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

# CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2020

**(ORIGINALLY ISSUED IN TURKISH)**

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**CONDENSED INTERIM BALANCE SHEETS AS OF 30 SEPTEMBER 2020 AND 31 DECEMBER 2019**

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

| | Footnotes | 30 September 2020 | Audited<br>31 December 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and Cash Equivalents | 4 | 60.037 | 119.328 |
| Trade Receivables | | 2.592.342 | 1.748.257 |
| Trade Receivables Due From Related Parties | 6 | 2.592.179 | 1.741.171 |
| Trade Receivables Due From Third Parties | 7 | 163 | 7.086 |
| Other Receivables | | 1.034.248 | 630.205 |
| Other Receivables Due From Related Parties | 6 | 854.648 | 482.149 |
| Other Receivables Due From Third Parties | 8 | 179.600 | 148.056 |
| Derivative Financial Assets | | 7.163 | 2.603 |
| Derivative Financial Assets Held for Trading | 26 | 5.676 | 2.603 |
| Derivative Financial Assets Held for Hedging | 26 | 1.487 | - |
| Inventories | 9 | 1.031.738 | 646.136 |
| Prepayments | | 42.223 | 20.052 |
| Prepayments to Third Parties | 10 | 42.223 | 20.052 |
| Other Current Assets | | 9.823 | 1.163 |
| Other Current Assets Due From Third Parties | 17 | 9.823 | 1.163 |
| **TOTAL CURRENT ASSETS** | | **4.777.574** | **3.167.744** |

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**
**CONDENSED INTERIM BALANCE SHEETS AS OF 30 SEPTEMBER 2020 AND 31 DECEMBER 2019**

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

| | Footnotes | 30 September 2020 | Audited<br>31 December 2019 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Other Receivables | | 6.457 | 3.748 |
| Other Recevables Due From Third Parties | | 6.457 | 3.748 |
| Property, Plant and Equipments | | 1.591.368 | 1.516.259 |
| Land and Premises | 11 | 192.824 | 192.824 |
| Land Improvements | 11 | 40.081 | 39.632 |
| Buildings | 11 | 431.989 | 435.552 |
| Machinery and Equipments | 11 | 868.685 | 771.383 |
| Vehicles | 11 | 277 | 168 |
| Fixtures and Fittings | 11 | 31.156 | 26.336 |
| Leasehold Improvements | 11 | 4.885 | 5.133 |
| Construction in Progress | 11 | 21.471 | 45.231 |
| Right of Use Assets | 12 | 125.954 | 61.947 |
| Intangible Assets and Goodwill | | 210.088 | 180.509 |
| Other Rights | 13 | 151 | 165 |
| Capitalized Development Costs | 13 | 197.348 | 167.955 |
| Other Intangible Assets | 13 | 12.589 | 12.389 |
| Prepayments | | 81.495 | 53.595 |
| Prepayments to Third Parties | 10 | 81.495 | 53.595 |
| **TOTAL NON-CURRENT ASSETS** | | **2.015.362** | **1.816.058** |
| **TOTAL ASSETS** | | **6.792.936** | **4.983.802** |

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**
**CONDENSED INTERIM BALANCE SHEETS AS OF 30 SEPTEMBER 2020 AND 31 DECEMBER 2019**

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

| | | | Audited |
|---|---|---|---|
| | **Footnotes** | **30 September 2020** | **31 December 2019** |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Current Borrowings | | 923.680 | 733.300 |
| Current Borrowings from Related Parties | | 13.476 | 6.973 |
| Lease Liabilities | 5 | 13.476 | 6.973 |
| Current Borrowings From Third Parties | | 910.204 | 726.327 |
| Bank Loans | 5 | 894.171 | 714.041 |
| Lease Liabilities | 5 | 16.033 | 12.286 |
| Current Portion of Non-current Borrowings | | 57.644 | 13.342 |
| Current Portion of Non-current Borrowings from Third Parties | | 57.644 | 13.342 |
| Bank Loans | 5 | 57.644 | 13.342 |
| Trade Payables | | 2.758.647 | 2.069.922 |
| Trade Payables to Related Parties | 6 | 126.272 | 132.380 |
| Trade Payables to Third Parties | 7 | 2.632.375 | 1.937.542 |
| Employee Benefit Obligations | 16 | 45.603 | 42.926 |
| Other Payables | | 199.303 | 70.291 |
| Other Payables to Related Parties | 6 | 199.303 | 70.291 |
| Derivative Financial Liabilities | | 42.674 | 5.264 |
| Derivative Financial Liabilities Held for Trading | 26 | 16.565 | 5.264 |
| Derivative Financial Liabilities Held for Hedging | 26 | 26.109 | - |
| Current Tax Liabilities, Current | 24 | 1.671 | 504 |
| Current Provisions | | 9.667 | 5.847 |
| Other Current Provisions | 14 | 9.667 | 5.847 |
| Other Current Liabilities | | 81.809 | 50.322 |
| Other Current Liabilities to Third Parties | 17 | 81.809 | 50.322 |
| **TOTAL CURRENT LIABILITIES** | | **4.120.698** | **2.991.718** |

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**
**CONDENSED INTERIM BALANCE SHEETS AS OF 30 SEPTEMBER 2020 AND 31 DECEMBER 2019**

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

| | | | **Audited** |
|---|---|---|---|
| | **Footnotes** | **30 September 2020** | **31 December 2019** |
| **NON-CURRENT LIABILITIES** | | | |
| Long Term Borrowings | | 193.823 | 56.831 |
| Long Term Borrowings From Related Parties | | 91.230 | 32.546 |
| Lease Liabilities | 5 | 91.230 | 32.546 |
| Long Term Borrowings From Third Parties | | 102.593 | 24.285 |
| Bank Loans | 5 | 90.622 | 10.303 |
| Lease Liabilities | 5 | 11.971 | 13.982 |
| Trade Payables | | 280 | 6.747 |
| Trade Payables to Third Parties | 7 | 280 | 6.747 |
| Non-current Provisions | | 64.940 | 57.289 |
| Non-current Provisions for Employee Benefits | 16 | 64.940 | 57.289 |
| Deferred Tax Liabilities | 24 | 49.202 | 64.989 |
| **TOTAL NON-CURRENT LIABILITIES** | | **308.245** | **185.856** |
| **TOTAL LIABILITIES** | | **4.428.943** | **3.177.574** |

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**
**CONDENSED INTERIM BALANCE SHEETS AS OF 30 SEPTEMBER 2020 AND 31 DECEMBER 2019**

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

| | Footnotes | 30 September 2020 | Audited 31 December 2019 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity Attributable to Owners of Parent** | | **2.363.993** | **1.806.228** |
| Issued Capital | 18 | 190.000 | 190.000 |
| Inflation Adjustments on Capital | 18 | 9.734 | 9.734 |
| Share Premium (Discount) | 18 | 109.031 | 109.031 |
| Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss | | 386.721 | 395.981 |
| Gains (Losses) on Revaluation and Remeasurement | | 386.721 | 395.981 |
| Increases (Decreases) on Revaluation of Property, Plant and Equipment | | 405.713 | 410.776 |
| Gains (Losses) on Remeasurements of Defined Benefit Plans | | (18.992) | (14.795) |
| Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss | | (19.205) | - |
| Gains (Losses) on Hedge | | (19.205) | - |
| Gains (Losses) on Cash Flow Hedges | | (19.205) | - |
| Restricted Reserves Appropriated From Profits | | 187.190 | 173.938 |
| Legal Reserves | 18 | 187.190 | 173.938 |
| Prior Years' Profits or Losses | 18 | 790.589 | 359.472 |
| Current Period Net Profit Or Loss | | 709.933 | 568.072 |
| **TOTAL EQUITY** | | **2.363.993** | **1.806.228** |
| **TOTAL LIABILITIES AND EQUITY** | | **6.792.936** | **4.983.802** |

Financial statements for the period 1 January – 30 September 2020 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 27 October 2020.

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**
**CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY – 30 SEPTEMBER 2020 AND 2019**

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

| | Footnotes | 1 January - 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2020 | 1 July- 30 September 2019 |
|---|---|---|---|---|---|
| **PROFIT OR LOSS** | | | | | |
| Revenue | 19 | 6.043.224 | 4.995.815 | 2.532.846 | 1.792.497 |
| Cost of Sales | 19 | (4.976.257) | (4.340.192) | (2.009.359) | (1.588.031) |
| **GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS** | | **1.066.967** | **655.623** | **523.487** | **204.466** |
| **GROSS PROFIT (LOSS)** | | **1.066.967** | **655.623** | **523.487** | **204.466** |
| General Administrative Expenses | 21 | (55.389) | (48.891) | (18.823) | (16.564) |
| Marketing Expenses | 21 | (83.606) | (73.045) | (33.691) | (27.141) |
| Research and Development Expense | 21 | (47.597) | (40.958) | (16.566) | (16.236) |
| Other Income from Operating Activities | 22 | 411.558 | 213.354 | 206.318 | 49.638 |
| Other Expenses from Operating Activities | 22 | (480.455) | (270.142) | (218.229) | (63.246) |
| **PROFIT (LOSS) FROM OPERATING ACTIVITIES** | | **811.478** | **435.941** | **442.496** | **130.917** |
| **PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)** | | **811.478** | **435.941** | **442.496** | **130.917** |
| Finance Income | 23 | 379.583 | 281.441 | 162.601 | 71.317 |
| Fınance Costs | 23 | (487.113) | (275.855) | (249.574) | (73.649) |
| **PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX** | | **703.948** | **441.527** | **355.523** | **128.585** |
| Tax (Expense) Income, Continuing | | 5.985 | 3.758 | 3.690 | (489) |
| Current Period Tax (Expense) Income | 24 | (3.335) | (2.341) | (1.693) | (667) |
| Deferred Tax (Expense) Income | 24 | 9.320 | 6.099 | 5.383 | 178 |
| **PROFIT (LOSS) FROM CONTINUING OPERATIONS** | | **709.933** | **445.285** | **359.213** | **128.096** |
| **PROFIT (LOSS)** | | **709.933** | **445.285** | **359.213** | **128.096** |
| **Earnings Per Share with a TL 1 of Par Value** | 25 | **3,74** | **2,34** | **1,89** | **0,67** |

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**
**CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY – 30 SEPTEMBER 2020 AND 2019**

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

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2020 | 1 July- 30 September 2019 |
|---|---|---|---|---|
| **OTHER COMPREHENSIVE INCOME** | | | | |
| Other Comprehensive Income that will not be Reclassified to Profit or Loss | (4.197) | (1.150) | (1.889) | (442) |
| Gains (Losses) on Remeasurements of Defined Benefit Plans | (5.247) | (1.437) | (2.362) | (552) |
| Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss | 1.050 | 287 | 473 | 110 |
| Taxes Relating to Remeasurements of Defined Benefit Plans | 1.050 | 287 | 473 | 110 |
| Other Comprehensive Income that will be Reclassified to Profit or Loss | (19.205) | 636 | (10.383) | 483 |
| Other Comprehensive Income (Loss) Related with Cash Flow Hedges | (24.622) | 815 | (13.312) | 619 |
| Gains (Losses) on Cash Flow Hedges | (24.622) | 815 | (13.312) | 619 |
| Taxes Relating to Components of Other Comprehensive Income | 5.417 | (179) | 2.929 | (136) |
| Taxes Relating to Cash Flow Hedges | 5.417 | (179) | 2.929 | (136) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | **(23.402)** | **(514)** | **(12.272)** | **41** |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **686.531** | **444.771** | **346.941** | **128.137** |

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**
**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY – 30 SEPTEMBER 2020 AND 2019**

(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 Remeasure-ments of Defined Benefit Plans | Gains (Losses) on Revaluations and Remeasurements | Other Accumulated Compre-hensive Income that will not be Reclassified in Profit or Loss | Cash Flow Hedges | Reserve Of Gains or Losses on Hedge | Other Accumulated Compre-hensive Income that will be Reclassified in Profit or Loss | Restricted Reserves Appropriated From Profits | Prior Years' Profits or Losses | Net Profit or Loss | Retained Earnings | Equity attributable to owners of parent | Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Previous Period** | | | | | | | | | | | | | | | | |
| **1 January -30 September 2019** | | | | | | | | | | | | | | | | |
| **Equity at Beginning of Period** | **190.000** | **9.734** | **109.031** | **417.527** | **(7.569)** | **409.958** | **409.958** | **(636)** | **(636)** | **(636)** | **118.206** | **352.721** | **622.561** | **975.282** | **1.811.575** | **1.811.575** |
| Transfers | - | - | - | - | - | - | - | - | - | - | 55.732 | 566.829 | (622.561) | (55.732) | - | - |
| Total Comprehensive Income (Loss) | - | - | - | (5.063) | (1.150) | (6.213) | (6.213) | 636 | 636 | 636 | - | 5.063 | 445.285 | 450.348 | 444.771 | 444.771 |
| Profit (Loss) | - | - | - | (5.063) | - | (5.063) | (5.063) | - | - | - | - | 5.063 | 445.285 | 450.348 | 445.285 | 445.285 |
| Other Comprehensive Income (Loss) | - | - | - | - | (1.150) | (1.150) | (1.150) | 636 | 636 | 636 | - | - | - | - | (514) | (514) |
| Dividends Paid | - | - | - | - | - | - | - | - | - | - | - | (566.828) | - | (566.828) | (566.828) | (566.828) |
| **Equity at End of Period** | **190.000** | **9.734** | **109.031** | **412.464** | **(8.719)** | **403.745** | **403.745** | **-** | **-** | **-** | **173.938** | **357.785** | **445.285** | **803.070** | **1.689.518** | **1.689.518** |
| | | | | | | | | | | | | | | | | |
| **Current Period** | | | | | | | | | | | | | | | | |
| **1 January -30 September 2020** | | | | | | | | | | | | | | | | |
| **Equity at Beginning of Period** | **190.000** | **9.734** | **109.031** | **410.776** | **(14.795)** | **395.981** | **395.981** | **-** | **-** | **-** | **173.938** | **359.472** | **568.072** | **927.544** | **1.806.228** | **1.806.228** |
| Transfers | - | - | - | (5.063) | - | (5.063) | (5.063) | - | - | - | 13.252 | 559.883 | (568.072) | (8.189) | - | - |
| Total Comprehensive Income (Loss) | - | - | - | - | (4.197) | (4.197) | (4.197) | (19.205) | (19.205) | (19.205) | - | - | 709.933 | 709.933 | 686.531 | 686.531 |
| Profit (Loss) | - | - | - | - | - | - | - | - | - | - | - | - | 709.933 | 709.933 | 709.933 | 709.933 |
| Other Comprehensive Income (Loss) | - | - | - | - | (4.197) | (4.197) | (4.197) | (19.205) | (19.205) | (19.205) | - | - | - | - | (23.402) | (23.402) |
| Dividends Paid | - | - | - | - | - | - | - | - | - | - | - | (128.766) | - | (128.766) | (128.766) | (128.766) |
| **Equity at End of Period** | **190.000** | **9.734** | **109.031** | **405.713** | **(18.992)** | **386.721** | **386.721** | **(19.205)** | **(19.205)** | **(19.205)** | **187.190** | **790.589** | **709.933** | **1.500.522** | **2.363.993** | **2.363.993** |

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

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS**
**1 JANUARY - 30 SEPTEMBER 2020 AND 2019**

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

| | Footnotes | 1 January - 30 September 2020 | 1 January - 30 September 2019 |
|---|---|---|---|
| **CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES** | | **397.466** | **303.436** |
| Profit (Loss) | | 709.933 | 445.285 |
| Profit (Loss) from Continuing Operations | | 709.933 | 445.285 |
| **Adjustments to Reconcile Profit (Loss)** | | **305.078** | **79.126** |
| Adjustments for Depreciation and Amortisation Expense | 11,12,13 | 221.050 | 188.665 |
| Adjustments for Impairment Loss (Reversal of Impairment Loss) | | 1.928 | (1.671) |
| Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories | 9 | 1.928 | (1.671) |
| Adjustments for Provisions | | 13.424 | 9.242 |
| Adjustments for (Reversal of) Provisions Related with Employee Benefits | 16 | 9.604 | 8.534 |
| Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions | 14 | 3.820 | 708 |
| Adjustments for Interest (Income) Expenses | | 25.936 | (78.846) |
| Adjustments for Interest Income | 23 | (37.409) | (142.920) |
| Adjustments for Interest Expense | 23 | 63.345 | 64.074 |
| Adjustments for Unrealised Foreign Exchange Losses (Gains) | | 56.494 | (3.282) |
| Adjustments for Fair Value Losses (Gains) | | 8.228 | (15.735) |
| Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments | | 8.228 | (15.735) |
| Adjustments for Tax (Income) Expenses | 24 | (5.985) | (3.758) |
| Adjustments for Losses (Gains) on Disposal of Non-Current Assets | | (2.292) | (364) |
| Adjustments for Losses (Gains) Arised From Sale of Tangible Assets | | (2.292) | (364) |
| Other Adjustments to Reconcile Profit (Loss) | 4 | (13.705) | (15.125) |

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS**
**1 JANUARY - 30 SEPTEMBER 2020 AND 2019**

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

| | Footnotes | 1 January - 30 September 2020 | 1 January - 30 September 2019 |
|---|---|---|---|
| **Changes in Working Capital** | | **(608.177)** | **(213.948)** |
| Adjustments for Decrease (Increase) in Trade Accounts Receivable | | (844.085) | (183.199) |
| Decrease (Increase) in Trade Accounts Receivables from Related Parties | 6 | (851.008) | (184.272) |
| Decrease (Increase) in Trade Accounts Receivables from Third Parties | 7 | 6.923 | 1.073 |
| Adjustments for Decrease (Increase) in Other Receivables Related with Operations | | (34.253) | 21.964 |
| Decrease (Increase) in Other Third Party Receivables Related with Operations | 8 | (34.253) | 21.964 |
| Adjustments for Decrease (Increase) in Inventories | 9 | (387.530) | (191.490) |
| Decrease (Increase) in Prepaid Expenses | 10 | (50.071) | (34.782) |
| Adjustments for Increase (Decrease) in Trade Accounts | | 682.258 | 125.951 |
| Increase (Decrease) in Trade Accounts Payables to Related Parties | 6 | (6.108) | 47.526 |
| Increase (Decrease) in Trade Accounts Payables to Third Parties | 7 | 688.366 | 78.425 |
| Increase (Decrease) in Employee Benefit Liabilities | 16 | 2.677 | 10.801 |
| Other Adjustments for Other Increase (Decrease) in Working Capital | | 22.827 | 36.807 |
| Decrease (Increase) in Other Assets Related with Operations | 17 | (8.660) | (15.388) |
| Increase (Decrease) in Other Payables Related with Operations | 17 | 31.487 | 52.195 |
| **Cash Flows from (used in) Operations** | | **406.834** | **310.463** |
| Payments Related with Provisions for Employee Benefits | 16 | (7.200) | (4.544) |
| Income Taxes refund (Paid) | 24 | (2.168) | (2.483) |

**VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS**
**1 JANUARY - 30 SEPTEMBER 2020 AND 2019**

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

| | Footnotes | 1 January - 30 September 2020 | 1 January - 30 September 2019 |
|---|---|---|---|
| **CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES** | | **(680.257)** | **183.662** |
| Proceeds from Sales of Property, Plant, Equipment and Intangible Assets | | 3.100 | 1.570 |
| Proceeds from Sales of Property, Plant and Equipment | | 3.100 | 1.570 |
| Purchase of Property, Plant, Equipment and Intangible Assets | | (310.858) | (225.977) |
| Purchase of Property, Plant and Equipment | 11 | (256.664) | (183.329) |
| Purchase of Intangible Assets | 13 | (54.194) | (42.648) |
| Cash Advances and Loans Made to Other Parties | | (372.499) | 408.069 |
| Cash Advances and Loans Made to Related Parties | 6 | (372.499) | 408.069 |
| **CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES** | | **209.795** | **(562.689)** |
| Proceeds from Borrowings | | 1.569.984 | 1.068.188 |
| Proceeds from Loans | | 1.569.984 | 1.068.188 |
| Repayments of Borrowings | | (1.321.531) | (1.042.173) |
| Loan Repayments | | (1.321.531) | (1.042.173) |
| Decrease in Other Payables to Related Parties | | 129.012 | (81.987) |
| Payments of Lease Liabilities | | (24.098) | (17.284) |
| Dividends Paid | 6 | (128.766) | (566.828) |
| Interest Paid | | (52.215) | (65.525) |
| Interest Received | | 37.409 | 142.920 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES** | | **(72.996)** | **(75.591)** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(72.996)** | **(75.591)** |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 4 | 82.287 | 103.283 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **4** | **9.291** | **27.692** |

(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, freezers, room air conditioning units, washing machines, cookers, dishwashers and water heaters. The Company's production facilities occupy 402.000 square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 506.000 square meters.

The Company is a member of Vestel Group of Companies which are under the control of the Zorlu Family. The Company performs its foreign sales and domestic sales via Vestel Ticaret A.Ş. which is also a member of Vestel Group of Companies.

The Company is registered to Capital Market Board and its shares have been quoted to Borsa Istanbul ("BİST") since 21 April 2006.

As of 30 September 2020, the number of personnel employed was 8.578 (31 December 2019: 7.821).

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. | 92,53 |
| Other shareholders | 7,47 |
| | **100,00** |

As of 30 September 2020, 59.800.000 shares of the Company have been quoted at the Borsa Istanbul ("BİST") (31,5 % of its share capital; 31 December 2019: 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 issued by the Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Board.

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

The Company prepared its condensed interim financial statements for the period ended 30 September 2020 in accordance with ("TAS") 34 "Interim Financial Reporting" in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

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

The Company's condensed interim financial statements do not include all disclosure and notes that should be included at year-end financial statements. Therefore the condensed interim financial statements should be read in conjunction with the financial statements as at 31 December 2019.

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

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

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

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

### 2.3 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.

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

## 2.4. Amendments in Turkey Financial Reporting Standards

### a) Standards issued but not yet effective and not early adopted as of 30 September 2020

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows.

**Classification of Liabilities as Current or Non-current (Amendments to TAS 1)**

On 23 January 2020, IASB issued Classification of Liabilities as Current or Non-Current which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which is issued by POA on 12 March 2020 (Amendments to TAS 1).

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

(a) Specifying that an entity's right to defer settlement must exist at the end of the reporting period;

(b) Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;

(c) Clarifying how lending conditions affect classification; and

(d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Company shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, the amendment published on 15 July 2020, IASB decided to defer the effective date of IAS 1 until 1 January 2023.

The Company does not expect that application of these amendments to TMS 1 will have significant impact on its financial statements.

**Covid-19 related rent concession (Amendments to TFRS 16)**

In May 2020, IASB issued Covid-19 related rent concession which amends UFRS 16 Leases which is issued by POA on 5 June 2020 (Amendments to TFRS 16).

The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021
- no other substantive changes have been made to the terms of the lease.

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

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The Company shall apply these amendments for annual periods beginning on or after 1 June 2020 with earlier application permitted.

**Reference to the Conceptual Framework (Amendments to UFRS 3)**

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to TFRS 3 Business Combinations.

The amendments updated UFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

**Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16)**

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

**Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)**

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

IASB developed amendments to IAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

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

***Annual Improvements to TFRS Standards 2018–2020***

**Improvements to TFRSs**

Annual Improvements to TFRSs - 2018–2020 Cycle for applicable standards issued in May 2020 are presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

*TFRS 1 First-time Adoption of International Financial Reporting Standards*

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the financial statements of the parent, based on the parent's date of transition to TFRS Standards. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

*TFRS 9 Financial Instruments*

This amendment clarifies that – for the purpose of performing the ''10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

*TFRS 16 Leases, Illustrative Example 13*

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

**Amendments are effective on 1 January 2020**

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2022.

The changes that become effective as of January 1, 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

2-) Amendments to TFRS 3 - Definition of a Business

The application of the amendment in TFRS 3 did not have a significant impact on the financial statements of the Company.

3-) Amendments to TAS 1 and TAS 8 - Definition of Material

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

The application of the amendment to TAS 1 and TAS 8 does not have a significant impact on the financial statements of the Company.

4-) Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

The application of this amendment is not expected to have a significant impact on the financial statements of the Company.

**2.5. Summary of significant accounting policies**

**2.5.1 Revenue**

The Company recognizes revenue in accordance with TFRS 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:

(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 recognized 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. The Company uses moving weighted average method for costing.

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

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 as at 31 December 2018 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.

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.

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

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.

*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.
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 the actual commencement date of the contract, the company reflects a right-of-use asset and a lease liability in its financial statements.

The company rents various buildings, warehouses, forklifts and machinery. The duration of the leasing contracts for machine and equipment is usually 5 years; for building and warehouses is usually fixed from 2 to 10 years.

**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 Vestel Group 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.

*The Company – as a lessor*

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

**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 TAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

## 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.

**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.

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

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.

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 far 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.

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

The derivative instruments of the Company mainly consist of foreign exchange forward contracts. These derivative transactions which are treated as derivatives held for trading in the financial statements under risk accounting, do not generally qualify for hedge accounting under the specific rules. The fair value changes for these derivatives are recognised in the profit or loss statement.

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. Foreign exchange income and expenses arising from the translation of foreign currency based loans and deposits are recognized under financial income or financial expenses. On-monetary items which are denominated in foreign currency and measured with historical costs are translated using the exchange rates at the dates of initial transactions.

### 2.5.7 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.

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

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.

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.

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

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 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.

**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.

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

### 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.

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

**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:

i. Revaluation of lands, buildings and land improvements

Land, land improvements and buildings are stated at fair value, based on valuations performed as 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 market approach 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.

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

## NOTE 3 - SEGMENT REPORTING

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

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

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

### Geographical segments

| Segment revenue | 1 January - 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2020 | 1 July- 30 September 2019 |
|---|---|---|---|---|
| Turkey | 1.483.519 | 916.025 | 595.267 | 324.872 |
| Europe | 3.437.329 | 3.056.850 | 1.498.356 | 1.109.727 |
| Other | 1.131.750 | 1.027.669 | 443.171 | 360.005 |
| Gross sales | 6.052.598 | 5.000.544 | 2.536.794 | 1.794.604 |
| Discounts (-) | (9.374) | (4.729) | (3.948) | (2.107) |
| **Net sales** | **6.043.224** | **4.995.815** | **2.532.846** | **1.792.497** |

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

The amount of export is TL 4.569.079 thousand for the period ended 30 September 2020. (1 January-30 September 2019: TL 4.084.519 thousand). Export sales are denominated in EURO, and USD as 94,2%, and 5,8% of total export respectively (1 January-30 September 2019: 93,2% EUR, 6,8% USD).

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

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

## NOTE 4 – CASH AND CASH EQUIVALENTS

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Cash | 419 | 228 |
| Bank deposits | | |
| - Demand deposits | 8.872 | 82.059 |
| Blocked deposits | 50.746 | 37.041 |
| **Cash and cash equivalents** | **60.037** | **119.328** |

## NOTE 5 – FINANCIAL LIABILITIES

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| **Short - term financial liabilities** | | |
| Short term bank loans | 894.171 | 714.041 |
| Short term portion of long term bank loans | 57.644 | 13.342 |
| Lease liabilities | 29.509 | 19.259 |
| | **981.324** | **746.642** |
| **Long - term financial liabilities** | | |
| Long term bank loans | 90.622 | 10.303 |
| Lease liabilities | 103.201 | 46.528 |
| | **193.823** | **56.831** |

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

| | 30 September 2020 | | | 31 December 2019 | | |
|---|---|---|---|---|---|---|
| Currency | Weighted average of effective interest rates per annum | Original currency | TL Equivalent | Weighted average of effective interest rates per annum | Original currency | TL Equivalent |
| - EUR | 2,63% | 78.900 | 720.207 | 3,13% | 82.089 | 545.940 |
| - TL | 15,06% | 173.964 | 173.964 | 20,01% | 168.101 | 168.101 |
| | | | **894.171** | | | **714.041** |

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

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

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

| | 30 September 2020 | | | 31 December 2019 | | |
|---|---|---|---|---|---|---|
| **Currency** | **Weighted average of effective interest rates per annum** | **Original currency** | **TL Equivalent** | **Weighted average of effective interest rates per annum** | **Original currency** | **TL Equivalent** |
| - EUR | 2,63% | 3.344 | 30.528 | - | - | - |
| - TL | 15,06% | 27.116 | 27.116 | 19,84% | 13.342 | 13.342 |
| **Short term portion** | | | **57.644** | | | **13.342** |
| - TL | 15,06% | 29.768 | 29.768 | 19,84% | 10.303 | 10.303 |
| - EUR | 2,63% | 6.667 | 60.854 | - | - | - |
| **Long term portion** | | | **90.622** | | | **10.303** |
| | | | **148.266** | | | **23.645** |

Guarantees given for the bank loans obtained are disclosed in note 14.

As of 30 September 2020 and 30 September 2019, reconciliation of net financial debt is as below:

| | **30 September 2020** | **30 September 2019** |
|---|---|---|
| **Net financial debt as of 1 January** | **721.186** | **550.421** |
| Cash inflows from loans | 1.569.984 | 1.068.188 |
| Cash outflows from loan payments | (1.321.531) | (1.055.018) |
| Payments of lease liabilities | 66.923 | 66.066 |
| Unrealized Fx gain/loss | 56.494 | (4.393) |
| Accrued interest | (196) | 1.884 |
| Change in cash and cash equivalents | 72.996 | 75.591 |
| **Net financial debt at the end of the period** | **1.165.856** | **702.739** |

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

## NOTE 6 – RELATED PARTY DISCLOSURES

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

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Vestel Ticaret A.Ş. | 2.592.179 | 1.742.304 |
| | 2.592.179 | 1.742.304 |
| Unearned interest on receivables (-) | - | (1.133) |
| | **2.592.179** | **1.741.171** |

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

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

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 93.533 | 57.962 |
| Vestel Ticaret A.Ş. | - | 6.216 |
| Vestel Holland B.V. | 32.322 | 67.598 |
| Other related parties | 528 | 637 |
| | 126.383 | 132.413 |
| Unearned interest on payables (-) | (111) | (33) |
| | **126.272** | **132.380** |

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

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 854.648 | 482.149 |

As of 30 September 2020 the Company's interest rate of other receivables in EUR and in USD are 5% and 7% respectively. (31 December 2019: EUR 5%, TL 21%)

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

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 199.303 | 70.291 |

The Company's interest rate of other payables in TL is 16,5% (31 December 2019: EUR 5%, USD 7%).

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

## NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

### e) Lease liabilities to related parties

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 104.706 | 39.519 |

As of 30 September 2020, short term lease liabilities to related parties is TL 13.476 thousand, long term lease liabilities to related parties is TL 91.230 thousand (31 December 2019: TL 6.973 thousand, TL 32.546 thousand).

### f) Transactions with related parties

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2020 | 1 July- 30 September 2019 |
|---|---|---|---|---|
| **Sales** | | | | |
| Vestel Ticaret A.Ş. | 5.924.874 | 4.877.402 | 2.473.062 | 1.742.027 |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 68.660 | 52.084 | 28.350 | 17.959 |
| Other related parties | 7 | 28 | - | 13 |
| | **5.993.541** | **4.929.514** | **2.501.412** | **1.759.999** |
| **Purchases and operating expenses** | | | | |
| Vestel Holland B.V. | 183.308 | 138.753 | 83.526 | 34.169 |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 325.883 | 241.276 | 135.414 | 86.434 |
| Other related parties | 21.477 | 16.759 | 3.527 | 8.719 |
| | **530.668** | **396.788** | **222.467** | **129.322** |

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2020 | 1 July- 30 September 2019 |
|---|---|---|---|---|
| **Other operating income** | | | | |
| Vestel Ticaret A.Ş. | 352.862 | 126.220 | 184.471 | 15.622 |
| Other related parties | 2.427 | 4.710 | 1.028 | 3.844 |
| | **355.289** | **130.930** | **185.499** | **19.466** |
| **Other operating expense** | | | | |
| Vestel Ticaret A.Ş. | 4.013 | 81.776 | (30.237) | 67.009 |
| Other related parties | 18.636 | 2.622 | 7.728 | 1.549 |
| | **22.649** | **84.398** | **(22.509)** | **68.558** |
| **Dividend paid** | | | | |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 119.166 | 539.483 | 119.166 | - |
| Public shares | 9.600 | 27.345 | 9.600 | - |
| | **128.766** | **566.828** | **128.766** | **-** |

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

## NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2020 | 1 July- 30 September 2019 |
|---|---|---|---|---|
| **Financial income** | | | | |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 152.538 | 140.089 | 100.209 | 25.037 |
| Other related parties | 38 | 123 | - | - |
| | **152.576** | **140.212** | **100.209** | **25.037** |
| **Financial expense** | | | | |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 13.088 | 17.657 | 9.664 | 1.252 |
| Other related parties | 34 | - | - | - |
| | **13.122** | **17.657** | **9.664** | **1.252** |

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

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

Compensation paid to key management for the nine months period ended 30 September 2020 is TL 6.340 thousand (1 January-30 September 2019: TL 4.121 thousand).

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

## NOTE 7 – TRADE RECEIVABLES AND PAYABLES

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| **Short - term trade receivables** | | |
| Trade receivables | | |
| - Related parties (note 6) | 2.592.179 | 1.742.304 |
| - Other parties | 760 | 6.096 |
| Cheques and notes receivables | - | 1.500 |
| | 2.592.939 | 1.749.900 |
| Unearned interest expense (-) | | |
| - Related parties (note 6) | - | (1.133) |
| - Other parties | - | (9) |
| Allowance for doubtful receivables (-) | (597) | (501) |
| **Total short - term trade receivables** | **2.592.342** | **1.748.257** |

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

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| **Short term trade payables** | | |
| Trade payables | | |
| - Related parties (note 6) | 126.383 | 132.413 |
| - Other parties | 2.638.598 | 1.937.952 |
| | 2.764.981 | 2.070.365 |
| Unearned interest income (-) | | |
| - Related parties (note 6) | (111) | (33) |
| - Other parties | (6.223) | (410) |
| **Total short term trade payables** | **2.758.647** | **2.069.922** |
| **Long term trade payables** | | |
| Trade payables | | |
| - Other parties | 280 | 6.856 |
| | 280 | 6.856 |
| Unearned interest income (-) | | |
| - Other parties | - | (109) |
| **Total long term trade payables** | **280** | **6.747** |

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

## NOTE 8 – OTHER RECEIVABLES

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| **Short - term other receivables** | | |
| Other receivables from related parties (note 6) | 854.648 | 482.149 |
| Receivables from government agencies | 166.642 | 139.045 |
| Deposits and guarantees given | 11.663 | 7.654 |
| Other receivables | 1.295 | 1.357 |
| | **1.034.248** | **630.205** |

## NOTE 9 – INVENTORIES

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Raw materials | 743.372 | 387.201 |
| Work in process | 17.533 | 10.816 |
| Finished goods | 272.244 | 249.142 |
| | 1.033.149 | 647.159 |
| Provision for impairment on inventories (-) | (1.411) | (1.023) |
| | **1.031.738** | **646.136** |

As of 30 September 2020 the Company does not have inventories pledged as security for liabilities (31 December 2019: None).

Cost of the inventory included in the cost of sales for the current period amounts to TL 4.286.095 thousand (1 January – 30 September 2019: TL 3.771.550 thousand).

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

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Finished goods and merchandise | 1.411 | 1.023 |
| | **1.411** | **1.023** |

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

## NOTE 9 – INVENTORIES (Cont'd)

Movement of inventory impairment on inventories is as follows:

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 |
|---|---|---|
| **Opening balance, 1 January** | **1.023** | **2.194** |
| Current year additions | 1.928 | 2.498 |
| Realised due to sale of inventory | (1.540) | (4.169) |
| **Balance at 30 September** | **1.411** | **523** |

## NOTE 10 – PREPAID EXPENSES

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| **Prepaid expenses in current assets** | | |
| Order advances given | 22.482 | 11.170 |
| Prepaid expenses | 19.737 | 8.819 |
| Business advances given | 4 | 63 |
| | **42.223** | **20.052** |
| **Prepaid expenses in non-current assets** | | |
| Advances given for fixed asset purchases | 78.207 | 52.981 |
| Prepaid expenses | 3.288 | 614 |
| | **81.495** | **53.595** |

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

## NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

| | 1 January 2020 | Additions | Disposals | Transfer | 30 September 2020 |
|---|---|---|---|---|---|
| **Cost or revaluation** | | | | | |
| Land | 192.824 | - | - | - | 192.824 |
| Land improvements | 40.998 | 531 | - | - | 41.529 |
| Buildings | 447.048 | 4.256 | - | 2.241 | 453.545 |
| Leasehold improvements | 10.907 | 818 | (3) | 89 | 11.811 |
| Plant and machinery | 1.763.514 | 219.121 | (15.986) | 41.099 | 2.007.748 |
| Motor vehicles | 626 | 179 | (59) | - | 746 |
| Furniture and fixtures | 76.719 | 7.421 | (252) | 4.659 | 88.547 |
| Construction in progress | 45.231 | 24.338 | - | (48.098) | 21.471 |
| | | | | - | |
| | **2.577.867** | **256.664** | **(16.300)** | **(10)** | **2.818.221** |
| **Accumulated depreciation** | | | | | |
| Land improvements | 1.366 | 82 | - | - | 1.448 |
| Buildings | 11.496 | 10.060 | - | - | 21.556 |
| Leasehold improvements | 5.774 | 1.154 | (2) | - | 6.926 |
| Plant and machinery | 992.131 | 162.588 | (15.656) | - | 1.139.063 |
| Motor vehicles | 458 | 70 | (59) | - | 469 |
| Furniture and fixtures | 50.383 | 7.240 | (232) | - | 57.391 |
| | **1.061.608** | **181.194** | **(15.949)** | **-** | **1.226.853** |
| **Net book value** | **1.516.259** | | | | **1.591.368** |

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

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

| | 1 January 2019 | Additions | Disposals | Transfer | 30 September 2019 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Land | 192.824 | - | - | - | 192.824 |
| Land improvements | 40.833 | 165 | - | - | 40.998 |
| Buildings | 438.634 | 5.315 | (715) | 1.317 | 444.551 |
| Leasehold improvements | 10.100 | 320 | - | 410 | 10.830 |
| Plant and machinery | 1.499.154 | 132.598 | (3.362) | 55.980 | 1.684.370 |
| Motor vehicles | 600 | 26 | - | - | 626 |
| Furniture and fixtures | 69.513 | 3.649 | (247) | 2.334 | 75.249 |
| Construction in progress | 37.488 | 41.256 | - | (60.126) | 18.618 |
| | **2.289.146** | **183.329** | **(4.324)** | **(85)** | **2.468.066** |
| **Accumulated depreciation** | | | | | |
| Land improvements | - | 1.022 | - | - | 1.022 |
| Buildings | - | 8.579 | (6) | - | 8.573 |
| Leasehold improvements | 4.387 | 1.030 | - | - | 5.417 |
| Plant and machinery | 806.605 | 141.900 | (3.158) | - | 945.347 |
| Motor vehicles | 379 | 61 | - | - | 440 |
| Furniture and fixtures | 42.411 | 6.142 | (233) | - | 48.320 |
| | **853.782** | **158.734** | **(3.397)** | **-** | **1.009.119** |
| **Net book value** | **1.435.364** | | | | **1.458.947** |

Additions to property, plant and equipment in the period 1 January – 30 September 2020 and 2019 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker, dishwasher and air conditioner factories.
As of 30 September 2020, there are no pledges against the property, plant and equipments. (31 December 2019: None.)

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 |

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

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

Allocation of period depreciation and amortization expenses is as follows:

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 |
|---|---|---|
| Cost of sales | 184.986 | 162.535 |
| Research and development expenses | 28.807 | 24.411 |
| Marketing, selling and distribution expenses | 5.611 | 457 |
| General administrative expenses | 1.646 | 1.262 |
| | **221.050** | **188.665** |

## NOTE 12 – RIGHT OF USE ASSETS

| | 1 January 2020 | Additions | Disposal | 30 September 2020 |
|---|---|---|---|---|
| **Cost** | | | | |
| Land and buildings | 43.353 | 75.127 | - | 118.480 |
| Machinery | 32.790 | 4.568 | (2.198) | 35.160 |
| | **76.143** | **79.695** | **(2.198)** | **153.640** |
| **Accumulated amortization** | | | - | |
| Land and buildings | 5.136 | 6.447 | - | 11.583 |
| Machinery | 9.060 | 9.241 | (2.198) | 16.103 |
| | **14.196** | **15.688** | **(2.198)** | **27.686** |
| **Net book value** | **61.947** | **64.007** | **-** | **125.954** |

| | 1 January 2019 | Effect of change in accounting policies | Additions | 30 September 2019 |
|---|---|---|---|---|
| **Cost** | | | | |
| Land and buildings | - | 43.353 | - | 43.353 |
| Machinery | - | 30.487 | - | 30.487 |
| | **-** | **73.840** | **-** | **73.840** |
| **Accumulated amortization** | | | | |
| Land and buildings | - | - | 3.719 | 3.719 |
| Machinery | - | - | 6.317 | 6.317 |
| | **-** | **-** | **10.036** | **10.036** |
| **Net book value** | **-** | **73.840** | **(10.036)** | **63.804** |

The buildings mainly consist of group leases and their maturity expires in 2038.

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

## NOTE 13 – INTANGIBLE ASSETS

| | 1 January 2020 | Additions | Disposals | Transfers | 30 September 2020 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Rights | 6.534 | - | - | - | 6.534 |
| Development cost | 301.527 | 52.684 | (457) | - | 353.754 |
| Other intangible assets | 20.328 | 1.510 | - | 10 | 21.848 |
| | **328.389** | **54.194** | **(457)** | **10** | **382.136** |
| **Accumulated amortization** | | | | | |
| Rights | 6.369 | 14 | - | - | 6.383 |
| Development cost | 133.572 | 22.834 | - | - | 156.406 |
| Other intangible assets | 7.939 | 1.320 | - | - | 9.259 |
| | **147.880** | **24.168** | **-** | **-** | **172.048** |
| **Net book value** | **180.509** | | | | **210.088** |

| | 1 January 2019 | Additions | Disposals | Transfers | 30 September 2019 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Rights | 6.429 | - | - | - | 6.429 |
| Development cost | 244.701 | 42.046 | (279) | - | 286.468 |
| Other intangible assets | 16.127 | 602 | - | 85 | 16.814 |
| | **267.257** | **42.648** | **(279)** | **85** | **309.711** |
| **Accumulated amortization** | | | | | |
| Rights | 6.360 | 6 | - | - | 6.366 |
| Development cost | 107.534 | 18.822 | - | - | 126.356 |
| Other intangible assets | 6.496 | 1.067 | - | - | 7.563 |
| | **120.390** | **19.895** | **-** | **-** | **140.285** |
| **Net book value** | **146.867** | | | | **169.426** |

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

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

## NOTE 13 – INTANGIBLE ASSETS (Cont'd)

Useful lives of intangible assets are as follows:

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

## NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

### a) Provisions

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| **Short - term provisions** | | |
| Provision for lawsuit risks | 9.667 | 5.847 |
| | **9.667** | **5.847** |

### b) Guarantees received by the Company

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Guarantee letters | 31.003 | 27.573 |
| Cheques and notes | 1.470 | 1.330 |
| Collaterals and pledges | 8.674.897 | 5.605.504 |
| | **8.707.371** | **5.634.407** |

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

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

## NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

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

| CPM's given by the Group | USD ('000) | EUR ('000) | TL | TL Equivalent |
|---|---|---|---|---|
| **30 September 2020** | | | | |
| A. CPM's given on behalf of its own legal entity | - | 9.420 | 29.581 | 115.566 |
| 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 | 1.008.139 | 32.031 | 854.695 | 9.018.632 |
| i. Total amount of CPM's given on behalf of the parent company | 722.288 | - | 614.636 | 6.254.257 |
| 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 | 2.764.374 |
| iii.Total amount of CPM's given on behalf of third parties which are not in scope of C. | - | - | - | - |
| **Total** | **1.008.139** | **41.451** | **884.275** | **9.134.198** |

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

## NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

| CPM's given by the Group | USD ('000) | EUR ('000) | TL | TL Equivalent |
|---|---|---|---|---|
| **31 December 2019** | | | | |
| 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. | - | - | - | - |
| **Total** | **1.008.140** | **34.031** | **883.795** | **7.098.672** |

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 382% as of 30 September 2020.
(31 December 2019: 391%).

## NOTE 15 – COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to USD 1.070.700 thousand (31 December 2019: USD 800.533 thousand) due to the export and investment incentive certificates obtained.

As of 30 September 2020 the Company has forward foreign currency purchase contract that amounts to TL 392.773 thousand, EUR 2.000 thousand and USD 219.404 thousand against forward foreign currency sales contract that amounts to USD 43.605 thousand, EUR 187.253 thousand and TL 105.914 thousand (31 December 2019: TL 289.370 thousand, EUR 61.191 thousand and USD 127.966 thousand against forward foreign currency sales contract that amounts to EUR 104.806 thousand, USD 60.682 thousand and TL 402.625 thousand sales contracts).

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

## NOTE 16 – EMPLOYEE BENEFITS

**Liabilities for employee benefits:**

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Due to personnel | 33.547 | 32.176 |
| Social security payables | 12.056 | 10.750 |
| | **45.603** | **42.926** |

**Long term provisions for employee benefits:**

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Provision for employment termination benefits | 64.940 | 57.289 |

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 7.117,17 TL/year as of 30 September 2020 (31 December 2019: TL 6.379,86 TL/year).

The provision for employee termination benefits is not funded.

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as at 30 September 2020 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 30 September 2020 provision is calculated based on real discount rate of 5,21% (31 December 2019: 5,21%) assuming 7% annual inflation rate and 12,21% discount rate.

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

## NOTE 16 – EMPLOYEE BENEFITS (Cont'd)

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

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 |
|---|---|---|
| **Balance at 1 January** | **57.289** | **38.713** |
| Increase during the year | 4.053 | 3.596 |
| Payments during the year | (7.200) | (4.544) |
| Actuarial (gain) /loss | 5.247 | 1.437 |
| Interest expense | 5.551 | 4.938 |
| **Balance at 30 September** | **64.940** | **44.140** |

## NOTE 17 – OTHER ASSETS AND LIABILITIES

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| **Other current assets** | | |
| VAT carried forward | 173 | 97 |
| Income and discount accruals | 9.650 | 1.066 |
| | **9.823** | **1.163** |
| **Other current liabilities** | | |
| Taxes and dues payable | 18.479 | 14.564 |
| Advances received | 53.577 | 32.442 |
| Other | 9.753 | 3.316 |
| | **81.809** | **50.322** |

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

## NOTE 18 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

### a) Paid in capital

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Shares of par value TL 1 each | | |
| Issued share capital | 190.000 | 190.000 |

As of 30 September 2020 and 31 December 2019 the shareholding structure is as follows:

| | Shareholding | | Amount | |
|---|---|---|---|---|
| | 30 September 2020 | 31 December 2019 | 30 September 2020 | 31 December 2019 |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 92,53% | 95,18% | 175.807 | 180.834 |
| Shares held by public | 7,47% | 4,82% | 14.193 | 9.166 |
| | **100,00%** | **100,00%** | **190.000** | **190.000** |

Vestel Elektronik Sanayi ve Ticaret A.Ş. sold 5,000,000 Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. shares on Borsa Istanbul on 29 June 2020 and 18,365 on 3 September 2020. Following the transaction, Vestel Elektronik Sanayi ve Ticaret A.Ş.'s share in Vestel Beyaz Eşya declined to 92,53%.

### b) Adjustments to share capital

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

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Adjustment to share capital | **9.734** | **9.734** |

### c) Share Premium

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

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Share premium | **109.031** | **109.031** |

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

## NOTE 18 – 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.

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Legal reserves | **187.190** | **173.938** |

### e) Retained earnings

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Extraordinary reserves | 694.202 | 282.356 |
| Previous year's profits | 96.387 | 77.116 |
| | **790.589** | **359.472** |

### 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.

## NOTE 18 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

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.

In the Official Gazette dated 17 May 2020 and numbered 31130, "Communiqué on the Procedures and Principles Regarding the Implementation of Temporary Article 13 of the Turkish Commercial Code No.6102" was published. Provisional Article 13 added to the Turkish Commercial Code ("TCC") numbered 6102 with Article 12 of Law numbered 7244 published in the Official Gazette dated 17 April 2020 and numbered 31102 stipulates that, "Companies can only distribute dividends up to 25% of their net profit for the 2019 fiscal year until 31 December 2020, they cannot distribute retained earnings from previous years or free reserve funds, the general assemblies of companies cannot grant the board of directors the authority to distribute advance dividends, and even if the general assembly adopted a dividend distribution resolution for the 2019 fiscal year, if the shareholders have not yet been paid or if only partial payments have been made, companies must postpone dividend payments exceeding 25% of their net profit until 31 December 2020."

Based on the statement dated 3 June 2020, dividend distribution proposal amounting to TL 128.766 thousand has been accepted by the board of directors submitted for the approval of the General Assembly for 2019. The payment has been made in July 2020.

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

## NOTE 19 – REVENUE

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2020 | 1 July- 30 September 2019 |
|---|---|---|---|---|
| Domestic sales | 1.483.519 | 916.025 | 595.267 | 324.872 |
| Overseas sales | 4.569.079 | 4.084.519 | 1.941.527 | 1.469.732 |
| **Gross sales** | **6.052.598** | **5.000.544** | **2.536.794** | **1.794.604** |
| Less: Sales discounts | (9.374) | (4.729) | (3.948) | (2.107) |
| **Net sales** | **6.043.224** | **4.995.815** | **2.532.846** | **1.792.497** |
| Cost of sales | (4.976.257) | (4.340.192) | (2.009.359) | (1.588.031) |
| **Gross profit** | **1.066.967** | **655.623** | **523.487** | **204.466** |

## NOTE 20 – EXPENSES BY NATURE

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2020 | 1 July- 30 September 2019 |
|---|---|---|---|---|
| Raw materials, supplies and finished goods | 4.315.914 | 3.881.426 | 1.789.178 | 1.394.794 |
| Changes in finished goods, work in process and trade goods | (29.819) | (109.876) | (44.666) | (22.386) |
| Personnel expenses | 430.282 | 349.325 | 170.503 | 126.506 |
| Depreciation and amortization | 221.050 | 188.665 | 75.832 | 65.312 |
| Other | 225.422 | 193.546 | 87.592 | 83.746 |
| | **5.162.849** | **4.503.086** | **2.078.439** | **1.647.972** |

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

## NOTE 21 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

### a) General administrative expenses:

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2020 | 1 July- 30 September 2019 |
|---|---|---|---|---|
| Personnel expenses | 10.882 | 9.529 | 4.638 | 3.690 |
| Consultancy and IT expenses | 24.232 | 17.489 | 8.649 | 6.040 |
| Rent and office expenses | 3.851 | 5.440 | 1.343 | 1.769 |
| Travelling expense | 911 | 1.380 | 323 | 478 |
| Energy expenses | 654 | 698 | 163 | 259 |
| Depreciation and amortization | 1.646 | 1.262 | 563 | 419 |
| External benefits and services | 774 | 234 | 406 | 94 |
| Other | 12.439 | 12.859 | 2.738 | 3.815 |
| | **55.389** | **48.891** | **18.823** | **16.564** |

### b) Marketing expenses:

| | | | | |
|---|---|---|---|---|
| Personnel expenses | 20.029 | 15.485 | 7.774 | 5.765 |
| Transportation expenses | 34.205 | 40.399 | 11.180 | 14.730 |
| Tax and duties | 10.869 | 8.719 | 4.508 | 3.224 |
| Insurance expenses | 1.902 | 1.482 | 1.144 | 475 |
| Depreciation and amortization | 5.611 | 457 | 1.829 | 154 |
| Other | 10.990 | 6.503 | 7.256 | 2.793 |
| | **83.606** | **73.045** | **33.691** | **27.141** |

### c) Research and development expenses:

| | | | | |
|---|---|---|---|---|
| Depreciation and amortization | 28.807 | 24.411 | 9.604 | 8.892 |
| Personnel expenses | 6.936 | 6.436 | 2.513 | 2.275 |
| Other | 11.854 | 10.111 | 4.449 | 5.069 |
| | **47.597** | **40.958** | **16.566** | **16.236** |

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

## NOTE 22 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

| **a) Other operating income** | **1 January - 30 September 2020** | **1 January - 30 September 2019** | **1 July- 30 September 2020** | **1 July- 30 September 2019** |
|---|---|---|---|---|
| Credit finance gains arising from trading activities | 7.301 | 16.177 | 1.935 | 3.280 |
| Foreign exchange gains arising from trading activities | 381.561 | 192.389 | 199.379 | 45.141 |
| Other income | 22.696 | 4.788 | 5.004 | 1.217 |
| | **411.558** | **213.354** | **206.318** | **49.638** |

**b) Other operating expenses**

| | **1 January - 30 September 2020** | **1 January - 30 September 2019** | **1 July- 30 September 2020** | **1 July- 30 September 2019** |
|---|---|---|---|---|
| Debit finance charges arising from trading activities | 595 | 17.447 | 175 | 2.694 |
| Foreign exchange expenses arising from trading activities | 470.020 | 230.200 | 216.286 | 53.318 |
| Other expenses | 9.840 | 22.495 | 1.768 | 7.234 |
| | **480.455** | **270.142** | **218.229** | **63.246** |

## NOTE 23 – FINANCIAL INCOME AND FINANCIAL EXPENSE

**a) Financial income:**

| | **1 January - 30 September 2020** | **1 January - 30 September 2019** | **1 July- 30 September 2020** | **1 July- 30 September 2019** |
|---|---|---|---|---|
| Foreign exchange gains | 162.444 | 22.762 | 103.055 | 3.995 |
| Gains on derivative financial instruments | 179.730 | 115.759 | 49.048 | 41.668 |
| Interest income | 37.409 | 142.920 | 10.498 | 25.654 |
| | **379.583** | **281.441** | **162.601** | **71.317** |

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

## NOTE 23 – FINANCIAL INCOME AND FINANCIAL EXPENSE (Cont'd)

**b) Financial expense:**

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2020 | 1 July- 30 September 2019 |
|---|---|---|---|---|
| Foreign exchange losses | 194.047 | 37.297 | 106.858 | (28.012) |
| Losses on derivative financial instruments | 228.872 | 174.368 | 111.035 | 78.048 |
| Interest expense | 63.345 | 64.074 | 31.492 | 23.595 |
| Other finance expenses | 849 | 116 | 189 | 18 |
| | **487.113** | **275.855** | **249.574** | **73.649** |

## NOTE 24 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Corporation and income taxes | 3.335 | 2.913 |
| Prepaid taxes | (1.664) | (2.409) |
| **Current income tax liabilities - net** | **1.671** | **504** |
| Deffered tax liabilities | (49.202) | (64.989) |
| **Deferred tax assets / (liabilities)** | **(49.202)** | **(64.989)** |

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.

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

**NOTE 24 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)**

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 30 September 2020 are calculated with 22% tax rate for the temporary differences which will be realized in 2020, and with 20% tax for those which will be realized after 2021 and onwards.

As of 1 January – 30 September 2020 and 2019 tax expense in the statement of income is as follows:

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 |
|---|---|---|
| Current period tax expense | (3.335) | (2.341) |
| Deferred tax benefit / (expense) | 9.320 | 6.099 |
| **Total tax income** | **5.985** | **3.758** |

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

**Deferred tax assets and liabilities**

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

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

## NOTE 24 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

| | **Cumulative temporary differences** | | **Deferred tax** | |
|---|---|---|---|---|
| | **30 September 2020** | **31 December 2019** | **30 September 2020** | **31 December 2019** |
| **Deferred tax assets** | | | | |
| Employment termination benefits | (64.940) | (57.289) | 12.988 | 11.458 |
| Maddi ve maddi olmayan duran varlıkların kayıtlı değerleri ile vergi matrahları arasındaki net fark | (47.076) | (12.900) | 9.415 | 2.580 |
| Provision for impairment on inventories | (1.411) | (1.023) | 310 | 225 |
| Derivative financial instruments | (42.674) | (5.264) | 9.388 | 1.158 |
| Other | (35.047) | (20.623) | 7.711 | 4.537 |
| | | | **39.812** | **19.958** |

| | **Cumulative temporary differences** | | **Deferred tax** | |
|---|---|---|---|---|
| | **30 September 2020** | **31 December 2019** | **30 September 2020** | **31 December 2019** |
| **Deferred tax liabilites** | | | | |
| Revaluation of tangible fixed assets | 487.921 | 494.250 | (82.208) | (83.474) |
| Derivative financial instruments | 7.163 | 2.603 | (1.576) | (573) |
| Other | 23.775 | 6.609 | (5.230) | (900) |
| | | | **(89.014)** | **(84.947)** |
| **Deferred tax assets / (liabilities) - net** | | | **(49.202)** | **(64.989)** |

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

## NOTE 24 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 |
|---|---|---|
| **Opening balance, 1 January** | **(64.989)** | **(73.036)** |
| Tax expense recognized in income statement | 9.320 | 6.099 |
| Recognized in shareholders' equity | 6.467 | 108 |
| **Deferred tax liabilities at the end of the period, net** | **(49.202)** | **(66.829)** |

## NOTE 25– EARNINGS PER SHARE

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 |
|---|---|---|
| Net (loss) / income attributable to equity holders of the parent | 709.933 | 445.285 |
| Weighted number of ordinary shares with a TL 1 of par value (thousand shares) | 190.000 | 190.000 |
| | **3,74** | **2,34** |

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

## NOTE 26 – DERIVATIVE INSTRUMENTS

| | 30 September 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | **Contract amount** | **Fair Value Assets / (Liabilities)** | **Contract amount** | **Fair Value Assets / (Liabilities)** |
| **Derivative financial assets:** | | | | |
| **Held for trading** | | | | |
| Forward foreign currency transactions | 112.481 | 5.676 | 673.575 | 2.603 |
| **Cash flow hedge** | | | | |
| Forward foreign currency transactions | 319.347 | 1.487 | - | - |
| **Derivative financial liabilities:** | | | | |
| **Held for trading** | | | | |
| Forward foreign currency transactions | 567.776 | (16.565) | 782.893 | (5.264) |
| **Cash flow hedge** | | | | |
| Forward foreign currency transactions | 1.124.532 | (26.109) | - | - |
| | **2.124.136** | **(35.511)** | **1.456.468** | **(2.661)** |

## NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### Foreign currency risk:

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

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

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

## NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

| 30 September 2020 | USD | EUR | Other (TL Equivalent) | TL Equivalent |
|---|---|---|---|---|
| 1. Trade receivables | 4.475 | 163.934 | 10 | 1.531.357 |
| 2a. Monetary financial assets (including | - | - | - | - |
| cash and cash equivalents) | 312 | 5.914 | 125 | 56.545 |
| 2b. Non-monetary financial assets | - | - | - | - |
| 3. Other | 89.423 | 17.138 | - | 854.652 |
| **4. Current assets (1+2+3)** | **94.210** | **186.986** | **135** | **2.442.554** |
| 5. Trade receivables | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - |
| 6b. Non-monetary financial assets | 186 | 5.188 | - | 48.809 |
| 7. Other | - | - | - | - |
| **8. Non-current assets (5+6+7)** | **186** | **5.188** | **-** | **48.809** |
| **9. Total assets (4+8)** | **94.396** | **192.174** | **135** | **2.491.363** |
| 10. Trade payables | 146.169 | 107.874 | 349 | 2.126.321 |
| 11. Financial liabilities | - | 82.244 | - | 750.735 |
| 12a. Other monetary liabilities | - | - | - | - |
| 12b. Other non-monetary liabilities | - | - | - | - |
| **13. Current liabilities (10+11+12)** | **146.169** | **190.118** | **349** | **2.877.056** |
| 14. Trade payables | - | - | - | - |
| 15. Financial liabilities | - | 6.667 | - | 60.854 |
| 16a. Other monetary liabilities | - | - | - | - |
| 16b. Other non-monetary liabilities | - | - | - | - |
| **17. Non-current liabilities (14+15+16)** | **-** | **6.667** | **-** | **60.854** |
| **18. Total liabilities (13+17)** | **146.169** | **196.785** | **349** | **2.937.910** |
| **19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)** | **175.799** | **(185.253)** | **-** | **(318.369)** |
| 19a. Hedged total assets | 219.404 | 2.000 | - | 1.731.363 |
| 19b. Hedged total liabilities | (43.605) | (187.253) | - | (2.049.732) |
| **20. Net foreign currency asset/ (liability) position (9-18+19)** | **124.026** | **(189.864)** | **(214)** | **(764.916)** |
| **21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)** | **(51.959)** | **(9.799)** | **(214)** | **(495.356)** |
| **22. Fair value of financial instruments used in foreign currency hedging** | **-** | **-** | **-** | **(35.511)** |
| 23. Export | 36.647 | 580.502 | - | 4.569.079 |
| 24. Import | 219.942 | 106.775 | 3.076 | 2.283.613 |

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

## NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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

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

## NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 30 September 2020 and 31 December 2019, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

| | Gain / Loss | | Equity | |
|---|---|---|---|---|
| **30 September 2020** | **Foreign exchange appreciation** | **Foreign exchange depreciation** | **Foreign exchange appreciation** | **Foreign exchange depreciation** |
| **+/- 10% fluctuation of USD rate:** | | | | |
| USD net asset / liability | (40.570) | 40.570 | (40.570) | 40.570 |
| Secured portion from USD risk (-) | (6.806) | 6.806 | 105.608 | (105.608) |
| **USD net effect** | **(47.376)** | **47.376** | **65.038** | **(65.038)** |
| **+/- 10% fluctuation of EUR rate:** | | | | |
| EUR net asset / liability | (8.945) | 8.945 | (8.945) | 8.945 |
| Secured portion from EUR risk (-) | (22.471) | 22.471 | (137.347) | 137.347 |
| **EUR net effect** | **(31.416)** | **31.416** | **(146.292)** | **146.292** |
| **+/- 10% fluctuation of other currency rates:** | | | | |
| Other currencies net asset / liability | (21) | 21 | (21) | 21 |
| **Other currency net effect** | **(21)** | **21** | **(21)** | **21** |
| **Total** | **(78.813)** | **78.813** | **(81.275)** | **81.275** |

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

## NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

| | Gain / Loss | | Equity | |
|---|---|---|---|---|
| **31 December 2019** | **Foreign exchange appreciation** | **Foreign exchange depreciation** | **Foreign exchange appreciation** | **Foreign exchange depreciation** |
| **+/- 10% fluctuation of USD rate:** | | | | |
| 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) |
| **USD net effect** | **(44.144)** | **44.144** | **(44.144)** | **44.144** |
| **+/- 10% fluctuation of EUR rate:** | | | | |
| 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 |
| **EUR net effect** | **(30.891)** | **30.891** | **(30.891)** | **30.891** |
| **+/- 10% fluctuation of other currency rates:** | | | | |
| Other currencies net asset / liability | (177) | 177 | (177) | 177 |
| Secured portion from other currency risk (-) | - | - | - | - |
| **Other currency net effect** | **(177)** | **177** | **(177)** | **177** |
| **Total** | **(75.212)** | **75.212** | **(75.212)** | **75.212** |

## NOTE 28– SUBSEQUENT EVENTS

None.

## NOTE 29– OTHER MATTERS THAT MAY AFFECT THE FINANCIAL STATEMENTS OR TO BE EXPLAINED FOR THE FINANCIAL STATEMENTS TO BE INTERPRETABLE AND EXPLAINABLE

The necessary actions were taken by the management to minimize the possible effects of the COVID-19 pandemic on the Company's activities and financial status, which occurred in China at the end of 2019 and influenced the whole world. In order to avoid disruptions in the production processes, the raw material procurement processes were similar to the pre-pandemic period, considering the condition of the countries where the raw material was supplied. Production was suspended for a week during the peak of the pandemic.

With the start of normalization process in the countries where the Company exports goods, the desired level of demand is reached and it has contributed positively to the Company's financial stability. While preparing the interim financial statements dated 30 September 2020, the Company re-evaluated the effects of the COVID-19 pandemic and the estimates and assumptions used in the financials. Impairments that may occur in Company's assets have been evaluated and no impairment has been identified.