VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY– 30 SEPTEMBER 2019

(ORIGINALLY ISSUED IN TURKISH)

CONTENTS **PAGE**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 SEPTEMBER 2019 AND 31 DECEMBER 2018

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

	Footnotes	30 September 2019	Audited 31 December 2018
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	5	2.568.592	3.085.661
Trade Receivables		3.012.064	3.583.266
Trade Receivables Due from Related Parties	8	38.826	54.597
Trade Receivables Due from Unrelated Parties	9	2.973.238	3.528.669
Other Receivables		717.340	276.971
Other Receivables Due from Related Parties	8	397.251	13.525
Other Receivables Due from Unrelated Parties	10	320.089	263.446
Derivative Financial Assets		87.109	84.660
Derivative Financial Assets Held for Trading	29	58.787	68.025
Derivative Financial Assets Held for Hedging	29	28.322	16.635
Inventories	11	3.229.235	2.861.739
Prepayments		109.386	98.071
Prepayments to Unrelated Parties	12	109.386	98.071
Current Tax Assets		12.017	6.575
Other Current Assets		40.113	39.283
Other Current Assets Due from Unrelated Parties	20	40.113	39.283
TOTAL CURRENT ASSETS		**9.775.856**	**10.036.226**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 SEPTEMBER 2019 AND 31 DECEMBER 2018

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

	Footnotes	30 September 2019	Audited 31 December 2018
NON-CURRENT ASSETS			
Financial Investments		64.877	49.081
Financial Assets Available-for-Sale	6	64.877	49.081
Investments in subsidiaries, joint ventures and associates	13	1.039.387	1.140.630
Trade Receivables		32.419	5.854
Trade Receivables Due from Unrelated Parties	9	32.419	5.854
Other Receivables		3.241.235	2.506.482
Other Receivables Due from Related Parties	8	3.236.596	2.504.781
Other Receivables Due from Unrelated Parties	10	4.639	1.701
Property, Plant and Equipments		3.352.323	3.334.707
Land and Premises	14	630.134	625.381
Land Improvements	14	125.469	126.962
Buildings	14	1.412.715	1.407.645
Machinery and Equipments	14	1.063.794	1.012.240
Vehicles	14	2.810	3.179
Fixtures and Fittings	14	80.549	94.306
Leasehold Improvements	14	13.980	25.120
Construction in Progress	14	22.872	39.874
Right of Use Assets	15	137.436	-
Intangible Assets and Goodwill		782.926	738.390
Goodwill		197.793	197.793
Other Rights	16	16.515	18.762
Capitalized Development Costs	16	498.096	448.079
Other Intangible Assets	16	70.522	73.756
Prepayments		72.334	49.752
Prepayments to Unrelated Parties	12	72.334	49.752
Deferred Tax Asset	27	174.512	93.452
Other Non-current Assets		11.373	6.248
Other Non-Current Assets Due from Unrelated Parties	20	11.373	6.248
TOTAL NON-CURRENT ASSETS		**8.908.822**	**7.924.596**
TOTAL ASSETS		**18.684.678**	**17.960.822**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 SEPTEMBER 2019 AND 31 DECEMBER 2018

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

	Footnotes	30 September 2019	Audited 31 December 2018
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		6.184.783	4.427.098
Current Borrowings from Related Parties		7.983	-
Lease Liabilities	8	7.983	-
Current Borrowings from Unrelated Parties		6.176.800	4.427.098
Bank Loans	7	6.129.039	4.424.507
Lease Liabilities	7	47.761	2.591
Current Portion of Non-current Borrowings		1.591.551	2.000.447
Current Portion of Non-current Borrowings from Unrelated Parties		1.591.551	2.000.447
Bank Loans	7	1.591.551	2.000.447
Trade Payables		5.506.791	5.792.577
Trade Payables to Related Parties	8	10.615	4.364
Trade Payables to Unrelated Parties	9	5.496.176	5.788.213
Employee Benefit Obligations	19	202.287	105.016
Other Payables		66.827	50.728
Other Payables to Related Parties	8	53.536	49.769
Other Payables to Unrelated Parties		13.291	959
Derivative Financial Liabilities		27.225	250.205
Derivative Financial Liabilities Held for Trading	29	25.173	235.841
Derivative Financial Liabilities Held for Hedging	29	2.052	14.364
Current Tax Liabilities	27	140	493
Current Provisions		471.402	554.699
Other Current Provisions	17	471.402	554.699
Other Current Liabilities		421.071	375.735
Other Current Liabilities to Unrelated Parties	20	421.071	375.735
TOTAL CURRENT LIABILITIES		**14.472.077**	**13.556.998**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 SEPTEMBER 2019 AND 31 DECEMBER 2018

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

	Footnotes	30 September 2019	Audited 31 December 2018
NON-CURRENT LIABILITIES			
Long Term Borrowings		225.410	749.486
Long Term Borrowings from Related Parties		19.903	-
Lease Liabilities	8	19.903	-
Long Term Borrowings from Unrelated Parties		205.507	749.486
Bank Loans	7	130.795	742.077
Lease Liabilities	7	74.712	7.409
Trade Payables		13.625	14.631
Trade Payables to Unrelated Parties	9	13.625	14.631
Non-current Provisions		176.215	164.888
Non-current Provisions for Employee Benefits	19	124.159	111.100
Other Non-current Provisions	17	52.056	53.788
Deferred Tax Liabilities	27	236.796	147.739
Other Non-current Liabilities		8.959	8.825
Other Non-current Liabilities to Unrelated Parties		8.959	8.825
TOTAL NON-CURRENT LIABILITIES		**661.005**	**1.085.569**
TOTAL LIABILITIES		**15.133.082**	**14.642.567**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 SEPTEMBER 2019 AND 31 DECEMBER 2018

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

	Footnotes	30 September 2019	Audited 31 December 2018
EQUITY			
Equity Attributable to Owners of Parent		**3.468.189**	**3.229.140**
Issued Capital	21	335.456	335.456
Inflation Adjustments on Capital		688.315	688.315
Share Premium (Discount)		103.776	103.776
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		1.293.293	1.318.870
Gains (Losses) on Revaluation and Remeasurement		1.293.293	1.318.870
Increases (Decreases) on Revaluation of Property, Plant and Equipment	21	1.317.816	1.338.777
Gains (Losses) on Remeasurements of Defined Benefit Plans		(24.523)	(19.907)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		348.739	254.030
Exchange Differences on Translation		339.733	262.586
Gains (Losses) on Hedge		6.994	(10.521)
Gains (Losses) on Cash Flow Hedges		6.994	(10.521)
Gains (Losses) on Revaluation and Reclassification		2.012	1.965
Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets	21	2.012	1.965
Restricted Reserves Appropriated from Profits		67.179	48.821
Legal Reserves	21	67.179	48.821
Prior Years' Profits or Losses	21	482.475	108.719
Current Period Net Profit Or Loss		148.956	371.153
Non-controlling Interests		**83.407**	**89.115**
TOTAL EQUITY		**3.551.596**	**3.318.255**
TOTAL LIABILITIES AND EQUITY		**18.684.678**	**17.960.822**

Consolidated financial statements for the period 1 January - 30 September 2019, were approved by the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. on 6 November 2019.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIODS 1 JANUARY - 30 SEPTEMBER 2019 AND 2018

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

	Footnotes	1 January - 30 September 2019	1 January - 30 September 2018	1 July- 30 September 2019	1 July- 30 September 2018
PROFIT OR LOSS					
Revenue	22	12.006.532	10.615.060	4.180.565	3.617.319
Cost of Sales	22	(8.964.779)	(7.379.846)	(3.174.900)	(2.253.689)
GROSS PROFIT (LOSS)		**3.041.753**	**3.235.214**	**1.005.665**	**1.363.630**
General Administrative Expenses	24	(290.728)	(248.301)	(92.514)	(86.121)
Marketing Expenses	24	(1.368.927)	(1.360.182)	(497.086)	(509.523)
Research and Development Expense	24	(186.645)	(177.187)	(63.623)	(67.226)
Other Income from Operating Activities	25	903.359	912.641	185.662	417.794
Other Expenses from Operating Activities	25	(1.199.510)	(2.631.388)	(170.658)	(1.483.039)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		**899.302**	**(269.203)**	**367.446**	**(364.485)**
Share of Profit (Loss) from Investments Accounted for Using Equity Method	13	(155.025)	(46.000)	(25.795)	(46.000)
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		**744.277**	**(315.203)**	**341.651**	**(410.485)**
Finance Income	26	1.770.615	3.420.476	429.693	2.137.193
Finance Costs	26	(2.336.009)	(3.036.132)	(617.241)	(1.757.859)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		**178.883**	**69.141**	**154.103**	**(31.151)**
Tax (Expense) Income, Continuing		(8.266)	33.712	(34.421)	21.303
Current Period Tax (Expense) Income	27	(6.310)	(14.048)	(1.854)	(4.853)
Deferred Tax (Expense) Income	27	(1.956)	47.760	(32.567)	26.156
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**170.617**	**102.853**	**119.682**	**(9.848)**
PROFIT (LOSS)		**170.617**	**102.853**	**119.682**	**(9.848)**
Profit (loss), attributable to					
Non-controlling Interests		21.661	22.569	6.204	11.333
Owners of Parent		148.956	80.284	113.478	(21.181)
Earnings per 100 share with a Kr 1 of Par Value (TL)	28	**0,44**	**0,24**	**0,34**	**(0,06)**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIODS 1 JANUARY - 30 SEPTEMBER 2019 AND 2018

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

	1 January - 30 September 2019	1 January - 30 September 2018	1 July- 30 September 2019	1 July- 30 September 2018
OTHER COMPREHENSIVE INCOME				
Other Comprehensive Income that will not be Reclassified to Profit or Loss	(4.671)	443.733	(1.806)	445.071
Gains (Losses) on Revaluation of Property, Plant and Equipment	-	535.781	-	535.781
Gains (Losses) on Remeasurements of Defined Benefit Plans	(5.839)	(4.275)	(2.258)	(2.603)
Taxes Relating to Components of Other Comprehensive Income	1.168	(87.773)	452	(88.107)
Taxes Relating to Gains (Losses) on Revaluation of Property, Plant and Equipment	-	(88.628)	-	(88.628)
Taxes Relating to Remeasurements of Defined Benefit Plans	1.168	855	452	521
Other Comprehensive Income that will be Reclassified to Profit or Loss	94.740	218.131	(29.787)	115.630
Exchange Differences on Translation	77.147	202.296	(42.068)	138.616
Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets	60	(1.870)	460	(2.336)
Gains (losses) on Remeasuring Available-for-sale Financial Assets	60	(1.870)	460	(2.336)
Other Comprehensive Income (Loss) Related with Cash Flow Hedges	22.495	22.219	15.285	(27.073)
Gains (Losses) on Cash Flow Hedges	22.495	22.219	15.285	(27.073)
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss	(4.962)	(4.514)	(3.464)	6.423
Taxes Relating to Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets	(13)	374	(101)	467
Taxes Relating to Cash Flow Hedges	(4.949)	(4.888)	(3.363)	5.956
OTHER COMPREHENSIVE INCOME (LOSS)	**90.069**	**661.864**	**(31.593)**	**560.701**
TOTAL COMPREHENSIVE INCOME (LOSS)	**260.686**	**764.717**	**88.089**	**550.853**
Total Comprehensive Income Attributable to				
Non-controlling Interests	21.637	29.187	6.207	17.314
Owners of Parent	239.049	735.530	81.882	533.539

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIODS 1 JANUARY – 30 SEPTEMBER 2019 AND 2018

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

	Issued Capital	Inflation Adjustments on Capital	Share Premium or Discounts	Increases (Decreases) on Revaluation of Property, Plant and Equipment	Gains (Losses) on Remeasurements of Defined Benefit Plans	Gains (Losses) Revaluations and Remeasurements	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss	Exchange Differences on Translation	Cash Flow Hedges	Reserve Of Gains or Losses on Hedge	Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets	Gains (Losses) on Revaluation and Reclassification	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss	Restricted Reserves Appropriated From Profits	Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings	Equity attributable to owners of parent	Non-controlling interests	Equity
Previous Period																				
1 January -30 September																				
Beginning of Period	**335.456**	**688.315**	**103.165**	**917.385**	**(17.246)**	**900.139**	**900.139**	**76.183**	**(10.959)**	**(10.959)**	**4.149**	**4.149**	**69.373**	**46.107**	**7.518**	**55.108**	**62.626**	**2.205.181**	**72.759**	**2.277.940**
Transfers	-	-	-	(1.526)	-	(1.526)	(1.526)	-	-	-	-	-	-	2.714	53.920	(55.108)	(1.188)	-	-	-
Total Comprehensive Income (Loss)	-	-	-	424.964	(3.381)	421.583	421.583	202.296	17.265	17.265	(1.497)	(1.497)	218.064	-	15.599	80.284	95.883	735.530	29.187	764.717
Profit (Loss)	-	-	-	(15.599)	-	(15.599)	(15.599)	-	-	-	-	-	-	-	15.599	80.284	95.883	80.284	22.569	102.853
Other Comprehensive Income (Loss)	-	-	-	440.563	(3.381)	437.182	437.182	202.296	17.265	17.265	(1.497)	(1.497)	218.064	-	-	-	-	655.246	6.618	661.864
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12.909)	(12.909)
Transactions with non-controlling shareholders	-	-	611	1.763	(36)	1.727	1.727	-	(7)	(7)	-	-	(7)	-	4.186	-	4.186	6.517	(17.914)	(11.397)
End of Period	**335.456**	**688.315**	**103.776**	**1.342.586**	**(20.663)**	**1.321.923**	**1.321.923**	**278.479**	**6.299**	**6.299**	**2.652**	**2.652**	**287.430**	**48.821**	**81.223**	**80.284**	**161.507**	**2.947.228**	**71.123**	**3.018.351**
Current Period																				
1 January -30 September																				
Opening Balance	**335.456**	**688.315**	**103.776**	**1.338.777**	**(19.907)**	**1.318.870**	**1.318.870**	**262.586**	**(10.521)**	**(10.521)**	**1.965**	**1.965**	**254.030**	**48.821**	**108.719**	**371.153**	**479.872**	**3.229.140**	**89.115**	**3.318.255**
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	18.358	352.795	(371.153)	(18.358)	-	-	-
Total Comprehensive Income (Loss)	-	-	-	(20.961)	(4.616)	(25.577)	(25.577)	77.147	17.515	17.515	47	47	94.709	-	20.961	148.956	169.917	239.049	21.637	260.686
Profit (Loss)	-	-	-	(20.961)	-	(20.961)	(20.961)	-	-	-	-	-	-	-	20.961	148.956	169.917	148.956	21.661	170.617
Other Comprehensive Income (Loss)	-	-	-	-	(4.616)	(4.616)	(4.616)	77.147	17.515	17.515	47	47	94.709	-	-	-	-	90.093	(24)	90.069
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(27.345)	(27.345)
Closing Balance	**335.456**	**688.315**	**103.776**	**1.317.816**	**(24.523)**	**1.293.293**	**1.293.293**	**339.733**	**6.994**	**6.994**	**2.012**	**2.012**	**348.739**	**67.179**	**482.475**	**148.956**	**631.431**	**3.468.189**	**83.407**	**3.551.596**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS
1 JANUARY – 30 SEPTEMBER 2019 AND 2018

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

	Footnotes	1 January - 30 September 2019	1 January - 30 September 2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**1.717.368**	**(357.406)**
Profit (Loss)		170.617	102.853
Profit (Loss) from Continuing Operations		170.617	102.853
Adjustments to Reconcile Profit (Loss)		**1.680.798**	**(570.644)**
Adjustments for Depreciation and Amortisation Expense	14	455.203	335.647
Adjustments for Impairment Loss (Reversal of Impairment Loss)		53.527	20.135
Adjustments for Impairement Loss (Reversal of Impairment Loss) of Receivables	9	22.208	5.046
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	11	31.319	15.089
Adjustments for Provisions		(66.067)	204.266
Adjustments for (Reversal of) Provisions Related with Employee Benefits	19	18.962	20.656
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	17	(21.807)	15.371
Adjustments for (Reversal of) Warranty Provisions	17	(7.225)	87.680
Adjustments for (Reversal of) Other Provisions	17	(55.997)	80.559
Adjustments for Interest (Income) Expenses		454.919	173.848
Adjustments for Interest Income	26	(417.882)	(313.622)
Adjustments for Interest Expense	26	872.801	487.470
Adjustments for Unrealised Foreign Exchange Losses (Gains)		51.397	830.073
Adjustments for Fair Value Losses (Gains)		(202.934)	65.415
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(202.934)	65.415
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method		155.025	46.000
Adjustments for Tax (Income) Expenses		8.266	(33.712)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(2.548)	(6.630)
Adjustments for Losses (Gains) Arised from Sale of Tangible Assets		(2.548)	(6.630)
Other Adjustments to Reconcile Profit (Loss)	5	774.010	(2.205.686)

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS
1 JANUARY – 30 SEPTEMBER 2019 AND 2018

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

	Footnotes	1 January - 30 September 2019	1 January - 30 September 2018
Changes in Working Capital		**(114.603)**	**146.864**
Decrease (Increase) in Financial Investments	6	(60)	1.869
Adjustments for Decrease (Increase) in Trade Accounts Receivable		522.429	(265.650)
Decrease (Increase) in Trade Accounts Receivables from Related Parties		15.771	(33.199)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties		506.658	(232.451)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(59.581)	(259.318)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations		(59.581)	(259.318)
Adjustments for Decrease (Increase) in Inventories		(400.378)	(1.108.153)
Decrease (Increase) in Prepaid Expenses		(33.897)	(30.566)
Adjustments for Increase (Decrease) in Trade Accounts Payable		(286.792)	1.732.907
Increase (Decrease) in Trade Accounts Payables to Related Parties		6.251	23.448
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties		(293.043)	1.709.459
Increase (Decrease) in Employee Benefit Liabilities		97.271	18.799
Adjustments for Increase (Decrease) in Other Operating Payables		12.332	6.149
Increase (Decrease) in Other Operating Payables to Unrelated Parties		12.332	6.149
Other Adjustments for Other Increase (Decrease) in Working Capital		34.073	50.827
Decrease (Increase) in Other Assets Related with Operations		(11.397)	(39.051)
Increase (Decrease) in Other Payables Related with Operations		45.470	89.878
Cash Flows from (used in) Operations		**1.736.812**	**(320.927)**
Payments Related with Provisions for Employee Benefits	19	(11.742)	(16.740)
Income Taxes Refund (Paid)	27	(7.702)	(19.739)

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS
1 JANUARY – 30 SEPTEMBER 2019 AND 2018

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

	Footnotes	1 January - 30 September 2019	1 January - 30 September 2018
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(1.568.838)**	**(2.828.478)**
Cash Outflows from Purchase of Additional Shares of Subsidiaries		-	(11.397)
Cash Outflows Arising from Purchase of Shares or Capital Increase of Associates and/or Joint Ventures	6	(15.736)	(1.155.875)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		5.272	8.875
Proceeds from Sales of Property, Plant and Equipment		5.272	8.875
Purchase of Property, Plant, Equipment and Intangible Assets		(442.833)	(700.067)
Purchase of Property, Plant and Equipment	14	(302.014)	(569.217)
Purchase of Intangible Assets	16	(140.819)	(130.850)
Cash Advances and Loans Made to Other Parties		(1.115.541)	(970.014)
Cash Advances and Loans Made to Related Parties	8	(1.115.541)	(970.014)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**120.541**	**1.600.757**
Proceeds from Borrowings		5.053.917	5.291.223
Proceeds from Loans		5.053.917	5.291.223
Repayments of Borrowings		(4.359.015)	(3.550.347)
Loan Repayments		(4.355.289)	(3.556.305)
Cash Outflows from Other Financial Liabilities		(3.726)	5.958
Increase in Other Payables to Related Parties		3.767	34.556
Payments of Lease Liabilities		(54.995)	-
Dividends Paid		(27.345)	(12.909)
Interest Paid		(913.670)	(475.388)
Interest Received		417.882	313.622
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**269.071**	**(1.585.127)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(12.130)	99.354
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**256.941**	**(1.485.773)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	2.278.962	1.991.848
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**2.535.903**	**506.075**

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

NOTE 1 – GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi ("Vestel Elektronik" or "the Company") and its subsidiaries (together "the Group"), mainly produce and sell a range of brown goods and white goods. The Company's head office is located at Levent 199, Büyükdere Caddesi No: 199, 34394 Şişli / Istanbul. 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 Istanbul ("BİST") since 1990. As of 30 September 2019, 35,59 % of the Company's shares are publicly traded (2018: 35,59%).

As of 30 September 2019 the number of personnel employed at Group is 16.682 (31 December 2018: 16.125).

The Company's subsidiaries and associates are as follows:

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

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

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

Investments accounted for using equity method	Country	Nature of operations
Vestel Savunma Sanayi A.Ş.	Turkey	Production/ Sales
Aydın Yazılım Elektronik ve Sanayi A.Ş.	Turkey	Software
Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş	Turkey	Mining
Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş	Turkey	Automotive

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance

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

The Group prepared its condensed interim consolidated financial statements for the period ended 30 September 2019 in accordance with ("TAS") 34 "Interim Financial Reporting" in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

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

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

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

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

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

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

2.1.2 Currency used

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

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

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

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

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

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

Period End:	**30 September 2019**	**31 December 2018**
Turkish Lira/EUR	0,1617	0,1659
Turkish Lira/GBP	0,1439	0,1503
Turkish Lira/RUB	11,4403	13,273
Turkish Lira/PLN	0,7083	0,7126
Turkish Lira/ USD	0,1767	0,1901

Average:	**1 January - 30 September 2019**	**1 January - 30 September 2018**
Turkish Lira/EUR	0,158	0,1839
Turkish Lira/GBP	0,1396	0,1629
Turkish Lira/RUB	11,6089	13,591
Turkish Lira/PLN	0,679	0,7804
Turkish Lira/ USD	0,1776	-

2.1.3 Basis of consolidation

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

a) Subsidiaries

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

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

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

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.

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

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

2.2 Comparatives

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

Impact of changes in IFRS 9 and IFRS 15 on consolidated financial statements as of 30 September 2018 as follows:

	Amounts before the adoption	Impact of the adoption	Amounts after the adoption
Consolidated Profit or Loss and Other Comprehensive Income			
Sales	10.469.145	145.915	10.615.060
Cost of Sales	(7.319.605)	(60.241)	(7.379.846)
Other Incomes from Operating Activities	1.065.795	(153.154)	912.641
Other Expenses from Operating Activities	(2.730.302)	98.914	(2.631.388)
Deferred Tax (Loss) Income	54.675	(6.915)	47.760
Consolidated Cash Flow Statement			
Profit (Loss) from Continuing Operations	78.334	24.519	102.853
Adjustments for Tax (Income) Expenses	(40.627)	6.915	(33.712)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties	(201.017)	(31.434)	(232.451)

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

Transition to IFRS 16 "Leases":

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

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

Changes in accounting policy related to standard is given below:

IFRS 16 "Leases"

As a lessee

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

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

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

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

Right of use asset

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

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

Lease Liability

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

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

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

After initial recognition, the lease liability is measured:

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

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

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

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

Impact of IFRS 16 application on balance sheet and profit or loss statement for the three months period ended 30 September 2019 is as follows:

	Effects Excluded 30 September 2019	IFRS-16 Effects	30 September 2019
ASSETS			
TOTAL CURRENT ASSETS	**9.775.856**	**-**	**9.775.856**
NON-CURRENT ASSETS			
Right of Use Assets	-	137.436	137.436
Deferred Tax Liability	173.182	1.330	174.512
Non-Current Assets Other than Above	8.596.874	-	8.596.874
TOTAL NON-CURRENT ASSETS	**8.770.056**	**138.766**	**8.908.822**
TOTAL ASSETS	**18.545.912**	**138.766**	**18.684.678**
LIABILITIES			
CURRENT LIABILITIES			
Lease Liabilities	721	55.023	55.744
Current Liabilities Other than Above	14.416.333	-	14.416.333
	14.417.054	**55.023**	**14.472.077**
NON-CURRENT LIABILITIES			
Lease Liabilities	5.553	89.062	94.615
Non-Current Liabilities Other than Above	566.390	-	566.390
TOTAL NON-CURRENT LIABILITIES	**571.943**	**89.062**	**661.005**
TOTAL LIABILITIES	**14.988.997**	**144.085**	**15.133.082**
EQUITY			
Current Period Net Profit Or Loss	154.275	(5.319)	148.956
Equity Other than Above	3.402.640	-	3.402.640
TOTAL EQUITY	**3.556.915**	**(5.319)**	**3.551.596**
TOTAL LIABILITIES AND EQUITY	**18.545.912**	**138.766**	**18.684.678**

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

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

	Effects Excluded 30 September 2019	IFRS-16 Effects	30 September 2019
PROFIT OR LOSS			
Revenue	12.006.532	-	12.006.532
Cost of Sales	(8.965.859)	1.080	(8.964.779)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS	**3.040.673**	**1.080**	**3.041.753**
GROSS PROFIT (LOSS)	**3.040.673**	**1.080**	**3.041.753**
Operating Expenses	(2.159.524)	17.073	(2.142.451)
PROFIT (LOSS) FROM OPERATING ACTIVITIES	**881.149**	**18.153**	**899.302**
Share of Profit (Loss) from Investments Accounted for Using Equity Method	(155.025)	-	(155.025)
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)	**726.124**	**18.153**	**744.277**
Finance Income	1.770.615	-	1.770.615
Fınance Costs	(2.311.207)	(24.802)	(2.336.009)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX	**185.532**	**(6.649)**	**178.883**
Tax (Expense) Income, Continuing Operations	(9.596)	1.330	(8.266)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**175.936**	**(5.319)**	**170.617**
PROFIT (LOSS)	**175.936**	**(5.319)**	**170.617**
Earnings Per Share with a TL 1 of Par Value	**0,46**	**(0,016)**	**0,44**

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.

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

2.4. Amendments in Turkey Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective for the financial year beginning 30 September 2019:

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

- **IFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- **Amendment to IAS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

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

- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- **Annual improvements 2015-2017,** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - IFRS 3, 'Business combinations', the Company remeasures it's previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', the Company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes' the Company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs' the Company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- **Amendments to IAS 19, 'Employee benefits'** on plan amendment, curtailment or settlement', effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2019:

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:
  i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
  ii) clarify the explanation of the definition of material; and
  iii) incorporate some of the guidance in IAS 1 about immaterial information.

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- **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.

The Group, will assess the impact of amendments disclosed above and apply as of effective date.

2.5 Summary of significant accounting policies

2.5.1 Revenue recognition

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

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

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

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

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

2.5.2 Inventories

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

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

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

2.5.3 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

Right of use assets:

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

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

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

2.5.4 Intangible assets

a) Research and development costs

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

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

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

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

b) Rights and other intangible assets

Rights and other intangible assets consist of acquired computer software, computer software development costs and other identifiable rights. Rights and other intangible assets are recognized at their acquisition costs and are amortized on a straight line basis over their expected useful lives which are less than fifteen years.

c) Goodwill

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

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

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

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

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

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

2.5.5 Financial instruments

a) Financial assets

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

Financial assets carried at amortized cost

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

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

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

Financial assets carried at fair value

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

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

Impairment of financial assets

Impairment of the financial and contractual assets measured by using "expected credit loss model". The impairment model applies for amortized financial and contractual assets.

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

b) Financial liabilities

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

c) Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

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

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

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

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.

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

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

2.5.7 Provisions, contingent assets and liabilities

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

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

2.5.8 Warranty and assembly expenses provision

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

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

2.5.9 Related parties

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

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

2.5.10 Taxation on income

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

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

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

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

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

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

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

2.5.11 Employee benefits

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

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

2.5.12 Government grants

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

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

2.5.13 Earnings per share

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

2.5.14 Statement of cash flows

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

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

2.5.15 Segment reporting

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

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

Group's operations are reported under three industrial segments:

- Television and electronic devices
- White goods
- Other

Group's operations are reported under three geographical segments:

- Turkey
- Europe
- Other

2.5.16 Offsetting

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

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

2.5.17 Events after the balance sheet date

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

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

2.5.18 Going Concern

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

2.5.19 Trade Receivables

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

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

2.6. Critical accounting estimates and judgments

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

i. <u>Revaluation of land, buildings and land improvements:</u>

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 2018 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. (Note 14).

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

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

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.

- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m^2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.

- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

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

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

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

NOTE 3 – INTERESTS IN OTHER ENTITIES

Subsidiaries:

As of 30 September 2019 and 31 December 2018 the Group's major subsidiaries are as follows:

	30 September 2019		31 December 2018	
Consolidated subsidiaries	**Voting rights**	**Effective ownership**	**Voting rights**	**Effective ownership**
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	95,2	95,2	95,2	95,2
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	100	100	100	100
Vestel Ticaret A.Ş.	100	100	100	100
Vestel CIS Ltd.	100	100	100	100
Vestel Iberia SL	100	100	100	100
Vestel France SA	100	100	100	100
Vestel Holland BV	100	100	100	100
Vestel Germany GmbH	100	100	100	100
Cabot Communications Ltd.	90,8	90,8	90,8	90,8
Vestel Benelux BV	100	100	100	100
Vestel UK Ltd.	100	100	100	100
Vestek Elektronik Araştırma Geliştirme A.Ş.	100	100	100	100
Vestel Trade Ltd.	100	100	100	100
OY Vestel Scandinavia AB	100	100	100	100
Intertechnika LLC	99,9	99,9	99,9	99,9
Vestel Central Asia LLP	100	100	100	100
Vestel Poland sp. z.o.o.	100	100	100	100
Vestel Polska Technology Center sp. z o.o.	100	100	100	100

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

	30 September 2019	31 December 2018
Accumulated non-controlling interests	88.566	94.274
Comprehensive income attributable to non-controlling interests	21.637	36.307

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

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

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

Condensed balance sheet:

	30 September 2019	31 December 2018
Current assets	2.967.238	3.063.271
Non-current assets	1.723.045	1.620.382
Current liabilities	(2.852.944)	(2.747.126)
Non-current liabilities	(144.466)	(123.339)
Net assets	**1.692.873**	**1.813.188**

Condensed statement of comprehensive income:

	1 January - 30 September 2019	1 January - 30 September 2018
Net sales	4.995.815	3.841.723
Income / (loss) before tax	443.722	365.250
Tax benefit / (expense)	3.323	40.628
Net income / (loss) for the period	447.045	405.878
Total comprehensive income	446.547	543.181

Condensed statement of cash flows:

Operating activities:		
Changes in working capital	(213.948)	75.148
Net cash provided by operating activities	**310.463**	**891.329**
Investing activities:		
Net cash used in investing activities	**183.662**	**(663.303)**
Financing activities:		
Proceeds from bank borrowings	751.446	681.146
Repayment of bank borrowings	(524.349)	(656.974)
Other payables to related parties	566.828	(240.000)
Net cash (used in) / provided by financing activities	**(562.689)**	**(237.677)**
Cash and cash equivalents at the beginning of the period	103.283	65.190
Cash and cash equivalents at the end of the period	27.692	55.539

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

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

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

NOTE 4 - SEGMENT REPORTING

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

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

Industrial segments

	Television and electronic devices	White goods	Total
1 January -30 September 2019			
Revenue	5.686.738	6.319.794	12.006.532
Cost of sales	(4.255.083)	(4.709.696)	(8.964.779)
Gross profit	1.431.655	1.610.098	3.041.753
Depreciation and amortization	232.868	222.335	455.203
1 January -30 September 2018			
Revenue	5.570.258	5.044.802	10.615.060
Cost of sales	(3.914.561)	(3.465.285)	(7.379.846)
Gross profit	1.655.697	1.579.517	3.235.214
Depreciation and amortization	194.962	140.685	335.647
1 July-30 September 2019			
Revenue	1.948.376	2.232.189	4.180.565
Cost of sales	(1.489.586)	(1.685.314)	(3.174.900)
Gross profit	458.790	546.875	1.005.665
Depreciation and amortization	79.697	76.270	155.967

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

NOTE 4 - SEGMENT REPORTING (Cont'd)

	Television and electronic devices	White goods	Total
1 July-30 September 2018			
Revenue	1.794.239	1.823.080	3.617.319
Cost of sales	(1.162.778)	(1.090.911)	(2.253.689)
Gross profit	631.461	732.169	1.363.630
Depreciation and amortization	67.707	50.192	117.899

Capital expenditure

	Television and Electronical devices	White goods	Total
1 January -30 September 2019	213.666	229.167	442.833
1 January -30 September 2018	230.140	469.927	700.067

Geographical segments:

Segment revenue	1 January - 30 September 2019	1 January - 30 September 2018	1 July- 30 September 2019	1 July- 30 September 2018
Turkey	3.042.955	3.450.442	1.101.510	1.045.254
Europe	8.766.433	7.041.598	3.009.201	2.523.125
Other	1.122.145	942.119	404.441	351.775
Gross segment sales	12.931.533	11.434.159	4.515.152	3.920.154
Discounts (-)	(925.001)	(819.099)	(334.587)	(302.835)
Net sales	**12.006.532**	**10.615.060**	**4.180.565**	**3.617.319**

The amount of export for the period 1 January - 30 September 2019 is 9.888.578 thousand TL (1 January – 30 September 2018: 7.983.717 thousand TL). Export sales are denominated in EUR, USD and other currencies as 63,4%, 27,2%, and 9,4% of total exports respectively. (1 January – 30 September 2018: 59,9% EUR, 28,2 % USD, 11,9 % 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.

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	30 September 2019	31 December 2018
Cash	1.747	1.256
Bank deposits		
- Demand deposits	1.723.471	1.386.833
- Time deposits	682.301	785.102
Cheques and notes	105.963	75.928
Other	22.421	29.843
Blocked deposits	32.689	806.699
Cash and cash equivalents	**2.568.592**	**3.085.661**

Effective interest rates

	30 September 2019	31 December 2018
TL	-	23,00%
USD	2,05%	4,50%
KZT	9,50%	-
PLN	0,74%	-

As of 30 September 2019 and 31 December 2018 the Group's time deposits have an average maturity of less than 3 months.

NOTE 6 – FINANCIAL ASSETS

		Ownership		Amount	
	Country	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Financial assets available for sale:					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	< 1%	< 1%	10.377	10.317
Tursoft A.Ş.	Turkey	7%	7%	11	11
Zorlu Endüstriyel Enerji A.Ş.	Turkey	1%	1%	51	51
İzmir Teknoloji Geliştirme A.Ş.	Turkey	5%	5%	11	11
Other	Turkey	-	-	200	200
				10.650	**10.590**

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

NOTE 6 – FINANCIAL ASSETS (Cont'd)

		Ownership		Amount	
Non-consolidated subsidiaries :	**Country**	**30 September 2019**	**31 December 2018**	**30 September 2019**	**31 December 2018**
Vestel Ventures Ar-ge A.Ş.	Turkey	100%	100%	52.011	36.275
Vestel Electronics Gulf DMC	UAE	100%	100%	1.409	1.409
Vestel Electronica SRL	Romania	100%	100%	1.778	1.778
Vestel Electronics Shanghai Trading Co. Ltd	China	100%	100%	751	751
Vest Batarya Sistemleri A.Ş.	Turkey	100%	100%	50	50
Uts-United Technical Services, S.R.O	Slovakia	100%	100%	6	6
				56.005	**40.269**
Impairment of subsidiaries (-)					
Vestel Electronica SRL				(1.778)	(1.778)
				54.227	**38.491**

NOTE 7 – FINANCIAL LIABILITIES

	30 September 2019	31 December 2018
Short term financial liabilities		
Short term bank loans	6.129.039	4.424.507
Short term portion of long term bank loans	1.591.551	2.000.447
Leasing debts	721	2.591
Short term lease liabilities	55.023	-
	7.776.334	**6.427.545**
Long term financial liabilities		
Long term bank loans	130.795	742.077
Leasing debts	5.553	7.409
Long term lease liabilities	89.062	-
	225.410	**749.486**

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

NOTE 7 – FINANCIAL LIABILITIES (Cont'd)

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

	30 September 2019			31 December 2018		
Currency	**Weighted average of effective interest rates per annum**	**Original currency**	**TL Equivalent**	**Weighted average of effective interest rates per annum**	**Original currency**	**TL Equivalent**
- USD	4,31%	258.033	1.460.234	3,43%	246.609	1.297.384
- EUR	3,66%	211.272	1.306.419	1,78%	187.293	1.129.003
- TL	25,90%	3.362.386	3.362.386	25,70%	1.998.120	1.998.120
			6.129.039			**4.424.507**

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

	30 September 2019			31 December 2018		
Currency	**Weighted average of effective interest rates per annum**	**Original currency**	**TL Equivalent**	**Weighted average of effective interest rates per annum**	**Original currency**	**TL Equivalent**
- USD	7,48%	92.422	523.026	7,37%	119.675	629.597
- EUR	5,78%	36.123	223.373	4,43%	120.086	723.880
- TL	26,70%	845.152	845.152	20,50%	646.970	646.970
Short term portion			**1.591.551**			**2.000.447**
- USD	7,70%	12.968	73.385	6,33%	17.562	92.392
- TL	19,36%	57.410	57.410	26,52%	649.685	649.685
Long term portion			**130.795**			**742.077**
			1.722.346			**2.742.524**

Total amount of Group's floating bank loans is 454.959 thousand TL (31 December 2018: 671.479 thousand TL).

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

NOTE 7 – FINANCIAL LIABILITIES (Cont'd)

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

	30 September 2019	31 December 2018
One to two years	100.718	725.831
Two to three years	17.608	9.360
Three to four years	8.783	6.886
Four years and over	3.686	-
	130.795	**742.077**

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

	30 September 2019	31 December 2018
6 months or less	454.959	671.479
	454.959	**671.479**

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

	30 September 2019	30 September 2018
Net financial debt as of 1 January	**4.898.069**	**2.516.444**
Cash inflows from loans	5.053.917	5.291.223
Cash outflows from loan payments	(4.505.014)	(3.674.782)
Payments of lease liabilities	140.359	5.958
Unrealized Fx gain/loss	51.397	830.073
Accrued interest	84.054	130.559
Change in cash and cash equivalents	(256.941)	1.485.773
Net financial debt at the end of the period	**5.465.841**	**6.585.248**

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

NOTE 8 – RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	30 September 2019	31 December 2018
Vestel Electronica S.R.L. (3)	12.167	15.716
Zorluteks Tekstil Sanayi ve Ticaret A.Ş. (1)	1.229	17.766
Vestel Electronics Gulf DMCC . (3)	11.189	11.119
Other related parties	14.241	10.123
	38.826	54.724
Unearned interest on receivables (-)	-	(127)
	38.826	**54.597**

b) Short term trade payables to related parties

	30 September 2019	31 December 2018
Vestel Electronics Shanghai Trading Co. Ltd. (3)	1.450	1.182
ABH Turizm Temsilcilik ve Ticaret A.Ş. (1)	5.927	934
Other related parties	3.238	2.268
	10.615	4.384
Unearned interest on payables (-)	-	(20)
	10.615	**4.364**

c) Other short term receivables from related parties

	30 September 2019	31 December 2018
Zorlu Holding A.Ş. (2)	378.111	-
Vestel Ventures A.Ş (3)	-	13.489
Türkiyenin Otomobil Girişim Grubu Sanayi ve Ticaret A.Ş. (3)	19.000	-
Other related parties	140	36
	397.251	**13.525**

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

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

NOTE 8 – RELATED PARTY DISCLOSURES (Cont'd)

d) Other long term receivables from related parties

	30 September 2019	31 December 2018
Zorlu Holding A.Ş. (2)	1.572.801	1.795.555
Vestel Savunma Sanayi A.Ş. (3)	1.166.225	670.215
Meta Nikel Kobalt Madencilik Sanayi Ve Ticaret A. Ş. (3)	497.570	39.011
	3.236.596	**2.504.781**

As of 30 September 2019, the annual average effective interest rate of other receivables in USD is 9%, average effective interest rate of other receivables in TL is 25% (31 December 2018: USD 9%, TL 36%).

e) Other payables to related parties

	30 September 2019	31 December 2018
Zorlu Family (2)	53.536	49.769

f) Lease liabilities to related parties

	30 September 2019	31 December 2018
Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş.(1)	23.884	-
Zorlu Yapı Yatırım A.Ş.(1)	4.002	-
	27.886	-

g) Transactions with related parties

	1 January - 30 September 2019	1 January - 30 September 2018	1 July- 30 September 2019	1 July- 30 September 2018
Sales				
Vestel Electronica S.R.L. (3)	30.123	37.172	10.774	9.165
Zorluteks Tekstil Sanayi ve Ticaret A.Ş. (1)	3.841	7.365	1.178	2.913
Vestel Electronics Gulf DMCC . (3)	32.200	-	11.822	-
UTS- United Technical Services, Spol S.R.O. (3)	-	6.908	-	133
Zorlu Yapı Yatırım A.Ş. (1)	-	142	-	142
Other related parties	2.869	8.555	1.225	7.172
	69.033	**60.142**	**24.999**	**19.525**

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

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

NOTE 8 – RELATED PARTY DISCLOSURES (Cont’d)

	1 January - 30 September 2019	1 January - 30 September 2018	1 July- 30 September 2019	1 July- 30 September 2018
Operating expenses				
ABH Turizm Temsilcilik ve Ticaret A.Ş. (1)	20.070	30.686	8.932	8.337
Zorlu Holding A.Ş. (2)	29.816	19.646	10.145	6.630
Zorlu Gayrimenkul Gel. ve Yat. A.Ş. (1)	8.159	7.281	2.714	2.554
Zorlu Air Havacılık A.Ş. (1)	4.111	3.064	1.291	1.339
Other related parties	8.497	6.070	4.068	2.738
	70.653	**66.747**	**27.150**	**21.598**
Other income from operating activities				
Other related parties	**6.363**	**9.765**	**(1.533)**	**4.968**
Other expense from operating activities				
Other related parties	**58**	**5.564**	**(4.759)**	**4.230**
Financial income				
Zorlu Holding A.Ş. (2)	420.624	1.008.968	29.400	624.173
Vestel Savunma Sanayi A.Ş. (3)	160.642	42.237	50.803	32.700
Other related parties	26.302	244	14.268	217
	607.568	**1.051.449**	**94.471**	**657.090**
Financial expense				
Zorlu Holding A.Ş. (2)	10.410	21.777	10.410	10.170
Other related parties	3.674	952	3.373	8
	14.084	**22.729**	**13.783**	**10.178**

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

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

NOTE 8 – RELATED PARTY DISCLOSURES (Cont'd)

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

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

Compensation paid to key management for the nine months period ended 30 September 2019 is 18.037 thousand TL (1 January - 30 September 2018: 22.907 thousand TL).

NOTE 9 – TRADE RECEIVABLES AND PAYABLES

	30 September 2019	31 December 2018
Short term trade receivables		
Trade receivables		
- Related parties (note 8)	38.826	54.724
- Other parties	2.206.532	3.385.298
Cheques and notes receivables	800.226	211.422
Other	115.778	62.110
	3.161.362	3.713.554
Unearned interest expense (-)		
- Related parties (note 8)	-	(127)
- Other parties	(8.811)	(11.711)
Allowance for doubtful receivables (-)	(140.487)	(118.450)
Total short term trade receivables	**3.012.064**	**3.583.266**
Long term trade receivables		
Cheques and notes receivables	38.651	7.471
Unearned interest expense (-)	(6.232)	(1.617)
Total long term trade receivables	**32.419**	**5.854**

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

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

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

	1 January - 30 September 2019	1 January - 30 September 2018
Opening balance, 1 January	**118.450**	**64.738**
Current year additions	31.923	14.597
Provisions no longer required	(323)	-
Doubtful receivables written-off	(9.715)	(9.551)
Currency translation differences	152	2.142
Balance at 30 September	**140.487**	**71.926**

	30 September 2019	31 December 2018
Short term trade payables		
Trade payables		
- Related parties (note 8)	10.615	4.384
- Other parties	5.494.743	5.785.399
Notes payables		
- Other parties	53	77
Other	3.389	3.016
	5.508.800	5.792.876
Unearned interest income (-)		
- Related parties (note 8)	-	(20)
- Other parties	(2.009)	(279)
Total short term trade payables	**5.506.791**	**5.792.577**
Long term trade payables		
Trade payables		
- Other parties	13.625	14.631
Total long term trade payables	**13.625**	**14.631**

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

NOTE 10 – OTHER RECEIVABLES

	30 September 2019	31 December 2018
Short term other receivables		
Receivables from official institutions	248.343	197.626
Receivables from related parties (note 8)	397.251	13.525
Deposits and guarantees given	68.670	62.303
Other	92.452	92.893
	806.716	**366.347**
Allowance for doubtful receivables (-)	(89.376)	(89.376)
	717.340	**276.971**
Long term other receivables		
Deposits and guarantees given	4.639	1.701
Receivables from related parties (note 8)	3.236.596	2.504.781
Other	8.278	8.278
	3.249.513	2.514.760
Allowance for doubtful receivables (-)	(8.278)	(8.278)
	3.241.235	**2.506.482**

The Group provides allowance for doubtful receivables.

NOTE 11 – INVENTORIES

	30 September 2019	31 December 2018
Raw materials	1.409.594	1.219.995
Work in process	114.561	107.962
Finished goods	1.612.711	1.462.297
Merchandise	150.638	99.992
Other	7.414	4.294
	3.294.918	2.894.540
Provision for impairment on inventories (-)	(65.683)	(32.801)
	3.229.235	**2.861.739**

Cost of the inventory included in the consolidated statement of comprehensive income in the period 1 January – 30 September 2019 is 7.757.592 thousand TL (2018: 6.325.101 thousand TL).

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

NOTE 11 – INVENTORIES (Cont'd)

As of 30 September 2019 the Group does not have inventories pledged as security for liabilities (31 December 2018: None)

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

	30 September 2019	31 December 2018
Raw materials	19.815	18.287
Finished goods and merchandise	45.868	14.514
	65.683	**32.801**

Movement of provision for impairment on inventories is as follows:

	1 January - 30 September 2019	1 January - 30 September 2018
Opening balance, 1 January	**32.801**	**28.305**
Current year additions	42.271	22.366
Realised due to sale of inventory	(10.952)	(7.277)
Currency translation differences	1.563	9.552
Balance at 30 September	**65.683**	**52.946**

NOTE 12 – PREPAID EXPENSES

	30 September 2019	31 December 2018
Prepaid expenses in current assets		
Order advances given	34.368	32.576
Prepaid expenses	63.683	64.206
Business advances given	11.335	1.289
	109.386	**98.071**
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	70.985	44.978
Prepaid expenses	1.349	4.774
	72.334	**49.752**

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

NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 September 2019		31 December 2018	
	%	**Amount**	**%**	**Amount**
Subsidiaries				
Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş.	50%	1.010.887	50%	1.131.130
Türkiyenin Otomobil Girişim Grubu Sanayi ve Ticaret A.Ş.	19%	28.500	19%	9.500
		1.039.387		**1.140.630**

Since Vestel Savunma and Aydın Yazılım has net liability position as of 30 September 2019 and 31 December 2018, carrying value of those investment in associates accounted for by equity method is resulted as nil in the consolidated balance sheets.

The Group's voting rights and effective ownership rates in Vestel Savunma and Aydın Yazılım are 35% and 21% respectively (31 December 2018: 35%, 21%).

The movements of META, which is an investment accounted for using the equity method during the period 1 January – 30 September is as follows:

	2019
Balance at 1 January	**1.131.130**
Shares from profit / loss	(155.025)
Shares from other comprehensive income / expense	34.782
Balance at 31 September	**1.010.887**

Condensed financial statement informations of META is given below:

	30 September 2019	**31 December 2018**
Current assets	202.142	231.594
Non-current assets	2.909.193	2.479.298
Current liabilities	(1.144.005)	(948.451)
Non-current liabilities	(1.280.136)	(863.903)
Net assets	**687.194**	**898.538**

	1 January - 30 September 2019
Net sales	89.129
Income / (loss) before tax	(335.313)
Tax benefit / (expense)	(25.264)
Net income / (loss) for the period	(310.049)
Total comprehensive income	(240.485)

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

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2019	Additions	Disposals	Currency translation differences	Transfers	Fair value increase	30 September 2019
Cost or revaluation							
Land	625.381	-	-	4.753	-	-	630.134
Land improvements	126.962	251	-	3.196	13	-	130.422
Buildings	1.407.645	10.314	(890)	34.925	3.896	-	1.455.890
Leasehold improvements	154.233	1.001	(1.018)	120	410	-	154.746
Plant and machinery	2.756.625	230.092	(36.468)	18.260	56.821	-	3.025.330
Motor vehicles	7.725	522	(1.153)	77	-	-	7.171
Furniture and fixtures	407.792	13.040	(4.874)	1.433	2.369	-	419.760
Other tangible assets	849	-	-	-	-	-	849
Construction in progress	39.874	46.794	-	-	(63.796)	-	22.872
	5.527.086	**302.014**	**(44.403)**	**62.764**	**(287)**	**-**	**5.847.174**
Accumulated depreciation							
Land improvements	-	4.386	-	567	-	-	4.953
Buildings	-	35.689	(141)	7.627	-	-	43.175
Leasehold improvements	129.113	12.312	(731)	72	-	-	140.766
Plant and machinery	1.744.385	239.857	(35.869)	13.163	-	-	1.961.536
Motor vehicles	4.546	794	(1.055)	76	-	-	4.361
Furniture and fixtures	313.486	28.951	(4.532)	1.306	-	-	339.211
Other tangible assets	849	-	-	-	-	-	849
	2.192.379	**321.989**	**(42.328)**	**22.811**	**-**	**-**	**2.494.851**
Net book value	**3.334.707**						**3.352.323**

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

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

	1 January 2018	Additions	Disposals	Currency translation differences	Transfers	Fair value increase	30 September 2018
Cost or revaluation							
Land	470.475	-	-	14.537	-	147.018	632.030
Land improvements	88.118	8	(8)	4.885	(4.115)	36.297	125.185
Buildings	965.443	7.108	(1.495)	104.842	32.072	333.336	1.441.306
Leasehold improvements	139.786	11.171	(38)	1.814	269	-	153.002
Plant and machinery	2.199.886	265.594	(81.584)	56.678	190.725	-	2.631.299
Motor vehicles	9.727	191	(1.874)	1.087	-	-	9.131
Furniture and fixtures	356.692	31.926	(1.169)	10.842	4.230	-	402.521
Other tangible assets	849	-	-	-	-	-	849
Construction in progress	87.497	253.219	-	96	(282.275)	-	58.537
	4.318.473	**569.217**	**(86.168)**	**194.781**	**(59.094)**	**516.651**	**5.453.860**
Accumulated depreciation							
Land improvements	-	2.972	(2)	1.208	(4.178)	-	-
Buildings	-	29.178	-	25.621	(54.799)	-	-
Leasehold improvements	112.912	11.377	(14)	928	-	-	125.203
Plant and machinery	1.560.713	184.004	(81.304)	45.167	-	-	1.708.580
Motor vehicles	5.711	904	(1.716)	1.047	-	-	5.946
Furniture and fixtures	272.274	28.276	(1.040)	9.359	-	-	308.869
Other tangible assets	849	-	-	-	-	-	849
	1.952.459	**256.711**	**(84.076)**	**83.330**	**(58.977)**	**-**	**2.149.447**
Net book value	**2.366.014**						**3.304.413**

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

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

Additions to property, plant and equipment in the period 1 January – 30 September 2019 mainly consist of machinery and equipment investments made to television and electronic devices factory, first and second refrigerator, cooker, dishwasher, washing machine and tumbler drier factories.

As of 30 September 2019 the Group does not have property, plant and equipment pledged (2018: None)

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

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

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

	1 January - 30 September 2019	**1 January - 30 September 2018**
Cost of sales	260.549	190.009
Research and development expenses	109.881	89.785
Marketing, selling and distribution expenses	55.175	27.206
General administrative expenses	24.983	24.020
Other operating expense (idle capacity depreciation expense)	4.615	4.627
	455.203	**335.647**

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

NOTE 15 – RIGHT OF USE ASSETS

	1 January 2019	Effect of change in accounting policies	Additions	30 September 2019
Cost				
Land and buildings	-	127.800	-	127.800
Machinery	-	32.672	-	32.672
Motor vehicles	-	13.806	-	13.806
	-	**174.278**	**-**	**174.278**
Accumulated amortization				
Land and buildings	-	-	25.649	25.649
Machinery	-	-	6.645	6.645
Motor vehicles	-	-	4.548	4.548
	-	**-**	**36.842**	**36.842**
Net book value	**-**	**174.278**	**-**	**137.436**

NOTE 16 – INTANGIBLE ASSETS

	1 January 2019	Additions	Disposals	Currency translation differences	Transfers	30 September 2019
Cost						
Rights	70.832	31	(591)	135	-	70.407
Development cost	975.596	137.094	(279)	-	-	1.112.411
Other intangible assets	167.259	3.694	(455)	528	287	171.313
	1.213.687	**140.819**	**(1.325)**	**663**	**287**	**1.354.131**
Accumulated amortization						
Rights	52.070	2.368	(676)	130	-	53.892
Development cost	527.517	86.798	-	-	-	614.315
Other intangible assets	93.503	7.206	-	82	-	100.791
	673.090	**96.372**	**(676)**	**212**	**-**	**768.998**
Net book value	**540.597**					**585.133**

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

NOTE 16 – INTANGIBLE ASSETS (Cont'd)

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

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

Useful lives of intangible assets are as follows:

	Useful life
Rights	2 - 15 years
Development cost	2 - 10 years
Other	2 - 15 years

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

NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	30 September 2019	31 December 2018
Short term provisions		
Warranty and assembly provision	242.664	246.198
Other provisions	204.515	262.471
Provision for lawsuit risks	24.223	46.030
	471.402	**554.699**
Long term provisions		
Warranty and assembly provision	47.437	51.128
Other provisions	4.619	2.660
	52.056	**53.788**

With reference to Group management's and legal advisors' assessments, no provision is provided for those cases that are expected to be finalized in favor of the Group. As of 30 September 2019, the amount of provision provided for the cases for which the probability of losing the case is assessed to be high by the Group management and legal advisors is 24.223 thousand TL (31 December 2018: 46.030 TL).

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

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

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

	1 January - 30 September 2019	1 January - 30 September 2018
Opening balance, 1 January	**297.326**	**246.456**
Current year additions	282.303	268.843
Provisions no longer required	(289.528)	(181.163)
Balance at 30 September	**290.101**	**334.136**

b) Waste Electrical and Electronic Equipment Directive

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

c) Guarantees received by the Group

Guarantee letters, collaterals, cheques and notes received

	30 September 2019	31 December 2018
Guarantee letters	534.211	609.874
Cheques and notes	10.356	547.766
Collaterals and pledges	1.363.539	1.419.867
	1.908.106	**2.577.507**

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

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

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

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
30 September 2019				
A. CPM's given on behalf of its own legal entity	6.147	29.913	90.837	310.594
B. CPM's given on behalf of fully consolidated subsidiaries (*)	1.980.205	327.598	3.006.306	16.238.219
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	31.976	-	26.560	207.515
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.	31.976	-	26.560	207.515
iii.Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**2.018.328**	**357.511**	**3.123.703**	**16.756.328**

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

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

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

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2018				
A. CPM's given on behalf of its own legal entity	9.812	31.014	100.154	338.726
B. CPM's given on behalf of fully consolidated subsidiaries	2.266.416	322.501	3.042.515	16.909.939
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	79.058	-	17.466	433.382
i. Total amount of CPM's given on behalf of the parent company	46.305	-	-	243.606
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	32.753	-	17.466	189.776
iii.Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**2.355.286**	**353.515**	**3.160.135**	**17.682.047**

As of 30 September 2019 proportion of other CPM's given by the Group to its equity is 6% (31 December 2018: 13%).

NOTE 18 – COMMITMENTS

As of the balance sheet date the Group has committed to realize exports amounting to 839.367 thousand USD (31 December 2018: 761.758 thousand USD) due to the export and investment incentive certificates obtained.

As of 30 September 2019 the Group has forward foreign currency purchase contract that amounts to 773.219 thousand USD, 266.751 thousand EUR, 42.004 thousand GBP, 29.586 thousand PLN 2.960 thousand RON, 10.200 thousand RUB and 1.100.704 thousand TL against forward foreign currency sales contract that amounts to 474.406 thousand USD, 259.350 thousand EUR, 91.907 thousand GBP, 1.258.879 thousand RUB, 12.421 thousand RON, 100.173 thousand PLN, 9.447 thousand SEK, 249.707 thousand CHF and 746.686 thousand TL. (31 December 2018: 909.988 thousand USD, 284.017 thousand EUR, 55.520 thousand GBP, 32.565 thousand PLN, 2.560 thousand RON, 10.700 thousand RUB and 753.190 thousand TL against forward foreign currency purchase contract; 379.695 thousand USD, 319.372 thousand EUR, 104.221 thousand GBP, 1.182.391 thousand RUB, 20.872 thousand RON, 106.610 thousand PLN, 9.447 thousand SEK and 2.992.794 thousand TL against forward foreign currency sales contract).

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

NOTE 19 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	30 September 2019	31 December 2018
Due to personnel	93.268	75.350
Social security payables	109.019	29.666
	202.287	**105.016**

Long term provisions for employee benefits:

	30 September 2019	31 December 2018
Provision for employment termination benefits	**124.159**	**111.100**

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

The amount payable is the equivalent of one month's salary for each year of service and is limited to a maximum of 6.379,86 TL/year as of 30 September 2019 (31 December 2018: 5.434,42 TL/year).

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

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

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

NOTE 19 – EMPLOYEE BENEFITS (Cont'd)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as of 30 September 2019, the provision is calculated by estimating the present value of the future obligation of the Group arising from retirement of employees. As of 30 September 2019 provision is calculated based on real discount rate of 5,45% (31 December 2018: 5,45%) assuming 10% annual inflation rate and 15,99% discount rate.

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

	1 January - 30 September 2019	1 January - 30 September 2018
Balance at 1 January	**111.100**	**96.078**
Increase during the year	5.374	12.290
Payments during the year	(11.742)	(16.740)
Actuarial (gain) /loss	5.839	4.275
Interest expense	13.588	8.366
Balance at 30 September	**124.159**	**104.269**

NOTE 20 – OTHER ASSETS AND LIABILITIES

	30 September 2019	31 December 2018
Other current assets		
VAT carried forward	19.132	12.044
Other	20.981	27.239
	40.113	**39.283**
Other non - current assets		
Assets held for sale	11.373	6.248
	11.373	**6.248**

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

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

	30 September 2019	31 December 2018
Other current liabilities		
Advances received	183.834	180.696
Tax payables	64.951	75.586
Other	172.286	119.453
	421.071	**375.735**

NOTE 21 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	30 September 2019	31 December 2018
Shares of par value Kr 1 each		
limit on registered share capital	1.000.000	1.000.000
Issued share capital	335.456	335.456

As of 30 September 2019 and 31 December 2018 the shareholding structures are as follows:

	Shareholding		Amount	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Zorlu Holding A.Ş.	64,41%	64,41%	216.054	216.054
Shares held by public				
Other shareholders	26,34%	22,46%	88.359	75.355
Zorlu Holding A.Ş.	9,25%	13,13%	31.043	44.047
	100%	**100%**	**335.456**	**335.456**

b) Adjustment to share capital

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

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

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

c) Share premium

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

d) Legal reserves

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

	30 September 2019	31 December 2018
Legal reserves	**67.179**	**48.821**

e) Revaluation reserve

Fair value gains on financial assets	2.012	1.965
Revaluation of property, plant and equipment	1.317.816	1.338.777
	1.319.828	**1.340.742**

f) Accumulated deficit

Extraordinary reserves	512.541	512.541
Previous year's loss	(149.784)	(523.540)
Other inflation adjustment of share capital	119.718	119.718
	482.475	**108.719**

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

g) Dividend distribution

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

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

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

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

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

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

NOTE 22 – SALES

	1 January - 30 September 2019	1 January - 30 September 2018	1 July- 30 September 2019	1 July- 30 September 2018
Domestic sales	3.042.955	3.450.442	1.101.510	1.045.254
Overseas sales	9.888.578	7.983.717	3.413.642	2.874.900
Gross sales	**12.931.533**	**11.434.159**	**4.515.152**	**3.920.154**
Sales discounts (-)	(925.001)	(819.099)	(334.587)	(302.835)
Net sales	**12.006.532**	**10.615.060**	**4.180.565**	**3.617.319**
Cost of sales	(8.964.779)	(7.379.846)	(3.174.900)	(2.253.689)
Gross profit	**3.041.753**	**3.235.214**	**1.005.665**	**1.363.630**

NOTE 23 – EXPENSES BY NATURE

	1 January - 30 September 2019	1 January - 30 September 2018	1 July- 30 September 2019	1 July- 30 September 2018
Raw materials, supplies and finished goods	7.965.251	6.953.648	2.701.576	2.437.893
Changes in finished goods, work in process, trade goods	(207.659)	(628.547)	(8.620)	(615.413)
Personnel expenses	945.640	779.422	340.667	280.675
Depreciation and amortization	450.588	331.020	154.406	116.830
warehouse expenses	486.461	407.478	174.326	149.786
Warranty and assembly expenses	282.303	268.843	103.982	101.340
Advertising expenses	138.697	129.302	56.095	55.173
Other	749.798	924.350	305.691	390.275
	10.811.079	**9.165.516**	**3.828.123**	**2.916.559**

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

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

a) General administrative expenses:

	1 January - 30 September 2019	1 January - 30 September 2018	1 July- 30 September 2019	1 July- 30 September 2018
Personnel expenses	104.127	83.653	34.997	29.147
Depreciation and amortization	24.983	24.020	7.827	9.413
Consultancy expenses	27.598	21.314	9.723	8.275
Information technology expenses	27.700	24.963	8.486	10.248
Rent and office expenses	25.743	21.250	8.697	7.522
Tax and duties	11.071	9.246	3.553	3.260
Benefits and services provided externall	8.155	7.318	2.240	2.070
Insurance expenses	5.860	5.127	1.888	2.207
Travelling expenses	1.477	2.198	554	386
Other	54.014	49.212	14.549	13.593
	290.728	**248.301**	**92.514**	**86.121**

b) Marketing expenses:

Personnel expenses	453.431	428.355	163.188	157.878
Depreciation and amortization	55.175	27.206	19.098	9.353
Export, transportation, warehouse expe	282.303	268.843	103.982	101.340
Warranty and assembly expenses	248.453	229.365	89.017	87.396
Advertising expenses	124.082	128.862	49.239	52.223
Other	205.483	277.551	72.562	101.333
	1.368.927	**1.360.182**	**497.086**	**509.523**

c) Research and development expenses:

Personnel expenses	26.712	28.095	9.500	10.968
Depreciation and amortization	109.881	89.784	37.632	30.850
Travelling expenses	5.537	8.512	2.054	3.517
Other	44.515	50.796	14.437	21.891
	186.645	**177.187**	**63.623**	**67.226**

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

NOTE 25 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January - 30 September 2019	1 January - 30 September 2018	1 July- 30 September 2019	1 July- 30 September 2018
Credit finance gains arising from trading activities	63.147	39.219	17.143	23.305
Foreign exchange gains arising from trading activities	701.337	793.178	132.558	361.575
Reversals of provisions	25.277	2.474	846	2.426
Other income	113.598	77.770	35.115	30.488
	903.359	**912.641**	**185.662**	**417.794**

b) Other expense from operating activities:

	1 January - 30 September 2019	1 January - 30 September 2018	1 July- 30 September 2019	1 July- 30 September 2018
Debit finance charges arising from trading activities	119.343	145.422	14.938	63.928
Foreign exchange expenses arising from trading activities	880.440	2.352.431	117.628	1.360.364
Provision expenses	25.968	22.686	(242)	12.712
Other expenses	173.759	110.849	38.334	46.035
	1.199.510	**2.631.388**	**170.658**	**1.483.039**

NOTE 26 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 30 September 2019	1 January - 30 September 2018	1 July- 30 September 2019	1 July- 30 September 2018
Foreign exchange gains	579.035	1.074.388	79.491	673.362
Gains on derivative financial instrument	773.698	2.032.466	223.328	1.336.097
Interest income	417.882	313.622	126.874	127.734
	1.770.615	**3.420.476**	**429.693**	**2.137.193**

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

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

b) Financial expense:

	1 January - 30 September 2019	1 January - 30 September 2018	1 July- 30 September 2019	1 July- 30 September 2018
Foreign exchange losses	488.734	1.454.132	48.188	949.554
Losses on derivative financial instrumer	965.384	1.094.151	249.989	597.750
Interest and commision expense	872.801	487.470	318.474	210.429
Other finance expenses	9.090	379	590	126
	2.336.009	**3.036.132**	**617.241**	**1.757.859**

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

	30 September 2019	31 December 2018
Corporation and income taxes	1.907	14.287
Prepaid taxes (-)	(13.784)	(20.369)
Current income tax liabilities - net	**(11.877)**	**(6.082)**
Deferred tax liabilities	(236.796)	(147.739)
Deferred tax assets	174.512	93.452

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

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

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

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

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

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

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

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

Russian Federation

In Russia, corporate tax rate applicable is 20% (2018: 20%). Under the Russian Federation taxation system, tax losses can be carried forward to be offset against future taxable income for up to ten years. There are no restrictions on the amounts subject to net off. On the other hand, tax, currency and customs legislations are subject to various interpretations and changes which can occurs frequently in Russian Federation. Management's interpretation for such legislation, which is applied to the Company's operations and activities, can be interpreted by regional and federal authorities in different ways.

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

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

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

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

As of 1 January - 30 September 2019 and 2018 tax benefit in the consolidated statement of income is as follows:

	1 January - 30 September 2019	**1 January - 30 September 2018**
Current period tax expense	(6.310)	(14.048)
Deferred tax benefit	(1.956)	47.760
Total tax (expense) / benefit	**(8.266)**	**33.712**

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

Deferred tax assets and liabilities

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

As of 30 September 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:

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

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

	Cumulative temporary differences		Deferred tax	
	30 September 2019	**31 December 2018**	**30 September 2019**	**31 December 2018**
Deferred tax assets				
Employment termination benefits	(120.510)	(108.015)	24.102	21.603
Warranty provision	(118.964)	(128.555)	26.172	28.282
Provision for doubtful receivables	(157.191)	(141.823)	34.582	31.201
Unearned interest expense	(14.882)	(16.859)	3.274	3.709
Provision for impairment on inventories	(18.250)	(15.405)	4.015	3.389
Derivative financial instruments	-	(165.545)	-	36.420
Carryforward tax losses and R&D incentives	(318.669)	(318.669)	66.227	66.227
Other	(256.818)	(149.700)	56.500	32.934
			214.872	**223.765**
Deferred tax liabilites				
Useful life and valuation differences on property, plant and equipment and intangible assets	52.795	83.610	(10.559)	(16.722)
Derivative financial instruments	59.884	-	(13.174)	-
Revaluation of tangible fixed assets	1.091.436	1.117.944	(253.228)	(258.529)
Other	886	12.732	(195)	(2.801)
			(277.156)	**(278.052)**
Deferred tax assets / (liabilites) - net			**(62.284)**	**(54.287)**

As of 30 September 2019 and 2018, the Group has not recognized deferred tax assets arising from its investment incentive certificate, in accordance with conservatism principle of accounting.

Expiration date of carry forward tax losses subject to deferred tax calculation amounted to 141.864 thousand TL (2018:141.864 thousand TL) is 2022. Furthermore, within R&D law framework, the Group has R&D incentives amounted to 176.805 thousand TL (2018:175.083 thousand TL) which can be used in 2019 and future periods.

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

sNOTE 27 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

	30 September 2019	31 December 2018
Subsidiares with net deferred tax liabilities	(236.796)	(147.739)
Subsidiares with net deferred tax assets	174.512	93.452

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

	1 January - 30 September 2019	1 January - 30 September 2018
Opening balance, 1 January	**(54.287)**	**44.718**
Tax benefit recognized in income statement	(1.956)	54.675
Recognized in shareholders' equity	(3.794)	(73.156)
Currency translation differences	(2.247)	3.098
Deferred tax (liabilities) / assets at the end of the period, net	**(62.284)**	**29.335**

NOTE 28 – EARNINGS / (LOSS) PER SHARE

	1 January - 30 September 2019	1 January - 30 September 2018
Net income / (loss) attributable to equity holders of the parent	148.956	80.284
Weighted number of ordinary shares with a Kr 1 of par value (hundred shares)	33.546.000	33.546.000
Earnings per share	**0,44**	**0,24**

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

NOTE 29 – DERIVATIVE INSTRUMENTS

	30 September 2019		31 December 2018	
	Contract amount	**Fair Value Assets / (Liabilities)**	**Contract amount**	**Fair Value Assets / (Liabilities)**
Derivative financial assets:				
Held for trading				
Forward foreign currency transactions	2.984.977	58.787	2.064.426	68.025
Cash flow hedge				
Forward foreign currency transactions	1.121.290	28.322	932.989	16.635
Derivative financial liabilities:				
Held for trading				
Forward foreign currency transactions	3.217.119	(25.173)	4.021.835	(235.841)
Cash flow hedge				
Forward foreign currency transactions	140.892	(2.052)	652.548	(14.364)
	7.464.278	**59.884**	**7.671.798**	**(165.545)**

NOTE 30 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign currency risk:

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

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

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

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

30 September 2019	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	105.628	163.868	304.341	1.915.395
2a. Monetary financial assets (including cash and cash equivalents)	125.684	13.923	1.428.731	2.226.084
2b. Non-monetary financial assets	-	-	-	-
3. Other	63.303	-	-	358.238
4. Current assets (1+2+3)	**294.615**	**177.791**	**1.733.072**	**4.499.717**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	3.713	4.435	-	48.437
7. Other	411.713	116	-	2.330.642
8. Non-current assets (5+6+7)	**415.426**	**4.551**	**-**	**2.379.079**
9. Total assets (4+8)	**710.041**	**182.342**	**1.733.072**	**6.878.796**
10. Trade payables	705.797	125.817	8.923	4.781.101
11. Financial liabilities	350.455	169.395	-	3.030.731
12a. Other monetary liabilities	12.785	773	4.387	81.519
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**1.069.037**	**295.985**	**13.310**	**7.893.351**
14. Trade payables	-	2.094	-	12.948
15. Financial liabilities	12.968	-	-	73.385
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**12.968**	**2.094**	**-**	**86.333**
18. Total liabilities (13+17)	**1.082.005**	**298.079**	**13.310**	**7.979.684**
19. Off-balance sheet derivative instruments net asset / (liability) position (19a+19b)	**298.812**	**7.401**	**(1.993.017)**	**(256.246)**
19a. Hedged total assets	773.218	266.751	338.371	6.363.570
19b. Hedged total liabilities	(474.406)	(259.350)	(2.331.388)	(6.619.816)
20. Net foreign currency asset/ (liability) position (9-18+19)	**(73.152)**	**(108.336)**	**(273.255)**	**(1.357.134)**
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(850.693)**	**(120.288)**	**1.719.762**	**(3.838.205)**
22. Fair value of financial instruments used in foreign currency hedging	**-**	**-**	**-**	**59.884**
23. Export	430.626	891.946	837.328	9.888.578
24. Import	822.568	144.495	1.012	5.556.395

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

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

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

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

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

As of 30 September 2019 and 31 December 2018 sensitivity analysis of foreign exchange rates is presented in below tables. Secured portions include impact of off-balance sheet derivative instruments.

	Gain / Loss		**Equity**	
30 September 2019	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(481.415)	481.415	(481.415)	481.415
Secured portion from USD risk (-)	96.710	(96.710)	166.747	(166.747)
USD net effect	**(384.705)**	**384.705**	**(314.668)**	**314.668**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	(74.381)	74.381	(74.381)	74.381
Secured portion from EUR risk (-)	59.600	(59.600)	3.861	(3.861)
EUR net effect	**(14.781)**	**14.781**	**(70.520)**	**70.520**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	171.976	(171.976)	171.976	(171.976)
risk (-)	(216.170)	216.170	(216.170)	216.170
Other currency net effect	**(44.194)**	**44.194**	**(44.194)**	**44.194**

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

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

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