

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
FINANCIAL STATEMENTS AT  
1 JANUARY – 31 DECEMBER 2019  
TOGETHER WITH INDEPENDENT AUDITOR’S REPORT**

**(ORIGINALLY ISSUED IN TURKISH)**

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019**

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**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**BALANCE SHEETS AS OF 31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

		<b>Audited</b>	<b>Audited</b>
	<b>Footnotes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	4	119.328	120.847
Trade Receivables		1.748.257	1.480.213
Trade Receivables Due From Related Parties	6	1.741.171	1.476.111
Trade Receivables Due From Unrelated Parties	7	7.086	4.102
Other Receivables		630.205	867.676
Other Receivables Due From Related Parties	6	482.149	703.884
Other Receivables Due From Unrelated Parties	8	148.056	163.792
Derivative Financial Assets		2.603	2.028
Derivative Financial Assets Held for Trading	28	2.603	2.028
Inventories	9	646.136	579.054
Prepayments		20.052	12.623
Prepayments to Unrelated Parties	10	20.052	12.623
Other Current Assets		1.163	830
Other Current Assets Due From Unrelated Parties	18	1.163	830
<b>TOTAL CURRENT ASSETS</b>		<b>3.167.744</b>	<b>3.063.271</b>

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**BALANCE SHEETS AS OF 31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

		<b>Audited</b>	<b>Audited</b>
	<b>Footnotes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>NON-CURRENT ASSETS</b>			
Other Receivables		3.748	-
Other Receivables Due From Unrelated Parties		3.748	-
Property, Plant and Equipments		1.516.259	1.435.364
Land and Premises	11	192.824	192.824
Land Improvements	11	39.632	40.833
Buildings	11	435.552	438.634
Machinery and Equipments	11	771.383	692.549
Vehicles	11	168	221
Fixtures and Fittings	11	26.336	27.102
Leasehold Improvements	11	5.133	5.713
Construction in Progress	11	45.231	37.488
Right of Use Assets	12	61.947	-
Intangible Assets and Goodwill		180.509	146.867
Other Rights	13	165	69
Capitalized Development Costs	13	167.955	137.167
Other Intangible Assets	13	12.389	9.631
Prepayments		53.595	39.590
Prepayments to Unrelated Parties	10	53.595	39.590
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1.816.058</b>	<b>1.621.821</b>
<b>TOTAL ASSETS</b>		<b>4.983.802</b>	<b>4.685.092</b>

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**BALANCE SHEETS AS OF 31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

		<b>Audited</b>	<b>Audited</b>
	<b>Footnotes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Current Borrowings		733.300	366.515
Current Borrowings from Related Parties		6.973	-
Lease Liabilities	6	6.973	-
Current Borrowings From Unrelated Parties		726.327	366.515
Bank Loans	5	714.041	365.864
Lease Liabilities	5	12.286	651
Current Portion of Non-current Borrowings		13.342	287.078
Current Portion of Non-current Borrowings from			
Unrelated Parties		13.342	287.078
Bank Loans	5	13.342	287.078
Trade Payables		2.069.922	1.901.077
Trade Payables to Related Parties	6	132.380	50.250
Trade Payables to Unrelated Parties	7	1.937.542	1.850.827
Employee Benefit Obligations	17	42.926	31.196
Other Payables		70.291	130.423
Other Payables to Related Parties	6	70.291	130.423
Derivative Financial Liabilities		5.264	20.129
Derivative Financial Liabilities Held for Trading	28	5.264	19.314
Derivative Financial Liabilities Held for Hedging	28	-	815
Current Tax Liabilities, Current	26	504	716
Current Provisions		5.847	3.190
Other Current Provisions	15	5.847	3.190
Other Current Liabilities		50.322	6.802
Other Current Liabilities to Unrelated Parties	18	50.322	6.802
<b>TOTAL CURRENT LIABILITIES</b>		<b>2.991.718</b>	<b>2.747.126</b>

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**BALANCE SHEETS AS OF 31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

		<b>Audited</b>	<b>Audited</b>
	<b>Footnotes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings		56.831	111
Long Term Borrowings From Related Parties		32.546	-
Lease Liabilities	6	32.546	-
Long Term Borrowings From Unrelated Parties		24.285	111
Bank Loans	5	10.303	-
Lease Liabilities	5	13.982	111
Trade Payables		6.747	14.531
Trade Payables to Unrelated Parties	7	6.747	14.531
Non-current Provisions		57.289	38.713
Non-current Provisions for Employee Benefits	17	57.289	38.713
Deferred Tax Liabilities	26	64.989	73.036
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>185.856</b>	<b>126.391</b>
<b>TOTAL LIABILITIES</b>		<b>3.177.574</b>	<b>2.873.517</b>

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**BALANCE SHEETS AS OF 31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

		<b>Audited</b>	<b>Audited</b>
	<b>Footnotes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>EQUITY</b>			
<b>Equity Attributable to Owners of Parent</b>		<b>1.806.228</b>	<b>1.811.575</b>
Issued Capital	19	190.000	190.000
Inflation Adjustments on Capital	19	9.734	9.734
Share Premium (Discount)	19	109.031	109.031
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		395.981	409.958
Gains (Losses) on Revaluation and Remeasurement		395.981	409.958
Increases (Decreases) on Revaluation of Property, Plant and Equipment		410.776	417.527
Gains (Losses) on Remeasurements of Defined Benefit Plans		(14.795)	(7.569)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		-	(636)
Gains (Losses) on Hedge		-	(636)
Gains (Losses) on Cash Flow Hedges		-	(636)
Restricted Reserves Appropriated From Profits		173.938	118.206
Legal Reserves	19	173.938	118.206
Prior Years' Profits or Losses	19	359.472	352.721
Current Period Net Profit Or Loss		568.072	622.561
<b>TOTAL EQUITY</b>		<b>1.806.228</b>	<b>1.811.575</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4.983.802</b>	<b>4.685.092</b>

Financial statements for the period 1 January – 31 December 2019 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 11 February 2020. General Assembly and specified regulatory bodies have the right to make amendments to statutory financial statements after issue.

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS**  
**1 JANUARY - 31 DECEMBER 2019 AND 2018**

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

		<b>Audited 1 January - 31 December 2019</b>	<b>Audited 1 January - 31 December 2018</b>
	<b>Footnotes</b>		
<b>PROFIT OR LOSS</b>			
Revenue	20	6.967.964	5.693.973
Cost of Sales	20	(6.083.290)	(4.781.608)
<b>GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS</b>		<b>884.674</b>	<b>912.365</b>
<b>GROSS PROFIT (LOSS)</b>		<b>884.674</b>	<b>912.365</b>
General Administrative Expenses	22	(69.037)	(59.337)
Marketing Expenses	22	(93.392)	(79.761)
Research and Development Expense	22	(58.023)	(45.490)
Other Income from Operating Activities	23	314.368	487.908
Other Expenses from Operating Activities	23	(377.348)	(622.385)
<b>PROFIT (LOSS) FROM OPERATING ACTIVITIES</b>		<b>601.242</b>	<b>593.300</b>
<b>PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)</b>		<b>601.242</b>	<b>593.300</b>
Finance Income	24	338.823	607.599
Finance Costs	24	(375.501)	(579.132)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX</b>		<b>564.564</b>	<b>621.767</b>
Tax (Expense) Income, Continuing Operations		3.508	794
Current Period Tax (Expense) Income	26	(2.913)	(5.512)
Deferred Tax (Expense) Income	26	6.421	6.306
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>568.072</b>	<b>622.561</b>
<b>PROFIT (LOSS)</b>		<b>568.072</b>	<b>622.561</b>
<b>Earnings Per Share with a TL 1 of Par Value</b>	27	<b>2,99</b>	<b>3,28</b>

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



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS**  
**1 JANUARY - 31 DECEMBER 2019 AND 2018**

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

		<b>Audited 1 January - 31 December 2019</b>	<b>Audited 1 January - 31 December 2018</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other Comprehensive Income that will not be Reclassified to Profit or Loss		(7.226)	416.161
Gains (Losses) on Revaluation of Property, Plant and Equipment		-	502.688
Gains (Losses) on Remeasurements of Defined Benefit Plans	25	(9.032)	(1.707)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss	25	1.806	(84.820)
Taxes Relating to Gains (Losses) on Revaluation of Property, Plant and Equipment		-	(85.161)
Taxes Relating to Remeasurements of Defined Benefit Plans		1.806	341
Other Comprehensive Income that will be Reclassified to Profit or Loss		636	716
Other Comprehensive Income (Loss) Related with Cash Flow Hedges	25	816	918
Gains (Losses) on Cash Flow Hedges		816	918
Taxes Relating to Components of Other Comprehensive Income		(180)	(202)
Taxes Relating to Cash Flow Hedges	25	(180)	(202)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>(6.590)</b>	<b>416.877</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>561.482</b>	<b>1.039.438</b>

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ****STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018**

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

Issued Capital	Inflation Adjustments on Capital	Share Premiums or Discounts	Increases (Decreases) on Revaluation of Property, Plant and Equipment	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
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**Previous Period****1 January -31 December 2018**

<b>Equity at Beginning of Period</b>	<b>190.000</b>	<b>9.734</b>	<b>109.031</b>	<b>-</b>	<b>(6.203)</b>	<b>(6.203)</b>	<b>(6.203)</b>	<b>(1.352)</b>	<b>(1.352)</b>	<b>(1.352)</b>	<b>111.627</b>	<b>304.066</b>	<b>295.234</b>	<b>599.300</b>	<b>1.012.137</b>	<b>1.012.137</b>
Transfers	-	-	-	-	-	-	-	-	-	6.579	288.655	(295.234)	(6.579)	-	-	-
Total Comprehensive Income (Loss)	-	-	-	417.527	(1.366)	416.161	416.161	716	716	716	-	622.561	622.561	1.039.438	1.039.438	1.039.438
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	622.561	622.561	622.561	622.561	622.561
Other Comprehensive Income (Loss)	-	-	-	417.527	(1.366)	416.161	416.161	716	716	716	-	-	-	-	416.877	416.877
Dividends Paid	-	-	-	-	-	-	-	-	-	-	(240.000)	-	(240.000)	(240.000)	(240.000)	(240.000)
<b>Equity at End of Period</b>	<b>190.000</b>	<b>9.734</b>	<b>109.031</b>	<b>417.527</b>	<b>(7.569)</b>	<b>409.958</b>	<b>409.958</b>	<b>(636)</b>	<b>(636)</b>	<b>(636)</b>	<b>118.206</b>	<b>352.721</b>	<b>622.561</b>	<b>975.282</b>	<b>1.811.575</b>	<b>1.811.575</b>

**Current Period****1 January -31 December 2019**

<b>Equity at Beginning of Period</b>	<b>190.000</b>	<b>9.734</b>	<b>109.031</b>	<b>417.527</b>	<b>(7.569)</b>	<b>409.958</b>	<b>409.958</b>	<b>(636)</b>	<b>(636)</b>	<b>(636)</b>	<b>118.206</b>	<b>352.721</b>	<b>622.561</b>	<b>975.282</b>	<b>1.811.575</b>	<b>1.811.575</b>
Transfers	-	-	-	-	-	-	-	-	-	55.732	566.829	(622.561)	(55.732)	-	-	-
Total Comprehensive Income (Loss)	-	-	-	(6.751)	(7.226)	(13.977)	(13.977)	636	636	636	-	6.751	568.072	574.823	561.482	561.482
Profit (Loss)	-	-	-	(6.751)	-	(6.751)	(6.751)	-	-	-	-	6.751	568.072	574.823	568.072	568.072
Other Comprehensive Income (Loss)	-	-	-	-	(7.226)	(7.226)	(7.226)	636	636	636	-	-	-	-	(6.590)	(6.590)
Dividends Paid	-	-	-	-	-	-	-	-	-	-	(566.829)	-	(566.829)	(566.829)	(566.829)	(566.829)
<b>Equity at End of Period</b>	<b>190.000</b>	<b>9.734</b>	<b>109.031</b>	<b>410.776</b>	<b>(14.795)</b>	<b>395.981</b>	<b>395.981</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>173.938</b>	<b>359.472</b>	<b>568.072</b>	<b>927.544</b>	<b>1.806.228</b>	<b>1.806.228</b>

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018**

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

	Footnotes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		<b>617.727</b>	<b>1.082.870</b>
Profit (Loss)		568.072	622.561
Profit (Loss) from Continuing Operations		568.072	622.561
<b>Adjustments to Reconcile Profit (Loss)</b>		<b>187.130</b>	<b>310.192</b>
Adjustments for Depreciation and Amortisation Expense	11	257.440	166.404
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(1.171)	1.019
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	(1.171)	1.019
Adjustments for Provisions		19.129	11.520
Adjustments for (Reversal of) Provisions Related with Employee Benefits	17	16.472	10.527
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	15	2.657	993
Adjustments for Interest (Income) Expenses		(74.709)	(88.094)
Adjustments for Interest Income	24	(161.325)	(139.876)
Adjustments for Interest Expense	24	86.616	51.782
Adjustments for Unrealised Foreign Exchange Losses (Gains)		24.859	217.166
Adjustments for Fair Value Losses (Gains)		(14.624)	13.051
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(14.624)	13.051
Adjustments for Tax (Income) Expenses		(3.508)	(794)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(809)	(1.005)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(809)	(1.005)
Other Adjustments to Reconcile Profit (Loss)	4	(19.477)	(9.075)

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**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018**

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

	<b>Footnotes</b>	<b>Audited 1 January - 31 December 2019</b>	<b>Audited 1 January - 31 December 2018</b>
<b>Changes in Working Capital</b>		<b>(127.423)</b>	<b>158.933</b>
Adjustments for Decrease (Increase) in Trade Accounts Receivable		(268.044)	(434.330)
Decrease (Increase) in Trade Accounts Receivables from Related Parties	6	(265.060)	(437.309)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties	7	(2.984)	2.979
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		11.988	(30.495)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations	8	11.988	(30.495)
Adjustments for Decrease (Increase) in Inventories	9	(65.911)	(79.893)
Decrease (Increase) in Prepaid Expenses	10	(21.434)	24.542
Adjustments for Increase (Decrease) in Trade Accounts Payable		161.061	671.368
Increase (Decrease) in Trade Accounts Payables to Related Parties	6	82.130	9.506
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties	7	78.931	661.862
Increase (Decrease) in Employee Benefit Liabilities	17	11.730	4.525
Other Adjustments for Other Increase (Decrease) in Working Capital		43.187	3.216
Decrease (Increase) in Other Assets Related with Operations	18	(333)	5.111
Increase (Decrease) in Other Payables Related with Operations	18	43.520	(1.895)
<b>Cash Flows from (used in) Operations</b>		<b>627.779</b>	<b>1.091.686</b>
Payments Related with Provisions for Employee Benefits	17	(6.927)	(5.270)
Income Taxes refund (Paid)	26	(3.125)	(3.546)

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018**

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

	<b>Footnotes</b>	<b>Audited 1 January - 31 December 2019</b>	<b>Audited 1 January - 31 December 2018</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		<b>(135.306)</b>	<b>(765.512)</b>
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		2.630	1.299
Proceeds from Sales of Property, Plant and Equipment		2.630	1.299
Purchase of Property, Plant, Equipment and Intangible Assets		(359.671)	(574.825)
Purchase of Property, Plant and Equipment	11	(297.826)	(524.893)
Purchase of Intangible Assets	13	(61.845)	(49.932)
Cash Advances and Loans Made to Other Parties		221.735	(191.986)
Cash Advances and Loans Made to Related Parties	6	221.735	(191.986)
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		<b>(503.417)</b>	<b>(279.265)</b>
Proceeds from Borrowings		1.116.152	893.840
Proceeds from Loans		1.116.152	894.074
Proceeds from Other Financial Borrowings		-	(234)
Repayments of Borrowings		(1.041.103)	(969.226)
Loan Repayments		(1.040.466)	(969.226)
Payments of Other Financial Borrowings		(637)	-
Decrease in Other Payables to Related Parties		(64.579)	(64.818)
Payments of Lease Liabilities		(23.392)	-
Dividends Paid	6	(566.829)	(240.000)
Interest Paid		(84.991)	(38.937)
Interest Received		161.325	139.876
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES</b>		<b>(20.996)</b>	<b>38.093</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(20.996)</b>	<b>38.093</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	103.283	65.190
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>82.287</b>	<b>103.283</b>

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019

(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 İstanbul (“BİST”) since 21 April 2006.

As of 31 December 2019, the number of personnel employed was 7.821 (31 December 2018: 7.401).

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.	95,18
Other shareholders	4,82
	<b>100,00</b>

As of 31 December 2019, 59.800.000 shares of the Company have been quoted at the Borsa İstanbul (“BİST”) (31,5 % of its share capital; 31 December 2018: 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.

## **VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

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 land, buildings and land improvements and 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/IFRS.

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.

#### **Transition to IFRS 16 “Leases”:**

The Company has applied IFRS 16 “Leases” standard as of 1 January 2019. The Company has accounted the effect of transition based on the simplified approach, therefore, prior year financial statements are not restated. With this approach, all right of use assets have been measured by lease liabilities amount (adjusted by the amount of prepaid or accrued lease payments) as of transition date.

#### **The Company – as a lessee**

At inception of a contract, the Company assesses whether a contract is, or contains a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset. The Company assess whether:

- a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, If the supplier has a substantive substitution right, the asset is not identified.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

- c) The Company has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) The Company has the right to direct use of the asset, The Company concludes to have the right of use, when it is predetermined how and for what purpose the Company will use the asset. The Company has the right to direct use of asset if either:
  - i. The Company has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
  - ii. The Company designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

*Right of use asset*

The right of use asset is initially recognized at cost comprising of:

- a) Amount of the initial measurement of the lease liability;
- b) Any lease payments made at or before the commencement date, less any lease incentives received;
- c) Any initial direct costs incurred by the Company; and
- d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Company re-measure the right of use asset:

- a) After netting-off depreciation and reducing impairment losses from right of use asset.
- b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Company applies TAS16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment. To determine whether the right of use asset is impaired and to recognize any impairment loss, IAS 36 applies the "Impairment of Assets" standard.



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

**Lease Liability**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Company’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- a) Fixed payments, including in-substance fixed payments;
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date.
- c) The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewable period if the Company is reasonably certain to exercise an extension option. and penalties for early termination of a lease unless the Company is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

- a) Increasing the carrying amount to reflect interest on lease liability,
- b) Reducing the carrying amount to reflect the lease payments made and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The duration of the contracts, which constitute the lease obligation of the company, varies between 1 - 10 years.

**Exemptions and simplifications**

Short-term lease payments and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc,) are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period. The Company applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

The Company – as a lessor

The Company’s activities as a lessor are not material.

**First time adoption of TFRS 16 Leases**

The Company has applied TFRS 16 “Leases”, which replaces TAS 17, for the effective period beginning on 1 January 2019. The cumulative impact of applying TFRS 16 is accounted in the financial statements retrospectively (“cumulative impact approach”) at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

With the transition to TFRS 16 “Leases”, a “lease liability” is recognized in the financial statements for the lease contracts which were previously measured under TAS 17 as operational leases. At transition, lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate on the effective transition date. The Company measured right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under TFRS 16 simplified transition approach.

The reconciliation of operating lease commitments under TAS 17 before the transition date and the lease liabilities measured under TFRS 16 as of 1 January 2019 is as below:

	<b>1 January 2019</b>
Operating lease commitments within the scope of TAS 17	3.151
Short term leases (-)	(2.930)
Low value leases (-)	(221)
Adjustments for extension or early termination options	158.329
<b>Total lease liabilities within the scope of TFRS 16 (non-discounted)</b>	<b>158.329</b>
<b>Total lease liabilities within the scope of TFRS 16 (discounted with alternative borrowing rate)</b>	<b>76.143</b>
- Short term lease liabilities	29.615
- Long term lease liabilities	46.528

The weighted average of the Company’s incremental borrowing rates for EUR and TRY currencies as at 1 January 2019 are 5% and 26%

As of January 1, 2019, and December 31, 2019, the details of the right of use assets that are accounted in the financial statements are as follows:

	<b>31 December 2019</b>	<b>1 January 2019</b>
Buildings	38.217	43.353
Machinery, equipment and installations	23.730	32.790
<b>Total right of use</b>	<b>61.947</b>	<b>76.143</b>

The Company’s ongoing rent contracts term for buildings and machineries are 5 years and 2-10 years respectively.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

Impact of IFRS 16 application on balance sheet and profit or loss statement for the twelve months period ended 31 December 2019 is as follows:

	Effects Excluded 31 December 2019	IFRS-16 Effects	31 December 2019
<b>ASSETS</b>			
<b>TOTAL CURRENT ASSETS</b>	<b>3.167.744</b>	<b>-</b>	<b>3.167.744</b>
<b>NON-CURRENT ASSETS</b>			
Right of Use Assets	-	61.947	61.947
Non-Current Assets Other than Above	1.754.111	-	1.754.111
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1.754.111</b>	<b>61.947</b>	<b>1.816.058</b>
<b>TOTAL ASSETS</b>	<b>4.921.855</b>	<b>61.947</b>	<b>4.983.802</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Lease Liabilities	125	19.134	19.259
Current Liabilities Other than Above	2.972.459	-	2.972.459
<b>TOTAL CURRENT LIABILITIES</b>	<b>2.972.584</b>	<b>19.134</b>	<b>2.991.718</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease Liabilities	-	46.528	46.528
Deferred Tax Liabilities	65.732	(743)	64.989
Non-Current Liabilities Other than Above	74.339	-	74.339
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>140.071</b>	<b>45.785</b>	<b>185.856</b>
<b>TOTAL LIABILITIES</b>	<b>3.112.655</b>	<b>64.919</b>	<b>3.177.574</b>
<b>EQUITY</b>			
Current Period Net Profit Or Loss	571.044	(2.972)	568.072
Equity Other than Above	1.238.156	-	1.238.156
<b>TOTAL EQUITY</b>	<b>1.809.200</b>	<b>(2.972)</b>	<b>1.806.228</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4.921.855</b>	<b>61.947</b>	<b>4.983.802</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

	Effects Excluded 31 December 2019	IFRS-16 Effects	31 December 2019
<b>PROFIT OR LOSS</b>			
Revenue	6.967.964	-	6.967.964
Cost of Sales	(6.092.487)	9.197	(6.083.290)
<b>GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS</b>	<b>875.477</b>	<b>9.197</b>	<b>884.674</b>
<b>GROSS PROFIT (LOSS)</b>	<b>875.477</b>	<b>9.197</b>	<b>884.674</b>
Operating Expenses	(283.432)	-	(283.432)
<b>PROFIT (LOSS) FROM OPERATING ACTIVITIES</b>	<b>592.045</b>	<b>9.197</b>	<b>601.242</b>
<b>PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)</b>	<b>592.045</b>	<b>9.197</b>	<b>601.242</b>
Finance Income	338.823	-	338.823
Finance Costs	(362.589)	(12.912)	(375.501)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX</b>	<b>568.279</b>	<b>(3.715)</b>	<b>564.564</b>
Tax (Expense) Income, Continuing Operations	2.765	743	3.508
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>571.044</b>	<b>(2.972)</b>	<b>568.072</b>
<b>PROFIT (LOSS)</b>	<b>571.044</b>	<b>(2.972)</b>	<b>568.072</b>
<b>Earnings Per Share with a TL 1 of Par Value</b>	<b>3,01</b>	<b>(0,016)</b>	<b>2,99</b>

**2.3 Restatement and errors in the accounting estimates**

Major changes in accounting policies are applied retrospectively and any major accounting errors that have been detected are corrected and the financial statements of the previous period are restated. Changes in accounting policies resulting from the initial implementation of a new standard, if any, are implemented retrospectively or prospectively in accordance with the transition provisions. If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)****2.4. Amendments in Turkey Financial Reporting Standards****a) New standards, amendments and interpretations issued and effective for the financial year beginning 31 December 2019:**

- **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 amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized 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. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to 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 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.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

- **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. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

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.

- **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 it’s 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 remainder of the period after a plan amendment, curtailment or settlement; and
  - recognize 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 recognized because of the impact of the asset ceiling.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

**b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:**

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
  - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
  - ii) clarify the explanation of the definition of material; and
  - iii) incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

The Company, will assess the impact of amendments disclosed above and apply as of effective date.

**2.5. Summary of significant accounting policies**

**2.5.1 Revenue**

The Company recognizes revenue in accordance with IFRS 15 “Revenue from contracts with customers” standard by applying the following five step model:

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled.

Revenue from sale of goods is recognized when all the following conditions are satisfied:

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

- (a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- (b) Company can identify each party’s rights regarding the goods or services to be transferred,
- (c) Company can identify the payment terms for the goods or services to be transferred,
- (d) The contract has commercial substance,
- (e) It is probable that Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer’s ability and intention to pay that amount of consideration when it is due.

**2.5.2 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

**2.5.3 Property, plant and equipment**

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 2018 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)****2.5.3 Property, plant and equipment**

Property, plant and equipment except for land, land improvements and buildings acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortization and impairment losses, if any.

Any revaluation increase arising on the revaluation of such land, land improvements and buildings is credited in equity to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land, land improvements and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued land improvements and buildings is charged to profit or loss.

Each period, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statements of comprehensive income) and the depreciation based on the asset’s original cost is transferred from revaluation reserves to the retained earnings.

Land is not depreciated. Plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

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 determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate. On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

Subsequent costs such as repairs and maintenance or part replacement of plant and equipment are included in the asset’s carrying value or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company. All other costs are charged to the statements of comprehensive income during the financial period in which they are incurred.

**Right of use assets:**

The cost of the right-of-use asset comprises:

- a) the amount of the initial measurement of the lease liability,
- b) any lease payments made at or before the commencement date, less any lease incentives received,
- c) any initial direct costs incurred by the Company

To apply the cost model, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The Company applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)****2.5.4 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

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.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

**2.5.5 Financial instruments****a) Financial assets**

The Company classifies its financial assets into the following specified categories: financial assets as at fair value through profit or loss, loans and receivables and available for sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**Financial assets carried at amortized cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost.

The Company’s financial assets carried at amortized cost comprise “trade receivables” and “cash and cash equivalents” in the statement of financial position.

Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision to the trade receivables as a result of a specific event, Company measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected loss is performed based on the past experience of the Company and its expectations for the future indications.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value.

Impairment of financial assets

Impairment of the financial and contractual assets measured by using “Expected credit loss model”. The impairment model applies for amortized financial and contractual assets.

Company has preferred to apply “simplified approach” for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Company measures the loss allowances regarding its trade receivables at an amount equal to “lifetime expected credit losses” except incurred credit losses in which trade receivables are already impaired for a specific reason.

**b) Financial liabilities**

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value.

**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.

The derivative instruments of the Group mainly consist of foreign exchange forward contracts. These derivative transactions, even though providing effective economic hedges under risk accounting, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the financial statements. The fair value changes for these derivatives are recognised in the consolidated profit or loss statement.

The hedging transactions of the Company that qualify for hedge accounting are accounted regarding to IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group’s financial statements.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

Cash flow hedges:

As long as a cash flow hedge meets the qualifying criteria, the hedging relationship shall be accounted for as follows:

(a) the separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

- (i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and
- (ii) the cumulative change in fair value (present value) of the hedged item (i.e. the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.

(b) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognised in other comprehensive income.

(c) any remaining gain or loss on the hedging instrument is hedge ineffectiveness that shall be recognised in profit or loss.

**2.5.6 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.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

**2.5.7 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.

**2.5.8 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 Company companies are considered and referred to as related parties.

**2.5.9 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 Company will benefit from the related incentive.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

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.

**2.5.10 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 2019 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.

**2.5.11 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.

**2.5.12 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.



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

**2.5.13 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.

**2.5.14 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.

**2.5.15 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.

**2.5.16 Going concern**

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

**2.6. 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:

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)****i. Revaluation of lands, buildings and land improvements**

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 2018 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. (Note 11).

As there were no recent similar buying/selling transactions nearby, revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements and machinery and equipment were based on the method of cost approach and based on the following valuation techniques and assumptions:

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.
- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

The carrying values of land, land improvements and buildings do not necessarily reflect the amounts that would result from the outcome of a sales transaction between independent parties.

As of initial recognition and as of balance sheet date, the Company performs impairment assessment for buildings and land improvements of which valuations are based on cost approach, accordance with the TAS 36 “Impairment of Assets”, and no impairment indicator is identified.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

(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>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
<b>Segment revenue</b>		
Turkey	1.241.424	1.226.997
Europe	4.352.798	3.361.699
Other	1.395.035	1.116.240
Gross sales	6.989.257	5.704.936
Discounts (-)	(21.293)	(10.963)
<b>Net sales</b>	<b>6.967.964</b>	<b>5.693.973</b>

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

The amount of export is 5.747.833 thousand TL for the period ended 31 December 2019. (1 January-31 December 2018: 4.477.939 thousand TL). Export sales are denominated in EUR, and USD as 93,1%, and 6,9% of total export respectively (1 January-31 December 2018: 91,9% EUR, 8,1% USD).

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

**NOTE 4 – CASH AND CASH EQUIVALENTS**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Cash	228	300
Bank deposits		
- Demand deposits	82.059	102.983
Blocked deposits	37.041	17.564
<b>Cash and cash equivalents</b>	<b>119.328</b>	<b>120.847</b>

**NOTE 5 – FINANCIAL LIABILITIES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Short - term financial liabilities</b>		
Short term bank loans	714.041	365.864
Short term portion of long term bank loans	13.342	287.078
Lease liabilities	19.259	651
	<b>746.642</b>	<b>653.593</b>
<b>Long - term financial liabilities</b>		
Long term bank loans	10.303	-
Lease liabilities	46.528	111
	<b>56.831</b>	<b>111</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

(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 December 2019			31 December 2018		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
Currency						
- EUR	3,13%	82.089	545.940	1,38%	49.572	298.823
- TL	20,01%	168.101	168.101	24,86%	67.041	67.041
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			<b>714.041</b>			
			<b>714.041</b>			

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

	31 December 2019			31 December 2018		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
Currency						
- EUR	-	-	-	3,80%	38.737	233.508
- TL	19,84%	13.342	13.342	18,10%	53.570	53.570
Short term portion			13.342			287.078
- TL	19,84%	10.303	10.303	-	-	-
Long term portion			10.303			-
			23.645			287.078

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

(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 December 2019</b>	<b>31 December 2018</b>
One to two years	4.106	-
Two to three years	3.491	-
Three to four years	1.562	-
Beş Yılı geçen	1.144	-
	<b>10.303</b>	<b>-</b>

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 December 2019 and 31 December 2018, reconciliation of net financial debt is as below:

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Net financial debt as of 1 January</b>	<b>550.421</b>	<b>466.301</b>
Cash inflows from loans	1.116.152	894.074
Cash outflows from loan payments	(1.040.466)	(969.226)
Cash inflow/outflow from other financial debts	52.179	(234)
Unrealized Fx gain/loss	20.412	184.754
Accrued interest	1.492	12.845
Change in cash and cash equivalents	20.996	(38.093)
<b>Net financial debt at the end of the period</b>	<b>721.186</b>	<b>550.421</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

(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 December 2019</b>	<b>31 December 2018</b>
Vestel Ticaret A.Ş.	1.742.304	1.481.423
	1.742.304	1.481.423
Unearned interest on receivables (-)	(1.133)	(5.312)
	<b>1.741.171</b>	<b>1.476.111</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 December 2019</b>	<b>31 December 2018</b>
Vestel Elektronik Sanayi ve Ticaret A.Ş.	57.962	44.299
Vestel Ticaret A.Ş.	6.216	3.667
Vestel Holland B.V.	67.598	2.738
Other related parties	637	420
	132.413	51.124
Unearned interest on payables (-)	(33)	(874)
	<b>132.380</b>	<b>50.250</b>

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
Vestel Elektronik Sanayi ve Ticaret A.Ş.	<b>482.149</b>	<b>703.884</b>

The Company’s interest rate of other receivables in TL is 21% (31 December 2018: 36%).

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
Vestel Elektronik Sanayi ve Ticaret A.Ş.	<b>70.291</b>	<b>130.423</b>

The Company’s interest rate of other payables in EUR is Euribor +3,20 (31 December 2018: Euribor +3,20).

**e) Lease liabilities to related parties**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Vestel Elektronik Sanayi ve Ticaret A.Ş.	<b>39.519</b>	-

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

**f) Transactions with related parties**

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
<b>Sales</b>		
Vestel Ticaret A.Ş.	6.823.274	5.721.813
Vestel Elektronik Sanayi ve Ticaret A.Ş.	71.581	26.319
Other related parties	29	235
	<b>6.894.884</b>	<b>5.748.367</b>
<b>Purchases and operating expenses</b>		
Vestel Holland B.V.	214.045	48.735
Vestel Elektronik Sanayi ve Ticaret A.Ş.	332.544	250.488
Other related parties	29.942	21.449
	<b>576.531</b>	<b>320.672</b>
	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
<b>Other operating income</b>		
Vestel Ticaret A.Ş.	210.618	449.170
Other related parties	5.945	4.308
	<b>216.563</b>	<b>453.478</b>
<b>Other operating expense</b>		
Vestel Ticaret A.Ş.	84.104	182.957
Other related parties	4.487	4.813
	<b>88.591</b>	<b>187.770</b>
<b>Dividend paid</b>		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	539.483	227.091
Public shares	27.346	12.909
	<b>566.829</b>	<b>240.000</b>



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

**g) Transactions with related parties (cont’d)**

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
<b>Financial income</b>		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	158.044	133.487
Other related parties	123	-
	<b>158.167</b>	<b>133.487</b>
<b>Financial expense</b>		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	17.341	56.890
Other related parties	12	-
	<b>17.353</b>	<b>56.890</b>

**h)** Guarantees received from and given to related parties are disclosed in note 14.

**i) 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 twelve months period ended 31 December 2019 is 8.025 thousand TL (1 January -31 December 2018: 6.067 thousand TL).

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

**NOTE 7 – TRADE RECEIVABLES AND PAYABLES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Short - term trade receivables</b>		
Trade receivables		
- Related parties (note 6)	1.742.304	1.481.423
- Other parties	6.096	4.517
Cheques and notes receivables	1.500	-
	1.749.900	1.485.940
Unearned interest expense (-)		
- Related parties (note 6)	(1.133)	(5.312)
- Other parties	(9)	(139)
Allowance for doubtful receivables (-)	(501)	(276)
<b>Total short - term trade receivables</b>	<b>1.748.257</b>	<b>1.480.213</b>

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Short term trade payables</b>		
Trade payables		
- Related parties (note 6)	132.413	51.124
- Other parties	1.937.952	1.857.966
	2.070.365	1.909.090
Unearned interest income (-)		
- Related parties (note 6)	(33)	(874)
- Other parties	(410)	(7.139)
<b>Total short term trade payables</b>	<b>2.069.922</b>	<b>1.901.077</b>
<b>Long term trade payables</b>		
Trade payables		
- Other parties	6.856	15.028
	6.856	15.028
Unearned interest income (-)		
- Other parties	(109)	(497)
<b>Total long term trade payables</b>	<b>6.747</b>	<b>14.531</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

**NOTE 8 – OTHER RECEIVABLES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Short - term other receivables</b>		
Other receivables from related parties (note 6)	482.149	703.884
Receivables from government agencies	139.045	155.464
Deposits and guarantees given	7.654	6.849
Other receivables	1.357	1.479
	<b>630.205</b>	<b>867.676</b>

**NOTE 9 – INVENTORIES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Raw materials	387.201	362.841
Work in process	10.816	10.344
Finished goods	249.142	208.063
	647.159	581.248
Provision for impairment on inventories (-)	(1.023)	(2.194)
	<b>646.136</b>	<b>579.054</b>

As of 31 December 2019 the Company does not have inventories pledged as security for liabilities (31 December 2018: None).

Cost of the inventory included in the cost of sales for the current period amounts to 5.271.194 thousand TL (1 January – 31 December 2018: 4.181.421 thousand TL).

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

(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 December 2019</b>	<b>31 December 2018</b>
Finished goods and merchandise	1.023	2.194
	<b>1.023</b>	<b>2.194</b>

Movement of inventory impairment on inventories is as follows:

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
<b>Opening balance, 1 January</b>	<b>2.194</b>	<b>1.175</b>
Current year additions	3.521	2.194
Realised due to sale of inventory	(4.692)	(1.175)
<b>Balance at 31 December</b>	<b>1.023</b>	<b>2.194</b>

**NOTE 10 – PREPAID EXPENSES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Prepaid expenses in current assets</b>		
Order advances given	11.170	6.815
Prepaid expenses	8.819	5.701
Business advances given	63	107
	<b>20.052</b>	<b>12.623</b>
<b>Prepaid expenses in non-current assets</b>		
Advances given for fixed asset purchases	52.981	38.694
Prepaid expenses	614	896
	<b>53.595</b>	<b>39.590</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

	<b>1 January 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfer</b>	<b>Fair value increase</b>	<b>31 December 2019</b>
<b>Cost or revaluation</b>						
Land	192.824	-	-	-	-	192.824
Land improvements	40.833	165	-	-	-	40.998
Buildings	438.634	7.485	(716)	1.645	-	447.048
Leasehold improvements	10.100	340	-	467	-	10.907
Plant and machinery	1.499.154	207.408	(7.937)	64.889	-	1.763.514
Motor vehicles	600	26	-	-	-	626
Furniture and fixtures	69.513	4.727	(368)	2.847	-	76.719
Construction in progress	37.488	77.675	-	(69.932)	-	45.231
	<b>2.289.146</b>	<b>297.826</b>	<b>(9.021)</b>	<b>(84)</b>	<b>-</b>	<b>2.577.867</b>
<b>Accumulated depreciation</b>						
Land improvements	-	1.366	-	-	-	1.366
Buildings	-	11.502	(6)	-	-	11.496
Leasehold improvements	4.387	1.387	-	-	-	5.774
Plant and machinery	806.605	193.171	(7.645)	-	-	992.131
Motor vehicles	379	79	-	-	-	458
Furniture and fixtures	42.411	8.318	(346)	-	-	50.383
	<b>853.782</b>	<b>215.823</b>	<b>(7.997)</b>	<b>-</b>	<b>-</b>	<b>1.061.608</b>
<b>Net book value</b>	<b>1.435.364</b>					<b>1.516.259</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

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

	<b>1 January 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfer</b>	<b>Fair value increase</b>	<b>31 December 2018</b>
<b>Cost</b>						
Land	39.063	-	-	-	153.761	192.824
Land improvements	3.275	75	-	(2.400)	39.883	40.833
Buildings	71.623	10.044	-	47.923	309.044	438.634
Leasehold improvements	7.514	1.347	(8)	1.247	-	10.100
Plant and machinery	1.056.638	217.251	(17.544)	242.809	-	1.499.154
Motor vehicles	589	70	(59)	-	-	600
Furniture and fixtures	54.285	10.054	(381)	5.555	-	69.513
Construction in progress	83.051	286.052	-	(331.615)	-	37.488
	<b>1.316.038</b>	<b>524.893</b>	<b>(17.992)</b>	<b>(36.481)</b>	<b>502.688</b>	<b>2.289.146</b>
<b>Accumulated depreciation</b>						
Land improvements	2.431	62	-	(2.493)	-	-
Buildings	30.785	3.203	-	(33.988)	-	-
Leasehold improvements	3.444	947	(4)	-	-	4.387
Plant and machinery	689.240	134.692	(17.327)	-	-	806.605
Motor vehicles	340	93	(54)	-	-	379
Furniture and fixtures	36.596	6.138	(323)	-	-	42.411
	<b>762.836</b>	<b>145.135</b>	<b>(17.708)</b>	<b>(36.481)</b>	<b>-</b>	<b>853.782</b>
<b>Net book value</b>	<b>553.202</b>					<b>1.435.364</b>

Additions to property, plant and equipment in the period 1 January – 31 December 2019 and 2019 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 FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**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 December 2019	1 January - 31 December 2018
Cost of sales	221.424	141.234
Research and development expenses	33.700	23.399
Marketing, selling and distribution expenses	612	531
General administrative expenses	1.704	1.240
	<b>257.440</b>	<b>166.404</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 12 – RIGHT OF USE ASSETS**

	1 January 2019	Effect of change in accounting policies	Additions	31 December 2019
<b>Cost</b>				
Land and buildings	-	43.353	-	43.353
Machinery	-	32.790	-	32.790
	-	<b>76.143</b>	-	<b>76.143</b>
<b>Accumulated amortization</b>				
Land and buildings	-	-	5.136	5.136
Machinery	-	-	9.060	9.060
	-	-	<b>14.196</b>	<b>14.196</b>
<b>Net book value</b>	-	<b>76.143</b>	-	<b>61.947</b>

**NOTE 13 – INTANGIBLE ASSETS**

	1 January 2019	Additions	Disposals	Transfers	31 December 2019
<b>Cost</b>					
Rights	6.429	105	-	-	6.534
Development cost	244.701	57.623	(797)	-	301.527
Other intangible assets	16.127	4.117	-	84	20.328
	<b>267.257</b>	<b>61.845</b>	<b>(797)</b>	<b>84</b>	<b>328.389</b>
<b>Accumulated amortization</b>					
Rights	6.360	9	-	-	6.369
Development cost	107.534	26.038	-	-	133.572
Other intangible assets	6.496	1.443	-	-	7.939
	<b>120.390</b>	<b>27.490</b>	-	-	<b>147.880</b>
<b>Net book value</b>	<b>146.867</b>				<b>180.509</b>



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 13 – INTANGIBLE ASSETS(Cont’d)**

	1 January 2018	Additions	Disposals	Transfers	31 December 2018
<b>Cost</b>					
Rights	6.376	53	-	-	6.429
Development cost	197.197	47.514	(10)	-	244.701
Other intangible assets	13.762	2.365	-	-	16.127
	<b>217.335</b>	<b>49.932</b>	<b>(10)</b>	<b>-</b>	<b>267.257</b>
<b>Accumulated amortization</b>					
Rights	6.357	3	-	-	6.360
Development cost	87.391	20.143	-	-	107.534
Other intangible assets	5.373	1.123	-	-	6.496
	<b>99.121</b>	<b>21.269</b>	<b>-</b>	<b>-</b>	<b>120.390</b>
<b>Net book value</b>	<b>118.214</b>				<b>146.867</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.

Useful lives of intangible assets are as follows:

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

**NOTE 14 – GOVERNMENT GRANTS**

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The grants obtained by the Company in nature are as follows:

- i) Exemption from customs duty on machinery and equipment to be imported,
- ii) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
- iii) Incentives under jurisdiction of the research and development law
- iv) Inward processing permission certificates,
- v) Cash refund from Tübitak-Teydeb for research and development expenses,
- vi) Discounted corporate tax incentive,
- vii) Insurance premium employer share incentive,

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019**

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**NOTE 14 – GOVERNMENT GRANTS (Cont'd)**

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to 622 thousand TL for the period 1 January - 31 December 2019 (1 January - 31 December 2018: 548 thousand TL).

Brand support incentive Turquality does not any obtained from Republic of Turkey Prime Ministry Undersecretary of Treasury in year 2019 (2018: 9 thousand TL).

**NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

**a) Provisions**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Short - term provisions</b>		
Provision for lawsuit risks	5.847	3.190
	<b>5.847</b>	<b>3.190</b>

The movements in the provision for lawsuits are as follows:

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
<b>Opening balance, 1 January</b>	<b>3.190</b>	<b>2.197</b>
Current year additions	2.777	1.037
Payments/ disposals	(120)	(44)
<b>Balance at 31 December</b>	<b>5.847</b>	<b>3.190</b>

**b) Guarantees received by the Company**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Guarantee letters	27.573	27.062
Cheques and notes	1.330	6.879
Collaterals and pledges	5.605.504	5.269.273
	<b>5.634.407</b>	<b>5.303.214</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 FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 15 – 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 December 2019</b>				
A. CPM's given on behalf of its own legal entity	-	2.000	29.100	42.401
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	32.031	854.695	7.056.271
i. Total amount of CPM's given on behalf of the parent company	722.288	-	614.636	4.905.169
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	32.031	240.059	2.151.102
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
<b>Total</b>	<b>1.008.140</b>	<b>34.031</b>	<b>883.795</b>	<b>7.098.672</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

**NOTE 15 – 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 2018</b>				
A. CPM's given on behalf of its own legal entity	-	7.420	41.916	86.642
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	6.479.785
i. Total amount of CPM's given on behalf of the parent company	722.288	-	667.835	4.467.720
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	2.012.065
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
<b>Total</b>	<b>1.008.140</b>	<b>51.907</b>	<b>949.810</b>	<b>6.566.427</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 391 % as of 31 December 2019 (31 December 2018: 358%).

**NOTE 16 – COMMITMENTS**

As of the balance sheet date the Company has committed to realize exports amounting to 800.533 thousand USD (31 December 2018: 615.687 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2019 the Company has forward foreign currency purchase contract that amounts to 289.370 thousand TL, 61.191 thousand EUR and 127.966 thousand USD against forward foreign currency sales contract that amounts to 104.806 thousand EUR, 60.682 thousand USD and 402.625 thousand TL (31 December 2018: 347.064 thousand TL, 41.714 thousand EUR and 158.639 thousand USD against forward foreign currency sales contract that amounts to 109.555 thousand EUR, 23.681 thousand USD and 669.358 thousand TL).

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

**NOTE 17 – EMPLOYEE BENEFITS**

**Liabilities for employee benefits:**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Due to personnel	32.176	23.224
Social security payables	10.750	7.972
	<b>42.926</b>	<b>31.196</b>

**Long term provisions for employee benefits:**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Provision for employment termination benefits	<b>57.289</b>	<b>38.713</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 6.379,86 TL / year as of 31 December 2019 (31 December 2018: 5.434,42 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 December 2019 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31 December 2019 provision is calculated based on real discount rate of 5,71% (31 December 2018: 5,45%) assuming 10 % annual inflation rate and 12,71% discount rate.

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**NOTE 17 – EMPLOYEE BENEFITS (Cont'd)**

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

As of 31 December 2018, an increase in annual discount rate by 0,25% would lead to a decrease in employee benefit liability by 4% ; a decrease in annual discount rate by 0,25% would lead to an increase in employee benefit liability by 4,2%. (31 December 2018: 3.8% decrease and 4 % increase).

As of 31 December 2018, an increase in salary escalation by 0,25% would lead to an increase in employee benefit liability by 4,3%; a decrease in salary escalation by 0,25% would lead to a decrease in employee benefit liability by 4,1%. ( 31 December 2016: 4,2% increase and 4% decrease)

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
<b>Balance at 1 January</b>	<b>38.713</b>	<b>31.749</b>
Increase during the year	10.539	7.104
Payments during the year	(6.927)	(5.270)
Actuarial (gain) /loss	9.032	1.707
Interest expense	5.932	3.423
<b>Balance at 31 December</b>	<b>57.289</b>	<b>38.713</b>

**NOTE 18 – OTHER ASSETS AND LIABILITIES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Other current assets</b>		
VAT carried forward	97	221
Other	1.066	609
	<b>1.163</b>	<b>830</b>
<b>Other current liabilities</b>		
Taxes and dues payable	14.564	6.280
Advances received	32.442	108
Other	3.316	414
	<b>50.322</b>	<b>6.802</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 19 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS**

**a) Paid in capital**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Shares of par value TL 1 each		
Issued share capital	190.000	190.000

As of 31 December 2019 and 31 December 2018 the shareholding structure is as follows:

	<b>Shareholding</b>		<b>Amount</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Vestel Elektronik Sanayi ve Ticaret A.Ş.	95,18%	95,18%	180.834	180.834
Shares held by public	4,82%	4,82%	9.166	9.166
	<b>100,00%</b>	<b>100,00%</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.

	<b>31 December 2019</b>	<b>31 December 2018</b>
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.

	<b>31 December 2019</b>	<b>31 December 2018</b>
Share premium	109.031	109.031

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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

**NOTE 19 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont’d)**

**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.

	<b>31 December 2019</b>	<b>31 December 2018</b>
Legal reserves	<b>173.938</b>	<b>118.206</b>

**e) Retained earnings**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Extraordinary reserves	282.356	282.356
Previous year’s profits	77.116	70.365
	<b>359.472</b>	<b>352.721</b>



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 19 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont’d)****f) Dividend distribution**

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

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

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

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

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 20 – SALES**

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Domestic sales	1.241.424	1.226.997
Overseas sales	5.747.833	4.477.939
<b>Gross sales</b>	<b>6.989.257</b>	<b>5.704.936</b>
Less: Sales discounts (-)	(21.293)	(10.963)
<b>Net sales</b>	<b>6.967.964</b>	<b>5.693.973</b>
Cost of sales	(6.083.290)	(4.781.608)
<b>Gross profit</b>	<b>884.674</b>	<b>912.365</b>

**NOTE 21 – EXPENSES BY NATURE**

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Raw materials, supplies and finished goods	5.312.745	4.210.609
Changes in finished goods, work in process and trade goods	(41.551)	(29.188)
Personnel expenses	474.957	360.495
Depreciation and amortization	257.440	166.404
Other	300.151	257.876
	<b>6.303.742</b>	<b>4.966.196</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019**

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**NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES**

**a) General administrative expenses:**

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
<b>a) General and administrative expenses:</b>		
Personnel expenses	15.242	12.279
Consultancy Expenses	23.974	19.391
Rent and office expenses	6.890	5.216
Travelling expenses	2.022	1.379
Energy expenses	1.022	830
Depreciation and amortization	1.704	1.240
Benefits and services provided externally	285	373
Other	17.898	18.629
	<b>69.037</b>	<b>59.337</b>

**b) Marketing expenses:**

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Personnel expenses	21.288	16.271
Transportation, distribution and storage expenses	46.177	43.128
Taxes and duties	12.868	9.343
Insurance expenses	1.958	1.812
Depreciation and amortization	612	531
Other	10.489	8.676
	<b>93.392</b>	<b>79.761</b>

**c) Research and development expenses:**

Depreciation and amortization	33.700	23.399
Personnel expenses	8.554	9.208
Other	15.769	12.883
	<b>58.023</b>	<b>45.490</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 23 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES**

**a) Other operating income**

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Credit finance gains arising from trading activities	19.272	6.896
Foreign exchange gains arising from trading activities	287.459	471.622
Other income	7.637	9.390
	<b>314.368</b>	<b>487.908</b>

**b) Other operating expenses**

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Debit finance charges arising from trading activities	22.222	11.031
Foreign exchange expenses arising from trading activities	324.452	599.067
Other expenses	30.674	12.287
	<b>377.348</b>	<b>622.385</b>

**NOTE 24 – FINANCIAL INCOME AND FINANCIAL EXPENSE**

**a) Financial income:**

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Foreign exchange gains	30.031	52.973
Gains on derivative financial instruments	147.467	414.750
Interest income	161.325	139.876
	<b>338.823</b>	<b>607.599</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 24 – FINANCIAL INCOME AND FINANCIAL EXPENSE (Cont’d)**

**b) Financial expense:**

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Foreign exchange losses	77.894	215.339
Losses on derivative financial instruments	210.801	311.867
Interest expense	86.616	51.782
Other finance expenses	190	144
	<b>375.501</b>	<b>579.132</b>

**NOTE 25 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS**

**a) Cash flow hedge fund:**

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
<b>Opening balance, 1 January</b>	(636)	(1.352)
Gains (losses) on cash flow hedges	816	918
Taxes relating to cash flow hedges	(180)	(202)
Diğer		
<b>Balance at 31 December</b>	<b>-</b>	<b>(636)</b>

**b) Actuarial (loss) / gain arising from defined benefit plans:**

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
<b>Opening balance, 1 January</b>	(7.569)	(6.203)
Gains (losses) on remeasurements of defined benefit plans	(9.032)	(1.707)
Taxes relating to remeasurements of defined benefit plans	1.806	341
<b>Balance at 31 December</b>	<b>(14.795)</b>	<b>(7.569)</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 26 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Corporation and income taxes	2.913	5.512
Prepaid taxes	(2.409)	(4.796)
<b>Current income tax liabilities - net</b>	<b>504</b>	<b>716</b>
Deffered tax liabilities	(64.989)	(73.036)
<b>Deferred tax assets / (liabilities)</b>	<b>(64.989)</b>	<b>(73.036)</b>

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

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

According to the Corporate Tax Law, 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.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019**

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**NOTE 26 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)**

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 December 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 December 2019 and 2018 tax expense in the statement of income is as follows:

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Current period tax expense	(2.913)	(5.512)
Deferred tax benefit / (expense)	6.421	6.306
<b>Total tax income</b>	<b>3.508</b>	<b>794</b>

Total tax benefit for the year can be reconciled to the accounting profit as follows:

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
<b>Profit before tax</b>	<b>564.564</b>	<b>621.767</b>
Local tax rate	22%	22%
Tax income calculated using local tax rate	(124.204)	(136.789)
Non-deductible expenses	(914)	(2.968)
Discounts and exemptions	16.490	18.247
Discounted corporate tax advantage	112.860	122.129
Effect of legal tax rate change on deferred tax	(805)	(175)
Other	81	350
	<b>3.508</b>	<b>794</b>

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 26 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont’d)**

**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

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:

	<b>Cumulative temporary differences</b>		<b>Deferred tax</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Deferred tax assets</b>				
Employment termination benefits	(57.289)	(38.713)	11.458	7.743
Maddi ve maddi olmayan duran varlıkların kayıtlı değerleri ile vergi matrahları arasındaki net fark	(12.900)	-	2.580	-
Provision for impairment on inventories	(1.023)	(2.194)	225	483
Derivative financial instruments	(5.264)	(20.129)	1.158	4.428
Other	(20.623)	(13.114)	4.537	2.885
			<b>19.958</b>	<b>15.539</b>



**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019**

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**NOTE 26 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)**

	Cumulative temporary differences		Deferred tax	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
<b>Deferred tax liabilities</b>				
Useful life and valuation differences on property, plant and equipment and intangible assets	-	8.480	-	(1.696)
Revaluation of tangible fixed assets	496.359	502.688	(83.474)	(85.161)
Derivative financial instruments	2.603	2.028	(573)	(446)
Other	4.500	6.360	(900)	(1.272)
			<b>(84.947)</b>	<b>(88.575)</b>
<b>Deferred tax assets / (liabilities) - net</b>			<b>(64.989)</b>	<b>(73.036)</b>

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

	1 January - 31 December 2019	1 January - 31 December 2018
<b>Opening balance, 1 January</b>	<b>(73.036)</b>	<b>5.681</b>
Tax expense recognized in income statement	6.421	6.306
Recognized in shareholders' equity	1.626	(85.022)
<b>Deferred tax liabilities at the end of the period, net</b>	<b>(64.989)</b>	<b>(73.035)</b>
Subsidiaries with net deferred tax liabilities	(64.989)	(73.036)
Subsidiaries with net deferred tax assets	-	1

**NOTE 27- EARNINGS PER SHARE**

	1 January - 31 December 2019	1 January - 31 December 2018
Net (loss) / income attributable to equity holders of the parent	568.072	622.561
Weighted number of ordinary shares with a TL 1 of par value (thousand shares)	190.000	190.000
	<b>2,99</b>	<b>3,28</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 28 – DERIVATIVE INSTRUMENTS**

	31 December 2019		31 December 2018	
	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	673.575	2.603	287.560	2.028
<b><u>Derivative financial liabilities:</u></b>				
<b>Held for trading</b>				
Forward foreign currency transactions	782.893	(5.264)	1.000.866	(19.314)
<b>Cash flow hedge</b>				
Forward foreign currency transactions	-	-	144.675	(815)
	<b>1.456.468</b>	<b>(2.661)</b>	<b>1.433.101</b>	<b>(18.101)</b>

**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

**a) Capital risk management:**

The Company manages its capital to ensure that it will maintain its status as a going concern while maximizing the return to stakeholders through optimization of the debt and equity balance.

The management considers the cost of capital and the risks associated with each class of capital. The management aims to balance its overall capital structure through the payment of dividends, share issues and proceeds from or repayments of debt.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 29– FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)**

As of 31 December 2019 and 2018 the Company’s net debt / total equity ratios are as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Total financial liabilities (note 5)	803.473	653.704
Cash and cash equivalents (note 4)	(119.328)	(120.847)
<b>Net debt</b>	<b>684.145</b>	<b>532.857</b>
Total equity	1.806.228	1.811.575
<b>Capital invested</b>	<b>2.490.373</b>	<b>2.344.432</b>
<b>Net debt/capital invested</b>	<b>0,27</b>	<b>0,23</b>

**b) Financial risk factors:**

The Company’s activities expose it to a variety of financial risks including the foreign currency exchange rates risk, credit risk and liquidity risk. The Company’s overall risk management program on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company uses derivative financial instruments in order to protect itself from various financial risks.

**b.1) Credit risk:**

Credit risk arises from bank deposits, trade receivables and other trade receivables. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of these agreements. The Company sells significant portion of its products to Vestel Ticaret A.Ş. which is a group company. Credit risk is evaluated by considering past experiences and current economic conditions and receivables is presented in the balance sheet after appropriate amount of provision for doubtful receivables is allocated. The company considers that the credit risk is managed effectively. The following statements show the analysis of credit risk as of 31 December 2019 and 31 December 2018:

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**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)**

31 December 2019	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
Maximum exposed credit risk as at 31 March 2019 (A+B+C+D)	1.741.171	7.086	482.149	148.056	82.059	37.269
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	1.741.171	7.086	482.149	148.056	82.059	37.269
B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired	-	-	-	-	-	-
C.Net book value of overdue but not impaired financial assets	-	372	-	-	-	-
- Secured portion by guarantees, etc	-	(372)	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Overdue	-	501	-	-	-	-
- Impairment	-	(501)	-	-	-	-
-Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

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**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)**

31 December 2018	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
Maximum exposed credit risk as at 31 December 2018 (A+B+C+D)	1.476.111	4.102	703.884	163.792	102.983	17.864
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	1.476.111	4.102	703.884	163.792	102.983	17.864
B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired	-	-	-	-	-	-
C.Net book value of overdue but not impaired financial assets	-	-	-	-	-	-
- Secured portion by guarantees, etc	-	-	-	-	-	-
D. Net book value of the impaired assets	-	276	-	-	-	-
- Overdue	-	(276)	-	-	-	-
- Impairment	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

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**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)**

Aging of financial assets which are overdue but not impaired is as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
0 -1 month	247	-
1 -3 months	125	-
<b>Total overdue receivables</b>	<b>372</b>	<b>-</b>

**b.2) Price risk:**

Due to the fact that the Company’s operating profit and cash flows from operating activities has been affected by competition in the sector and changes in raw material prices, the prices is monitored by the Company management and cost-cutting measures has been taken in order to mitigate cost pressure effect on price level. In addition, the Company reviews market prices for active financial and operational risk management regularly.

Existing risks has been monitored on Audit Committee and Board of Directors meetings and raw material prices in market is reviewed closely.

**b.3) Liquidity risk:**

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company manages liquidity risk by providing the continuity of sufficient funds and loan reserves by twinning the maturities of financial assets and liabilities by following cash flow regularly.

The following tables detail the Company’s remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Derivative financial liabilities are presented by undiscounted net inflows and outflows.

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**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)**

The analysis of the Company’s financial liabilities with respect to their maturities as of 31 December 2019:

<b>Contractual Maturities</b>	<b>Book Value</b>	<b>Total contractual cash outflows</b>	<b>Less than 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>More than 5 years</b>
<b>Non-derivative financial liabilities</b>						
Bank Borrowings and lease liabilities	803.473	807.117	396.538	358.731	51.848	-
Trade Payables	2.076.669	2.077.212	1.644.545	417.841	14.826	-
Other Payables	70.291	70.291	42.956	27.335	-	-
	<b>2.950.433</b>	<b>2.954.620</b>	<b>2.084.039</b>	<b>803.907</b>	<b>66.674</b>	<b>-</b>
<b>Derivative financial instruments</b>						
Derivative cash inflows	-	(1.456.468)	(1.456.468)	-	-	-
Derivative cash outflows	-	1.460.115	1.460.115	-	-	-
	<b>2.661</b>	<b>3.647</b>	<b>3.647</b>	<b>-</b>	<b>-</b>	<b>-</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)**

The analysis of the Company’s financial liabilities with respect to their maturities as of 31 December 2018:

<b>Contractual Maturities</b>	<b>Book Value</b>	<b>Total contractual cash outflows</b>	<b>Less than 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>More than 5 years</b>
<b>Non-derivative financial liabilities</b>						
Bank Borrowings and lease liabilities	653.704	660.046	444.430	215.616	-	-
Trade Payables	1.915.608	1.923.196	1.502.710	405.955	14.531	-
Other Payables	130.423	133.370	45.135	88.235	-	-
	<b>2.699.735</b>	<b>2.716.612</b>	<b>1.992.275</b>	<b>709.806</b>	<b>14.531</b>	<b>-</b>
<b>Derivative financial instruments</b>						
Derivative cash inflows	-	(1.433.101)	(1.433.101)	-	-	-
Derivative cash outflows	-	1.454.335	1.454.335	-	-	-
	<b>18.101</b>	<b>21.234</b>	<b>21.234</b>	<b>-</b>	<b>-</b>	<b>-</b>

**b.4) Foreign currency risk:**

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

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



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

**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)**

<b>31 December 2019</b>	<b>USD</b>	<b>EUR</b>	<b>Other (TL Equivalent)</b>	<b>TL Equivalent</b>
1. Trade receivables	12.086	170.908	-	1.208.434
2a. Monetary financial assets (including cash and cash equivalents)	-	-	-	-
	142	17.555	47	117.642
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	6.302	-	41.912
<b>4. Current assets (1+2+3)</b>	<b>12.228</b>	<b>194.765</b>	<b>47</b>	<b>1.367.988</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	304	4.038	-	28.661
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>304</b>	<b>4.038</b>	<b>-</b>	<b>28.661</b>
<b>9. Total assets (4+8)</b>	<b>12.532</b>	<b>198.803</b>	<b>47</b>	<b>1.396.649</b>
10. Trade payables	150.059	100.787	1.812	1.563.486
11. Financial liabilities	-	82.089	-	545.940
12a. Other monetary liabilities	3.760	7.211	-	70.293
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>153.819</b>	<b>190.087</b>	<b>1.812</b>	<b>2.179.719</b>
14. Trade payables	-	905	-	6.019
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>-</b>	<b>905</b>	<b>-</b>	<b>6.019</b>
<b>18. Total liabilities (13+17)</b>	<b>153.819</b>	<b>190.992</b>	<b>1.812</b>	<b>2.185.738</b>
<b>19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)</b>	<b>67.283</b>	<b>(43.615)</b>	<b>-</b>	<b>109.609</b>
19a. Hedged total assets	127.965	61.191	-	1.167.095
19b. Hedged total liabilities	(60.682)	(104.806)	-	(1.057.486)
<b>20. Net foreign currency asset/ (liability) position (9-18+19)</b>	<b>(74.004)</b>	<b>(35.804)</b>	<b>(1.765)</b>	<b>(679.480)</b>
<b>21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(141.591)</b>	<b>(2.529)</b>	<b>(1.765)</b>	<b>(859.662)</b>
<b>22. Fair value of financial instruments used in foreign currency hedging</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.661)</b>
23. Export	69.357	841.762	-	5.747.833
24. Import	273.099	171.752	2.211	2.638.975

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)**

<b>31 December 2018</b>	<b>USD</b>	<b>EUR</b>	<b>Other (TL Equivalent)</b>	<b>TL Equivalent</b>
1. Trade receivables	13.135	195.171	-	1.245.593
2a. Monetary financial assets (including cash and cash equivalents)	-	-	-	-
	183	12.657	80	77.339
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>13.318</b>	<b>207.828</b>	<b>80</b>	<b>1.322.932</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	160	2.783	-	17.618
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>160</b>	<b>2.783</b>	<b>-</b>	<b>17.618</b>
<b>9. Total assets (4+8)</b>	<b>13.478</b>	<b>210.611</b>	<b>80</b>	<b>1.340.550</b>
10. Trade payables	185.034	83.146	519	1.475.168
11. Financial liabilities	-	88.309	-	532.325
12a. Other monetary liabilities	-	21.636	-	130.422
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>185.034</b>	<b>193.091</b>	<b>519</b>	<b>2.137.915</b>
14. Trade payables	-	2.261	-	13.629
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>-</b>	<b>2.261</b>	<b>-</b>	<b>13.629</b>
<b>18. Total liabilities (13+17)</b>	<b>185.034</b>	<b>195.352</b>	<b>519</b>	<b>2.151.544</b>
<b>19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)</b>	<b>134.958</b>	<b>(67.841)</b>	<b>-</b>	<b>301.055</b>
19a. Hedged total assets	158.639	41.714	-	1.086.036
19b. Hedged total liabilities	(23.681)	(109.555)	-	(784.981)
<b>20. Net foreign currency asset/ (liability) position (9-18+19)</b>	<b>(36.598)</b>	<b>(52.582)</b>	<b>(439)</b>	<b>(509.939)</b>
<b>21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(171.716)</b>	<b>12.476</b>	<b>(439)</b>	<b>(828.612)</b>
<b>22. Fair value of financial instruments used in foreign currency hedging</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18.101)</b>
23. Export	74.243	711.036	-	4.477.939
24. Import	305.596	197.115	1.878	2.545.901

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**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)**

As of 31 December 2019 and 31 December 2018, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

	Gain / Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
<b>31 December 2019</b>				
<b>+/- 10% fluctuation of USD rate:</b>				
USD net asset / liability	(84.108)	84.108	(84.108)	84.108
Secured portion from USD risk (-)	39.964	(39.964)	39.964	(39.964)
<b>USD net effect</b>	<b>(44.144)</b>	<b>44.144</b>	<b>(44.144)</b>	<b>44.144</b>
<b>+/- 10% fluctuation of EUR rate:</b>				
EUR net asset / liability	(1.682)	1.682	(1.682)	1.682
Secured portion from EUR risk (-)	(29.209)	29.209	(29.209)	29.209
<b>EUR net effect</b>	<b>(30.891)</b>	<b>30.891</b>	<b>(30.891)</b>	<b>30.891</b>
<b>+/- 10% fluctuation of other currency rates:</b>				
Other currencies net asset / liability	(177)	177	(177)	177
<b>Other currency net effect</b>	<b>(177)</b>	<b>177</b>	<b>(177)</b>	<b>177</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 29 – 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 2018</b>				
<b>+/- 10% fluctuation of USD rate:</b>				
USD net asset / liability	(90.338)	90.338	(90.338)	90.338
Secured portion from USD risk (-)	56.569	(56.569)	70.977	(70.977)
<b>USD net effect</b>	<b>(33.769)</b>	<b>33.769</b>	<b>(19.361)</b>	<b>19.361</b>
<b>+/- 10% fluctuation of EUR rate:</b>				
EUR net asset / liability	7.521	(7.521)	7.521	(7.521)
Secured portion from EUR risk (-)	(26.755)	26.755	(41.244)	41.244
<b>EUR net effect</b>	<b>(19.234)</b>	<b>19.234</b>	<b>(33.723)</b>	<b>33.723</b>
<b>+/- 10% fluctuation of other currency rates:</b>				
Other currencies net asset / liability	(44)	44	(44)	44
<b>Other currency net effect</b>	<b>(44)</b>	<b>44</b>	<b>(44)</b>	<b>44</b>

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)**

**b.5) Interest rate risk:**

The Company is exposed to interest rate risk as the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate hedge contracts and forward interest rate contracts.

Analysis of financial instruments of the Company which are sensitive to interest rate changes is as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Financial instruments with fixed interest rates</b>		
Time deposits	-	-
Financial liabilities	803.473	653.704
<b>Financial instruments with variable interest rates</b>		
Financial liabilities	-	-
Other liabilities	47.504	130.423

On 31 December 2019, if interest rates of all currency denominated financial assets and liabilities with variable interest rates has strengthened / weakened by 100 base point with all other variables held constant, income before taxes would have been 126 thousand TL (2018: 1.270 thousand TL) lower / higher as a result of interest expenses.

**NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)**

**Categories of financial instruments and fair values**

The Company has classified its financial assets and liabilities as at fair value through profit or loss, available for sale financial assets and loans and receivables. Among Company’s financial assets, cash and cash equivalents (note 4), trade receivables (notes 6 and 7) and other receivables (notes 6 and 8), are classified as loans and receivables and are measured at amortized cost using the effective interest method.

Company’s financial liabilities consist of financial liabilities (note 5) and trade payables (note 7) are measured at amortized cost using the effective interest method.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 30 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)  
(Cont’d)**

**Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Company, using available market information and appropriate valuation methodologies. However, judgement is necessarily required interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Monetary assets

The book value of foreign currency denominated balances which are translated to TL using exchange rates prevailing on the date of the balance sheet approximate their fair values. For financial assets measured at cost including cash and cash equivalents, the carrying amounts are the same with fair values due to their short term nature. Carrying amounts of trade receivables net of impairments approximate their fair values.

Monetary liabilities

The fair values of short term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in the market interest rates.

**Fair value hierarchy**

The Company classifies the fair value measurement of each class of financial instruments according to the source, using the three level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019**

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**NOTE 30 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)**  
**(Cont’d)**

Fair value hierarchy tables as of 31 December 2019 and 31 December 2018 are as follows:

<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets / (liabilities)</b>				
Derivative financial assets / (liabilities)	-	(2.661)	-	(2.661)
<b>31 December 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets / (liabilities)</b>				
Derivative financial assets / (liabilities)	-	(18.101)	-	(18.101)