

**VESTEL ELEKTRONİK SANAYİ VE TİCARET
ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY- 31 MARCH 2020**

(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 2020

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VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2020 AND 31
DECEMBER 2019

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

		Audited		
		Footnotes	31 March 2020	31 December 2019
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	5	2.419.047	2.394.334	
Trade Receivables		3.212.457	3.372.832	
Trade Receivables Due from Related Parties	8	60.191	55.810	
Trade Receivables Due from Unrelated Parties	9	3.152.266	3.317.022	
Other Receivables		946.546	800.384	
Other Receivables Due from Related Parties	8	698.187	550.383	
Other Receivables Due from Unrelated Parties	10	248.359	250.001	
Derivative Financial Assets		91.529	45.487	
Derivative Financial Assets Held for Trading	29	56.055	42.291	
Derivative Financial Assets Held for Hedging	29	35.474	3.196	
Inventories	11	3.215.855	2.833.115	
Prepayments		80.960	89.674	
Prepayments to Unrelated Parties	12	80.960	89.674	
Current Tax Assets	27	4.029	7.259	
Other Current Assets		57.341	65.496	
Other Current Assets Due from Unrelated Parties	20	57.341	65.496	
TOTAL CURRENT ASSETS		10.027.764		9.608.581

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CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2020 AND 31
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Audited		
		Footnotes	31 March 2020	31 December 2019
NON-CURRENT ASSETS				
Financial Investments	6		69.480	69.941
Investments in subsidiaries, joint ventures and associates	13		926.767	974.192
Trade Receivables			51.646	67.595
Trade Receivables Due From Related Parties			768	768
Trade Receivables Due from Unrelated Parties	9		50.878	66.827
Other Receivables			4.564.692	3.986.552
Other Receivables Due from Related Parties	8		4.558.583	3.981.045
Other Receivables Due from Unrelated Parties	10		6.109	5.507
Property, Plant and Equipments			3.317.780	3.452.328
Land and Premises	14		600.021	635.564
Land Improvements	14		120.317	125.506
Buildings	14		1.350.772	1.428.183
Machinery and Equipments	14		1.159.924	1.115.091
Vehicles	14		2.706	2.705
Fixtures and Fittings	14		45.720	78.708
Leasehold Improvements	14		868	12.276
Construction in Progress	14		37.452	54.295
Right of Use Assets	15		234.088	163.776
Intangible Assets and Goodwill			794.341	815.521
Goodwill			160.396	197.793
Other Rights	16		16.171	15.779
Capitalized Development Costs	16		546.845	528.242
Other Intangible Assets	16		70.929	73.707
Prepayments			81.875	73.496
Prepayments to Unrelated Parties	12		81.875	73.496
Deferred Tax Asset	27		228.325	230.498
Other Non-current Assets	20		10.603	9.925
TOTAL NON-CURRENT ASSETS			10.279.597	9.843.824
TOTAL ASSETS			20.307.361	19.452.405

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2020 AND 31
DECEMBER 2019

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

		Audited	
	Footnotes	31 March 2020	31 December 2019
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings	7	5.410.354	5.830.835
Current Borrowings from Related Parties		14.054	7.368
Lease Liabilities	8	14.054	7.368
Current Borrowings from Unrelated Parties		5.396.300	5.823.467
Bank Loans	7	5.323.243	5.766.814
Lease Liabilities	7	73.057	56.653
Current Portion of Non-current Borrowings	7	1.355.630	1.411.361
Current Portion of Non-current Borrowings from Unrelated Parties		1.355.630	1.411.361
Bank Loans	7	1.355.630	1.411.361
Trade Payables		6.204.055	6.127.709
Trade Payables to Related Parties	8	6.394	7.830
Trade Payables to Unrelated Parties	9	6.197.661	6.119.879
Employee Benefit Obligations	19	155.354	200.055
Other Payables		75.678	56.799
Other Payables to Related Parties	8	61.642	56.195
Other Payables to Unrelated Parties		14.036	604
Derivative Financial Liabilities	29	58.441	52.592
Derivative Financial Liabilities Held for Trading		52.127	42.532
Derivative Financial Liabilities Held for Hedging		6.314	10.060
Current Tax Liabilities	30	-	-
Current Provisions	17	561.614	582.081
Other Current Provisions		561.614	582.081
Other Current Liabilities	20	393.609	391.043
Other Current Liabilities to Unrelated Parties		393.609	391.043
TOTAL CURRENT LIABILITIES		14.214.735	14.652.475

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2020 AND 31
DECEMBER 2019

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

		Audited	
	Footnotes	31 March 2020	31 December 2019
NON-CURRENT LIABILITIES			
Long Term Borrowings	7	1.569.598	568.081
Long Term Borrowings from Related Parties		37.161	15.759
Lease Liabilities	8	37.161	15.759
Long Term Borrowings from Unrelated Parties		1.532.437	552.322
Bank Loans	7	1.415.515	456.424
Lease Liabilities	7	116.922	95.898
Trade Payables		496	6.747
Trade Payables to Unrelated Parties	9	496	6.747
Non-current Provisions		206.712	201.953
Non-current Provisions for Employee Benefits	19	162.806	156.116
Other Non-current Provisions	17	43.906	45.837
Deferred Tax Liabilities	27	268.095	233.589
Other Non-current Liabilities		1.428	9.649
Other Non-current Liabilities to Unrelated Parties		1.428	9.649
TOTAL NON-CURRENT LIABILITIES		2.046.329	1.020.019
TOTAL LIABILITIES		16.261.064	15.672.494

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2020 AND 31
DECEMBER 2019

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

		Audited	
	Footnotes	31 March 2020	31 December 2019
EQUITY			
Equity Attributable to Owners of Parent		3.950.597	3.690.656
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		1.269.212	1.275.275
Gains (Losses) on Revaluation and Remeasurement		1.269.212	1.275.275
Increases (Decreases) on Revaluation of Property, Plant and Equipment	21	1.305.964	1.310.274
Gains (Losses) on Remeasurements of Defined Benefit Plans		(36.752)	(34.999)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		442.546	406.591
Exchange Differences on Translation		424.811	406.932
Gains (Losses) on Hedge		16.097	(4.662)
Gains (Losses) on Cash Flow Hedges		16.097	(4.662)
Gains (Losses) on Revaluation and Reclassification		1.638	4.321
Gains (Losses) on Remeasuring Financial Assets Measured of Fair Value through Other Compressive Income	21	1.638	4.321
Restricted Reserves Appropriated from Profits		67.179	67.179
Legal Reserves	21	67.179	67.179
Prior Years' Profits or Losses	21	814.064	490.017
Current Period Net Profit Or Loss		230.049	324.047
Non-controlling Interests		95.700	89.255
TOTAL EQUITY		4.046.297	3.779.911
TOTAL LIABILITIES AND EQUITY		20.307.361	19.452.405

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 2020 AND 2019
 (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Footnotes	1 January - 31 March 2020	1 January - 31 March 2019
PROFIT OR LOSS			
Revenue	22	3.930.802	3.562.533
Cost of Sales	22	(2.811.591)	(2.752.890)
GROSS PROFIT		1.119.211	809.643
General Administrative Expenses	24	(111.013)	(110.356)
Marketing Expenses	24	(485.795)	(405.978)
Research and Development Expense	24	(64.957)	(58.552)
Other Income from Operating Activities	25	328.460	325.903
Other Expenses from Operating Activities	25	(658.191)	(603.517)
PROFIT FROM OPERATING ACTIVITIES		127.715	(42.857)
Share of Profit (Loss) from Investments Accounted for Using Equity Method	13	(71.005)	(80.008)
PROFIT BEFORE FINANCING INCOME		56.710	(122.865)
Finance Income	26	902.801	749.694
Finance Costs	26	(687.665)	(885.864)
PROFIT FROM CONTINUING OPERATIONS, BEFORE TAX		271.846	(259.035)
Tax (Expense) Income, Continuing Operations		(35.372)	(11.237)
Current Period Tax (Expense) Income	27	(3.427)	(1.430)
Deferred Tax (Expense) Income	27	(31.945)	(9.807)
PROFIT FROM CONTINUING OPERATIONS		236.474	(270.272)
PROFIT		236.474	(270.272)
Profit (loss), attributable to			
Non-controlling Interests		6.425	4.148
Owners of Parent		230.049	(274.420)
Earnings per 100 share with a Kr 1 of Par Value (TL)	28	0,69	(0,82)

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIODS 1 JANUARY - 31 MARCH 2020 AND 2019
 (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	1 January - 31 March 2020	1 January - 31 March 2019
OTHER COMPREHENSIVE INCOME		
Other Comprehensive Income that will not be Reclassified to Profit or Loss	(1.775)	(2.406)
Gains (Losses) on Remeasurements of Defined Benefit Plans	(2.219)	(3.008)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss	444	602
Taxes Relating to Remeasurements of Defined Benefit Plans	444	602
Other Comprehensive Income that will be Reclassified to Profit or Loss	35.997	104.903
Exchange Differences on Translation	17.879	83.663
Gains (losses) on Remeasuring Financial Assets Measured of Fair Value through Other Comprehensive Income	(3.440)	81
Other Comprehensive Income (Loss) Related with Cash Flow Hedges	26.668	27.150
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss	(5.110)	(5.991)
Taxes Relating to Financial Assets Measured of Fair Value through Other Comprehensive Income	(5.110)	(5.991)
Taxes Relating to Cash Flow Hedges	(5.867)	(5.973)
OTHER COMPREHENSIVE INCOME (LOSS)	34.222	102.497
TOTAL COMPREHENSIVE INCOME (LOSS)	270.696	(167.775)
Total Comprehensive Income Attributable to		
Non-controlling Interests	6.444	4.234
Owners of Parent	264.252	(172.009)

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIODS 1 JANUARY – 31 MARCH 2020 AND 2019

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

Issued Capital	Inflation Adjustments on Capital	Share Premium or Discounts	Statement of Changes in 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) and Remeasurements	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss	Exchange Differences on Translation	Cash Flow Hedges	Reserve Of Gains or Losses on Hedge	Gains (Losses) on Remeasuring and/or Reclassification of Financial Assets Measured at Fair Value through Other Comprehensive Income	Other Accumulated Gains (Losses) on Remeasurement and Reclassification	Restricted Reserves	Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings					
Previous Period																				
1 January -31																				
Beginning of Period	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	-	-	-	-	(2.378)	(2.378)	(2.378)	83.663	21.063	21.063	63	63	104.789	-	-	-	-	102.411	86	102.497
End of Period	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
Current Period																				
1 January -31																				
Opening Balance	335.456	688.315	103.776	1.310.274	(34.999)	1.275.275	1.275.275	406.932	(4.662)	(4.662)	4.321	4.321	406.591	67.179	490.017	324.047	814.064	3.690.656	89.255	3.779.911
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	324.047	(324.047)	-	-	-	
Total Comprehensive																				
Income (Loss)	-	-	-	-	(1.753)	(1.753)	(1.753)	17.879	20.759	20.759	(2.683)	(2.683)	35.955	-	-	230.049	230.049	264.251	6.445	270.696
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	230.049	230.049	230.049	6.425	236.474
Other																				
Comprehensive	-	-	-	-	(1.753)	(1.753)	(1.753)	17.879	20.759	20.759	(2.683)	(2.683)	35.955	-	-	-	-	34.202	20	34.222
-	-	-	-	(4.310)	-	(4.310)	(4.310)	-	-	-	-	-	-	-	-	-	(4.310)	-	(4.310)	
Closing Balance	335.456	688.315	103.776	1.305.964	(36.752)	1.269.212	1.269.212	424.811	16.097	16.097	1.638	1.638	442.546	67.179	814.064	230.049	1.044.113	3.950.597	95.700	4.046.297

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 2020 AND 2019

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

	Footnotes	31 March 2020	31 March 2019
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		569.044	518.409
Profit		236.474	(270.272)
Profit (Loss) from Continuing Operations		236.474	(270.272)
Adjustments to Reconcile Profit		505.199	1.161.382
Adjustments for Depreciation and Amortisation Expense	14	146.599	148.012
Adjustments for Impairment Loss			
(Reversal of Impairment Loss)		1.038	15.034
Adjustments for Impairment Loss			
(Reversal of Impairment Loss) of Receivables	9	6.181	12.752
Adjustments for Impairment Loss			
(Reversal of Impairment Loss) of Inventories	11	(5.143)	2.282
Adjustments for Provisions			
Adjustments for (Reversal of) Provisions Related with			
Employee Benefits	19	10.027	5.227
Adjustments for (Reversal of) Lawsuit and/or			
Penalty Provisions	17	579	1.048
Adjustments for (Reversal of) Warranty Provisions	17	9.684	4.087
Adjustments for (Reversal of) Other Provisions	17	(32.661)	(45.296)
Adjustments for Interest (Income) Expenses			
Adjustments for Interest Income	26	(109.535)	(143.482)
Adjustments for Interest Expense	26	183.161	266.240
Adjustments for Unrealised Foreign			
Exchange Losses (Gains)	7	173.022	178.737
Adjustments for Fair Value Losses (Gains)			
Adjustments for Fair Value (Gains) Losses on			
Derivative Financial Instruments		(13.525)	(131.248)
Adjustments for Undistributed Profits of Investments Accounted			
for Using Equity Method		71.005	80.008
Adjustments for Tax (Income) Expenses			
35.372		11.237	
Adjustments for Losses (Gains) on Disposal of			
Non-Current Assets		36.492	(636)
Adjustments for Losses (Gains) Arised from			
Sale of Tangible Assets		36.492	(636)
Other Adjustments to Reconcile Profit (Loss)		(6.059)	772.414

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1 JANUARY - 31 MARCH 2020 AND 2019

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

	Footnotes	1 January - 31 March 2020	1 January - 31 March 2019
Changes in Working Capital		(159.300)	(354.419)
Decrease (Increase) in Financial Investments	6	3.440	(81)
Adjustments for Decrease (Increase) in Trade Accounts Receivable		170.143	681.065
Decrease (Increase) in Trade Accounts Receivables from Related Parties		(4.381)	(4.225)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties		174.524	685.290
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		1.040	20.809
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations		1.040	20.809
Adjustments for Decrease (Increase) in Inventories		(378.136)	(123.657)
Decrease (Increase) in Prepaid Expenses		335	(3.104)
Adjustments for Increase (Decrease) in Trade Accounts Payable		70.095	(878.710)
Increase (Decrease) in Trade Accounts Payables to Related Parties		(1.436)	2.132
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties		71.531	(880.842)
Increase (Decrease) in Employee Benefit Liabilities		(44.701)	21.494
Adjustments for Increase (Decrease) in Other Operating Payables		13.432	5.306
Increase (Decrease) in Other Operating Payables to Unrelated Parties		13.432	5.306
Other Adjustments for Other Increase (Decrease) in Working Capital		5.052	(77.541)
Decrease (Increase) in Other Assets Related with Operations		10.707	(32.699)
Increase (Decrease) in Other Payables Related with Operations		(5.655)	(44.842)
Cash Flows from (used in) Operations		582.373	536.691
Payments Related with Provisions for Employee Benefits	19	(5.556)	(5.453)
Income Taxes Refund (Paid)	27	(7.773)	(12.829)

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1 JANUARY - 31 MARCH 2020 AND 2019

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

	Footnotes	1 January - 31 March 2020	1 January - 31 March 2019
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(839.677)	(387.823)
Cash Outflows Arising from Purchase of Shares or Capital			
Increase of Associates and/or Joint Ventures		(2.979)	(14.786)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		73.417	1.216
Proceeds from Sales of Property, Plant and Equipment		73.417	1.216
Purchase of Property, Plant, Equipment and Intangible Assets		(184.773)	(147.338)
Purchase of Property, Plant and Equipment	14	(147.443)	(109.807)
Purchase of Intangible Assets	16	(37.330)	(37.531)
Cash Advances and Loans Made to Other Parties		(725.342)	(226.915)
Cash Advances and Loans Made to Related Parties	8	(725.342)	(226.915)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		227.120	176.565
Proceeds from Borrowings		3.621.937	2.580.313
Proceeds from Loans	7	3.621.937	2.580.313
Repayments of Borrowings		(3.258.850)	(2.359.117)
Loan Repayments	7	(3.324.366)	(2.356.899)
Cash Outflows from Other Financial Liabilities	7	65.516	(2.218)
Increase in Other Payables to Related Parties		5.447	3.476
Payments of Lease Liabilities		(26.566)	(17.652)
Interest Paid		(224.383)	(173.937)
Interest Received		109.535	143.482
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(43.513)	307.151
Effect of Exchange Rate Changes on Cash and Cash Equivalents		62.167	22.530
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		18.654	329.681
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	2.283.040	2.278.962
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		2.301.694	2.608.643

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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 2020, 35,59 % of the Group's shares are publicly traded (2019: 35,59%).

As of 31 March 2020 the number of personnel employed at Group is 16.833 (31 December 2019: 16.775).

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
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 Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") Turkish Accounting Standards Board.

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

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

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

2.1.2 Currency used

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

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

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

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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 2020</u>	<u>31 December 2019</u>
Turkish Lira/EUR	0,1386	0,1504
Turkish Lira/GBP	0,1241	0,1286
Turkish Lira/RUB	12,3122	10,469
Turkish Lira/PLN	0,6303	0,6398
Turkish Lira/ USD	0,1535	0,1683
<u>Average:</u>	<u>1 January -</u>	<u>1 January -</u>
Turkish Lira/EUR	0,1487	0,1768
Turkish Lira/GBP	0,1283	0,1383
Turkish Lira/RUB	10,9362	11,466
Turkish Lira/PLN	0,6422	0,6764
Turkish Lira/ USD	0,164	0,1763

2.1.3 Basis of consolidation

The consolidated financial statements include the accounts of the parent, Group, 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 Aydin Yazılım has net liability position as of 31 March 2020 and 2019, 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 Aydin Yazılım are 35% and 21% respectively (31 December 2019: 35%, 21%).

The carrying amounts of the investments accounted for using the equity method are reviewed whether there is any indication of impairment at each reporting date. If such an indicator exists, the recoverable amount of the asset is estimated.

The recoverable amount of the investments accounted for using the equity method refers to the higher of value-in-use or fair value less cost to sell. Value-in-use is the present value of future cash flows expected to be generated from an asset or cash generating unit.

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

If the carrying amount of the investments accounted for using the equity method exceeds the recoverable amount, the impairment is accounted for. Impairments are recognized in profit and loss accounts. Impairments are recorded in the statement of profit or loss and other comprehensive income. In investments accounted for using the equity method, impairments allocated in previous periods are re-evaluated in each reporting period in the event that impairment decreases or there are indicators that impairment is not valid. Impairment is reversed in case of changes in the estimates used when determining recoverable amount. The increase in the carrying amount of the investments due to the reversal of the impairment loss is accounted in such a way that it does not exceed the carrying amount determined if the impairment loss has not been included in the consolidated financial statements in the previous years.

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.

2.3 Restatement and errors in the accounting estimates

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

2.4 Amendments in International Financial Reporting Standards

a) Standards, amendments and interpretations that are issued but not effective as at 31 December 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.

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

- **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.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

This changes does not have any significant impact on the Group's overall financial performance.

2.5 Summary of significant accounting policies

2.5.1 Revenue recognition

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

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

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

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

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

Revenue from sale of goods

Group recognizes revenue based on the production and sale of white goods, consumer electronics, air conditioners and home appliance. Revenue is recognized when the control of the goods is transferred to the customer. In addition, Group provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 1-3 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold. Therefore, they are not treated as a separate good or service apart from the sale of good.

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.

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

2.5.3 Property, plant and equipment

Land, land improvements and buildings are stated at fair value less accumulated depreciation, based on valuations performed at 31 December 2018 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount is the revalued amount of the asset.

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.

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

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

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

Leases

The Group – 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, If the supplier has a substantive substitution right, the asset is not identified.
- 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 if either:
 - i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

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.

The group rents various buildings, warehouses, forklifts and machinery equipment. Rental contracts are generally made for 5 years for machinery and equipment, and for fixed periods for warehouses, usually between 2 and 10 years.

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

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.

Lease payments included in the measurement of the lease liability comprise the following:

- 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, 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.

The Group – as a lessor

The Group's activities as a lessor are not material.

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.

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

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.

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.

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

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.

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, receivables and financial assets measured at fair value through other comprehensive income.. 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", "other assets" 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.

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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.

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 provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

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.

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.

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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.

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.

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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.

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.

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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.

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.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Also, 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 provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities.

The Group collects some of its receivables via factoring. From the receivables subject to factoring transactions, the amounts that the factoring company assumes the collection risk are deducted from the relevant receivable accounts.

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

2.5.20 Trade payables

Trade payables are recognized at their fair values.

2.5.21 Borrowings and borrowing costs

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income as finance cost over the period of the borrowings. Borrowing costs are expensed as incurred. If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which (at least a period of one year) are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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:

Revaluations are performed with the sufficient regularity to ensure that the carrying amounts of the revalued property, plant and equipment do not differ materially from that which would be determined using fair value at the end of the reporting periods. The frequency of the revaluation depends upon the changes in the fair values of the items of property, plant and equipment. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required and revaluation is performed for entire class of revalued item simultaneously. Besides, for items of property, plant and equipment with only insignificant changes in fair value frequent revaluations and fair value measurements are considered unnecessary.

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As a result of the assessments made by the Group management, it has been concluded that the fair values of the land, land improvements and buildings determined based on valuations by external independent valuers as of 31 December 2018 are assumed to be approximate to their fair values to carrying values as of 31 March 2020 after deducting current year depreciation.

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.

ii. Impairment tests of investments accounted for using the equity method

As stated in the accounting policies in Note 2.1.3.b, if there is an indicator of impairment related to the carrying amount of investments accounted for using the equity method, such investments are subjected to impairment tests. The impairment test is performed by comparing the carrying amounts of the calculated cash flows with the recoverable amount calculated with the value-in-use of the investment. Significant estimates and assumptions used in determining the cash flows and their sensitivity analysis are presented in Note 13. As of 31 March 2020, no impairment was identified as a result of the impairment tests performed (Note 13).

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NOTE 3 - INTERESTS IN OTHER ENTITIES

Subsidiaries:

As of 31 March 2020 and 31 December 2019 the Group's major subsidiaries are as follows:

Konsolide edilen bağlı ortaklıklar	31 Mart 2020		31 Aralık 2019	
	Oy hakkı	Etkinlik oranı	Oy hakkı	Etkinlik oranı
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
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

* OY Vestel Scandinavia AB of which Vestel Ticaret A.Ş is 100% shareholder was liquidated on February 10,2020.

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 2020	31 December 2019
Accumulated non-controlling interests	100.858	94.414
Comprehensive income attributable to non-controlling interests	6.444	27.485

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

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

Condensed balance sheet:

	31 March 2020	31 December 2019
Current assets	3.376.269	3.167.744
Non-current assets	1.927.061	1.816.058
Current liabilities	(3.099.510)	(2.991.718)
Non-current liabilities	(261.762)	(185.856)
Net assets	1.942.058	1.806.228

Condensed statement of comprehensive income:

	1 January -	1 January -
	31 March	31 March
	2020	2019
Net sales	1.595.057	1.385.110
Income / (loss) before tax	131.966	85.782
Tax benefit / (expense)	3.477	(1.797)
Net income / (loss) for the period	135.443	83.985
Total comprehensive income	135.831	85.769

Condensed statement of cash flows:

Operating activities:

Changes in working capital	149.035	146.140
Net cash provided by operating activities	380.582	253.466

Investing activities:

Net cash used in investing activities	(90.370)	(388.412)
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Financing activities:

Proceeds from bank borrowings	359.815	545.519
Repayment of bank borrowings	(429.367)	(462.222)
Net cash (used in) / provided by financing activities	(69.552)	83.405

Cash and cash equivalents at the beginning of the period	82.287	103.283
Cash and cash equivalents at the end of the period	234.464	51.742

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

Other financial information of Company'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 2020			
Revenue	1.719.907	2.210.895	3.930.802
Cost of sales	(1.258.106)	(1.553.485)	(2.811.591)
Gross profit	461.801	657.410	1.119.211
Depreciation and amortization	85.387	61.212	146.599
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

Capital expenditure

	Television and Electronical devices	White goods	Total
1 January -31 March 2020	82.361	102.412	184.773
1 January -31 March 2019	63.190	84.148	147.338

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NOTE 4 - SEGMENT REPORTING (Cont'd)

Geographical segments:

The amount of export for the period 1 January - 31 March 2020 is 3.138.610 thousand TL (1 January - 31 March 2019: 3.023.131 thousand TL). Export sales are denominated in EUR, USD and other currencies as 66%, 26%, and 8% of total exports respectively. (1 January - 31 March 2019: 63,7% EUR, 25,7 % USD, 10,6 % 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.

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 March 2020	31 December 2019
Cash	1.730	1.618
Bank deposits		
- Demand deposits	2.049.772	2.104.712
- Time deposits	126.022	62.608
Cheques and notes	85.364	93.401
Other	38.806	20.701
Blocked deposits	117.353	111.294
Cash and cash equivalents	2.419.047	2.394.334

Effective interest rates

	31 March 2020	31 December 2019
TL	9,84%	0,00%
USD	1,00%	1,00%
KZT	9,50%	9,50%
PLN	4,25%	8,93%

As of 31 March 2020 and 31 December 2019 the Group's time deposits have an average maturity of less than 3 months.

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NOTE 6 - FINANCIAL ASSETS

	Ownership		Amount		
	31 March 31 December		31 March 31 December		
	Country	2020	2019	2020	2019
Financial assets measured at fair value through other comprehensive income:					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	< 1%	< 1%	9.897	13.337
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
				10.170	13.610

Non-consolidated subsidiaries on the grounds of materiality:	Ownership		Amount		
	31 March 31 December		31 March 31 December		
	Country	2020	2019	2020	2019
Vestel Ventures Ar-ge A.Ş.	Turkey	100%	100%	57.094	54.115
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
				61.088	58.109
Impairment of subsidiaries (-)					
Vestel Electronica SRL				(1.778)	(1.778)
				59.310	56.331

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NOTE 7 - FINANCIAL LIABILITIES

	31 March 2020	31 December 2019
Short term financial liabilities		
Short term bank loans	5.323.243	5.766.814
Short term portion of long term bank loans	1.355.630	1.411.361
Short term portion of long term lease liabilities	87.111	64.021
	6.765.984	7.242.196
Long term financial liabilities		
Long term bank loans	1.415.515	456.424
Long term lease liabilities	154.083	111.657
	1.569.598	568.081

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

	31 March 2020			31 December 2019		
	Weighted average of effective interest	Original currency	TL Equivalent	Weighted average of effective interest	Original currency	TL Equivalent
- USD	3,78%	245.911	1.602.357	3,94%	231.736	1.376.559
- EUR	2,64%	193.936	1.399.245	3,02%	214.139	1.424.156
- TL	17,10%	2.321.641	2.321.641	20,44%	2.966.099	2.966.099
		5.323.243			5.766.814	

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NOTE 7 - FINANCIAL LIABILITIES (Cont'd)

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

	31 March 2020			31 December 2019		
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	6,79%	52.802	344.057	6,79%	62.298	370.065
- EUR	6,24%	10.719	77.334	5,07%	18.681	124.239
- TL	25,52%	934.239	934.239	25,84%	917.057	917.057
Short term portion			1.355.630			1.411.361
- USD	8,37%	32.506	211.809	8,77%	41.054	243.871
- EUR	6,23%	13.319	96.096	0	18.619	123.825
- TL	15,52%	1.107.610	1.107.610	17,30%	88.728	88.728
Long term portion			1.415.515			456.424
			2.771.145			1.867.785

Total amount of Group's floating bank loans is 923.172 thousand TL (31 December 2019: 480.738 thousand TL).

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

	31 March 2020	31 December 2019
One to two years	1.301.450	269.599
Two to three years	91.565	162.200
Three to four years	13.713	14.045
Four years and over	8.787	10.580
	1.415.515	456.424

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NOTE 7 - FINANCIAL LIABILITIES (Cont'd)

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

	31 March 2020	31 December 2019
6 months or less	923.172	480.738
	923.172	480.738

Guarantees given for the bank loans obtained are presented in note 17.

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 2020 and 31 March 2019, the Group's net financial debt reconciliation is shown below:

	31 March 2020	31 March 2019
Net financial debt as of 1 January	5.527.237	4.898.069
Cash inflows from loans	3.621.937	2.580.313
Cash outflows from loan payments	(3.406.328)	(2.506.624)
Cash outflows from financial leasing payments	102.000	155.188
Unrealized Fx gain/loss	173.022	178.737
Accrued interest	34.674	233.651
Change in cash and cash equivalents	(18.654)	(329.681)
Net financial debt at the end of the period	6.033.888	5.209.653

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NOTE 8 - RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 March 2020	31 December 2019
Vestel Electronica S.R.L. ⁽³⁾	19.983	19.255
Zorluteks Tekstil Sanayi ve Ticaret A.Ş. ⁽¹⁾	5.836	3.415
Vestel Electronics Gulf DMCC. ⁽³⁾	15.746	15.812
Other related parties	18.626	17.328
	60.191	55.810

b) Short term trade payables to related parties

	31 March 2020	31 December 2019
Vestel Electronics Shanghai Trading Co. Ltd. ⁽³⁾	1.912	2.072
ABH Turizm Temsilcilik ve Ticaret A.Ş. ⁽¹⁾	1.399	3.094
Other related parties	3.083	2.664
	6.394	7.830

c) Other short term receivables from related parties

	31 March 2020	31 December 2019
Zorlu Holding A.Ş. ⁽²⁾	478.039	376.015
Vestel Ventures A.Ş ⁽³⁾	162.059	148.579
Türkiyenin Otomobil Girişim		
Grubu Sanayi ve Ticaret A.Ş. ⁽³⁾	57.950	25.650
Other related parties	139	139
	698.187	550.383

As of 31 March 2020 , the annual average effective interest rate of other receivables in TL is 17%. and in USD is 7%, in EUR is %5.(31 December 2019 : USD 7%, TRY 21%)

(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 2020	31 December 2019
Zorlu Holding A.Ş. ⁽²⁾	1.813.837	1.647.724
Vestel Savunma Sanayi A.Ş. ⁽³⁾	1.661.131	1.470.762
Meta Nikel Kobalt Madencilik Sanayi Ve Ticaret A.Ş. ⁽³⁾	1.083.615	862.559
	4.558.583	3.981.045

As of 31 March 2020, the annual average effective interest rate of other receivables in TL is 17%. and in USD is 7%, in EUR is %5.(31 December 2019 : USD 7%, TRY 21%)

e) Other payables to related parties

	31 March 2020	31 December 2019
Zorlu Family ⁽²⁾	61.642	56.195

f) Transactions with related parties

	1 January -	1 January -
	31 March	31 March
	2020	2019

Sales

Vestel Electronics Gulf DMCC. ⁽³⁾	12.252	6.578
Vestel Electronica S.R.L. ⁽³⁾	7.718	9.305
Zorluteks Tekstil Sanayi ve Ticaret A.Ş. ⁽¹⁾	1.148	1.725
Other related parties	1.040	533
	22.158	18.141

	1 January -	1 January -
	31 March	31 March
	2020	2019

Operating expenses

ABH Turizm Temsilcilik ve Ticaret A.Ş. ⁽¹⁾	5.953	5.066
Zorlu Holding A.Ş. ⁽²⁾	16.274	9.912
Zorlu Gayrimenkul Gel. ve Yat. A.Ş. ⁽¹⁾	3.266	2.760
Zorlu Air Havacılık A.Ş. ⁽¹⁾	1.029	1.279
Other related parties	1.587	1.472
	28.109	20.489

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

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NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)

	1 January - 31 March 2020	1 January - 31 March 2019
Financial income		
Zorlu Holding A.Ş. ⁽²⁾	231.759	280.791
Vestel Savunma Sanayi A.Ş. ⁽³⁾	118.251	56.244
Other related parties	-	5.812
	350.010	342.847
Financial expense		
Zorlu Holding A.Ş. ⁽²⁾	130	-
Other related parties	1.420	270
	1.550	270

g) Guarantees received from and given to related parties are disclosed in note 19.

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

Compensation paid to key management for the three months period ended 31 March 2020 is 9.300 thousand TL (1 January - 31 March 2019: 4.380 thousand TL).

i) Short term and long term financial liabilities from related parties consist of rental of management building and amounting to 51.215 TL as of 31 March 2019.(31 December 2019 : 23.127 TL)

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	31 March 2020	31 December 2019
Short term trade receivables		
Trade receivables		
- Related parties (note 8)	60.191	55.810
- Other parties	2.835.602	3.084.681
Cheques and notes receivables	343.815	261.793
Other	149.864	146.437
	3.389.472	3.548.721
Unearned interest expense (-)		
- Related parties (note 8)	-	-
- Other parties	(9.745)	(10.966)
Allowance for doubtful receivables (-)	(167.270)	(164.923)
Total short term trade receivables	3.212.457	3.372.832
Long term trade receivables		
Cheques and notes receivables	57.222	77.527
Unearned interest expense (-)	(5.576)	(9.932)
Total long term trade receivables	51.646	67.595
	1 January -	1 January -
	31 March 2020	31 March 2019
Opening balance, 1 January	164.923	118.450
Current year additions	6.181	12.752
Provisions no longer required	(4.217)	(3.103)
Currency translation differences	383	1.317
Balance at 31 March	167.270	129.416

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

31 March 2020 31 December 2019

Short term trade payables

Trade payables

- Related parties (note 8)	6.394	7.830
- Other parties	6.194.444	6.116.995
Notes payables		
- Other parties	20	59
Other	3.549	3.491
	6.204.407	6.128.375

Unearned interest income (-)

- Related parties (note 8)	-	-
- Other parties	(352)	(666)

Total short term trade payables **6.204.055** **6.127.709**

Long term trade payables

Trade payables

- Other parties	496	6.747
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Total long term trade payables **496** **6.747**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
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NOTE 10 – OTHER RECEIVABLES

	31 March 2020	31 December 2019
Short term other receivables		
Receivables from official institutions	172.976	187.448
Receivables from related parties (note 8)	698.187	550.383
Deposits and guarantees given	71.332	59.075
Other	93.427	92.854
	1.035.922	889.760
Allowance for doubtful receivables (-)	(89.376)	(89.376)
	946.546	800.384
Long term other receivables		
Deposits and guarantees given	6.109	5.507
Receivables from related parties (note 8)	4.558.583	3.981.045
Other	8.278	8.278
	4.572.970	3.994.830
Allowance for doubtful receivables (-)	(8.278)	(8.278)
	4.564.692	3.986.552

The Group provides allowance for doubtful receivables.

NOTE 11 – INVENTORIES

	31 March 2020	31 December 2019
Raw materials	1.527.245	1.115.649
Work in process	108.662	94.662
Finished goods	1.457.306	1.520.401
Merchandise	166.116	155.044
Other	9.791	5.228
	3.269.120	2.890.984
Provision for impairment on inventories (-)	(53.265)	(57.869)
	3.215.855	2.833.115

Cost of the inventory included in the consolidated statement of comprehensive income in the period 1 January – 31 March 2020 is 2.400.186 thousand TL (2019: 2.374.239 thousand TL).

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NOTE 11 - INVENTORIES (Cont'd)

As of 31 March 2020 the Group does not have inventories pledged as security for liabilities (31 December 2019: None)

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

	31 March 2020	31 December 2019
Raw materials	21.005	21.005
Finished goods and merchandise	32.260	36.864
	53.265	57.869

Movement of provision for impairment on inventories is as follows:

	1 January -	1 January -
	31 March 2020	31 March 2019
Opening balance, 1 January	57.869	32.801
Current year additions	3.292	6.081
Realised due to sale of inventory	(8.435)	(3.799)
Currency translation differences	539	1.890
Balance at 31 March	53.265	36.973

NOTE 12 - PREPAID EXPENSES

	31 March 2020	31 December 2019
Prepaid expenses in current assets		
Order advances given	38.496	29.423
Prepaid expenses	38.536	56.664
Business advances given	3.928	3.587
	80.960	89.674
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	77.079	64.471
Prepaid expenses	4.796	9.025
	81.875	73.496

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NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 March 2020		31 December 2019	
	%	Amount	%	Amount
Investment in associates				
Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş.	50%	917.334	50%	961.272
Türkiyenin Otomobil Girişim Grubu Sanayi ve Ticaret A.Ş.	19%	9.433	19%	12.920
	926.767		974.192	

As on 29 June 2019, pursuant to the Group's goal to diversify its lines of business and achieve profitable growth by investing in new-generation technologies, in order to secure the supply of nickel sulphate and cobalt sulphate compounds, which are critical raw materials for the production of EV batteries, of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret A.Ş. ("META"), which is a Zorlu Holding A.Ş. subsidiary and is involved in nickel-cobalt mining. The Group has purchased 916.335.000 shares (each with a nominal value of TL1 and representing 50% of the Group's share capital) from Ahmet Nazif Zorlu, Olgun Zorlu, Mehmet Emre Zorlu, Selen Zorlu Melik, Meta Madencilik Enerji Turizm Danışmanlık Sanayi ve Ticaret A.Ş. and Zorlu Holding A.Ş. for a total consideration of US\$250 mn. The acquisition value is in accordance with the valuation range of US\$447,2 million and US\$572 million stated in June 29, 2018 the independent appraisal report prepared by Ernst & Young Advisory Services, which is licensed by the Capital Markets Board.

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

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

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

The movements of META, which is an investment accounted for using the equity method during the period 1 January – 31 March 2020 and 2019 is as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Balance at 1 January	961.272	1.131.130
Shares from profit / loss	(67.518)	(80.008)
Shares from other comprehensive income / expense	23.580	28.239
Balance at 31 December	917.334	1.079.361

Summary financial statement information of META is as follows:

	31 March 2020	31 December 2019
Total Assets	3.832.298	3.482.654
Total Liabilities	(3.331.803)	(2.894.281)
Net assets	500.495	588.373

	1 January - 31 March 2020	1 January - 31 March 2019
Net sales	88.106	58.336
Income / (loss) before tax	(79.723)	(129.118)
Tax benefit / (expense)	(55.314)	(30.897)
Net income / (loss) for the period	(135.036)	(160.015)
Total comprehensive loss	(87.877)	(103.537)

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NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Additions	Disposals	Currency translation differences	Transfers	31 March 2020
Cost or revaluation						
Land	635.564	-	(29.941)	(5.602)	-	600.021
Land improvements	132.438	22	(243)	(237)	-	131.980
Buildings	1.489.078	3.825	(99.951)	(848)	1.305	1.393.409
Leasehold improvements	156.981	506	-	1.391	10	158.888
Plant and machinery	3.168.798	118.019	(17.888)	(39.802)	27.239	3.256.366
Motor vehicles	7.546	-	(577)	173	-	7.142
Furniture and fixtures	427.429	10.168	(243)	(4.610)	5.258	438.002
Other tangible assets	849	-	-	-	-	849
Construction in progress	54.295	14.903	(816)	1	(30.931)	37.452
	6.072.978	147.443	(149.659)	(49.534)	2.881	6.024.109
Accumulated depreciation						
Land improvements	6.932	239	(260)	4.752	-	11.663
Buildings	60.895	2.285	(20.630)	87	-	42.637
Leasehold improvements	144.705	3.584	(3.891)	13.622	-	158.020
Plant and machinery	2.053.707	94.093	(15.803)	(35.555)	-	2.096.442
Motor vehicles	4.841	271	(77)	(599)	-	4.436
Furniture and fixtures	348.721	10.660	(290)	31.637	1.554	392.282
Other tangible assets	849	-	-	-	-	849
	2.620.650	111.132	(40.951)	13.944	1.554	2.706.329
Net book value	3.452.328					3.317.780

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

	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

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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 2020 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 2020 the Group does not have property, plant and equipment pledged (2019: None)

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

	Useful life
Land improvements	5 - 35 years
Buildings	10 - 46 years
Leasehold improvements	3 - 10 years
Plant and machinery	2 - 30 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 2020	1 January - 31 March 2019
Cost of sales	75.923	93.409
Research and development expenses	40.288	35.259
Marketing, selling and distribution expenses	22.156	9.516
General administrative expenses	6.908	7.977
Other operating expense (idle capacity depreciation expense)	1.324	1.851
	146.599	148.012

31 March 2020	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	600.021	-
Buildings and land improvements	-	1.471.089	-
31 December 2019	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	635.564	-
Buildings and land improvements	-	1.553.689	-

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NOTE 15 – RIGHT OF USE ASSETS

	1 January 2020	Effect of change in accounting policies	31 March 2020
Cost			
Land and buildings	141.468	-	77.062
Machinery	66.316	-	3.382
Motor vehicles	15.271	-	11.671
	223.055	-	92.115
			315.170
Accumulated amortization			
Land and buildings	37.068	-	12.393
Machinery	15.765	-	4.878
Motor vehicles	6.446	-	4.532
	59.279	-	21.803
			81.082
Net book value	163.776	-	234.088

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

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NOTE 16 - INTANGIBLE ASSETS

	1 January 2020	Additions	Disposals	Currency translation differences	Transfers	31 March 2020
Cost						
Rights	70.878	30	-	701	(2.881)	68.728
Development cost	1.169.884	36.196	-	15.106	-	1.221.186
Other intangible assets	180.684	1.104	(17.829)	1.340	-	165.299
	1.421.446	37.330	(17.829)	17.147	(2.881)	1.455.213
Accumulated amortization						
Rights	55.099	625	-	(1.613)	(1.554)	52.557
Development cost	641.642	32.699	-	-	-	674.341
Other intangible assets	106.977	2.142	(16.628)	1.879	-	94.370
	803.718	35.466	(16.628)	266	(1.554)	821.268
Net book value	617.728					633.945

	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)

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

Useful lives of intangible assets are as follows:

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

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 March 2020	31 December 2019
Short term provisions		
Warranty and assembly provision	277.706	266.042
Other provisions	257.606	291.130
Provision for lawsuit risks	25.488	24.909
	560.800	582.081
Long term provisions		
Warranty and assembly provision	40.898	42.878
Other provisions	3.008	2.959
	43.906	45.837

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 2020, 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 25.488 thousand TL (2019: 24.909 TL).

As of 31 March 2020 and 2019 movements of warranty and assembly provisions are as follows:

	1 January -	1 January -
	31 March 2020	31 March 2019
Opening balance, 1 January	308.920	297.326
Current year additions	88.915	83.511
Provisions no longer required	(79.231)	(79.424)
Balance at 31 March	318.604	301.413

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

b) Guarantees received by the Group

Guarantee letters, collaterals, cheques and notes received

	31 March 2020	31 December 2019
Guarantee letters	580.753	550.767
Cheques and notes	8.280	387.751
Collaterals and pledges	1.415.324	1.407.870
	2.004.357	2.346.388

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 bans utilized.

c) 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 2020				
A. CPM's given on behalf of its own legal entity	4.410	27.216	72.322	297.421
B. CPM's given on behalf of fully consolidated subsidiaries (*)	1.876.489	237.400	2.921.304	16.861.347
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	35.891	-	21.875	255.741
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.	35.891	-	21.875	255.741
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	1.916.790	264.616	3.015.501	17.414.509

(*)Fully consolidated subsidiaries have given collaterals to various financial institutions on behalf of each other for their forward contracts and for the total amount of bans utilized. As of 31 March 2020, proportion of other CPM's given by the Group to its equity is 6%.

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2019				
A. CPM's given on behalf of its own legal entity	5.993	22.493	196.638	381.833
B. CPM's given on behalf of fully consolidated subsidiaries	1.918.972	239.495	2.900.583	15.892.446
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	36.437	-	22.001	238.444
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.	36.437	-	22.001	238.444
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	1.961.402	261.988	3.119.222	16.512.723

NOTE 18 - COMMITMENTS

As of the balance sheet date the Group has committed to realize exports amounting to 1.007.320 thousand USD (31 December 2019: 1.041.140 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 March 2020 the Group has forward foreign currency purchase contract that amounts to 836.851 thousand USD, 335.062 thousand EUR, 28.910 thousand GBP, 11.670 thousand PLN, 47.313 thousand KZT, 1.440 thousand RON, and 870.500 thousand TL against forward foreign currency sales contract that amounts to 511.851 thousand USD, 368.023 thousand EUR, 69.659 thousand GBP, 1.322.540 thousand RUB, 6.754 thousand RON, 20.196 thousand PLN, 9.447 thousand SEK, 249.707 CHF, 47.313 thousand KZT and 545.326 thousand TL. (31 December 2019: 857.412 thousand USD, 334.503 thousand EUR, 52.928 thousand GBP, 40.850 thousand PLN, 4.270 thousand RON, 30.750 thousand RUB and 1.489.514 thousand TL against forward foreign currency purchase contract; 616.000 thousand USD, 309.307 thousand EUR, 118.911 thousand GBP, 1.381.929 thousand RUB, 8.669 thousand RON, 133.695 thousand PLN, 9.447 thousand SEK, 249.707 CHF and 748.328 thousand TL against forward foreign currency sales contract).

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NOTE 19 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 March 2020	31 December 2019
Due to personnel	81.966	91.078
Social security payables	73.388	108.977
	155.354	200.055

Long term provisions for employee benefits:

	31 March 2020	31 December 2019
Provision for employment termination benefits	162.806	156.116

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 6.730,15 TL/year as of 31 March 2020 (31 December 2019: 6.379,86 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:

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 2020, 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 2020 provision is calculated based on real discount rate of 5,21% (31 December 2019: 5,21%) assuming 7% annual inflation rate and 12,21% discount rate

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NOTE 19 – EMPLOYEE BENEFITS (Cont'd)

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

	1 January - 31 March 2020	1 January - 31 March 2019
Balance at 1 January	156.116	111.100
Increase during the year	5.168	698
Payments during the year	(5.556)	(5.453)
Actuarial (gain) /loss	2.219	3.008
Interest expense	4.859	4.529
Balance at 31 March	162.806	113.882

NOTE 20 – OTHER ASSETS AND LIABILITIES

	31 March 2020	31 December 2019
Other current assets		
VAT carried forward	43.348	9.588
Other	13.993	55.908
	57.341	65.496

	31 March 2020	31 December 2019
Other non - current assets		
Assets held for sale	10.603	9.925
	10.603	9.925

	31 March 2020	31 December 2019
Other current liabilities		
Advances received	188.057	108.124
Tax payables	71.727	83.479
Other	133.825	199.440
	393.609	391.043

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NOTE 21 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	31 March 2020	31 December 2019
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 2020 and 31 December 2019 the shareholding structures are as follows:

	Shareholding		Amount	
	31 March	31 December	31 March	31 December
	2020	2019	2020	2019
Zorlu Holding A.Ş.	64,41%	64,41%	216.054	216.054
Shares held by public				
Other shareholders	26,34%	26,34%	88.359	88.359
Zorlu Holding A.Ş.	9,25%	9,25%	31.043	31.043
	100%	100%	335.456	335.456

There is no investor holding 10% or more of shares of the company, traded in BIST.

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.

c) Share premium

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

d) Legal reserves

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

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NOTE 21 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

	31 March 2020	31 December 2019
Legal reserves	67.179	67.179

e) Revaluation reserve

Fair value gains on financial assets	1.638	4.321
Revaluation of property, plant and equipment	1.305.964	1.310.274
	1.307.602	1.314.595

f) Accumulated deficit

Extraordinary reserves	512.541	512.541
Previous year's loss	181.805	(142.242)
Other inflation adjustment of share capital	119.718	119.718
	814.064	490.017

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:

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NOTE 21 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

- 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.

NOTE 22 - SALES

	1 January - 31 March 2020	1 January - 31 March 2019
Domestic sales	1.115.036	815.675
Overseas sales	3.138.610	3.023.131
Gross sales	4.253.646	3.838.806
Sales discounts (-)	(322.844)	(276.273)
Net sales	3.930.802	3.562.533
Cost of sales	(2.811.591)	(2.752.890)
Gross profit	1.119.211	809.643

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NOTE 23 - EXPENSES BY NATURE

	1 January - 31 March 2020	1 January - 31 March 2019
Raw materials, supplies and finished goods	2.362.163	2.491.432
Changes in finished goods, work in process, trade goods	38.023	(117.193)
Personnel expenses	337.575	281.848
Depreciation and amortization	145.275	146.161
Export, transportation, warehouse expenses	164.614	140.047
Warranty and assembly expenses	88.915	83.511
Advertising expenses	48.897	44.267
Other	287.894	257.703
	3.473.356	3.327.776

NOTE 24 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) General administrative expenses:

	1 January - 31 March 2020	1 January - 31 March 2019
Personnel expenses	39.483	31.791
Depreciation and amortization	6.908	7.977
Consultancy expenses	21.401	8.570
Information technology expenses	9.917	9.740
Rent and office expenses	7.873	8.877
Tax and duties	4.012	3.657
Benefits and services provided externally	2.552	2.671
Insurance expenses	1.724	1.800
Travelling expenses	992	509
Other	16.151	34.764
	111.013	110.356

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

b) Marketing expenses:

	1 January - 31 March 2020	1 January - 31 March 2019
Export, transportation, warehouse expenses	154.521	130.953
Warranty and assembly expenses	88.915	83.511
Personnel expenses	87.016	72.560
Advertising expenses	43.266	41.038
Depreciation and amortization	22.156	9.516
Other	89.921	68.400
	485.795	405.978

c) Research and development expenses:

Depreciation and amortization	40.288	35.259
Personnel expenses	11.068	8.327
Travel expense	1.869	1.634
Other	11.732	13.332
	64.957	58.552

NOTE 25 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January - 31 March 2020	1 January - 31 March 2019
Credit finance gains arising from trading activities	22.628	15.149
Foreign exchange gains arising from trading activities	209.723	272.700
Reversals of provisions	1.562	461
Other income	94.547	37.593
	328.460	325.903

Vestel Polska Technology Center sp. z o.o., which is %100 owned by wholly-owned subsidiary Vestel Ticaret A.Ş, transferred its facility together with its building and land. for USD 31.4 million on February 28, 2020. 42.995 thousand TL net fixed assets sales gain recognized in other income with the net off goodwill expensed 36.7 million TL acquired through the acquisition of Vestel Polska in 2016.

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NOTE 25 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

b) Other expense from operating activities:

Debit finance charges arising from trading activities	10.191	58.391
Foreign exchange expenses arising from trading activities	605.895	476.520
Provision expenses	2.339	12.047
Other expenses	39.766	56.559
	658.191	603.517

NOTE 26 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 March 2020	1 January - 31 March 2019
Foreign exchange gains	563.530	254.824
Gains on derivative financial instruments	229.736	351.388
Interest income	109.535	143.482
	902.801	749.694

b) Financial expense:

	1 January - 31 March 2020	1 January - 31 March 2019
Foreign exchange losses	266.907	149.562
Losses on derivative financial instruments	235.741	469.885
Interest and commision expense	183.161	266.240
Other finance expenses	1.856	177
	687.665	885.864

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

	31 March 2020	31 December 2019
Corporation and income taxes	11.003	10.182
Prepaid taxes (-)	(15.032)	(17.441)
Current income tax liabilities - net	(4.029)	(7.259)
Deferred tax liabilities	(268.095)	(233.589)
Deferred tax assets	228.325	230.498
	(39.770)	(3.091)

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

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

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

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

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

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 2020 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

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

Russian Federation

In Russia, corporate tax rate applicable is 20% (2019: 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 Group's operations and activities, can be interpreted by regional and federal authorities in different ways.

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

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

As of 1 January - 31 March 2020 and 2019 tax benefit in the consolidated statement of income is as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Current period tax expense	(3.427)	(1.430)
Deferred tax benefit	(31.945)	(9.807)
Total tax (expense) / benefit	(35.372)	(11.237)

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 2020 and 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 2020	31 December 2019	31 March 2020	31 December 2019
Deferred tax assets				
Employment termination benefits	(160.366)	(151.080)	32.073	30.216
Warranty provision	(100.598)	(108.750)	22.132	23.925
Provision for doubtful receivables	(183.838)	(177.777)	40.444	39.111
Unearned interest expense	(14.318)	(21.082)	3.150	4.638
Maddi ve maddi olmayan duran varlıkların kayıtlı değerleri ile vergi matrahları arasındaki net fark	(8.626)	-	1.725	-
Provision for impairment on inventories	-	(16.264)	-	3.578
Derivative financial instruments	(58.441)	(7.105)	12.857	1.556
Carryforward tax losses and R&D incentives	(470.545)	(607.600)	94.109	121.520
Other	108.280	(179.755)	21.656	39.546
			(21.681)	264.090

	Cumulative temporary differences		Deferred tax	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
Deferred tax liabilities				
Useful life and valuation differences on property, plant and equipment and intangible assets	-	71.025	-	(14.205)
Stokların kayıtlı değerleri ile vergi matrahları arasındaki net fark	5.832	-	(1.283)	-
Derivative financial instruments	91.529	-	(20.136)	-
Revaluation of tangible fixed assets	1.084.854	1.091.436	(249.827)	(251.322)
Other	(12.118)	7.518	2.666	(1.654)
			(268.580)	(267.181)
Deferred tax assets / (liabilities) - net			(290.261)	(3.091)

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

As of 31 March 2020 and 2019, 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 (2019:141.864 thousand TL) is 2022. Furthermore, within R&D law framework, the Group has R&D incentives amounted to 470.545 thousand TL (2019:451.550 thousand TL) which can be used in 2020 and future periods.

	31 March 2020	31 December 2019
Subsidiaries with net deferred tax liabilities	(268.095)	(233.589)
Subsidiaries with net deferred assets	228.325	230.498

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

	1 January - 31 March 2020	1 January - 31 March 2019
Opening balance, 1 January	(3.091)	(54.287)
Tax benefit recognized in income statement	(31.945)	(9.807)
Recognized in shareholders' equity	(4.666)	(5.389)
Currency translation differences	(68)	630
Deferred tax (liabilities) / assets at the end of the period, net	(39.770)	(68.853)
	31 March 2020	31 December 2019
Subsidiaries with net deferred tax liabilities	(268.095)	(233.589)
Subsidiaries with net deferred tax assets	228.325	230.498

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NOTE 28 – EARNINGS / (LOSS) PER SHARE

	1 January - 31 March 2020	1 January - 31 March 2019
Net income / (loss) attributable to equity holders of the parent	230.049	(274.420)
Weighted number of ordinary shares with a Kr 1 of par value (hundred shares)	33.545.600	33.545.600
Earnings per share	0,69	(0,82)

NOTE 29 – DERIVATIVE INSTRUMENTS

	31 March 2020		31 December 2019	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
<u>Derivative financial assets:</u>				
Held for trading				
Forward foreign currency transactions	3.703.989	56.055	4.349.967	42.291
Cash flow hedge				
Forward foreign currency transactions	1.972.227	35.474	250.574	3.196
<u>Derivative financial liabilities:</u>				
Held for trading				
Forward foreign currency transactions	(2.847.675)	(52.127)	3.702.635	(42.532)
Cash flow hedge				
Forward foreign currency transactions	(470.605)	(6.314)	988.469	(10.060)
	2.357.936	33.088	9.291.645	(7.105)

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.

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NOTE 33 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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

31 March 2020	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	88.787	153.119	196.369	1.879.659
2a. Monetary financial assets (including cash and cash equivalents)	23.140	19.179	1.738.964	2.028.121
2b. Non-monetary financial assets	-	-	-	-
3. Other	96.217	47.806	-	971.870
4. Current assets (1+2+3)	208.144	220.104	1.935.333	4.879.650
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	2.628	4.466	-	49.346
7. Other	527.541	118	-	3.438.309
8. Non-current assets (5+6+7)	530.169	4.584	-	3.487.655
9. Total assets (4+8)	738.313	224.688	1.935.333	8.367.305
10. Trade payables	704.627	127.881	8.090	5.522.101
11. Financial liabilities	298.713	126.654	-	2.860.223
12a. Other monetary liabilities	12.668	1.095	7.652	98.097
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	1.016.008	255.630	15.742	8.480.421
14. Trade payables	-	-	-	-
15. Financial liabilities	32.506	13.319	-	307.905
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	32.506	13.319	-	307.905
18. Total liabilities (13+17)	1.048.514	268.949	15.742	8.788.326
19. Off-balance sheet derivative instruments net asset / (liability) position (19a+19b)	325.000	(32.961)	(1.636.283)	243.603
19a. Hedged total assets	836.851	335.062	89.333	7.959.726
19b. Hedged total liabilities	(511.851)	(368.023)	(1.725.616)	(7.716.123)
20. Net foreign currency asset/ (liability) position (9-18+19)	14.799	(77.222)	283.308	(177.418)
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(936.587)	(96.651)	1.919.591	(4.880.546)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	33.088
23. Export	123.498	284.135	233.730	3.138.610
24. Import	241.260	43.514	1.167	1.756.481

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

31 December 2019	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	120.347	166.085	454.618	2.274.068
2a. Monetary financial assets (including cash and cash equivalents)	62.236	21.927	1.525.566	2.041.088
2b. Non-monetary financial assets	-	-	-	-
3. Other	96.936	-	-	575.819
4. Current assets (1+2+3)	279.519	188.012	1.980.184	4.890.975
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	1.936	4.031	-	38.309
7. Other	514.071	117	-	3.054.463
8. Non-current assets (5+6+7)	516.007	4.148	-	3.092.772
9. Total assets (4+8)	795.526	192.160	1.980.184	7.983.747
10. Trade payables	757.779	128.994	12.612	5.371.858
11. Financial liabilities	294.035	154.820	-	2.776.272
12a. Other monetary liabilities	9.461	2	5.537	61.751
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	1.061.275	283.816	18.149	8.209.881
14. Trade payables	-	905	-	6.019
15. Financial liabilities	41.054	18.619	-	367.696
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	41.054	19.524	-	373.715
18. Total liabilities (13+17)	1.102.329	303.340	18.149	8.583.596
19. Off-balance sheet derivative instruments net asset / (liability) position (19a+19b)	241.412	25.196	(2.320.891)	(719.287)
19a. Hedged total assets	857.412	334.503	484.285	7.802.129
19b. Hedged total liabilities	(616.000)	(309.307)	(2.805.176)	(8.521.416)
20. Net foreign currency asset/ (liability) position (9-18+19)	(65.391)	(85.984)	(358.856)	(1.319.136)
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(919.746)	(115.328)	1.962.035	(4.268.440)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(7.105)
23. Export	647.153	1.207.925	1.261.120	14.363.541
24. Import	1.095.309	196.440	2.217	7.462.087

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

As of 31 March 2020 and 31 March 2019 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 2020				
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(610.280)	610.280	(610.280)	610.280
Secured portion from USD risk (-)	128.148	(128.148)	219.284	(219.284)
USD net effect	(482.132)	482.132	(390.996)	390.996
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	(69.734)	69.734	(69.734)	69.734
Secured portion from EUR risk (-)	93.027	(93.027)	(24.314)	24.314
EUR net effect	23.293	(23.293)	(94.048)	94.048
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability risk (-)	191.959 (276.435)	(191.959) 276.435	191.959 (236.005)	(191.959) 236.005
Other currency net effect	(84.476)	84.476	(44.046)	44.046

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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 2019				
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(546.347)	546.347	(546.347)	546.347
Secured portion from USD risk (-)	89.603	(89.603)	141.573	(141.573)
USD net effect	(456.744)	456.744	(404.774)	404.774
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	(76.700)	76.700	(76.700)	76.700
Secured portion from EUR risk (-)	61.738	(61.738)	15.948	(15.948)
EUR net effect	(14.962)	14.962	(60.752)	60.752
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability risk (-)	196.204 (246.481)	(196.204) 246.481	196.204 (246.481)	(196.204) 246.481
Other currency net effect	(50.277)	50.277	(50.277)	50.277

NOTE 31 – SUBSEQUENT EVENTS

The COVID-19 pandemic, which occurred in China at the end of 2019 and influenced the whole world, negatively affects the global economy. Due to the COVID-19 pandemic, there may be disruptions in the procurement, production and sales processes as a result of the slowdown in the sector in which the Company operates. The possible effects of the pandemic on the general economy and the Company's activities are evaluated comprehensively, and the duration of the impact of the pandemic cannot be predicted, so the effects on the financial statements of the Company cannot be reasonably estimated.