VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2017 (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 2017 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.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mehmet Karakurt, SMMM
Partner

İstanbul, 31 July 2017

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CONTENTS **PAGE**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 30 JUNE 2017 AND 31 DECEMBER 2016

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

	Footnotes	Reviewed 30 June 2017	Audited 31 December 2016
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	15.483	12.829
Trade Receivables		1.564.868	1.186.044
Trade Recevables Due From Related Parties	6	1.557.073	1.182.807
Trade Recevables Due From Unrelated Parties	7	7.795	3.237
Other Receivables		127.889	336.710
Other Recevables Due From Related Parties	6	-	258.612
Other Recevables Due From Unrelated Parties	8	127.889	78.098
Derivative Financial Assets		2.158	26.404
Derivative Financial Assets Held for Trading	25	2.158	2.922
Derivative Financial Assets Held for Hedging	25	-	23.482
Inventories	9	478.885	244.446
Prepayments		16.524	11.066
Prepayments to Unrelated Parties	10	16.524	11.066
Other Current Assets		1.024	1.212
Other Current Assets Due From Unrelated Parties	16	1.024	1.212
TOTAL CURRENT ASSETS		**2.206.831**	**1.818.711**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 30 JUNE 2017 AND 31 DECEMBER 2016

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

	Footnotes	Reviewed 30 June 2017	Audited 31 December 2016
NON-CURRENT ASSETS			
Property, Plant and Equipments		395.657	327.965
Land and Premises	11	39.063	6.547
Land Improvements	11	852	875
Buildings	11	40.484	40.247
Machinery and Equipments	11	281.323	254.966
Vehicles	11	175	215
Fixtures and Fittings	11	14.985	15.028
Leasehold Improvements	11	3.399	3.144
Construction in Progress	11	15.376	6.943
Intangible Assets and Goodwill		106.821	97.030
Other Rights	12	21	22
Capitalized Development Costs	12	99.047	89.931
Other Intangible Assets	12	7.753	7.077
Prepayments		50.455	41.741
Prepayments to Unrelated Parties	10	50.455	41.741
Deferred Tax Asset	23	11.023	2.056
TOTAL NON-CURRENT ASSETS		**563.956**	**468.792**
TOTAL ASSETS		**2.770.787**	**2.287.503**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 30 JUNE 2017 AND 31 DECEMBER 2016

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

	Footnotes	Reviewed 30 June 2017	Audited 31 December 2016
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		34.980	26.407
Current Borrowings From Unrelated Parties		34.980	26.407
Bank Loans	5	34.569	26.407
Leasing Debts		411	-
Current Portion of Non-current Borrowings		221.185	15.691
Current Portion of Non-current Borrowings from Unrelated Parties		221.185	15.691
Bank Loans	5	221.185	15.691
Trade Payables		1.163.470	840.474
Trade Payables to Related Parties	6	43.322	23.448
Trade Payables to Unrelated Parties	7	1.120.148	817.026
Employee Benefit Obligations	15	33.736	23.763
Other Payables		274.709	52.999
Other Payables to Related Parties	6	274.709	52.999
Derivative Financial Liabilities		28.540	27.853
Derivative Financial Liabilities Held for trading	25	10.940	27.853
Derivative Financial Liabilities Held for Hedging	25	17.600	-
Current Tax Liabilities, Current	23	1.422	3.185
Current Provisions		1.620	1.620
Other Current Provisions	13	1.620	1.620
Other Current Liabilities		3.959	10.249
Other Current Liabilities to Unrelated Parties	16	3.959	10.249
TOTAL CURRENT LIABILITIES		**1.763.621**	**1.002.241**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 30 JUNE 2017 AND 31 DECEMBER 2016

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

	Footnotes	Reviewed 30 June 2017	Audited 31 December 2016
NON-CURRENT LIABILITIES			
Long Term Borrowings		16.326	206.611
Long Term Borrowings From Unrelated Parties		16.326	206.611
Bank Loans	5	15.607	206.611
Leasing Debts	5	719	-
Trade Payables		2.239	-
Trade Payables to Unrelated Parties	7	2.239	-
Other Payables		116.034	134.261
Other Payables to Related Parties	6	116.034	134.261
Non-current Provisions		26.173	24.459
Non-current Provisions for Employee Benefits	15	26.173	24.459
TOTAL NON-CURRENT LIABILITIES		**160.772**	**365.331**
TOTAL LIABILITIES		**1.924.393**	**1.367.572**

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 2017 AND 31 DECEMBER 2016

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

	Footnotes	Reviewed 30 June 2017	Audited 31 December 2016
EQUITY			
Equity Attributable to Owners of Parent		**846.394**	**919.931**
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		(3.436)	(3.313)
Gains (Losses) on Revaluation and Remeasurement		(3.436)	(3.313)
Gains (Losses) on Remeasurements of Defined Benefit Plans		(3.436)	(3.313)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		(14.080)	18.786
Gains (Losses) on Hedge		(14.080)	18.786
Gains (Losses) on Cash Flow Hedges		(14.080)	18.786
Restricted Reserves Appropriated From Profits		111.627	77.019
Legal Reserves	17	111.627	77.019
Prior Years' Profits or Losses	17	304.066	193.669
Current Period Net Profit Or Loss		139.452	325.005
TOTAL EQUITY		**846.394**	**919.931**
TOTAL LIABILITIES AND EQUITY		**2.770.787**	**2.287.503**

Condensed financial statements for the interim period 1 January – 30 June 2017 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 31 July 2017.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 30 JUNE 2017 AND 2016

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

	Footnotes	Reviewed 1 January - 30 June 2017	Reviewed 1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
PROFIT OR LOSS					
Revenue	18	1.744.512	1.429.548	1.055.502	812.533
Cost of Sales	18	(1.527.999)	(1.187.528)	(938.974)	(655.313)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		**216.513**	**242.020**	**116.528**	**157.220**
GROSS PROFIT (LOSS)		**216.513**	**242.020**	**116.528**	**157.220**
General Administrative Expenses	20	(24.018)	(23.309)	(14.002)	(11.937)
Marketing Expenses	20	(24.519)	(22.446)	(13.681)	(12.095)
Research and Development Expense	20	(15.376)	(13.329)	(9.032)	(7.045)
Other Income from Operating Activities	21	140.375	42.028	48.348	10.275
Other Expenses from Operating Activities	21	(80.857)	(34.349)	(19.796)	(15.967)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		**212.118**	**190.615**	**108.365**	**120.451**
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		**212.118**	**190.615**	**108.365**	**120.451**
Finance Income	22	56.495	64.904	24.695	33.512
Fınance Costs	22	(125.488)	(53.605)	(62.708)	(17.994)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		**143.125**	**201.914**	**70.352**	**135.969**
Tax (Expense) Income, Continuing Operations		(3.673)	(7.242)	(3.628)	(6.612)
Current Period Tax (Expense) Income	23	(4.393)	(10.821)	(3.381)	(6.527)
Deferred Tax (Expense) Income	23	720	3.579	(247)	(85)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**139.452**	**194.672**	**66.724**	**129.357**
PROFIT (LOSS)		**139.452**	**194.672**	**66.724**	**129.357**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 30 JUNE 2017 AND 2016

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

	Footnotes	Reviewed 1 January - 30 June 2017	Reviewed 1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
OTHER COMPREHENSIVE INCOME					
Other Comprehensive Income that will not be Reclassified to Profit or Loss		(123)	(232)	(18)	(19)
Gains (Losses) on Remeasurements of Defined Benefit Plans		(154)	(290)	(23)	(24)
Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss		31	58	5	5
Taxes Relating to Remeasurements of Defined Benefit Plans		31	58	5	5
Other Comprehensive Income That Will Be Reclassified to Profit or Loss		(32.866)	5.863	(22.398)	11.767
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		(41.082)	7.329	(27.997)	14.709
Gains (Losses) on Cash Flow Hedges		(41.082)	7.329	(27.997)	14.709
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		8.216	(1.466)	5.599	(2.942)
Taxes Relating to Cash Flow Hedges		8.216	(1.466)	5.599	(2.942)
OTHER COMPREHENSIVE INCOME (LOSS)		**(32.989)**	**5.631**	**(22.416)**	**11.748**
TOTAL COMPREHENSIVE INCOME (LOSS)		**106.463**	**200.303**	**44.308**	**141.105**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE PERIODS 1 JANUARY - 30 JUNE 2017 AND 2016

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

	Footnotes	Issued Capital	Inflation Adjustments on Capital	Share Premiums or Discounts	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	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 attributable to owners of parent	Equity
Previous Period																
1 January - 30 June 2016																
Equity at Beginning of Period		**190.000**	**9.734**	**109.031**	**(3.686)**	**(3.686)**	**(3.686)**	**7.629**	**7.629**	**7.629**	**57.354**	**180.316**	**163.895**	**344.211**	**714.273**	**714.273**
Transfers		-	-	-	-	-	-	-	-	-	19.665	144.230	(163.895)	(19.665)	-	-
Total Comprehensive Income (Loss)		-	-	-	(232)	(232)	(232)	5.863	5.863	5.863	-	-	194.672	194.672	200.303	200.303
Profit (Loss)		-	-	-	-	-	-	-	-	-	-	-	194.672	194.672	194.672	194.672
Other Comprehensive Income (Loss)		-	-	-	(232)	(232)	(232)	5.863	5.863	5.863	-	-	-	-	5.631	5.631
Dividends Paid		-	-	-	-	-	-	-	-	-	-	(130.877)	-	(130.877)	(130.877)	(130.877)
Equity at End of Period		**190.000**	**9.734**	**109.031**	**(3.918)**	**(3.918)**	**(3.918)**	**13.492**	**13.492**	**13.492**	**77.019**	**193.669**	**194.672**	**388.341**	**783.699**	**783.699**
Current Period																
1 January - 30 June 2017																
Equity at Beginning of Period		**190.000**	**9.734**	**109.031**	**(3.313)**	**(3.313)**	**(3.313)**	**18.786**	**18.786**	**18.786**	**77.019**	**193.669**	**325.005**	**518.674**	**919.931**	**919.931**
Transfers		-	-	-	-	-	-	-	-	-	34.608	290.397	(325.005)	(34.608)	-	-
Total Comprehensive Income (Loss)		-	-	-	(123)	(123)	(123)	(32.866)	(32.866)	(32.866)	-	-	139.452	139.452	106.463	106.463
Profit (Loss)		-	-	-	-	-	-	-	-	-	-	-	139.452	139.452	139.452	139.452
Other Comprehensive Income (Loss)		-	-	-	(123)	(123)	(123)	(32.866)	(32.866)	(32.866)	-	-	-	-	(32.989)	(32.989)
Dividends Paid		-	-	-	-	-	-	-	-	-	-	(180.000)	-	(180.000)	(180.000)	(180.000)
Equity at End of Period		**190.000**	**9.734**	**109.031**	**(3.436)**	**(3.436)**	**(3.436)**	**(14.080)**	**(14.080)**	**(14.080)**	**111.627**	**304.066**	**139.452**	**443.518**	**846.394**	**846.394**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 30 JUNE 2017 AND 2016

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

	Footnotes	Reviewed 1 January - 30 June 2017	Reviewed 1 January - 30 June 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**(142.118)**	**93.765**
Profit (Loss)		139.452	194.672
Profit (Loss) from Continuing Operations		139.452	194.672
Adjustments to Reconcile Profit (Loss)		**76.610**	**63.851**
Adjustments for Depreciation and Amortisation Expense	11	51.780	44.555
Adjustments for Impairment Loss (Reversal of Impairment Loss)		1.038	(475)
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	1.038	(475)
Adjustments for Provisions		4.426	4.211
Adjustments for (Reversal of) Provisions Related with Employee Benefits	15	4.426	4.211
Adjustments for Interest (Income) Expenses		7.800	(2.191)
Adjustments for Interest Income	22	(11.107)	(11.044)
Adjustments for Interest Expense	22	18.907	8.853
Adjustments for Unrealised Foreign Exchange Losses (Gains)		25.203	(358)
Adjustments for Fair Value Losses (Gains)		(16.149)	11.633
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(16.149)	11.633
Adjustments for Tax (Income) Expenses		3.673	7.242
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(246)	(84)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(246)	(84)
Other Adjustments to Reconcile Profit (Loss)	4	(915)	(682)

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 30 JUNE 2017 AND 2016

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

	Footnotes	Reviewed 1 January - 30 June 2017	Reviewed 1 January - 30 June 2016
Changes in Working Capital		**(349.158)**	**(170.291)**
Adjustments for Decrease (Increase) in Trade Accounts		(378.824)	(141.368)
Decrease (Increase) in Trade Accounts Receivables from Related Parties	6	(374.266)	(137.866)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties	7	(4.558)	(3.502)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(49.791)	(2.690)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations	8	(49.791)	(2.690)
Adjustments for Decrease (Increase) in Inventories	9	(235.477)	(77.103)
Decrease (Increase) in Prepaid Expenses	10	(14.172)	(19.949)
Adjustments for Increase (Decrease) in Trade Accounts Payable		325.235	54.881
Increase (Decrease) in Trade Accounts Payables to Related Parties	6	19.874	1.532
Increase (Decrease) in Trade Accounts Payables to Related Parties	7	305.361	53.349
Increase (Decrease) in Employee Benefit Liabilities	15	9.973	2.182
Other Adjustments for Other Increase (Decrease) in Working Capital		(6.102)	13.756
Decrease (Increase) in Other Assets Related with Operations		188	12.837
Increase (Decrease) in Other Payables Related with Operations		(6.290)	919
Cash Flows from (used in) Operations		**(133.096)**	**88.232**
Payments Related with Provisions for Employee Benefits	15	(2.866)	(3.722)
Income Taxes refund (Paid)	23	(6.156)	9.255

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 30 JUNE 2017 AND 2016

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

	Footnotes	Reviewed 1 January - 30 June 2017	Reviewed 1 January - 30 June 2016
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**129.595**	**(151.532)**
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		1.073	1.034
Proceeds from Sales of Property, Plant and Equipment		1.073	1.034
Purchase of Property, Plant, Equipment and Intangible Assets		(130.090)	(55.457)
Purchase of Property, Plant and Equipment	11	(110.371)	(40.479)
Purchase of Intangible Assets	12	(19.719)	(14.978)
Cash Advances and Loans Made to Other Parties		258.612	(97.109)
Cash Advances and Loans Made to Related Parties	6	258.612	(97.109)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**14.262**	**(8.536)**
Proceeds from Borrowings		176.854	253.477
Proceeds from Loans		175.724	253.477
Proceeds from Other Financial Borrowings		1.130	-
Repayments of Borrowings		(171.652)	(135.721)
Loan Repayments		(171.652)	(135.721)
Increase in Other Payables to Related Parties		190.922	-
Dividends Paid	6	(180.000)	(130.877)
Interest Paid		(12.969)	(6.459)
Interest Received		11.107	11.044
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE		**1.739**	**(66.303)**
NET INCREASE (DECREASE) IN CASH AND CASH		**1.739**	**(66.303)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE	4	11.840	88.665
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**13.579**	**22.362**

(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 Istanbul ("BİST") since 21 April 2006.

As of 30 June 2017, the number of personnel employed was 6.656 (31 December 2016: 6.008).

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

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

As of 30 June 2017, 59.800.000 shares of the Company have been quoted at the Borsa Istanbul ("BİST") (31,5 % of its share capital; 31 December 2016: 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, 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.

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

The Company prepared its condensed interim financial statements for the period ended 30 June 2017 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 31 December 2016 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 2017 and are adopted by the Company:

- **Amendments to IAS 7 'Statement of cash flows'** on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

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

- **Amendments IAS 12 'Income Taxes'**, effective from annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

- **Annual improvements 2014–2016;** IFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

b) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company:

- **IFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- **IFRS 9 'Financial instruments',** effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 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.

- **IFRS 15 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

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

- **Amendment to IFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

- **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 far-reaching 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.

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

- **Amendments to IFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- **Annual improvements 2014–2016,** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

  - TFRS 1,' First-time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
  - TAS 28,' Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

- **IFRIC 22, 'Foreign currency transactions and advance consideration',** effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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 consolidated financial statements of the the Company.

c) Other new standards, amendments and interpretations issued and effective as of 1 January 2017 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

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.

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

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.

<u>Financial assets at fair value through profit or loss</u>

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.

<u>Loans and receivables</u>

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.

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.

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.

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.

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.

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 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.

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

2.4.10 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.

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.

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. <u>Income taxes:</u>

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).

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

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 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Turkey	512.976	351.364	347.728	213.122
Europe	837.581	788.787	481.712	428.505
Other	396.164	290.255	227.710	171.545
Gross sales	1.746.721	1.430.406	1.057.150	813.172
Discounts (-)	(2.209)	(858)	(1.648)	(639)
Net sales	**1.744.512**	**1.429.548**	**1.055.502**	**812.533**

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

The amount of export is 1.233.745 thousand TL for the period ended 30 June 2017. (1 January-30 June 2016: 1.079.042 thousand TL). Export sales are denominated in EURO, and USD as 97,5%, and 2,5% of total export respectively (1 January-30 June 2016: 98,9% EUR, 1,1% USD).

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.

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

NOTE 4 – CASH AND CASH EQUIVALENTS

	30 June 2017	31 December 2016
Cash	160	182
Bank deposits		
- Demand deposits	13.419	1.242
- Time deposits	-	3.951
Cheques and notes	-	6.465
Blocked deposits	1.904	989
Cash and cash equivalents	**15.483**	**12.829**

NOTE 5 – FINANCIAL LIABILITIES

	30 June 2017	31 December 2016
Short - term financial liabilities		
Short term bank loans	34.569	26.407
Short term portion of long term bank loans	221.185	15.691
Leasing debts	411	-
	256.165	**42.098**
Long - term financial liabilities		
Long term bank loans	15.607	206.611
Leasing debts	719	-
	16.326	**206.611**

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

NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

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

	30 June 2017			31 December 2016		
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**
- TL	14,23%	34.569	34.569	10,52%	26.407	26.407
			34.569			**26.407**

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

	30 June 2017			31 December 2016		
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**
- EUR	3,70%	43.994	176.106	4,43%	1.697	6.295
- TL	14,25%	45.079	45.079	16,06%	9.396	9.396
Short term portion			**221.185**			**15.691**
- EUR	-	-	-	3,67%	42.370	157.189
- TL	16,06%	15.607	15.607	14,51%	49.422	49.422
Long term portion			**15.607**			**206.611**
			236.792			**222.302**

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

NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

The redemption schedule of the Company's long term bank loans are given below:

	30 June 2017	31 December 2016
One to two years	11.138	197.654
Two to three years	4.469	8.957
	15.607	**206.611**

As of 30 June 2017 total amount of Company's floating rate loans is 3.396 thousand TL (31 December 2016: 6.295 thousand TL).

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

	30 June 2017	31 December 2016
Between 6-12 months	3.396	6.295

Fair value 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.

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

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

NOTE 6 – RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	30 June 2017	31 December 2016
Vestel Ticaret A.Ş.	1.573.800	1.188.788
	1.573.800	1.188.788
Unearned interest on receivables (-)	(16.727)	(5.981)
	1.557.073	**1.182.807**

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 2017	31 December 2016
Vestel Elektronik Sanayi ve Ticaret A.Ş.	42.674	21.839
Vestel Holland B.V.	360	120
Other related parties	759	1.690
	43.793	23.649
Unearned interest on payables (-)	(471)	(201)
	43.322	**23.448**

c) Other short term receivables from related parties

	30 June 2017	31 December 2016
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**-**	**258.612**

d) Other short term liabilities to related parties

	30 June 2017	31 December 2016
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**274.709**	**52.999**

The Company's interest rate of other payables in EUR is Euribor +3,20, interest rate of other payables in TL is 18%, and maturity is December 2017. (31 December 2016: Euribor +3,20).

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

e) Other long term liabilities to related parties

	30 June 2017	31 December 2016
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**116.034**	**134.261**

The annual interest rate for EUR denominated other long term liabilities is Euribor +3,20 and last instalment will be paid in March 2020.

f) Transactions with related parties

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Sales				
Vestel Ticaret A.Ş.	1.742.110	1.399.157	1.052.200	795.300
Vestel Elektronik Sanayi ve Ticaret A.Ş.	7.439	7.127	4.513	4.060
Other related parties	7	14	3	14
	1.749.556	**1.406.298**	**1.056.716**	**799.374**
Purchases and operating expenses				
Vestel Holland B.V.	7.978	5.809	6.269	2.599
Vestel Elektronik Sanayi ve Ticaret A.Ş.	83.689	54.827	53.505	31.825
Other related parties	4.708	3.913	2.591	1.877
	96.375	**64.549**	**62.365**	**36.301**
Other operating income				
Vestel Ticaret A.Ş.	124.657	32.803	38.464	10.087
Other related parties	597	335	352	212
	125.254	**33.138**	**38.816**	**10.299**
Other operating expense				
Vestel Ticaret A.Ş.	42.005	14.111	7.382	3.776
Other related parties	941	675	605	183
	42.946	**14.786**	**7.987**	**3.959**
Dividend paid				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	170.539	123.837	170.539	123.837
Public shares	9.461	7.040	9.461	7.040
	180.000	**130.877**	**180.000**	**130.877**

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

f) Transactions with related parties

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Financial income				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	11.093	10.952	2.464	3.998
	11.093	**10.952**	**2.464**	**3.998**
Financial expense				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	21.953	4.491	9.242	1.382
	21.953	**4.491**	**9.242**	**1.382**

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 three months period ended 30 June 2017 is 3.750 thousand TL (1 January -30 June 2016: 4.038 thousand TL).

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

	30 June 2017	31 December 2016
Short - term trade receivables		
Trade receivables		
- Related parties (note 6)	1.573.800	1.188.788
- Other parties	1.488	3.759
Cheques and notes receivables	6.789	-
	1.582.077	1.192.547
Unearned interest expense (-)		
- Related parties (note 6)	(16.727)	(5.981)
- Other parties	(251)	(291)
Allowance for doubtful receivables (-)	(231)	(231)
Total short - term trade receivables	**1.564.868**	**1.186.044**

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

	30 June 2017	31 December 2016
Short term trade payables		
Trade payables		
- Related parties (note 6)	43.793	23.649
- Other parties	1.124.132	819.114
	1.167.925	842.763
Unearned interest income (-)		
- Related parties (note 6)	(471)	(201)
- Other parties	(3.984)	(2.088)
	-	-
Total short term trade payables	**1.163.470**	**840.474**
Long term trade payables		
Trade payables		
- Other parties	2.239	-
Total long term trade payables	**2.239**	**-**

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

NOTE 8 – OTHER RECEIVABLES

	30 June 2017	31 December 2016
Short - term other receivables		
Other receivables from related parties (note 6)	-	258.612
VAT receivable	122.237	55.738
Deposits and guarantees given	4.543	6.690
Other tax receivables	-	14.497
Other receivables	1.109	1.173
	127.889	**336.710**

NOTE 9 – INVENTORIES

	30 June 2017	31 December 2016
Raw materials	301.634	165.803
Work in process	7.492	3.997
Finished goods	171.065	74.914
	480.191	244.714
Provision for impairment on inventories (-)	(1.306)	(268)
	478.885	**244.446**

As of 30 June 2017 the Company does not have inventories pledged as security for liabilities (31 December 2016: None).

Cost of the inventory included in the cost of sales for the period 1 January - 30 June 2017 amounts to 1.323.642 thousand TL (1 January – 30 June 2016: 1.009.104 thousand TL).

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

NOTE 9 – INVENTORIES (Cont'd)

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

	30 June 2017	31 December 2016
Finished goods and merchandise	1.306	268
	1.306	**268**

Movement of inventory impairment on inventories is as follows:

	1 January - 30 June 2017	1 January - 30 June 2016
Opening balance, 1 January	**268**	**622**
Current year additions	1.306	-
Realised due to sale of inventory	(268)	(475)
Balance at 30 June	**1.306**	**147**

NOTE 10 – PREPAID EXPENSES

	30 June 2017	30 June 2016
Prepaid expenses in current assets		
Order advances given	5.084	3.918
Prepaid expenses	11.407	7.135
Business advances given	33	13
	16.524	**11.066**
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	50.041	41.224
Prepaid expenses	414	517
	50.455	**41.741**

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Disposals	Transfers	30 June 2017
Cost or revaluation					
Land	6.547	32.516	-	-	39.063
Land improvements	3.248	6	-	-	3.254
Buildings	69.608	753	(3)	173	70.531
Leasehold improvements	5.983	300	(9)	224	6.498
Plant and machinery	861.200	59.390	(625)	6.430	926.395
Motor vehicles	516	-	(15)	-	501
Furniture and fixtures	47.137	1.562	(104)	584	49.179
Construction in progress	6.943	15.844	-	(7.411)	15.376
	1.001.182	**110.371**	**(756)**	**-**	**1.110.797**
Accumulated depreciation					
Land improvements	2.373	29	-	-	2.402
Buildings	29.361	688	(2)	-	30.047
Leasehold improvements	2.839	264	(4)	-	3.099
Plant and machinery	606.234	39.446	(608)	-	645.072
Motor vehicles	301	39	(14)	-	326
Furniture and fixtures	32.109	2.189	(104)	-	34.194
	673.217	**42.655**	**(732)**	**-**	**715.140**
Net book value	**327.965**			**-**	**395.657**

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

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

	1 January 2016	Additions	Disposals	Transfers	30 June 2016
Cost					
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**

Additions to property, plant and equipment in the period 1 January – 30 June 2017 and 2016 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker , dishwasher and air conditioner factories.

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

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

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

	Useful life
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 period depreciation and amortization expenses is as follows:

	1 January - 30 June 2017	**1 January - 30 June 2016**
Cost of sales	41.619	35.395
Research and development expenses	9.632	8.744
Marketing, selling and distribution expenses	152	136
General administrative expenses	377	280
	51.780	**44.555**

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

NOTE 12 – INTANGIBLE ASSETS

	1 January 2017	Additions	Disposals	30 June 2017
Cost				
Rights	6.376	-	-	6.376
Development cost	159.355	18.589	(803)	177.141
Other intangible assets	11.490	1.130	-	12.620
	177.221	**19.719**	**(803)**	**196.137**
Accumulated amortization				
Rights	6.354	1	-	6.355
Development cost	69.424	8.670	-	78.094
Other intangible assets	4.413	454	-	4.867
	80.191	**9.125**	**-**	**89.316**
Net book value	**97.030**			**106.821**

	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**

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.

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

NOTE 12 – INTANGIBLE ASSETS (Cont'd)

Useful lives of intangible assets are as follows:

	Useful life
Rights	3 - 15 years
Development cost	2 - 10 years
Other intangible assets	2 - 15 years

NOTE 13 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	30 June 2017	31 December 2016
Short - term provisions		
Provision for lawsuit risks	1.620	1.620
	1.620	**1.620**

b) Guarantees received by the Company

	30 June 2017	31 December 2016
Guarantee letters	51.568	7.232
Cheques and notes	8.297	8.273
Collaterals and pledges	3.332.230	3.238.156
	3.392.095	**3.253.661**

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.

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

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 2017				
A. CPM's given on behalf of its own legal entity	-	13.156	18.404	71.067
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	1.008.140	44.487	907.894	4.621.623
i. Total amount of CPM's given on behalf of the parent company	722.288	-	667.835	3.200.971
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	285.852	44.487	240.059	1.420.652
iii.Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**1.008.140**	**57.643**	**926.298**	**4.692.690**

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

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2016				
A. CPM's given on behalf of its own legal entity	9.332	7.250	16.509	76.247
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	1.102.343	46.866	907.894	4.961.128
i. Total amount of CPM's given on behalf of the parent company	806.793	-	667.835	3.507.101
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	295.550	46.866	240.059	1.454.027
iii.Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**1.111.675**	**54.116**	**924.403**	**5.037.375**

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

Proportion of other CPM's given by the Company to its equity 545% as of 30 June 2017
(31 December 2016: 539%).

NOTE 14 – COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to 586.596 thousand USD (31 December 2016: 462.190 thousand USD) due to the export and investment incentive certificates obtained.

As of 30 June 2017 the Company has forward foreign currency purchase contract that amounts to 290.194 thousand USD, 33.328 thousand EUR and 360.194 thousand TL against forward foreign currency sales contract that amounts to 286.033 thousand EUR, 74.243 thousand USD and 127.948 thousand TL (31 December 2016: 169.843 thousand USD and 219.947 thousand TL against forward foreign currency sales contract that amounts to 116.881 thousand EUR, 69.000 thousand USD and 136.991 thousand TL sales contracts).

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

NOTE 15 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	30 June 2017	31 December 2016
Due to personnel	20.169	17.538
Social security payables	13.567	6.225
	33.736	**23.763**

Long term provisions for employee benefits:

	30 June 2017	31 December 2016
Provision for employment termination benefits	**26.173**	**24.459**

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 6 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 4.426,16 TL/ year as of 30 June 2017 (31 December 2016: 4.297,21 TL/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 2017 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 2017 provision is calculated based on real discount rate of 4,79% (31 December 2016: 4,79%) assuming 6,5% annual inflation rate and 11,60% discount rate.

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

NOTE 15 – EMPLOYEE BENEFITS (Cont'd)

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

	1 January - 30 June 2017	1 January - 30 June 2016
Balance at 1 January	**24.459**	**21.907**
Increase during the year	2.717	3.071
Payments during the year	(2.866)	(3.722)
Actuarial (gain) /loss	154	290
Interest expense	1.709	1.140
Balance at 30 June	**26.173**	**22.686**

NOTE 16 – OTHER ASSETS AND LIABILITIES

	30 June 2017	31 December 2016
Other current assets		
VAT carried forward	153	113
Other	871	1.099
	1.024	**1.212**
Other current liabilities		
Taxes and dues payable	3.460	9.743
Advances received	80	346
Other	419	160
	3.959	**10.249**

NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	30 June 2017	31 December 2016
Shares of par value Kr 1 each		
Issued share capital	190.000	190.000

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

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

As of 30 June 2017 and 31 December 2016 the shareholding structure is as follows:

	Shareholding		Amount	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
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**

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 2017	31 December 2016
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 of 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.

	30 June 2017	31 December 2016
Share premium	**109.031**	**109.031**

d) Restricted reserves ("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.

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

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

	30 June 2017	31 December 2016
Legal reserves	**111.627**	**77.019**

e) Retained earnings

	30 June 2017	31 December 2016
Extraordinary reserves	258.976	133.233
Previous year's loss	45.090	60.436
	304.066	**193.669**

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 instalments 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.

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

NOTE 18 – SALES

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Domestic sales	512.976	351.364	347.728	213.122
Overseas sales	1.233.745	1.079.042	709.422	600.050
Gross sales	**1.746.721**	**1.430.406**	**1.057.150**	**813.172**
Less: Sales discounts (-)	(2.209)	(858)	(1.648)	(639)
Net sales	**1.744.512**	**1.429.548**	**1.055.502**	**812.533**
Cost of sales	(1.527.999)	(1.187.528)	(938.974)	(655.313)
Gross profit	**216.513**	**242.020**	**116.528**	**157.220**

NOTE 19 – EXPENSES BY NATURE

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Raw materials, supplies and finished goods	1.423.288	1.022.157	835.997	574.056
Changes in finished goods, work in process and tra	(99.646)	(13.053)	(7.116)	(14.258)
Personnel expenses	137.986	122.641	78.127	66.921
Depreciation and amortization	51.780	44.555	26.261	22.548
Other	78.504	70.312	42.420	37.123
	1.591.912	**1.246.612**	**975.689**	**686.390**

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

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

a) General administrative expenses:

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Personnel expenses	6.353	5.313	4.353	2.308
Depreciation and amortization	377	280	192	145
Office and rent expenses	2.309	5.975	1.108	3.144
Consultancy and IT expenses	6.478	5.551	3.454	2.415
Other	8.501	6.190	4.895	3.925
	24.018	**23.309**	**14.002**	**11.937**

b) Marketing expenses:

Personnel expenses	5.950	5.426	3.332	2.940
Depreciation and amortization	152	136	77	70
Transportation expenses	12.750	11.904	7.095	6.251
Other	5.667	4.980	3.177	2.834
	24.519	**22.446**	**13.681**	**12.095**

c) Research and development expenses:

Personnel expenses	3.374	2.952	2.214	1.696
Depreciation and amortization	9.632	8.744	4.937	4.506
Other	2.370	1.633	1.881	843
	15.376	**13.329**	**9.032**	**7.045**

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

NOTE 21 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) **Other income from operating activities:**

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Credit finance gains arising from trading activities	27.482	11.739	18.783	6.433
Foreign exchange gains arising from trading activities	109.587	26.083	27.659	2.132
Other income	3.306	4.206	1.906	1.710
	140.375	**42.028**	**48.348**	**10.275**

b) Other expense from operating activities:

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Debit finance charges arising from trading activities	26.907	12.745	20.974	7.487
Foreign exchange expenses arising from trading activities	50.530	18.000	(2.704)	7.439
Other expenses	3.420	3.604	1.526	1.041
	80.857	**34.349**	**19.796**	**15.967**

NOTE 22 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Foreign exchange gains	4.113	5.478	902	1.514
Gains on derivative financial instruments	41.275	48.382	21.329	27.999
Interest income	11.107	11.044	2.464	3.999
	56.495	**64.904**	**24.695**	**33.512**

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

NOTE 22 – FINANCIAL INCOME AND FINANCIAL EXPENSE (Cont'd)

b) Financial expense:

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Foreign exchange losses	34.652	5.134	13.143	1.032
Losses on derivative financial instruments	71.845	39.553	38.521	12.626
Interest expense	18.907	8.853	10.991	4.316
Other finance expenses	84	65	53	20
	125.488	**53.605**	**62.708**	**17.994**

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

	30 June 2017	31 December 2016
Corporation and income taxes	4.393	18.751
Prepaid taxes (-)	(2.971)	(15.566)
Current income tax liabilities - net	**1.422**	**3.185**
Deferred tax assets	**11.023**	**2.056**

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.

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

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

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.

As of 1 January - 30 June 2017 and 2016 tax expense in the statement of income is as follows:

	1 January - 30 June 2017	**1 January - 30 June 2016**
Current period tax expense	(4.393)	(10.821)
Deferred tax benefit / (expense)	720	3.579
Total tax benefit / (expense)	**(3.673)**	**(7.242)**

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

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.

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

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

Tax rate used in the calculation of deferred tax assets and liabilities based on the liability method is 20% as of 30 June 2017 (31 December 2016:%20).

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 2017	**31 December 2016**	**30 June 2017**	**31 December 2016**
Deferred tax assets				
Employment termination benefits	(26.173)	(24.459)	5.235	4.892
Provision for impairment on inventories	(1.303)	(268)	261	54
Derivative financial instruments	(26.382)	(1.449)	5.276	290
Other	(22.760)	(13.185)	4.552	2.637
			15.324	**7.873**

	Cumulative temporary differences		**Deferred tax**	
	30 June 2017	**31 December 2016**	**30 June 2017**	**31 December 2016**
Deferred tax liabilites				
Useful life and valuation differences on property, plant and equipment and intangible assets	20.110	27.730	(4.022)	(5.546)
Other	1.395	1.355	(279)	(271)
			(4.301)	**(5.817)**
Deferred tax liabilites - net			**11.023**	**2.056**

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

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 2017	1 January - 30 June 2016
Opening balance, 01 January	**2.056**	**(5.045)**
Tax expense recognized in income statement	720	3.579
Recognized in shareholders' equity	8.247	(1.408)
Deferred tax (liabilities) / assets at the end of the period, net	**11.023**	**(2.874)**

NOTE 24– EARNINGS PER SHARE

	1 January - 30 June 2017	1 January - 30 June 2016
Net (loss) / income attributable to equity holders of the parent	139.452	194.672
Weighted number of ordinary shares with a Kr 1 of face value (thousand shares)	190.000	190.000
	0,73	**1,02**

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

NOTE 25 – DERIVATIVE INSTRUMENTS

	30 June 2017		31 December 2016	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
Derivative financial assets:				
Held for trading				
Forward foreign currency transactions	436.673	2.158	354.888	2.922
Cash flow hedge				
Forward foreign currency transactions	-	-	242.825	23.482
Derivative financial liabilities:				
Held for trading				
Forward foreign currency transactions	718.325	(10.940)	219.947	(27.853)
Foreign currency swap contracts				
Cash flow hedge				
Forward foreign currency transactions	356.348	(17.600)	-	-
	1.511.346	**(26.382)**	**817.660**	**(1.449)**

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.

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

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

30 June 2017	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	5.023	249.863	54	1.017.872
2a. Monetary financial assets (including	-	-	-	-
cash and cash equivalents)	1.046	2.713	12	14.541
2b. Non-monetary financial assets	-	-	-	-
3. Other	346	-	-	1.213
4. Current assets (1+2+3)	**6.415**	**252.576**	**66**	**1.033.626**
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)	**6.415**	**252.576**	**66**	**1.033.626**
10. Trade payables	149.243	81.999	98	851.750
11. Financial liabilities	-	43.994	-	176.106
12a. Other monetary liabilities	-	14.286	-	57.187
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**149.243**	**140.279**	**98**	**1.085.043**
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	28.987	-	116.034
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**28.987**	**-**	**116.034**
18. Total liabilities (13+17)	**149.243**	**169.266**	**98**	**1.201.077**
19. Off-balance sheet derivative instruments/	**-**	**-**	-	-
net asset (liability) position (19a+19b)	**215.951**	**(252.705)**	-	**(254.216)**
19a. Hedged total assets	290.194	33.328	-	1.151.152
19b. Hedged total liabilities	(74.243)	(286.033)	-	(1.405.368)
20. Net foreign currency asset/ (liability)	-	-	-	-
position (9-18+19)	**73.123**	**(169.395)**	**(32)**	**(421.667)**
21. Net foreign currency monetary asset/	-	-	-	-
(liability) position	-	-	-	-
(=1+2a+5+6a-10-11-12a-14-15-16a)	**(143.174)**	**83.310**	**(32)**	**(168.664)**
22. Fair value of financial instruments used	**-**	**-**	-	-
in foreign currency hedging	**-**	**-**	-	**(26.382)**
23. Export	8.744	311.471	-	1.233.745
24. Import	130.216	100.194	1.191	867.418

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

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

31 December 2016	**USD**	**EUR**	**Other (TL Equivalent)**	**TL Equivalent**
1. Trade receivables	3.570	230.590	15	868.044
2a. Monetary financial assets (including	-	-	-	-
cash and cash equivalents)	379	1.019	9	5.123
2b. Non-monetary financial assets	-	-	-	-
3. Other	137	-	-	482
4. Current assets (1+2+3)	**4.086**	**231.609**	**24**	**873.650**
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)	**4.086**	**231.609**	**24**	**873.650**
10. Trade payables	107.115	66.548	43	623.889
11. Financial liabilities	-	1.697	-	6.295
12a. Other monetary liabilities	-	14.286	-	53.000
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**107.115**	**82.531**	**43**	**683.184**
14. Trade payables	-	-	-	-
15. Financial liabilities	-	42.370	-	157.189
16a. Other monetary liabilities	-	36.190	-	134.261
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**78.560**	**-**	**291.450**
18. Total liabilities (13+17)	**107.115**	**161.091**	**43**	**974.634**
19. Off-balance sheet derivative instruments/	**-**	**-**	**-**	**-**
net asset (liability) position (19a+19b)	**100.843**	**(116.881)**	**-**	**(78.730)**
19a. Hedged total assets	169.843	-	-	597.711
19b. Hedged total liabilities	(69.000)	(116.881)	-	(676.442)
20. Net foreign currency asset/ (liability)	**-**	**-**	**-**	**-**
position (9-18+19)	**(2.186)**	**(46.363)**	**(19)**	**(179.714)**
21. Net foreign currency monetary asset/	**-**	**-**	**-**	**-**
(liability) position	**-**	**-**	**-**	**-**
(=1+2a+5+6a-10-11-12a-14-15-16a)	**(103.166)**	**70.518**	**(19)**	**(101.467)**
22. Fair value of financial instruments used	**-**	**-**	**-**	**-**
in foreign currency hedging	**-**	**-**	**-**	**(1.449)**
23. Export	12.970	662.474	-	2.297.529
24. Import	163.174	167.663	1.000	1.048.894

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

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

As of 30 June 2017 and 31 December 2016, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

	Gain / Loss		**Equity**	
30 June 2017	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(50.213)	50.213	(50.213)	50.213
Secured portion from USD risk (-)	40.205	(40.205)	75.705	(75.705)
USD net effect	**(10.008)**	**10.008**	**25.492**	**(25.492)**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	33.349	(33.349)	33.349	(33.349)
Secured portion from EUR risk (-)	(64.044)	64.044	(101.303)	101.303
EUR net effect	**(30.695)**	**30.695**	**(67.954)**	**67.954**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	(3)	3	(3)	3
Secured portion from other currency risk (-)	-	-	-	-
Other currency net effect	**(3)**	**3**	**(3)**	**3**

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

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

	Gain / Loss		Equity	
31 December 2016	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(36.306)	36.306	(36.306)	36.306
Secured portion from USD risk (-)	11.775	(11.775)	35.984	(35.984)
USD net effect	**(24.531)**	**24.531**	**(322)**	**322**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	26.161	(26.161)	26.161	(26.161)
Secured portion from EUR risk (-)	(21.533)	21.533	(43.394)	43.394
EUR net effect	**4.628**	**(4.628)**	**(17.233)**	**17.233**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	(2)	2	(2)	2
Secured portion from other currency risk (-)	-	-	-	-
Other currency net effect	**(2)**	**2**	**(2)**	**2**