

**VESTEL ELEKTRONİK SANAYİ VE TİCARET
ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY- 31 MARCH 2019**

(ORIGINALLY ISSUED IN TURKISH)

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM
PERIOD 1 JANUARY – 31 MARCH 2019

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VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2019 AND 31
DECEMBER 2018

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

		Audited	31 December	
		Footnotes	31 March 2019	2018
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	5	2.642.928	3.085.661	
Trade Receivables		2.866.565	3.583.266	
Trade Receivables Due from Related Parties	8	58.822	54.597	
Trade Receivables Due from Unrelated Parties	9	2.807.743	3.528.669	
Other Receivables		242.884	276.971	
Other Receivables Due from Related Parties	8	36	13.525	
Other Receivables Due from Unrelated Parties	10	242.848	263.446	
Derivative Financial Assets		53.768	84.660	
Derivative Financial Assets Held for Trading	29	24.299	68.025	
Derivative Financial Assets Held for Hedging	29	29.469	16.635	
Inventories	11	2.981.224	2.861.739	
Prepayments		91.647	98.071	
Prepayments to Unrelated Parties	12	91.647	98.071	
Current Tax Assets		13.440	6.575	
Other Current Assets		60.288	39.283	
Other Current Assets Due from Unrelated Parties	20	60.288	39.283	
TOTAL CURRENT ASSETS		8.952.744	10.036.226	

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CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2019 AND 31
DECEMBER 2018

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

		Footnotes	31 March 2019	Audited 31 December 2018
NON-CURRENT ASSETS				
Financial Investments			63.948	49.081
Financial Assets Available-for-Sale	6		63.948	49.081
Investments in subsidiaries, joint ventures and associates	13		1.088.861	1.140.630
Trade Receivables			28.738	5.854
Trade Receivables Due from Unrelated Parties	9		28.738	5.854
Other Receivables			2.746.675	2.506.482
Other Receivables Due from Related Parties	8		2.745.185	2.504.781
Other Receivables Due from Unrelated Parties	10		1.490	1.701
Property, Plant and Equipments			3.384.452	3.334.707
Land and Premises	14		631.589	625.381
Land Improvements	14		128.367	126.962
Buildings	14		1.432.022	1.407.645
Machinery and Equipments	14		1.028.367	1.012.240
Vehicles	14		2.904	3.179
Fixtures and Fittings	14		89.747	94.306
Leasehold Improvements	14		21.244	25.120
Construction in Progress	14		50.212	39.874
Right of Use Assets	15		154.829	-
Intangible Assets and Goodwill			745.115	738.390
Goodwill			197.793	197.793
Other Rights	16		17.973	18.762
Capitalized Development Costs	16		456.568	448.079
Other Intangible Assets	16		72.781	73.756
Prepayments			59.280	49.752
Prepayments to Unrelated Parties	12		59.280	49.752
Deferred Tax Asset	27		102.548	93.452
Other Non-current Assets			11.077	6.248
Other Non-Current Assets Due from Unrelated Parties	20		11.077	6.248
TOTAL NON-CURRENT ASSETS			8.385.523	7.924.596
TOTAL ASSETS			17.338.267	17.960.822

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2019 AND 31
DECEMBER 2018

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

		Audited 31 December	
		Footnotes 31 March 2019	2018
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		5.328.984	4.427.098
Current Borrowings from Related Parties		5.096	-
Lease Liabilities	8	5.096	-
Current Borrowings from Unrelated Parties		5.323.888	4.427.098
Bank Loans	7	5.288.470	4.424.507
Lease Liabilities	7	35.418	2.591
Current Portion of Non-current Borrowings		1.724.072	2.000.447
Current Portion of Non-current Borrowings from			
Unrelated Parties		1.724.072	2.000.447
Bank Loans	7	1.724.072	2.000.447
Trade Payables		4.913.341	5.792.577
Trade Payables to Related Parties	8	6.496	4.364
Trade Payables to Unrelated Parties	9	4.906.845	5.788.213
Employee Benefit Obligations	19	126.510	105.016
Other Payables		59.510	50.728
Other Payables to Related Parties	8	53.245	49.769
Other Payables to Unrelated Parties		6.265	959
Derivative Financial Liabilities		60.915	250.205
Derivative Financial Liabilities Held for Trading	29	59.714	235.841
Derivative Financial Liabilities Held for Hedging	29	1.201	14.364
Current Tax Liabilities	27	731	493
Current Provisions		520.055	554.699
Other Current Provisions	17	520.055	554.699
Other Current Liabilities		331.845	375.735
Other Current Liabilities to Unrelated Parties	20	331.845	375.735
TOTAL CURRENT LIABILITIES		13.065.963	13.556.998

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2019 AND 31
DECEMBER 2018

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

	Footnotes	31 March 2019	Audited 31 December 2018
NON-CURRENT LIABILITIES			
Long Term Borrowings		765.240	749.486
Long Term Borrowings from Related Parties		23.966	-
Lease Liabilities	8	23.966	-
Long Term Borrowings from Unrelated Parties		741.274	749.486
Bank Loans	7	640.566	742.077
Lease Liabilities	7	100.708	7.409
Trade Payables		15.157	14.631
Trade Payables to Unrelated Parties	9	15.157	14.631
Non-current Provisions		162.153	164.888
Non-current Provisions for Employee Benefits	19	113.882	111.100
Other Non-current Provisions	17	48.271	53.788
Deferred Tax Liabilities	27	171.401	147.739
Other Non-current Liabilities		7.873	8.825
Other Non-current Liabilities to Unrelated Parties		7.873	8.825
TOTAL NON-CURRENT LIABILITIES		1.121.824	1.085.569
TOTAL LIABILITIES		14.187.787	14.642.567

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2019 AND 31
DECEMBER 2018

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

		Footnotes	31 March 2019	Audited 31 December 2018
EQUTY				
Equity Attributable to Owners of Parent			3.057.131	3.229.140
Issued Capital	21		335.456	335.456
Inflation Adjustments on Capital			688.315	688.315
Share Premium (Discount)			103.776	103.776
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss			1.309.515	1.318.870
Gains (Losses) on Revaluation and Remeasurement			1.309.515	1.318.870
Increases (Decreases) on Revaluation of Property, Plant and Equipment	21		1.331.800	1.338.777
Gains (Losses) on Remeasurements of Defined Benefit Plans			(22.285)	(19.907)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss			358.819	254.030
Exchange Differences on Translation			346.249	262.586
Gains (Losses) on Hedge			10.542	(10.521)
Gains (Losses) on Cash Flow Hedges			10.542	(10.521)
Gains (Losses) on Revaluation and Reclassification			2.028	1.965
Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets	21		2.028	1.965
Restricted Reserves Appropriated from Profits			48.909	48.909
Legal Reserves	21		48.909	48.909
Prior Years' Profits or Losses	21		486.761	108.631
Current Period Net Profit Or Loss			(274.420)	371.153
Non-controlling Interests			93.349	89.115
TOTAL EQUITY			3.150.480	3.318.255
TOTAL LIABILITIES AND EQUITY			17.338.267	17.960.822

Consolidated financial statements for the period 1 January - 31 March 2019, were approved by the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. on 9 May 2019.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIODS 1 JANUARY - 31 MARCH 2019 AND 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Footnotes	1 January - 31 March 2019	1 January - 31 March 2018
PROFIT OR LOSS			
Revenue	22	3.562.533	3.038.029
Cost of Sales	22	(2.752.890)	(2.306.165)
GROSS PROFIT (LOSS)		809.643	731.864
General Administrative Expenses	24	(110.356)	(72.655)
Marketing Expenses	24	(405.978)	(378.737)
Research and Development Expense	24	(58.552)	(49.545)
Other Income from Operating Activities	25	325.903	203.115
Other Expenses from Operating Activities	25	(603.517)	(347.964)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		(42.857)	86.078
Share of Profit (Loss) from Investments Accounted for Using Equity Method	13	(80.008)	-
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		(122.865)	86.078
Finance Income	26	749.694	430.124
Finance Costs	26	(885.864)	(569.817)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		(259.035)	(53.615)
Tax (Expense) Income, Continuing Operations		(11.237)	33.741
Current Period Tax (Expense) Income	27	(1.430)	(3.128)
Deferred Tax (Expense) Income	27	(9.807)	36.869
PROFIT (LOSS) FROM CONTINUING OPERATIONS		(270.272)	(19.874)
PROFIT (LOSS)		(270.272)	(19.874)
Profit (loss), attributable to			
Non-controlling Interests		4.148	4.802
Owners of Parent		(274.420)	(24.676)
Earnings per 100 share with a Kr 1 of Par Value (TL)	28	(0,82)	(0,07)

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIODS 1 JANUARY - 31 MARCH 2019 AND 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	1 January - 31 March 2019	1 January - 31 March 2018
OTHER COMPREHENSIVE INCOME		
Other Comprehensive Income that will not be Reclassified to Profit or Loss	(2.406)	(1.204)
Gains (Losses) on Remeasurements of Defined Benefit Plans	(3.008)	(1.505)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss	602	301
Taxes Relating to Remeasurements of Defined Benefit Plans	602	301
Other Comprehensive Income that will be Reclassified to Profit or Loss	104.903	34.463
Exchange Differences on Translation	83.663	30.850
Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets	81	3.666
Gains (losses) on Remeasuring Available-for-sale Financial Assets	81	3.666
Other Comprehensive Income (Loss) Related with Cash Flow Hedges	27.150	872
Gains (Losses) on Cash Flow Hedges	27.150	872
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss	(5.991)	(925)
Taxes Relating to Gains (Losses) on Remeasuring or Reclassification	(18)	(733)
Adjustments on Available-for-sale Financial Assets	(5.973)	(192)
OTHER COMPREHENSIVE INCOME (LOSS)	102.497	33.259
TOTAL COMPREHENSIVE INCOME (LOSS)	(167.775)	13.385
Total Comprehensive Income Attributable to		
Non-controlling Interests	4.234	4.216
Owners of Parent	(172.009)	9.169

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIODS 1 JANUARY – 31 MARCH 2019 AND 2018

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

	Issued Capital	Inflation Adjustments on Capital	Share Premium or Discounts	Shareholders' Equity										Equity attributable to owners of parent	Non-controlling interests	Equity					
				Increases (Decreases) on Revaluation of Property, Plant and Equipment	Gains (Losses) on Remeasurements of Defined Benefit Plans	Gains (Losses) on Remeasurements	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss	Exchange Differences on Translation	Cash Flow Hedges	Reserve Of Gains or Losses on Hedge	Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets	Gains (Losses) on 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				
Previous Period																					
1 January -31 March 2018																					
Beginning of Period	335.456	688.315	103.165	917.385	(17.246)	900.139	900.139	76.183	(10.959)	(10.959)	4.149	4.149	69.373	46.195	7.518	55.108	62.626	2.205.269	72.759	2.278.028	
Transfers	-	-	-	-	(1.526)	-	(1.526)	-	-	-	-	-	-	-	-	55.108	(55.108)	-	(1.526)	-	(1.526)
Total Comprehensive Income (Loss)	-	-	-	(4.509)	(1.190)	(5.699)	(5.699)	30.850	1.252	1.252	2.933	2.933	35.035	-	4.509	(24.676)	(20.167)	9.169	4.216	13.385	
Profit (Loss)	-	-	-	(4.509)	-	(4.509)	(4.509)	-	-	-	-	-	-	-	4.509	(24.676)	(20.167)	(24.676)	4.802	(19.874)	
Other Comprehensive Income (Loss)	-	-	-	-	(1.190)	(1.190)	(1.190)	30.850	1.252	1.252	2.933	2.933	35.035	-	-	-	-	33.845	(586)	33.259	
End of Period	335.456	688.315	103.165	911.350	(18.436)	892.914	892.914	107.033	(9.707)	(9.707)	7.082	7.082	104.408	46.195	67.135	(24.676)	42.459	2.212.912	76.975	2.289.887	
Current Period																					
1 January -31 March 2019																					
Opening 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	
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	371.153	(371.153)	-	-	-	-
Total Comprehensive Income (Loss)	-	-	-	(6.977)	(2.378)	(9.355)	(9.355)	83.663	21.063	21.063	63	63	104.789	-	6.977	(274.420)	(267.443)	(172.009)	4.234	(167.775)	
Profit (Loss)	-	-	-	(6.977)	-	(6.977)	(6.977)	-	-	-	-	-	-	-	6.977	(274.420)	(267.443)	(274.420)	4.148	(270.272)	
Other Comprehensive Income (Loss)	-	-	-	-	(2.378)	(2.378)	(2.378)	83.663	21.063	21.063	63	63	104.789	-	-	-	-	102.411	86	102.497	
Closing Balance	335.456	688.315	103.776	1.331.800	(22.285)	1.309.515	1.309.515	346.249	10.542	10.542	2.028	2.028	358.819	48.909	486.761	(274.420)	212.341	3.057.131	93.349	3.150.480	

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS
1 JANUARY - 31 MARCH 2019 AND 2018

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

	Footnotes	1 January - 31 March 2019	1 January - 31 March 2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		518.409	99.125
Profit (Loss)		(270.272)	(19.874)
Profit (Loss) from Continuing Operations		(270.272)	(19.874)
Adjustments to Reconcile Profit (Loss)		1.161.382	160.812
Adjustments for Depreciation and Amortisation Expense	14	148.012	105.593
Adjustments for Impairment Loss			
(Reversal of Impairment Loss)		15.034	16.116
Adjustments for Impairment Loss			
(Reversal of Impairment Loss) of Receivables	9	12.752	10.947
Adjustments for Impairment Loss			
(Reversal of Impairment Loss) of Inventories	11	2.282	5.169
Adjustments for Provisions			
Adjustments for (Reversal of) Provisions Related with Employee Benefits	19	5.227	3.870
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	17	1.048	2.083
Adjustments for (Reversal of) Warranty Provisions	17	4.087	24.536
Adjustments for (Reversal of) Other Provisions	17	(45.296)	7.720
Adjustments for Interest (Income) Expenses			
Adjustments for Interest Income	26	(143.482)	(85.730)
Adjustments for Interest Expense	26	266.240	125.051
Adjustments for Unrealised Foreign Exchange Losses (Gains)			
Adjustments for Fair Value Losses (Gains)			
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(131.248)	(119.389)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method		80.008	-
Adjustments for Tax (Income) Expenses		11.237	(33.741)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(636)	(1.963)
Adjustments for Losses (Gains) Arised from Sale of Tangible Assets		(636)	(1.963)
Other Adjustments to Reconcile Profit (Loss)	5	772.414	(1.444)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS
1 JANUARY - 31 MARCH 2019 AND 2018

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

	Footnotes	1 January - 31 March 2019	1 January - 31 March 2018
Changes in Working Capital		(354.419)	(21.740)
Decrease (Increase) in Financial Investments	6	(81)	(3.760)
Adjustments for Decrease (Increase) in Trade Accounts Receivable		681.065	74.893
Decrease (Increase) in Trade Accounts Receivables from Related Parties		(4.225)	(10.193)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties		685.290	85.086
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		20.809	(11.825)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations		20.809	(11.825)
Adjustments for Decrease (Increase) in Inventories		(123.657)	(534.580)
Decrease (Increase) in Prepaid Expenses		(3.104)	22.657
Adjustments for Increase (Decrease) in Trade Accounts Payable		(878.710)	456.832
Increase (Decrease) in Trade Accounts Payables to Related Parties		2.132	(1.025)
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties		(880.842)	457.857
Increase (Decrease) in Employee Benefit Liabilities		21.494	(12.127)
Adjustments for Increase (Decrease) in Other Operating Payables		5.306	3.388
Increase (Decrease) in Other Operating Payables to Unrelated Parties		5.306	3.388
Other Adjustments for Other Increase (Decrease) in Working Capital		(77.541)	(17.218)
Decrease (Increase) in Other Assets Related with Operations		(32.699)	(15.339)
Increase (Decrease) in Other Payables Related with Operations		(44.842)	(1.879)
Cash Flows from (used in) Operations		536.691	119.198
Payments Related with Provisions for Employee Benefits	19	(5.453)	(4.357)
Income Taxes Refund (Paid)	27	(12.829)	(15.716)

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1 JANUARY - 31 MARCH 2019 AND 2018

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

	Footnotes	1 January - 31 March 2019	1 January - 31 March 2018
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(387.823)	(367.476)
Cash Outflows Arising from Purchase of Shares or Capital			
Increase of Associates and/or Joint Ventures	6	(14.786)	-
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		1.216	3.545
Proceeds from Sales of Property, Plant and Equipment		1.216	3.545
Purchase of Property, Plant, Equipment and Intangible Assets		(147.338)	(242.607)
Purchase of Property, Plant and Equipment	14	(109.807)	(202.797)
Purchase of Intangible Assets	16	(37.531)	(39.810)
Cash Advances and Loans Made to Other Parties		(226.915)	(128.414)
Cash Advances and Loans Made to Related Parties	8	(226.915)	(128.414)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		176.565	374.148
Proceeds from Borrowings		2.580.313	2.339.545
Proceeds from Loans		2.580.313	2.339.545
Repayments of Borrowings		(2.359.117)	(1.964.341)
Loan Repayments		(2.356.899)	(1.964.229)
Cash Outflows from Other Financial Liabilities		(2.218)	(112)
Increase in Other Payables to Related Parties		3.476	(4.005)
Payments of Lease Liabilities		(17.652)	-
Interest Paid		(173.937)	(82.781)
Interest Received		143.482	85.730
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		307.151	105.797
Effect of Exchange Rate Changes on Cash and Cash Equivalents		22.530	28.856
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		329.681	134.653
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	2.278.962	1.991.848
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		2.608.643	2.126.501

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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 31 March 2019, 35,59 % of the Company's shares are publicly traded (2018: 35,59%).

As of 31 March 2019 the number of personnel employed at Group is 16.307 (31 December 2018: 16.125).

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 Electronica SRL	Romania	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
Vestel Electronics Shanghai Trading Co. Ltd	China	Service
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

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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 Group prepared its condensed interim consolidated financial statements for the period ended 31 March 2019 in accordance with ("TAS") 34 "Interim Financial Reporting" in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

In compliance with the TAS 34, entities have preference in presenting their interim financial statements whether full set or condensed. In this framework, the Group preferred to present its interim financial statements in condensed.

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

The 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.

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

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

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

2.1.2 Currency used

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

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

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

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

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

<u>Period End:</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
Turkish Lira/EUR	0,1583	0,1659
Turkish Lira/GBP	0,1363	0,1503
Turkish Lira/RUB	11,5701	13,273
Turkish Lira/PLN	0,6803	0,7126
Türk Lirası/ USD	0,1777	0,1901

<u>Average:</u>	<u>1 January -</u>	<u>1 January -</u>
	<u>31 March 2019</u>	<u>31 March 2018</u>
Turkish Lira/EUR	0,1641	0,2135
Turkish Lira/GBP	0,1435	0,1889
Turkish Lira/RUB	12,3736	15,0040
Turkish Lira/PLN	0,7053	0,8908
Türk Lirası/ USD	0,1864	-

2.1.3 Basis of consolidation

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

a) Subsidiaries

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

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

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

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

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

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

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

b) Investments in associates

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

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

Since Vestel Savunma and Aydın Yazılım has net liability position as of 31 March 2019 and 31 December 2018, 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 2018: 35%, 21%).

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

As on 29 June 2018, in order to secure the supply of nickel sulphate and cobalt sulphate compounds, which are critical raw materials for the production of EV batteries, the Group has purchased 50% shares of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret A.Ş. ("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.

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

	Amounts before the adoption	Impact of the adoption	Amounts after the adoption
Consolidated Profit or Loss and Other Comprehensive Income			
Consolidated Profit or Loss and Other Comprehensive Income			
Sales	3.006.142	31.887	3.038.029
Cost of Sales	(2.298.865)	(7.300)	(2.306.165)
Other Incomes from Operating Activities	235.292	(32.177)	203.115
Other Expenses from Operating Activities	(362.245)	14.281	(347.964)
Deferred Tax (Loss) Income	38.341	(1.472)	36.869
Consolidated Cash Flow Statement			
Profit (Loss) from Continuing Operations	(25.093)	5.219	(19.874)
Adjustments for Tax (Income) Expenses	(35.213)	1.472	(33.741)
Decrease (Increase) in Trade Accounts			
Receivables from Unrelated Parties	91.777	(6.691)	85.086

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

Transition to IFRS 16 "Leases":

The Group has applied IFRS 16 "Leases" standard as of 1 January 2019. The Group has accounted the effect of transition based on the simplified approach, therefore, prior year financial statements are not restated. With this approach, all right of use assets have been measured by lease liabilities amount (adjusted by the amount of prepaid or accrued lease payments) as of transition date.

The Group has recognised lease liabilities at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Group has measured that lease liability at the present value of the remaining lease payments, discounted using incremental borrowing rate at the date of initial application.

Changes in accounting policy related to standard is given below:

IFRS 16 "Leases"

As a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly
- b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset.
- c) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) the Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

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

Right of use asset

The right of use asset is initially recognized at cost comprising. The Group re-measure the right of use asset after netting-off depreciation and reducing impairment losses from right of use asset and adjusted for certain re-measurements of the lease liability recognized at the present value

The Group applies IAS16 "Property, Plant and Equipment" to amortize the right of use asset and to assess for any impairment.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) fixed payments, including in-substance fixed payments;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
- c) the exercise price under a purchase option that the Group is reasonably certain to exercise,
- d) lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

- a) increasing the carrying amount to reflect interest on lease liability
- b) reducing the carrying amount to reflect the lease payments made and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

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

Impact of IFRS 16 application on balance sheet and profit or loss statement for the three months period ended 31 March 2019 is as follows:

	Effects Excluded 31 March 2019	IFRS-16 Effects	31 March 2019
ASSETS			
TOTAL CURRENT ASSETS	8.952.744	-	8.952.744
NON-CURRENT ASSETS			
Right of Use Assets	-	154.829	154.829
Deferred Tax Liability	102.033	515	102.548
Non-Current Assets Other than Above	8.128.146	-	8.128.146
TOTAL NON-CURRENT ASSETS	8.230.179	155.344	8.385.523
TOTAL ASSETS	17.182.923	155.344	17.338.267
LIABILITIES			
CURRENT LIABILITIES			
Lease Liabilities	1.836	38.678	40.514
Current Liabilities Other than Above	13.025.449	-	13.025.449
	13.027.285	38.678	13.065.963
NON-CURRENT LIABILITIES			
Lease Liabilities	5.946	118.728	124.674
Non-Current Liabilities Other than Above	997.150	-	997.150
TOTAL NON-CURRENT LIABILITIES	1.003.096	118.728	1.121.824
TOTAL LIABILITIES	14.030.381	157.406	14.187.787
EQUITY			
Current Period Net Profit Or Loss	(272.358)	(2.062)	(274.420)
Equity Other than Above	3.424.900	-	3.424.900
TOTAL EQUITY	3.152.542	(2.062)	3.150.480
TOTAL LIABILITIES AND EQUITY	17.182.923	155.344	17.338.267

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

	Effects Excluded 31 March 2019	IFRS-16 Effects	31 March 2019
PROFIT OR LOSS			
Revenue	3.562.533	-	3.562.533
Cost of Sales	(2.753.158)	268	(2.752.890)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS			
	809.375	268	809.643
GROSS PROFIT (LOSS)	809.375	268	809.643
Operating Expenses	(858.032)	5.532	(852.500)
PROFIT (LOSS) FROM OPERATING ACTIVITIES	(48.657)	5.800	(42.857)
Share of Profit (Loss) from Investments Accounted for Using Equity Method	(80.008)	-	(80.008)
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)			
	(128.665)	5.800	(122.865)
Finance Income	749.694	-	749.694
Finance Costs	(877.487)	(8.377)	(885.864)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX			
	(256.458)	(2.577)	(259.035)
Tax (Expense) Income, Continuing Operations	(11.752)	515	(11.237)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	(268.210)	(2.062)	(270.272)
PROFIT (LOSS)	(268.210)	(2.062)	(270.272)
Earnings Per Share with a TL 1 of Par Value	(0,81)	(0,006)	(0,82)

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.

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

2.4. Amendments in Turkey Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective for the financial year beginning 31 March 2019:

- **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 amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised 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.
- **IFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching 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 recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **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

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

- **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.

- **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', the Company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 11, 'Joint arrangements', the Company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12, 'Income taxes' the Company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 23, 'Borrowing costs' the 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
 - recognise 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 recognised because of the impact of the asset ceiling.

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b) Standards, amendments and interpretations that are issued but not effective as at 31 March 2019:

- **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, will assess the impact of amendments disclosed above and apply as of effective date.

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:

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- 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.

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.

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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.

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.

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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.

Right of use assets:

The cost of the right-of-use asset comprises:

- a) the amount of the initial measurement of the lease liability,
- b) any lease payments made at or before the commencement date, less any lease incentives received,
- c) any initial direct costs incurred by the Group

To apply the cost model, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The Group applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

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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2.5.10 Taxation on income

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

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

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

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

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

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

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2.5.11 Employee benefits

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

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

2.5.12 Government grants

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

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

2.5.13 Earnings per share

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

2.5.14 Statement of cash flows

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

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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 March 2019 and 31 December 2018 the Group's major subsidiaries are as follows:

Consolidated subsidiaries	31 March 2019		31 December 2018	
	Voting rights	Effective ownership	Voting rights	Effective ownership
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	95,2	95,2	95,2	95,2
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 March 2019	31 December 2018
Accumulated non-controlling interests	98.508	94.274
Comprehensive income attributable to non-controlling interests	4.234	36.307

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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Condensed balance sheet:

	31 March 2019	31 December 2018
Current assets	3.098.487	3.063.271
Non-current assets	1.690.835	1.620.382
Current liabilities	(2.741.496)	(2.747.126)
Non-current liabilities	(148.912)	(123.339)
Net assets	1.898.914	1.813.188

Condensed statement of comprehensive income:

	1 January -	1 January -
	31 March	31 March
	2019	2018
Net sales	1.385.110	1.053.028
Income / (loss) before tax	85.782	82.015
Tax benefit / (expense)	(1.797)	1.231
Net income / (loss) for the period	83.985	83.246
Total comprehensive income	85.769	72.354

Condensed statement of cash flows:

Operating activities:

Changes in working capital	146.140	54.330
Net cash provided by operating activities	253.466	196.672

Investing activities:

Net cash used in investing activities	(388.412)	(139.738)
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Financing activities:

Proceeds from bank borrowings	545.519	156.320
Repayment of bank borrowings	(462.222)	(133.745)
Net cash (used in) / provided by financing activities	83.405	6.234
Cash and cash equivalents at the beginning of the period	103.283	65.190
Cash and cash equivalents at the end of the period	51.742	128.358

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	Total
1 January -31 March 2019			
Revenue	1.792.227	1.770.306	3.562.533
Cost of sales	(1.355.378)	(1.397.512)	(2.752.890)
Gross profit	436.849	372.794	809.643
Depreciation and amortization	70.151	77.861	148.012
1 January -31 March 2018			
Revenue	1.708.516	1.329.513	3.038.029
Cost of sales	(1.298.360)	(1.007.805)	(2.306.165)
Gross profit	410.156	321.708	731.864
Depreciation and amortization	60.811	44.782	105.593

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NOTE 4 - SEGMENT REPORTING (Cont'd)

Capital expenditure

	Television and Electronical devices	White goods	Total
1 January -31 March 2019	63.190	84.148	147.338
1 January -31 March 2018	77.494	165.113	242.607

Geographical segments:

Segment revenue	1 January - 31 March 2019	1 January - 31 March 2018
Turkey	815.675	990.299
Europe	2.728.759	2.025.947
Other	294.372	246.395
Gross segment sales	3.838.806	3.262.641
Discounts (-)	(276.273)	(224.612)
Net sales	3.562.533	3.038.029

The amount of export for the period 1 January - 31 March 2019 is 3.023.131 thousand TL (1 January - 31 March 2018: 2.272.343 thousand TL). Export sales are denominated in EUR, USD and other currencies as 63,7%, 25,7%, and 10,6% of total exports respectively. (1 January - 31 March 2018: 62,1% EUR, 27,7 % USD, 10,2 % 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 March 2019	31 December 2018
Cash	1.302	1.256
Bank deposits		
- Demand deposits	835.100	1.386.833
- Time deposits	1.556.932	785.102
Cheques and notes	192.175	75.928
Other	23.134	29.843
Blocked deposits	34.285	806.699
Cash and cash equivalents	2.642.928	3.085.661

Effective interest rates

	31 March 2019	31 December 2018
TL	-	23,00%
USD	3,50%	4,50%

As of 31 March 2019 and 31 December 2018 the Group's time deposits have an average maturity of less than 3 months.

NOTE 6 - FINANCIAL ASSETS

	Country	Ownership		Amount	
		31 March 2019	31 December 2018	31 March 2019	31 December 2018
Financial assets available for sale:					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	< 1%	< 1%	10.398	10.317
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
				10.671	10.590

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NOTE 6 - FINANCIAL ASSETS (Cont'd)

	Country	Ownership		Amount	
		31 March 2019	31 December 2018	31 March 2019	31 December 2018
Non-consolidated subsidiaries :					
Vestel Ventures Ar-ge A.Ş.	Turkey	100%	100%	51.061	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	50
Uts-United Technical Services, S.R.O	Slovakia	100%	100%	6	6
				55.055	40.269
Impairment of subsidiaries (-)					
Vestel Electronica SRL				(1.778)	(1.778)
				53.277	38.491

NOTE 7 - FINANCIAL LIABILITIES

	31 March 2019	31 December 2018
Short term financial liabilities		
Short term bank loans	5.288.470	4.424.507
Short term portion of long term bank loans	1.724.072	2.000.447
Leasing debts	1.836	2.591
Short term lease liabilities	38.678	-
	7.053.056	6.427.545
Long term financial liabilities		
Long term bank loans	640.566	742.077
Leasing debts	5.946	7.409
Long term lease liabilities	118.728	-
	765.240	749.486

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NOTE 7 - FINANCIAL LIABILITIES (Cont'd)

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

31 March 2019				31 December 2018		
Currency	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- USD	4,10%	282.829	1.591.874	3,43%	246.609	1.297.384
- EUR	3,15%	228.352	1.442.911	1,78%	187.293	1.129.003
- TL	26,69%	2.253.685	2.253.685	25,70%	1.998.120	1.998.120
			5.288.470			4.424.507

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

31 March 2019				31 December 2018		
Currency	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- USD	6,83%	53.143	299.109	7,37%	119.675	629.597
- EUR	4,23%	42.054	265.728	4,43%	120.086	723.880
- TL	24,52%	1.159.235	1.159.235	20,50%	646.970	646.970
Short term portion			1.724.072			2.000.447
- USD	7,59%	69.381	390.504	6,33%	17.562	92.392
- EUR	6,02%	22.839	144.318	-	-	-
- TL	18,24%	105.744	105.744	26,52%	649.685	649.685
Long term portion			640.566			742.077
			2.364.638			2.742.524

Total amount of Group's floating bank loans is 584.972 thousand TL (31 December 2018: 671.479 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 March 2019	31 December 2018
One to two years	430.748	725.831
Two to three years	150.515	9.360
Three to four years	59.303	6.886
	640.566	742.077

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

	31 March 2019	31 December 2018
6 months or less	584.972	671.479
	584.972	671.479

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 March 2019 and 2018, the Group's net financial debt reconciliation is shown below:

	31 March 2019	31 March 2018
Net financial debt as of 1 January	4.898.069	2.516.444
Cash inflows from loans	2.580.313	2.339.545
Cash outflows from loan payments	(2.506.624)	(1.964.229)
Payments of lease liabilities	155.188	(112)
Unrealized Fx gain/loss	178.737	118.110
Accrued interest	233.651	42.270
Change in cash and cash equivalents	(329.681)	(134.653)
Net financial debt at the end of the period	5.209.653	2.917.375

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NOTE 8 - RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 March 2019	31 December 2018
Vestel Electronica S.R.L. ⁽³⁾	14.420	15.716
Zorluteks Tekstil Sanayi ve Ticaret A.Ş.	18.587	17.766
Vestel Electronics Gulf DMCC. ⁽³⁾	13.773	11.119
Other related parties	12.042	10.123
	58.822	54.724
Unearned interest on receivables (-)	-	(127)
	58.822	54.597

b) Short term trade payables to related parties

	31 March 2019	31 December 2018
Vestel Electronics Shanghai Trading Co. Ltd. ⁽³⁾	2.250	1.182
ABH Turizm Temsilcilik ve Ticaret A.Ş. ⁽¹⁾	2.582	934
Other related parties	1.664	2.268
	6.496	4.384
Unearned interest on payables (-)	-	(20)
	6.496	4.364

c) Other short term receivables from related parties

	31 March 2019	31 December 2018
Vestel Ventures A.Ş ⁽³⁾	-	13.489
Other related parties	36	36
	36	13.525

(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 March 2019	31 December 2018
Zorlu Holding A.Ş. ⁽²⁾	1.918.573	1.795.555
Vestel Savunma Sanayi A.Ş. ⁽³⁾	740.729	670.215
Meta Nikel Kobalt Madencilik Sanayi Ve Ticaret A.Ş. ⁽³⁾	85.883	39.011
	2.745.185	2.504.781

As of 31 March 2019, the annual average effective interest rate of other receivables in USD is 9%, average effective interest rate of other receivables in TL is 30% (31 December 2018: USD 9%, TL 36%).

e) Other payables to related parties

	31 March 2019	31 December 2018
Zorlu Family ⁽³⁾	53.245	49.769

f) Lease liabilities to related parties

	31 March 2019	31 December 2018
Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş. ⁽¹⁾	25.417	-
Zorlu Yapı Yatırım A.Ş. ⁽¹⁾	3.645	-
	29.062	-

g) Transactions with related parties

	1 January -	1 January -
	31 March	31 March
	2019	2018
Sales		
Vestel Electronica S.R.L. ⁽³⁾	9.305	10.252
Zorluteks Tekstil Sanayi ve Ticaret A.Ş. ⁽¹⁾	1.725	2.149
Vestel Electronics Gulf DMCC. ⁽³⁾	6.578	-
UTS- United Technical Services, Spol S.R.O. ⁽³⁾	-	4.164
Other related parties	533	898
	18.141	17.463

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

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NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)

	1 January - 31 March 2019	1 January - 31 March 2018
Operating expenses		
ABH Turizm Temsilcilik ve Ticaret A.Ş. ⁽¹⁾	5.066	5.952
Zorlu Holding A.Ş. ⁽²⁾	9.912	5.590
Zorlu Gayrimenkul Gel. ve Yat. A.Ş. ⁽¹⁾	2.760	2.397
Zorlu Air Havacılık A.Ş. ⁽¹⁾	1.279	715
Other related parties	1.472	1.158
	20.489	15.812
Other income from operating activities		
Other related parties	4.019	1.551
Other expense from operating activities		
Other related parties	102	201
Financial income		
Zorlu Holding A.Ş. ⁽²⁾	280.791	104.192
Vestel Savunma Sanayi A.Ş. ⁽³⁾	56.244	9.537
Other related parties	5.812	27
	342.847	113.756
Financial expense		
Zorlu Holding A.Ş. ⁽²⁾	-	12.361
Other related parties	270	733
	270	13.094

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

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NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)

h) Guarantees received from and given to related parties are disclosed in note 17.

i) 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 three months period ended 31 March 2019 is 4.380 thousand TL (1 January - 31 March 2018: 3.619 thousand TL).

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	31 March 2019	31 December 2018
Short term trade receivables		
Trade receivables		
- Related parties (note 8)	58.822	54.724
- Other parties	2.753.699	3.385.298
Cheques and notes receivables	131.823	211.422
Other	67.746	62.110
	3.012.090	3.713.554
Unearned interest expense (-)		
- Related parties (note 8)	-	(127)
- Other parties	(16.109)	(11.711)
Allowance for doubtful receivables (-)	(129.416)	(118.450)
Total short term trade receivables	2.866.565	3.583.266
Long term trade receivables		
Cheques and notes receivables	28.964	7.471
Unearned interest expense (-)	(226)	(1.617)
Total long term trade receivables	28.738	5.854

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 March 2019	1 January - 31 March 2018
Opening balance, 1 January	118.450	64.738
Current year additions	12.752	11.063
Provisions no longer required	(3.103)	(3.590)
Doubtful receivables written-off	-	(116)
Currency translation differences	1.317	312
Balance at 31 March	129.416	72.407

	31 March 2019	31 December 2018
Short term trade payables		
Trade payables		
- Related parties (note 8)	6.496	4.384
- Other parties	4.904.996	5.785.399
Notes payables		
- Other parties	84	77
Other	3.034	3.016
	4.914.610	5.792.876
Unearned interest income (-)		
- Related parties (note 8)	-	(20)
- Other parties	(1.269)	(279)
Total short term trade payables	4.913.341	5.792.577
Long term trade payables		
Trade payables		
- Other parties	15.157	14.631
Total long term trade payables	15.157	14.631

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NOTE 10 – OTHER RECEIVABLES

	31 March 2019	31 December 2018
Short term other receivables		
Receivables from official institutions	175.364	197.626
Receivables from related parties (note 8)	36	13.525
Deposits and guarantees given	54.431	62.303
Other	102.429	92.893
	332.260	366.347
Allowance for doubtful receivables (-)	(89.376)	(89.376)
	242.884	276.971
Long term other receivables		
Deposits and guarantees given	1.490	1.701
Receivables from related parties (note 8)	2.745.185	2.504.781
Other	8.278	8.278
	2.754.953	2.514.760
Allowance for doubtful receivables (-)	(8.278)	(8.278)
	2.746.675	2.506.482

The Group provides allowance for doubtful receivables.

NOTE 11 – INVENTORIES

	31 March 2019	31 December 2018
Raw materials	1.228.809	1.219.995
Work in process	130.541	107.962
Finished goods	1.533.201	1.462.297
Merchandise	123.702	99.992
Other	1.944	4.294
	3.018.197	2.894.540
Provision for impairment on inventories (-)	(36.973)	(32.801)
	2.981.224	2.861.739

Cost of the inventory included in the consolidated statement of comprehensive income in the period 1 January – 31 March 2019 is 2.374.239 thousand TL (2018: 2.023.678 thousand TL).

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NOTE 11 - INVENTORIES (Cont'd)

As of 31 March 2019 the Group does not have inventories pledged as security for liabilities (31 December 2018: None)

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

	31 March 2019	31 December 2018
Raw materials	18.287	18.287
Finished goods and merchandise	18.686	14.514
	36.973	32.801

Movement of provision for impairment on inventories is as follows:

	1 January -	1 January -
	31 March 2019	31 March 2018
Opening balance, 1 January	32.801	28.305
Current year additions	6.081	8.939
Realised due to sale of inventory	(3.799)	(3.770)
Currency translation differences	1.890	1.374
Balance at 31 March	36.973	34.848

NOTE 12 - PREPAID EXPENSES

	31 March 2019	31 December 2018
Prepaid expenses in current assets		
Order advances given	38.197	32.576
Prepaid expenses	46.985	64.206
Business advances given	6.465	1.289
	91.647	98.071
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	57.612	44.978
Prepaid expenses	1.668	4.774
	59.280	49.752

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NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 March 2019		31 December 2018	
	%	Amount	%	Amount
Subsidiaries				
Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş.	50%	1.079.361	50%	1.131.130
Türkiyenin Otomobil Girişim Grubu Sanayi ve Ticaret A.Ş.	19%	9.500	19%	9.500
		1.088.861		1.140.630

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

	2019
Balance at 1 January	1.131.130
Shares from profit / loss	(80.008)
Shares from other comprehensive income / expense	28.239
Balance at 31 March	1.079.361

Condensed financial statement informations of META is given below:

	31 March 2019	31 December 2018
Current assets	192.600	231.594
Non-current assets	2.613.440	2.479.298
Current liabilities	(1.040.635)	(948.451)
Non-current liabilities	(940.854)	(863.903)
Net assets	824.551	898.538

	1 January -
	31 March 2019
Net sales	58.336
Income / (loss) before tax	(129.118)
Tax benefit / (expense)	(30.897)
Net income / (loss) for the period	(160.015)
Total comprehensive income	(103.537)

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NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2019	Additions	Disposals	Currency translation differences	Transfers	31 March 2019
Cost or revaluation						
Land	625.381	-	-	6.208	-	631.589
Land improvements	126.962	95	-	3.305	-	130.362
Buildings	1.407.645	4.553	(147)	39.796	607	1.452.454
Leasehold improvements	154.233	309	(976)	230	243	154.039
Plant and machinery	2.756.625	79.502	(1.925)	18.925	8.981	2.862.108
Motor vehicles	7.725	92	(247)	166	-	7.736
Furniture and fixtures	407.792	4.613	(4.272)	2.303	461	410.897
Other tangible assets	849	-	-	-	-	849
Construction in progress	39.874	20.643	-	2	(10.307)	50.212
	5.527.086	109.807	(7.567)	70.935	(15)	5.700.246
Accumulated depreciation						
Land improvements	-	1.460	-	535	-	1.995
Buildings	-	12.165	(134)	8.401	-	20.432
Leasehold improvements	129.113	4.262	(715)	135	-	132.795
Plant and machinery	1.744.385	76.988	(1.917)	14.285	-	1.833.741
Motor vehicles	4.546	272	(149)	163	-	4.832
Furniture and fixtures	313.486	9.825	(4.186)	2.025	-	321.150
Other tangible assets	849	-	-	-	-	849
	2.192.379	104.972	(7.101)	25.544	-	2.315.794
Net book value	3.334.707					3.384.452

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
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NOTE 14 – PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	1 January 2018	Additions	Disposals	Currency translation differences	Transfers	31 March 2018
Cost or revaluation						
Land	470.475	-	-	1.967	-	472.442
Land improvements	88.118	-	-	648	-	88.766
Buildings	965.443	1.334	(1.495)	14.244	44.479	1.024.005
Leasehold improvements	139.786	4.005	(33)	262	130	144.150
Plant and machinery	2.199.886	87.010	(36.385)	7.634	25.664	2.283.809
Motor vehicles	9.727	77	-	151	-	9.955
Furniture and fixtures	356.692	11.042	(174)	1.574	331	369.465
Other tangible assets	849	-	-	-	-	849
Construction in progress	87.497	99.329	-	13	(70.640)	116.199
	4.318.473	202.797	(38.087)	26.493	(36)	4.509.640
Accumulated depreciation						
Land improvements	-	919	-	160	-	1.079
Buildings	-	8.389	-	3.446	-	11.835
Leasehold improvements	112.912	3.412	(9)	134	-	116.449
Plant and machinery	1.560.713	57.329	(36.338)	6.100	-	1.587.804
Motor vehicles	5.711	311	-	145	-	6.167
Furniture and fixtures	272.274	9.121	(158)	1.364	-	282.601
Other tangible assets	849	-	-	-	-	849
	1.952.459	79.481	(36.505)	11.349	-	2.006.784
Net book value	2.366.014					2.502.856

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

Additions to property, plant and equipment in the period 1 January – 31 March 2019 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 March 2019 the Group does not have property, plant and equipment pledged (2018: 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 March 2019	1 January - 31 March 2018
Cost of sales	93.409	58.616
Research and development expenses	35.259	29.526
Marketing, selling and distribution expenses	9.516	8.645
General administrative expenses	7.977	7.099
Other operating expense (idle capacity depreciation expense)	1.851	1.707
	148.012	105.593

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NOTE 14 - RIGHT OF USE ASSETS

	1 January 2019	Effect of change in accounting policies	Additions	31 March 2019
Cost				
Land and buildings	-	119.902	-	119.902
Machinery	-	33.386	-	33.386
Motor vehicles	-	13.393	-	13.393
	-	166.681	-	166.681
Accumulated amortization				
Land and buildings	-	-	8.016	8.016
Machinery	-	-	2.264	2.264
Motor vehicles	-	-	1.572	1.572
	-	-	11.852	11.852
Net book value	-	166.681	-	154.829

NOTE 16 - INTANGIBLE ASSETS

	1 January 2019	Additions	Disposals	Currency translation differences	Transfers	31 March 2019
Cost						
Rights	70.832	13	(690)	253	-	70.408
Development cost	975.596	36.403	(114)	-	-	1.011.885
Other intangible assets	167.259	1.115	-	2.228	16	170.618
	1.213.687	37.531	(804)	2.481	16	1.252.911
Accumulated amortization						
Rights	52.070	811	(690)	244	-	52.435
Development cost	527.517	27.800	-	-	-	555.317
Other intangible assets	93.503	2.577	-	1.757	-	97.837
	673.090	31.188	(690)	2.001	-	705.589
Net book value	540.597					547.322

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NOTE 16 - INTANGIBLE ASSETS (Cont'd)

	1 January 2018	Additions	Disposals	Currency translation differences	Transfers	31 March 2018
Cost						
Rights	67.730	17	-	305	-	68.052
Development cost	817.336	34.872	-	-	-	852.208
Other intangible assets	140.616	4.921	-	2.279	36	147.852
	1.025.682	39.810	-	2.584	36	1.068.112
Accumulated amortization						
Rights	47.456	817	-	280	-	48.553
Development cost	431.112	23.340	-	-	-	454.452
Other intangible assets	78.474	1.955	-	1.747	-	82.176
	557.042	26.112	-	2.027	-	585.181
Net book value	468.640					482.931

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

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NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 March 2019	31 December 2018
Short term provisions		
Warranty and assembly provision	255.929	246.198
Other provisions	217.048	262.471
Provision for lawsuit risks	47.078	46.030
	520.055	554.699
Long term provisions		
Warranty and assembly provision	45.484	51.128
Other provisions	2.787	2.660
	48.271	53.788

With reference to Group management's and legal advisors' assessments, no provision is provided for those cases that are expected to be finalized in favor of the Group. As of 31 March 2019, 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 47.078 thousand TL (2018: 46.030 TL).

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NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

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

	1 January - 31 March 2019	1 January - 31 March 2018
Opening balance, 1 January	297.326	246.456
Current year additions	83.511	78.139
Provisions no longer required	(79.424)	(47.782)
Balance at 31 March	301.413	276.813

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 March 2019	31 December 2018
Guarantee letters	571.840	609.874
Cheques and notes	699.390	547.766
Collaterals and pledges	1.373.196	1.419.867
	2.644.426	2.577.507

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
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NOTE 17 – 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 March 2019				
A. CPM's given on behalf of its own legal entity	9.489	25.227	89.532	302.344
B. CPM's given on behalf of fully consolidated subsidiaries (*)	2.023.110	325.329	2.869.461	16.312.022
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	32.753	-	17.466	201.813
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.	32.753	-	17.466	201.813
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	2.065.352	350.556	2.976.459	16.816.179

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

Related to the loan 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 loans. Additionally regarding the respective loans, Blocked Deposit Account Agreement and Consecutive Receivables Assignment Agreement is established.

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NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

<u>CPM's given by the Group</u>	<u>USD ('000)</u>	<u>EUR ('000)</u>	<u>TL</u>	<u>TL Equivalent</u>
31 December 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

As of 31 March 2019 proportion of other CPM's given by the Group to its equity is 6% (31 December 2018: 13%).

NOTE 18 - COMMITMENTS

As of the balance sheet date the Group has committed to realize exports amounting to 629.301 thousand USD (31 December 2018: 761.758 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 March 2019 the Group has forward foreign currency purchase contract that amounts to 591.564 thousand USD, 220.170 thousand EUR, 22.351 thousand GBP, 12.060 thousand PLN, 2.130 thousand RON, 28.000 thousand RUB and 1.140.429 thousand TL against forward foreign currency sales contract that amounts to 387.442 thousand USD, 257.227 thousand EUR, 73.758 thousand GBP, 1.128.050 thousand RUB, 22.259 thousand RON, 93.694 thousand PLN, 9.447 thousand SEK and 1.431.739 thousand TL. (31 December 2018: 909.988 thousand USD, 284.017 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 purchase contract; 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 against forward foreign currency sales contract).

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NOTE 19 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 March 2019	31 December 2018
Due to personnel	88.456	75.350
Social security payables	38.054	29.666
	126.510	105.016

Long term provisions for employee benefits:

	31 March 2019	31 December 2018
Provision for employment termination benefits	113.882	111.100

Under Turkish law, the Group 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 Group 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 6.017,60 TL/year as of 31 March 2019 (31 December 2018: 5.434,42 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 Group 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 19 – 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 March 2019, the provision is calculated by estimating the present value of the future obligation of the Group arising from retirement of employees. As of 31 March 2019 provision is calculated based on real discount rate of 5,45% (31 December 2018: 5,45%) 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 March 2019	1 January - 31 March 2018
Balance at 1 January	111.100	96.078
Increase during the year	698	1.081
Payments during the year	(5.453)	(4.357)
Actuarial (gain) /loss	3.008	1.505
Interest expense	4.529	2.789
Balance at 31 March	113.882	97.096

NOTE 20 – OTHER ASSETS AND LIABILITIES

	31 March 2019	31 December 2018
Other current assets		
VAT carried forward	40.680	12.044
Other	19.608	27.239
	60.288	39.283
Other non - current assets		
Assets held for sale	11.077	6.248
	11.077	6.248

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NOTE 20 – OTHER ASSETS AND LIABILITIES (Cont'd)

	31 March 2019	31 December 2018
Other current liabilities		
Advances received	186.793	180.696
Tax payables	68.937	75.586
Other	76.115	119.453
	331.845	375.735

NOTE 21 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	31 March 2019	31 December 2018
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 March 2019 and 31 December 2018 the shareholding structures are as follows:

	Shareholding		Amount	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
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 21 – 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.

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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 March 2019	31 December 2018
Legal reserves	48.909	48.909
<hr/>		
e) Revaluation reserve		
Fair value gains on financial assets	2.028	1.965
Revaluation of property, plant and equipment	1.331.800	1.338.777
	1.333.828	1.340.742
<hr/>		
f) Accumulated deficit		
Extraordinary reserves	512.541	512.541
Previous year's loss	(145.498)	(523.628)
Other inflation adjustment of share capital	119.718	119.718
	486.761	108.631
<hr/>		

f) Accumulated deficit

Extraordinary reserves	512.541	512.541
Previous year's loss	(145.498)	(523.628)
Other inflation adjustment of share capital	119.718	119.718
	486.761	108.631

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NOTE 21 – 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 22 - SALES

	1 January - 31 March 2019	1 January - 31 March 2018
Domestic sales	815.675	990.299
Overseas sales	3.023.131	2.272.342
Gross sales	3.838.806	3.262.641
Sales discounts (-)	(276.273)	(224.612)
Net sales	3.562.533	3.038.029
Cost of sales	(2.752.890)	(2.306.165)
Gross profit	809.643	731.864

NOTE 23 - EXPENSES BY NATURE

	1 January - 31 March 2019	1 January - 31 March 2018
Raw materials, supplies and finished goods	2.491.432	2.314.949
Changes in finished goods, work in process, trade goods	(117.193)	(291.271)
Personnel expenses	281.848	226.944
Depreciation and amortization	146.161	103.886
Export, transportation, warehouse expenses	140.047	113.050
Warranty and assembly expenses	83.511	78.139
Advertising expenses	44.267	49.592
Other	257.703	211.813
	3.327.776	2.807.102

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**NOTE 24 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH
AND DEVELOPMENT EXPENSES**

a) General administrative expenses:

	1 January - 31 March 2019	1 January - 31 March 2018
Personnel expenses	31.791	22.940
Depreciation and amortization	7.977	7.099
Consultancy expenses	8.570	6.140
Information technology expenses	9.740	7.065
Rent and office expenses	8.877	6.649
Tax and duties	3.657	2.680
Benefits and services provided externally	509	749
Insurance expenses	2.671	2.530
Travelling expenses	1.800	1.317
Other	34.764	15.486
	110.356	72.655

b) Marketing expenses:

Personnel expenses	72.560	62.394
Export, transportation, warehouse expenses	130.953	104.527
Warranty and assembly expenses	83.511	78.139
Advertising expenses	41.038	41.743
Depreciation and amortization	9.516	8.645
Other	68.400	83.289
	405.978	378.737

c) Research and development expenses:

Depreciation and amortization	35.259	29.526
Personnel expenses	8.327	6.893
Travel expense	1.634	2.372
Other	13.332	10.754
	58.552	49.545

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NOTE 25 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January - 31 March 2019	1 January - 31 March 2018
Credit finance gains arising from trading activities	15.149	9.127
Foreign exchange gains arising from trading activities	272.700	180.821
Reversals of provisions	461	-
Other income	37.593	13.167
	325.903	203.115

b) Other expense from operating activities:

Debit finance charges arising from trading activities	58.391	32.860
Foreign exchange expenses arising from trading activities	476.520	278.634
Provision expenses	12.047	9.155
Other expenses	56.559	27.315
	603.517	347.964

NOTE 26 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 March 2019	1 January - 31 March 2018
Foreign exchange gains	254.824	117.783
Gains on derivative financial instruments	351.388	226.611
Interest income	143.482	85.730
	749.694	430.124

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NOTE 26 – FINANCIAL INCOME AND FINANCIAL EXPENSE (Cont'd)

b) Financial expense:

	1 January - 31 March 2019	1 January - 31 March 2018
Foreign exchange losses	149.562	186.224
Losses on derivative financial instruments	469.885	258.412
Interest and commision expense	266.240	125.051
Other finance expenses	177	130
	885.864	569.817

NOTE 27 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 March 2019	31 December 2018
Corporation and income taxes	6.202	14.287
Prepaid taxes (-)	(18.911)	(20.369)
Current income tax liabilities - net	(12.709)	(6.082)
Deferred tax liabilities	(171.401)	(147.739)
Deferred tax assets	102.548	93.452

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.

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NOTE 27 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

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

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

For the years 2006-2017, corporate tax rate in Turkey is 20%. In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 March 2019 are calculated with 22% tax rate for the temporary differences which will be realized in 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% (2018: 20%). Under the Russian Federation taxation system, tax losses can be carried forward to be offset against future taxable income for up to ten years. There are no restrictions on the amounts subject to net off. On the other hand, tax, currency and customs legislations are subject to various interpretations and changes which can occurs frequently in Russian Federation. Management's interpretation for such legislation, which is applied to the Company's operations and activities, can be interpreted by regional and federal authorities in different ways.

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NOTE 27 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

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

As of 1 January - 31 March 2019 and 2018 tax benefit in the consolidated statement of income is as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Current period tax expense	(1.430)	(3.128)
Deferred tax benefit	(9.807)	36.869
Total tax (expense) / benefit	(11.237)	33.741

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 March 2019, 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 27 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

	Cumulative temporary differences		Deferred tax	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Deferred tax assets				
Employment termination benefits	(110.565)	(108.015)	22.113	21.603
Warranty provision	(129.655)	(128.555)	28.524	28.282
Provision for doubtful receivables	(149.105)	(141.823)	32.803	31.201
Unearned interest expense	(15.805)	(16.859)	3.477	3.709
Provision for impairment on inventories	(13.405)	(15.405)	2.949	3.389
Derivative financial instruments	(7.147)	(165.545)	1.572	36.420
Carryforward tax losses and R&D incentives	(318.669)	(318.669)	66.227	66.227
Other	(205.323)	(149.700)	45.171	32.934
			202.836	223.765
Deferred tax liabilities				
Useful life and valuation differences on property, plant and equipment and intangible assets	63.250	83.610	(12.650)	(16.722)
Revaluation of tangible fixed assets	1.109.121	1.117.944	(256.765)	(258.529)
Other	10.336	12.732	(2.274)	(2.801)
			(271.689)	(278.052)
Deferred tax assets / (liabilities) - net			(68.853)	(54.287)

As of 31 March 2019 and 2018, 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 (2018:141.864 thousand TL) is 2022. Furthermore, within R&D law framework, the Group has R&D incentives amounted to 175.083 thousand TL (2018:175.083 thousand TL) which can be used in 2019 and future periods.

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NOTE 27 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

	31 March 2019	31 December 2018
Subsidiaries with net deferred tax liabilities	(171.401)	(147.739)
Subsidiaries with net deferred tax assets	102.548	93.452

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

	1 January - 31 March 2019	1 January - 31 March 2018
Opening balance, 1 January	(54.287)	44.718
Tax benefit recognized in income statement	(9.807)	36.869
Recognized in shareholders' equity	(5.389)	(624)
Currency translation differences	630	(63)
Deferred tax (liabilities) / assets at the end of the period, net	(68.853)	80.900

NOTE 28 - EARNINGS / (LOSS) PER SHARE

	1 January - 31 March 2019	1 January - 31 March 2018
Net income / (loss) attributable to equity holders of the parent	(274.420)	(24.676)
Weighted number of ordinary shares with a Kr 1 of par value (hundred shares)	33.546.000	33.546.000
Earnings per share	(0,82)	(0,07)

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NOTE 29 – DERIVATIVE INSTRUMENTS

	31 March 2019		31 December 2018	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
<u>Derivative financial assets:</u>				
Held for trading				
Forward foreign currency transactions	1.580.569	24.299	2.064.426	68.025
Cash flow hedge				
Forward foreign currency transactions	1.629.764	29.469	932.989	16.635
<u>Derivative financial liabilities:</u>				
Held for trading				
Forward foreign currency transactions	2.768.021	(59.714)	4.021.835	(235.841)
Cash flow hedge				
Forward foreign currency transactions	69.758	(1.201)	652.548	(14.364)
	6.048.112	(7.147)	7.671.798	(165.545)

NOTE 30 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign currency risk:

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

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

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NOTE 30 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 March 2019	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	87.065	200.118	332.564	2.087.106
2a. Monetary financial assets (including cash and cash equivalents)	393.334	19.244	20.458	2.355.898
2b. Non-monetary financial assets	-	-	-	-
3. Other	2	-	62	73
4. Current assets (1+2+3)	480.401	219.362	353.084	4.443.077
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	377.898	51	-	2.127.283
6b. Non-monetary financial assets	807	4.770	-	34.683
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	378.705	4.821	-	2.161.966
9. Total assets (4+8)	859.106	224.183	353.084	6.605.043
10. Trade payables	688.211	102.138	9.281	4.528.197
11. Financial liabilities	335.972	184.906	-	3.059.365
12a. Other monetary liabilities	12.867	528	1.342	77.099
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	1.037.050	287.572	10.623	7.664.661
14. Trade payables	-	2.261	-	14.287
15. Financial liabilities	69.381	22.839	-	534.822
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	69.381	25.100	-	549.109
18. Total liabilities (13+17)	1.106.431	312.672	10.623	8.213.770
19. Off-balance sheet derivative instruments net asset / (liability) position (19a+19b)	204.122	(37.057)	(624.423)	290.301
19a. Hedged total assets	591.564	220.170	186.911	4.907.680
19b. Hedged total liabilities	(387.442)	(257.227)	(811.334)	(4.617.379)
20. Net foreign currency asset/ (liability) position (9-18+19)	(43.203)	(125.546)	(281.962)	(1.318.426)
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(248.134)	(93.259)	342.399	(1.643.483)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(7.147)
23. Export	126.994	276.160	281.029	3.023.131
24. Import	267.806	44.133	27	1.704.863

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NOTE 30 – 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 30 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 March 2019 and 31 December 2018 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 March 2019				
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(139.660)	139.660	(139.660)	139.660
Secured portion from USD risk (-)	15.833	(15.833)	114.787	(114.787)
USD net effect	(123.827)	123.827	(24.873)	24.873
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	(58.929)	58.929	(58.929)	58.929
Secured portion from EUR risk (-)	65.286	(65.286)	(24.440)	24.440
EUR net effect	6.357	(6.357)	(83.369)	83.369
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability risk (-)	34.240 (80.034)	(34.240) 80.034	34.240 (80.034)	(34.240) 80.034
Other currency net effect	(45.794)	45.794	(45.794)	45.794

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NOTE 30 - 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 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