14	3.179	4.016
Fixtures and Fittings	14	94.306	84.418
Leasehold Improvements	14	25.120	26.874
Construction in Progress	14	39.874	87.497
Intangible Assets and Goodwill		738.390	666.433
Goodwill	16	197.793	197.793
Other Rights	15	18.762	20.274
Capitalized Development Costs	15	448.079	386.224
Other Intangible Assets	15	73.756	62.142
Prepayments		49.752	81.436
Prepayments to Unrelated Parties	12	49.752	81.436
Deferred Tax Asset	29	93.452	174.309
Other Non-current Assets		6.248	7.060
Other Non-Current Assets Due from Unrelated Parties	21	6.248	7.060
TOTAL NON-CURRENT ASSETS		7.924.596	4.865.411
TOTAL ASSETS		17.960.822	13.845.661

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		4.427.098	1.341.892
Current Borrowings from Unrelated Parties		4.427.098	1.341.892
Bank Loans	7	4.424.507	1.341.413
Leasing Debts	7	2.591	479
Current Portion of Non-current Borrowings		2.000.447	2.142.397
Current Portion of Non-current Borrowings from Unrelated Parties		2.000.447	2.142.397
Bank Loans	7	2.000.447	2.142.397
Trade Payables		5.792.577	5.751.347
Trade Payables to Related Parties	8	4.364	7.239
Trade Payables to Unrelated Parties	9	5.788.213	5.744.108
Employee Benefit Obligations	20	105.016	107.735
Other Payables		50.728	10.095
Other Payables to Related Parties	8	49.769	9.295
Other Payables to Unrelated Parties		959	800
Derivative Financial Liabilities		250.205	163.545
Derivative Financial Liabilities Held for Trading	31	235.841	90.931
Derivative Financial Liabilities Held for Hedging	31	14.364	72.614
Current Tax Liabilities	29	493	9.023
Current Provisions		554.699	403.308
Other Current Provisions	18	554.699	403.308
Other Current Liabilities		375.735	295.477
Other Current Liabilities to Unrelated Parties	21	375.735	295.477
TOTAL CURRENT LIABILITIES		13.556.998	10.224.819

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
NON-CURRENT LIABILITIES			
Long Term Borrowings		749.486	1.024.003
Long Term Borrowings from Unrelated Parties		749.486	1.024.003
Bank Loans	7	742.077	1.016.557
Leasing Debts	7	7.409	7.446
Trade Payables		14.631	1.959
Trade Payables to Unrelated Parties	9	14.631	1.959
Non-current Provisions		164.888	180.980
Non-current Provisions for Employee Benefits	20	111.100	96.078
Other Non-current Provisions	18	53.788	84.902
Deferred Tax Liabilities	29	147.739	129.591
Other Non-current Liabilities		8.825	6.281
Other Non-current Liabilities to Unrelated Parties		8.825	6.281
TOTAL NON-CURRENT LIABILITIES		1.085.569	1.342.814
TOTAL LIABILITIES		14.642.567	11.567.633

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
EQUITY			
Equity Attributable to Owners of Parent		3.229.140	2.205.269
Issued Capital	22	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		1.318.870	900.139
Gains (Losses) on Revaluation and Remeasurement		1.318.870	900.139
Increases (Decreases) on Revaluation of Property, Plant and Equipment	22	1.338.777	917.385
Gains (Losses) on Remeasurements of Defined Benefit Plans		(19.907)	(17.246)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		254.030	69.373
Exchange Differences on Translation		262.586	76.183
Gains (Losses) on Hedge		(10.521)	(10.959)
Gains (Losses) on Cash Flow Hedges		(10.521)	(10.959)
Gains (Losses) on Revaluation and Reclassification		1.965	4.149
Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets	22	1.965	4.149
Restricted Reserves Appropriated from Profits		48.909	46.195
Legal Reserves	22	48.909	46.195
Prior Years' Profits or Losses	22	108.631	7.518
Current Period Net Profit Or Loss		371.153	55.108
Non-controlling Interests		89.115	72.759
TOTAL EQUITY		3.318.255	2.278.028
TOTAL LIABILITIES AND EQUITY		17.960.822	13.845.661

Consolidated financial statements for the period 1 January - 31 December 2018, were approved by the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. on 21 February 2019. General Assembly and specified regulatory bodies have the right to make amendments to statutory financial statements after issue

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

	Footnotes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
PROFIT OR LOSS			
Revenue	23	15.852.300	12.100.938
Cost of Sales	23	(11.570.079)	(9.673.251)
GROSS PROFIT (LOSS)		4.282.221	2.427.687
General Administrative Expenses	25	(340.785)	(292.152)
Marketing Expenses	25	(1.846.306)	(1.445.198)
Research and Development Expense	25	(249.928)	(190.226)
Other Income from Operating Activities	26	879.126	779.250
Other Expenses from Operating Activities	26	(2.242.200)	(842.873)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		482.128	436.488
Share of Profit (Loss) from Investments Accounted for Using Equity Method	13	(90.859)	-
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		391.269	436.488
Finance Income	27	3.969.830	1.194.317
Finance Costs	27	(3.917.899)	(1.646.768)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		443.200	(15.963)
Tax (Expense) Income, Continuing Operations		(42.314)	87.304
Current Period Tax (Expense) Income	29	(19.943)	(20.050)
Deferred Tax (Expense) Income	29	(22.371)	107.354
PROFIT (LOSS) FROM CONTINUING OPERATIONS		400.886	71.341
PROFIT (LOSS)		400.886	71.341
Profit (loss), attributable to			
Non-controlling Interests		29.733	16.233
Owners of Parent		371.153	55.108
Earnings per 100 share with a Kr 1 of Par Value (TL)	30	1,11	0,16

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VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

		Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss	28	444.590	368.430
Gains (Losses) on Revaluation of Property, Plant and Equipment		535.781	470.043
Gains (Losses) on Remeasurements of Defined Benefit Plans		(3.204)	(9.506)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss		(87.987)	(92.107)
Taxes Relating to Gains (Losses) on Revaluation of Property, Plant and Equipment		(88.628)	(94.008)
Taxes Relating to Remeasurements of Defined Benefit Plans		641	1.901
Other Comprehensive Income that will be Reclassified to Profit or Loss	28	184.837	8.593
Exchange Differences on Translation		186.403	66.145
Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets		(2.557)	3.342
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		616	(75.637)
Gains (Losses) on Cash Flow Hedges		616	(75.637)
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		375	14.743
Taxes Relating to Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets		511	(669)
Taxes Relating to Cash Flow Hedges		(136)	15.412
OTHER COMPREHENSIVE INCOME (LOSS)		629.427	377.023
TOTAL COMPREHENSIVE INCOME (LOSS)		1.030.313	448.364
Total Comprehensive Income Attributable to			
Non-controlling Interests		36.307	22.331
Owners of Parent		994.006	426.033

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Issued Capital	Inflation Adjustments on Capital	Share Premium 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 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 -31 December																					
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)	-	-	-	355.723	(7.448)	348.275	348.275	66.145	(59.143)	(59.143)	2.673	2.673	9.675	-	12.975	55.108	68.083	426.033	22.331	448.364	
Profit (Loss)	-	-	-	(12.975)	-	(12.975)	(12.975)	-	-	-	-	-	-	-	12.975	55.108	68.083	55.108	16.233	71.341	
Other Comprehensive Income (Loss)	-	-	-	368.698	(7.448)	361.250	361.250	66.145	(59.143)	(59.143)	2.673	2.673	9.675	-	-	-	-	370.925	6.098	377.023	
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9.461)	(9.461)	-
End 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	
Current Period																					
1 January -31 December																					
Opening Balance	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	
Adjustments Related to Accounting Policy Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35.244	-	35.244	35.244	-	35.244	
Adjustments Related to Required Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35.244	-	35.244	35.244	-	35.244	
Adjusted Balance	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	42.762	55.108	97.870	2.240.513	72.759	2.313.272	
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	2.714	52.394	(55.108)	(2.714)	-	-	-	
Total Comprehensive Income (Loss)	-	-	-	419.629	(2.625)	417.004	417.004	186.403	445	445	(2.184)	(2.184)	184.664	-	21.173	371.153	392.326	993.994	36.319	1.030.313	
Profit (Loss)	-	-	-	(21.173)	-	(21.173)	(21.173)	-	-	-	-	-	-	-	21.173	371.153	392.326	371.153	29.733	400.886	
Other Comprehensive Income (Loss)	-	-	-	440.802	(2.625)	438.177	438.177	186.403	445	445	(2.184)	(2.184)	184.664	-	-	-	-	622.841	6.586	629.427	
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12.909)	(12.909)	-
Transactions with noncontrolling interests	-	-	611	1.763	(36)	1.727	1.727	-	(7)	(7)	-	-	(7)	-	(7.698)	-	(7.698)	(5.367)	(7.054)	(12.421)	
Closing Balance	335.456	688.315	103.776	1.338.777	(19.907)	1.318.870	1.318.870	262.586	(10.521)	(10.521)	1.965	1.965	254.030	48.909	108.631	371.153	479.784	3.229.140	89.115	3.318.255	

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY – 31 DECEMBER 2018 AND 2017

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

	Footnotes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		1.199.617	603.883
Profit (Loss)		400.886	71.341
Profit (Loss) from Continuing Operations		400.886	71.341
Adjustments to Reconcile Profit (Loss)		552.131	788.787
Adjustments for Depreciation and Amortisation Expense	14	456.729	366.814
Adjustments for Impairment Loss (Reversal of Impairment Loss)		52.089	14.145
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Receivables	9	52.921	9.080
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	11	(832)	5.065
Adjustments for Provisions		152.947	163.843
Adjustments for (Reversal of) Provisions Related with Employee Benefits	20	32.670	27.797
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	18	15.499	574
Adjustments for (Reversal of) Warranty Provisions	18	50.870	59.564
Adjustments for (Reversal of) Other Provisions	18	53.908	75.908
Adjustments for Interest (Income) Expenses		164.430	161.453
Adjustments for Interest Income	27	(566.215)	(220.411)
Adjustments for Interest Expense	27	730.645	381.864
Adjustments for Unrealised Foreign Exchange Losses (Gains)		382.503	138.674
Adjustments for Fair Value Losses (Gains)		16.105	(9.997)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		16.105	(9.997)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method		90.859	-
Adjustments for Tax (Income) Expenses		42.314	(87.304)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(7.635)	(3.641)
Adjustments for Losses (Gains) Arised from Sale of Tangible Assets		(7.635)	(3.641)
Other Adjustments to Reconcile Profit (Loss)	5	(798.210)	44.800

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VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY – 31 DECEMBER 2018 AND 2017

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

	Footnotes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
Changes in Working Capital		288.105	(221.821)
Decrease (Increase) in Financial Investments	6	2.750	(39.935)
Adjustments for Decrease (Increase) in Trade Accounts Receivable		89.321	(1.182.725)
Decrease (Increase) in Trade Accounts Receivables from Related Parties		(15.424)	(1.128)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties		104.745	(1.181.597)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(2.523)	(32.659)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations		(2.523)	(32.659)
Adjustments for Decrease (Increase) in Inventories		77.944	(1.133.459)
Decrease (Increase) in Prepaid Expenses		(5.618)	(47.606)
Adjustments for Increase (Decrease) in Trade Accounts Payable		53.902	2.070.118
Increase (Decrease) in Trade Accounts Payables to Related Parties		(2.875)	799
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties		56.777	2.069.319
Increase (Decrease) in Employee Benefit Liabilities		(2.719)	16.506
Adjustments for Increase (Decrease) in Other Operating Payables		159	84
Increase (Decrease) in Other Operating Payables to Unrelated Parties		159	84
Other Adjustments for Other Increase (Decrease) in Working Capital		74.889	127.855
Decrease (Increase) in Other Assets Related with Operations		(7.913)	7.373
Increase (Decrease) in Other Payables Related with Operations		82.802	120.482
Cash Flows from (used in) Operations		1.241.122	638.307
Payments Related with Provisions for Employee Benefits	20	(20.852)	(17.819)
Income Taxes Refund (Paid)	29	(20.653)	(16.605)

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY – 31 DECEMBER 2018 AND 2017

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

	Footnotes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(3.160.018)	(967.217)
Cash Outflows from Purchase of Additional Shares of Subsidiaries		(12.421)	-
Cash Outflows Arising from Purchase of Shares or Capital Increase of Associates and/or Joint Ventures	13	(1.161.575)	(45.663)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		10.391	7.636
Proceeds from Sales of Property, Plant and Equipment		10.391	7.636
Purchase of Property, Plant, Equipment and Intangible Assets		(926.792)	(654.619)
Purchase of Property, Plant and Equipment	14	(748.112)	(487.752)
Purchase of Intangible Assets	15	(178.680)	(166.867)
Cash Advances and Loans Made to Other Parties		(1.069.621)	(274.571)
Cash Advances and Loans Made to Related Parties	8	(1.069.621)	(274.571)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		2.149.371	1.114.430
Proceeds from Borrowings		5.291.223	3.136.583
Proceeds from Loans		5.291.223	3.136.583
Repayments of Borrowings		(3.036.235)	(1.979.011)
Loan Repayments		(3.038.310)	(1.959.030)
Cash Outflows from Other Financial Liabilities		2.075	(19.981)
Increase in Other Payables to Related Parties		40.474	9.295
Dividends Paid		(12.909)	(9.461)
Interest Paid		(699.397)	(263.387)
Interest Received		566.215	220.411
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		188.970	751.096
Effect of Exchange Rate Changes on Cash and Cash Equivalents		98.144	30.038
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		287.114	781.134
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		2.278.962	1.991.848

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY – 31 DECEMBER 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 December 2018, 35,59 % of the Company’s shares are publicly traded (2017: 35,59%).

As of 31 December 2018 the number of personnel employed at Group is 16.125 (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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY – 31 DECEMBER 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” / “TFRS”) and its addendum and interpretations (“IFRIC”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POAASA”) Turkish Accounting Standards Board.

The Company 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.

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/TFRS.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for the companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, TAS 29, “Financial Reporting in Hyperinflationary Economies” issued by the IASB, has not been applied in the financial statements for the accounting year commencing from 1 January 2005.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY – 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

2.1.2 Currency used

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

Assets and liabilities of subsidiaries operating in foreign countries are translated into TL at the exchange rates prevailing at the balance sheet dates. Comprehensive income items of those subsidiaries are translated into TL using average exchange rates for the period (if the average exchange rates for the period do not reasonably reflect the exchange rate fluctuations, transactions are translated using the exchange rates prevailing at the date of the transaction).

Exchange differences arising from using average and balance sheet date rates are included in “currency translation differences” under the shareholders’ equity.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

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

<u>Period End:</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Turkish Lira/EUR	0,1659	0,2215
Turkish Lira/GBP	0,1503	0,1968
Turkish Lira/RUB	13,273	15,368
Turkish Lira/PLN	0,7126	0,9227
Türk Lirası/ USD	0,1901	-
	<u>1 January -</u>	<u>1 January -</u>
<u>Average:</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Turkish Lira/EUR	0,1768	0,2428
Turkish Lira/GBP	0,1567	0,2132
Turkish Lira/RUB	13,183	16,081
Turkish Lira/PLN	0,752	1,0324
Türk Lirası/ USD	0,2080	-

2.1.3 Basis of consolidation

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

a) Subsidiaries

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

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

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY – 31 DECEMBER 2018

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

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

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

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

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

b) Investments in associates

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

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

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

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY – 31 DECEMBER 2018

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

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

As on 29 June 2018, in order to secure the supply of nickel sulphate and cobalt sulphate compounds, which are critical raw materials for the production of EV batteries, the Group has purchased 50% shares of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret A.Ş. (“META”), which is a subsidiary of Zorlu Holding A.Ş. and is involved in nickel-cobalt mining (note 13). The Group has not completed the initial accounting for META share purchase and is still in the measurement period defined in the related standards.

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 IAS 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 IAS 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.

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.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY – 31 DECEMBER 2018

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

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

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 IAS 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
Financial assets	Available for sale	Fair value through other comprehensive income
Other receivables	Loans and receivables	Amortised cost
Financial Liabilities	Prior classification under IAS 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

Disclosures related to impacts of IFRS 9 and IFRS 15 adoption:

Impact of changes in IFRS 9 and IFRS 15 on consolidated financial statements as of 31 December 2018 as follows:

	31 December 2017	Impact of the adoption (*)	1 January 2018
Consolidated Balance Sheet			
Short Term Trade Receivables	3.662.822	54.396	3.717.218
Short Term Trade Payables	5.751.347	9.211	5.760.558
Deferred Tax Asset / Liability (net)	44.718	(9.941)	34.777

(*) Impact of adjustments on forward purchases and sales

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY – 31 DECEMBER 2018

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

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

Impact of changes in IFRS 9 and IFRS 15 on consolidated financial statements as of 1 January 2018 as follows:

As of 1 January 2018	Before the restatement	Impact of the adoption (*)	Restated
Retained Earnings	7.518	35.244	42.762

Impact of changes in IFRS 9 and IFRS 15 on consolidated financial statements as of 31 December 2018 as follows:

	Amounts before the adoption	Impact of the adoption (*)	Amounts after the adoption
Consolidated Balance Sheet			
Short Term Trade Receivables	3.508.230	75.036	3.583.266
Short Term Trade Payables	5.778.364	14.213	5.792.577
Deferred Tax Asset / Liability (net)	(40.906)	(13.381)	(54.287)
Consolidated Profit or Loss and Other Comprehensive Income			
Sales	15.671.176	181.124	15.852.300
Cost of Sales	(11.464.078)	(106.001)	(11.570.079)
Other Incomes from Operating Activities	1.065.252	(186.126)	879.126
Other Expenses from Operating Activities	(2.368.841)	126.641	(2.242.200)
Deferred Tax (Loss) Income	(18.931)	(3.440)	(22.371)
Consolidated Cash Flow Statement			
Profit (Loss) from Continuing Operations	388.688	12.198	400.886

(*) Impact of adjustments on forward purchases and sales

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
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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)

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.

2.4 Amendments in International Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective for the financial year beginning 31 December 2018:

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
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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)

- **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.
 - 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 31 December 2018**
- **Amendment to IFRS 9, ‘Financial instruments’;** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
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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.
- **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.
- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’,and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
 - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

The Group is assessing the impact of the amendments on its operations and shall apply amendments when they become effective.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
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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)

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

2.5.3 Property, plant and equipment

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 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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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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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.

The derivative instruments of the Group mainly consist of foreign exchange forward contracts. These derivative transactions, even though providing effective economic hedges under risk accounting, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the financial statements. The fair value changes for these derivatives are recognised in the consolidated profit or loss statement.

The hedging transactions of the Group that qualify for hedge accounting are accounted regarding to IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group’s financial statements.

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Cash flow hedges:

As long as a cash flow hedge meets the qualifying criteria, the hedging relationship shall be accounted for as follows:

(a) the separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

- (i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and
- (ii) the cumulative change in fair value (present value) of the hedged item (i.e. the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.

(b) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognised in other comprehensive income.

(c) any remaining gain or loss on the hedging instrument is hedge ineffectiveness that shall be recognised in profit or loss.

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

2.5.11 Employee benefits

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

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

2.5.12 Government grants

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

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

2.5.13 Earnings per share

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

2.5.14 Statement of cash flows

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

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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 31 December 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 m² sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

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

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

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NOTE 3 – INTERESTS IN OTHER ENTITIES

Subsidiaries:

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

Consolidated subsidiaries	31 December 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.

	31 December 2018	31 December 2017
Accumulated non-controlling interests	94.274	77.930
Comprehensive income attributable to non-controlling interests	36.307	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:

	31 December 2018	31 December 2017
Current assets	3.063.271	2.289.940
Non-current assets	1.620.382	1.134.824
Current liabilities	(2.747.126)	(1.706.307)
Non-current liabilities	(123.339)	(377.662)
Net assets	1.813.188	1.340.795

Condensed statement of comprehensive income:

	1 January - 31 December 2018	1 January - 31 December 2017
Net sales	5.693.973	3.857.756
Income / (loss) before tax	616.036	297.677
Tax benefit / (expense)	1.945	(4.753)
Net income / (loss) for the period	617.981	292.924
Total comprehensive income	754.371	406.270

Condensed statement of cash flows:

Operating activities:

Changes in working capital	(414.528)	204.766
Net cash provided by operating activities	518.225	655.672

Investing activities:

Net cash used in investing activities	(61.628)	(610.975)
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Financing activities:

Proceeds from bank borrowings	893.840	652.275
Repayment of bank borrowings	(969.226)	(392.977)
Other payables to related parties	(240.000)	(180.000)
Net cash (used in) / provided by financing activities	(409.688)	8.653

Cash and cash equivalents at the beginning of the period	65.190	11.840
Cash and cash equivalents at the end of the period	103.283	65.190

The financial information of Company’s 50% associate META which is accounted for using the equity method, is disclosed in note 13.

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 -31 December 2018				
Revenue	8.737.765	7.114.535	-	15.852.300
Cost of sales	(6.401.620)	(5.168.459)	-	(11.570.079)
Gross profit	2.336.145	1.946.076	-	4.282.221
Depreciation and amortization	260.694	196.035	-	456.729
1 January -31 December 2017				
Revenue	7.151.365	4.888.203	61.370	12.100.938
Cost of sales	(5.833.683)	(3.778.624)	(60.944)	(9.673.251)
Gross profit	1.317.682	1.109.579	426	2.427.687
Depreciation and amortization	230.027	136.787	-	366.814

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NOTE 4 - SEGMENT REPORTING (Cont'd)

Capital expenditure

	Television and Electronical devices	White goods	Total
1 January -31 December 2018	323.530	603.262	926.792
1 January -31 December 2017	265.246	389.373	654.619

Geographical segments:

Segment revenue	1 January - 31 December 2018	1 January - 31 December 2017
Turkey	4.301.086	4.536.199
Europe	11.355.005	7.598.088
Other	1.405.640	1.051.270
Gross segment sales	17.061.731	13.185.557
Discounts (-)	(1.209.431)	(1.084.619)
Net sales	15.852.300	12.100.938

The amount of export for the period 1 January - 31 December 2018 is 12.760.645 thousand TL (1 January - 31 December 2017: 8.649.358 thousand TL). Export sales are denominated in EUR, USD and other currencies as 58,3%, 30,5%, and 11,2% of total exports respectively. (1 January - 31 December 2017: 60,2% EUR, 31,5 % USD, 8,3 % 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

	31 December 2018	31 December 2017
Cash	1.256	1.186
Bank deposits		
- Demand deposits	1.386.833	346.131
- Time deposits	785.102	1.523.842
Cheques and notes	75.928	55.599
Other	29.843	65.090
Blocked deposits (note 18)	806.699	8.489
Cash and cash equivalents	3.085.661	2.000.337

Effective interest rates

	31 December 2018	31 December 2017
TL	23,00%	14,75%
USD	4,50%	-

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

NOTE 6 – FINANCIAL ASSETS

	Country	Ownership		Amount	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial assets available for sale:					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	< 1%	< 1%	10.317	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
				10.590	13.390

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NOTE 6 – FINANCIAL ASSETS (Cont’d)

	Country	Ownership		Amount	
		31 December 2018	31 December 2017	31 December 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

	31 December 2018	31 December 2017
Short term financial liabilities		
Short term bank loans	4.424.507	1.341.413
Short term portion of long term bank loans	2.000.447	2.142.397
Leasing debts	2.591	479
	6.427.545	3.484.289
Long term financial liabilities		
Long term bank loans	742.077	1.016.557
Leasing debts	7.409	7.446
	749.486	1.024.003

The Group has reclassified its borrowings amounting to 567.704 thousand TL as short term which were previously classified as long term borrowings with respect to IAS 1 “Presentation of Financial Statements” due to breach of certain clauses of its loan agreements.

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NOTE 7 – FINANCIAL LIABILITIES (Cont’d)

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

Currency	31 December 2018			31 December 2017		
	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	3,43%	246.609	1.297.384	2,33%	87.097	328.521
- EUR	1,78%	187.293	1.129.003	2,41%	180.671	815.820
- TL	25,70%	1.998.120	1.998.120	17,33%	197.072	197.072
			4.424.507			1.341.413

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

Currency	31 December 2018			31 December 2017		
	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	7,37%	119.675	629.597	5,33%	93.076	351.074
- EUR	4,43%	120.086	723.880	3,91%	69.055	311.818
- TL	20,50%	646.970	646.970	14,71%	1.479.505	1.479.505
Short term portion			2.000.447			2.142.397
- USD	6,33%	17.562	92.392	7,51%	78.831	297.342
- EUR	-	-	-	5,09%	93.709	423.145
- TL	26,52%	649.685	649.685	17,88%	296.070	296.070
Long term portion			742.077			1.016.557
			2.742.524			3.158.954

Total amount of Group’s floating bank loans is 671.479 thousand TL (31 December 2017: 807.406 thousand TL).

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NOTE 7 – FINANCIAL LIABILITIES (Cont’d)

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

	31 December 2018	31 December 2017
One to two years	725.831	690.684
Two to three years	9.360	142.837
Three to four years	6.886	102.007
Four years and over	-	81.029
	742.077	1.016.557

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

	31 December 2018	31 December 2017
6 months or less	671.479	807.406
	671.479	807.406

Guarantees given for the bank loans obtained are presented in note 18.

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

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

	31 December 2018	31 December 2017
Net financial debt as of 1 January	2.516.444	1.882.855
Cash inflows from loans	5.291.223	3.136.583
Cash outflows from loan payments	(3.156.787)	(1.959.030)
Cash inflow/outflow from other financial debts	2.075	(19.981)
Unrealized Fx gain/loss	382.503	138.674
Accrued interest	149.725	118.477
Change in cash and cash equivalents	(287.114)	(781.134)
Net financial debt at the end of the period	4.898.069	2.516.444

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NOTE 8 – RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 December 2018	31 December 2017
Vestel Electronica S.R.L. ⁽³⁾	15.716	9.764
Zorluteks Tekstil Sanayi ve Ticaret A.Ş.	17.766	5.394
Vestel Electronics Gulf DMCC . ⁽³⁾	11.119	-
UTS- United Technical Services, Spol S.R.O. ⁽³⁾	-	16.551
Other related parties	10.123	7.529
	54.724	39.238
Unearned interest on receivables (-)	(127)	(65)
	54.597	39.173

b) Short term trade payables to related parties

	31 December 2018	31 December 2017
ABH Turizm Temsilcilik ve Ticaret A.Ş. ⁽¹⁾	1.182	-
Zorlu Holding A.Ş. ⁽²⁾	934	2.912
Other related parties	2.268	4.352
	4.384	7.264
Unearned interest on payables (-)	(20)	(25)
	4.364	7.239

c) Other short term receivables from related parties

	31 December 2018	31 December 2017
Vestel Ventures A.Ş. ⁽³⁾	13.489	-
Other related parties	36	-
	13.525	-

As of 31 December 2018, the annual average effective interest rate of other receivables in TL is 36%.

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

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NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)

d) Other long term receivables from related parties

	31 December 2018	31 December 2017
Zorlu Holding A.Ş. ⁽²⁾	1.795.555	1.242.427
Vestel Savunma Sanayi A.Ş. ⁽³⁾	670.215	206.258
Meta Nikel Kobalt Madencilik Sanayi Ve Ticaret A. Ş. ⁽³⁾	39.011	-
	2.504.781	1.448.685

As of 31 December 2018, the annual average effective interest rate of other receivables in USD is 9%, average effective interest rate of other receivables in TL is 36% (31 December 2017: USD 6%, TL 18%).

e) Other payables to related parties

	31 December 2018	31 December 2017
Zorlu Family ⁽³⁾	49.769	-
Vestel Ventures A.Ş. ⁽³⁾	-	9.295
	49.769	9.295

f) Transactions with related parties

	1 January - 31 December 2018	1 January - 31 December 2017
Sales		
Vestel Electronica S.R.L. ⁽³⁾	46.318	16.699
Zorluteks Tekstil Sanayi ve Ticaret A.Ş. ⁽¹⁾	10.428	11.200
Vestel Electronics Gulf DMCC. ⁽³⁾	18.203	-
UTS- United Technical Services, Spol S.R.O. ⁽³⁾	6.965	9.697
Zorlu Yapı Yatırım A.Ş. ⁽¹⁾	145	1.324
Zorlu Solar Enerji Tedarik ve Ticaret A.Ş. ⁽¹⁾	-	61.380
Other related parties	2.260	4.496
	84.319	104.796

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

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NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)

	1 January - 31 December 2018	1 January - 31 December 2017
Operating expenses		
ABH Turizm Temsilcilik ve Ticaret A.Ş. ⁽¹⁾	36.739	31.586
Zorlu Holding A.Ş. ⁽²⁾	27.185	23.921
Zorlu Gayrimenkul Gel. ve Yat. A.Ş. ⁽¹⁾	10.007	8.469
Zorlu Air Havacılık A.Ş. ⁽¹⁾	4.258	3.055
Other related parties	13.631	8.055
	91.820	75.086
Other income from operating activities		
Other related parties	9.811	4.993
Other expense from operating activities		
Other related parties	10.316	146
Financial income		
Zorlu Holding A.Ş. ⁽²⁾	974.836	221.329
Vestel Savunma Sanayi A.Ş. ⁽³⁾	69.815	25.900
Z.F.S. Financial Services Ireland ⁽¹⁾	-	6.776
Other related parties	-	628
	1.044.651	254.633
Financial expense		
Zorlu Holding A.Ş. ⁽²⁾	94.577	52.571
Z.F.S. Financial Services Ireland ⁽¹⁾	-	2.326
Other related parties	958	2.105
	95.535	57.002
Dividends paid		
Other related parties	12.909	9.461

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

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NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)

g) Guarantees received from and given to related parties are disclosed in note 18.

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 twelve months period ended 31 December 2018 is 27.391 thousand TL (1 January - 31 December 2017: 31.553 thousand TL).

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	31 December 2018	31 December 2017
Short term trade receivables		
Trade receivables		
- Related parties (note 8)	54.724	39.238
- Other parties	3.385.298	3.405.019
Cheques and notes receivables	211.422	309.915
Other	62.110	34.886
	3.713.554	3.789.058
Unearned interest expense (-)		
- Related parties (note 8)	(127)	(65)
- Other parties	(11.711)	(61.433)
Allowance for doubtful receivables (-)	(118.450)	(64.738)
Total short term trade receivables	3.583.266	3.662.822
Long term trade receivables		
Receivables from other parties	-	62.410
Cheques and notes receivables	7.471	7.326
Unearned interest expense (-)	(1.617)	(1.196)
Total long term trade receivables	5.854	68.540

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

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

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	64.738	56.866
Current year additions	62.183	13.498
Provisions no longer required	(526)	(1.945)
Doubtful receivables written-off	(9.262)	(4.418)
Currency translation differences	1.317	737
Balance at 31 December	118.450	64.738
	31 December 2018	31 December 2017
Short term trade payables		
Trade payables		
- Related parties (note 8)	4.384	7.264
- Other parties	5.785.399	5.751.561
Notes payables		
- Other parties	77	51
Other	3.016	2.027
	5.792.876	5.760.903
Unearned interest income (-)		
- Related parties (note 8)	(20)	(25)
- Other parties	(279)	(9.531)
Total short term trade payables	5.792.577	5.751.347
Long term trade payables		
Trade payables		
- Other parties	14.631	1.959
Total long term trade payables	14.631	1.959

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NOTE 10 – OTHER RECEIVABLES

	31 December 2018	31 December 2017
Short term other receivables		
Receivables from official institutions	197.626	216.171
Receivables from related parties (note 8)	13.525	-
Deposits and guarantees given	62.303	41.171
Other	92.893	93.555
	366.347	350.897
Allowance for doubtful receivables (-)	(89.376)	(89.376)
	276.971	261.521
Long term other receivables		
Deposits and guarantees given	1.701	1.103
Receivables from related parties (note 8)	2.504.781	1.448.685
Other	8.278	8.278
	2.514.760	1.458.066
Allowance for doubtful receivables (-)	(8.278)	(8.278)
	2.506.482	1.449.788

The Group provides allowance for doubtful receivables.

NOTE 11 – INVENTORIES

	31 December 2018	31 December 2017
Raw materials	1.219.995	1.355.573
Work in process	107.962	77.577
Finished goods	1.462.297	1.346.329
Merchandise	99.992	189.383
Other	4.294	3.622
	2.894.540	2.972.484
Provision for impairment on inventories (-)	(32.801)	(28.305)
	2.861.739	2.944.179

Cost of the inventory included in the consolidated statement of comprehensive income in the period 1 January – 31 December 2018 is 10.237.015 thousand TL (2017: 8.572.850 thousand TL).

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NOTE 11 - INVENTORIES (Cont'd)

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

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

	31 December 2018	31 December 2017
Raw materials	18.287	8.980
Finished goods and merchandise	14.514	19.325
	32.801	28.305

Movement of provision for impairment on inventories is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	28.305	21.156
Current year additions	14.189	22.335
Realised due to sale of inventory	(15.021)	(17.270)
Currency translation differences	5.328	2.084
Balance at 31 December	32.801	28.305

NOTE 12 - PREPAID EXPENSES

	31 December 2018	31 December 2017
Prepaid expenses in current assets		
Order advances given	32.576	19.903
Prepaid expenses	64.206	39.887
Business advances given	1.289	979
	98.071	60.769
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	44.978	74.087
Prepaid expenses	4.774	7.349
	49.752	81.436

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NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2018		31 December 2017	
	%	Amount	%	Amount
Subsidiaries				
Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş.	50%	1.131.130	-	-
Türkiyenin Otomobil Girişim Grubu Sanayi ve Ticaret A.Ş.	19%	9.500	-	-
		1.140.630		-

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 AŞ, for a total consideration of US\$250 mn. The acquisition value is in accordance with the valuation range of US\$447,2 million and US\$572 million stated in the independent appraisal report prepared by Ernst & Young Advisory Services, which is licensed by the Capital Markets Board.

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

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

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NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)

The movements of META, which is an investment accounted for using the equity method during the period 1 July – 31 December is as follows:

	2018
Balance at 1 July	1.152.075
Shares from profit / loss	(90.859)
Shares from other comprehensive income / expense	69.914
Balance at 31 December	1.131.130

Summary financial statement information of META is as follows:

	31 December 2018	30 June 2018
Current assets	231.594	271.683
Non-current assets	2.479.298	2.172.204
Current liabilities	(948.451)	(586.662)
Non-current liabilities	(863.903)	(916.664)
Net assets	898.538	940.561

	1 July - 31 December 2018
Net sales	150.726
Income / (loss) before tax	(164.829)
Tax benefit / (expense)	(16.872)
Net income / (loss) for the period	(181.718)
Total comprehensive income	(43.790)

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NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Disposals	Currency translation differences	Transfers	Fair value increase	31 December 2018
Cost or revaluation							
Land	470.475	-	2	7.886	-	147.018	625.381
Land improvements	88.118	75	(8)	2.063	417	36.297	126.962
Buildings	965.443	18.485	(1.495)	51.612	40.264	333.336	1.407.645
Leasehold improvements	139.786	12.156	(83)	1.127	1.247	-	154.233
Plant and machinery	2.199.886	376.527	(91.490)	26.383	245.319	-	2.756.625
Motor vehicles	9.727	1.045	(3.666)	619	-	-	7.725
Furniture and fixtures	356.692	40.819	(2.102)	6.109	6.274	-	407.792
Other tangible assets	849	-	-	-	-	-	849
Construction in progress	87.497	299.005	-	57	(346.685)	-	39.874
	4.318.473	748.112	(98.842)	95.856	(53.164)	516.651	5.527.086
Accumulated depreciation							
Land improvements	-	3.820	(2)	506	(4.324)	-	-
Buildings	-	36.200	-	12.486	(48.686)	-	-
Leasehold improvements	112.912	15.646	(21)	576	-	-	129.113
Plant and machinery	1.560.713	253.115	(91.093)	21.650	-	-	1.744.385
Motor vehicles	5.711	1.198	(2.960)	597	-	-	4.546
Furniture and fixtures	272.274	37.884	(1.902)	5.230	-	-	313.486
Other tangible assets	849	-	-	-	-	-	849
	1.952.459	347.863	(95.978)	41.045	(53.010)	-	2.192.379
Net book value	2.366.014						3.334.707

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

	1 January 2017	Additions	Disposals	Currency translation differences	Transfers	Fair value increase	31 December 2017
Cost or revaluation							
Land	241.478	32.516	(12)	5.887	-	91.547	371.416
Land improvements	61.976	6	-	1.620	(6.179)	35.408	92.831
Buildings	722.232	7.921	(9)	38.488	(51.957)	343.114	1.059.789
Leasehold improvements	139.456	12.666	(13.600)	419	845	-	139.786
Plant and machinery	1.900.703	270.686	(25.801)	19.691	34.607	-	2.199.886
Motor vehicles	6.244	3.524	(542)	496	5	-	9.727
Furniture and fixtures	321.300	29.279	(4.080)	3.902	6.291	-	356.692
Other tangible assets	849	-	-	-	-	-	849
Construction in progress	7.832	131.154	(13)	6	(51.482)	-	87.497
	3.402.070	487.752	(44.057)	70.509	(67.870)	470.069	4.318.473
Accumulated depreciation							
Land improvements	3.177	2.678	-	345	(6.200)	-	-
Buildings	25.047	25.103	(3)	8.401	(58.548)	-	-
Leasehold improvements	113.695	12.426	(13.481)	231	41	-	112.912
Plant and machinery	1.373.174	196.540	(24.904)	15.916	(13)	-	1.560.713
Motor vehicles	5.032	724	(509)	464	-	-	5.711
Furniture and fixtures	238.172	34.529	(3.463)	3.279	(243)	-	272.274
Other tangible assets	846	3	-	-	-	-	849
	1.759.143	272.003	(42.360)	28.636	(64.963)	-	1.952.459
Net book value	1.642.927						2.366.014

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

Additions to property, plant and equipment in the period 1 January – 31 December 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 31 December 2018 the Group does not have property, plant and equipment pledged (2017: None)

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

	<u>Useful life</u>
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 - 31 December 2018	1 January - 31 December 2017
Cost of sales	262.897	204.081
Research and development expenses	119.078	105.815
Marketing, selling and distribution expenses	36.536	32.164
General administrative expenses	30.351	20.601
Other operating expense (idle capacity depreciation expense)	7.867	4.153
	456.729	366.814

31 December 2018	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	625.381	-
Buildings and land improvements	-	1.534.607	-
31 December 2017	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	470.475	-
Buildings and land improvements	-	1.053.561	-

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NOTE 15 - INTANGIBLE ASSETS

	1 January 2018	Additions	Disposals	Currency translation differences	Transfers	31 December 2018
Cost						
Rights	67.730	1.791	-	1.311	-	70.832
Development cost	817.336	158.270	(10)	-	-	975.596
Other intangible assets	140.616	18.619	(1.428)	9.298	154	167.259
	1.025.682	178.680	(1.438)	10.609	154	1.213.687
Accumulated amortization						
Rights	47.456	3.571	(163)	1.206	-	52.070
Development cost	431.112	96.405	-	-	-	527.517
Other intangible assets	78.474	8.890	(1.383)	7.522	-	93.503
	557.042	108.866	(1.546)	8.728	-	673.090
Net book value	468.640					540.597

	1 January 2017	Additions	Disposals	Currency translation differences	Transfers	31 December 2017
Cost						
Rights	64.279	570	(9)	684	2.206	67.730
Development cost	677.726	141.851	(2.241)	-	-	817.336
Other intangible assets	109.712	24.446	(48)	5.720	786	140.616
	851.717	166.867	(2.298)	6.404	2.992	1.025.682
Accumulated amortization						
Rights	43.886	3.009	-	611	(50)	47.456
Development cost	346.240	84.872	-	-	-	431.112
Other intangible assets	66.366	6.930	-	5.248	(70)	78.474
	456.492	94.811	-	5.859	(120)	557.042
Net book value	395.225					468.640

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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 - GOODWILL

Goodwill is distributed on cash generating unit which are based on segmental reporting. Summary table of goodwill based on segmental reporting is given below:

	31 December 2018	31 December 2017
White goods	168.543	168.543
Television and electronic devices	26.998	26.998
Software	2.252	2.252
	197.793	197.793

Impairment of the goodwill amount relating to the listed subsidiary of the Group is tested through the evaluation of the fair value determined on the average transaction amounts effective as of the balance sheet date as recoverable amount.

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NOTE 17 - GOVERNMENT GRANTS

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

- i) Exemption from customs duty on machinery and equipment to be imported,
- ii) VAT exemption with respect to purchases of investment goods both from domestic and export markets,
- iii) Incentives under the jurisdiction of the research and development law,
- iv) Inward processing permission certificates,
- v) Cash refund from Tübitak - Teydeb for research and development expenses,
- vi) Discounted corporate tax incentive,
- vii) Insurance premium employer share incentive
- viii) Brand support incentive (Turquality) given by Republic of Turkey Ministry of Economy.

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to 10.045 thousand TL for the period 1 January - 31 December 2018. (1 January -31 December 2017: 6.615 thousand TL).

Brand support incentive Turquality obtained from Republic of Turkey Ministry of Economy amounts to 21.592 thousand TL in year 2018. (2017: 14.450 thousand TL).

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2018	31 December 2017
Short term provisions		
Warranty and assembly provision	246.198	193.900
Other provisions	262.471	178.877
Provision for lawsuit risks	46.030	30.531
	554.699	403.308
Long term provisions		
Warranty and assembly provision	51.128	52.556
Other provisions	2.660	32.346
	53.788	84.902

There are various cases filed and continuing against the Group domestically and in foreign countries. With reference to Group management's and legal advisors' assessments, no provision is provided for those cases amounting to 31.889 thousand EUR and 25.893 thousand TL (2017: 31.378 thousand EUR and 34.253 TL), that are expected to be finalized in favor of the Group. As of 31 December 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 46.030 thousand TL (2017: 30.351 TL).

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NOTE 18 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont’d)

As of 31 December movements of warranty and assembly provisions are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	246.456	186.892
Current year additions	345.956	301.420
Provisions no longer required	(295.086)	(241.856)
Balance at 31 December	297.326	246.456

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

	31 December 2018	31 December 2017
Guarantee letters	609.874	548.083
Cheques and notes	547.766	835.895
Collaterals and pledges	1.419.867	1.545.237
	2.577.507	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 18 – 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
31 December 2018				
A. CPM's given on behalf of its own legal entity	9.812	31.014	100.154	338.726
B. CPM's given on behalf of fully consolidated subsidiaries (*)	2.266.416	322.501	3.042.515	16.909.939
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	79.058	-	17.466	433.382
i. Total amount of CPM's given on behalf of the parent company	46.305	-	-	243.606
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	32.753	-	17.466	189.776
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	2.355.286	353.515	3.160.135	17.682.047

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

The Group has blocked deposit amount of 150.000 thousand USD given on behalf of consolidated Group companies and the parent company. As of the report date the respective blocked amount is fully released.

Related to the ban agreements of META and with respect to the Mining License Pledge Agreement, first degree and first rank mining license pledge is established with maximum amount of 420.000 thousand USD. With respect to Commercial Pledge Agreement, first degree and first rank pledge is established over the assets of META amounting to 1.670.000 thousand TL valid until it is released by META after the payment of respective bans. Additionally regarding the respective bans, Blocked Deposit Account Agreement and Consecutive Receivables Assignment Agreement is established.

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NOTE 18 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

CPM's given by the Group	USD (‘000)	EUR (‘000)	TL	TL Equivalent
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 31 December 2018 proportion of other CPM's given by the Group to its equity is 13% (31 December 2017: 6%).

NOTE 19 – COMMITMENTS

As of the balance sheet date the Group has committed to realize exports amounting to 761.758 thousand USD (31 December 2017: 568.309 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2018 the Group has forward foreign currency purchase contract that amounts to 909.988 thousand USD, 294.017 thousand EUR, 55.520 thousand GBP, 32.565 thousand PLN, 2.560 thousand RON, 10.700 thousand RUB and 753.190 thousand TL against forward foreign currency sales contract that amounts to 379.695 thousand USD, 319.372 thousand EUR, 104.221 thousand GBP, 1.182.391 thousand RUB, 20.872 thousand RON, 106.610 thousand PLN, 9.447 thousand SEK and 2.992.794 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).

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NOTE 20 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2018	31 December 2017
Due to personnel	75.350	69.328
Social security payables	29.666	38.407
	105.016	107.735

Long term provisions for employee benefits:

	31 December 2018	31 December 2017
Provision for employment termination benefits	111.100	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 31 December 2018 (31 December 2017: 4.732,48 TL/year).

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

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:

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NOTE 20 – EMPLOYEE BENEFITS (Cont'd)

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 31 December 2018, the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31 December 2018 provision is calculated based on real discount rate of 5,45% (31 December 2017: 4,67%) assuming 10% annual inflation rate and 15,99% discount rate.

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

	1 January - 31 December 2018	1 January - 31 December 2017
Balance at 1 January	96.078	76.463
Increase during the year	21.791	18.820
Payments during the year	(20.852)	(17.819)
Actuarial (gain) /loss	3.204	9.637
Interest expense	10.879	8.977
Balance at 31 December	111.100	96.078

As of 31 December 2018, an increase in annual discount rate by 0,25% would lead to decrease in employee benefit liability by 3,48%; a decrease in annual discount rate by 0,25% , would lead to an increase in employee benefit liability by 3,64%.(31 December 2017: 3,49% decrease and 3,67% increase).

As of 31 December 2018, an increase in salary escalation by 0,25% would lead to an increase in employee benefit liability by 3,81%; a decrease in salary escalation by 0,25% would lead to a decrease in employee benefit liability by 3,64%.(31 December 2017: 3,83% increase and 3,65% decrease).

NOTE 21 – OTHER ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Other current assets		
VAT carried forward	12.044	13.608
Other	27.239	14.786
	39.283	28.394
Other non - current assets		
Assets held for sale	6.248	7.060
	6.248	7.060

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NOTE 21 – OTHER ASSETS AND LIABILITIES (Cont’d)

	31 December 2018	31 December 2017
Other current liabilities		
Advances received	180.696	48.891
Tax payables	75.586	86.318
Other	119.453	160.268
	375.735	295.477

NOTE 22 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

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

	Shareholding		Amount	
	31 December 2018	31 December 2017	31 December 2018	31 December 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 22 – 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

	31 December 2018	31 December 2017
Legal reserves	48.909	46.195

e) Revaluation reserve

Fair value gains on financial assets	1.965	4.149
Revaluation of property, plant and equipment	1.338.777	917.385
	1.340.742	921.534

f) Accumulated deficit

Extraordinary reserves	512.541	512.541
Previous year’s loss	(523.628)	(624.741)
Other inflation adjustment of share capital	119.718	119.718
	108.631	7.518

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NOTE 22 – 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 23 – SALES

	1 January - 31 December 2018	1 January - 31 December 2017
Domestic sales	4.301.086	4.536.199
Overseas sales	12.760.645	8.649.358
Gross sales	17.061.731	13.185.557
Sales discounts (-)	(1.209.431)	(1.084.619)
Net sales	15.852.300	12.100.938
Cost of sales	(11.570.079)	(9.673.251)
Gross profit	4.282.221	2.427.687

NOTE 24 – EXPENSES BY NATURE

	1 January - 31 December 2018	1 January - 31 December 2017
Raw materials, supplies and finished goods	10.293.977	9.126.956
process, trade goods	(56.962)	(554.106)
Personnel expenses	1.060.299	890.844
Depreciation and amortization	448.862	362.661
warehouse expenses	623.884	422.893
Warranty and assembly expenses	345.956	301.420
Advertising expenses	161.310	152.254
Other	1.129.772	897.905
	14.007.098	11.600.827

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NOTE 25 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) General administrative expenses:

	1 January - 31 December 2018	1 January - 31 December 2017
Personnel expenses	112.610	97.782
Depreciation and amortization	30.351	20.601
Consultancy expenses	31.465	25.933
Information technology expenses	35.547	25.787
Rent and office expenses	29.132	24.219
Tax and duties	12.783	10.472
Benefits and services provided externally	2.993	7.345
Insurance expenses	9.822	7.224
Travelling expenses	6.957	6.233
Other	69.125	66.556
	340.785	292.152

b) Marketing expenses:

Personnel expenses	304.392	242.178
Depreciation and amortization	36.536	32.164
Export, transportation, warehouse expenses	613.006	414.641
Warranty and assembly expenses	345.956	301.420
Advertising expenses	159.638	151.804
Other	386.778	302.991
	1.846.306	1.445.198

c) Research and development expenses:

Personnel expenses	37.393	33.185
Depreciation and amortization	119.078	105.815
Travelling expenses	11.702	10.716
Other	81.755	40.510
	249.928	190.226

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NOTE 26 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January - 31 December 2018	1 January - 31 December 2017
Credit finance gains arising from trading activities	68.789	170.976
Foreign exchange gains arising from trading activities	656.942	504.579
Reversals of provisions	33.346	14.171
Other income	120.049	89.524
	879.126	779.250

b) Other expense from operating activities:

Debit finance charges arising from trading activities	208.701	187.157
Foreign exchange expenses arising from trading activities	1.816.173	537.514
Provision expenses	68.666	27.182
Other expenses	148.660	91.020
	2.242.200	842.873

NOTE 27 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gains	849.769	305.819
Gains on derivative financial instruments	2.553.846	668.087
Interest income	566.215	220.411
	3.969.830	1.194.317

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NOTE 27 - FINANCIAL INCOME AND FINANCIAL EXPENSE (Cont'd)

b) Financial expense:

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange losses	1.131.027	437.176
Losses on derivative financial instruments	2.055.310	827.024
Interest and commission expense	730.645	381.864
Other finance expenses	917	704
	3.917.899	1.646.768

NOTE 28 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

a) Fixed assets revaluation fund:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	917.385	561.662
Depreciation transfer upon revaluation reserves - net	(21.632)	(13.100)
Net depreciation transfer upon revaluation reserves attributable to non-controlling interests	222	125
Increase in reserves arising from revaluation of land, buildings and land improvements	535.781	470.043
Deferred tax income calculated over increase in revaluation reserves	(88.628)	(94.008)
Increase in revaluation reserves attributable to non-controlling interests	(7.644)	(9.172)
Deferred tax income calculated over increase in revaluation reserves attributable to non-controlling interest	1.530	1.835
Transactions with non-controlling interests	1.763	-
Balance at 31 December	1.338.777	917.385

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NOTE 28 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS (Cont’d)

b) Cash flow hedge fund:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	(10.959)	48.184
Profit/ (loss) from cash flow hedges	616	(75.637)
Deferred tax calculated over cash flow hedge fund	(136)	15.412
(Profit) / loss from cash flow hedges attributable to non-controlling interests	(44)	1.353
Deferred tax calculated over profit / (loss) from cash flow hedges attributable to non-controlling interests	9	(271)
Transactions with non-controlling interests	(7)	-
Balance at 31 December	(10.521)	(10.959)

c) Actuarial gain / loss arising from defined benefit plans:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	(17.246)	(9.798)
Actuarial gain/ loss arising from defined benefit plans	(3.204)	(9.506)
Deferred tax calculated over actuarial gain/ loss arising from defined benefit plans	641	1.901
Actuarial gain/ loss arising from defined benefit plans attributable to non-controlling interests	(78)	196
Deferred tax calculated over actuarial gain/ loss arising from defined benefit plans attributable to non-controlling interests	16	(39)
Transactions with non-controlling interests	(36)	-
Balance at 31 December	(19.907)	(17.246)

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NOTE 29 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2018	31 December 2017
Corporation and income taxes	14.287	19.182
Prepaid taxes (-)	(20.369)	(18.898)
Current income tax liabilities - net	(6.082)	284
Deferred tax liabilities	(147.739)	(129.591)
Deferred tax assets	93.452	174.309

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

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

In Turkey, advance tax returns are filed on a quarterly basis at the rate of 20%, until the 14th day of the following month and paid until the 17th day. Advance tax returns files within the year are offset against corporate income tax calculated over the annual taxable corporate income.

According to the Corporate Tax Law, 50% of the capital gains arising from the sale of tangible assets and 75% of the earning from investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity.

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.

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NOTE 29 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont’d)

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 31 December 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% (2017: 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.

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.

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NOTE 29 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont’d)

As of 1 January - 31 December 2018 and 2017 tax benefit in the consolidated statement of income is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Current period tax expense	(19.943)	(20.050)
Deferred tax benefit	(22.371)	107.354
Total tax (expense) / benefit	(42.314)	87.304
	1 January - 31 December 2018	1 January - 31 December 2017
Profit before tax	443.200	(15.963)
Local tax rate	22%	22%
Tax income calculated using local tax rate	(97.504)	3.512
Carry forward tax losses	(101.122)	-
Carry forward tax losses utilized	-	(22.857)
Non-deductible expenses	(6.825)	(6.374)
Adjustments with no tax effects	(19.297)	(6.448)
Deduction and exemptions	63.619	71.241
Reduced taxation	122.186	48.359
Deferred tax effect of change in legal tax rate	(3.371)	(129)
Total tax (expense) / benefit	(42.314)	87.304

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 31 December 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 29 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont’d)

	Cumulative temporary differences		Deferred tax	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Deferred tax assets				
Employment termination benefits	(108.015)	(93.880)	21.603	18.776
Warranty provision	(128.555)	(132.382)	28.282	29.124
Provision for doubtful receivables	(141.823)	(124.241)	31.201	27.333
Unearned interest expense	(16.859)	(59.859)	3.709	13.169
Provision for impairment on inventories	(15.405)	(7.627)	3.389	1.678
Derivative financial instruments	(165.545)	(150.056)	36.420	33.005
Carryforward tax losses and R&D incentives	(318.669)	(521.750)	66.227	104.350
Other	(149.700)	(131.291)	32.934	28.884
			223.765	256.319
Deferred tax liabilities				
Useful life and valuation differences on property, plant and equipment and intangible assets	83.610	86.840	(16.722)	(17.368)
Revaluation of tangible fixed assets	1.117.944	1.129.982	(258.529)	(194.063)
Other	12.732	773	(2.801)	(170)
			(278.052)	(211.601)
Deferred tax assets / (liabilities) - net			(54.287)	44.718

As of 31 December 2018 and 2017, the Group has not recognized deferred tax assets arising from its investment incentive certificate, in accordance with conservatism principle of accounting.

Expiration date of carry forward tax losses subject to deferred tax calculation amounted to 141.864 thousand TL (2017:260.934 thousand TL) is 2022. Furthermore, within R&D law framework, the Group has R&D incentives amounted to 175.083 thousand TL (2017:234.722 thousand TL) which can be used in 2019 and future periods.

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NOTE 29 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

	31 December 2018	31 December 2017
Subsidiaries with net deferred tax liabilities	(147.739)	(129.591)
Subsidiaries with net deferred tax assets	93.452	174.309

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

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	44.718	14.094
Tax benefit recognized in income statement	(22.371)	107.354
Recognized in shareholders' equity	(87.612)	(77.364)
Currency translation differences	10.978	634
Deferred tax (liabilities) / assets at the end of the period, net	(54.287)	44.718

NOTE 30 – EARNINGS / (LOSS) PER SHARE

	1 January - 31 December 2018	1 January - 31 December 2017
Net income / (loss) attributable to equity holders of the parent	371.153	55.108
Weighted number of ordinary shares with a Kr 1 of par value (hundred shares)	33.546.000	33.546.000
Earnings per share	1,11	0,16

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NOTE 31 - DERIVATIVE INSTRUMENTS

	31 December 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	2.064.426	68.025	1.147.859	11.237
Cash flow hedge				
Forward foreign currency transactions	932.989	16.635	509.405	2.252
<u>Derivative financial liabilities:</u>				
Held for trading				
Forward foreign currency transactions	4.021.835	(235.841)	4.092.737	(90.931)
Cash flow hedge				
Forward foreign currency transactions	652.548	(14.364)	1.838.130	(72.614)
	7.671.798	(165.545)	7.588.131	(150.056)

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital risk management:

The Group manages its capital to ensure that it will maintain its status as a going concern while maximizing the return to stakeholders through optimization of the debt and equity balance.

The management considers the Group's cost of capital and the risks associated with each class of capital. The management aims to balance its overall capital structure through the payment of dividends, share issues and proceeds from or repayments of debt.

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NOTE 32 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

As of 31 December 2018 and 2017 the Company’s net debt / total equity ratios are as follows:

	31 December 2018	31 December 2017
Total financial liabilities (note 7)	7.177.031	4.508.292
Cash and cash equivalents (note 5)	(3.085.661)	(2.000.337)
Net debt	4.091.370	2.507.955
Total shareholders equity	3.318.255	2.278.028
Total capital invested	7.409.625	4.785.983
Net debt/capital invested	55%	52%

b) Financial risk factors:

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

b.1) Credit risk:

The Group is exposed to credit risk arising from receivables from credit finance sales and deposits with banks. Credit risk of receivables from third parties is managed by securing receivables with highest possible coverage. Methods used are:

- Bank guarantees (guarantee letters, etc.)
- Credit insurance
- Mortgages
- Cheque-notes

For customers receivables from which are not secured with collaterals, the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors and individual risk limits are determined and monitored regularly.

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NOTE 32 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

	Receivables					
	Trade receivables		Other receivables		Bank deposits	Other
	Related party	Other party	Related party	Other party		
31 December 2018						
Maximum exposed credit risk as of 31 December 2018 (A+B+C+D)	54.597	3.534.523	2.518.306	265.147	2.171.935	913.726
- Secured portion of the maximum credit risk by guarantees, etc.	-	(2.136.415)	-	-	-	-
A.Net book value of financial assets either are not due or not impaired	54.597	2.997.739	2.518.306	265.147	2.171.935	913.726
- Secured portion by guarantees etc.	-	(1.826.332)	-	-	-	-
B. Financial assets with renegotiated conditions	-	-	-	-	-	-
C.Net book value of the overdue but not impaired financial assets	-	548.201	-	-	-	-
- Secured portion by guarantees etc.	-	(321.500)	-	-	-	-
D.Net book value of the impaired financial assets	-	(11.417)	-	-	-	-
-Over due (gross book value)	-	107.033	-	97.654	-	-
-Impairment (-)	-	(118.450)	-	(97.654)	-	-
-Secured portion of the net value by guarantees etc.	-	11.417	-	-	-	-

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NOTE 32 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

	Receivables					
	Trade receivables		Other receivables		Bank deposits	Other
	Related party	Other party	Related party	Other party		
31 December 2017						
Maximum exposed credit risk as of 31 December 2017 (A+B+C+D)	39.173	3.692.189	1.448.685	262.624	1.869.973	130.364
- Secured portion of the maximum credit risk by guarantees, etc.	-	(1.854.525)	-	-	-	-
A.Net book value of financial assets either are not due or not impaired	39.173	3.070.165	1.448.685	262.624	1.869.973	130.364
- Secured portion by guarantees etc.	-	(1.636.489)	-	-	-	-
B. Financial assets with renegotiated conditions	-	72.217	-	-	-	-
C.Net book value of the overdue but not impaired financial assets	-	548.205	-	-	-	-
- Secured portion by guarantees etc.	-	(352.477)	-	-	-	-
D.Net book value of the impaired financial assets	-	1.602	-	-	-	-
-Over due (gross book value)	-	66.340	-	97.654	-	-
-Impairment (-)	-	(64.738)	-	(97.654)	-	-
-Secured portion of the net value by guarantees etc.	-	(1.602)	-	-	-	-

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Aging of financial assets which are overdue but not impaired is as follows:

	31 December 2018	31 December 2017
Overdue 1 - 30 days	301.930	177.676
Overdue 1 - 3 months	134.763	104.623
Overdue 3 - 12 months	76.906	76.103
Overdue 1 - 5 years	33.991	188.218
Overdue more than 5 years	611	1.585
Total	548.201	548.205

b.2) Liquidity risk:

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

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

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NOTE 32 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

As of 31 December 2018 maturity analysis of the Group’s financial liabilities is as follows:

Contractual maturities	Carrying value	Contractual cash flows	Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Financial liabilities	7.167.031	7.613.661	2.308.474	4.363.084	942.103	-
Trade payables	5.807.208	5.814.169	2.995.214	2.801.349	17.605	-
Other payables	50.728	61.536	46.123	7.741	-	-
	13.024.967	13.489.366	5.349.811	7.172.174	959.708	-
Derivative financial instruments						
Derivative cash inflows		7.671.767	7.043.570	628.197	-	-
Derivative cash outflows		(7.879.946)	(7.256.449)	(623.497)	-	-
	165.545	(208.179)	(212.879)	4.700	-	-

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2017 maturity analysis of the Group's financial liabilities is as follows:

Contractual maturities	Carrying value	Contractual cash flows	Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Financial liabilities	4.500.367	4.744.852	1.699.174	1.817.433	1.110.539	117.706
Trade payables	5.753.306	5.760.878	2.658.109	3.098.797	3.972	-
Other payables and liabilities	10.095	10.095	10.095	-	-	-
	10.263.768	10.515.825	4.367.378	4.916.230	1.114.511	117.706
Derivative financial instruments						
Derivative cash inflows		7.588.190	6.023.522	1.564.668	-	-
Derivative cash outflows		(7.748.500)	(6.165.303)	(1.583.197)	-	-
	150.056	(160.310)	(141.781)	(18.529)	-	-

b.3) 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 32 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2018	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	237.011	218.947	362.861	2.929.565
2a. Monetary financial assets (including cash and cash equivalents)	331.537	57.568	22.274	2.113.477
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	59	59
4. Current assets (1+2+3)	568.548	276.515	385.194	5.043.101
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	174.530	51	-	918.492
6b. Non-monetary financial assets	1.300	2.784	-	23.621
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	175.830	2.835	-	942.113
9. Total assets (4+8)	744.378	279.350	385.194	5.985.214
10. Trade payables	857.437	115.099	6.143	5.210.850
11. Financial liabilities	366.284	221.879	-	3.264.470
12a. Other monetary liabilities	15.456	815	6.567	92.792
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	1.239.177	337.793	12.710	8.568.112
14. Trade payables	-	2.261	-	13.629
15. Financial liabilities	17.562	-	-	92.392
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	17.562	2.261	-	106.021
18. Total liabilities (13+17)	1.256.739	340.054	12.710	8.674.133
19. Off-balance sheet derivative instruments net asset / (liability) position (19a+19b)	530.293	(35.355)	(545.271)	2.031.427
19a. Hedged total assets	909.988	284.017	419.167	6.918.577
19b. Hedged total liabilities	(379.695)	(319.372)	(964.438)	(4.887.150)
20. Net foreign currency asset/ (liability) position (9-18+19)	17.932	(96.059)	(172.787)	(657.492)
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(513.661)	(63.488)	372.425	(2.712.599)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(165.545)
23. Export	702.772	1.153.988	1.251.924	12.760.645
24. Import	1.353.797	205.987	1.919	7.503.327

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NOTE 32 – 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 32 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

As of 31 December 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
31 December 2018				
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(270.232)	270.232	(270.232)	270.232
Secured portion from USD risk (-)	205.626	(205.626)	278.305	(278.305)
USD net effect	(64.606)	64.606	8.073	(8.073)
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	(38.271)	38.271	(38.271)	38.271
Secured portion from EUR risk (-)	37.867	(37.867)	(22.420)	22.420
EUR net effect	(404)	404	(60.691)	60.691
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability risk (-)	37.243	(37.243)	37.243	(37.243)
	(72.773)	72.773	(72.773)	72.773
Other currency net effect	(35.530)	35.530	(35.530)	35.530

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NOTE 32 – 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)
risk (-)	(142.581)	142.581	(142.581)	142.581
Other currency net effect	(129.611)	129.611	(129.611)	129.611

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NOTE 32 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

b.4) Interest rate risk:

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

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

	31 December 2018	31 December 2017
Financial instruments with fixed interest rates		
Bank deposits	1.591.801	1.532.331
Financial liabilities	6.505.552	3.700.886
Financial instruments with floating interest rates		
Financial liabilities	671.479	807.406

On 31 December 2018, if interest rates of all currency denominated financial assets and liabilities with variable interest rates has strengthened / weakened by 100 base point with all other variables held constant, income before taxes would have been 8.630 thousand TL (2017: 7.260 thousand TL) lower / higher as a result of interest expenses.

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Categories of financial instruments and fair values

Among Group’s financial assets, cash and cash equivalents (note 5), trade receivables (notes 8 and 9) and other receivables (notes 10), are classified as amortized cost, financial assets (note 6) as fair value through other comprehensive income, derivative instruments (note 31) as fair value through profit or loss.

Group’s financial liabilities consist of financial liabilities (note 7), trade payables (note 8 and 9) and other payables (note 10) and are measured at amortized cost using the effective interest method, derivative instruments (note 31) are classified as fair value through profit or loss.

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NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)
(Cont’d)

Fair value of financial instruments

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

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

Monetary assets

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

Monetary liabilities

The fair values of short term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in the market interest rates.

Fair value hierarchy

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

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

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NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)
(Cont’d)

Fair value hierarchy tables as of 31 December 2018 and 31 December 2017 are as follows:

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	84.660	-	84.660
Financial investements	10.317	-	-	10.317
Financial liabilities				
Derivative financial liabilities	-	(250.205)	-	(250.205)
31 December 2017				
31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	13.489	-	13.489
Financial investements	13.117	-	-	13.117
Financial liabilities				
Derivative financial liabilities	-	(163.545)	-	(163.545)

An independent valuation of the Group’s land, land improvements and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2018 and 2017. The fair value of land, land improvements and buildings was determined using the inputs other than quoted prices (Level 2).