

**VESTEL BEYAZ EŐYA SANAYİ VE TİCARET
ANONİM ŐİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM
PERIOD 1 JANUARY - 30 JUNE 2016 (TOGETHER WITH
INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT)**

(ORIGINALLY ISSUED IN TURKISH)



CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH

Report on review of interim financial information

To the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.

Introduction

1. We have reviewed the accompanying condensed statement of financial position of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. ("the Company") as at 30 June 2016 and the related condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Company is responsible for the preparation and fair presentation of this interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

2. We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying condensed interim financial information of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. is not prepared, in all material respects, in accordance with TAS 34.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Mehmet Karakurt, SMMM
Partner

İstanbul, 29 July 2016

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2016

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1 JANUARY – 30 JUNE 2016

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 30 JUNE 2016 AND 31 DECEMBER 2015

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

	Footnotes	Reviewed 30 June 2016	Audited 31 December 2015
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	23.066	88.687
Trade Receivables		965.953	824.585
Trade Receivables Due From Related Parties	6	956.572	818.706
Trade Receivables Due From Unrelated Parties	7	9.381	5.879
Other Receivables		198.036	98.237
Other Receivables Due From Related Parties	6	97.109	-
Other Receivables Due From Unrelated Parties	8	100.927	98.237
Derivative Financial Assets		17.840	21.072
Derivative Financial Assets Held for Trading	25	975	11.535
Derivative Financial Assets Held for Hedging	25	16.865	9.537
Inventories	9	338.954	261.376
Prepayments		10.875	10.306
Prepayments to Unrelated Parties	10	10.875	10.306
Current Tax Assets	23	-	13.460
Other Current Assets		915	292
Other Current Assets Due From Unrelated Parties	16	915	292
TOTAL CURRENT ASSETS		1.555.639	1.318.015

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 30 JUNE 2016 AND 31 DECEMBER 2015

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

	Footnotes	Reviewed 30 June 2016	Audited 31 December 2015
NON-CURRENT ASSETS			
Property, Plant and Equipments		318.144	314.570
Land and Premises	11	6.547	6.547
Land Improvements	11	858	885
Buildings	11	40.314	39.854
Machinery and Equipments	11	246.247	243.743
Vehicles	11	170	189
Fixtures and Fittings	11	14.762	15.352
Leasehold Improvements	11	3.283	3.366
Construction in Progress	11	5.963	4.634
Intangible Assets and Goodwill		91.341	84.963
Other Rights	12	25	25
Capitalized Development Costs	12	83.883	78.555
Other Intangible Assets	12	7.433	6.383
Prepayments		9.672	3.752
Prepayments to Unrelated Parties	10	9.672	3.752
TOTAL NON-CURRENT ASSETS		419.157	403.285
TOTAL ASSETS		1.974.796	1.721.300

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 30 JUNE 2016 AND 31 DECEMBER 2015

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

	Footnotes	Reviewed 30 June 2016	Audited 31 December 2015
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		120.071	86
Current Borrowings From Unrelated Parties		120.071	86
Bank Loans	5	120.071	86
Current Portion of Non-current Borrowings		56.276	5.887
Current Portion of Non-current Borrowings from Unrelated Parties		56.276	5.887
Bank Loans	5	56.276	5.887
Trade Payables		785.531	730.650
Trade Payables to Related Parties	7	26.730	25.198
Trade Payables to Unrelated Parties	7	758.801	705.452
Employee Benefit Obligations	15	22.236	20.054
Other Payables		22.889	-
Other Payables to Related Parties	6	22.889	-
Derivative Financial Liabilities		1.688	616
Derivative Financial Liabilities Held for trading	25	1.688	616
Current Tax Liabilities, Current	23	6.616	-
Current Provisions		1.358	1.358
Other Current Provisions	13	1.358	1.358
Other Current Liabilities		7.389	6.470
Other Current Liabilities to Unrelated Parties	16	7.389	6.470
		1.024.054	765.121

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 30 JUNE 2016 AND 31 DECEMBER 2015

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

	Footnotes	Reviewed 30 June 2016	Audited 31 December 2015
NON-CURRENT LIABILITIES			
Long Term Borrowings		2.599	54.516
Long Term Borrowings From Unrelated Parties		2.599	54.516
Bank Loans	5	2.599	54.516
Other Payables		138.884	160.438
Other Payables to Related Parties	6	138.884	160.438
Non-current Provisions		22.686	21.907
Non-current Provisions for Employee Benefits	15	22.686	21.907
Deferred Tax Liabilities	23	2.874	5.045
TOTAL NON-CURRENT LIABILITIES		167.043	241.906
TOTAL LIABILITIES		1.191.097	1.007.027

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 30 JUNE 2016 AND 31 DECEMBER 2015

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

	Footnotes	Reviewed 30 June 2016	Audited 31 December 2015
EQUITY			
Equity Attributable to Owners of parent		783.699	714.273
Issued Capital	17	190.000	190.000
Inflation Adjustments on Capital	17	9.734	9.734
Share Premium (Discount)	17	109.031	109.031
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		(3.918)	(3.686)
Gains (Losses) on Revaluation and Remeasurement		(3.918)	(3.686)
Gains (Losses) on Remeasurements of Defined Benefit Plans		(3.918)	(3.686)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		13.492	7.629
Gains (Losses) on Hedge		13.492	7.629
Gains (Losses) on Cash Flow Hedges		13.492	7.629
Restricted Reserves Appropriated From Profits		77.019	57.354
Legal Reserves	17	77.019	57.354
Prior Years' Profits or Losses	17	193.669	180.316
Current Period Net Profit Or Loss		194.672	163.895
TOTAL EQUITY		783.699	714.273
TOTAL LIABILITIES AND EQUITY		1.974.796	1.721.300

Condensed financial statements for the interim period 1 January 30 June 2016 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 29 July 2016.

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS
1 JANUARY - 30 JUNE 2016 AND 2015

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

	Footnotes	Reviewed 1 January - 30 June 2016	Reviewed 1 January - 30 June 2015	1 April - 30 June 2016	1 April - 30 June 2015
PROFIT OR LOSS					
Revenue	18	1.429.548	1.098.353	812.533	620.998
Cost of Sales		(1.187.528)	(931.576)	(655.313)	(514.830)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		242.020	166.777	157.220	106.168
GROSS PROFIT (LOSS)		242.020	166.777	157.220	106.168
General Administrative Expenses	20	(23.309)	(21.018)	(11.937)	(12.235)
Marketing Expenses	20	(22.446)	(18.512)	(12.095)	(9.845)
Research and Development Expense	20	(13.329)	(13.513)	(7.045)	(7.419)
Other Income from Operating Activities	21	42.028	69.353	10.275	45.692
Other Expenses from Operating Activities	21	(34.349)	(71.930)	(15.967)	(24.849)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		190.615	111.157	120.451	97.512
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		190.615	111.157	120.451	97.512
Finance Income	22	64.904	130.520	33.512	88.674
Finance Costs	22	(53.605)	(180.101)	(17.994)	(123.697)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		201.914	61.576	135.969	62.489
Tax (Expense) Income, Continuing Operations		(7.242)	(6.336)	(6.612)	(7.850)
Current Period Tax (Expense) Income	23	(10.821)	(12.528)	(6.527)	(11.948)
Deferred Tax (Expense) Income	23	3.579	6.192	(85)	4.098
PROFIT (LOSS) FROM CONTINUING OPERATIONS		194.672	55.240	129.357	54.639
PROFIT (LOSS)		194.672	55.240	129.357	54.639

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS
1 JANUARY - 30 JUNE 2016 AND 2015

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

Footnotes	Reviewed 1 January - 30 June 2016	Reviewed 1 January - 30 June 2015	1 April - 30 June 2016	1 April - 30 June 2015
OTHER COMPREHENSIVE INCOME / (LOSS)				
Other Comprehensive Income that will not be Reclassified to Profit or Loss	(232)	(136)	(19)	(136)
Gains (Losses) on Remeasurements of Defined Benefit Plans	(290)	(170)	(24)	(170)
Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	58	34	5	34
Taxes Relating to Remeasurements of Defined Benefit Plans	58	34	5	34
Other Comprehensive Income That Will Be Reclassified to Profit or Loss	5.863	(21.374)	11.767	(32.104)
Other Comprehensive Income (Loss) Related with Cash Flow Hedges	7.329	(26.718)	14.709	(40.130)
Gains (Losses) on Cash Flow Hedges	7.329	(26.718)	14.709	(40.130)
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to	(1.466)	5.344	(2.942)	8.026
Taxes Relating to Cash Flow Hedges	(1.466)	5.344	(2.942)	8.026
OTHER COMPREHENSIVE INCOME (LOSS)	5.631	(21.510)	11.748	(32.240)
TOTAL COMPREHENSIVE INCOME (LOSS)	200.303	33.730	141.105	22.399

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 30 JUNE 2016 AND 2015

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

Footnotes	Previous Period											Equity attributable to owners of parent	
	1 January - 30 June 2015	1 January - 30 June 2016	Share Premiums or Discounts	Gains (Losses) on Remeasurements of Defined Benefit Plans	Other Accumulated Comprehensive Income Not Be Reclassified In Profit Or Loss	Cash Flow Hedges	Reserve Of Gains or Losses on Hedge	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 at Beginning of Period	190.000	9.734	109.031	(9.209)	(9.209)	20.512	20.512	20.512	41.863	169.515	131.177	300.692	662.563
Transfers	-	-	-	-	-	-	-	-	35.551	115.626	(131.177)	(15.551)	-
Total Comprehensive Income (Loss)	-	-	-	(136)	(136)	(21.374)	(21.374)	(21.374)	-	-	55.240	55.240	33.730
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	55.240	55.240	33.730
Other Comprehensive Income (Loss)	-	-	-	(136)	(136)	(21.374)	(21.374)	(21.374)	-	-	-	-	55.240
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity at End of Period	190.000	9.734	109.031	(9.345)	(9.345)	(862)	(862)	(862)	57.354	180.316	55.240	235.556	591.468
Equity at Beginning of Period	190.000	9.734	109.031	(3.686)	(3.686)	7.629	7.629	7.629	57.354	180.316	163.895	344.211	714.273
Transfers	-	-	-	-	-	-	-	-	19.665	144.230	(163.895)	(19.665)	-
Total Comprehensive Income (Loss)	-	-	-	(232)	(232)	5.863	5.863	5.863	-	-	194.672	194.672	200.303
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	194.672	194.672	194.672
Other Comprehensive Income (Loss)	-	-	-	(232)	(232)	5.863	5.863	5.863	-	-	-	-	200.303
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	194.672
Equity at End of Period	190.000	9.734	109.031	(3.918)	(3.918)	13.492	13.492	13.492	77.019	193.669	194.672	388.341	783.699

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 30 JUNE 2016 AND 2015

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

	Footnotes	Reviewed 1 January - 30 June 2016	Reviewed 1 January - 30 June 2015
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		93.765	27.914
Profit (Loss)		194.672	55.240
Profit (Loss) from Continuing Operations		194.672	55.240
Adjustments to Reconcile Profit (Loss)		63.851	84.539
Adjustments for Depreciation and Amortisation Expense	11	44.555	44.299
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(475)	(402)
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	(475)	(402)
Adjustments for Provisions		4.211	5.290
Adjustments for (Reversal of) Provisions Related with Employee Benefits	15	4.211	5.290
Adjustments for Interest (Income) Expenses		(2.191)	6.302
Adjustments for Interest Income	22	(11.044)	(695)
Adjustments for Interest Expense	22	8.853	6.997
Adjustments for Unrealised Foreign Exchange Losses (Gains)		(358)	3.350
Adjustments for Fair Value Losses (Gains)		11.633	19.548
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		11.633	19.548
Adjustments for Tax (Income) Expenses		7.242	6.336
Adjustments for Losses (Gains) on Disposal of Non-current Assets		(84)	(150)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(84)	(150)
Other Adjustments to Reconcile Profit (Loss)	4	(682)	(34)

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 30 JUNE 2016 AND 2015

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

	Footnotes	Reviewed 1 January - 30 June 2016	Reviewed 1 January - 30 June 2015
Changes in Working Capital		(170.291)	(106.316)
Adjustments for Decrease (Increase) in Trade Accounts Receivable		(141.368)	(112.668)
Decrease (Increase) in Trade Accounts Receivables from Related Parties	6	(137.866)	(116.189)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties	7	(3.502)	3.521
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(2.690)	(19.507)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations	8	(2.690)	(19.507)
Adjustments for Decrease (Increase) in Inventories	9	(77.103)	(96.590)
Decrease (Increase) in Prepaid Expenses	10	(19.949)	-
Adjustments for Increase (Decrease) in Trade Accounts Payable		54.881	121.603
Increase (Decrease) in Trade Accounts Payables to Related Parties	6	1.532	38.433
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties	7	53.349	83.170
Increase (Decrease) in Employee Benefit Liabilities	15	2.182	-
Other Adjustments for Other Increase (Decrease) in Working Capital		13.756	846
Decrease (Increase) in Other Assets Related with Operations		12.837	-
Increase (Decrease) in Other Payables Related with Operations		919	846
Cash Flows from (used in) Operations		88.232	33.463
Payments Related with Provisions for Employee Benefits	15	(3.722)	(2.319)
Income Taxes Refund (Paid)	23	9.255	(3.230)

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 30 JUNE 2016 AND 2015

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

	Footnotes	Reviewed 1 January - 30 June 2016	Reviewed 1 January - 30 June 2015
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(151.532)	(42.248)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		1.034	839
Proceeds from Sales of Property, Plant and Equipment		1.034	839
Purchase of Property, Plant, Equipment and Intangible Assets		(55.457)	(43.087)
Purchase of Property, Plant and Equipment	11	(40.479)	(29.477)
Purchase of Intangible Assets	12	(14.978)	(13.610)
Cash Advances and Loans Made to Other Parties		(97.109)	-
Cash Advances and Loans Made to Related Parties	6	(97.109)	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		(8.536)	(39.772)
Proceeds from Borrowings		253.477	118.172
Proceeds from Loans		253.477	118.172
Repayments of Borrowings		(135.721)	(56.159)
Loan Repayments		(135.721)	(56.159)
Increase in Other Payables to Related Parties	6	-	8.200
Dividends Paid	6	(130.877)	(104.825)
Interest paid		(6.459)	(5.855)
Interest Received		11.044	695
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE		(66.303)	(54.106)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(66.303)	(54.106)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	88.665	163.089
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		22.362	108.983

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY – 30 JUNE 2016

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

NOTE 1 – COMPANY'S ORGANISATION AND NATURE OF OPERATIONS

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company" or "Vestel Beyaz Eşya") was incorporated in 1997 under the Turkish Commercial Code and its head office is located at Levent 199, Büyükdere Caddesi No: 199, 34394 Şişli / İstanbul.

The Company started its operations in 1999 and produces refrigerators, room air conditioning units, washing machines, cookers, dishwashers and water heaters. The Company's production facilities occupy 346.000 square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 395.000 square meters.

The Company is a member of Vestel Group of Companies which are under the control of the Zorlu Family. The Company performs its foreign sales and domestic sales via Vestel Ticaret A.Ş. which is also a member of Vestel Group of Companies.

The Company is registered to Capital Market Board and its shares have been quoted to Borsa İstanbul ("BİST") since 21 April 2006.

As of 30 June 2016, the number of personnel employed was 6.445 (31 December 2015: 5.793).

As of balance sheet dates, the shareholders of the Company and their percentage shareholdings were as follows:

	Share %
Vestel Elektronik Sanayi ve Ticaret A.Ş.	94,62
Other shareholders	5,38
	100,00

As of 30 June 2016, 59.800.000 shares of the Company have been quoted at the Borsa İstanbul ("BİST") (31,5 % of its share capital; 31 December 2015: 31,5 %).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance

The accompanying 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, interim financial statements are prepared in accordance with Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS"/"TFRS") and its addendum and interpretations ("IFRIC") issued by the Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Board.

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

The Company prepared its condensed interim financial statements for the period ended 30 June 2016 in accordance with (“TAS”) 34 “Interim Financial Reporting” in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

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

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

The Company 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 financial statements, except for the financial assets and liabilities presented with their fair values, are maintained under historical cost conversion in TL. These financial statements are based on the statutory records which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/TFRS.

With the decision 11/367 taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for the companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, TAS 29, “Financial Reporting in Hyperinflationary Economies” issued by the IASB, has not been applied in the financial statements for the accounting year commencing from 1 January 2005.

2.2 Comparative information and restatement of prior period financial statements

Financial statements of the Company 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 financial statements.

2.3. Amendments in Turkey Financial Reporting Standards

- a) **New standards, amendments and interpretations issued and effective for the financial year beginning 30 June 2016 and are adopted by the Company:**
- **TFRS 11 (amendments), “Joint Arrangements”,** is effective for annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

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

- **TAS 16 and TAS 38 (amendments), “Tangible Assets”, “Intangible Assets”,** is effective for annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
 - **TFRS 14, “Regulatory deferral accounts”,** is effective for annual periods beginning on or after 1 January 2016. ‘Regulatory deferral accounts’ permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS.
 - **Annual improvements 2014:** Effective for annual periods beginning on or after 1 January 2016. Annual Improvements amend the following 4 standards
 - TFRS 5, ‘Non-current assets held for sale and discontinued operations’, changes in sales method
 - TFRS 7, ‘Financial Instruments: Disclosures’, with respect to TFRS 1, changes in labor contracts
 - TAS 19, ‘Employee benefits’, changes in discount rates
 - TAS 34, ‘Interim financial reporting’, changes in explanation of information
 - **TAS 1, “Presentation of financial statements”,** is effective for annual periods beginning on or after 1 January 2016, address perceived impediments to preparers exercising their judgements in presenting their financial reports.
- b) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company:**
- **TFRS 15, “Revenue from contracts with customers”,** is effective for annual periods beginning on or after 1 January 2017. the International Accounting Standards Board (IASB) and the US national standard-setter, the Financial Accounting Standards Board (FASB), initiated a joint project to clarify the principles for recognising revenue and to develop a common revenue standard for IFRS and US GAAP. The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The new model employs an asset and liability approach, rather than current revenue guidance focuses on an ‘earnings process’.
 - **TFRS 9 (amendments), “Financial instruments’,** is effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

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

- **TFRS 7, "Statement of cash flows"**, is effective from annual periods beginning on or after 1 January 2017. The improvements are part of the Board's Disclosure Initiative. The amendments require companies to provide information about changes in their financing liabilities and come as a response to requests from investors for information that helps them better understand changes in a company's debt. The amendments will help to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).
- **TFRS 12, "Income taxes"**, is effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

The Company will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date. It is expected that the application of the standards and interpretations will not have a significant effect on the financial statements of the Company.

- c) **Other new standards, amendments and interpretations issued and effective as of 1 January 2016 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.**

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

2.4. Summary of significant accounting policies

2.4.1 Revenue

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Revenue from the sale of goods shall be recognized when all the following conditions have been satisfied:

- The Company has transferred to the buyer significant risks and reward of ownership of the goods,
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4.2 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. Company uses moving weighted average method for costing.

Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

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

2.4.3 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipments using the straight-line method based on the estimated useful lives of the assets, except for land due to their indefinite useful life.

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 included in other operating income and other operating expense.

Costs, such as repairs and maintenance or part replacement of tangible asstes, are included in the asset's carrying amount or recognised as a seperate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the Company. All other costs are charged to statements of profit or loss during the financial year in which they are incurred.

2.4.4 Intangible assets

a) Research and development costs

Research costs are recognized as expense in the period in which they are incurred. An intangible asset arising from development (or from the development phase of an internal project) if and only if an entity can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development

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

Other development costs are recognized as expense as incurred. If it is not possible to distinguish the research phase from the development phase of an internal project, the entity treats the expenditure on that project as if it were incurred in the research phase only.

b) Rights and other intangible fixed assets

Rights and other intangible assets consist 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 five years.

2.4.5 Financial instruments

a) Financial assets

The Company classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified in this category. Loans and receivables (trade and other receivables, bank deposits, cash and others) are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for cases when the recognition of interest would be immaterial.

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets carried at amortized cost, if the amount of a past impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the impairment is reversed through profit or loss. However, the carrying amount should not be increased to an amount that exceeds what the amortized cost would have been at the date of the reversal had the impairment not been recognized.

For financial assets carried at cost, if there is objective evidence of impairment, the amount of the impairment loss is measured as the difference between carrying amount and the present value of estimated future cash flows discounted at the current rate of return for a similar financial asset. Once an impairment loss has been recognized on a financial asset recognized at cost, it is not permitted to recognize a reversal.

b) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

The effective interest method is calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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. Fair values of derivatives are carried as assets when positive and as liabilities when negative. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Derivative financial instruments held for trading

Company's held for trading derivative financial instruments consist of forward foreign currency purchase and sale contracts. Such derivative financial instruments providing effective protection against the risk for the Company economically and due to meeting the conditions for hedge accounting usually, they are accounted as derivative financial instruments held for trading in financial statements. The fair value changes of these derivative instruments are recognized in income statement as financial income / expense.

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

Cash flow hedges:

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity within cash flow hedge reserves. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income within finance income/ expense. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place or portion related to the accrued interest). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized, in the statement of comprehensive income within finance income/ expense. The Company has evaluated its forward contracts and recognized certain contracts as hedging derivative instruments since they have been carrying necessary hedging conditions regarding to TAS 39.

2.4.6 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. on-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.

2.4.7 Provisions, contingent assets and liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company 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 company are not included in the financial statements and treated as contingent assets or liabilities.

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

2.4.8 Related parties

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

2.4.9 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 Company'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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company 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 Company intends to settle its current tax assets and liabilities on a net basis.

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

2.4.10 Employee termination 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 Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company 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 statements of income.

2.4.11 Government grants

Government grants, including non-monetary grants at fair value, are recognized in 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 financial statements when they are authorized by the related institutions.

2.4.12 Earnings per share

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

2.4.13 Statement of cash flows

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

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

2.4.14 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.

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

2.5. Critical accounting estimates and judgments

Preparation of 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 Company management's best knowledge about current events and transactions, actual outcomes may differ from those estimates and assumptions. Significant estimates of the Company management are as follows:

i. Income taxes:

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made (note 23).

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NOTE 3 - SEGMENT REPORTING

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

The Management believes that the Company operates in a single industry sector as the risks and returns for the activities do not show any material difference because the scope of activity covers only the production of white goods and the production processes and classes of customers are similar. As a result all information related to the industrial segment has been fully presented in the attached financial statements.

The Management has decided to use geographical segments for segment reporting considering the fact that risks and returns are affected by the differences in geographical regions.

Geographical segments:

Segment revenue	1 January - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2016	1 April - 30 June 2015
Turkey	351.364	262.596	213.122	156.435
Europe	788.787	584.918	428.505	314.342
Other	290.255	252.300	171.545	151.436
Gross sales	1.430.406	1.099.814	813.172	622.213
Discounts (-)	(858)	(1.461)	(639)	(1.215)
Net sales	1.429.548	1.098.353	812.533	620.998

Other segment sales mainly comprise of sales to Asian and African countries.

The amount of export is 1.079.042 thousand TL for the period ended 30 June 2016 (1 January-30 June 2015: 837.218 thousand TL). Export sales are denominated in EURO, and USD as 98,9%, and 1,1% of total export respectively. (1 January-30 June 2015: 96,6% EUR, 3,3% USD, 0,1% RUB)

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

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NOTE 4 – CASH AND CASH EQUIVALENTS

	30 June 2016	31 December 2015
Cash	111	147
Bank deposits		
- Demand deposits	22.251	28.340
- Time deposits	-	56.178
Cheques and notes	-	4.000
Blocked deposits	704	22
Cash and cash equivalents	23.066	88.687
Effective interest rates		
	30 June 2016	31 December 2015
TL	-	10,80%
USD	-	0,75%

NOTE 5 – FINANCIAL LIABILITIES

	30 June 2016	31 December 2015
Short - term financial liabilities		
Short term bank loans	120.071	86
Short term portion of long term bank loans	56.276	5.887
	176.347	5.973
Long - term financial liabilities		
Long term bank loans	2.599	54.516
	2.599	54.516

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NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

Details of the Company's short term financial liabilities are given below:

Currency	30 June 2016			31 December 2015		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- EUR	3,95%	20.351	65.213	-	-	-
- TL	13,22%	54.858	54.858	-	86	86
			120.071			86

Details of the Company's long term financial liabilities are given below:

Currency	30 June 2016			31 December 2015		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- EUR	3,85%	17.562	56.276	4,25%	1.853	5.887
Short term portion			56.276			5.887
- EUR	4,40%	811	2.599	3,85%	17.156	54.516
Long term portion			2.599			54.516
			58.875			60.403

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NOTE 5 - FINANCIAL LIABILITIES (Cont'd)

The redemption schedule of the Company's long term financial liabilities are given below:

	30 June 2016	31 December 2015
One to two years	2.599	54.516
	2.599	54.516

Total amount of Company's floating rate bans is TL 8.151 thousand (31 December 2015: 11.041 thousand TL).

The analysis of Company's borrowings in terms of periods remaining to contractual re-pricing dates is as follows:

	30 June 2016	31 December 2015
6-12 months	8.151	11.041

Fair value of short term bank borrowings is 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 bans usually have a re-pricing period of six months.

Guarantees given for the bank loans obtained are presented in note 13.

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NOTE 6 – RELATED PARTY DISCLOSURES

a) Short-term trade receivables from related parties

	30 June 2016	31 December 2015
Vestel Ticaret A.Ş.	962.982	821.584
	962.982	821.584
Unearned interest on receivables (-)	(6.410)	(2.878)
	956.572	818.706

The receivables result from the Company's foreign and domestic sales performed via Vestel Ticaret A.Ş. which is also a member of Vestel Group Companies.

b) Short-term trade payables to related parties

	30 June 2016	31 December 2015
<i>Vestel Elektronik Sanayi ve Ticaret A.Ş.</i>	24.881	16.573
<i>Vestel Holland B.V.</i>	348	8.354
Other related parties	1.720	473
	26.949	25.400
Unearned interest on payables (-)	(219)	(202)
	26.730	25.198

c) Other short-term receivables from related parties

	30 June 2016	31 December 2015
Vestel Elektronik Sanayi ve Ticaret A.Ş.	97.109	-

The maturity of other short term receivables is December 2016 and its annual interest rate is 15% for TL.

d) Other short-term liabilities to related parties

	30 June 2016	31 December 2015
Vestel Elektronik Sanayi ve Ticaret A.Ş.	22.889	-

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NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

e) Other long-term liabilities to related parties

	30 June 2016	31 December 2015
Vestel Elektronik Sanayi ve Ticaret A.Ş.	138.884	160.438

The annual interest rate is Euribor +3,20, and last instalment will be paid in March 2020.

f) Transactions with related parties

	1 January - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2016	1 April - 30 June 2015
Sales				
Vestel Ticaret A.Ş.	1.399.157	1.076.111	795.300	607.340
Vestel Elektronik Sanayi ve Ticaret A.Ş.	7.127	5.184	4.060	3.019
	14	8	14	2
	1.406.298	1.081.303	799.374	610.361
Operating expenses				
Vestel Holland B.V.	5.809	118.715	2.599	48.746
Vestel Elektronik Sanayi ve Ticaret A.Ş.	54.827	35.155	31.825	20.078
Other related parties	3.913	7.473	1.877	5.375
	64.549	161.343	36.301	74.199
Other operating income				
Vestel Ticaret A.Ş.	32.803	56.522	10.087	38.425
Other related parties	335	1.581	212	775
	33.138	58.103	10.299	39.200
Other operating expense				
Vestel Ticaret A.Ş.	14.111	13.869	3.776	4.700
Other related parties	675	1.105	183	509
	14.786	14.974	3.959	5.209

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NOTE 6 – RELATED PARTY DISCLOSURES (Cont’d)

f) Transactions with related parties

	1 January - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2016	1 April - 30 June 2015
Finance income				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	10.952	3.961	3.998	853
	10.952	3.961	3.998	853
Finance expense				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	4.491	11.089	1.382	9.190
	4.491	11.089	1.382	9.190
Dividends paid				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	123.837	99.189	123.837	99.189
Public shares	7.040	5.636	7.040	5.636
	130.877	104.825	130.877	104.825

The Company performs part of its raw material purchases via Vestel Holland B.V. which is also a member of Vestel Group Companies.

g) Guarantees received from and given to related parties are disclosed in note 13.

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

Compensation paid to key management for the six months period ended 30 June 2016 is 4.038 thousand TL (1 January -30 June 2015: 3.785 thousand TL).

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NOTE 7 – TRADE RECEIVABLES AND PAYABLES

	30 June 2016	31 December 2015
Short - term trade receivables		
Trade receivables		
- Related parties (note 22)	962.982	821.584
- Other parties	6.081	6.464
Cheques and notes receivables	3.600	-
	972.663	828.048
Unearned interest expense (-)		
- Related parties (note 22)	(6.410)	(2.878)
- Other parties	(90)	(375)
Allowance for doubtful receivables (-)	(210)	(210)
Total short - term trade receivables	965.953	824.585

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

	30 June 2016	31 December 2015
Short - term trade payables		
Trade payables		
- Related parties (dipnot 6)	26.949	25.400
- Other parties	760.926	707.759
	787.875	733.159
Unearned interest income (-)		
- Related parties (dipnot 6)	(219)	(202)
- Other parties	(2.125)	(2.307)
Total short - term trade payables	785.531	730.650

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NOTE 8 – OTHER RECEIVABLES

	30 June 2016	31 December 2015
Short - term other receivables		
Receivables from related parties (Note: 6)	97.109	-
VAT receivable	77.852	91.251
Deposits and guarantees given	7.220	5.862
Other tax receivables	14.497	-
Other receivables	1.358	1.124
	198.036	98.237

NOTE 9 – INVENTORIES

	30 June 2016	31 December 2015
Raw materials	202.888	138.839
Work in process	5.593	4.004
Finished goods	130.615	119.151
Other	5	4
	339.101	261.998
Provision for impairment on inventories (-)	(147)	(622)
	338.954	261.376

As of 30 June 2016 the Company does not have inventories pledged as security for liabilities (31 December 2015: None).

Cost of the inventory included in the cost of sales for the period 1 January 30 June 2016 amounts to 1.009.104 thousand TL (1 January - 30 June 2015: 782.120 thousand TL).

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NOTE 9 - INVENTORIES (Cont'd)

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

	30 June 2016	31 December 2015
Raw materials	-	93
Finished goods and merchandise	147	529
	147	622

Movement of provision for diminution in value of inventories is as follows:

	1 January - 30 June 2016	1 January - 30 June 2015
Opening balance, 1 January	622	1.071
Current year additions	-	669
Realised due to sale of inventory	(475)	(1.071)
Balance at 30 June	147	669

NOTE 10 - PREPAID EXPENSES

	30 June 2016	31 December 2015
Prepaid expenses in current assets		
Order advances given	2.857	3.578
Prepaid expenses	7.984	6.725
Business advances given	34	3
	10.875	10.306
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	9.035	3.014
Prepaid expenses	637	738
	9.672	3.752

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2016	Additions	Disposals	Transfers	30 June 2016
Cost or revaluation					
Land	6.547	-	-	-	6.547
Land improvements	3.204	-	-	-	3.204
Buildings	67.908	593	-	501	69.002
Leasehold improvements	5.744	82	-	61	5.887
Plant and machinery	783.887	33.764	(319)	2.677	820.009
Motor vehicles	421	15	-	-	436
Furniture and fixtures	43.440	1.389	(59)	68	44.838
Construction in progress	4.634	4.636	-	(3.307)	5.963
	915.785	40.479	(378)	-	955.886
Accumulated depreciation					
Land improvements	2.319	27	-	-	2.346
Buildings	28.054	634	-	-	28.688
Leasehold improvements	2.378	226	-	-	2.604
Plant and machinery	540.144	33.917	(299)	-	573.762
Motor vehicles	232	34	-	-	266
Furniture and fixtures	28.088	2.024	(36)	-	30.076
	601.215	36.862	(335)	-	637.742
Net book value	314.570				318.144

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	1 January				30 June
	2015	Additions	Disposals	Transfers	2015
Cost					
Land	6.547	-	-	-	6.547
Land improvements	3.112	51	-	-	3.163
Buildings	66.233	363	-	106	66.702
Leasehold improvements	4.726	534	-	-	5.260
Plant and machinery	744.670	20.228	(3.938)	1.696	762.656
Motor vehicles	396	-	-	-	396
Furniture and fixtures	37.578	2.266	(82)	429	40.191
Construction in progress	2.272	6.035	-	(2.231)	6.076
	865.534	29.477	(4.020)	-	890.991
Accumulated depreciation					
Land improvements	2.268	25	-	-	2.293
Buildings	26.927	548	-	-	27.475
Leasehold improvements	1.996	180	-	-	2.176
Plant and machinery	479.632	35.527	(3.554)	-	511.605
Motor vehicles	172	30	-	-	202
Furniture and fixtures	24.309	1.892	(73)	-	26.128
	535.304	38.202	(3.627)	-	569.879
Net book value	330.230				321.112

Additions to property, plant and equipment in the period 1 January - 30 June 2016 and 2015 mainly consist of machinery and equipment investments made to first and second refrigerator, washing machine, cooker, dishwasher and air conditioner factories.

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

	<u>Useful life</u>
Land improvements	8- 35 years
Buildings	25- 50 years
Leasehold improvements	5 years
Plant and machinery	5- 20 years
Motor vehicles	5 years
Furniture and fixtures	5- 10 years

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

	1 January - 30 June 2016	1 January - 30 June 2015
Cost of sales	35.395	36.696
Research and development expenses	8.744	7.206
Marketing, selling and distribution expenses	136	160
General administrative expenses	280	237
	44.555	44.299

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NOTE 12 – INTANGIBLE ASSETS

	1 January 2016	Additions	Disposals	30 June 2016
Cost				
Rights	6.376	-	-	6.376
Development cost	133.481	13.561	(907)	146.135
Other intangible assets	10.018	1.417	-	11.435
	149.875	14.978	(907)	163.946
Accumulated amortization				
Rights	6.351	-	-	6.351
Development cost	54.926	7.326	-	62.252
Other intangible assets	3.635	367	-	4.002
	64.912	7.693	-	72.605
Net book value	84.963			91.341

	1 January 2015	Additions	Disposals	30 June 2015
Cost				
Rights	6.376	-	-	6.376
Development cost	105.380	12.427	(296)	117.511
Other intangible assets	8.166	1.183	-	9.349
	119.922	13.610	(296)	133.236
Accumulated amortization				
Rights	6.348	2	-	6.350
Development cost	42.597	5.795	-	48.392
Other intangible assets	3.001	300	-	3.301
	51.946	6.097	-	58.043
Net book value	67.976			75.193

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

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NOTE 12 – INTANGIBLE ASSETS (Cont'd)

Useful lives of intangible assets are as follows:

	<u>Useful life</u>
Rights	3- 15 years
Development cost	2- 10 years
Other intangible assets	2- 15 years

NOTE 13 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	<u>30 June 2016</u>	<u>31 December 2015</u>
Short - term provisions		
Provision for lawsuit risks	1.358	1.358
	<u>1.358</u>	<u>1.358</u>

b) Guarantees received by the Company

	<u>30 June 2016</u>	<u>31 December 2015</u>
Guarantee letters	6.062	5.945
Cheques and notes	5.363	5.700
Collaterals and pledges	2.696.162	2.740.159
	<u>2.707.587</u>	<u>2.751.804</u>

Vestel Elektronik Sanayi ve Ticaret A.Ş. and Vestel Ticaret A.Ş. has given guarantees to various banks on behalf of the Company for its forward contracts and bank borrowings.

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NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

c) Collaterals, pledges and mortgages ("CPM's") given by the Company are as follows:

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
30 June 2016				
A. CPM's given on behalf of its own legal entity	-	2.000	7.492	13.901
B. CPM's given on behalf of fully consolidated subsidiaries (*)	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.523.905	46.866	1.070.430	5.630.179
i. Total amount of CPM's given on behalf of the parent company	1.154.545	-	830.371	4.171.162
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	369.360	46.866	240.059	1.459.017
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	1.523.905	48.866	1.077.922	5.644.080

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NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2015				
A. CPM's given on behalf of its own legal entity	-	2.000	5.923	12.278
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.607.821	58.490	1.892.025	6.752.783
i. Total amount of CPM's given on behalf of the parent company	1.224.184	-	1.241.688	4.801.125
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	383.637	58.490	650.337	1.951.658
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	1.607.821	60.490	1.897.948	6.765.061

The Company has given collaterals to various banks on behalf of Vestel Elektronik Sanayi and Ticaret A.Ş. Vestel Ticaret A.Ş. Vestel Germany GmbH and Vestel Holland BV for their forward contracts and bank loans obtained.

As of 30 June 2016 proportion of other CPM's given by the Company to its equity is 719% (31 December 2015: 945%)

NOTE 14 - COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to 387.924 thousand USD (31 December 2015: 323.995 thousand USD).

As of 30 June 2016 the Company has forward foreign currency purchase contract that amounts to 248.922 thousand USD against forward foreign currency sales contracts that amounts to 154.353 thousand EUR, and 208.846 thousand TL. (31 December 2015: 143.000 thousand USD, 73.875 thousand EUR, and 132.516 thousand TL purchase contract against 99.535 thousand USD, 147.544 thousand EUR, and 9.930 thousand RUB sales contracts).

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NOTE 15 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	30 June 2016	31 December 2015
Due to personnel	15.806	14.531
Social security payables	6.430	5.523
	22.236	20.054

Long term provisions for employee benefits:

	30 June 2016	31 December 2015
Provision for employment termination benefits	22.686	21.907

Under Turkish law, the Company is required to pay employment termination benefits to each employee whose employment is terminated without due caus. In addition, under the existing Social Security Law No.506, clause No. 60, amended by the Labor Laws dated 06 March 1981, No.2422 and 25 August 1999, No.4447, the Company is also required to pay termination benefits to each employee who has earned the right to retire by receiving termination indemnities.

The amount payable is the equivalent of one month's gross salary for each year of service and is limited to a maximum of TL 4.092,53/year as of 30 June 2016 (31 December 2015: TL 3.828,37/year).

The provision for employee termination benefits is not funded.

The provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. Turkish Accounting Standards No: 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 is described below:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as at 30 June 2016 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 30 June 2016 provision is calculated based on real discount rate of %4,48 (31 December 2015: 4,48%) assuming 6% annual inflation rate and 10,75% discount rate.

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NOTE 15 – EMPLOYEE BENEFITS (Cont'd)

The movements in the provision for employment termination benefit are as follows:

	1 January - 30 June 2016	1 January - 30 June 2015
Balance at 1 January	21.907	25.382
Increase during the year	3.071	4.242
Payments during the year	(3.722)	(2.319)
Actuarial gain / (loss)	290	170
Interest expense	1.140	1.048
Balance at 30 June	22.686	28.523

NOTE 16 – OTHER ASSETS AND LIABILITIES

	30 June 2016	31 December 2015
Other current assets		
VAT carried forward	113	72
Other	802	220
	915	292
Other current liabilities		
Taxes and dues payable	7.220	6.396
Other	169	74
	7.389	6.470

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NOTE 17 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	30 June 2016	31 December 2015
Shares of par value Kr 1 each		
Issued share capital	190.000	190.000

As of 30 June 2016 and 31 December 2015 the shareholding structure is as follows:

	Shareholding %		Amount	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Vestel Elektronik Sanayi ve Ticaret A.Ş. (with board of directors members)	94,62%	94,62%	179.780	179.780
Shares held by public	5,38%	5,38%	10.220	10.220
	100,00%	100,00%	190.000	190.000

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NOTE 17 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

b) Adjustments 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.

	30 June 2016	31 December 2015
Adjustment to share capital	9.734	9.734

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) Restricted reserves ("Legal reserves")

	30 June 2016	31 December 2015
Share premium	109.031	109.031

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

	30 June 2016	31 December 2015
Legal reserves	77.019	57.354

e) Accumulated income

	30 June 2016	31 December 2015
Extraordinary reserves	133.233	133.233
Previous year's loss	60.436	47.083
	193.669	180.316

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NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

f) 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, up to 5% of retained earnings after dividend distribution could be allocated to the Board of Directors or used for certain reasons designated by the Board of Directors when necessary.

- Based on the approval of the General Assembly, up to %3 of retained earnings after dividend distribution could be allocated to plant investments designated in accordance with article of 468 in TCC,
- Up to %5 of retained earnings after dividend distribution could be allocated to the Board of Directors as necessary,
- Up to %5 of retained earnings after dividend distribution could be allocated to donations, bonuses etc.

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NOTE 18 – SALES

	1 January - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2016	1 April - 30 June 2015
Domestic sales	351.364	262.596	213.122	156.435
Overseas sales	1.079.042	837.218	600.050	465.778
Gross sales	1.430.406	1.099.814	813.172	622.213
Less: Sales discounts (-)	(858)	(1.461)	(639)	(1.215)
Net sales	1.429.548	1.098.353	812.533	620.998
Cost of sales	(1.187.528)	(931.576)	(655.313)	(514.830)
Gross profit	242.020	166.777	157.220	106.168

NOTE 19 – EXPENSES BY NATURE

	1 January - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2016	1 April - 30 June 2015
Raw materials, supplies and finished goods	1.022.157	819.255	574.056	447.062
Changes in finished goods, work in process and trade goods	(13.053)	(37.135)	(14.258)	(11.548)
Personnel expenses	122.641	91.911	66.921	50.439
Depreciation and amortization	44.555	44.299	22.548	22.187
Other	70.312	66.289	37.123	36.189
	1.246.612	984.619	686.390	544.329

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NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) General administrative expenses:

	1 January - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2016	1 April - 30 June 2015
Personnel expenses	5.313	5.162	2.308	2.286
Depreciation and amortization	280	237	145	120
Office and rent expenses	5.975	4.306	3.144	2.150
Consulting expenses	5.551	3.728	2.415	1.816
Other	6.190	7.585	3.925	5.863
	23.309	21.018	11.937	12.235

b) Marketing expenses:

Personnel expenses	5.426	3.727	2.940	1.968
Depreciation and amortization	136	160	70	80
Transportation expenses	11.904	11.165	6.251	6.000
Other	4.980	3.460	2.834	1.797
	22.446	18.512	12.095	9.845

c) Research and development expenses:

Personnel expenses	2.952	2.540	1.696	1.620
Depreciation and amortization	8.744	7.206	4.506	3.850
Other	1.633	3.767	843	1.949
	13.329	13.513	7.045	7.419

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NOTE 21 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2016	1 April - 30 June 2015
Credit finance gains arising from trading activities	11.739	11.265	6.433	9.067
Foreign exchange gains arising from trading activities	26.083	56.272	2.132	35.624
Other income	4.206	1.816	1.710	1.001
	42.028	69.353	10.275	45.692

b) Other expense from operating activities:

Debit finance charges arising from trading activities	12.745	9.749	7.487	6.709
Foreign exchange expenses arising from trading activities	18.000	58.800	7.439	15.988
Other expenses	3.604	3.381	1.041	2.152
	34.349	71.930	15.967	24.849

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NOTE 22 - FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2016	1 April - 30 June 2015
Foreign exchange gains	5.478	5.037	1.514	3.013
Gains on derivative financial instruments	48.382	124.788	27.999	88.581
Interest income	11.044	695	3.999	(2.920)
	64.904	130.520	33.512	88.674

b) Financial expense:

Foreign exchange losses	5.134	16.014	1.032	14.238
Losses on derivative financial instruments	39.553	157.049	12.626	105.403
Interest expense	8.853	6.997	4.316	4.053
Other finance expnses	65	41	20	3
	53.605	180.101	17.994	123.697

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NOTE 23 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	30 June 2016	31 December 2015
Corporation and income taxes	10.821	12.059
Prepaid taxes (-)	(4.205)	(25.519)
Current income tax liabilities - net	6.616	(13.460)
Deferred tax assets / liabilities	(2.874)	(5.045)

In Turkey, beginning from 1 January 2006, the corporate tax rate is 20%.

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

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

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

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NOTE 23 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

As of 1 January - 30 June 2016 and 2015 tax benefit in the statement of income is as follows:

	1 January - 30 June 2016	1 January - 30 June 2015
Current period tax expense	(10.821)	(12.528)
Deferred tax benefit	3.579	6.192
Total tax benefit / (expense)	(7.242)	(6.336)

Deferred tax assets and liabilities

The Company 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 CMB Financial Reporting Standards and tax purposes.

Tax rate used in the calculation of deferred tax assets and liabilities based on the liability method is 20% as of 30 June 2016. (31 December 2015:%20).

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NOTE 23 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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:

	Cumulative temporary differences		Deferred tax	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Deferred tax assets				
Employment termination benefits	(22.686)	(21.907)	4.537	4.381
Provision for impairment on inventories	(147)	(622)	29	124
Other	(10.535)	(8.885)	2.107	1.777
			6.673	6.282

	Cumulative temporary differences		Deferred tax	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Deferred tax liabilities				
Useful life and valuation differences on property, plant and equipment and intangible assets	29.770	35.200	(5.954)	(7.040)
Revaluation of tangible fixed assets	16.152	20.456	(3.230)	(4.091)
Other	1.815	980	(363)	(196)
			(9.547)	(11.327)
Deferred tax liabilities - net			(2.874)	(5.045)

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NOTE 23 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

	1 January - 30 June 2016	1 January - 30 June 2015
Opening balance, 01 January	(5.045)	(5.898)
Tax expense recognized in income statement	3.579	6.192
Changes in fair value of financial assets available for sale	(1.408)	5.378
Deferred tax (liabilities) / assets at the end of the period, net	(2.874)	5.672

NOTE 24 - EARNINGS PER SHARE

	1 January - 30 June 2016	1 January - 30 June 2015
Net (loss) / income attributable to equity holders of the parent	194.672	55.240
Weighted number of ordinary shares with a Kr 1 of face value (thousand shares)	190.000	190.000
	1,02	0,29

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NOTE 25 - DERIVATIVE INSTRUMENTS

	30 June 2016		31 December 2015	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
<u>Derivative financial assets:</u>				
Held for trading				
Forward foreign currency transactions	52.085	975	434.490	11.535
Cash flow hedge				
Forward foreign currency transactions	485.167	16.865	171.258	9.537
<u>Derivative financial liabilities:</u>				
Held for trading				
Forward foreign currency transactions	183.028	(1.688)	177.301	(616)
	720.280	16.152	783.049	20.456

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign currency risk

The Company 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 Company mainly prefers using foreign exchange forward contracts.

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

30 June 2016	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	2.519	190.328	-	617.176
2a. Monetary financial assets (including cash and cash equivalents)	744	6.314	6	22.391
2b. Non-monetary financial assets	-	-	-	-
3. Other	181	-	-	524
4. Current assets (1+2+3)	3.444	196.642	6	640.091
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	3.444	196.642	6	640.091
10. Trade payables	124.726	63.279	708	564.386
11. Financial liabilities	-	37.913	-	121.489
12a. Other monetary liabilities	-	7.143	-	22.889
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	124.726	108.335	708	708.764
14. Trade payables	-	-	-	-
15. Financial liabilities	-	811	-	2.599
16a. Other monetary liabilities	-	43.342	-	138.885
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	44.153	-	141.484
18. Total liabilities (13+17)	124.726	152.488	708	850.248
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)	248.922	(154.353)	-	225.672
19a. Hedged total assets	248.922	-	-	720.281
19b. Hedged total liabilities	-	(154.353)	-	(494.609)
20. Net foreign currency asset/ (liability) position (9-18+19)	127.640	(110.199)	(702)	15.515
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(121.463)	44.154	(702)	(210.681)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	16.152
23. Export	4.137	323.149	8.905	1.079.042
24. Import	91.316	83.947	765	540.318

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NOTE 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

31 December 2015	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	7.741	190.252	21.785	648.837
2a. Monetary financial assets (including cash and cash equivalents)	9.179	378	60	27.950
2b. Non-monetary financial assets	-	-	-	-
3. Other	90	-	-	262
4. Current assets (1+2+3)	17.010	190.630	21.845	677.049
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	17.010	190.630	21.845	677.049
10. Trade payables	115.246	52.299	684	501.959
11. Financial liabilities	-	1.853	-	5.887
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	115.246	54.152	684	507.846
14. Trade payables	-	-	-	-
15. Financial liabilities	-	17.156	-	54.516
16a. Other monetary liabilities	-	50.490	-	160.437
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	67.646	-	214.953
18. Total liabilities (13+17)	115.246	121.798	684	722.799
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)	43.465	(73.669)	(495)	(108.207)
19a. Hedged total assets	143.000	73.875	-	650.532
19b. Hedged total liabilities	(99.535)	(147.544)	(495)	(758.739)
20. Net foreign currency asset/ (liability) position (9-18+19)	(54.771)	(4.837)	20.666	(153.957)
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(98.326)	68.832	21.161	(46.012)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	20.456
23. Export	18.225	620.790	8.905	1.948.294
24. Import	164.800	176.613	897	977.992

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NOTE 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 30 June 2016 and 31 December 2015, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

	Gain / Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
30 June 2016				
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(35.147)	35.147	(35.147)	35.147
Secured portion from USD risk (-)	23.504	(23.504)	71.879	(71.879)
USD net effect	(11.643)	11.643	36.732	(36.732)
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	14.149	(14.149)	14.149	(14.149)
Secured portion from EUR risk (-)	(2.805)	2.805	(49.494)	49.494
EUR net effect	11.344	(11.344)	(35.345)	35.345
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	(70)	70	(70)	70
Secured portion from other currency risk (-)	-	-	-	-
Other currency net effect	(70)	70	(70)	70

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NOTE 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	Gain / Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2015				
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(28.589)	28.589	(28.589)	28.589
Secured portion from USD risk (-)	4.358	(4.358)	12.737	(12.737)
USD net effect	(24.231)	24.231	(15.852)	15.852
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	21.872	(21.872)	21.872	(21.872)
Secured portion from EUR risk (-)	(7.287)	7.287	(23.429)	23.429
EUR net effect	14.585	(14.585)	(1.557)	1.557
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	2.116	(2.116)	2.116	(2.116)
Secured portion from other currency risk (-)	(39)	39	(39)	39
Other currency net effect	2.077	(2.077)	2.077	(2.077)