VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY– 31 DECEMBER 2019 TOGETHER WITH INDEPENDENT AUDITOR’S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2019 AND 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	5	2.394.334	3.085.661
Trade Receivables		3.372.832	3.583.266
Trade Receivables Due from Related Parties	8	55.810	54.597
Trade Receivables Due from Unrelated Parties	9	3.317.022	3.528.669
Other Receivables		800.384	276.971
Other Receivables Due from Related Parties	8	550.383	13.525
Other Receivables Due from Unrelated Parties	10	250.001	263.446
Derivative Financial Assets		45.487	84.660
Derivative Financial Assets Held for Trading	32	42.291	68.025
Derivative Financial Assets Held for Hedging	32	3.196	16.635
Inventories	11	2.833.115	2.861.739
Prepayments		89.674	98.071
Prepayments to Unrelated Parties	12	89.674	98.071
Current Tax Assets	30	7.259	6.575
Other Current Assets		65.496	39.283
Other Current Assets Due from Unrelated Parties	22	65.496	39.283
TOTAL CURRENT ASSETS		**9.608.581**	**10.036.226**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2019 AND 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
NON-CURRENT ASSETS			
Financial Investments	6	69.941	49.081
Investments in subsidiaries, joint ventures and associates	13	974.192	1.140.630
Trade Receivables		67.595	5.854
Trade Receivables Due from Unrelated Parties	9	67.595	5.854
Other Receivables		3.986.552	2.506.482
Other Receivables Due from Related Parties	8	3.981.045	2.504.781
Other Receivables Due from Unrelated Parties	10	5.507	1.701
Property, Plant and Equipments		3.452.328	3.334.707
Land and Premises	14	635.564	625.381
Land Improvements	14	125.506	126.962
Buildings	14	1.428.183	1.407.645
Machinery and Equipments	14	1.115.091	1.012.240
Vehicles	14	2.705	3.179
Fixtures and Fittings	14	78.708	94.306
Leasehold Improvements	14	12.276	25.120
Construction in Progress	14	54.295	39.874
Right of Use Assets	15	163.776	-
Intangible Assets and Goodwill		815.521	738.390
Goodwill	17	197.793	197.793
Other Rights	16	15.779	18.762
Capitalized Development Costs	16	528.242	448.079
Other Intangible Assets	16	73.707	73.756
Prepayments		73.496	49.752
Prepayments to Unrelated Parties	12	73.496	49.752
Deferred Tax Asset	30	230.498	93.452
Other Non-current Assets	22	9.925	6.248
TOTAL NON-CURRENT ASSETS		**9.843.824**	**7.924.596**
TOTAL ASSETS		**19.452.405**	**17.960.822**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2019 AND 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings	7	5.830.835	4.427.098
Current Borrowings from Related Parties		7.368	-
Lease Liabilities	8	7.368	-
Current Borrowings from Unrelated Parties		5.823.467	4.427.098
Bank Loans	7	5.766.814	4.424.507
Lease Liabilities	7	56.653	2.591
Current Portion of Non-current Borrowings	7	1.411.361	2.000.447
Current Portion of Non-current Borrowings from Unrelated Parties		1.411.361	2.000.447
Bank Loans	7	1.411.361	2.000.447
Trade Payables		6.127.709	5.792.577
Trade Payables to Related Parties	8	7.830	4.364
Trade Payables to Unrelated Parties	9	6.119.879	5.788.213
Employee Benefit Obligations	21	200.055	105.016
Other Payables		56.799	50.728
Other Payables to Related Parties	8	56.195	49.769
Other Payables to Unrelated Parties		604	959
Derivative Financial Liabilities	32	52.592	250.205
Derivative Financial Liabilities Held for Trading		42.532	235.841
Derivative Financial Liabilities Held for Hedging		10.060	14.364
Current Tax Liabilities	30	-	493
Current Provisions	19	582.081	554.699
Other Current Provisions		582.081	554.699
Other Current Liabilities	22	391.043	375.735
Other Current Liabilities to Unrelated Parties		391.043	375.735
TOTAL CURRENT LIABILITIES		**14.652.475**	**13.556.998**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2019 AND 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
NON-CURRENT LIABILITIES			
Long Term Borrowings	7	568.081	749.486
Long Term Borrowings from Related Parties		15.759	-
Lease Liabilities	8	15.759	-
Long Term Borrowings from Unrelated Parties		552.322	749.486
Bank Loans	7	456.424	742.077
Lease Liabilities	7	95.898	7.409
Trade Payables		6.747	14.631
Trade Payables to Unrelated Parties	9	6.747	14.631
Non-current Provisions		201.953	164.888
Non-current Provisions for Employee Benefits	21	156.116	111.100
Other Non-current Provisions	19	45.837	53.788
Deferred Tax Liabilities	30	233.589	147.739
Other Non-current Liabilities		9.649	8.825
Other Non-current Liabilities to Unrelated Parties		9.649	8.825
TOTAL NON-CURRENT LIABILITIES		**1.020.019**	**1.085.569**
TOTAL LIABILITIES		**15.672.494**	**14.642.567**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2019 AND 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
EQUITY			
Equity Attributable to Owners of Parent		**3.690.656**	**3.229.140**
Issued Capital	23	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		1.275.275	1.318.870
Gains (Losses) on Revaluation and Remeasurement		1.275.275	1.318.870
Increases (Decreases) on Revaluation of Property, Plant and Equipment	29	1.310.274	1.338.777
Gains (Losses) on Remeasurements of Defined Benefit Plans	29	(34.999)	(19.907)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		406.591	254.030
Exchange Differences on Translation		406.932	262.586
Gains (Losses) on Hedge	29	(4.662)	(10.521)
Gains (Losses) on Cash Flow Hedges		(4.662)	(10.521)
Gains (Losses) on Revaluation and Reclassification		4.321	1.965
Gains (Losses) on Remeasuring Financial Assets Measured of Fair Value through Other Compressive Income	23	4.321	1.965
Restricted Reserves Appropriated from Profits		67.179	48.909
Legal Reserves	23	67.179	48.909
Prior Years' Profits or Losses	23	490.017	108.631
Current Period Net Profit Or Loss		324.047	371.153
Non-controlling Interests		**89.255**	**89.115**
TOTAL EQUITY		**3.779.911**	**3.318.255**
TOTAL LIABILITIES AND EQUITY		**19.452.405**	**17.960.822**

Consolidated financial statements for the period 1 January - 31 December 2019, were approved by the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. on 3 March 2020. General Assembly and specified regulatory bodies have the right to make amendments to statutory financial statements after issue.

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

	Footnotes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
PROFIT OR LOSS			
Revenue	24	17.174.123	15.852.300
Cost of Sales	24	(12.896.358)	(11.570.079)
GROSS PROFIT		**4.277.765**	**4.282.221**
General Administrative Expenses	26	(401.822)	(340.785)
Marketing Expenses	26	(1.905.221)	(1.846.306)
Research and Development Expense	26	(261.830)	(249.928)
Other Income from Operating Activities	27	1.197.610	879.126
Other Expenses from Operating Activities	27	(1.631.561)	(2.242.200)
PROFIT FROM OPERATING ACTIVITIES		**1.274.941**	**482.128**
Share of Profit (Loss) from Investments Accounted for Using Equity Method	13	(234.719)	(90.859)
PROFIT BEFORE FINANCING INCOME		**1.040.222**	**391.269**
Finance Income	28	2.282.672	3.969.830
Finance Costs	28	(3.008.981)	(3.917.899)
PROFIT FROM CONTINUING OPERATIONS, BEFORE TAX		**313.913**	**443.200**
Tax (Expense) Income, Continuing Operations		37.937	(42.314)
Current Period Tax (Expense) Income	30	(14.782)	(19.943)
Deferred Tax (Expense) Income	30	52.719	(22.371)
PROFIT FROM CONTINUING OPERATIONS		**351.850**	**400.886**
PROFIT		**351.850**	**400.886**
Profit (loss), attributable to			
Non-controlling Interests		27.803	29.733
Owners of Parent		324.047	371.153
Earnings per 100 share with a Kr 1 of Par Value (TL)	31	**0,97**	**1,11**

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

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

	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
OTHER COMPREHENSIVE INCOME		
Other Comprehensive Income that will not be Reclassified to Profit or Loss	**(15.440)**	**444.590**
Gains (Losses) on Revaluation of Property, Plant and Equipment	-	535.781
Gains (Losses) on Remeasurements of Defined Benefit Plans	(19.300)	(3.204)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss	**3.860**	**(87.987)**
Taxes Relating to Gains (Losses) on Revaluation of Property, Plant and Equipment	-	(88.628)
Taxes Relating to Remeasurements of Defined Benefit Plans	3.860	641
Other Comprehensive Income that will be Reclassified to Profit or Loss	**152.591**	**184.837**
Exchange Differences on Translation	144.346	186.403
Gains (losses) on Remeasuring Financial Assets Measured of Fair Value through Other Compressive Income	3.020	(2.557)
Other Comprehensive Income (Loss) Related with Cash Flow Hedges	7.550	616
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss	**(2.325)**	**375**
Taxes Relating to Financial Assets Measured of Fair Value through Other Compressive Income	(664)	511
Taxes Relating to Cash Flow Hedges	(1.661)	(136)
OTHER COMPREHENSIVE INCOME (LOSS)	**137.151**	**629.427**
TOTAL COMPREHENSIVE INCOME (LOSS)	**489.001**	**1.030.313**
Total Comprehensive Income Attributable to		
Non-controlling Interests	27.485	36.307
Owners of Parent	461.516	994.006

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY – 31 DECEMBER 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 Financial Assets Measured of Fair Value through Other Compressive Income	Gains (Losses) on Revaluation and Reclassification	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss	Restricted Reserves Appropriated From Profits	Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings	Equity attributable to owners of parent	Non-controlling interests	Equity
Previous Period 1 January -31 December																				
Beginning of Period	**335.456**	**688.315**	**103.165**	**917.385**	**(17.246)**	**900.139**	**900.139**	**76.183**	**(10.959)**	**(10.959)**	**4.149**	**4.149**	**69.373**	**46.195**	**7.518**	**55.108**	**62.626**	**2.205.269**	**72.759**	**2.278.028**
Adjustments Related to Accounting Policy Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35.244	-	35.244	35.244	-	35.244
Adjustments Related to Required Changes in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35.244	-	35.244	35.244	-	35.244
Adjusted Balance	335.456	688.315	103.165	917.385	(17.246)	900.139	900.139	76.183	(10.959)	(10.959)	4.149	4.149	69.373	46.195	42.762	55.108	97.870	2.240.513	72.759	2.313.272
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	2.714	52.394	(55.108)	(2.714)	-	-	-
Total Comprehensive Income (Loss)	-	-	-	419.629	(2.625)	417.004	417.004	186.403	445	445	(2.184)	(2.184)	184.664	-	21.173	371.153	392.326	993.994	36.319	1.030.313
Profit (Loss)	-	-	-	(21.173)	-	(21.173)	(21.173)	-	-	-	-	-	-	-	21.173	371.153	392.326	371.153	29.733	400.886
Other Comprehensive Income (Loss)	-	-	-	440.802	(2.625)	438.177	438.177	186.403	445	445	(2.184)	(2.184)	184.664	-	-	-	-	622.841	6.586	629.427
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12.909)	(12.909)
Transactions with non-controlling shareholders	-	-	611	1.763	(36)	1.727	1.727	-	(7)	(7)	-	-	(7)	-	(7.698)	-	(7.698)	(5.367)	(7.054)	(12.421)
End of Period	**335.456**	**688.315**	**103.776**	**1.338.777**	**(19.907)**	**1.318.870**	**1.318.870**	**262.586**	**(10.521)**	**(10.521)**	**1.965**	**1.965**	**254.030**	**48.909**	**108.631**	**371.153**	**479.784**	**3.229.140**	**89.115**	**3.318.255**
Current Period 1 January -31 December																				
Opening Balance	**335.456**	**688.315**	**103.776**	**1.338.777**	**(19.907)**	**1.318.870**	**1.318.870**	**262.586**	**(10.521)**	**(10.521)**	**1.965**	**1.965**	**254.030**	**48.909**	**108.631**	**371.153**	**479.784**	**3.229.140**	**89.115**	**3.318.255**
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	18.270	352.883	(371.153)	(18.270)	-	-	-
Total Comprehensive Income (Loss)	-	-	-	(28.503)	(15.092)	(43.595)	(43.595)	144.346	5.859	5.859	2.356	2.356	152.561	-	28.503	324.047	352.550	461.516	27.485	489.001
Profit (Loss)	-	-	-	(28.503)	-	(28.503)	(28.503)	-	-	-	-	-	-	-	28.503	324.047	352.550	324.047	27.803	351.850
Other Comprehensive Income (Loss)	-	-	-	-	(15.092)	(15.092)	(15.092)	144.346	5.859	5.859	2.356	2.356	152.561	-	-	-	-	137.469	(318)	137.151
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(27.345)	(27.345)
Closing Balance	**335.456**	**688.315**	**103.776**	**1.310.274**	**(34.999)**	**1.275.275**	**1.275.275**	**406.932**	**(4.662)**	**(4.662)**	**4.321**	**4.321**	**406.591**	**67.179**	**490.017**	**324.047**	**814.064**	**3.690.656**	**89.255**	**3.779.911**

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY – 31 DECEMBER 2019 AND 2018

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

	Footnotes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**3.104.493**	**1.199.617**
Profit		351.850	400.886
Profit (Loss) from Continuing Operations		351.850	400.886
Adjustments to Reconcile Profit		**2.276.037**	**552.131**
Adjustments for Depreciation and Amortisation Expense	14	626.954	456.729
Adjustments for Impairment Loss (Reversal of Impairment Loss)		68.217	52.089
Adjustments for Impairement Loss (Reversal of Impairment Loss) of Receivables	9	46.752	52.921
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	11	21.465	(832)
Adjustments for Provisions		61.441	152.947
Adjustments for (Reversal of) Provisions Related with Employee Benefits	21	42.010	32.670
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	19	(21.121)	15.499
Adjustments for (Reversal of) Warranty Provisions	19	11.594	50.870
Adjustments for (Reversal of) Other Provisions	19	28.958	53.908
Adjustments for Interest (Income) Expenses		611.741	164.430
Adjustments for Interest Income	28	(534.325)	(566.215)
Adjustments for Interest Expense	28	1.146.066	730.645
Adjustments for Unrealised Foreign Exchange Losses (Gains)	7	173.969	382.503
Adjustments for Fair Value Losses (Gains)		(150.890)	16.105
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(150.890)	16.105
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method		234.719	90.859
Adjustments for Tax (Income) Expenses		(37.937)	42.314
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(7.582)	(7.635)
Adjustments for Losses (Gains) Arised from Sale of Tangible Assets		(7.582)	(7.635)
Other Adjustments to Reconcile Profit (Loss)	5	695.405	(798.210)

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY – 31 DECEMBER 2019 AND 2018

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

	Footnotes	1 January - 31 December 2019	1 January - 31 December 2018
Changes in Working Capital		**504.259**	**288.105**
Decrease (Increase) in Financial Investments	6	(3.020)	2.750
Adjustments for Decrease (Increase) in Trade Accounts Receivable		101.941	89.321
Decrease (Increase) in Trade Accounts Receivables from Related Parties		(1.213)	(15.424)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties		103.154	104.745
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		9.639	(2.523)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations		9.639	(2.523)
Adjustments for Decrease (Increase) in Inventories		3.556	77.944
Decrease (Increase) in Prepaid Expenses		(15.347)	(5.618)
Adjustments for Increase (Decrease) in Trade Accounts Payable		327.248	53.902
Increase (Decrease) in Trade Accounts Payables to Related Parties		3.466	(2.875)
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties		323.782	56.777
Increase (Decrease) in Employee Benefit Liabilities		95.039	(2.719)
Adjustments for Increase (Decrease) in Other Operating Payables		(355)	159
Increase (Decrease) in Other Operating Payables to Unrelated Parties		(355)	159
Other Adjustments for Other Increase (Decrease) in Working Capital		(14.442)	74.889
Decrease (Increase) in Other Assets Related with Operations		(30.574)	(7.913)
Increase (Decrease) in Other Payables Related with Operations		16.132	82.802
Cash Flows from (used in) Operations		**3.132.146**	**1.241.122**
Payments Related with Provisions for Employee Benefits	21	(16.294)	(20.852)
Income Taxes Refund (Paid)	30	(11.359)	(20.653)

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY – 31 DECEMBER 2019 AND 2018

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

	Footnotes	1 January - 31 December 2019	1 January - 31 December 2018
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(2.702.582)**	**(3.160.018)**
Cash Outflows from Purchase of Additional Shares of Subsidiaries		-	(12.421)
Cash Outflows Arising from Purchase of Shares or Capital Increase of Associates and/or Joint Ventures		(17.840)	(1.161.575)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		13.826	10.391
Proceeds from Sales of Property, Plant and Equipment		13.826	10.391
Purchase of Property, Plant, Equipment and Intangible Assets		(685.446)	(926.792)
Purchase of Property, Plant and Equipment	14	(481.422)	(748.112)
Purchase of Intangible Assets	16	(204.024)	(178.680)
Cash Advances and Loans Made to Other Parties		(2.013.122)	(1.069.621)
Cash Advances and Loans Made to Related Parties	8	(2.013.122)	(1.069.621)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**(389.963)**	**2.149.371**
Proceeds from Borrowings		6.674.923	5.291.223
Proceeds from Loans	7	6.674.923	5.291.223
Repayments of Borrowings		(6.318.207)	(3.036.235)
Loan Repayments	7	(6.313.561)	(3.038.310)
Cash Outflows from Other Financial Liabilities	7	(4.646)	2.075
Increase in Other Payables to Related Parties		6.426	40.474
Payments of Lease Liabilities		(81.302)	-
Dividends Paid	8	(27.345)	(12.909)
Interest Paid		(1.178.783)	(699.397)
Interest Received		534.325	566.215
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**11.948**	**188.970**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	7	(7.870)	98.144
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4.078**	**287.114**
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		**2.283.040**	**2.278.962**

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

As of 31 December 2019 the number of personnel employed at Group is 16.775 (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 Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") Turkish Accounting Standards Board.

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

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

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

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

2.1.2 Currency used

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

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

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

(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:	**31 December 2019**	**31 December 2018**
Turkish Lira/EUR	0,1504	0,1659
Turkish Lira/GBP	0,1286	0,1503
Turkish Lira/RUB	10,469	13,273
Turkish Lira/PLN	0,6398	0,7126
Turkish Lira/ USD	0,1683	0,1901

Average:	**1 January - 31 December 2019**	**1 January - 31 December 2018**
Turkish Lira/EUR	0,1768	0,1768
Turkish Lira/GBP	0,1383	0,1567
Turkish Lira/RUB	11,4656	13,183
Turkish Lira/PLN	0,6764	0,7520
Turkish Lira/ USD	0,1763	0,2080

2.1.3 Basis of consolidation

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

a) Subsidiaries

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

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

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

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

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

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

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

b) Investments in associates

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

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

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

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

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

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

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

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

2.2 Comparatives

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

<u>Transition to IFRS 16 "Leases":</u>

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 – as a lessee

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

a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, If the supplier has a substantive substitution right, the asset is not identified.

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

c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
d) The Group has the right to direct use of the asset, The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

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

Right of use asset

The right of use asset is initially recognized at cost comprising of:

a) 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; and
d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Group re-measure the right of use asset:

a) After netting-off depreciation and reducing impairment losses from right of use asset.
b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies TAS16 "Property, Plant and Equipment" to amortize the right of use asset and to assets for any impairment. To determine whether the right of use asset is impaired and to recognize any impairment loss, IAS 36 applies the "Impairment of Assets" standard.

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.

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

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

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

After initial recognition, the lease liability is measured:

a) Increasing the carrying amount to reflect interest on lease liability,
b) Reducing the carrying amount to reflect the lease payments made and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Exemptions and simplifications

Short-term lease contracts with a rental period of 12 months or less and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc,) are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period. The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

Extension and early termination options

The lease obligation is determined by considering the extension and early termination options in the contracts. Most of the extension and early termination options in the contracts consist of options that can be applied jointly by the Group and the lessor. The Group determines the lease duration by including the extension and early termination options at the discretion of the Group according to the relevant contract and if the options are reasonably accurate, it is included in the lease term. If the conditions change significantly, the assessment is reviewed by the Group.

The Group – as a lessor

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

First time adoption of TFRS 16 Leases

The Group has applied TFRS 16 "Leases", which replaces TAS 17, for the effective period beginning on 1 January 2019. The cumulative impact of applying TFRS 16 is accounted in the financial statements retrospectively ("cumulative impact approach") at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

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

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

With the transition to TFRS 16 "Leases", a "lease liability" is recognized in the financial statements for the lease contracts which were previously measured under TAS 17 as operational leases. At transition, lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on the effective transition date. The Group measured right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under TFRS 16 simplified transition approach.

The reconciliation of operating lease commitments under TAS 17 before the transition date and the lease liabilities measured under TFRS 16 as of 1 January 2019 is as below:

	1 January 2019
Operating lease commitments within the scope of TAS 17	242.566
Short term leases (-)	(3.642)
Low value leases (-)	(998)
Adjustments for extension or early termination options	54.473
Total lease liabilities within the scope of TFRS 16 (non-discounted)	292.399
Total lease liabilities within the scope of TFRS 16 (discounted with alternative borrowing rate)	223.055
- Short term lease liabilities	99.653
- Long term lease liabilities	123.402

The weighted average of the Group's incremental borrowing rates for EUR and TRY currencies as at 1 January 2019 are 5% and 26% .

As of January 1, 2019 and December 31, 2019, the details of the right of use assets that are accounted in the financial statements are as follows:

	31 December 2019	**1 December 2019**
Buildings	104.400	141.468
Machinery	50.551	66.316
Vehicles	8.825	15.271
Total right of use	**163.776**	**223.055**

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

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

2.3 Restatement and errors in the accounting estimates

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

2.4 Amendments in International Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective for the financial year beginning 31 December 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. This change does not have any significant impact on the Group's overall financial performance.

- **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. The impact on the Group's performance is explained detail in Note 2.2.

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

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

- **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 Group 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
  - recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

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

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

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

- **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. No significant impact on overall financial performance is expected by the Group as a result of this change.

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

2.5 Summary of significant accounting policies

2.5.1 Revenue recognition

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

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

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

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

Revenue from sale of goods

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

2.5.2 Inventories

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

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

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

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

2.5.3 Property, plant and equipment

Land, land improvements and buildings are stated at fair value less accumulated depreciation, based on valuations performed at 31 December 2019 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.

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

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

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

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

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

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

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

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

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

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

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;

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

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

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

b) Rights and other intangible assets

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

c) Goodwill

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

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

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.

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

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

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

2.5.5 Financial instruments

a) Financial assets

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

<u>Financial assets carried at amortized cost</u>

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

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

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

<u>Financial assets carried at fair value</u>

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)

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

b) Financial liabilities

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

c) Derivative financial instruments and hedge accounting

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

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

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

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.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period. Exchange differences arising are recognized in other comprehensive income and in equity.
On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

2.5.7 Provisions, contingent assets and liabilities

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

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

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 accompaning notes, where the decisions of the users of financial statements are affected.

2.5.18 Going Concern

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

2.5.19 Trade Receivables

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

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

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

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

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

2.5.20 Trade payables

Trade payables are recognized at their fair values.

2.5.21 Borrowings and borrowing costs

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

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

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

2.6. Critical accounting estimates and judgments

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

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

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

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

As a result of the assessments made by the Group management, it has been concluded that the fair values of the land, land improvements and buildings determined based on valuations by external independent valuers as of 31 December 2018 are assumed to be approximate to their fair values to carrying values as of 31 December 2019 after deducting current year depreciation.

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

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

- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average 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.

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

As stated in the accounting policies in Note 2.1.3.b, if there is an indicator of impairment related to the carrying amount of investments accounted for using the equity method, such investments are subjected to impairment tests. The impairment test is performed by comparing the carrying amounts of the calculated cash flows with the recoverable amount calculated with the value-in-use of the investment. Significant estimates and assumptions used in determining the cash flows and their sensitivity analysis are presented in Note 13. As of 31 December 2019, no impairment was identified as a result of the impairment tests performed (Note 13).

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

NOTE 3 – INTERESTS IN OTHER ENTITIES

Subsidiaries:

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

	31 December 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.

	31 December 2019	**31 December 2018**
Accumulated non-controlling interests	94.414	94.274
Comprehensive income attributable to non-controlling interests	27.485	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:

	31 December 2019	31 December 2018
Current assets	3.167.744	3.063.271
Non-current assets	1.816.058	1.621.821
Current liabilities	(2.991.718)	(2.747.126)
Non-current liabilities	(185.856)	(126.391)
Net assets	**1.806.228**	**1.811.575**

Condensed statement of comprehensive income:

	1 January - 31 December 2019	1 January - 31 December 2018
Net sales	6.967.964	5.693.973
Income / (loss) before tax	564.564	621.767
Tax benefit / (expense)	3.508	794
Net income / (loss) for the period	568.072	622.561
Total comprehensive income	574.646	754.371

Condensed statement of cash flows:

Operating activities:		
Changes in working capital	(127.423)	158.933
Net cash provided by operating activities	**617.727**	**1.082.870**
Investing activities:		
Net cash used in investing activities	**(135.306)**	**(765.512)**
Financing activities:		
Proceeds from bank borrowings	1.116.152	893.840
Repayment of bank borrowings	(1.041.103)	(969.226)
Other payables to related parties	(566.829)	(240.000)
Net cash (used in) / provided by financing activities	**(503.417)**	**(279.265)**
Cash and cash equivalents at the beginning of the period	103.283	65.190
Cash and cash equivalents at the end of the period	82.287	103.283

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

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

(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 -31 December 2019			
Revenue	8.566.217	8.607.906	17.174.123
Cost of sales	(6.378.929)	(6.517.429)	(12.896.358)
Gross profit	2.187.288	2.090.477	4.277.765
Depreciation and amortization	312.139	314.815	626.954
1 January -31 December 2018			
Revenue	8.737.765	7.114.535	15.852.300
Cost of sales	(6.401.620)	(5.168.459)	(11.570.079)
Gross profit	2.336.145	1.946.076	4.282.221
Depreciation and amortization	260.694	196.035	456.729

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

NOTE 4 - SEGMENT REPORTING (Cont'd)

Capital expenditure

	Television and Electronical devices	White goods	Total
1 January -31 December 2019	320.333	365.113	685.446
1 January -31 December 2018	323.530	603.262	926.792

Geographical segments:

Segment revenue	1 January - 31 December 2019	1 January - 31 December 2018
Turkey	4.182.503	4.301.086
Europe	12.777.917	11.355.005
Other	1.585.624	1.405.640
Gross segment sales	18.546.044	17.061.731
Discounts (-)	(1.371.921)	(1.209.431)
Net sales	**17.174.123**	**15.852.300**

The amount of export for the period 1 January - 31 December 2019 is 14.363.541 thousand TL (1 January - 31 December 2018: 12.760.645 thousand TL). Export sales are denominated in EUR, USD and other currencies as 60,9%, 29,1%, and 10% of total exports respectively. (1 January – 31 December 2018: 58,3% EUR, 30,5 % USD, 11,2 % other)

The carrying value of segment assets and costs incurred in order to obtain these assets are not separately disclosed since significant portion of assets of the Group are located in Turkey.

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash	1.618	1.256
Bank deposits		
- Demand deposits	2.104.712	1.386.833
- Time deposits	62.608	785.102
Cheques and notes	93.401	75.928
Other	20.701	29.843
Blocked deposits	111.294	806.699
Cash and cash equivalents	**2.394.334**	**3.085.661**

Effective interest rates

	31 December 2019	31 December 2018
TL	-	23,00%
USD	1,00%	4,50%
KZT	9,50%	-
PLN	8,93%	-

As of 31 December 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	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial assets measured at fair value through other comprehensive income:					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	< 1%	< 1%	13.337	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
				13.610	**10.590**

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

NOTE 6 – FINANCIAL ASSETS (Cont'd)

		Ownership		Amount	
Non-consolidated subsidiaries on the grands of materiality:	**Country**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Vestel Ventures Ar-ge A.Ş.	Turkey	100%	100%	54.115	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
				58.109	**40.269**
Impairment of subsidiaries (-)					
Vestel Electronica SRL				(1.778)	(1.778)
				56.331	**38.491**

NOTE 7 – FINANCIAL LIABILITIES

	31 December 2019	31 December 2018
Short term financial liabilities		
Short term bank loans	5.766.814	4.424.507
Short term portion of long term bank loans	1.411.361	2.000.447
Short term portion of long term lease liabilities	64.021	2.591
	7.242.196	**6.427.545**
Long term financial liabilities		
Long term bank loans	456.424	742.077
Long term lease liabilities	111.657	7.409
	568.081	**749.486**

There are some financial and non-financial covenants that must be met according to some of the Group's loan agreements, and the Group management evaluates whether these conditions are met by each calculation period. If the conditions in the loan agreement cannot be met, the long-term portions of the related loan payables are classified as short-term in the consolidated financial statements. Accordingly, the Group has reclassified its borrowings amounting to 43.549 thousand TL as short term which were previously classified as long term borrowings with respect to IAS 1 "Presentation of Financial Statements" due to breach of certain clauses of its loan agreements.

(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:

	31 December 2019			**31 December 2018**		
Currency	**Weighted average of effective interest**	**Original currency**	**TL Equivalent**	**Weighted average of effective interest**	**Original currency**	**TL Equivalent**
- USD	3,94%	231.736	1.376.559	3,43%	246.609	1.297.384
- EUR	3,02%	214.139	1.424.156	1,78%	187.293	1.129.003
- TL	20,44%	2.966.099	2.966.099	25,70%	1.998.120	1.998.120
			5.766.814			**4.424.507**

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

	31 December 2019			**31 December 2018**		
Currency	**Weighted average of effective interest rates per annum**	**Original currency**	**TL Equivalent**	**Weighted average of effective interest rates per annum**	**Original currency**	**TL Equivalent**
- USD	6,79%	62.298	370.065	7,37%	119.675	629.597
- EUR	5,07%	18.681	124.239	4,43%	120.086	723.880
- TL	25,84%	917.057	917.057	20,50%	646.970	646.970
Short term portion			**1.411.361**			**2.000.447**
- USD	8,77%	41.054	243.871	6,33%	17.562	92.392
- EUR	6,02%	18.619	123.825	-	-	-
- TL	17,30%	88.728	88.728	26,52%	649.685	649.685
Long term portion			**456.424**			**742.077**
			1.867.785			**2.742.524**

Total amount of Group's floating bank loans is 480.738 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:

	31 December 2019	31 December 2018
One to two years	269.599	725.831
Two to three years	162.200	9.360
Three to four years	14.045	6.886
Four years and over	10.580	-
	456.424	**742.077**

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

	31 December 2019	31 December 2018
6 months or less	480.738	671.479
	480.738	**671.479**

Guarantees given for the bank loans obtained are presented in note 19.

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

As of 31 December 2019 and 31 December 2018, the Group's net financial debt reconciliation is shown below:

	31 December 2019	31 December 2018
Net financial debt as of 1 January	**4.898.069**	**2.516.444**
Cash inflows from loans	6.674.923	5.291.223
Cash outflows from loan payments	(6.463.286)	(3.156.787)
IFRS 16 effect in cash inflow/cash outflow	223.055	-
Cash outflows from financial leasing payments	(81.302)	-
Cash inflow/outflow from other financial debts	(4.646)	2.075
Unrealized Fx gain/loss	167.494	382.503
Accrued interest	117.008	149.725
Change in cash and cash equivalents	(4.078)	(287.114)
Net financial debt at the end of the period	**5.527.237**	**4.898.069**

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

NOTE 8 – RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 December 2019	31 December 2018
Vestel Electronica S.R.L. (3)	19.255	15.716
Zorluteks Tekstil Sanayi ve Ticaret A.Ş. (1)	3.415	17.766
Vestel Electronics Gulf DMCC . (3)	15.812	11.119
Other related parties	17.328	10.123
	55.810	54.724
Unearned interest on receivables (-)	-	(127)
	55.810	**54.597**

b) Short term trade payables to related parties

	31 December 2019	31 December 2018
Vestel Electronics Shanghai Trading Co. Ltd. (3)	2.072	1.182
ABH Turizm Temsilcilik ve Ticaret A.Ş. (1)	3.094	934
Other related parties	2.664	2.268
	7.830	4.384
Unearned interest on payables (-)	-	(20)
	7.830	**4.364**

c) Other short term receivables from related parties

	31 December 2019	31 December 2018
Zorlu Holding A.Ş. (2)	376.015	-
Vestel Ventures A.Ş (3)	148.579	13.489
Türkiyenin Otomobil Girişim Grubu Sanayi ve Ticaret A.Ş. (3)	25.650	-
Other related parties	139	36
	550.383	**13.525**

As of 31 December 2019, the annual average effective interest rate of other receivables in TL is 21%. and in USD is 7%.

(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

	31 December 2019	31 December 2018
Zorlu Holding A.Ş. (2)	1.647.724	1.795.555
Vestel Savunma Sanayi A.Ş. (3)	1.470.762	670.215
Meta Nikel Kobalt Madencilik Sanayi Ve Ticaret A. Ş. (3)	862.559	39.011
	3.981.045	**2.504.781**

As of 31 December 2019, the annual average effective interest rate of other receivables in USD is 7%, average effective interest rate of other receivables in TL is 21% (31 December 2018: USD 9%, TL 36%).

e) Other payables to related parties

	31 December 2019	31 December 2018
Zorlu Family (2)	56.195	49.769

f) Transactions with related parties

	1 January - 31 December 2019	1 January - 31 December 2018
Sales		
Vestel Electronics Gulf DMCC . (3)	45.274	18.203
Vestel Electronica S.R.L. (3)	42.984	46.318
Zorluteks Tekstil Sanayi ve Ticaret A.Ş. (1)	5.330	10.428
UTS- United Technical Services, Spol S.R.O. (3)	-	6.965
Zorlu Yapı Yatırım A.Ş. (1)	-	145
Other related parties	3.916	2.260
	97.504	**84.319**

(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 - 31 December 2019	1 January - 31 December 2018
Operating expenses		
ABH Turizm Temsilcilik ve Ticaret A.Ş. (1)	33.340	36.739
Zorlu Holding A.Ş. (2)	42.162	27.185
Zorlu Gayrimenkul Gel. ve Yat. A.Ş. (1)	10.908	10.007
Zorlu Air Havacılık A.Ş. (1)	5.602	4.258
Other related parties	15.524	13.631
	107.536	**91.820**
Other income from operating activities		
Other related parties	**8.956**	**9.811**
Other expense from operating activities		
Other related parties	**99**	**10.316**
Financial income		
Zorlu Holding A.Ş. (2)	550.957	974.836
Vestel Savunma Sanayi A.Ş. (3)	235.333	69.815
Other related parties	58.154	-
	844.444	**1.044.651**
Financial expense		
Zorlu Holding A.Ş. (2)	-	94.577
Other related parties	371	958
	371	**95.535**
Dividends paid		
Other related parties	**27.345**	**12.909**

(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)

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

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

Compensation paid to key management for the twelve months period ended 31 December 2019 is 29.669 thousand TL (1 January - 31 December 2018: 27.391 thousand TL).

ı) Financial liabilities from related parties consist of rental of management building and amounting to 175.678 TL as of 31 December 2019.

NOTE 9 – TRADE RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
Short term trade receivables		
Trade receivables		
- Related parties (note 8)	55.810	54.724
- Other parties	3.084.681	3.385.298
Cheques and notes receivables	261.793	211.422
Other	146.437	62.110
	3.548.721	3.713.554
Unearned interest expense (-)		
- Related parties (note 8)	-	(127)
- Other parties	(10.966)	(11.711)
Allowance for doubtful receivables (-)	(164.923)	(118.450)
Total short term trade receivables	**3.372.832**	**3.583.266**
Cheques and notes receivables	77.527	7.471
Unearned interest expense (-)	(9.932)	(1.617)
Total long term trade receivables	**67.595**	**5.854**

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

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

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	**118.450**	**64.738**
Current year additions	51.807	62.183
Provisions no longer required	(850)	(526)
Doubtful receivables written-off	(5.055)	(9.262)
Currency translation differences	571	1.317
Balance at 31 December	**164.923**	**118.450**

	31 December 2019	31 December 2018
Short term trade payables		
Trade payables		
- Related parties (note 8)	7.830	4.384
- Other parties	6.116.995	5.785.399
Notes payables		
- Other parties	59	77
Other	3.491	3.016
	6.128.375	5.792.876
Unearned interest income (-)		
- Related parties (note 8)	-	(20)
- Other parties	(666)	(279)
Total short term trade payables	**6.127.709**	**5.792.577**
Long term trade payables		
Trade payables		
- Other parties	6.747	14.631
Total long term trade payables	**6.747**	**14.631**

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

NOTE 10 – OTHER RECEIVABLES

	31 December 2019	31 December 2018
Short term other receivables		
Receivables from official institutions	187.448	197.626
Receivables from related parties (note 8)	550.383	13.525
Deposits and guarantees given	59.075	62.303
Other	92.854	92.893
	889.760	**366.347**
Allowance for doubtful receivables (-)	(89.376)	(89.376)
	800.384	**276.971**
Long term other receivables		
Deposits and guarantees given	5.507	1.701
Receivables from related parties (note 8)	3.981.045	2.504.781
Other	8.278	8.278
	3.994.830	2.514.760
Allowance for doubtful receivables (-)	(8.278)	(8.278)
	3.986.552	**2.506.482**

The Group provides allowance for doubtful receivables.

NOTE 11 – INVENTORIES

	31 December 2019	31 December 2018
Raw materials	1.115.649	1.219.995
Work in process	94.662	107.962
Finished goods	1.520.401	1.462.297
Merchandise	155.044	99.992
Other	5.228	4.294
	2.890.984	2.894.540
Provision for impairment on inventories (-)	(57.869)	(32.801)
	2.833.115	**2.861.739**

Cost of the inventory included in the consolidated statement of comprehensive income in the period 1 January – 31 December 2019 is 11.188.015 thousand TL (2018: 10.237.015 thousand TL).

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

NOTE 11 – INVENTORIES (Cont'd)

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

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

	31 December 2019	31 December 2018
Raw materials	21.005	18.287
Finished goods and merchandise	36.864	14.514
	57.869	**32.801**

Movement of provision for impairment on inventories is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	**32.801**	**28.305**
Current year additions	34.574	14.189
Realised due to sale of inventory	(13.109)	(15.021)
Currency translation differences	3.603	5.328
Balance at 31 December	**57.869**	**32.801**

NOTE 12 – PREPAID EXPENSES

	31 December 2019	31 December 2018
Prepaid expenses in current assets		
Order advances given	29.423	32.576
Prepaid expenses	56.664	64.206
Business advances given	3.587	1.289
	89.674	**98.071**
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	64.471	44.978
Prepaid expenses	9.025	4.774
	73.496	**49.752**

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

NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2019		31 December 2018	
	%	**Amount**	**%**	**Amount**
Investment in associates				
Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş.	50%	961.272	50%	1.131.130
Türkiyenin Otomobil Girişim Grubu Sanayi ve Ticaret A.Ş.	19%	12.920	19%	9.500
		974.192		**1.140.630**

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

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

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

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

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

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

	1 January - 31 December 2019	1 July - 31 December 2018
Balance at 1 January	**1.131.130**	**1.152.075**
Shares from profit / loss	(219.139)	(90.859)
Shares from other comprehensive income / expense	49.281	69.914
Balance at 31 December	**961.272**	**1.131.130**

Summary financial statement information of META is as follows:

	31 December 2019	31 December 2018
Total Assets	3.482.654	2.710.892
Total Liabilities	(2.894.281)	(1.812.354)
Net assets	**588.373**	**898.538**

	1 January - 31 December 2019	1 July - 31 December 2018
Net sales	135.171	150.726
Income / (loss) before tax	(469.943)	(164.829)
Tax benefit / (expense)	31.665	(16.872)
Net income / (loss) for the period	(438.278)	(181.718)
Total comprehensive loss	**(339.716)**	**(43.970)**

Impairment test of investments accounted for using the equity method:

As stated in the accounting policies in Note 2.1.3.b, on the grounds of materiality, the Group has subjected META to impairment testing in accordance with the provisions of IAS 36 "Impairment of Assets", which is accounted for using the equity method. The recoverable amount was determined based on discounted cash flow analysis prepared on the basis of the mine resources of META in licensed mine areas in Gördes and the future investments.

As a result of impairment tests, no impairment was identified related to META as of 31 December 2019.
The discount rate (equity cost) applied to discount the related cash flows is 11.95% and the sensitivity analysis performed for the estimates and assumptions used in determining the cash flows is as follows:

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

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

Sensitivity analysis:

Sensitivity scenarios are analyzed by comparing base scenario to the scenarios where significant assumptions used in impairment tests show negative deviations in defined percentages. In the related sensitivity analyzes performed as of 31 December 2019, the deviations of the recoverable amount compared to the carrying amount including goodwill are summarized in the table below:

	Percentage of META's carrying amount
Base scenario	**103%**
Sensitivity analysis	
1% increase in discount rate	95%
10% decrease in nickel sulphate prices	65%
10% decrease in cobalt carbonat prices	96%
10% decrease in metal equivalent mine resource amount	92%

In accordance with the loan agreement of Meta Nikel as amended on 27 June 2019:

-Pursuant to the Commercial Enterprise Pledge Agreement, a first degree pledge amounting to TL 1.670.000 thousand is placed on Meta Nikel's assets indefinitely and the pledge will be valid until Meta Nikel is canceled the pledge after the payment of the mentioned loans.

- In accordance with the Mining License Mortgage Agreement a top limit mining license first degree mortgage amounting to USD420,000 thousand is established.
- Pursuant to the share pledge agreement, first degree pledge was established on all shares representing 100% of Meta Nikel's share capital, including all shares to be issued by Meta Nikel.
- In accordance with the Transfer of Receivables Agreement, Vestel Elektronik is the Successor Creditor in the collection of receivables from Meta Nikel in order to establish a permanent guarantee of the performance of the debts of Meta Nikel resulting from the loan agreement subject to collateral.

(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	31 December 2019
Cost or revaluation						
Land	625.381	-	-	10.183	-	635.564
Land improvements	126.962	251	-	5.212	13	132.438
Buildings	1.407.645	14.318	(6.757)	69.387	4.485	1.489.078
Leasehold improvements	154.233	2.822	(1.068)	495	499	156.981
Plant and machinery	2.756.625	354.742	(44.042)	35.558	65.915	3.168.798
Motor vehicles	7.725	718	(1.258)	361	-	7.546
Furniture and fixtures	407.792	19.896	(7.641)	4.422	2.960	427.429
Other tangible assets	849	-	-	-	-	849
Construction in progress	39.874	88.675	(88)	4	(74.170)	54.295
	5.527.086	**481.422**	**(60.854)**	**125.622**	**(298)**	**6.072.978**
Accumulated depreciation						
Land improvements	-	5.949	-	983	-	6.932
Buildings	-	49.061	(4.297)	16.131	-	60.895
Leasehold improvements	129.113	16.084	(781)	289	-	144.705
Plant and machinery	1.744.385	324.678	(42.452)	27.096	-	2.053.707
Motor vehicles	4.546	1.075	(1.134)	354	-	4.841
Furniture and fixtures	313.486	38.438	(7.107)	3.904	-	348.721
Other tangible assets	849	-	-	-	-	849
	2.192.379	**435.285**	**(55.771)**	**48.757**	**-**	**2.620.650**
Net book value	**3.334.707**					**3.452.328**

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

(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 – 31 December 2018 mainly consist of machinery and equipment investments made to television and electronic devices factory, first and second refrigerator, cooker, dishwasher, washing machine and tumbler drier factories.

As of 31 December 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	10 - 46 years
Leasehold improvements	3 - 10 years
Plant and machinery	2 - 30 years
Motor vehicles	5 - 10 years
Furniture and fixtures	5 - 14 years

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

	1 January - 31 December 2019	**1 January - 31 December 2018**
Cost of sales	367.625	262.897
Research and development expenses	144.387	119.078
Marketing, selling and distribution expenses	74.010	36.536
General administrative expenses	35.797	30.351
Other operating expense (idle capacity depreciation expense)	5.135	7.867
	626.954	**456.729**

31 December 2019	**Level 1**	**Level 2**	**Level 3**
Tangible Assets			
Lands	-	635.564	-
Buildings and land improvements	-	1.553.689	-

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

(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	31 December 2019
Cost				
Land and buildings	-	141.468	-	141.468
Machinery	-	66.316	-	66.316
Motor vehicles	-	15.271	-	15.271
	-	**223.055**	**-**	**223.055**
Accumulated amortization				
Land and buildings	-	-	37.068	37.068
Machinery	-	-	15.765	15.765
Motor vehicles	-	-	6.446	6.446
	-	**-**	**59.279**	**59.279**
Net book value	**-**	**223.055**	**-**	**163.776**

NOTE 16 – INTANGIBLE ASSETS

	1 January 2019	Additions	Disposals	Currency translation differences	Transfers	31 December 2019
Cost						
Rights	70.832	140	(636)	542	-	70.878
Development cost	975.596	195.085	(797)	-	-	1.169.884
Other intangible assets	167.259	8.799	(455)	4.783	298	180.684
	1.213.687	**204.024**	**(1.888)**	**5.325**	**298**	**1.421.446**
Accumulated amortization						
Rights	52.070	3.143	(636)	522	-	55.099
Development cost	527.517	114.125	-	-	-	641.642
Other intangible assets	93.503	9.987	(91)	3.578	-	106.977
	673.090	**127.255**	**(727)**	**4.100**	**-**	**803.718**
Net book value	**540.597**					**617.728**

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

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

Useful lives of intangible assets are as follows:

	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 – GOODWILL

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

	31 December 2019	31 December 2018
White goods	168.543	168.543
Television and electronic devices	26.998	26.998
Software	2.252	2.252
	197.793	**197.793**

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

NOTE 18 – GOVERNMENT GRANTS

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

i) Exemption from customs duty on machinery and equipment to be imported,
ii) VAT exemption with respect to purchases of investment goods both from domestic and export markets,
iii) Incentives under the jurisdiction of the research and development law,(Note 30)
iv) Inward processing permission certificates,
v) Cash refund from Tübitak - Teydeb for research and development expenses,
vi) Discounted corporate tax incentive,
vii) Insurance premium employer share incentive
viii) Brand support incentive (Turquality) given by Republic of Turkey Ministry of Economy.

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to 7.265 thousand TL for the period 1 January - 31 December 2019. (1 January -31 December 2018: 10.045 thousand TL).

Brand support incentive Turquality obtained from Republic of Turkey Ministry of Economy amounts to 14.551 thousand TL in year 2019. (2018: 21.592 thousand TL).

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

NOTE 19 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2019	31 December 2018
Short term provisions		
Warranty and assembly provision	266.042	246.198
Other provisions	291.130	262.471
Provision for lawsuit risks	24.909	46.030
	582.081	**554.699**
Long term provisions		
Warranty and assembly provision	42.878	51.128
Other provisions	2.959	2.660
	45.837	**53.788**

There are various cases filed and continuing against the Group domestically and in foreign countries. With reference to Group management's and legal advisors' assessments, no provision is provided for those cases amounting to 31.889 thousand EUR and 31.259 thousand TL (2018: 31.889 thousand EUR and 25.893 TL), that are expected to be finalized in favor of the Group. As of 31 December 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 24.909 thousand TL (2018: 46.030 TL).

As of 31 December 2019 and 2018 movements of warranty and assembly provisions are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	**297.326**	**246.456**
Current year additions	368.934	345.956
Provisions no longer required	(357.340)	(295.086)
Balance at 31 December	**308.920**	**297.326**

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

NOTE 19 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

b) Guarantees received by the Group

Guarantee letters, collaterals, cheques and notes received

	31 December 2019	31 December 2018
Guarantee letters	550.767	609.874
Cheques and notes	387.751	547.766
Collaterals and pledges	1.407.870	1.419.867
	2.346.388	**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.

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

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

(*)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. As of 31 December 2019, proportion of other CPM's given by the Group to its equity is 6%.

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

NOTE 19 – 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 31 December 2018, the Group has blocked deposit amount of 150.000 thousand USD given on behalf of consolidated Group companies and the parent Group. As of the report date the respective blocked amount is fully released(Note 5). As of 31 December 2018 proportion of other CPM's given by the Group to its equity is 13% (31 December 2018: 13%).

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

NOTE 20 – COMMITMENTS

As of the balance sheet date the Group has committed to realize exports amounting to 1.041.140 thousand USD (31 December 2018: 761.758 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2019 the Group has forward foreign currency purchase contract that amounts to 857.412 thousand USD, 334.503 thousand EUR, 52.928 thousand GBP, 40.850 thousand PLN, 4.270 thousand RON, 30.750 thousand RUB and 1.489.514 thousand TL against forward foreign currency sales contract that amounts to 616.000 thousand USD, 309.307 thousand EUR, 118.911 thousand GBP, 1.381.929 thousand RUB, 8.669 thousand RON, 133.695 thousand PLN, 9.447 thousand SEK , 249.707 CHF and 748.328 thousand TL. (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).

NOTE 21 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2019	31 December 2018
Due to personnel	91.078	75.350
Social security payables	108.977	29.666
	200.055	**105.016**

Long term provisions for employee benefits:

	31 December 2019	31 December 2018
Provision for employment termination benefits	**156.116**	**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 31 December 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 21 – EMPLOYEE BENEFITS (Cont'd)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as of 31 December 2018, the provision is calculated by estimating the present value of the future obligation of the Group arising from retirement of employees. As of 31 December 2019 provision is calculated based on real discount rate of 5,21% (31 December 2018: 5,45%) assuming 7% annual inflation rate and 12,21% discount rate.

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

	1 January - 31 December 2019	1 January - 31 December 2018
Balance at 1 January	**111.100**	**96.078**
Increase during the year	25.702	21.791
Payments during the year	(16.294)	(20.852)
Actuarial (gain) /loss	19.300	3.204
Interest expense	16.308	10.879
Balance at 31 December	**156.116**	**111.100**

As of 31 December 2019, an increase in annual discount rate by 0,25% would lead to decrease in employee benefit liability by 4%; a decrease in annual discount rate by 0,25% , would lead to an increase in employee benefit liability by 4,2%.(31 December 2018: 3,48% decrease and 3,64% increase).

As of 31 December 2019, an increase in salary escalation by 0,25% would lead to an increase in employee benefit liability by 4,3%; a decrease in salary escalation by 0,25% would lead to a decrease in employee benefit liability by 4,1%.(31 December 2018: 3,83% increase and 3,65% decrease).

NOTE 22 – OTHER ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Other current assets		
VAT carried forward	9.588	12.044
Rebates from suppliers and incentives income accurals	23.194	8.433
Other	32.714	18.806
	65.496	**39.283**
Other non - current assets		
Assets held for sale	9.925	6.248
	9.925	**6.248**

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

NOTE 22 – OTHER ASSETS AND LIABILITIES (Cont'd)

	31 December 2019	31 December 2018
Other current liabilities		
Advances received	108.124	180.696
Taxes and dues payable	-	-
VAT payable	-	-
Tax payables	83.479	75.586
Other	199.440	119.453
	391.043	**375.735**

NOTE 23 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

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

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

	Shareholding		Amount	
	31 December 2019	31 December 2018	31 December 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**

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

b) Adjustment to share capital

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

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

NOTE 23 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

c) Share premium

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

d) Legal reserves

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

	31 December 2019	**31 December 2018**
Legal reserves	**67.179**	**48.909**

e) Revaluation reserve

Fair value gains on financial assets	4.321	1.965
Revaluation of property, plant and equipment	1.310.274	1.338.777
	1.314.595	**1.340.742**

f) Accumulated deficit

Extraordinary reserves	512.541	512.541
Previous year's loss	(142.242)	(523.628)
Other inflation adjustment of share capital	119.718	119.718
	490.017	**108.631**

NOTE 23 – 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 24 – SALES

	1 January - 31 December 2019	1 January - 31 December 2018
Domestic sales	4.182.503	4.301.086
Overseas sales	14.363.541	12.760.645
Gross sales	**18.546.044**	**17.061.731**
Sales discounts (-)	(1.371.921)	(1.209.431)
Net sales	**17.174.123**	**15.852.300**
Cost of sales	(12.896.358)	(11.570.079)
Gross profit	**4.277.765**	**4.282.221**

NOTE 25 – EXPENSES BY NATURE

	1 January - 31 December 2019	1 January - 31 December 2018
Raw materials, supplies and finished goods	11.287.871	10.293.977
Changes in finished goods, work in process, trade goods	(99.856)	(56.962)
Personnel expenses	1.301.246	1.060.299
Depreciation and amortization	621.819	448.862
Export, transportation, warehouse expenses	697.123	623.884
Warranty and assembly expenses	368.934	345.956
Advertising expenses	199.477	161.310
Other	1.088.617	1.129.772
	15.465.231	**14.007.098**

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

NOTE 26 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) General administrative expenses:

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	143.126	112.610
Depreciation and amortization	35.797	30.351
Consultancy expenses	40.412	31.465
Information technology expenses	38.330	35.547
Rent and office expenses	35.176	29.132
Tax and duties	14.361	12.783
Benefits and services provided externally	10.299	9.822
Insurance expenses	9.065	6.957
Travelling expenses	1.817	2.993
Other	73.439	69.125
	401.822	**340.785**

b) Marketing expenses:

	1 January - 31 December 2019	1 January - 31 December 2018
Export, transportation, warehouse expenses	652.655	613.006
Warranty and assembly expenses	368.934	345.956
Personnel expenses	336.769	304.392
Advertising expenses	177.054	159.638
Depreciation and amortization	74.010	36.536
Other	295.799	386.778
	1.905.221	**1.846.306**

c) Research and development expenses:

Depreciation and amortization	144.387	119.078
Personnel expenses	37.159	37.393
Travel expense	8.378	11.702
Other	71.906	81.755
	261.830	**249.928**

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

NOTE 27 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January - 31 December 2019	1 January - 31 December 2018
Credit finance gains arising from trading activities	74.349	68.789
Foreign exchange gains arising from trading activities	919.253	656.942
Reversals of provisions	25.642	33.346
Other income	178.366	120.049
	1.197.610	**879.126**

b) Other expense from operating activities:

Debit finance charges arising from trading activities	149.585	208.701
Foreign exchange expenses arising from trading activities	1.209.641	1.816.173
Provision expenses	52.244	68.666
Other expenses	220.091	148.660
	1.631.561	**2.242.200**

NOTE 28 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gains	853.041	849.769
Gains on derivative financial instruments	895.306	2.553.846
Interest income	534.325	566.215
	2.282.672	**3.969.830**

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

NOTE 28 – FINANCIAL INCOME AND FINANCIAL EXPENSE (Cont'd)

b) Financial expense:

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange losses	695.978	1.131.027
Losses on derivative financial instruments	1.157.491	2.055.310
Interest and commision expense	1.146.066	730.645
Other finance expenses	9.446	917
	3.008.981	**3.917.899**

NOTE 29 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

a) Fixed assets revaluation fund:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	**1.338.777**	**917.385**
Depreciation transfer upon revaluation reserves - net	(27.129)	(21.632)
Net depreciation transfer upon revaluation reserves attributable to non-controlling interests	(1.374)	222
Increase in reserves arising from revaluation of land, buildings and land improvements	-	535.781
Deferred tax income calculated over increase in revaluation reserves	-	(88.628)
Increase in revaluation reserves attributable to non-controlling interests	-	(7.644)
Deferred tax income calculated over increase in revaluation reserves attributable to non-controlling interest	-	1.530
Transactions with non-controlling interests	-	1.763
Balance at 31 December	**1.310.274**	**1.338.777**

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

NOTE 29 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS (Cont'd)

b) Cash flow hedge fund:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	**(10.521)**	**(10.959)**
Profit/ (loss) from cash flow hedges	7.550	616
Deferred tax calculated over cash flow hedge fund	(1.661)	(136)
(Profit) / loss from cash flow hedges attributable to non-controlling interests	(38)	(44)
Deferred tax calculated over profit / (loss) from cash flow hedges attributable to non-controlling interests	8	9
Transactions with non-controlling interests	-	(7)
Balance at 31 December	**(4.662)**	**(10.521)**

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

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	**(19.907)**	**(17.246)**
Actuarial gain/ loss arising from defined benefit plans	(19.300)	(3.204)
Deferred tax calculated over actuarial gain/ loss arising from defined benefit plans	3.860	641
Actuarial gain/ loss arising from defined benefit plans attributable to non-controlling interests	435	(78)
Deferred tax calculated over actuarial gain/ loss arising from defined benefit plans attributable to non-controlling interests	(87)	16
Transactions with non-controlling interests	-	(36)
Balance at 31 December	**(34.999)**	**(19.907)**

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

NOTE 30 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2019	31 December 2018
Corporation and income taxes	10.182	14.287
Prepaid taxes (-)	(17.441)	(20.369)
Current income tax liabilities - net	**(7.259)**	**(6.082)**
Deferred tax liabilities	(233.589)	(147.739)
Tax paid advance (note 19)	-	-
Deferred tax assets	230.498	93.452
	(3.091)	**(54.287)**

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

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

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

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

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

NOTE 30 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

For the years 2006-2017, corporate tax rate in Turkey is 20%. In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

<u>Russian Federation</u>

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 Group's operations and activities, can be interpreted by regional and federal authorities in different ways.

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

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

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

NOTE 30 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

	1 January - 31 December 2019	1 January - 31 December 2018
Current period tax expense	(14.782)	(19.943)
Deferred tax benefit	52.719	(22.371)
Total tax (expense) / benefit	**37.937**	**(42.314)**

	1 January - 31 December 2019	1 January - 31 December 2018
Profit before tax	**313.913**	**443.200**
Local tax rate	22%	22%
Tax income calculated using local tax rate	(69.061)	(97.504)
Current year tax loss which deferred tax is not calculated	(36.599)	(101.122)
Carry forward tax losses utilized	23.425	-
Non-deductible expenses	(10.574)	(6.825)
Loss from equity accounted investment	(51.480)	-
Adjustments with no tax effects	(20.427)	(19.297)
Deduction and exemptions	91.832	63.619
Reduced taxation	112.860	122.186
Deferred tax effect of change in legal tax rate	(2.039)	(3.371)
Total tax (expense) / benefit	**37.937**	**(42.314)**

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

Deferred tax assets and liabilities

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

As of 31 December 2019 and 2018, the Group has not recognized deferred tax assets arising from its investment incentive certificate, in accordance with conservatism principle of accounting.

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities provided using principal tax rate as of the balance sheet dates is as follows:

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

NOTE 30 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

	Cumulative temporary differences		Deferred tax	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Deferred tax assets				
Employment termination benefits	(151.080)	(108.015)	30.216	21.603
Warranty provision	(108.750)	(128.555)	23.925	28.282
Provision for doubtful receivables	(177.777)	(141.823)	39.111	31.201
Unearned interest expense	(21.082)	(16.859)	4.638	3.709
Provision for impairment on inventories	(16.264)	(15.405)	3.578	3.389
Derivative financial instruments	(7.105)	(165.545)	1.556	36.420
Carryforward tax losses and R&D incentives	(607.600)	(318.669)	121.520	66.227
Other	(179.755)	(149.700)	39.546	32.934
			264.090	**223.765**
Deferred tax liabilites				
Useful life and valuation differences on property, plant and equipment and intangible assets	71.025	83.610	(14.205)	(16.722)
Revaluation of tangible fixed assets	1.091.436	1.117.944	(251.322)	(258.529)
Other	7.518	12.732	(1.654)	(2.801)
			(267.181)	**(278.052)**
Deferred tax assets / (liabilites) - net			**(3.091)**	**(54.287)**

As of 31 December 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 143.864 thousand TL (2018:141.864 thousand TL) is 2022. Furthermore, within R&D law framework, the Group has R&D incentives amounted to 451.550 thousand TL (2018:175.083 thousand TL) which can be used in 2019 and future periods. On the other hand, as of 31 December 2018 the Group did not recognise deferred income tax assets of 95.460 thousand TL (31 December 2018: 81.087 thousand TL) arising from tax losses carried forward amounting to 477.299 thousand TL (31 December 2018: 405.433 thousand TL) as their future utilisation is not highly probable. Expiration years of the tax losses carried forward amounting to 309.874 thousand TL is 2023 and 167.425 thousand TL is 2024 (31 December 2018: 2023).

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

NOTE 30 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

	31 December 2019	31 December 2018
Subsidiares with net deferred tax liabilities	(233.589)	(147.739)
Subsidiares with net deferred assets	230.498	93.452

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

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	**(54.287)**	**44.718**
Tax benefit recognized in income statement	52.719	(22.371)
Recognized in shareholders' equity	1.535	(87.612)
Currency translation differences	(3.058)	10.978
Deferred tax (liabilities) / assets at the end of the period, net	**(3.091)**	**(54.287)**

NOTE 31 – EARNINGS / (LOSS) PER SHARE

	1 January - 31 December 2019	1 January - 31 December 2018
Net income / (loss) attributable to equity holders of the parent	324.047	371.153
Weighted number of ordinary shares with a Kr 1 of par value (hundred shares)	33.545.600	33.545.600
Earnings per share	**0,97**	**1,11**

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

NOTE 32 – DERIVATIVE INSTRUMENTS

	31 December 2019		31 December 2018	
	Contract amount	**Fair Value Assets / (Liabilities)**	**Contract amount**	**Fair Value Assets / (Liabilities)**
<u>Derivative financial assets:</u>				
Held for trading				
Forward foreign currency transactions	4.349.967	42.291	2.064.426	68.025
Cash flow hedge				
Forward foreign currency transactions	250.574	3.196	932.989	16.635
<u>Derivative financial liabilities:</u>				
Held for trading				
Forward foreign currency transactions	3.702.635	(42.532)	4.021.835	(235.841)
Cash flow hedge				
Forward foreign currency transactions	988.469	(10.060)	652.548	(14.364)
	9.291.645	**(7.105)**	**7.671.798**	**(165.545)**

NOTE 33 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital risk management:

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

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

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

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

As of 31 December 2019 and 31 December 2018 the Group's net debt / total equity ratios are as follows:

	31 December 2019	31 December 2018
Total financial liabilities (note 7)	7.810.277	7.177.031
Cash and cash equivalents (note 5)	(2.394.334)	(3.085.661)
Net debt	**5.415.943**	**4.091.370**
Total shareholders equity	3.779.911	3.318.255
Total capital invested	**9.195.854**	**7.409.625**
Net debt/capital invested	**59%**	**55%**

b) Financial risk factors:

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

b.1) Credit risk:

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

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

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

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

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

	Receivables					
	Trade receivables		Other receivables			
31 December 2019	**Related party**	**Other party**	**Related party**	**Other party**	**Bank deposits**	**Other**
Maximum exposed credit risk as of 31 March 2019 (A+B+C+D)	**55.810**	**3.384.617**	**4.531.428**	**255.508**	**2.167.320**	**227.014**
- Secured portion of the maximum credit risk by guarantees, etc.	-	(1.988.751)	-	-	-	-
A.Net book value of financial assets either are not due or not impaired	55.810	2.816.215	4.531.428	255.508	2.167.320	227.014
- Secured portion by guarantees etc.	-	(1.680.182)	-	-	-	-
B. Financial assets with renegotiated conditions	-	-	-	-	-	-
C.Net book value of the overdue but not impaired financial assets	-	508.971	-	-	-	-
- Secured portion by guarantees etc.	-	(249.138)	-	-	-	-
D.Net book value of the impaired financial assets	-	59.430	-	-	-	-
-Over due (gross book value)	-	224.353	-	97.654	-	-
-Impairment (-)	-	(164.923)	-	(97.654)	-	-
-Secured portion of the net value by guarantees etc.	-	(59.430)	-	-	-	-

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

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

	Trade receivables		Other receivables			
31 December 2018	**Related party**	**Other party**	**Related party**	**Other party**	**Bank deposits**	**Other**
Maximum exposed credit risk as of 31 December 2017 (A+B+C+D)	**54.597**	**3.534.523**	**2.518.306**	**265.147**	**2.171.935**	**913.726**
- Secured portion of the maximum credit risk by guarantees, etc.	-	(2.136.415)	-	-	-	-
A.Net book value of financial assets either are not due or not impaired	54.597	2.997.739	2.518.306	265.147	2.171.935	913.726
- Secured portion by guarantees etc.	-	(1.826.332)	-	-	-	-
B. Financial assets with renegotiated conditions	-	-	-	-	-	-
C.Net book value of the overdue but not impaired financial assets	-	548.201	-	-	-	-
- Secured portion by guarantees etc.	-	(321.500)	-	-	-	-
D.Net book value of the impaired financial assets	-	(11.417)	-	-	-	-
-Over due (gross book value)	-	107.033	-	97.654	-	-
-Impairment (-)	-	(118.450)	-	(97.654)	-	-
-Secured portion of the net value by guarantees etc.	-	11.417	-	-	-	-

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

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

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

	31 December 2019	31 December 2018
Overdue 1 - 30 days	192.556	301.930
Overdue 1 - 3 months	131.354	134.763
Overdue 3 - 12 months	134.964	76.906
Overdue 1 - 5 years	49.171	33.991
Overdue more than 5 years	926	611
Total	**508.971**	**548.201**

b.2) Liquidity risk:

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

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

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

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

As of 31 December 2019 maturity analysis of the Group's financial liabilities is as follows:

Contractual maturities	Carrying value	Contractual cash flows	Up to 3 months	3 - 12 months	1 - 5 years
Non-derivative financial liabilities					
Financial liabilities and leasing liabilities	7.810.277	8.040.256	5.454.282	1.871.836	714.138
Trade payables	6.134.456	6.135.122	-	6.128.375	6.747
Other payables	56.799	56.799	-	56.799	-
	14.001.532	**14.232.177**	**5.454.282**	**8.057.010**	**720.885**
Derivative financial instruments					
Derivative cash inflows		9.291.645	6.180.631	3.111.014	-
Derivative cash outflows		(9.269.692)	(6.194.005)	(3.075.687)	-
	7.105	**21.953**	**(13.374)**	**35.327**	**-**

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

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

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

Contractual maturities	Carrying value	Contractual cash flows	Up to 3 months	3 - 12 months	1 - 5 years
Non-derivative financial liabilities					
Financial liabilities	7.177.031	7.623.661	2.308.474	4.365.675	949.512
Trade payables	5.807.208	5.814.169	2.995.214	2.801.349	17.605
Other payables and liabilities	50.728	61.536	46.123	7.741	-
	13.034.967	**13.499.366**	**5.349.811**	**7.174.765**	**967.117**
Derivative financial instruments					
Derivative cash inflows		7.671.798	7.043.601	628.197	-
Derivative cash outflows		(7.879.946)	(7.256.449)	(623.497)	-
	165.545	**(208.148)**	**(212.848)**	**4.700**	**-**

b.3) Foreign currency risk:

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

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

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

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

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

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

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

As of 31 December2019 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**	
31 December 2019	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(546.347)	546.347	(546.347)	546.347
Secured portion from USD risk (-)	89.603	(89.603)	141.573	(141.573)
USD net effect	**(456.744)**	**456.744**	**(404.774)**	**404.774**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	(76.700)	76.700	(76.700)	76.700
Secured portion from EUR risk (-)	61.738	(61.738)	15.948	(15.948)
EUR net effect	**(14.962)**	**14.962**	**(60.752)**	**60.752**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	196.204	(196.204)	196.204	(196.204)
risk (-)	(246.481)	246.481	(246.481)	246.481
Other currency net effect	**(50.277)**	**50.277**	**(50.277)**	**50.277**

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

NOTE 33 – 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**

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

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

b.4) Interest rate risk:

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

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

	31 December 2019	31 December 2018
Financial instruments with fixed interst rates		
Bank deposits	62.608	1.591.801
Financial liabilities	7.329.539	6.505.552
Financial instruments with floating interst rates		
Financial liabilities	480.738	671.479

On 31 December 2019, if interest rates of all currency denominated financial assets and liabilities with variable interest rates has strengthened / weakened by 100 base point with all other variables held constant, income before taxes would have been 2.191 thousand TL (2018: 8.630 thousand TL) lower / higher as a result of interest expenses.

NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Categories of financial instruments and fair values

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

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

NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Cont'd)

Fair value of financial instruments

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

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

Monetary assets

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

Monetary liabilities

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

Fair value hierarchy

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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

NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Cont'd)

Fair value hierarchy tables as of 31 December 2019 and 31 December 2018 are as follows:

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	45.487	-	45.487
Financial investements	13.337	-	-	13.337
Financial liabilities				
Derivative financial liabilities	-	(52.592)	-	(52.592)

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

An independent valuation of the Group's land, land improvements and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2018. The fair value of land, land improvements and buildings was determined using the inputs other than quoted prices. As of 31 December 2019, land, land improvement and buildings are measured at fair value less accumulated depreciation.(Note 2.6.i).

NOTE 35 – SUBSEQUENT EVENTS

Regarding the Sale of our TV Assembly Facility in Poland

Vestel Polska Technology Center sp. z o.o., which is %100 owned by our wholly-owned subsidiary Vestel Ticaret AŞ ("Vestel Ticaret"), transferred its TV assembly facility together with its building and land in Wroclaw Poland to LG Chem Wrocław Energy Sp. zo.o. for USD 31.4 million on March 2, 2020. The afore-mentioned facility is a TV assembly plant, which is being sold as part of cost optimization. Carrying amount of related assets is amounting to 114.687 thousand TL as of 31 December 2019 and there is no impairment identified.

Application to the CMB and Borsa Istasnbul for Bond Issuance

Pursuant to company material event disclosure dated 19 December .2019, Vestel Elektronik submitted its applications to the Capital Markets Board and Borsa Istanbul AŞ for its planned bond issue as of (17 February 2020).