VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2018

(ORIGINALLY ISSUED IN TURKISH)

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 31 MARCH 2018 AND 31 DECEMBER 2017

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

	Footnotes	31 March 2018	Audited 31 December 2017
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	138.291	73.679
Trade Receivables		1.105.888	1.045.883
Trade Receivables Due from Related Parties	6	1.099.393	1.038.802
Trade Receivables Due from Unrelated Parties	7	6.495	7.081
Other Receivables		637.169	645.195
Other Receivables Due from Related Parties	6	496.540	511.898
Other Receivables Due from Unrelated Parties	8	140.629	133.297
Derivative Financial Assets		2.096	4.009
Derivative Financial Assets Held for Trading	25	2.096	1.759
Derivative Financial Assets Held for Hedging	25	-	2.250
Inventories	9	623.507	500.180
Prepayments		20.312	13.803
Prepayments to Unrelated Parties	10	20.312	13.803
Current Tax Assets		1.432	1.250
Other Current Assets		3.414	5.941
Other Current Assets Due from Unrelated Parties	16	3.414	5.941
TOTAL CURRENT ASSETS		**2.532.109**	**2.289.940**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 31 MARCH 2018 AND 31 DECEMBER 2017

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

	Footnotes	31 March 2018	Audited 31 December 2017
NON-CURRENT ASSETS			
Property, Plant and Equipments		666.992	553.202
Land and Premises	11	39.063	39.063
Land Improvements	11	829	844
Buildings	11	84.870	40.838
Machinery and Equipments	11	409.269	367.398
Vehicles	11	227	249
Fixtures and Fittings	11	18.278	17.689
Leasehold Improvements	11	4.067	4.070
Construction in Progress	11	110.389	83.051
Intangible Assets and Goodwill		123.929	118.214
Other Rights	12	18	19
Capitalized Development Costs	12	115.512	109.806
Other Intangible Assets	12	8.399	8.389
Prepayments		45.313	62.952
Prepayments to Unrelated Parties	10	45.313	62.952
Deferred Tax Asset	23	10.598	5.681
TOTAL NON-CURRENT ASSETS		**846.832**	**740.049**
TOTAL ASSETS		**3.378.941**	**3.029.989**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 31 MARCH 2018 AND 31 DECEMBER 2017

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

	Footnotes	31 March 2018	Audited 31 December 2017
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		357.085	281.926
Current Borrowings from Unrelated Parties		357.085	281.926
Bank Loans	5	356.609	281.476
Leasing Debts	5	476	450
Current Portion of Non-current Borrowings		223.522	70.051
Current Portion of Non-current Borrowings from Unrelated Parties		223.522	70.051
Bank Loans	5	223.522	70.051
Trade Payables		1.460.000	1.242.281
Trade Payables to Related Parties	6	51.049	40.744
Trade Payables to Unrelated Parties	7	1.408.951	1.201.537
Employee Benefit Obligations	15	30.818	26.671
Other Payables		69.533	64.507
Other Payables to Related Parties	6	69.533	64.507
Derivative Financial Liabilities		15.798	9.977
Derivative Financial Liabilities Held for Trading	25	431	5.993
Derivative Financial Liabilities Held for Hedging	25	15.367	3.984
Current Tax Liabilities, Current	23	906	-
Current Provisions		2.197	2.197
Other Current Provisions	13	2.197	2.197
Other Current Liabilities		13.392	8.697
Other Current Liabilities to Unrelated Parties	16	13.392	8.697
TOTAL CURRENT LIABILITIES		**2.173.251**	**1.706.307**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 31 MARCH 2018 AND 31 DECEMBER 2017

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

	Footnotes	31 March 2018	Audited 31 December 2017
NON-CURRENT LIABILITIES			
Long Term Borrowings		11.296	179.514
Long Term Borrowings from Unrelated Parties		11.296	179.514
Bank Loans	5	10.845	178.968
Leasing Debts	5	451	546
Trade Payables		6.480	1.959
Trade Payables to Unrelated Parties	7	6.480	1.959
Other Payables		69.755	98.323
Other Payables to Related Parties	6	69.755	98.323
Non-current Provisions		32.534	31.749
Non-current Provisions for Employee Benefits	15	32.534	31.749
TOTAL NON-CURRENT LIABILITIES		**120.065**	**311.545**
TOTAL LIABILITIES		**2.293.316**	**2.017.852**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 31 MARCH 2018 AND 31 DECEMBER 2017

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

	Footnotes	31 March 2018	Audited 31 December 2017
EQUITY			
Equity Attributable to Owners of Parent		**1.085.625**	**1.012.137**
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		(6.478)	(6.203)
Gains (Losses) on Revaluation and Remeasurement		(6.478)	(6.203)
Gains (Losses) on Remeasurements of Defined Benefit Plans		(6.478)	(6.203)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		(11.986)	(1.352)
Gains (Losses) on Hedge		(11.986)	(1.352)
Gains (Losses) on Cash Flow Hedges		(11.986)	(1.352)
Restricted Reserves Appropriated from Profits		95.156	111.627
Legal Reserves	17	95.156	111.627
Prior Years' Profits or Losses	17	615.771	304.066
Current Period Net Profit Or Loss		84.397	295.234
TOTAL EQUITY		**1.085.625**	**1.012.137**
TOTAL LIABILITIES AND EQUITY		**3.378.941**	**3.029.989**

Condensed financial statements for the interim period 1 January – 31 March 2018 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 25 April 2018. General Assembly and specified regulatory bodies have the right to make amendments to statutory financial statements after issue.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 MARCH 2018 AND 2017

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

	Footnotes	1 January - 31 March 2018	1 January - 31 March 2017
PROFIT OR LOSS			
Revenue	18	1.040.822	689.010
Cost of Sales	18	(901.465)	(589.025)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		**139.357**	**99.985**
GROSS PROFIT (LOSS)		**139.357**	**99.985**
General Administrative Expenses	20	(12.013)	(10.016)
Marketing Expenses	20	(14.599)	(10.838)
Research and Development Expense	20	(8.818)	(6.344)
Other Income from Operating Activities	21	72.916	92.027
Other Expenses from Operating Activities	21	(69.345)	(61.061)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		**107.498**	**103.753**
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		**107.498**	**103.753**
Finance Income	22	47.179	31.800
Fınance Costs	22	(71.224)	(62.780)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		**83.453**	**72.773**
Tax (Expense) Income, Continuing Operations		944	(45)
Current Period Tax (Expense) Income	23	(906)	(1.012)
Deferred Tax (Expense) Income	23	1.850	967
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**84.397**	**72.728**
PROFIT (LOSS)		**84.397**	**72.728**
Earnings Per Share with a TL 1 of Par Value	24	**0,44**	**0,38**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 MARCH 2018 AND 2017

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

	Footnotes	1 January - 31 March 2018	1 January - 31 March 2017
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss		(275)	(105)
Gains (Losses) on Remeasurements of Defined Benefit Plans		(344)	(131)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss		69	26
Taxes Relating to Remeasurements of Defined Benefit Plans		69	26
Other Comprehensive Income that will be Reclassified to Profit or Loss		(10.634)	(10.468)
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		(13.632)	(13.085)
Gains (Losses) on Cash Flow Hedges		(13.632)	(13.085)
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		2.998	2.617
Taxes Relating to Cash Flow Hedges		2.998	2.617
OTHER COMPREHENSIVE INCOME (LOSS)		**(10.909)**	**(10.573)**
TOTAL COMPREHENSIVE INCOME (LOSS)		**73.488**	**62.155**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE PERIODS 1 JANUARY - 31 MARCH 2018 AND 2017

(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) on Revaluations and Remeasurements	Other Accumulated Comprehensive Income that will not be Reclassified in Profit or Loss	Cash Flow Hedges	Reserve Of Gains or Losses on Hedge	Other Accumulated Comprehensive Income that will be Reclassified in Profit or Loss	Restricted Reserves Appropriated From Profits	Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings	Equity Attributable to Owners of Parent	Equity
Previous Period															
1 January -31 March 2017															
Equity at Beginning of Period	**190.000**	**9.734**	**109.031**	**(3.313)**	**(3.313)**	**(3.313)**	**18.786**	**18.786**	**18.786**	**77.019**	**193.669**	**325.005**	**518.674**	**919.931**	**919.931**
Transfers	-	-	-	-	-	-	-	-	-	-	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)
Equity at End of Period	**190.000**	**9.734**	**109.031**	**(3.418)**	**(3.418)**	**(3.418)**	**8.318**	**8.318**	**8.318**	**77.019**	**518.674**	**72.728**	**591.402**	**982.086**	**982.086**
Current Period															
1 January -31 March 2018															
Equity at Beginning of Period	**190.000**	**9.734**	**109.031**	**(6.203)**	**(6.203)**	**(6.203)**	**(1.352)**	**(1.352)**	**(1.352)**	**111.627**	**304.066**	**295.234**	**599.300**	**1.012.137**	**1.012.137**
Transfers	-	-	-	-	-	-	-	-	-	(16.471)	311.705	(295.234)	16.471	-	-
Total Comprehensive Income (Loss)	-	-	-	(275)	(275)	(275)	(10.634)	(10.634)	(10.634)	-	-	84.397	84.397	73.488	73.488
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	84.397	84.397	84.397	84.397
Other Comprehensive Income (Loss)	-	-	-	(275)	(275)	(275)	(10.634)	(10.634)	(10.634)	-	-	-	-	(10.909)	(10.909)
Equity at End of Period	**190.000**	**9.734**	**109.031**	**(6.478)**	**(6.478)**	**(6.478)**	**(11.986)**	**(11.986)**	**(11.986)**	**95.156**	**615.771**	**84.397**	**700.168**	**1.085.625**	**1.085.625**

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 2018 AND 2017

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

	Footnotes	1 January - 31 March 2018	1 January - 31 March 2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**196.672**	**(56.534)**
Profit (Loss)		84.397	72.728
Profit (Loss) from Continuing Operations		84.397	72.728
Adjustments to Reconcile Profit (Loss)		**59.771**	**36.353**
Adjustments for Depreciation and Amortisation Expense	11	35.670	25.519
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(255)	795
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	(255)	795
Adjustments for Provisions		2.085	1.423
Adjustments for (Reversal of) Provisions Related with Employee Benefits	15	2.085	1.423
Adjustments for Interest (Income) Expenses		(12.767)	(727)
Adjustments for Interest Income	22	(24.016)	(8.643)
Adjustments for Interest Expense	22	11.249	7.916
Adjustments for Unrealised Foreign Exchange Losses (Gains)		43.403	13.087
Adjustments for Fair Value Losses (Gains)		(5.898)	(3.707)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(5.898)	(3.707)
Adjustments for Tax (Income) Expenses		(944)	45
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(79)	(82)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(79)	(82)
Other Adjustments to Reconcile Profit (Loss)	4	(1.444)	-

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 31 MARCH 2018 AND 2017

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

	Footnotes	1 January - 31 March 2018	1 January - 31 March 2017
Changes in Working Capital		**54.330**	**(160.900)**
Adjustments for Decrease (Increase) in Trade Accounts		(60.005)	24.713
Decrease (Increase) in Trade Accounts Receivables from	6	(60.591)	30.448
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties	7	586	(5.735)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(7.332)	(34.053)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations	8	(7.332)	(34.053)
Adjustments for Decrease (Increase) in Inventories	9	(123.072)	(186.559)
Decrease (Increase) in Prepaid Expenses	10	11.130	(26.948)
Adjustments for Increase (Decrease) in Trade Accounts		222.240	62.128
Increase (Decrease) in Trade Accounts Payables to Related Parties	6	10.305	6.834
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties	7	211.935	55.294
Increase (Decrease) in Employee Benefit Liabilities	15	4.147	7.296
Other Adjustments for Other Increase (Decrease) in Working Capital		7.222	(7.477)
Decrease (Increase) in Other Assets Related with Operations	16	2.527	20
Increase (Decrease) in Other Payables Related with Operations	16	4.695	(7.497)
Cash Flows from (used in) Operations		**198.498**	**(51.819)**
Payments Related with Provisions for Employee Benefits	15	(1.643)	(1.434)
Income Taxes refund (Paid)	23	(183)	(3.281)

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 31 MARCH 2018 AND 2017

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

	Footnotes	1 January - 31 March 2018	1 January - 31 March 2017
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(139.738)**	**72.382**
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		101	88
Proceeds from Sales of Property, Plant and Equipment		101	88
Purchase of Property, Plant, Equipment and Intangible Assets		(155.197)	(43.104)
Purchase of Property, Plant and Equipment	11	(144.530)	(34.597)
Purchase of Intangible Assets	12	(10.667)	(8.507)
Cash Advances and Loans Made to Other Parties		15.358	115.398
Cash Advances and Loans Made to Related Parties	6	15.358	115.398
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**6.234**	**(20.074)**
Proceeds from Borrowings		156.251	46.133
Proceeds from Loans		156.320	44.856
Proceeds from Other Financial Borrowings		(69)	1.277
Repayments of Borrowings		(133.745)	(43.444)
Loan Repayments		(133.745)	(43.444)
Decrease in Other Payables to Related Parties		(33.593)	(27.996)
Interest Paid		(6.695)	(3.410)
Interest Received		24.016	8.643
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**63.168**	**(4.226)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**63.168**	**(4.226)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	65.190	11.840
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**128.358**	**7.614**

(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 412.000 square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 483.000 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 2018, the number of personnel employed was 6.992 (31 December 2017: 6.406).

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

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

As of 31 March 2018, 59.800.000 shares of the Company have been quoted at the Borsa Istanbul ("BİST") (31,5 % of its share capital; 31 December 2017: 31,5 %).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance

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

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

The Company prepared its condensed interim financial statements for the period ended 31 March 2018 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-end financial statements. Therefore the condensed interim financial statements should be examined together with 31 December 2017 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 2018 and are adopted by the Company:

- **IFRS 9 'Financial instruments'** effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

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

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

- **Amendment to IFRS 15 'Revenue from contracts with customers'** effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for 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.

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

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

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

- **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.

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

b) Standards, amendments and interpretations that are issued but not effective as at 31 March 2018:

- **Amendment to IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
- **IFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments.

  An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

- **Annual improvements 2015-2017,** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - IFRS 3, 'Business combinations', the Company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', the Company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes' the Company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs' the Company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- **Amendments to IAS 19, 'Employee benefits'** on plan amendment, curtailment or settlement', effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The Company will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date.

c) Other new standards, amendments and interpretations issued and effective as of 1 January 2018 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

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

2.4. Summary of significant accounting policies

2.4.1 Revenue

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

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

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

2.4.2 Inventories

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

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

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

2.4.3 Property, plant and equipment

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

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

Gains or losses on disposals of property, plant and equipment are included in other operating income and other operating expense.

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

2.4.4 Intangible assets

a) Research and development costs

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

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

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

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

b) Rights and other intangible fixed assets

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

2.4.5 Financial instruments

a) Financial assets

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

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.

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

Impairment of financial assets

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

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

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

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

b) Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

Other financial liabilities

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

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

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

c) Derivative financial instruments and hedge accounting:

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values of derivatives are carried as assets when positive and as liabilities when negative. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

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

Derivative financial instruments held for trading

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

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

Cash flow hedges:

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

2.4.6 Foreign currency transactions

Transactions in foreign currencies during the period are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary items denominated in foreign currencies are translated to TL at the rates prevailing on the balance sheet date. Exchange differences on foreign currency denominated monetary assets and liabilities are recognized in profit or loss in the period in which they arise except for the effective portion of the foreign currency hedge of net investments in foreign operations. On-monetary items which are denominated in foreign currency and measured with historical costs are translated using the exchange rates at the dates of initial transactions.

2.4.7 Provisions, contingent assets and liabilities

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

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

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

2.4.8 Related parties

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

2.4.9 Taxation on income

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

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

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

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

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

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

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

2.4.10 Employee benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision for employment termination benefits as of 31 December 2017 is calculated in accordance with the assumptions used by the independent actuarial firm and is recorded in the financial statements at its net present value. Employment termination benefits are considered as being part of defined retirement benefit plan as per TAS 19. All actuarial gains and losses are recognized in statements of income.

2.4.11 Government grants

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

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

2.4.12 Earnings per share

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

2.4.13 Statement of cash flows

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

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

2.4.14 Offsetting

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

2.4.15 Events after the balance sheet date

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

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

2.4.16 Going concern

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

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.

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

NOTE 3 - SEGMENT REPORTING

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

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

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

Geographical segments

Segment revenue	1 January - 31 March 2018	1 January - 31 March 2017
Turkey	294.030	165.248
Europe	515.008	355.869
Other	232.125	168.454
Gross sales	1.041.163	689.571
Discounts (-)	(341)	(561)
Net sales	**1.040.822**	**689.010**

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

The amount of export is 747.133 thousand TL for the period ended 31 March 2018. (1 January-31 March 2017: 524.323 thousand TL). Export sales are denominated in EURO, and USD as 93,2%, and 6,8% of total export respectively (1 January-31 March 2017: 97,8% EUR, 2,2% USD).

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

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

NOTE 4 – CASH AND CASH EQUIVALENTS

	31 March 2018	31 December 2017
Cash	237	178
Bank deposits		
- Demand deposits	68.376	65.012
- Time deposits	59.745	-
Blocked deposits	9.933	8.489
Cash and cash equivalents	**138.291**	**73.679**

NOTE 5 – FINANCIAL LIABILITIES

	31 March 2018	31 December 2017
Short - term financial liabilities		
Short term bank loans	356.609	281.476
Short term portion of long term bank loans	223.522	70.051
Leasing debts	476	450
	580.607	**351.977**
Long - term financial liabilities		
Long term bank loans	10.845	178.968
Leasing debts	451	546
	11.296	**179.514**

(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:

	31 March 2018			31 December 2017		
Currency	**Weighted average of effective interest rates per annum**	**Original currency**	**TL Equivalent**	**Weighted average of effective interest rates per annum**	**Original currency**	**TL Equivalent**
- EUR	1,58%	54.157	263.600	1,59%	49.693	224.389
- TL	17,41%	93.009	93.009	16,69%	57.087	57.087
			356.609			**281.476**

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

	31 March 2018			31 December 2017		
Currency	**Weighted average of effective interest rates per annum**	**Original currency**	**TL Equivalent**	**Weighted average of effective interest rates per annum**	**Original currency**	**TL Equivalent**
- EUR	3,85%	42.979	209.193	4,21%	5.262	23.759
- TL	16,06%	14.329	14.329	14,18%	46.292	46.292
Short term portion			**223.522**			**70.051**
- EUR	-	-	-	3,80%	37.319	168.514
- TL	16,06%	10.845	10.845	16,06%	10.454	10.454
Long term portion			**10.845**			**178.968**
			234.367			**249.019**

(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:

	31 March 2018	31 December 2017
One to two years	10.845	178.968
	10.845	**178.968**

As of 31 March 2018 the Company does not have floating rate loans (31 December 2017: None).

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 14.

As of 31 March 2018 and 31 December 2017, reconciliation of net financial debt is as below:

	31 March 2018	31 December 2017
Net financial debt as of 1 January	457.812	235.880
Cash inflows from loans	156.320	652.275
Cash outflows from loan payments	(133.745)	(392.977)
Cash inflow/outflow from other financial debts	(69)	996
Unrealized Fx gain/loss	33.352	16.883
Accrued interest	4.554	5.605
Change in cash and cash equivalents	(64.612)	(60.850)
Net financial debt as of closing date	**453.612**	**457.812**

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

NOTE 6 – RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 March 2018	31 December 2017
Vestel Ticaret A.Ş.	1.111.096	1.046.054
	1.111.096	1.046.054
Unearned interest on receivables (-)	(11.703)	(7.252)
	1.099.393	**1.038.802**

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

	31 March 2018	31 December 2017
Vestel Elektronik Sanayi ve Ticaret A.Ş.	48.382	32.239
Vestel Ticaret A.Ş.	-	6.355
Vestel Holland B.V.	2.142	1.534
Other related parties	1.036	1.044
	51.560	41.172
Unearned interest on payables (-)	(511)	(428)
	51.049	**40.744**

c) Other short term receivables from related parties

	31 March 2018	31 December 2017
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**496.540**	**511.898**

The Company's interest rate of other receivables in TL is 18% (31 December 2017: %18)

d) Other short term liabilities to related parties

	31 March 2018	31 December 2017
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**69.533**	**64.507**

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

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

e) Other long term liabilities to related parties

	31 March 2018	31 December 2017
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**69.755**	**98.323**

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

f) Transactions with related parties

	1 January - 31 March 2018	1 January - 31 March 2017
Sales		
Vestel Ticaret A.Ş.	1.040.182	689.910
Vestel Elektronik Sanayi ve Ticaret A.Ş.	3.750	2.926
Other related parties	-	4
	1.043.932	**692.840**
Purchases and operating expenses		
Vestel Holland B.V.	12.776	1.709
Vestel Elektronik Sanayi ve Ticaret A.Ş.	50.770	30.184
Other related parties	2.573	2.117
	66.119	**34.010**
Other operating income		
Vestel Ticaret A.Ş.	58.948	86.193
Other related parties	187	245
	59.135	**86.438**
Other operating expense		
Vestel Ticaret A.Ş.	4.482	34.623
Other related parties	476	336
	4.958	**34.959**

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

f) Transactions with related parties

	1 January - 31 March 2018	1 January - 31 March 2017
Financial income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	23.407	8.629
	23.407	**8.629**
Financial expense		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	11.166	12.711
	11.166	**12.711**

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 2018 is 791 thousand TL (1 January -31 March 2017: 862 thousand TL).

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

	31 March 2018	31 December 2017
Short - term trade receivables		
Trade receivables		
- Related parties (note 6)	1.111.096	1.046.054
- Other parties	1.986	5.349
Cheques and notes receivables	4.933	2.131
	1.118.015	1.053.534
Unearned interest expense (-)		
- Related parties (note 6)	(11.703)	(7.252)
- Other parties	(182)	(161)
Allowance for doubtful receivables (-)	(242)	(238)
Total short - term trade receivables	**1.105.888**	**1.045.883**

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

	31 March 2018	31 December 2017
Short term trade payables		
Trade payables		
- Related parties (note 6)	51.560	41.172
- Other parties	1.413.197	1.205.514
	1.464.757	1.246.686
Unearned interest income (-)		
- Related parties (note 6)	(511)	(428)
- Other parties	(4.246)	(3.977)
	-	-
Total short term trade payables	**1.460.000**	**1.242.281**
Long term trade payables		
Trade payables		
- Other parties	6.480	1.959
Total long term trade payables	**6.480**	**1.959**

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

NOTE 8 – OTHER RECEIVABLES

	31 March 2018	31 December 2017
Short - term other receivables		
Other receivables from related parties (note 6)	496.540	511.898
VAT receivable	135.440	128.421
Deposits and guarantees given	4.252	3.474
Other receivables	937	1.402
	637.169	**645.195**

NOTE 9 – INVENTORIES

	31 March 2018	31 December 2017
Raw materials	383.651	312.136
Work in process	13.872	7.820
Finished goods	226.904	181.399
	624.427	501.355
Provision for impairment on inventories (-)	(920)	(1.175)
	623.507	**500.180**

As of 31 March 2018 the Company does not have inventories pledged as security for liabilities (31 December 2017: None).

Cost of the inventory included in the cost of sales for the period 1 January - 31 March 2018 amounts to 778.483 thousand TL (1 January – 31 March 2017: 494.761 thousand TL).

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

NOTE 9 – INVENTORIES (Cont'd)

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

	31 March 2018	31 December 2017
Finished goods and merchandise	920	1.175
	920	**1.175**

Movement of inventory impairment on inventories is as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Opening balance, 1 January	**1.175**	**268**
Current year additions	920	1.063
Realised due to sale of inventory	(1.175)	(268)
Balance at 31 March	**920**	**1.063**

NOTE 10 – PREPAID EXPENSES

	31 March 2018	31 December 2017
Prepaid expenses in current assets		
Order advances given	8.355	4.274
Prepaid expenses	11.835	9.453
Business advances given	122	76
	20.312	**13.803**
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	44.994	62.612
Prepaid expenses	319	340
	45.313	**62.952**

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Disposals	Transfers	31 March 2018
Cost					
Land	39.063	-	-	-	39.063
Land improvements	3.275	-	-	-	3.275
Buildings	71.623	190	-	44.479	116.292
Leasehold improvements	7.514	73	(8)	130	7.709
Plant and machinery	1.056.638	46.312	(2.399)	24.085	1.124.636
Motor vehicles	589	-	-	-	589
Furniture and fixtures	54.285	1.595	(40)	328	56.168
Construction in progress	83.051	96.360	-	(69.022)	110.389
	1.316.038	**144.530**	**(2.447)**	**-**	**1.458.121**
Accumulated depreciation					
Land improvements	2.431	15	-	-	2.446
Buildings	30.785	637	-	-	31.422
Leasehold improvements	3.444	202	(4)	-	3.642
Plant and machinery	689.240	28.511	(2.384)	-	715.367
Motor vehicles	340	22	-	-	362
Furniture and fixtures	36.596	1.331	(37)	-	37.890
	762.836	**30.718**	**(2.425)**	**-**	**791.129**
Net book value	**553.202**				**666.992**

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

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

	1 January 2017	Additions	Disposals	Transfers	31 March 2017
Cost					
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
	1.001.182	**34.597**	**(512)**	**-**	**1.035.267**
Accumulated depreciation					
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
	673.217	**20.858**	**(506)**	**-**	**693.569**
Net book value	**327.965**				**341.698**

Additions to property, plant and equipment in the period 1 January – 31 March 2018 and 2017 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker , dishwasher and air conditioner factories.

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

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

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

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

Allocation of period depreciation and amortization expenses is as follows:

	1 January - 31 March 2018	**1 January - 31 March 2017**
Cost of sales	29.994	20.564
Research and development expenses	5.254	4.695
Marketing, selling and distribution expenses	115	75
General administrative expenses	307	185
	35.670	**25.519**

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

NOTE 12 – INTANGIBLE ASSETS

	1 January 2018	Additions	Disposals	31 March 2018
Cost				
Rights	6.376	-	-	6.376
Development cost	197.197	10.389	-	207.586
Other intangible assets	13.762	278	-	14.040
	217.335	**10.667**	**-**	**228.002**
Accumulated amortization				
Rights	6.357	1	-	6.358
Development cost	87.391	4.683	-	92.074
Other intangible assets	5.373	268	-	5.641
	99.121	**4.952**	**-**	**104.073**
Net book value	**118.214**			**123.929**

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

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

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

NOTE 12 – INTANGIBLE ASSETS (Cont'd)

Useful lives of intangible assets are as follows:

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

NOTE 13 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 March 2018	31 December 2017
Short - term provisions		
Provision for lawsuit risks	2.197	2.197
	2.197	**2.197**

b) Guarantees received by the Company

	31 March 2018	31 December 2017
Guarantee letters	42.705	55.750
Cheques and notes	4.291	4.277
Collaterals and pledges	3.844.363	3.689.650
	3.891.359	**3.749.677**

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

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

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

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 March 2018				
A. CPM's given on behalf of its own legal entity	-	7.420	27.588	63.703
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	5.105.470
i. Total amount of CPM's given on behalf of the parent company	722.288	-	667.835	3.520.078
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	1.585.392
iii.Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**1.008.140**	**51.907**	**935.482**	**5.169.173**

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

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2017				
A. CPM's given on behalf of its own legal entity	-	2.307	21.032	31.449
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	4.911.378
i. Total amount of CPM's given on behalf of the parent company	722.288	-	667.835	3.392.233
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	1.519.145
iii.Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**1.008.140**	**46.794**	**928.926**	**4.942.827**

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 470% as of 31 March 2018 (31 December 2017: 485%).

NOTE 14 – COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to 777.808 thousand USD (31 December 2017: 448.212 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 March 2018 the Company has forward foreign currency purchase contract that amounts to 51.196 thousand TL, 36.791 thousand EUR and 293.781 thousand USD against forward foreign currency sales contract that amounts to 177.894 thousand EUR, 14.936 thousand USD and 476.020 thousand TL (31 December 2017: 92.509 thousand TL, 55.072 thousand EUR and 279.575 thousand USD against forward foreign currency sales contract that amounts to 242.091 thousand EUR, 17.745 thousand USD and 237.451 thousand TL sales contracts).

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

NOTE 15 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 March 2018	31 December 2017
Due to personnel	23.471	19.779
Social security payables	7.347	6.892
	30.818	**26.671**

Long term provisions for employee benefits:

	31 March 2018	31 December 2017
Provision for employment termination benefits	**32.534**	**31.749**

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 5.001,76 TL/ year as of 31 March 2018 (31 December 2017: 4.732,48 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 2018 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 2018 provision is calculated based on real discount rate of 4,67% (31 December 2017: 4,67%) assuming 6,5% annual inflation rate and 11,47% discount rate.

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

NOTE 15 – EMPLOYEE BENEFITS (Cont'd)

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

	1 January - 31 March 2018	1 January - 31 March 2017
Balance at 1 January	**31.749**	**24.459**
Increase during the year	1.122	853
Payments during the year	(1.643)	(1.434)
Actuarial (gain) /loss	343	131
Interest expense	963	570
Balance at 31 March	**32.534**	**24.579**

NOTE 16 – OTHER ASSETS AND LIABILITIES

	31 March 2018	31 December 2017
Other current assets		
VAT carried forward	236	266
Other	3.178	5.675
	3.414	**5.941**
Other current liabilities		
Taxes and dues payable	12.158	8.355
Other	1.234	342
	13.392	**8.697**

NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	31 March 2018	31 December 2017
Shares of par value Kr 1 each		
Issued share capital	190.000	190.000

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

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

As of 31 March 2018 and 31 December 2017 the shareholding structure is as follows:

	Shareholding		Amount	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Vestel Elektronik Sanayi ve Ticaret A.Ş. (with Board of Directors Members)	94,62%	94,62%	179.780	179.780
Shares held by public	5,38%	5,38%	10.220	10.220
	100,00%	**100,00%**	**190.000**	**190.000**

b) Adjustments to share capital

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

	31 March 2018	31 December 2017
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 2018	31 December 2017
Share premium	**109.031**	**109.031**

d) Restricted reserves ("Legal reserves")

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

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

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

	31 March 2018	31 December 2017
Legal reserves	**95.156**	**111.627**

e) Retained earnings

	31 March 2018	31 December 2017
Extraordinary reserves	258.976	258.976
Previous year's profits	356.795	45.090
	615.771	**304.066**

f) Dividend distribution

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

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

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

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

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

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

NOTE 18 – SALES

	1 January - 31 March 2018	1 January - 31 March 2017
Domestic sales	294.030	165.248
Overseas sales	747.133	524.323
Gross sales	**1.041.163**	**689.571**
Less: Sales discounts (-)	(341)	(561)
Net sales	**1.040.822**	**689.010**
Cost of sales	(901.465)	(589.025)
Gross profit	**139.357**	**99.985**

NOTE 19 – EXPENSES BY NATURE

	1 January - 31 March 2018	1 January - 31 March 2017
Raw materials, supplies and finished goods	830.040	587.291
Changes in finished goods, work in process and trade goods	(51.557)	(92.530)
Personnel expenses	76.727	59.859
Depreciation and amortization	35.670	25.519
Other	46.015	36.084
	936.895	**616.223**

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

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

	1 January - 31 March 2018	1 January - 31 March 2017
a) General and administrative expenses:		
Personnel expenses	2.046	2.000
Consultancy Expenses	4.309	3.024
Rent and office expenses	1.292	1.201
Travelling expenses	286	272
Energy expenses	201	146
Depreciation and amortization	307	185
Benefits and services provided externally	28	54
Other	3.544	3.134
	12.013	**10.016**
b) Marketing expenses:		
Personnel expenses	3.387	2.618
Transportation, distribution and storage expenses	7.927	5.655
Taxes and duties	1.485	1.028
Insurance expenses	361	325
Depreciation and amortization	115	75
Other	1.324	1.137
	14.599	**10.838**
c) Research and development expenses:		
Depreciation and amortization	5.254	4.695
Personnel expenses	1.680	1.160
Other	1.884	489
	8.818	**6.344**

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

NOTE 21 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

	1 January - 31 March 2018	1 January - 31 March 2017
a) Other income from operating activities:		
Credit finance gains arising from trading activities	12.683	8.699
Foreign exchange gains arising from trading activities	58.984	81.928
Other income	1.249	1.400
	72.916	**92.027**
b) Other expense from operating activities:		
Debit finance charges arising from trading activities	11.744	5.933
Foreign exchange expenses arising from trading activities	55.863	53.234
Other expenses	1.738	1.894
	69.345	**61.061**

NOTE 22 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 March 2018	1 January - 31 March 2017
Foreign exchange gains	1.717	3.211
Gains on derivative financial instruments	21.446	19.946
Interest income	24.016	8.643
	47.179	**31.800**

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

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

b) Financial expense:

	1 January - 31 March 2018	1 January - 31 March 2017
Foreign exchange losses	45.310	21.509
Losses on derivative financial instruments	14.615	33.324
Interest expense	11.249	7.916
Other finance expenses	50	31
	71.224	**62.780**

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

	31 March 2018	31 December 2017
Corporation and income taxes	3.975	3.164
Prepaid taxes (-)	(4.501)	(4.414)
Current income tax liabilities - net	**(526)**	**(1.250)**
Deferred tax assets	**10.598**	**5.681**

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

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

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

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

According to the Corporate Tax Law, 50% 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.

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

As of 1 January - 31 March 2018 and 2017 tax expense in the statement of income is as follows:

	1 January - 31 March 2018	**1 January - 31 March 2017**
Current period tax expense	(906)	(1.012)
Deferred tax benefit / (expense)	1.850	967
Total tax expense	**944**	**(45)**

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

Deferred tax assets and liabilities

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

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

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

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 2018	**31 December 2017**	**31 March 2018**	**31 December 2017**
Deferred tax assets				
Employment termination benefits	(32.534)	(31.749)	6.507	6.350
Provision for impairment on inventories	(920)	(1.175)	202	258
Derivative financial instruments	(13.702)	(5.968)	3.014	1.313
Other	(19.914)	(14.436)	4.381	3.176
			14.104	**11.097**

	Cumulative temporary differences		**Deferred tax**	
	31 March 2018	**31 December 2017**	**31 March 2018**	**31 December 2017**
Deferred tax liabilites				
Useful life and valuation differences on property, plant and equipment and intangible assets	15.135	25.180	(3.027)	(5.036)
Other	2.395	1.900	(479)	(380)
			(3.506)	**(5.416)**
Deferred tax assets - net			**10.598**	**5.681**

(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 2018	**1 January - 31 March 2017**
Opening balance, 1 January	**5.681**	**2.056**
Tax expense recognized in income statement	1.850	967
Recognized in shareholders' equity	3.067	2.643
Deferred tax liabilities at the end of the period, net	**10.598**	**5.666**

NOTE 24– EARNINGS PER SHARE

	1 January - 31 March 2018	**1 January - 31 March 2017**
Net (loss) / income attributable to equity holders of the parent	84.397	72.728
Weighted number of ordinary shares with a TL 1 of par value (thousand shares)	190.000	190.000
	0,44	**0,38**

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

NOTE 25 – DERIVATIVE INSTRUMENTS

	31 March 2018		31 December 2017	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
Derivative financial assets:				
Held for trading				
Forward foreign currency transactions	220.013	2.096	211.078	1.759
Cash flow hedge				
Forward foreign currency transactions	-	-	486.575	2.250
Derivative financial liabilities:				
Held for trading				
Forward foreign currency transactions	440.807	(431)	415.169	(5.993)
Cash flow hedge				
Forward foreign currency transactions	729.559	(15.367)	282.893	(3.984)
	1.390.379	**(13.702)**	**1.395.715**	**(5.968)**

NOTE 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign currency risk:

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

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

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

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

31 March 2018	**USD**	**EUR**	**Other (TL Equivalent)**	**TL Equivalent**
1. Trade receivables	21.801	137.302	171	754.551
2a. Monetary financial assets (including	-	-	-	-
cash and cash equivalents)	118	12.761	20	62.598
2b. Non-monetary financial assets	-	-	-	-
3. Other	50	-	-	197
4. Current assets (1+2+3)	**21.969**	**150.063**	**191**	**817.346**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	470	3.887	364	21.139
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**470**	**3.887**	**364**	**21.139**
9. Total assets (4+8)	**22.439**	**153.950**	**555**	**838.485**
10. Trade payables	198.668	70.891	225	1.129.793
11. Financial liabilities	-	97.137	-	472.793
12a. Other monetary liabilities	-	14.286	-	69.534
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**198.668**	**182.314**	**225**	**1.672.120**
14. Trade payables	-	986	-	4.799
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	14.331	-	69.753
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**15.317**	**-**	**74.552**
18. Total liabilities (13+17)	**198.668**	**197.631**	**225**	**1.746.672**
19. Off-balance sheet derivative instruments/	**-**	**-**	-	-
net asset (liability) position (19a+19b)	**278.845**	**(141.103)**	-	**414.340**
19a. Hedged total assets	293.781	36.791	-	1.339.185
19b. Hedged total liabilities	(14.936)	(177.894)	-	(924.844)
20. Net foreign currency asset/ (liability)	-	-	-	-
position (9-18+19)	**102.616**	**(184.784)**	**330**	**(493.847)**
21. Net foreign currency monetary asset/	-	-	-	-
(liability) position	-	-	-	-
(=1+2a+5+6a-10-11-12a-14-15-16a)	**(176.749)**	**(47.568)**	**(34)**	**(929.523)**
22. Fair value of financial instruments used	**-**	**-**	-	-
in foreign currency hedging	**-**	**-**	-	**(13.702)**
23. Export	13.607	147.593	-	747.133
24. Import	87.822	53.096	243	582.110

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

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

31 December 2017	**USD**	**EUR**	**Other (TL Equivalent)**	**TL Equivalent**
1. Trade receivables	12.776	148.303	163	718.015
2a. Monetary financial assets (including	-	-	-	-
cash and cash equivalents)	350	15.540	19	71.510
2b. Non-monetary financial assets	-	-	-	-
3. Other	36.720	-	-	138.504
4. Current assets (1+2+3)	**49.846**	**163.843**	**182**	**928.029**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	1.605	7.140	-	38.295
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**1.605**	**7.140**	**-**	**38.295**
9. Total assets (4+8)	**51.451**	**170.983**	**182**	**966.324**
10. Trade payables	180.221	56.166	46	933.439
11. Financial liabilities	-	54.955	-	248.148
12a. Other monetary liabilities	-	14.286	-	64.508
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**180.221**	**125.407**	**46**	**1.246.095**
14. Trade payables	-	-	-	-
15. Financial liabilities	-	37.319	-	168.514
16a. Other monetary liabilities	-	21.775	-	98.325
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**59.094**	**-**	**266.839**
18. Total liabilities (13+17)	**180.221**	**184.501**	**46**	**1.512.934**
19. Off-balance sheet derivative instruments/	**-**	**-**	**-**	**-**
net asset (liability) position (19a+19b)	**261.830**	**(187.019)**	**-**	**143.112**
19a. Hedged total assets	279.575	55.072	-	1.303.207
19b. Hedged total liabilities	(17.745)	(242.091)	-	(1.160.094)
20. Net foreign currency asset/ (liability)	**-**	**-**	**-**	**-**
position (9-18+19)	**133.060**	**(200.537)**	**136**	**(403.498)**
21. Net foreign currency monetary asset/	**-**	**-**	**-**	**-**
(liability) position	**-**	**-**	**-**	**-**
(=1+2a+5+6a-10-11-12a-14-15-16a)	**(167.095)**	**(20.658)**	**136**	**(723.409)**
22. Fair value of financial instruments used	**-**	**-**	**-**	**-**
in foreign currency hedging	**-**	**-**	**-**	**(5.968)**
23. Export	29.144	671.923	-	2.841.516
24. Import	261.603	200.443	1.408	1.776.031

(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 2018 and 31 December 2017, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

	Gain / Loss		Equity	
31 March 2018	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(69.796)	69.796	(69.796)	69.796
Secured portion from USD risk (-)	37.127	(37.127)	109.610	(109.610)
USD net effect	**(32.669)**	**32.669**	**39.814**	**(39.814)**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	(23.153)	23.153	(23.153)	23.153
Secured portion from EUR risk (-)	5.199	(5.199)	(68.821)	68.821
EUR net effect	**(17.954)**	**17.954**	**(91.974)**	**91.974**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	(3)	3	(3)	3
Secured portion from other currency risk (-)	-	-	-	-
Other currency net effect	**(3)**	**3**	**(3)**	**3**

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

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

	Gain / Loss		Equity	
31 December 2017	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(63.027)	63.027	(63.027)	63.027
Secured portion from USD risk (-)	21.788	(21.788)	98.314	(98.314)
USD net effect	**(41.239)**	**41.239**	**35.287**	**(35.287)**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	(9.328)	9.328	(9.328)	9.328
Secured portion from EUR risk (-)	(7.971)	7.971	(84.670)	84.670
EUR net effect	**(17.299)**	**17.299**	**(93.998)**	**93.998**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	14	(14)	14	(14)
Secured portion from other currency risk (-)	-	-	-	-
Other currency net effect	**14**	**(14)**	**14**	**(14)**