

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM  
PERIOD 1 JANUARY - 31 MARCH 2017**

**(ORIGINALLY ISSUED IN TURKISH)**

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2017**

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<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
<b>CONDENSED INTERIM BALANCE SHEETS.....</b>	<b>1-5</b>
<b>CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME .....</b>	<b>6-7</b>
<b>CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY.....</b>	<b>8</b>
<b>CONDENSED INTERIM STATEMENTS OF CASH FLOWS .....</b>	<b>9-11</b>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

NOTE 1	COMPANY’S ORGANISATION AND NATURE OF OPERATIONS .....	12
NOTE 2	BASIS OF PRESENTATION OF FINANCIAL STATEMENTS.....	12-25
NOTE 3	SEGMENT REPORTING.....	26
NOTE 4	CASH AND CASH EQUIVALENTS.....	27
NOTE 5	FINANCIAL LIABILITIES.....	27-29
NOTE 6	RELATED PARTY DISCLOSURES.....	30-32
NOTE 7	TRADE RECEIVABLES AND PAYABLES .....	33
NOTE 8	OTHER RECEIVABLES.....	34
NOTE 9	INVENTORIES.....	34-35
NOTE 10	PREPAID EXPENSES.....	35
NOTE 11	PROPERTY, PLANT AND EQUIPMENT .....	36-38
NOTE 12	INTANGIBLE ASSETS.....	39-40
NOTE 13	PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	40-42
NOTE 14	COMMITMENTS .....	42
NOTE 15	EMPLOYEE BENEFITS.....	43-44
NOTE 16	OTHER ASSETS AND LIABILITIES.....	44
NOTE 17	CAPITAL, RESERVES AND OTHER EQUITY ITEMS .....	44-46
NOTE 18	SALES .....	47
NOTE 19	EXPENSES BY NATURE .....	47
NOTE 20	GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES.....	48
NOTE 21	OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES.....	49
NOTE 22	FINANCIAL INCOME AND FINANCIAL EXPENSE.....	49-50
NOTE 23	TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES).....	50-53
NOTE 24	EARNINGS PER SHARE.....	53
NOTE 25	DERIVATIVE INSTRUMENTS .....	54
NOTE 26	FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT.....	54-58

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

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

	Footnotes	31 March 2017	Audited 31 December 2016
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	4	8.603	12.829
Trade Receivables		1.161.331	1.186.044
Trade Receivables Due From Related Parties	6	1.152.359	1.182.807
Trade Receivables Due From Unrelated Parties	7	8.972	3.237
Other Receivables		255.365	336.710
Other Receivables Due From Related Parties	6	143.214	258.612
Other Receivables Due From Unrelated Parties	8	112.151	78.098
Derivative Financial Assets		10.950	26.404
Derivative Financial Assets Held for Trading	25	553	2.922
Derivative Financial Assets Held for Hedging	25	10.397	23.482
Inventories	9	430.210	244.446
Prepayments		11.252	11.066
Prepayments to Unrelated Parties	10	11.252	11.066
Other Current Assets		1.192	1.212
Other Current Assets Due From Unrelated Parties	16	1.192	1.212
<b>TOTAL CURRENT ASSETS</b>		<b>1.878.903</b>	<b>1.818.711</b>

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 31 MARCH 2017 AND 31 DECEMBER 2016**

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

	Footnotes	31 March 2017	Audited 31 December 2016
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipments		341.698	327.965
Land and Premises	11	6.547	6.547
Land Improvements	11	867	875
Buildings	11	40.197	40.247
Machinery and Equipments	11	262.992	254.966
Vehicles	11	195	215
Fixtures and Fittings	11	14.992	15.028
Leasehold Improvements	11	3.166	3.144
Construction in Progress	11	12.742	6.943
Intangible Assets and Goodwill		100.876	97.030
Other Rights	12	21	22
Capitalized Development Costs	12	93.795	89.931
Other Intangible Assets	12	7.060	7.077
Prepayments		68.503	41.741
Prepayments to Unrelated Parties	10	68.503	41.741
Deferred Tax Asset	23	5.666	2.056
<b>TOTAL NON-CURRENT ASSETS</b>		<b>516.743</b>	<b>468.792</b>
<b>TOTAL ASSETS</b>		<b>2.395.646</b>	<b>2.287.503</b>

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

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

	Footnotes	31 March 2017	Audited 31 December 2016
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Current Borrowings		28.285	26.407
Current Borrowings From Unrelated Parties		28.285	26.407
Bank Loans	5	27.969	26.407
Leasing Debts		316	-
Current Portion of Non-current Borrowings		189.712	15.691
Current Portion of Non-current Borrowings from Unrelated Parties		189.712	15.691
Bank Loans	5	189.712	15.691
Trade Payables		902.602	840.474
Trade Payables to Related Parties	6	30.282	23.448
Trade Payables to Unrelated Parties	7	872.320	817.026
Employee Benefit Obligations	15	31.059	23.763
Other Payables		55.833	52.999
Other Payables to Related Parties	6	55.833	52.999
Derivative Financial Liabilities		21.777	27.853
Derivative Financial Liabilities Held for trading	25	21.777	27.853
Current Tax Liabilities, Current	23	916	3.185
Current Provisions		1.620	1.620
Other Current Provisions	13	1.620	1.620
Other Current Liabilities		2.752	10.249
Other Current Liabilities to Unrelated Parties	16	2.752	10.249
<b>TOTAL CURRENT LIABILITIES</b>		<b>1.234.556</b>	<b>1.002.241</b>

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

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

	Footnotes	31 March 2017	Audited 31 December 2016
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings		42.491	206.611
Long Term Borrowings From Unrelated Parties		42.491	206.611
Bank Loans	5	41.530	206.611
Leasing Debts		961	-
Other Payables		111.934	134.261
Other Payables to Related Parties	6	111.934	134.261
Non-current Provisions		24.579	24.459
Non-current Provisions for Employee Benefits	15	24.579	24.459
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>179.004</b>	<b>365.331</b>
<b>TOTAL LIABILITIES</b>		<b>1.413.560</b>	<b>1.367.572</b>

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 31 MARCH 2017 AND 31 DECEMBER 2016**

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

	Footnotes	31 March 2017	Audited 31 December 2016
<b>EQUITY</b>			
<b>Equity attributable to owners of parent</b>		<b>982.086</b>	<b>919.931</b>
Issued Capital	17	190.000	190.000
Inflation Adjustments on Capital	17	9.734	9.734
Share Premium (Discount)	17	109.031	109.031
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		(3.418)	(3.313)
Gains (Losses) on Revaluation and Remeasurement		(3.418)	(3.313)
Gains (Losses) on Remeasurements of Defined Benefit Plans		(3.418)	(3.313)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		8.318	18.786
Gains (Losses) on Hedge		8.318	18.786
Gains (Losses) on Cash Flow Hedges		8.318	18.786
Restricted Reserves Appropriated From Profits		77.019	77.019
Legal Reserves	17	77.019	77.019
Prior Years' Profits or Losses	17	518.674	193.669
Current Period Net Profit Or Loss		72.728	325.005
<b>TOTAL EQUITY</b>		<b>982.086</b>	<b>919.931</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2.395.646</b>	<b>2.287.503</b>

Condensed financial statements for the interim period 1 January – 31 March 2017 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 25 April 2017.

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS**  
**1 JANUARY - 31 MARCH 2017 AND 2016**

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

	Footnotes	1 January - 31 March 2017	1 January - 31 March 2016
<b>PROFIT OR LOSS</b>			
Revenue	18	689.010	617.015
Cost of Sales	18	(589.025)	(532.215)
<b>GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS</b>		<b>99.985</b>	<b>84.800</b>
<b>GROSS PROFIT (LOSS)</b>		<b>99.985</b>	<b>84.800</b>
General Administrative Expenses	20	(10.016)	(11.372)
Marketing Expenses	20	(10.838)	(10.351)
Research and Development Expense	20	(6.344)	(6.284)
Other Income from Operating Activities	21	92.027	31.753
Other Expenses from Operating Activities	21	(61.061)	(18.382)
<b>PROFIT (LOSS) FROM OPERATING ACTIVITIES</b>		<b>103.753</b>	<b>70.164</b>
<b>PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)</b>		<b>103.753</b>	<b>70.164</b>
Finance Income	22	31.800	31.392
Finance Costs	22	(62.780)	(35.611)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX</b>		<b>72.773</b>	<b>65.945</b>
Tax (Expense) Income, Continuing Operations		(45)	(630)
Current Period Tax (Expense) Income	23	(1.012)	(4.294)
Deferred Tax (Expense) Income	23	967	3.664
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>72.728</b>	<b>65.315</b>
<b>PROFIT (LOSS)</b>		<b>72.728</b>	<b>65.315</b>
<b>Earnings Per Share with a TL 1 of Par Value</b>	24	<b>0,38</b>	<b>0,34</b>

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**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS**  
**1 JANUARY - 31 MARCH 2017 AND 2016**

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

	<b>1 January - 31 March 2017</b>	<b>1 January - 31 March 2016</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other Comprehensive Income that will not be Reclassified to Profit or Loss	(105)	(213)
Gains (Losses) on Remeasurements of Defined Benefit Plans	(131)	(266)
Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	26	53
Taxes Relating to Remeasurements of Defined Benefit Plans	26	53
Other Comprehensive Income that will be Reclassified to Profit or Loss	(10.468)	(5.904)
Other Comprehensive Income (Loss) Related with Cash Flow Hedges	(13.085)	(7.380)
Gains (Losses) on Cash Flow Hedges	(13.085)	(7.380)
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss	2.617	1.476
Taxes Relating to Cash Flow Hedges	2.617	1.476
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(10.573)</b>	<b>(6.117)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>62.155</b>	<b>59.198</b>

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**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 MARCH 2017 AND 2016**

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

	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
<b>Previous Period</b>															
<b>1 January - 31 March 2016</b>															
<b>Equity at Beginning of Period</b>	<b>190.000</b>	<b>9.734</b>	<b>109.031</b>	<b>(3.686)</b>	<b>(3.686)</b>	<b>(3.686)</b>	<b>7.629</b>	<b>7.629</b>	<b>7.629</b>	<b>57.354</b>	<b>180.316</b>	<b>163.895</b>	<b>344.211</b>	<b>714.273</b>	<b>714.273</b>
Transfers	-	-	-	-	-	-	-	-	-	-	163.895	(163.895)	-	-	-
Total Comprehensive Income (Loss)	-	-	-	(213)	(213)	(213)	(5.904)	(5.904)	(5.904)	-	-	65.315	65.315	59.198	59.198
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	65.315	65.315	65.315	65.315
Other Comprehensive Income (Loss)	-	-	-	(213)	(213)	(213)	(5.904)	(5.904)	(5.904)	-	-	-	-	(6.117)	(6.117)
<b>Equity at End of Period</b>	<b>190.000</b>	<b>9.734</b>	<b>109.031</b>	<b>(3.899)</b>	<b>(3.899)</b>	<b>(3.899)</b>	<b>1.725</b>	<b>1.725</b>	<b>1.725</b>	<b>57.354</b>	<b>344.211</b>	<b>65.315</b>	<b>409.526</b>	<b>773.471</b>	<b>773.471</b>
<b>Current Period</b>															
<b>1 January - 31 March 2017</b>															
<b>Equity at Beginning of Period</b>	<b>190.000</b>	<b>9.734</b>	<b>109.031</b>	<b>(3.313)</b>	<b>(3.313)</b>	<b>(3.313)</b>	<b>18.786</b>	<b>18.786</b>	<b>18.786</b>	<b>77.019</b>	<b>193.669</b>	<b>325.005</b>	<b>518.674</b>	<b>919.931</b>	<b>919.931</b>
Transfers	-	-	-	-	-	-	-	-	-	-	325.005	(325.005)	-	-	-
Total Comprehensive Income (Loss)	-	-	-	(105)	(105)	(105)	(10.468)	(10.468)	(10.468)	-	-	72.728	72.728	62.155	62.155
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	72.728	72.728	72.728	72.728
Other Comprehensive Income (Loss)	-	-	-	(105)	(105)	(105)	(10.468)	(10.468)	(10.468)	-	-	-	-	(10.573)	(10.573)
<b>Equity at End of Period</b>	<b>190.000</b>	<b>9.734</b>	<b>109.031</b>	<b>(3.418)</b>	<b>(3.418)</b>	<b>(3.418)</b>	<b>8.318</b>	<b>8.318</b>	<b>8.318</b>	<b>77.019</b>	<b>518.674</b>	<b>72.728</b>	<b>591.402</b>	<b>982.086</b>	<b>982.086</b>

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS**  
**1 JANUARY - 31 MARCH 2017 AND 2016**

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

	Footnotes	1 January - 31 March 2017	1 January - 31 March 2016
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		<b>(56.534)</b>	<b>9.359</b>
Profit (Loss)		72.728	65.315
Profit (Loss) from Continuing Operations		72.728	65.315
<b>Adjustments to Reconcile Profit (Loss)</b>		<b>36.353</b>	<b>34.455</b>
Adjustments for Depreciation and Amortisation Expense	11	25.519	22.007
Adjustments for Impairment Loss (Reversal of Impairment Loss)		795	(478)
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	795	(478)
Adjustments for Provisions		1.423	1.604
Adjustments for (Reversal of) Provisions Related with Employee Benefits	15	1.423	1.604
Adjustments for Interest (Income) Expenses		(727)	(2.508)
Adjustments for Interest Income	22	(8.643)	(7.045)
Adjustments for Interest Expense	22	7.916	4.537
Adjustments for Unrealised Foreign Exchange Losses		13.087	(1.246)
Adjustments for Fair Value Losses (Gains)		(3.707)	15.123
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(3.707)	15.123
Adjustments for Tax (Income) Expenses		45	630
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(82)	(9)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(82)	(9)
Other Adjustments to Reconcile Profit (Loss)	4	-	(668)

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**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS**  
**1 JANUARY - 31 MARCH 2017 AND 2016**

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

	Footnotes	1 January - 31 March 2017	1 January - 31 March 2016
<b>Changes in Working Capital</b>		<b>(160.900)</b>	<b>(89.009)</b>
Adjustments for Decrease (Increase) in Trade Accounts Receivable		24.713	41.124
Decrease (Increase) in Trade Accounts Receivables from Related Parties	6	30.448	43.679
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties	7	(5.735)	(2.555)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(34.053)	(27.586)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations	8	(34.053)	(27.586)
Adjustments for Decrease (Increase) in Inventories	9	(186.559)	(47.545)
Decrease (Increase) in Prepaid Expenses	10	(26.948)	(4.719)
Adjustments for Increase (Decrease) in Trade Accounts Payable		62.128	(48.980)
Increase (Decrease) in Trade Accounts Payables to Related Parties	6	6.834	(306)
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties	7	55.294	(48.674)
Increase (Decrease) in Employee Benefit Liabilities	15	7.296	(1.244)
Other Adjustments for Other Increase (Decrease) in Working Capital		(7.477)	(59)
Decrease (Increase) in Other Assets Related with Operations		20	170
Increase (Decrease) in Other Payables Related with Operations		(7.497)	(229)
<b>Cash Flows from (used in) Operations</b>		<b>(51.819)</b>	<b>10.761</b>
Payments Related with Provisions for Employee Benefits	15	(1.434)	(1.402)
Income Taxes Refund (Paid)	23	(3.281)	-

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**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS**  
**1 JANUARY - 31 MARCH 2017 AND 2016**

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

	Footnotes	1 January - 31 March 2017	1 January - 31 March 2016
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		<b>72.382</b>	<b>(204.429)</b>
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		88	418
Proceeds from Sales of Property, Plant and Equipment		88	418
Purchase of Property, Plant, Equipment and Intangible Assets		(43.104)	(26.922)
Purchase of Property, Plant and Equipment	11	(34.597)	(20.363)
Purchase of Intangible Assets	12	(8.507)	(6.559)
Cash Advances and Loans Made to Other Parties		115.398	(177.925)
Cash Advances and Loans Made to Related Parties	6	115.398	(177.925)
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		<b>(20.074)</b>	<b>116.363</b>
Proceeds from Borrowings		46.133	114.483
Proceeds from Loans		44.856	114.483
Proceeds from Other Financial Borrowings		1.277	-
Repayments of Borrowings		(43.444)	(1.923)
Loan Repayments		(43.444)	(1.923)
Increase in Other Payables to Related Parties	6	-	224
Decrease in Other Payables to Related Parties	6	(27.996)	-
Interest Paid		(3.410)	(3.466)
Interest Received		8.643	7.045
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE</b>		<b>(4.226)</b>	<b>(78.707)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH</b>		<b>(4.226)</b>	<b>(78.707)</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	11.840	88.665
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>7.614</b>	<b>9.958</b>

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

(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 31 March 2017, the number of personnel employed was 6.279 (31 December 2016: 6.008).

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

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

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

**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Basis of presentation**

**2.1.1 Statement of compliance**

The accompanying financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, “Principals of Financial Reporting in Capital Markets” published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, 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.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

---

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

The Company prepared its condensed interim financial statements for the period ended 31 March 2017 in accordance with (“TAS”) 34 “Interim Financial Reporting” in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

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

The Company’s condensed interim financial statements do not include all disclosure and notes that should be included at year and financial statements. Therefore the condensed interim financial statements should be examined together with 31 December 2016 financial statements.

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

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

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

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

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

**a) New standards, amendments and interpretations issued and effective for the financial year beginning 31 March 2017 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.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

---

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

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

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

- **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.
- **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.



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

---

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

- **TFRS 15, “Revenue from contracts with customers”**, is effective for annual periods beginning on or after 1 January 2018. 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 TFRS 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’.
- **Amendment to TFRS 15, ‘Revenue from contracts with customers’**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- **TFRS 16 ‘Leases’**, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a far reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

---

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

- **Amendments to TFRS 2, ‘Share based payments’** on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority
- **Annual improvements 2014–2016**, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
  - TFRS 1, ‘First-time adoption of TFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
  - TFRS 12, ‘Disclosure of interests in other entities’ regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
  - TAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- **IFRIC 22, ‘Foreign currency transactions and advance consideration’**, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

---

**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.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

---

**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

**VESTEL BEYAZ EŐYA SANAYİ VE TİCARET ANONİM ŐİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

---

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

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

**b) Rights and other intangible fixed assets**

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

**2.4.5 Financial instruments**

**a) Financial assets**

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

**VESTEL BEYAZ EŐYA SANAYİ VE TİCARET ANONİM ŐİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

---

**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.

**VESTEL BEYAZ EŐYA SANAYİ VE TİCARET ANONİM ŐİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

---

**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.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

---

**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.



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

---

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

**2.4.8 Related parties**

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

**2.4.9 Taxation on income**

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

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

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

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

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

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

---

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

**2.4.10 Employee benefits**

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

**2.4.11 Government grants**

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

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

**2.4.12 Earnings per share**

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

**2.4.13 Statement of cash flows**

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

---

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

**2.4.14 Offsetting**

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

**2.4.15 Events after the balance sheet date**

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

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

**2.5. Critical accounting estimates and judgments**

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

i. Income taxes:

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

(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**

<b>Segment revenue</b>	<b>1 January - 31 March 2017</b>	<b>1 January - 31 March 2016</b>
Turkey	165.248	138.242
Europe	355.869	360.282
Other	168.454	118.710
Gross sales	689.571	617.234
Discounts (-)	(561)	(219)
<b>Net sales</b>	<b>689.010</b>	<b>617.015</b>

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

The amount of export is 524.323 thousand TL for the period ended 31 March 2017. (1 January-31 March 2016: 478.992 thousand TL). Export sales are denominated in EURO, and USD as 97,8%, and 2,2% of total export respectively.(1 January-31 March 2016: 98,7% EUR, 1,3% 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.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

**NOTE 4 - CASH AND CASH EQUIVALENTS**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Cash	166	182
Bank deposits		
- Demand deposits	7.448	1.242
- Time deposits	-	3.951
Cheques and notes	-	6.465
Blocked deposits	989	989
<b>Cash and cash equivalents</b>	<b>8.603</b>	<b>12.829</b>

**Effective interest rates**

	<b>31 March 2017</b>	<b>31 December 2016</b>
TL	-	9,50%
EUR	-	0,60%

**NOTE 5 - FINANCIAL LIABILITIES**

	<b>31 March 2017</b>	<b>31 December 2016</b>
<b>Short - term financial liabilities</b>		
Short term bank loans	27.969	26.407
Short term portion of long term bank loans	189.712	15.691
Leasing debts	316	-
	<b>217.997</b>	<b>42.098</b>
<b>Long - term financial liabilities</b>		
Long term bank loans	41.530	206.611
Leasing debts	961	-
	<b>42.491</b>	<b>206.611</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

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

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

Currency	31 March 2017			31 December 2016		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- TL	10,20%	27.969	27.969	10,52%	26.407	26.407
			<b>27.969</b>			<b>26.407</b>

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

Currency	31 March 2017			31 December 2016		
	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	3,62%	38.495	150.451	4,43%	1.697	6.295
- TL	14,05%	39.261	39.261	16,06%	9.396	9.396
<b>Short term portion</b>			<b>189.712</b>			<b>15.691</b>
- EUR	4,21%	5.098	19.923	3,67%	42.370	157.189
- TL	16,06%	21.607	21.607	14,51%	49.422	49.422
<b>Long term portion</b>			<b>41.530</b>			<b>206.611</b>
			<b>231.242</b>			<b>222.302</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

**NOTE 5 - FINANCIAL LIABILITIES (Cont’d)**

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

	<b>31 March 2017</b>	<b>31 December 2016</b>
One to two years	32.233	197.654
Two to three years	9.297	8.957
	<b>41.530</b>	<b>206.611</b>

As of 31 March 2017 total amount of Company’s floating rate loans is 3.280 thousand TL. (31 December 2016: 6.295 thousand TL).

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

	<b>31 March 2017</b>	<b>31 December 2016</b>
Between 6-12 months	3.280	6.295

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

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

**NOTE 6 – RELATED PARTY DISCLOSURES**

**a) Short term trade receivables from related parties**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Vestel Ticaret A.Ş.	1.160.227	1.188.788
	1.160.227	1.188.788
Unearned interest on receivables (-)	(7.868)	(5.981)
	<b>1.152.359</b>	<b>1.182.807</b>

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**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Vestel Elektronik Sanayi ve Ticaret A.Ş.	29.550	21.839
Vestel Holland B.V.	184	120
Other related parties	846	1.690
	30.580	23.649
Unearned interest on payables (-)	(298)	(201)
	<b>30.282</b>	<b>23.448</b>

**c) Other short term receivables to related parties**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Vestel Elektronik Sanayi ve Ticaret A.Ş.	<b>143.214</b>	<b>258.612</b>

The Company’s interest rate of other receivables in TL is 18%, and maturity is December 2017. (31 December 2016: 15%).

**d) Other short term liabilities to related parties**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Vestel Elektronik Sanayi ve Ticaret A.Ş.	<b>55.833</b>	<b>52.999</b>



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

(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**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Vestel Elektronik Sanayi ve Ticaret A.Ş.	<b>111.934</b>	<b>134.261</b>

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

**f) Transactions with related parties**

	<b>1 January - 31 March 2017</b>	<b>1 January - 31 March 2016</b>
<b>Sales</b>		
Vestel Ticaret A.Ş.	689.910	603.857
Vestel Elektronik Sanayi ve Ticaret A.Ş.	2.926	3.067
Other related parties	4	-
	<b>692.840</b>	<b>606.924</b>
<b>Purchases and operating expenses</b>		
Vestel Holland B.V.	1.709	3.210
Vestel Elektronik Sanayi ve Ticaret A.Ş.	30.184	23.002
Other related parties	2.117	2.036
	<b>34.010</b>	<b>28.248</b>
<b>Other operating income</b>		
Vestel Ticaret A.Ş.	86.193	22.716
Other related parties	245	123
	<b>86.438</b>	<b>22.839</b>
<b>Other operating expense</b>		
Vestel Ticaret A.Ş.	34.623	10.335
Other related parties	336	492
	<b>34.959</b>	<b>10.827</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

**NOTE 6 - RELATED PARTY DISCLOSURES (Cont’d)**

**f) Transactions with related parties**

	<b>1 January - 31 March 2017</b>	<b>1 January - 31 March 2016</b>
<b>Financial income</b>		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	8.629	6.954
	<b>8.629</b>	<b>6.954</b>
<b>Financial expense</b>		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	12.711	3.109
	<b>12.711</b>	<b>3.109</b>

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

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

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

Compensation paid to key management for the three months period ended 31 March 2017 is 862 thousand TL (1 January -31 March 2016: 3.029 thousand TL).

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

**NOTE 7 – TRADE RECEIVABLES AND PAYABLES**

	<b>31 March 2017</b>	<b>31 December 2016</b>
<b>Short - term trade receivables</b>		
Trade receivables		
- Related parties (note 6)	1.160.227	1.188.788
- Other parties	4.447	3.759
Cheques and notes receivables	4.966	-
	1.169.640	1.192.547
Unearned interest expense (-)		
- Related parties (note 6)	(7.868)	(5.981)
- Other parties	(207)	(291)
Allowance for doubtful receivables (-)	(234)	(231)
<b>Total short - term trade receivables</b>	<b>1.161.331</b>	<b>1.186.044</b>

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

	<b>31 March 2017</b>	<b>31 December 2016</b>
<b>Short term trade payables</b>		
Trade payables		
- Related parties (note 6)	30.580	23.649
- Other parties	875.260	819.114
	905.840	842.763
Unearned interest income (-)		
- Related parties (note 6)	(298)	(201)
- Other parties	(2.940)	(2.088)
<b>Total short term trade payables</b>	<b>902.602</b>	<b>840.474</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

**NOTE 8 - OTHER RECEIVABLES**

	<b>31 March 2017</b>	<b>31 December 2016</b>
<b>Short - term other receivables</b>		
Other receivables from related parties (note 6)	143.214	258.612
VAT receivable	91.535	55.738
Deposits and guarantees given	5.047	6.690
Other tax receivables	14.497	14.497
Other	1.072	1.173
	<b>255.365</b>	<b>336.710</b>

**NOTE 9 - INVENTORIES**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Raw materials	259.832	165.803
Work in process	8.127	3.997
Finished goods	163.314	74.914
	431.273	244.714
Provision for impairment on inventories (-)	(1.063)	(268)
	<b>430.210</b>	<b>244.446</b>

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

Cost of the inventory included in the cost of sales for the period 1 January - 31 March 2017 amounts to 494.761 thousand TL. (1 January - 31 March 2016: 449.306 thousand TL).

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

(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:

	<b>31 March 2017</b>	<b>31 December 2016</b>
Finished goods and merchandise	1.063	268
	<b>1.063</b>	<b>268</b>

Movement of inventory impairment on inventories is as follows:

	<b>1 January - 31 March 2017</b>	<b>1 January - 31 March 2016</b>
<b>Opening balance, 1 January</b>	<b>268</b>	<b>622</b>
Current year additions	1.063	-
Realised due to sale of inventory	(268)	(478)
<b>Balance at 31 March</b>	<b>1.063</b>	<b>144</b>

**NOTE 10 - PREPAID EXPENSES**

	<b>31 March 2017</b>	<b>31 December 2016</b>
<b>Prepaid expenses in current assets</b>		
Order advances given	3.483	3.918
Prepaid expenses	7.713	7.135
Business advances given	56	13
	<b>11.252</b>	<b>11.066</b>
<b>Prepaid expenses in non-current assets</b>		
Advances given for fixed asset purchases	67.960	41.224
Prepaid expenses	543	517
	<b>68.503</b>	<b>41.741</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

**NOTE 11 - PROPERTY, PLANT AND EQUIPMENT**

	1 January 2017	Additions	Disposals	Transfers	31 March 2017
<b>Cost or revaluation</b>					
Land	6.547	-	-	-	6.547
Land improvements	3.248	6	-	-	3.254
Buildings	69.608	240	(3)	52	69.897
Leasehold improvements	5.983	152	(9)	-	6.126
Plant and machinery	861.200	25.979	(405)	1.333	888.107
Motor vehicles	516	-	-	-	516
Furniture and fixtures	47.137	663	(95)	373	48.078
Construction in progress	6.943	7.557	-	(1.758)	12.742
	<b>1.001.182</b>	<b>34.597</b>	<b>(512)</b>	<b>-</b>	<b>1.035.267</b>
<b>Accumulated depreciation</b>					
Land improvements	2.373	14	-	-	2.387
Buildings	29.361	341	(2)	-	29.700
Leasehold improvements	2.839	125	(4)	-	2.960
Plant and machinery	606.234	19.286	(405)	-	625.115
Motor vehicles	301	20	-	-	321
Furniture and fixtures	32.109	1.072	(95)	-	33.086
	<b>673.217</b>	<b>20.858</b>	<b>(506)</b>	<b>-</b>	<b>693.569</b>
<b>Net book value</b>	<b>327.965</b>				<b>341.698</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

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

	<b>1 January</b>				<b>31 March</b>
	<b>2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>2016</b>
<b>Cost or revaluation</b>					
Land	6.547	-	-	-	6.547
Land improvements	3.204	-	-	-	3.204
Buildings	67.908	241	-	18	68.167
Leasehold improvements	5.744	45	-	12	5.801
Plant and machinery	783.887	16.966	(24)	2.084	802.913
Motor vehicles	421	15	-	-	436
Furniture and fixtures	43.440	664	(32)	61	44.133
Construction in progress	4.634	2.432	-	(2.175)	4.891
	<b>915.785</b>	<b>20.363</b>	<b>(56)</b>	<b>-</b>	<b>936.092</b>
<b>Accumulated depreciation</b>					
Land improvements	2.319	14	-	-	2.333
Buildings	28.054	312	-	-	28.366
Leasehold improvements	2.378	111	-	-	2.489
Plant and machinery	540.144	16.757	(5)	-	556.896
Motor vehicles	232	17	-	-	249
Furniture and fixtures	28.088	1.013	(31)	-	29.070
	<b>601.215</b>	<b>18.224</b>	<b>(36)</b>	<b>-</b>	<b>619.403</b>
<b>Net book value</b>	<b>314.570</b>				<b>316.689</b>

Additions to property, plant and equipment in the period 1 January - 31 March 2017 and 2016 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker, dishwasher and air conditioner factories.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

(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:

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

Allocation of period depreciation and amortization expenses is as follows:

	<b>1 January - 31 March 2017</b>	<b>1 January - 31 March 2016</b>
Cost of sales	20.564	17.568
Research and development expenses	4.695	4.238
Marketing, selling and distribution expenses	75	66
General administrative expenses	185	135
	<b>25.519</b>	<b>22.007</b>



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

**NOTE 12 - INTANGIBLE ASSETS**

	<b>1 January</b>			<b>31 March</b>
	<b>2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>2017</b>
<b>Cost</b>				
Rights	6.376	-	-	6.376
Development cost	159.355	8.300	-	167.655
Other intangible assets	11.490	207	-	11.697
	<b>177.221</b>	<b>8.507</b>	<b>-</b>	<b>185.728</b>
<b>Accumulated amortization</b>				
Rights	6.354	1	-	6.355
Development cost	69.424	4.436	-	73.860
Other intangible assets	4.413	224	-	4.637
	<b>80.191</b>	<b>4.661</b>	<b>-</b>	<b>84.852</b>
<b>Net book value</b>	<b>97.030</b>			<b>100.876</b>

	<b>1 January</b>			<b>31 March</b>
	<b>2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>2016</b>
<b>Cost</b>				
Rights	6.376	-	-	6.376
Development cost	133.481	6.124	(389)	139.216
Other intangible assets	10.018	435	-	10.453
	<b>149.875</b>	<b>6.559</b>	<b>(389)</b>	<b>156.045</b>
<b>Accumulated amortization</b>				
Rights	6.351	-	-	6.351
Development cost	54.926	3.607	-	58.533
Other intangible assets	3.635	176	-	3.811
	<b>64.912</b>	<b>3.783</b>	<b>-</b>	<b>68.695</b>
<b>Net book value</b>	<b>84.963</b>			<b>87.350</b>

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.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

(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:

	<u>Useful Life</u>
Rights	3-15 years
Development costs	2-10 years
Other	2-15 years

**NOTE 13 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

**a) Provisions**

	<b>31 March 2017</b>	<b>31 December 2016</b>
<b>Short - term provisions</b>		
Provision for lawsuit risks	1.620	1.620
	<b>1.620</b>	<b>1.620</b>

**b) Guarantees received by the Company**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Guarantee letters	33.562	7.232
Cheques and notes	8.348	8.273
Collaterals and pledges	3.326.971	3.238.156
	<b>3.368.881</b>	<b>3.253.661</b>

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.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

(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:

<b>CPM's given by the Group</b>	<b>USD (‘000)</b>	<b>EUR (‘000)</b>	<b>TL</b>	<b>TL Equivalent</b>
<b>31 March 2017</b>				
A. CPM's given on behalf of its own legal entity	9.332	14.670	19.210	110.500
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.008.140	44.487	907.894	4.749.981
i. Total amount of CPM's given on behalf of the parent company	722.288	-	667.835	3.295.952
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	285.852	44.487	240.059	1.454.029
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
<b>Total</b>	<b>1.017.472</b>	<b>59.157</b>	<b>927.104</b>	<b>4.860.481</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

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

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

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

Proportion of other CPM's given by the Company to its equity 484% as of 31 March 2017.  
(31 December 2016: 539%).

**NOTE 14 – COMMITMENTS**

As of the balance sheet date the Company has committed to realize exports amounting to 454.548 thousand USD (31 December 2016: 462.190 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 March 2017 the Company has forward foreign currency purchase contract that amounts to 182.184 thousand USD, 9.210 thousand EUR and 297.195 thousand TL against forward foreign currency sales contract that amounts to 183.543 thousand EUR, 55.817 thousand USD and 82.083 thousand TL (31 December 2016: 169.843 thousand USD and 219.947 thousand TL against forward foreign currency sales contract that amounts to 116.881 thousand EUR, 69.000 thousand USD and 136.991 thousand TL sales contracts)

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

**NOTE 15 – EMPLOYEE BENEFITS**

**Liabilities for employee benefits:**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Due to personnel	18.537	17.538
Social security payables	12.522	6.225
	<b>31.059</b>	<b>23.763</b>

**Long term provisions for employee benefits:**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Provision for employment termination benefits	<b>24.579</b>	<b>24.459</b>

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

The amount payable is the equivalent of one month’s gross salary for each year of service and is limited to a maximum of TL 4.426,16 TL/ year as of 31 March 2017. (31 December 2016: 4.297,21 TL/year).

The provision for employee termination benefits is not funded.

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as at 31 March 2017 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31 March 2017 provision is calculated based on real discount rate of %4,79 (31 December 2016: 4,79 %) assuming 6,5% annual inflation rate and 11,60% discount rate.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

(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 - 31 March 2017	1 January - 31 March 2016
<b>Balance at 1 January</b>	<b>24.459</b>	<b>21.907</b>
Increase during the year	853	1.034
Payments during the year	(1.434)	(1.402)
Actuarial (gain) / loss	131	266
Interest expense	570	570
<b>Balance at 31 March</b>	<b>24.579</b>	<b>22.375</b>

**NOTE 16 - OTHER ASSETS AND LIABILITIES**

	31 March 2017	31 December 2016
<b>Other current assets</b>		
VAT carried forward	131	113
Other	1.061	1.099
	<b>1.192</b>	<b>1.212</b>
<b>Other current liabilities</b>		
Taxes and dues payable	2.496	9.743
Advances received	57	346
Other	199	160
	<b>2.752</b>	<b>10.249</b>

**NOTE 17 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS**

**a) Paid in capital**

	31 March 2017	31 December 2016
Shares of par value TL 1 each		
Issued share capital	190.000	190.000

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

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

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

	Shareholding %		Amount	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Vestel Elektronik Sanayi ve Ticaret A.Ş. (with Board of Directors Members)	94,62%	94,62%	179.780	179.780
Shares held by public	5,38%	5,38%	10.220	10.220
	<b>100%</b>	<b>100%</b>	<b>190.000</b>	<b>190.000</b>

**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.

	31 March 2017	31 December 2016
Adjustment to share capital	9.734	9.734

**c) Share Premium**

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

	31 March 2017	31 December 2016
Share premium	109.031	109.031

**d) Restricted reserves (“Legal reserves”)**

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

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

	<b>31 March 2017</b>	<b>31 December 2016</b>
Legal reserves	<b>77.019</b>	<b>77.019</b>

**e) Retained earnings**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Extraordinary reserves	133.233	133.233
Previous year’s profit	385.441	60.436
	<b>518.674</b>	<b>193.669</b>

**f) Dividend distribution**

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

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

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

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

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



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

**NOTE 18 - SALES**

	<b>1 January - 31 March 2017</b>	<b>1 January - 31 March 2016</b>
Domestic sales	165.248	138.242
Overseas sales	524.323	478.992
<b>Gross sales</b>	<b>689.571</b>	<b>617.234</b>
Less: Sales discounts (-)	(561)	(219)
<b>Net sales</b>	<b>689.010</b>	<b>617.015</b>
Cost of sales	(589.025)	(532.215)
<b>Gross profit</b>	<b>99.985</b>	<b>84.800</b>

**NOTE 19 - EXPENSES BY NATURE**

	<b>1 January - 31 March 2017</b>	<b>1 January - 31 March 2016</b>
Raw materials, supplies and finished goods	587.291	448.101
Changes in finished goods, work in process and trade goods	(92.530)	1.205
Personnel expenses	59.859	55.720
Depreciation and amortization	25.519	22.007
Other	36.084	33.189
	<b>616.223</b>	<b>560.222</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

(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:**

	<b>1 January - 31 March 2017</b>	<b>1 January - 31 March 2016</b>
Personnel expenses	2.000	3.005
Depreciation and amortization	185	135
Office and rent expenses	1.201	2.831
Consultancy and IT expenses	3.024	3.136
Other	3.606	2.265
	<b>10.016</b>	<b>11.372</b>

**b) Marketing expenses:**

Personnel expenses	2.618	2.486
Depreciation and amortization	75	66
Transportation expenses	5.655	5.653
Other	2.490	2.146
	<b>10.838</b>	<b>10.351</b>

**c) Research and development expenses:**

Personnel expenses	1.160	1.256
Depreciation and amortization	4.695	4.238
Other	489	790
	<b>6.344</b>	<b>6.284</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

(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:**

	<b>1 January - 31 March 2017</b>	<b>1 January - 31 March 2016</b>
Credit finance gains arising from trading activities	8.699	5.306
Foreign exchange gains arising from trading activities	81.928	23.951
Other income	1.400	2.496
	<b>92.027</b>	<b>31.753</b>

**b) Other expense from operating activities:**

Debit finance charges arising from trading activities	5.933	5.258
Foreign exchange expenses arising from trading activities	53.234	10.561
Other expenses	1.894	2.563
	<b>61.061</b>	<b>18.382</b>

**NOTE 22 – FINANCIAL INCOME AND FINANCIAL EXPENSE**

**a) Financial Income:**

	<b>1 January - 31 March 2017</b>	<b>1 January - 31 March 2016</b>
Foreign exchange gains	3.211	3.964
Gains on derivative financial instruments	19.946	20.383
Interest income	8.643	7.045
	<b>31.800</b>	<b>31.392</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

**NOTE 22 – FINANCIAL INCOME AND FINANCIAL EXPENSE (Cont’d)**

**b) Financial Expense:**

	<b>1 January - 31 March 2017</b>	<b>1 January - 31 March 2016</b>
Foreign exchange losses	21.509	4.102
Losses on derivative financial instruments	33.324	26.927
Interest and commission expense	7.916	4.537
Other finance expense	31	45
	<b>62.780</b>	<b>35.611</b>

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

	<b>31 March 2017</b>	<b>31 December 2016</b>
Corporation and income taxes	1.012	18.751
Prepaid taxes (-)	(96)	(15.566)
<b>Current income tax liabilities - net</b>	<b>916</b>	<b>3.185</b>
<b>Deferred tax assets</b>	<b>5.666</b>	<b>2.056</b>

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.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

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

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

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

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

There is no procedure for a final and definitive agreement on tax assessments. Tax returns are filed between 1-25 April following the close of the accounting year to which they relate. Tax authorities may however examine such returns and the underlying accounting records and may revise assessment within five years. As of 1 January - 31 March 2017 and 2016 tax expense in the statement of income is as follows:

	<b>1 January - 31 March 2017</b>	<b>1 January - 31 March 2016</b>
Current period tax expense	(1.012)	(4.294)
Deferred tax benefit / (expense)	967	3.664
<b>Total tax expense</b>	<b>(45)</b>	<b>(630)</b>

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

**Deferred tax assets and liabilities**

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

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

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

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

	Cumulative temporary differences		Deferred tax	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
<b>Deferred tax assets</b>				
Employment termination benefits	(24.579)	(24.459)	4.916	4.892
Provision for impairment on inventories	(1.063)	(268)	213	54
Derivative financial instruments	(10.827)	(1.449)	2.165	290
Other	(15.050)	(13.185)	3.010	2.637
			<b>10.304</b>	<b>7.873</b>
	Cumulative temporary differences		Deferred tax	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
<b>Deferred tax liabilities</b>				
Useful life and valuation differences on property, plant and equipment and intangible assets	21.850	27.730	(4.370)	(5.546)
Other	1.340	1.355	(268)	(271)
			<b>(4.638)</b>	<b>(5.817)</b>
<b>Deferred tax liabilities - net</b>			<b>5.666</b>	<b>2.056</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

(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 - 31 March 2017	1 January - 31 March 2016
<b>Opening balance, 1 January</b>	<b>2.056</b>	<b>(5.045)</b>
Tax expense recognized in income statement	967	3.664
Recognized in shareholders' equity	2.643	1.529
<b>Deferred tax liabilities</b>		
<b>at the end of the period, net</b>	<b>5.666</b>	<b>148</b>

**NOTE 24– EARNINGS PER SHARE**

	1 January - 31 March 2017	1 January - 31 March 2016
Net income attributable to equity holders of the parent	72.728	65.315
Weighted number of ordinary shares with a TL 1 of face value (thousand shares)	190.000	190.000
	<b>0,38</b>	<b>0,34</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY - 31 MARCH 2017**

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

**NOTE 25 - DERIVATIVE INSTRUMENTS**

	31 March 2017		31 December 2016	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
<b><u>Derivative financial assets</u></b>				
<b>Held for trading</b>				
Forward foreign currency transactions	355.315	553	354.888	2.922
<b>Cash flow hedge</b>				
Forward foreign currency transactions	125.532	10.397	242.825	23.482
<b><u>Derivative financial liabilities</u></b>				
<b>Held for trading</b>				
Forward foreign currency transactions	515.237	(21.777)	219.947	(27.853)
	<b>996.084</b>	<b>(10.827)</b>	<b>817.660</b>	<b>(1.449)</b>

**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.



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

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

<b>31 March 2017</b>	<b>USD</b>	<b>EUR</b>	<b>Other (TL Equivalent)</b>	<b>TL Equivalent</b>
1. Trade receivables	2.905	218.187	14	863.324
2a. Monetary financial assets (including cash and cash equivalents)	1.509	525	6	7.549
2b. Non-monetary financial assets	-	-	-	-
3. Other	355	-	-	1.292
<b>4. Current assets (1+2+3)</b>	<b>4.769</b>	<b>218.712</b>	<b>20</b>	<b>872.165</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>4.769</b>	<b>218.712</b>	<b>20</b>	<b>872.165</b>
10. Trade payables	119.286	59.882	114	668.185
11. Financial liabilities	-	38.495	-	150.451
12a. Other monetary liabilities	-	14.286	-	55.834
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>119.286</b>	<b>112.663</b>	<b>114</b>	<b>874.470</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	-	5.098	-	19.923
16a. Other monetary liabilities	-	28.640	-	111.934
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>-</b>	<b>33.738</b>	<b>-</b>	<b>131.857</b>
<b>18. Total liabilities (13+17)</b>	<b>119.286</b>	<b>146.401</b>	<b>114</b>	<b>1.006.327</b>
<b>19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)</b>	<b>126.367</b>	<b>(174.333)</b>	<b>-</b>	<b>(221.547)</b>
19a. Hedged total assets	182.184	9.210	-	698.890
19b. Hedged total liabilities	(55.817)	(183.543)	-	(920.437)
<b>20. Net foreign currency asset/ (liability) position (9-18+19)</b>	<b>11.850</b>	<b>(102.022)</b>	<b>(94)</b>	<b>(355.709)</b>
<b>21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(114.872)</b>	<b>72.311</b>	<b>(94)</b>	<b>(135.454)</b>
<b>22. Fair value of financial instruments used in foreign currency hedging</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10.827)</b>
23. Export	3.170	133.540	-	524.323
24. Import	56.451	45.428	301	387.116

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

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

<b>31 December 2016</b>	<b>USD</b>	<b>EUR</b>	<b>Other (TL Equivalent)</b>	<b>TL Equivalent</b>
1. Trade receivables	3.570	230.590	15	868.044
2a. Monetary financial assets (including cash and cash equivalents)	379	1.019	9	5.123
2b. Non-monetary financial assets	-	-	-	-
3. Other	137	-	-	482
<b>4. Current assets (1+2+3)</b>	<b>4.086</b>	<b>231.609</b>	<b>24</b>	<b>873.650</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>4.086</b>	<b>231.609</b>	<b>24</b>	<b>873.650</b>
10. Trade payables	107.115	66.548	43	623.889
11. Financial liabilities	-	1.697	-	6.295
12a. Other monetary liabilities	-	14.286	-	53.000
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>107.115</b>	<b>82.531</b>	<b>43</b>	<b>683.184</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	-	42.370	-	157.189
16a. Other monetary liabilities	-	36.190	-	134.261
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>-</b>	<b>78.560</b>	<b>-</b>	<b>291.450</b>
<b>18. Total liabilities (13+17)</b>	<b>107.115</b>	<b>161.091</b>	<b>43</b>	<b>974.634</b>
<b>19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)</b>	<b>100.843</b>	<b>(116.881)</b>	<b>-</b>	<b>(78.730)</b>
19a. Hedged total assets	169.843	-	-	597.711
19b. Hedged total liabilities	(69.000)	(116.881)	-	(676.442)
<b>20. Net foreign currency asset/ (liability) position (9-18+19)</b>	<b>(2.186)</b>	<b>(46.363)</b>	<b>(19)</b>	<b>(179.714)</b>
<b>21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(103.166)</b>	<b>70.518</b>	<b>(19)</b>	<b>(101.467)</b>
<b>22. Fair value of financial instruments used in foreign currency hedging</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.449)</b>
23. Export	12.970	662.474	-	2.297.529
24. Import	163.174	167.663	1.000	1.048.894

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD**  
**1 JANUARY – 31 MARCH 2017**

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

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

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

	<b>Gain / Loss</b>		<b>Equity</b>	
	<b>Foreign exchange appreciation</b>	<b>Foreign exchange depreciation</b>	<b>Foreign exchange appreciation</b>	<b>Foreign exchange depreciation</b>
<b>31 March 2017</b>				
<b>+/- 10% fluctuation of USD rate:</b>				
USD net asset / liability	(41.797)	41.797	(41.797)	41.797
Secured portion from USD risk (-)	33.646	(33.646)	46.179	(46.179)
<b>USD net effect</b>	<b>(8.151)</b>	<b>8.151</b>	<b>4.382</b>	<b>(4.382)</b>
<b>+/- 10% fluctuation of EUR rate:</b>				
EUR net asset / liability	28.261	(28.261)	28.261	(28.261)
Secured portion from EUR risk (-)	(56.696)	56.696	(68.190)	68.190
<b>EUR net effect</b>	<b>(28.435)</b>	<b>28.435</b>	<b>(39.929)</b>	<b>39.929</b>
<b>+/- 10% fluctuation of other currency rates:</b>				
Other currencies net asset / liability	(9)	9	(9)	9
Secured portion from other currency risk (-)	-	-	-	-
<b>Other currency net effect</b>	<b>(9)</b>	<b>9</b>	<b>(9)</b>	<b>9</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
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**1 JANUARY - 31 MARCH 2017**

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

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