**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2016**

**(ORIGINALLY ISSUED IN TURKISH)**

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

| | Footnotes | 30 September 2016 | Audited 31 December 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and Cash Equivalents | 4 | 38.352 | 88.687 |
| Trade Receivables | | 923.319 | 824.585 |
| Trade Receivables Due From Related Parties | 6 | 918.193 | 818.706 |
| Trade Receivables Due From Unrelated Parties | 7 | 5.126 | 5.879 |
| Other Receivables | | 245.780 | 98.237 |
| Other Receivables Due From Related Parties | 6 | 158.464 | - |
| Other Receivables Due From Unrelated Parties | 8 | 87.316 | 98.237 |
| Derivative Financial Assets | | 11.943 | 21.072 |
| Derivative Financial Assets Held for Trading | 25 | 2.205 | 11.535 |
| Derivative Financial Assets Held for Hedging | 25 | 9.738 | 9.537 |
| Inventories | 9 | 327.271 | 261.376 |
| Prepayments | | 11.253 | 10.306 |
| Prepayments to Unrelated Parties | 10 | 11.253 | 10.306 |
| Current Tax Assets | 23 | - | 13.460 |
| Other Current Assets | | 865 | 292 |
| Other Current Assets Due From Unrelated Parties | 16 | 865 | 292 |
| **TOTAL CURRENT ASSETS** | | **1.558.783** | **1.318.015** |

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

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

| | Footnotes | 30 September 2016 | Audited 31 December 2015 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, Plant and Equipments | | 318.795 | 314.570 |
| Land and Premises | 11 | 6.547 | 6.547 |
| Land Improvements | 11 | 844 | 885 |
| Buildings | 11 | 40.353 | 39.854 |
| Machinery and Equipments | 11 | 247.130 | 243.743 |
| Vehicles | 11 | 153 | 189 |
| Fixtures and Fittings | 11 | 14.707 | 15.352 |
| Leasehold Improvements | 11 | 3.199 | 3.366 |
| Construction in Progress | 11 | 5.862 | 4.634 |
| Intangible Assets and Goodwill | | 94.422 | 84.963 |
| Other Rights | 12 | 25 | 25 |
| Capitalized Development Costs | 12 | 87.133 | 78.555 |
| Other Intangible Assets | 12 | 7.264 | 6.383 |
| Prepayments | | 11.321 | 3.752 |
| Prepayments to Unrelated Parties | 10 | 11.321 | 3.752 |
| **TOTAL NON-CURRENT ASSETS** | | **424.538** | **403.285** |
| **TOTAL ASSETS** | | **1.983.321** | **1.721.300** |

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

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

| | Footnotes | 30 September 2016 | Audited 31 December 2015 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Current Borrowings | | 104.993 | 86 |
| Current Borrowings From Unrelated Parties | | 104.993 | 86 |
| Bank Loans | 5 | 104.993 | 86 |
| Current Portion of Non-current Borrowings | | 59.359 | 5.887 |
| Current Portion of Non-current Borrowings from Unrelated Parties | | 59.359 | 5.887 |
| Bank Loans | 5 | 59.359 | 5.887 |
| Trade Payables | | 726.325 | 730.650 |
| Trade Payables to Related Parties | 6 | 20.877 | 25.198 |
| Trade Payables to Unrelated Parties | 7 | 705.448 | 705.452 |
| Employee Benefit Obligations | 15 | 19.149 | 20.054 |
| Other Payables | | 48.011 | - |
| Other Payables to Related Parties | 6 | 48.011 | - |
| Derivative Financial Liabilities | | - | 616 |
| Derivative Financial Liabilities Held for trading | 25 | - | 616 |
| Current Tax Liabilities | 23 | 4.523 | - |
| Current Provisions | | 1.620 | 1.358 |
| Other Current Provisions | 13 | 1.620 | 1.358 |
| Other Current Liabilities | | 6.617 | 6.470 |
| Other Current Liabilities to Unrelated Parties | 16 | 6.617 | 6.470 |
| | | **970.597** | **765.121** |

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

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

| | Footnotes | 30 September 2016 | Audited 31 December 2015 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Long Term Borrowings | | - | 54.516 |
| Long Term Borrowings From Unrelated Parties | | - | 54.516 |
| Bank Loans | 5 | - | 54.516 |
| Other Payables | | 120.253 | 160.438 |
| Other Payables to Related Parties | 6 | 120.253 | 160.438 |
| Non-current Provisions | | 23.461 | 21.907 |
| Non-current Provisions for Employee Benefits | 15 | 23.461 | 21.907 |
| Deferred Tax Liabilities | 23 | 1.625 | 5.045 |
| **TOTAL NON-CURRENT LIABILITIES** | | **145.339** | **241.906** |
| **TOTAL LIABILITIES** | | **1.115.936** | **1.007.027** |

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

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

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

| | Footnotes | 30 September 2016 | Audited 31 December 2015 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to owners of parent** | | **867.385** | **714.273** |
| Issued Capital | 17 | 190.000 | 190.000 |
| Inflation Adjustments on Capital | 17 | 9.734 | 9.734 |
| Share Premium (Discount) | 17 | 109.031 | 109.031 |
| Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss | | (4.105) | (3.686) |
| Gains (Losses) on Revaluation and Remeasurement | | (4.105) | (3.686) |
| Gains (Losses) on Remeasurements of Defined Benefit Plans | | (4.105) | (3.686) |
| Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss | | 7.790 | 7.629 |
| Gains (Losses) on Hedge | | 7.790 | 7.629 |
| Gains (Losses) on Cash Flow Hedges | | 7.790 | 7.629 |
| Restricted Reserves Appropriated From Profits | | 77.019 | 57.354 |
| Legal Reserves | 17 | 77.019 | 57.354 |
| Prior Years' Profits or Losses | 17 | 193.669 | 180.316 |
| Current Period Net Profit Or Loss | | 284.247 | 163.895 |
| **TOTAL EQUITY** | | **867.385** | **714.273** |
| **TOTAL LIABILITIES AND EQUITY** | | **1.983.321** | **1.721.300** |

Condensed financial statements for the interim period 1 January - 30 September 2016 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 21 October 2016.

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

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

| | Footnotes | 1 January - 30 September 2016 | 1 January - 30 September 2015 | 1 July - 30 September 2016 | 1 July - 30 September 2015 |
|---|---|---|---|---|---|
| **PROFIT OR LOSS** | | | | | |
| Revenue | 18 | 2.126.028 | 1.798.314 | 696.480 | 699.961 |
| Cost of Sales | | (1.769.023) | (1.532.540) | (581.495) | (600.964) |
| **GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS** | | **357.005** | **265.774** | **114.985** | **98.997** |
| **GROSS PROFIT (LOSS)** | | **357.005** | **265.774** | **114.985** | **98.997** |
| General Administrative Expenses | 20 | (31.851) | (29.125) | (8.542) | (8.107) |
| Marketing Expenses | 20 | (33.884) | (29.251) | (11.438) | (10.739) |
| Research and Development Expense | 20 | (21.215) | (21.184) | (7.886) | (7.671) |
| Other Income from Operating Activities | 21 | 80.201 | 158.522 | 38.173 | 89.169 |
| Other Expenses from Operating Activities | 21 | (61.537) | (139.711) | (27.188) | (67.781) |
| **PROFIT (LOSS) FROM OPERATING ACTIVITIES** | | **288.719** | **205.025** | **98.104** | **93.868** |
| **PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)** | | **288.719** | **205.025** | **98.104** | **93.868** |
| Finance Income | 22 | 85.619 | 172.916 | 20.715 | 42.396 |
| Fınance Costs | 22 | (77.890) | (280.061) | (24.285) | (99.960) |
| **PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX** | | **296.448** | **97.880** | **94.534** | **36.304** |
| Tax (Expense) Income, Continuing Operations | | (12.201) | (8.343) | (4.959) | (2.007) |
| Current Period Tax (Expense) Income | 23 | (15.556) | (25.900) | (4.735) | (13.372) |
| Deferred Tax (Expense) Income | 23 | 3.355 | 17.557 | (224) | 11.365 |
| **PROFIT (LOSS) FROM CONTINUING OPERATIONS** | | **284.247** | **89.537** | **89.575** | **34.297** |
| **PROFIT (LOSS)** | | **284.247** | **89.537** | **89.575** | **34.297** |

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 COMPREHENSIVE INCOME FOR THE PERIODS**
**1 JANUARY - 30 SEPTEMBER 2016 AND 2015**

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

| | **1 January - 30 September 2016** | **1 January - 30 September 2015** | **1 July - 30 September 2016** | **1 July - 30 September 2015** |
|---|---|---|---|---|
| **OTHER COMPREHENSIVE INCOME** | | | | |
| Other Comprehensive Income that will not be Reclassified to Profit or Loss | (419) | (669) | (187) | (533) |
| Gains (Losses) on Remeasurements of Defined Benefit Plans | (524) | (836) | (234) | (666) |
| Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss | 105 | 167 | 47 | 133 |
| Taxes Relating to Remeasurements of Defined Benefit Plans | 105 | 167 | 47 | 133 |
| Other Comprehensive Income That Will Be Reclassified to Profit or Loss | 161 | (18.849) | (5.702) | 2.525 |
| Other Comprehensive Income (Loss) Related with Cash Flow Hedges | 201 | (23.562) | (7.128) | 3.156 |
| Gains (Losses) on Cash Flow Hedges | 201 | (23.562) | (7.128) | 3.156 |
| Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss | (40) | 4.713 | 1.426 | (631) |
| Taxes Relating to Cash Flow Hedges | (40) | 4.713 | 1.426 | (631) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | **(258)** | **(19.518)** | **(5.889)** | **1.992** |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **283.989** | **70.019** | **83.686** | **36.289** |

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

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

(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 September 2015** | | | | | | | | | | | | | | | | |
| **Equity at Beginning of Period** | | **190.000** | **9.734** | **109.031** | **(9.209)** | **(9.209)** | **(9.209)** | **20.512** | **20.512** | **20.512** | **41.803** | **169.515** | **131.177** | **300.692** | **662.563** | **662.563** |
| Transfers | | - | - | - | - | - | - | - | - | - | 15.551 | 115.626 | (131.177) | (15.551) | - | - |
| Total Comprehensive Income (Loss) | | - | - | - | (669) | (669) | (669) | (18.849) | (18.849) | (18.849) | - | - | 89.537 | 89.537 | 70.019 | 70.019 |
| Profit (Loss) | | - | - | - | - | - | - | - | - | - | - | - | 89.537 | 89.537 | 89.537 | 89.537 |
| Other Comprehensive Income (Loss) | | - | - | - | (669) | (669) | (669) | (18.849) | (18.849) | (18.849) | - | - | - | - | (19.518) | (19.518) |
| Dividends Paid | | - | - | - | - | - | - | - | - | - | - | (104.825) | - | (104.825) | (104.825) | (104.825) |
| **Equity at End of Period** | | **190.000** | **9.734** | **109.031** | **(9.878)** | **(9.878)** | **(9.878)** | **1.663** | **1.663** | **1.663** | **57.354** | **180.316** | **89.537** | **269.853** | **627.757** | **627.757** |
| **Current Period** | | | | | | | | | | | | | | | | |
| **1 January - 30 September 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) | | - | - | - | (419) | (419) | (419) | 161 | 161 | 161 | - | - | 284.247 | 284.247 | 283.989 | 283.989 |
| Profit (Loss) | | - | - | - | - | - | - | - | - | - | - | - | 284.247 | 284.247 | 284.247 | 284.247 |
| Other Comprehensive Income (Loss) | | - | - | - | (419) | (419) | (419) | 161 | 161 | 161 | - | - | - | - | (258) | (258) |
| Dividends Paid | | - | - | - | - | - | - | - | - | - | - | (130.877) | - | (130.877) | (130.877) | (130.877) |
| **Equity at End of Period** | | **190.000** | **9.734** | **109.031** | **(4.105)** | **(4.105)** | **(4.105)** | **7.790** | **7.790** | **7.790** | **77.019** | **193.669** | **284.247** | **477.916** | **867.385** | **867.385** |

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

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

| | Footnotes | 1 January - 30 September 2016 | 1 January - 30 September 2015 |
|---|---|---|---|
| **CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES** | | **225.365** | **163.934** |
| Profit (Loss) | | 284.247 | 89.537 |
| Profit (Loss) from Continuing Operations | | 284.247 | 89.537 |
| **Adjustments to Reconcile Profit (Loss)** | | **111.735** | **170.853** |
| Adjustments for Depreciation and Amortisation | 11 | 67.755 | 65.817 |
| Adjustments for Impairment Loss (Reversal of Impairment Loss) | | (493) | (426) |
| Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories | 9 | (493) | (426) |
| Adjustments for Provisions | | 6.949 | 8.104 |
| Adjustments for (Reversal of) Provisions Related with Employee Benefits | 15 | 6.687 | 8.104 |
| Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions | | 262 | - |
| Adjustments for Interest (Income) Expenses | | 3.043 | 12.845 |
| Adjustments for Interest Income | 22 | (13.329) | (1.025) |
| Adjustments for Interest Expense | 22 | 16.372 | 13.870 |
| Adjustments for Unrealised Foreign Exchange Losses | | 14.356 | 1.459 |
| Adjustments for Fair Value Losses (Gains) | | 8.714 | 74.266 |
| Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments | | 8.714 | 74.266 |
| Adjustments for Tax (Income) Expenses | | 12.201 | 8.343 |
| Adjustments for Losses (Gains) on Disposal of Non-Current Assets | | (84) | (155) |
| Adjustments for Losses (Gains) Arised From Sale of Tangible Assets | | (84) | (155) |
| Other Adjustments to Reconcile Profit (Loss) | 4 | (706) | 600 |

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

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

| | Footnotes | 1 January - 30 September 2016 | 1 January - 30 September 2015 |
|---|---|---|---|
| **Changes in Working Capital** | | **(167.387)** | **(77.687)** |
| Adjustments for Decrease (Increase) in Trade Accounts Receivable | | (98.734) | (221.437) |
| Decrease (Increase) in Trade Accounts Receivables from Related Parties | 6 | (99.487) | (227.819) |
| Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties | 7 | 753 | 6.382 |
| Adjustments for Decrease (Increase) in Other Receivables Related with Operations | | 10.921 | (33.493) |
| Decrease (Increase) in Other Unrelated Party Receivables Related with Operations | 8 | 10.921 | (33.493) |
| Adjustments for Decrease (Increase) in Inventories | 9 | (65.402) | (79.261) |
| Decrease (Increase) in Prepaid Expenses | 10 | (21.976) | 5.700 |
| Adjustments for Increase (Decrease) in Trade Accounts Payable | | (4.325) | 250.753 |
| Increase (Decrease) in Trade Accounts Payables to Related Parties | 6 | (4.321) | 20.998 |
| Increase (Decrease) in Trade Accounts Payables to Related Parties | 7 | (4) | 229.755 |
| Increase (Decrease) in Employee Benefit Liabilities | 15 | (905) | (907) |
| Other Adjustments for Other Increase (Decrease) in Working Capital | | 13.034 | 958 |
| Decrease (Increase) in Other Assets Related with Operations | | 12.887 | (63) |
| Increase (Decrease) in Other Payables Related with Operations | | 147 | 1.021 |
| **Cash Flows from (used in) Operations** | | **228.595** | **182.703** |
| Payments Related with Provisions for Employee Benefits | 15 | (5.657) | (3.669) |
| Income taxes refund (paid) | 23 | 2.427 | (15.100) |

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

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

| | Footnotes | 1 January - 30 September 2016 | 1 January - 30 September 2015 |
|---|---|---|---|
| **CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES** | | **(239.819)** | **(194.472)** |
| Proceeds from Sales of Property, Plant, Equipment and Intangible Assets | | 1.037 | 861 |
| Proceeds from Sales of Property, Plant and Equipment | | 1.037 | 861 |
| Purchase of Property, Plant, Equipment and Intangible Assets | | (82.392) | (61.715) |
| Purchase of Property, Plant and Equipment | 11 | (60.358) | (41.795) |
| Purchase of Intangible Assets | 12 | (22.034) | (19.920) |
| Cash Advances and Loans Made to Other Parties | | (158.464) | (133.618) |
| Cash Advances and Loans Made to Related Parties | 6 | (158.464) | (133.618) |
| **CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES** | | **(36.587)** | **(38.029)** |
| Proceeds from Borrowings | | 286.858 | 128.172 |
| Proceeds from Loans | | 286.858 | 128.172 |
| Repayments of Borrowings | | (193.323) | (79.521) |
| Loan Repayments | | (193.323) | (79.521) |
| Increase in Other Payables to Related Parties | 6 | - | 28.950 |
| Dividends Paid | 6 | (130.877) | (104.825) |
| Interest Paid | | (12.574) | (11.830) |
| Interest Received | | 13.329 | 1.025 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE** | | **(51.041)** | **(68.567)** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(51.041)** | **(68.567)** |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 4 | 88.665 | 163.089 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | | **37.624** | **94.522** |

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

(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 September 2016, the number of personnel employed was 6.221 (31 December 2015: 5.793).

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

| | **Share %** |
|---|---|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 94,62 |
| Other Shareholders | 5,38 |
| | **100,00** |

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

## NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1 Basis of presentation

#### 2.1.1 Statement of compliance

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

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

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

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

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

The Company maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The financial statements, except for the financial assets and liabilities presented with their fair values, are maintained under historical cost conversion in TL. These financial statements are based on the statutory records which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/TFRS.

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

**2.2 Comparative information and restatement of prior period financial statements**

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

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

**2.3. Amendments in Turkey Financial Reporting Standards**

**a) New standards, amendments and interpretations issued and effective for the financial year beginning 30 September 2016 and are adopted by the Company:**

- **TFRS 11 (amendments), "Joint Arrangements",** is effective for annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

- **TAS 16 and TAS 38 (amendments), "Tangible Assets", "Intangible Assets",** is effective for annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

- **TFRS 14, "Regulatory deferral accounts",** is effective for annual periods beginning on or after 1 January 2016. 'Regulatory deferral accounts' permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS.

- **Annual improvements 2014:** Effective for annual periods beginning on or after 1 January 2016. Annual Improvements amend the following 4 standards
  - TFRS 5, 'Non-current assets held for sale and discontinued operations', changes in sales method
  - TFRS 7, 'Financial Instruments: Disclosures', with respect to TFRS 1, changes in labor contracts
  - TAS 19, 'Employee benefits', changes in discount rates
  - TAS 34, 'Interim financial reporting', changes in explanation of information

- **TAS 1, "Presentation of financial statements",** is effective for annual periods beginning on or after 1 January 2016, address perceived impediments to preparers exercising their judgements in presenting their financial reports.

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

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

- **TFRS 15, "Revenue from contracts with customers",** is effective for annual periods beginning on or after 1 January 2017. the International Accounting Standards Board (IASB) and the US national standard-setter, the Financial Accounting Standards Board (FASB), initiated a joint project to clarify the principles for recognising revenue and to develop a common revenue standard for IFRS and US GAAP. The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The new model employs an asset and liability approach, rather than current revenue guidance focuses on an 'earnings process'.
- **TFRS 9 (amendments), "'Financial instruments',** is effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- **TFRS 7, "Statement of cash flows**", is effective from annual periods beginning on or after 1 January 2017. The improvements are part of the Board's Disclosure Initiative. The amendments require companies to provide information about changes in their financing liabilities and come as a response to requests from investors for information that helps them better understand changes in a company's debt. The amendments will help to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).

- **TFRS 12, "Income taxes",** is effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

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

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

## 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.

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 termination benefits

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

### 2.4.11 Government grants

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

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

### 2.4.12 Earnings per share

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

### 2.4.13 Statement of cash flows

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

**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 September 2016 | 1 January - 30 September 2015 | 1 July- 30 September 2016 | 1 July- September 2015 |
|---|---|---|---|---|
| Turkey | 533.231 | 430.121 | 181.867 | 167.525 |
| Europe | 1.161.069 | 965.739 | 372.282 | 380.821 |
| Other | 433.776 | 404.090 | 143.521 | 151.790 |
| Gross sales | 2.128.076 | 1.799.950 | 697.670 | 700.136 |
| Discounts (-) | (2.048) | (1.636) | (1.190) | (175) |
| **Net sales** | **2.126.028** | **1.798.314** | **696.480** | **699.961** |

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

The amount of export is 1.594.845 thousand TL for the period ended 30 September 2016 (1 January – 30 September 2015: 1.369.829 thousand TL). Export sales are denominated in EURO, and USD as % 98,7,and % 1,3 of total export respectively(1 January – 30 September 2015: % 97,2 EUR, % 2,8 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 September 2016 | 31 December 2015 |
|---|---|---|
| Cash | 161 | 147 |
| Bank deposits | | |
| - Demand deposits | 5.235 | 28.340 |
| - Time deposits | 25.763 | 56.178 |
| Cheques and notes | 6.465 | 4.000 |
| Blocked deposits | 728 | 22 |
| **Cash and cash equivalents** | **38.352** | **88.687** |

**Effective interest rates**

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| TL | - | 10,80% |
| USD | 0,10% | 0,75% |
| EUR | 0,25% | - |

## NOTE 5 – FINANCIAL LIABILITIES

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| **Short - term financial liabilities** | | |
| Short term bank loans | 104.993 | 86 |
| Short term portion of long term bank loans | 59.359 | 5.887 |
| | **164.352** | **5.973** |
| **Long - term financial liabilities** | | |
| Long term bank loans | - | 54.516 |
| | **-** | **54.516** |

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

**NOTE 5 – FINANCIAL LIABILITIES (Cont'd)**

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

| | 30 September 2016 | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| **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 | 3,95% | 20.557 | 69.088 | - | - | - |
| - TL | 13,56% | 35.905 | 35.905 | - | 86 | 86 |
| | | | **104.993** | | | **86** |

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

| | 30 September 2016 | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| **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 | 3,86% | 17.662 | 59.359 | 4,25% | 1.853 | 5.887 |
| **Short term portion** | | | **59.359** | | | **5.887** |
| - EUR | | - | - | 3,85% | 17.156 | 54.516 |
| **Long term portion** | | | **-** | | | **54.516** |
| | | | **59.359** | | | **60.403** |

(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 financial liabilities are given below:

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| One to two years | - | 54.516 |
| | **-** | **54.516** |

Total amount of Company's floating rate loans is TL 5.642 thousand. (31 December 2015: 11.041 thousand TL).

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

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| 6 - 12 months | 5.642 | 11.041 |

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

Guarantees given for the bank loans obtained are presented 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 September 2016 | 31 December 2015 |
|---|---|---|
| Vestel Ticaret A.Ş. | 922.467 | 821.584 |
| | 922.467 | 821.584 |
| Unearned interest on receivables (-) | (4.274) | (2.878) |
| | **918.193** | **818.706** |

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

### b) Short-term trade payables to related parties

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 19.162 | 16.573 |
| Vestel Holland B.V. | 172 | 8.354 |
| Other related parties | 1.689 | 473 |
| | 21.023 | 25.400 |
| Unearned interest on payables (-) | (146) | (202) |
| | **20.877** | **25.198** |

### c) Other short-term receivables from related parties

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | **158.464** | **-** |

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

### d) Other short-term liabilities to related parties

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | **48.011** | **-** |

(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 September 2016 | 31 December 2015 |
|---|---|---|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | **120.253** | **160.438** |

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

### f) Transactions with related parties

| | 1 January - 30 September 2016 | 1 January - 30 September 2015 | 1 July- 30 September 2016 | 1 July- 30 September 2015 |
|---|---|---|---|---|
| **Sales** | | | | |
| Vestel Ticaret A.Ş. | 2.080.876 | 1.766.205 | 681.719 | 690.094 |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 10.111 | 8.458 | 2.984 | 3.274 |
| Other related parties | 15 | 8 | 1 | - |
| | **2.091.002** | **1.774.671** | **684.704** | **693.368** |
| **Operating expenses** | | | | |
| Vestel Holland B.V. | 7.111 | 128.966 | 1.302 | 10.251 |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 79.772 | 53.563 | 24.945 | 18.408 |
| Other related parties | 7.002 | 8.546 | 3.089 | 1.073 |
| | **93.885** | **191.075** | **29.336** | **29.732** |
| **Other operating income** | | | | |
| Vestel Ticaret A.Ş. | 67.951 | 140.815 | 35.148 | 84.293 |
| Other related parties | 384 | 1.830 | 49 | 249 |
| | **68.335** | **142.645** | **35.197** | **84.542** |
| **Other operating expense** | | | | |
| Vestel Ticaret A.Ş. | 14.184 | 11.872 | 73 | (1.997) |
| Other related parties | 1.121 | 3.929 | 446 | 2.824 |
| | **15.305** | **15.801** | **519** | **827** |

(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 September 2016 | 1 January - 30 September 2015 | 1 July- 30 September 2016 | 1 July- 30 September 2015 |
|---|---|---|---|---|
| **Financial income** | | | | |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 12.847 | 6.658 | 1.895 | 2.697 |
| | **12.847** | **6.658** | **1.895** | **2.697** |
| **Financial expense** | | | | |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 14.011 | 34.795 | 9.520 | 23.706 |
| | **14.011** | **34.795** | **9.520** | **23.706** |
| **Dividend paid** | | | | |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 123.837 | 99.189 | - | - |
| Public shares | 7.040 | 5.636 | - | - |
| | **130.877** | **104.825** | **-** | **-** |

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

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

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

Compensation paid to key management for the nine months period ended 30 September 2016 is 5.029 thousand TL (1 January -30 September 2015: 4.697 thousand TL).

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

## NOTE 7 – TRADE RECEIVABLES AND PAYABLES

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| **Short - term trade receivables** | | |
| Trade receivables | | |
| - Related parties (note 6) | 922.467 | 821.584 |
| - Other parties | 3.845 | 6.464 |
| Cheques and notes receivables | 2.000 | - |
| | 928.312 | 828.048 |
| Unearned interest expense (-) | | |
| - Related parties (note 6) | (4.274) | (2.878) |
| - Other parties | (509) | (375) |
| Allowance for doubtful receivables (-) | (210) | (210) |
| **Total short - term trade receivables** | **923.319** | **824.585** |

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

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| **Short term trade payables** | | |
| Trade payables | | |
| - Related parties (note 6) | 21.023 | 25.400 |
| - Other parties | 707.183 | 707.759 |
| | 728.206 | 733.159 |
| Unearned interest income (-) | | |
| - Related parties (note 6) | (146) | (202) |
| - Other parties | (1.735) | (2.307) |
| **Total short-term trade payables** | **726.325** | **730.650** |

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

## NOTE 8 – OTHER RECEIVABLES

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| **Short - term other receivables** | | |
| Receivables from related parties (note 6) | 158.464 | - |
| VAT receivable | 63.820 | 91.251 |
| Deposits and guarantees given | 7.714 | 5.862 |
| Other tax receivables | 14.497 | - |
| Other receivables | 1.285 | 1.124 |
| | **245.780** | **98.237** |

## NOTE 9 – INVENTORIES

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| Raw materials | 180.321 | 138.839 |
| Work in process | 6.849 | 4.004 |
| Finished goods | 140.226 | 119.151 |
| Other | 4 | 4 |
| | 327.400 | 261.998 |
| Provision for impairment on inventories (-) | (129) | (622) |
| | **327.271** | **261.376** |

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

Cost of the inventory included in the cost of sales for the period 1 January - 30 September 2016 amounts to 1.499.822 thousand TL (1 January – 30 September 2015: 1.298.073 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 September 2016 | 31 December 2015 |
|---|---|---|
| Raw materials | - | 93 |
| Finished goods and merchandise | 129 | 529 |
| | **129** | **622** |

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

| | 1 January - 30 September 2016 | 1 January - 30 September 2015 |
|---|---|---|
| **Opening balance, 1 January** | **622** | **1.071** |
| Current year additions | 129 | 645 |
| Realised due to sale of inventory | (622) | (1.071) |
| **Balance at 30 September** | **129** | **645** |

## NOTE 10 – PREPAID EXPENSES

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| **Prepaid expenses in current assets** | | |
| Order advances given | 4.303 | 3.578 |
| Prepaid expenses | 6.930 | 6.725 |
| Business advances given | 20 | 3 |
| | **11.253** | **10.306** |
| **Prepaid expenses in non-current assets** | | |
| Advances given for fixed asset purchases | 10.741 | 3.014 |
| Prepaid expenses | 580 | 738 |
| | **11.321** | **3.752** |

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

## NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

| | 1 January 2016 | Additions | Disposals | Transfers | 30 September 2016 |
|---|---|---|---|---|---|
| **Cost or revaluation** | | | | | |
| Land | 6.547 | - | - | - | 6.547 |
| Land improvements | 3.204 | - | - | - | 3.204 |
| Buildings | 67.908 | 649 | - | 817 | 69.374 |
| Leasehold improvements | 5.744 | 107 | - | 68 | 5.919 |
| Plant and machinery | 783.887 | 51.452 | (344) | 3.605 | 838.600 |
| Motor vehicles | 421 | 15 | - | - | 436 |
| Furniture and fixtures | 43.440 | 1.778 | (59) | 639 | 45.798 |
| Construction in progress | 4.634 | 6.357 | - | (5.129) | 5.862 |
| | **915.785** | **60.358** | **(403)** | **-** | **975.740** |
| **Accumulated depreciation** | | | | | |
| Land improvements | 2.319 | 41 | - | - | 2.360 |
| Buildings | 28.054 | 967 | - | - | 29.021 |
| Leasehold improvements | 2.378 | 342 | - | - | 2.720 |
| Plant and machinery | 540.144 | 51.647 | (321) | - | 591.470 |
| Motor vehicles | 232 | 51 | - | - | 283 |
| Furniture and fixtures | 28.088 | 3.039 | (36) | - | 31.091 |
| | **601.215** | **56.087** | **(357)** | **-** | **656.945** |
| **Net book value** | **314.570** | | | | **318.795** |

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

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

| | 1 January 2015 | Additions | Disposals | Transfers | 30 September 2015 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Land | 6.547 | - | - | - | 6.547 |
| Land improvements | 3.112 | 60 | - | 32 | 3.204 |
| Buildings | 66.233 | 604 | - | 234 | 67.071 |
| Leasehold improvements | 4.726 | 605 | - | 105 | 5.436 |
| Plant and machinery | 744.670 | 29.619 | (4.008) | 4.654 | 774.935 |
| Motor vehicles | 396 | - | - | - | 396 |
| Furniture and fixtures | 37.578 | 3.146 | (96) | 1.741 | 42.369 |
| Construction in progress | 2.272 | 7.761 | - | (6.766) | 3.267 |
| | **865.534** | **41.795** | **(4.104)** | **-** | **903.225** |
| **Accumulated depreciation** | | | | | |
| Land improvements | 2.268 | 38 | - | - | 2.306 |
| Buildings | 26.927 | 831 | - | - | 27.758 |
| Leasehold improvements | 1.996 | 277 | - | - | 2.273 |
| Plant and machinery | 479.632 | 52.414 | (3.623) | - | 528.423 |
| Motor vehicles | 172 | 45 | - | - | 217 |
| Furniture and fixtures | 24.309 | 2.865 | (86) | - | 27.088 |
| | **535.304** | **56.470** | **(3.709)** | **-** | **588.065** |
| **Net book value** | **330.230** | | | | **315.160** |

Additions to property, plant and equipment in the period 1 January – 30 September 2016 and 2015 mainly consist of machinery and equipment investments made to first and second 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 current year depreciation and amortization expenses is as follows:

| | **1 January - 30 September 2016** | **1 January - 30 September 2015** |
|---|---|---|
| Cost of sales | 54.448 | 54.291 |
| Research and development expenses | 12.664 | 10.944 |
| Marketing, selling and distribution expenses | 205 | 217 |
| General administrative expenses | 438 | 365 |
| | **67.755** | **65.817** |

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

## NOTE 12 – INTANGIBLE ASSETS

| | 1 January 2016 | Additions | Disposals | 30 September 2016 |
|---|---|---|---|---|
| **Cost** | | | | |
| Rights | 6.376 | - | - | 6.376 |
| Development cost | 133.481 | 20.584 | (907) | 153.158 |
| Other intangible assets | 10.018 | 1.450 | - | 11.468 |
| | **149.875** | **22.034** | **(907)** | **171.002** |
| **Accumulated amortization** | | | | |
| Rights | 6.351 | - | - | 6.351 |
| Development cost | 54.926 | 11.099 | - | 66.025 |
| Other intangible assets | 3.635 | 569 | - | 4.204 |
| | **64.912** | **11.668** | **-** | **76.580** |
| **Net book value** | **84.963** | | | **94.422** |

| | 1 January 2015 | Additions | Disposals | 30 September 2015 |
|---|---|---|---|---|
| **Cost** | | | | |
| Rights | 6.376 | - | - | 6.376 |
| Development cost | 105.380 | 18.491 | (311) | 123.560 |
| Other intangible assets | 8.166 | 1.429 | - | 9.595 |
| | **119.922** | **19.920** | **(311)** | **139.531** |
| **Accumulated amortization** | | | | |
| Rights | 6.348 | 3 | - | 6.351 |
| Development cost | 42.597 | 8.878 | - | 51.475 |
| Other intangible assets | 3.001 | 466 | - | 3.467 |
| | **51.946** | **9.347** | **-** | **61.293** |
| **Net book value** | **67.976** | | | **78.238** |

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 September 2016 | 31 December 2015 |
|---|---|---|
| **Short - term provisions** | | |
| Provision for lawsuit risks | 1.620 | 1.358 |
| | **1.620** | **1.358** |

### b) Guarantees received by the Company

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| Guarantee letters | 6.919 | 5.945 |
| Cheques and notes | 5.459 | 5.700 |
| Collaterals and pledges | 2.770.894 | 2.740.159 |
| | **2.783.272** | **2.751.804** |

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 September 2016** | | | | |
| A. CPM's given on behalf of its own legal entity | - | - | 9.859 | 9.859 |
| B. CPM's given on behalf of fully consolidated subsidiaries (*) | - | - | - | - |
| C. CPM's given on behalf of third parties for ordinary course of business | - | - | - | - |
| D. Total amount of other CPM's given | 1.523.905 | 46.866 | 1.070.430 | 5.793.404 |
| i. Total amount of CPM's given on behalf of the parent company | 1.154.545 | - | 830.371 | 4.289.272 |
| ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C. | 369.360 | 46.866 | 240.059 | 1.504.132 |
| iii.Total amount of CPM's given on behalf of third parties which are not in scope of C. | - | - | - | - |
| **Total** | **1.523.905** | **46.866** | **1.080.289** | **5.803.263** |

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

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

As of 30 September 2016 proportion of other CPM's given by the Company to its equity is % 668 (31 December 2015: % 945).

## NOTE 14 – COMMITMENTS

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

As of 30 September 2016 the Company has forward foreign currency purchase contract that amounts to 163.445 thousand USD and 40.346 thousand EUR against forward foreign currency sales contracts that amounts to 99.227 thousand EUR, 45.122 thousand USD and 144.000 thousand TL (31 December 2015:143.000 thousand USD, 73.875 thousand EUR, and 132.516 thousand TL purchase contract against 99.535 thousand USD, 147.544 thousand EUR, and 9.930 thousand RUB sales contracts).

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

## NOTE 15 – EMPLOYEE BENEFITS

**Liabilities for employee benefits:**

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| Due to personnel | 13.905 | 14.531 |
| Social security payables | 5.244 | 5.523 |
| | **19.149** | **20.054** |

**Long term provisions for employee benefits:**

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| Provision for employment termination benefits | **23.461** | **21.907** |

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

The amount payable is the equivalent of one month's gross salary for each year of service and is limited to a maximum of TL 4.297,21 TL/ year as of 30 September 2016 (31 December 2015: TL 3.828,37/year).

The provision for employee termination benefits is not funded.

The provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. Turkish Accounting Standards No: 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined employee plans. Accordingly actuarial assumptions were used in the calculation of the total liability which is described below:

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

(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 September 2016 | 1 January - 30 September 2015 |
|---|---|---|
| **Balance at 1 January** | **21.907** | **25.382** |
| Increase during the year | 4.977 | 6.532 |
| Payments during the year | (5.657) | (3.669) |
| Actuarial (gain) / loss | 524 | 836 |
| Interest expense | 1.710 | 1.572 |
| **Balance at 30 September** | **23.461** | **30.653** |

## NOTE 16 – OTHER ASSETS AND LIABILITIES

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| **Other current assets** | | |
| VAT carried forward | 122 | 72 |
| Other | 743 | 220 |
| | **865** | **292** |
| **Other current liabilities** | | |
| Taxes and dues payable | 6.466 | 6.396 |
| Other | 151 | 74 |
| | **6.617** | **6.470** |

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

## NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

### a) Paid in capital

| | **30 September 2016** | **31 December 2015** |
|---|---|---|
| Shares of par value Kr 1 each | | |
| Issued share capital | 190.000 | 190.000 |

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

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

### 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 September 2016 | 31 December 2015 |
|---|---|---|
| Adjustment to share capital | **9.734** | **9.734** |

### c) Share Premium

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

| | | |
|---|---|---|
| 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.

| | | |
|---|---|---|
| Legal reserves | **77.019** | **57.354** |

### e) Accumulated income

| | | |
|---|---|---|
| Extraordinary reserves | 133.233 | 133.233 |
| Previous year's gain | 60.436 | 47.083 |
| | **193.669** | **180.316** |

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

### f) Dividend distribution

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

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

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

On the other hand, in accordance with the Articles of Association of the Company, up to 5% of retained earnings after dividend distribution could be allocated to the Board of Directors or used for certain reasons designated by the Board of Directors when necessary.

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

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

## NOTE 18 – SALES

| | 1 January - 30 September 2016 | 1 January - 30 September 2015 | 1 July- 30 September 2016 | 1 July- 30 September 2015 |
|---|---|---|---|---|
| Domestic sales | 533.231 | 430.121 | 181.867 | 167.525 |
| Overseas sales | 1.594.845 | 1.369.829 | 515.803 | 532.611 |
| **Gross sales** | **2.128.076** | **1.799.950** | **697.670** | **700.136** |
| Less: Sales discounts (-) | (2.048) | (1.636) | (1.190) | (175) |
| **Net sales** | **2.126.028** | **1.798.314** | **696.480** | **699.961** |
| Cost of sales | (1.769.023) | (1.532.540) | (581.495) | (600.964) |
| **Gross profit** | **357.005** | **265.774** | **114.985** | **98.997** |

## NOTE 19 –EXPENSES BY NATURE

| | 1 January - 30 September 2016 | 1 January - 30 September 2015 | 1 July- 30 September 2016 | 1 July- 30 September 2015 |
|---|---|---|---|---|
| Raw materials, supplies and finished goods | 1.523.742 | 1.315.180 | 501.585 | 495.925 |
| Changes in finished goods, work in process and trade goods | (23.920) | (17.107) | (10.867) | 20.028 |
| Personnel expenses | 186.446 | 148.324 | 63.805 | 56.413 |
| Depreciation and amortization | 67.755 | 65.817 | 23.200 | 21.518 |
| Other | 101.950 | 99.886 | 31.638 | 33.597 |
| | **1.855.973** | **1.612.100** | **609.361** | **627.481** |

(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 September 2016 | 1 January - 30 September 2015 | 1 July- 30 September 2016 | 1 July- 30 September 2015 |
|---|---|---|---|---|
| Personnel expenses | 7.542 | 7.363 | 2.229 | 2.201 |
| Depreciation and amortization | 438 | 365 | 158 | 128 |
| Office and rent expenses | 7.949 | 6.713 | 1.974 | 2.407 |
| Consulting expenses | 8.016 | 5.452 | 2.465 | 1.724 |
| Other | 7.906 | 9.232 | 1.716 | 1.647 |
| | **31.851** | **29.125** | **8.542** | **8.107** |

### b) Marketing expenses:

| | | | | |
|---|---|---|---|---|
| Personnel expenses | 8.270 | 6.020 | 2.844 | 2.293 |
| Depreciation and amortization | 205 | 217 | 69 | 57 |
| Transportation expenses | 18.173 | 17.408 | 6.269 | 6.243 |
| Other | 7.236 | 5.606 | 2.256 | 2.146 |
| | **33.884** | **29.251** | **11.438** | **10.739** |

### c) Research and development expenses:

| | | | | |
|---|---|---|---|---|
| Personnel expenses | 4.729 | 4.126 | 1.777 | 1.586 |
| Depreciation and amortization | 12.664 | 10.944 | 3.920 | 3.738 |
| Other | 3.822 | 6.114 | 2.189 | 2.347 |
| | **21.215** | **21.184** | **7.886** | **7.671** |

(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 September 2016 | 1 January - 30 September 2015 | 1 July- 30 September 2016 | 1 July- 30 September 2015 |
|---|---|---|---|---|
| Credit finance gains arising from trading activities | 17.343 | 19.111 | 5.604 | 7.846 |
| Foreign exchange gains arising from trading activities | 58.026 | 136.458 | 31.943 | 80.186 |
| Other income | 4.832 | 2.953 | 626 | 1.137 |
| | **80.201** | **158.522** | **38.173** | **89.169** |

### b) Other expense from operating activities:

| | | | | |
|---|---|---|---|---|
| Debit finance charges arising from trading activities | 17.478 | 16.652 | 4.733 | 6.903 |
| Foreign exchange expenses arising from trading activities | 39.176 | 119.019 | 21.176 | 60.219 |
| Other expenses | 4.883 | 4.040 | 1.279 | 659 |
| | **61.537** | **139.711** | **27.188** | **67.781** |

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

## NOTE 22 – FINANCIAL INCOME AND FINANCIAL EXPENSE

### a) Financial income:

| | 1 January - 30 September 2016 | 1 January - 30 September 2015 | 1 July- 30 September 2016 | 1 July- 30 September 2015 |
|---|---|---|---|---|
| Foreign exchange gains | 5.658 | 8.923 | 180 | 3.886 |
| Gains on derivative financial instruments | 66.632 | 162.968 | 18.250 | 38.180 |
| Interest income | 13.329 | 1.025 | 2.285 | 330 |
| | **85.619** | **172.916** | **20.715** | **42.396** |

### b) Financial expense:

| | | | | |
|---|---|---|---|---|
| Foreign exchange losses | 18.543 | 46.631 | 13.409 | 30.617 |
| Losses on derivative financial instruments | 42.889 | 219.502 | 3.336 | 62.453 |
| Interest expense | 16.372 | 13.870 | 7.519 | 6.873 |
| Other finance expenses | 86 | 58 | 21 | 17 |
| | **77.890** | **280.061** | **24.285** | **99.960** |

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

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

| | 30 September 2016 | 31 December 2015 |
|---|---|---|
| Corporation and income taxes | 15.556 | 12.059 |
| Prepaid taxes (-) | (11.033) | (25.519) |
| **Current income tax liabilities - net** | **4.523** | **(13.460)** |
| **Deferred tax liabilities** | **(1.625)** | **(5.045)** |

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

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

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

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

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

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

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

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

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

| | 1 January - 30 September 2016 | 1 January - 30 September 2015 |
|---|---|---|
| Current period tax expense | (15.556) | (25.900) |
| Deferred tax benefit | 3.355 | 17.557 |
| **Total tax benefit expense** | **(12.201)** | **(8.343)** |

**Deferred tax assets and liabilities**

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

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

(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 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 September 2016** | **31 December 2015** | **30 September 2016** | **31 December 2015** |
| **Deferred tax assets** | | | | |
| Employment termination benefits | (23.461) | (21.907) | 4.692 | 4.381 |
| Provision for impairment on inventories | (132) | (622) | 26 | 124 |
| Other | (9.645) | (8.885) | 1.929 | 1.777 |
| | | | **6.647** | **6.282** |

| | Cumulative temporary differences | | Deferred tax | |
|---|---|---|---|---|
| | **30 September 2016** | **31 December 2015** | **30 September 2016** | **31 December 2015** |
| **Deferred tax liabilites** | | | | |
| Useful life and valuation differences on property, plant and equipment and intangible assets | 28.395 | 35.200 | (5.679) | (7.040) |
| Revaluation of tangible fixed asseets | 11.943 | 20.456 | (2.389) | (4.091) |
| Other | 1.020 | 980 | (204) | (196) |
| | | | **(8.272)** | **(11.327)** |
| **Deferred tax liabilites - net** | | | **(1.625)** | **(5.045)** |

(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 September 2016 | 1 January - 30 September 2015 |
|---|---|---|
| **Opening balance, 1 January** | **(5.045)** | **(5.898)** |
| Tax expense recognized in income statement | 3.355 | 17.557 |
| Recognized in shareholders' equity | 65 | 4.880 |
| **Deferred tax liabilities at the end of the period, net** | **(1.625)** | **16.539** |

## NOTE 24 – EARNINGS PER SHARE

| | 1 January - 30 September 2016 | 1 January - 30 September 2015 |
|---|---|---|
| Net income attributable to equity holders of the parent | 284.247 | 89.537 |
| Weighted number of ordinary shares with a Kr 1 of face value (thousand shares) | 190.000 | 190.000 |
| | **1,50** | **0,47** |

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

## NOTE 25 – DERIVATIVE INSTRUMENTS

| | 30 September 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | **Contract amount** | **Fair Value Assets / (Liabilities)** | **Contract amount** | **Fair Value Assets / (Liabilities)** |
| **Derivative financial assets:** | | | | |
| **Held for trading** | | | | |
| Forward foreign currency transactions | 280.736 | 2.205 | 434.490 | 11.535 |
| **Cash flow hedge** | | | | |
| Forward foreign currency transactions | 344.526 | 9.738 | 171.258 | 9.537 |
| **Derivative financial liabilities** | | | | |
| **Held for trading** | | | | |
| Forward foreign currency transactions | - | - | 177.301 | (616) |
| | **625.262** | **11.943** | **783.049** | **20.456** |

## NOTE 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

**Foreign currency risk:**

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

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

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

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

| **30 September 2016** | **USD** | **EUR** | **Other (TL Equivalent)** | **TL Equivalent** |
|---|---|---|---|---|
| 1. Trade receivables | 1.905 | 194.869 | 9 | 660.632 |
| 2a. Monetary financial assets (including cash and cash equivalents) | 1.274 | 7.401 | 14 | 28.704 |
| 2b. Non-monetary financial assets | - | - | - | - |
| 3. Other | 113 | - | - | 339 |
| **4. Current assets (1+2+3)** | **3.292** | **202.270** | **23** | **689.675** |
| 5. Trade receivables | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - |
| 6b. Non-monetary financial assets | - | - | - | - |
| 7. Other | - | - | - | - |
| **8. Non-current assets (5+6+7)** | **-** | **-** | **-** | **-** |
| **9. Total assets (4+8)** | **3.292** | **202.270** | **23** | **689.675** |
| 10. Trade payables | 110.710 | 60.548 | 658 | 535.824 |
| 11. Financial liabilities | - | 38.219 | - | 128.447 |
| 12a. Other monetary liabilities | - | 14.286 | - | 48.012 |
| 12b. Other non-monetary liabilities | - | - | - | - |
| **13. Current liabilities (10+11+12)** | **110.710** | **113.053** | **658** | **712.283** |
| 14. Trade payables | - | - | - | - |
| 15. Financial liabilities | - | - | - | - |
| 16a. Other monetary liabilities | - | 35.781 | - | 120.253 |
| 16b. Other non-monetary liabilities | - | - | - | - |
| **17. Non-current liabilities (14+15+16)** | **-** | **35.781** | **-** | **120.253** |
| **18. Total liabilities (13+17)** | **110.710** | **148.834** | **658** | **832.536** |
| **19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)** | **118.323** | **(58.881)** | **-** | **156.597** |
| 19a. Hedged total assets | 163.445 | 40.346 | - | 625.260 |
| 19b. Hedged total liabilities | (45.122) | (99.227) | - | (468.663) |
| **20. Net foreign currency asset/ (liability) position (9-18+19)** | **10.905** | **(5.445)** | **(635)** | **13.736** |
| **21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)** | **(107.531)** | **53.436** | **(635)** | **(143.200)** |
| **22. Fair value of financial instruments used in foreign currency hedging** | **-** | **-** | **-** | **11.943** |
| 23. Export | 6.850 | 474.306 | - | 1.594.845 |
| 24. Import | 127.249 | 123.974 | 882 | 778.504 |

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

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

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

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

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

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

| | Gain / Loss | | Equity | |
|---|---|---|---|---|
| **30 September 2016** | **Foreign exchange appreciation** | **Foreign exchange depreciation** | **Foreign exchange appreciation** | **Foreign exchange depreciation** |
| **+/- 10% fluctuation of USD rate:** | | | | |
| USD net asset / liability | (32.215) | 32.215 | (32.215) | 32.215 |
| Secured portion from USD risk | 987 | (987) | 35.335 | (35.335) |
| **USD net effect** | **(31.228)** | **31.228** | **3.120** | **(3.120)** |
| **+/- 10% fluctuation of EUR rate:** | | | | |
| EUR net asset / liability | 17.959 | (17.959) | 17.959 | (17.959) |
| Secured portion from EUR risk | 13.546 | (13.546) | (19.828) | 19.828 |
| **EUR net effect** | **31.505** | **(31.505)** | **(1.869)** | **1.869** |
| **+/- 10% fluctuation of other currency rates:** | | | | |
| Other currencies net asset / liability | (64) | 64 | (64) | 64 |
| Secured portion from other currency risk (-) | - | - | - | - |
| **Other currency net effect** | **(64)** | **64** | **(64)** | **64** |

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