VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2020 (TOGETHER WITH INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT)

(ORIGINALLY ISSUED IN TURKISH)

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2020

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2020

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 30 JUNE 2020 AND 31 DECEMBER 2019

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

	Notes	Reviewed 30 June 2020	Audited 31 December 2019
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	186.255	119.328
Trade Receivables		1.932.548	1.748.257
Trade Receivables Due From Related Parties	6	1.930.914	1.741.171
Trade Receivables Due From Third Parties	7	1.634	7.086
Other Receivables		409.436	630.205
Other Receivables Due From Related Parties	6	300.232	482.149
Other Receivables Due From Third Parties	8	109.204	148.056
Derivative Financial Assets		5.881	2.603
Derivative Financial Assets Held for Trading	26	5.881	2.603
Inventories	9	853.675	646.136
Prepayments		23.432	20.052
Prepayments to Third Parties	10	23.432	20.052
Other Current Assets		11.648	1.163
Other Current Assets Due From Third Parties	17	11.648	1.163
TOTAL CURRENT ASSETS		**3.422.875**	**3.167.744**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 30 JUNE 2020 AND 31 DECEMBER 2019

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

	Notes	Reviewed 30 June 2020	Audited 31 December 2019
NON-CURRENT ASSETS			
Other Receivables		4.835	3.748
Other Recevables Due From Third Parties		4.835	3.748
Property, Plant and Equipment		1.535.037	1.516.259
Lands	11	192.824	192.824
Land Improvements	11	39.922	39.632
Buildings	11	433.168	435.552
Machinery and Equipment	11	814.381	771.383
Vehicles	11	302	168
Furnitures and Fixtures	11	30.176	26.336
Leasehold Improvements	11	5.029	5.133
Construction in Progress	11	19.235	45.231
Right of Use Assets	12	131.860	61.947
Intangible Assets and Goodwill		198.317	180.509
Other Rights	13	156	165
Capitalized Development Costs	13	185.723	167.955
Other Intangible Assets	13	12.438	12.389
Prepayments		70.914	53.595
Prepayments to Third Parties	10	70.914	53.595
TOTAL NON-CURRENT ASSETS		**1.940.963**	**1.816.058**
TOTAL ASSETS		**5.363.838**	**4.983.802**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 30 JUNE 2020 AND 31 DECEMBER 2019

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

	Notes	Reviewed 30 June 2020	Audited 31 December 2019
LIABILITIES			
CURRENT LIABILITIES			
Short-term Borrowings		696.676	733.300
Short-term Borrowings from Related Parties		14.371	6.973
Lease Liabilities	5,6	14.371	6.973
Short-term Borrowings From Third Parties		682.305	726.327
Bank Loans	5	666.277	714.041
Lease Liabilities	5	16.028	12.286
Short-term Portion of Long-term Borrowings		26.829	13.342
Short-term Portion of Long-term Borrowings from Third Parties		26.829	13.342
Bank Loans	5	26.829	13.342
Trade Payables		2.127.789	2.069.922
Trade Payables to Related Parties	6	177.730	132.380
Trade Payables to Third Parties	7	1.950.059	1.937.542
Employee Benefit Obligations	16	45.436	42.926
Other Payables		2	70.291
Other Payables to Related Parties	6	2	70.291
Derivative Financial Liabilities		13.698	5.264
Derivative Financial Liabilities Held for Trading	26	11.310	5.264
Derivative Financial Liabilities Held for Hedging	26	2.388	-
Current Tax Liabilities	24	819	504
Current Provisions		8.779	5.847
Other Current Provisions	14	8.779	5.847
Other Current Liabilities		42.492	50.322
Other Current Liabilities to Third Parties	17	42.492	50.322
TOTAL CURRENT LIABILITIES		**2.962.520**	**2.991.718**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 30 JUNE 2020 AND 31 DECEMBER 2019

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

	Notes	Reviewed 30 June 2020	Audited 31 December 2019
NON-CURRENT LIABILITIES			
Long Term Borrowings		134.430	56.831
Long Term Borrowings From Related Parties		90.141	32.546
Lease Liabilities	5,6	90.141	32.546
Long Term Borrowings From Third Parties		44.289	24.285
Bank Loans	5	31.396	10.303
Lease Liabilities	5	12.893	13.982
Trade Payables		506	6.747
Trade Payables to Third Parties	7	506	6.747
Non-current Provisions		62.578	57.289
Non-current Provisions for Employee Benefits	16	62.578	57.289
Deferred Tax Liabilities	24	57.986	64.989
TOTAL NON-CURRENT LIABILITIES		**255.500**	**185.856**
TOTAL LIABILITIES		**3.218.020**	**3.177.574**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 30 JUNE 2020 AND 31 DECEMBER 2019

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

	Notes	Reviewed 30 June 2020	Audited 31 December 2019
EQUITY			
Equity Attributable to Owners of Parent		**2.145.818**	**1.806.228**
Paid-in Share Capital	18	190.000	190.000
Inflation Adjustments to Paid-in Capital	18	9.734	9.734
Share Premium (Discount)	18	109.031	109.031
Other Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		390.298	395.981
Gains (Losses) on Revaluation and Remeasurement		390.298	395.981
Increases (Decreases) on Revaluation of Property, Plant and Equipment		407.401	410.776
Gains (Losses) on Remeasurements of Defined Benefit Plans		(17.103)	(14.795)
Other Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		(8.822)	-
Gains (Losses) on Hedge		(8.822)	-
Gains (Losses) on Cash Flow Hedges		(8.822)	-
Restricted Reserves Appropriated From Profits		173.938	173.938
Legal Reserves	18	173.938	173.938
Retained earnings/Accumulated losses	18	930.919	359.472
Net profit or loss for the period		350.720	568.072
TOTAL EQUITY		**2.145.818**	**1.806.228**
TOTAL LIABILITIES AND EQUITY		**5.363.838**	**4.983.802**

Financial statements for the period 1 January – 30 June 2020 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 30 July 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 JUNE 2020 AND 2019

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

	Notes	Reviewed 1 January - 30 June 2020	Reviewed 1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
PROFIT OR LOSS					
Revenue	19	3.510.378	3.203.318	1.915.321	1.818.208
Cost of Sales	19	(2.966.898)	(2.752.161)	(1.600.944)	(1.514.489)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		**543.480**	**451.157**	**314.377**	**303.719**
GROSS PROFIT (LOSS)		**543.480**	**451.157**	**314.377**	**303.719**
General Administrative Expenses	21	(36.566)	(32.327)	(20.169)	(18.256)
Marketing Expenses	21	(49.915)	(45.904)	(25.584)	(24.989)
Research and Development Expenses	21	(31.031)	(24.722)	(15.463)	(13.604)
Other Income from Operating Activities	22	205.240	163.716	105.084	48.981
Other Expenses from Operating Activities	22	(262.226)	(206.896)	(127.002)	(55.019)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		**368.982**	**305.024**	**231.243**	**240.832**
PROFIT (LOSS) BEFORE FINANCE INCOME (EXPENSE)		**368.982**	**305.024**	**231.243**	**240.832**
Finance Income	23	216.982	210.124	94.504	89.282
Fınance Expense	23	(237.539)	(202.206)	(109.288)	(102.223)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		**348.425**	**312.942**	**216.459**	**227.891**
Tax (Expense) Income		2.295	4.247	(1.182)	5.899
Current Period Tax (Expense) Income	24	(1.642)	(1.674)	(1.005)	(1.133)
Deferred Tax (Expense) Income	24	3.937	5.921	(177)	7.032
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**350.720**	**317.189**	**215.277**	**233.790**
PROFIT (LOSS) FOR THE PERIOD		**350.720**	**317.189**	**215.277**	**233.790**
Earnings Per Share with a TL 1 of Par Value	**25**	**1,85**	**1,67**	**1,13**	**1,23**

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 JUNE 2020 AND 2019

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

	Reviewed 1 January - 30 June 2020	Reviewed 1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
OTHER COMPREHENSIVE INCOME				
Other Comprehensive Income that will not be Reclassified to Profit or Loss	(2.308)	(708)	(1.824)	(96)
Gains (Losses) on Remeasurements of Defined Benefit Plans	(2.885)	(885)	(2.280)	(120)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss	577	177	456	24
Taxes Relating to Remeasurements of Defined Benefit Plans	577	177	456	24
Other Comprehensive Income that will be Reclassified to Profit or Loss	(8.822)	153	(9.694)	(2.207)
Other Comprehensive Income (Loss) Related with Cash Flow Hedges	(11.310)	196	(12.428)	(2.830)
Gains (Losses) on Cash Flow Hedges	(11.310)	196	(12.428)	(2.830)
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss	2.488	(43)	2.734	623
Taxes Relating to Cash Flow Hedges	2.488	(43)	2.734	623
OTHER COMPREHENSIVE INCOME (LOSS)	**(11.130)**	**(555)**	**(11.518)**	**(2.303)**
TOTAL COMPREHENSIVE INCOME (LOSS)	**339.590**	**316.634**	**203.759**	**231.487**

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

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

	Paid in Share Capital	Inflation Adjustments to Paid-in Capital	Share Premiums (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 Compre-hensive Income that will not be Reclassified in Profit or Loss	Cash Flow Hedges	Reserve Of Gains or Losses on Hedge	Other Compre-hensive Income that will be Reclassified in Profit or Loss	Restricted Reserves Appropriated From Profits	Retained Earnings/Accumulated Losses	Net Profit or Loss for the period	Retained Earnings	Equity attributable to owners of parent	Equity
Prior Period																
1 January -30 June 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)	-	-	-	(3.375)	(708)	(4.083)	(4.083)	153	153	153	-	3.375	317.189	320.564	316.634	316.634
Profit (Loss)	-	-	-	(3.375)	-	(3.375)	(3.375)	-	-	-	-	3.375	317.189	320.564	317.189	317.189
Other Comprehensive Income (Loss)	-	-	-	-	(708)	(708)	(708)	153	153	153	-	-	-	-	(555)	(555)
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(566.828)	-	(566.828)	(566.828)	(566.828)
Equity at End of Period	**190.000**	**9.734**	**109.031**	**414.152**	**(8.277)**	**405.875**	**405.875**	**(483)**	**(483)**	**(483)**	**173.938**	**356.097**	**317.189**	**673.286**	**1.561.381**	**1.561.381**
Current Period																
1 January -30 June 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	-	-	-	-	-	-	-	-	-	-	-	568.072	(568.072)	-	-	-
Total Comprehensive Income (Loss)	-	-	-	(3.375)	(2.308)	(5.683)	(5.683)	(8.822)	(8.822)	(8.822)	-	3.375	350.720	354.095	339.590	339.590
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	350.720	350.720	350.720	350.720
Other Comprehensive Income (Loss)	-	-	-	(3.375)	(2.308)	(5.683)	(5.683)	(8.822)	(8.822)	(8.822)	-	3.375	-	3.375	(11.130)	(11.130)
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity at End of Period	**190.000**	**9.734**	**109.031**	**407.401**	**(17.103)**	**390.298**	**390.298**	**(8.822)**	**(8.822)**	**(8.822)**	**173.938**	**930.919**	**350.720**	**1.281.639**	**2.145.818**	**2.145.818**

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

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

	Notes	Reviewed 1 January - 30 June 2020	Reviewed 1 January - 30 June 2019
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**183.004**	**242.437**
Profit (Loss) for the period		350.720	317.189
Profit (Loss) from Continuing Operations		350.720	317.189
Adjustments to Reconcile Profit (Loss) for the period		**182.197**	**62.184**
Adjustments for Depreciation and Amortisation Expense	11,12,13	145.218	123.353
Adjustments for Impairment Loss (Reversal of Impairment Loss)		4.793	(1.660)
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	4.793	(1.660)
Adjustments for Provisions		10.186	5.141
Adjustments for (Reversal of) Provisions Related with Employee Benefits	16	7.254	5.141
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	14	2.932	-
Adjustments for Interest (Income) Expenses		4.942	(76.787)
Adjustments for Interest Income	23	(26.911)	(117.266)
Adjustments for Interest Expense	23	31.853	40.479
Adjustments for Unrealised Foreign Exchange Losses (Gains)		19.302	47.731
Adjustments for Fair Value Losses (Gains)		(6.154)	(8.708)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(6.154)	(8.708)
Adjustments for Tax (Income) Expenses	24	(2.295)	(4.247)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(1.745)	(210)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(1.745)	(210)
Other Adjustments to Reconcile Profit (Loss)	4	7.950	(22.429)

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 JUNE 2020 AND 2019

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

	Notes	1 January - 30 June 2020	1 January - 30 June 2019
Changes in Working Capital		**(343.736)**	**(132.930)**
Adjustments for Decrease (Increase) in Trade Receivables		(184.291)	(18.438)
Decrease (Increase) in Trade Receivables from Related Parties	6	(189.743)	(20.107)
Decrease (Increase) in Trade Receivables from Third Parties	7	5.452	1.669
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		37.765	24.958
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations	8	37.765	24.958
Adjustments for Decrease (Increase) in Inventories	9	(212.332)	(205.881)
Decrease (Increase) in Prepaid Expenses	10	(20.699)	(46.965)
Adjustments for Increase (Decrease) in Trade Payables		51.626	93.089
Increase (Decrease) in Trade Payables to Related Parties	6	45.350	58.457
Increase (Decrease) in Trade Payables to Third Parties	7	6.276	34.632
Increase (Decrease) in Employee Benefit Liabilities	16	2.510	10.461
Other Adjustments for Other Increase (Decrease) in Working Capital		(18.315)	9.846
Decrease (Increase) in Other Assets Related with Operations	17	(10.485)	(19.862)
Increase (Decrease) in Other Payables Related with Operations	17	(7.830)	29.708
Cash Flows from (used in) Operations		**189.181**	**246.443**
Payments Related with Provisions for Employee Benefits	16	(4.850)	(2.930)
Income Taxes Refund (Paid)	24	(1.327)	(1.076)

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

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

	Notes	1 January - 30 June 2020	1 January - 30 June 2019
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**11.089**	**8.522**
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		1.948	1.150
Proceeds from Sales of Property, Plant and Equipment		1.948	1.150
Purchase of Property, Plant, Equipment and Intangible Assets		(172.776)	(152.772)
Purchase of Property, Plant and Equipment	11	(138.818)	(125.979)
Purchase of Intangible Assets	13	(33.958)	(26.793)
Cash Advances and Loans Made		181.917	160.144
Cash Advances and Loans Made to Related Parties	6	181.917	160.144
CASH FLOWS USED IN FINANCING ACTIVITIES		**(119.216)**	**(319.580)**
Proceeds from Borrowings		573.242	751.164
Proceeds from Bank Loans		570.589	751.446
Proceeds from Other Financial Borrowings		2.653	(282)
Repayments of Borrowings		(603.536)	(524.349)
Bank Loan Repayments		(603.536)	(524.349)
Decrease in Other Payables to Related Parties		(70.289)	(39.862)
Payments of Lease Liabilities		(21.743)	(11.236)
Dividends Paid	6	-	(566.828)
Interest Paid		(23.801)	(45.735)
Interest Received		26.911	117.266
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**74.877**	**(68.621)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**74.877**	**(68.621)**
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**	**157.164**	**34.662**

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

NOTE 1 – COMPANY'S ORGANISATION AND NATURE OF OPERATIONS

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company" or "Vestel Beyaz Eşya") was incorporated in 1997 under the Turkish Commercial Code and its head office is located at Levent 199, Büyükdere Caddesi No: 199, 34394 Şişli / İstanbul.

The Company started its operations in 1999 and produces refrigerators, room air conditioning units, washing machines, cookers, dishwashers and water heaters. The Company's production facilities occupy 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 June 2020, the number of personnel employed was 7.857 (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.	92,54
Other shareholders	7,46
	100,00

As of 30 June 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 June 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.

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 June 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 IFRS 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.

b) 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

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.

c) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

Reference to the Conceptual Framework (Amendments to IFRS 3)

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

The amendments updated IFRS 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.

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

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.

Annual Improvements to IFRS Standards 2018–2020

Improvements to IFRSs

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

IFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 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 IFRS Standards. This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by i)reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

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

IFRS 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.

IFRS 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.

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

Lease Liability

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

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

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.

- 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 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Turkey	888.252	591.153	551.580	409.495
Europe	1.938.973	1.947.123	1.024.601	1.038.767
Other	688.579	667.664	342.101	371.117
Gross sales	3.515.804	3.205.940	1.918.282	1.819.379
Discounts (-)	(5.426)	(2.622)	(2.961)	(1.171)
Net sales	**3.510.378**	**3.203.318**	**1.915.321**	**1.818.208**

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

The amount of export is TL 2.627.552 thousand for the period ended 30 June 2020. (1 January-30 June 2019: TL 2.614.787 thousand). Export sales are denominated in EURO, and USD as 94,2%, and 5,8% of total export respectively (1 January-30 June 2019: 93,5% EUR, 6,5% 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 June 2020	31 December 2019
Cash	364	228
Bank deposits		
- Demand deposits	156.800	82.059
Blocked deposits	29.091	37.041
Cash and cash equivalents	**186.255**	**119.328**

NOTE 5 – FINANCIAL LIABILITIES

	30 June 2020	31 December 2019
Short - term financial liabilities		
Short term bank loans	666.277	714.041
Short term portion of long term bank loans	26.829	13.342
Lease liabilities	30.399	19.259
	723.505	**746.642**
Long - term financial liabilities		
Long term bank loans	31.396	10.303
Lease liabilities	103.034	46.528
	134.430	**56.831**

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

	30 June 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	2,28%	63.835	492.056	3,13%	82.089	545.940
- TL	16,62%	174.221	174.221	20,01%	168.101	168.101
			666.277			**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 June 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**
- TL	16,62%	26.829	26.829	19,84%	13.342	13.342
Short term portion			**26.829**			**13.342**
- TL	16,62%	31.396	31.396	19,84%	10.303	10.303
Long term portion			**31.396**			**10.303**
			58.225			**23.645**

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

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

	30 June 2020	30 June 2019
Net financial debt as of 1 January	**721.186**	**550.421**
Cash inflows from loans	570.589	751.446
Cash outflows from loan payments	(603.536)	(524.349)
Payments of lease liabilities	67.646	70.402
Unrealized foreign exchange gain/loss	19.303	40.264
Accrued interest	460	(11.526)
Change in cash and cash equivalents	(74.877)	68.621
Net financial debt at the end of the period	**700.771**	**945.279**

(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 June 2020	31 December 2019
Vestel Ticaret A.Ş.	1.930.914	1.742.304
	1.930.914	1.742.304
Unearned interest on receivables (-)	-	(1.133)
	1.930.914	**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 June 2020	31 December 2019
Vestel Elektronik Sanayi ve Ticaret A.Ş.	78.289	57.962
Vestel Ticaret A.Ş.	-	6.216
Vestel Holland B.V.	99.804	67.598
Other related parties	398	637
	178.491	132.413
Unearned interest on payables (-)	(761)	(33)
	177.730	**132.380**

c) Other short term receivables from related parties

	30 June 2020	31 December 2019
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**300.232**	**482.149**

The Company's interest rate of other receivables in TL is 15% (31 December 2019: TL %21).

d) Other short term liabilities to related parties

	30 June 2020	31 December 2019
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**2**	**70.291**

As of 30 June 2020 and 31 December 2019, the Company's interest rate of other payables in EUR and in USD 5% and 7% respectively.

(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 June 2020	31 December 2019
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**104.512**	**39.519**

As of 30 June 2020, short term lease liabilities to related parties is TL 14.371 thousand, long term lease liabilities to related parties is TL 90.141 thousand (31 December 2019: TL 6.973 thousand, TL 32.546 thousand).

f) Transactions with related parties

	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Sales				
Vestel Ticaret A.Ş.	3.451.812	3.135.375	1.894.998	1.793.734
Vestel Elektronik Sanayi ve Ticaret A.Ş.	40.310	34.125	19.250	19.014
Other related parties	7	15	-	15
	3.492.129	**3.169.515**	**1.914.248**	**1.812.763**
Purchases and operating expenses				
Vestel Holland B.V.	99.782	104.584	41.081	86.086
Vestel Elektronik Sanayi ve Ticaret A.Ş.	190.469	154.842	101.032	93.238
Other related parties	17.950	8.040	17.950	4.384
	308.201	**267.466**	**160.063**	**183.708**
Other operating income				
Vestel Ticaret A.Ş.	167.009	110.598	83.781	40.035
Other related parties	28.188	866	15.505	(468)
	195.197	**111.464**	**99.286**	**39.567**
Other operating expense				
Vestel Ticaret A.Ş.	34.250	14.767	34.234	818
Other related parties	10.908	1.073	10.867	924
	45.158	**15.840**	**45.101**	**1.742**
Dividend paid				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	-	539.483	-	539.483
Public shares	-	27.345	-	27.345
	-	**566.828**	**-**	**566.828**

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Financial income				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	25.540	115.052	8.233	55.817
Other related parties	1.421	123	1.385	123
	26.961	**115.175**	**9.618**	**55.940**
Financial expense				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	3.424	16.405	120	13.066
Other related parties	34	-	32	-
	3.458	**16.405**	**152**	**13.066**

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 six months period ended 30 June 2020 is TL 4.556 thousand (1 January -30 June 2019: TL 2.661 thousand).

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

	30 June 2020	31 December 2019
Short - term trade receivables		
Trade receivables		
- Related parties (note 6)	1.930.914	1.742.304
- Third parties	2.167	6.096
Cheques and notes receivables	-	1.500
	1.933.081	1.749.900
Unearned interest expense (-)		
- Related parties (note 6)	-	(1.133)
- Third parties	-	(9)
Allowance for doubtful receivables (-)	(533)	(501)
Total short - term trade receivables	**1.932.548**	**1.748.257**

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

	30 June 2020	31 December 2019
Short term trade payables		
Trade payables		
- Related parties (note 6)	178.491	132.413
- Third parties	1.953.651	1.937.952
	2.132.142	2.070.365
Unearned interest income (-)		
- Related parties (note 6)	(761)	(33)
- Third parties	(3.592)	(410)
Total short term trade payables	**2.127.789**	**2.069.922**
Long term trade payables		
Trade payables		
- Third parties	560	6.856
	560	6.856
Unearned interest income (-)		
- Third parties	(54)	(109)
Total long term trade payables	**506**	**6.747**

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

NOTE 8 – OTHER RECEIVABLES

	30 June 2020	31 December 2019
Short - term other receivables		
Other receivables from related parties (note 6)	300.232	482.149
Receivables from government agencies	96.304	139.045
Deposits and guarantees given	11.274	7.654
Other receivables	1.626	1.357
	409.436	**630.205**

NOTE 9 – INVENTORIES

	30 June 2020	31 December 2019
Raw materials and supplies	613.048	387.201
Work in process	18.181	10.816
Finished goods	226.930	249.142
	858.159	647.159
Provision for impairment on inventories (-)	(4.484)	(1.023)
	853.675	**646.136**

As of 30 June 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 2.541.583 thousand (1 January – 30 June 2019: TL 2.399.142 thousand).

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

	30 June 2020	31 December 2019
Finished goods and merchandise	4.484	1.023
	4.484	**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 June 2020	1 January - 30 June 2019
Balance at 1 January	**1.023**	**2.194**
Current year provisions	4.793	1.976
Realised due to sale of inventory	(1.332)	(3.636)
Balance at 30 June	**4.484**	**534**

NOTE 10 – PREPAID EXPENSES

	30 June 2020	31 December 2019
Prepaid expenses in current assets		
Order advances given	9.784	11.170
Prepaid expenses	13.625	8.819
Business advances given	23	63
	23.432	**20.052**
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	67.492	52.981
Prepaid expenses	3.422	614
	70.914	**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 June 2020
Cost or revaluation					
Land	192.824	-	-	-	192.824
Land improvements	40.998	341	-	-	41.339
Buildings	447.048	2.644	-	1.619	451.311
Leasehold improvements	10.907	598	-	58	11.563
Machinery and equipment	1.763.514	115.050	(11.068)	35.778	1.903.274
Vehicles	626	178	-	-	804
Furniture and fixtures	76.719	4.701	(176)	3.847	85.091
Construction in progress	45.231	15.306	-	(41.302)	19.235
				-	
	2.577.867	**138.818**	**(11.244)**	**-**	**2.705.441**
Accumulated depreciation					
Land improvements	1.366	51	-	-	1.417
Buildings	11.496	6.647	-	-	18.143
Leasehold improvements	5.774	760	-	-	6.534
Machinery and equipment	992.131	107.643	(10.881)	-	1.088.893
Vehicles	458	44	-	-	502
Furniture and fixtures	50.383	4.692	(160)	-	54.915
	1.061.608	**119.837**	**(11.041)**	**-**	**1.170.404**
Net book value	**1.516.259**				**1.535.037**

(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 June 2019
Cost					
Land	192.824	-	-	-	192.824
Land improvements	40.833	114	-	-	40.947
Buildings	438.634	4.030	(715)	567	442.516
Leasehold improvements	10.100	155	-	402	10.657
Machinery and equipment	1.499.154	84.153	(1.900)	21.025	1.602.432
Vehicles	600	26	-	-	626
Furniture and fixtures	69.513	2.802	(201)	885	72.999
Construction in progress	37.488	34.699	-	(22.879)	49.308
	2.289.146	**125.979**	**(2.816)**	**-**	**2.412.309**
Accumulated depreciation					
Land improvements	-	679	-	-	679
Buildings	-	5.687	(6)	-	5.681
Leasehold improvements	4.387	675	-	-	5.062
Machinery and equipment	806.605	92.701	(1.792)	-	897.514
Vehicles	379	42	-	-	421
Furniture and fixtures	42.411	4.032	(192)	-	46.251
	853.782	**103.816**	**(1.990)**	**-**	**955.608**
Net book value	**1.435.364**				**1.456.701**

Additions to property, plant and equipment in the period 1 January – 30 June 2020 and 2019 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker, dishwasher and air conditioner factories. As of 30 June 2020, there are no pledges against the property, plant and equipments.
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
Machinery and equipment	5 - 20 years
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 depreciation and amortization expenses for the period is as follows:

	1 January - 30 June 2020	**1 January - 30 June 2019**
Cost of sales	121.150	106.688
Research and development expenses	19.203	15.519
Marketing, selling and distribution expenses	3.782	303
General administrative expenses	1.083	843
	145.218	**123.353**

NOTE 12 – RIGHT OF USE ASSETS

	1 January 2020	**Additions**	**30 June 2020**
Cost			
Land and buildings	43.353	74.576	117.929
Machinery	32.790	4.568	37.358
	76.143	**79.144**	**155.287**
Accumulated amortization			
Land and buildings	5.136	4.182	9.318
Machinery	9.060	5.049	14.109
	14.196	**9.231**	**23.427**
Net book value	**61.947**	**69.913**	**131.860**

	1 January 2019	**Effect of change in accounting policies**	**Additions**	**30 June 2019**
Cost				
Land and buildings	-	43.353	-	43.353
Machinery	-	32.297	-	32.297
	-	**75.650**	**-**	**75.650**
Accumulated amortization				
Land and buildings	-	-	2.301	2.301
Machinery	-	-	4.462	4.462
	-	**-**	**6.763**	**6.763**
Net book value	**-**	**75.650**	**-**	**68.887**

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

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

NOTE 13 – INTANGIBLE ASSETS

	1 January 2020	Additions	Disposals	30 June 2020
Cost				
Rights	6.534	-	-	6.534
Development cost	301.527	33.041	-	334.568
Other intangible assets	20.328	917	-	21.245
	328.389	**33.958**	**-**	**362.347**
Accumulated amortization				
Rights	6.369	9	-	6.378
Development cost	133.572	15.273	-	148.845
Other intangible assets	7.939	868	-	8.807
	147.880	**16.150**	**-**	**164.030**
Net book value	**180.509**			**198.317**

	1 January 2019	Additions	Disposals	30 June 2019
Cost				
Rights	6.429	-	-	6.429
Development cost	244.701	26.339	(114)	270.926
Other intangible assets	16.127	454	-	16.581
	267.257	**26.793**	**(114)**	**293.936**
Accumulated amortization				
Rights	6.360	4	-	6.364
Development cost	107.534	12.055	-	119.589
Other intangible assets	6.496	715	-	7.211
	120.390	**12.774**	**-**	**133.164**
Net book value	**146.867**			**160.772**

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 June 2020	31 December 2019
Short - term provisions		
Provision for lawsuit	8.779	5.847
	8.779	**5.847**

b) Guarantees received by the Company

	30 June 2020	31 December 2019
Guarantee letters	32.277	27.573
Cheques and notes	1.398	1.330
Collaterals and pledges	6.372.948	5.605.504
	6.406.623	**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 June 2020				
A. CPM's given on behalf of its own legal entity	-	7.420	19.689	76.882
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	7.999.492
i. Total amount of CPM's given on behalf of the parent company	722.288	-	614.636	5.556.675
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	2.442.817
iii.Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**1.008.140**	**39.451**	**874.384**	**8.076.374**

(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 373 % as of 30 June 2020 (31 December 2019: 391%).

NOTE 15 – COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to USD 801.568 thousand (31 December 2019: USD 800.533 thousand) due to the export and investment incentive certificates obtained.

As of 30 June 2020 the Company has forward foreign currency purchase contract that amounts to TL 182.661 thousand, EUR 12.935 thousand and USD 176.307 thousand against forward foreign currency sales contract that amounts to EUR 149.264 thousand, USD 41.329 thousand and TL 59.736 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 June 2020	31 December 2019
Due to personnel	33.013	32.176
Social security payables	12.423	10.750
	45.436	**42.926**

Long term provisions for employee benefits:

	30 June 2020	31 December 2019
Provision for employment termination benefits	**62.578**	**57.289**

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

The amount payable is the equivalent of one month's gross salary for each year of service and is limited to a maximum of TL 6.730,15 TL / year as of 30 June 2020 (31 December 2019: 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 June 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 June 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 June 2020	1 January - 30 June 2019
Balance at 1 January	**57.289**	**38.713**
Increase during the year	3.554	1.847
Payments during the year	(4.850)	(2.930)
Actuarial (gain) /loss	2.885	885
Interest expense	3.700	3.294
Balance at 30 June	**62.578**	**41.809**

NOTE 17 – OTHER ASSETS AND LIABILITIES

	30 June 2020	31 December 2019
Other current assets		
VAT carried forward	194	97
Income and discount accruals	11.454	1.066
	11.648	**1.163**
Other current liabilities		
Taxes and dues payable	21.066	14.564
Advances received	15.351	32.442
Other	6.075	3.316
	42.492	**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 June 2020	31 December 2019
Shares of par value TL 1 each		
Issued share capital	190.000	190.000

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

	Shareholding		Amount	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Vestel Elektronik Sanayi ve Ticaret A.Ş.	92,54%	95,18%	175.834	180.834
Shares held by public	7,46%	4,82%	14.166	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. Following the transaction, Vestel Elektronik Sanayi ve Ticaret A.Ş.'s share in Vestel Beyaz Eşya declined to 92.54%.

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 June 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 June 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 June 2020	31 December 2019
Legal reserves	**173.938**	**173.938**

e) Retained earnings

	30 June 2020	31 December 2019
Extraordinary reserves	282.607	282.356
Previous years' profits	648.312	77.116
	930.919	**359.472**

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

f) Dividend distribution

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

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

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

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

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

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 30 September 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 30 September 2020."

Based on the statement dated 3 June 2020, dividend distribution proposal amounting to TL 109.451 thousand has been accepted by the board of directors submitted for the approval of the General Assembly for 2019.

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

NOTE 19 – REVENUE

	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Domestic sales	888.252	591.153	551.580	409.495
Overseas sales	2.627.552	2.614.787	1.366.702	1.409.884
Gross sales	**3.515.804**	**3.205.940**	**1.918.282**	**1.819.379**
Less: Sales discounts	(5.426)	(2.622)	(2.961)	(1.171)
Net sales	**3.510.378**	**3.203.318**	**1.915.321**	**1.818.208**
Cost of sales	(2.966.898)	(2.752.161)	(1.600.944)	(1.514.489)
Gross profit	**543.480**	**451.157**	**314.377**	**303.719**

NOTE 20 – EXPENSES BY NATURE

	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Raw materials, supplies and finished goods	2.526.736	2.486.632	1.283.434	1.374.660
Changes in finished goods, work in process and trade goods	14.847	(87.490)	103.518	(33.236)
Personnel expenses	259.779	222.819	134.571	118.146
Depreciation and amortization	145.218	123.353	79.143	63.035
Other	137.830	109.800	61.494	48.733
	3.084.410	**2.855.114**	**1.662.160**	**1.571.338**

(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 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Personnel expenses	6.244	5.839	1.749	3.124
Consultancy and IT expenses	15.583	11.449	7.519	5.853
Rent and office expenses	2.508	3.671	1.327	2.100
Travelling expense	588	902	232	454
Energy expenses	491	439	299	259
Depreciation and amortization	1.083	843	552	425
External benefits and services	368	140	264	103
Other	9.701	9.044	8.227	5.938
	36.566	**32.327**	**20.169**	**18.256**

b) Marketing expenses:

Personnel expenses	12.255	9.720	6.480	5.284
Transportation expenses	23.025	25.669	11.353	14.193
Tax and duties	6.361	5.495	3.111	3.040
Insurance expenses	758	1.007	288	509
Depreciation and amortization	3.782	303	3.623	151
Other	3.734	3.710	729	1.812
	49.915	**45.904**	**25.584**	**24.989**

c) Research and development expenses:

Depreciation and amortization	19.203	15.519	9.845	8.144
Personnel expenses	4.423	4.161	1.743	2.179
Other	7.405	5.042	3.875	3.281
	31.031	**24.722**	**15.463**	**13.604**

(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 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Finance gains arising from trading activities	5.366	12.897	2.139	5.756
Foreign exchange gains arising from trading activities	182.182	147.248	96.336	41.287
Other income	17.692	3.571	6.609	1.938
	205.240	**163.716**	**105.084**	**48.981**

b) Other operating expenses

	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Finance charges arising from trading activities	420	14.753	(1.254)	4.819
Foreign exchange expenses arising from trading activities	253.734	176.882	121.580	39.256
Other expenses	8.072	15.261	6.676	10.944
	262.226	**206.896**	**127.002**	**55.019**

NOTE 23 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Foreign exchange gains	59.389	18.767	33.902	3.547
Gains on derivative financial instruments	130.682	74.091	51.677	29.746
Interest income	26.911	117.266	8.925	55.989
	216.982	**210.124**	**94.504**	**89.282**

(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 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Foreign exchange losses	87.189	65.309	38.071	25.267
Losses on derivative financial instruments	117.837	96.320	52.773	53.983
Interest expense	31.853	40.479	18.299	22.893
Other finance expenses	660	98	145	80
	237.539	**202.206**	**109.288**	**102.223**

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

	30 June 2020	31 December 2019
Corporation and income taxes	1.642	2.913
Prepaid taxes	(823)	(2.409)
Current income tax liabilities - net	**819**	**504**
Deffered tax liabilities	(88.367)	(84.947)
Deffered tax assets	30.381	19.958
Deferred tax assets / (liabilities)	**(57.986)**	**(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 22%, 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 June 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 June 2020 and 2019 tax expense in the statement of income is as follows:

	1 January - 30 June 2020	**1 January - 30 June 2019**
Current period tax expense	(1.642)	(1.674)
Deferred tax benefit / (expense)	3.937	5.921
Total tax income	**2.295**	**4.247**

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 June 2020	**31 December 2019**	**30 June 2020**	**31 December 2019**
Deferred tax assets				
Employment termination benefits	(62.578)	(57.289)	12.516	11.458
Net difference between book values and tax bases of tangible and intangible assets	(43.972)	(12.900)	8.794	2.580
Provision for impairment on inventories	(4.484)	(1.023)	986	225
Derivative financial instruments	(13.698)	(5.264)	3.014	1.158
Other	(23.044)	(20.623)	5.071	4.537
			30.381	**19.958**

	Cumulative temporary differences		**Deferred tax**	
	30 June 2020	**31 December 2019**	**30 June 2020**	**31 December 2019**
Deferred tax liabilites				
Unearned interest income	4.408	-	(970)	-
Revaluation of tangible fixed assets	490.031	496.359	(82.630)	(83.474)
Derivative financial instruments	5.881	2.603	(1.294)	(573)
Other	15.783	4.500	(3.473)	(900)
			(88.367)	**(84.947)**
Deferred tax assets / (liabilities) - net			**(57.986)**	**(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 June 2020	1 January - 30 June 2019
Opening balance, 1 January	**(64.989)**	**(73.036)**
Tax income recognized in income statement	3.937	5.921
Recognized in shareholders' equity	3.066	134
Deferred tax liabilities at the end of the period, net	**(57.986)**	**(66.981)**

NOTE 25– EARNINGS PER SHARE

	1 January - 30 June 2020	1 January - 30 June 2019
Net (loss) / income attributable to equity holders of the parent	350.720	317.189
Weighted number of ordinary shares with a TL 1 of par value (thousand shares)	190.000	190.000
	1,85	**1,67**

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

NOTE 26 – DERIVATIVE INSTRUMENTS

	30 June 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	606.230	5.881	673.575	2.603
Derivative financial liabilities:				
Held for trading				
Forward foreign currency transactions	193.221	(11.310)	782.893	(5.264)
Cash flow hedge				
Forward foreign currency transactions	689.283	(2.388)	-	-
	1.488.734	**(7.817)**	**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 June 2020	**USD**	**EUR**	**Other (TL Equivalent)**	**TL Equivalent**
1. Trade receivables	6.253	135.614	-	1.088.124
2a. Monetary financial assets (including cash and cash equivalents)	5.404	17.065	1.119	169.635
2b. Non-monetary financial assets	-	-	-	-
3. Other	34.396	8.623	-	301.812
4. Current assets (1+2+3)	**46.053**	**161.302**	**1.119**	**1.559.571**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	256	5.093	-	41.009
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**256**	**5.093**	**-**	**41.009**
9. Total assets (4+8)	**46.309**	**166.395**	**1.119**	**1.600.580**
10. Trade payables	136.842	86.282	265	1.601.644
11. Financial liabilities	-	63.835	-	492.056
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**136.842**	**150.117**	**265**	**2.093.700**
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**-**	**-**	**-**
18. Total liabilities (13+17)	**136.842**	**150.117**	**265**	**2.093.700**
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)	**134.978**	**(136.329)**	**-**	**(127.305)**
19a. Hedged total assets	176.307	12.935	-	1.306.033
19b. Hedged total liabilities	(41.329)	(149.264)	-	(1.433.338)
20. Net foreign currency asset/ (liability) position (9-18+19)	**44.445**	**(120.051)**	**854**	**(620.425)**
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(125.185)**	**2.562**	**854**	**(835.941)**
22. Fair value of financial instruments used in foreign currency hedging	**-**	**-**	**-**	**(7.817)**
23. Export	23.978	349.262	-	2.627.552
24. Import	135.858	68.424	2.162	1.459.155

(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 cash and cash equivalents)	142	17.555	47	117.642
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	6.302	-	41.912
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 June 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 June 2020	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(85.654)	85.654	(85.654)	85.654
Secured portion from USD risk (-)	23.560	(23.560)	92.278	(92.278)
USD net effect	**(62.094)**	**62.094**	**6.624**	**(6.624)**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	1.975	(1.975)	1.975	(1.975)
Secured portion from EUR risk (-)	(35.311)	35.311	(105.160)	105.160
EUR net effect	**(33.336)**	**33.336**	**(103.185)**	**103.185**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	85	(85)	85	(85)
Secured portion from other currency risk (-)	-	-	-	-
Other currency net effect	**85**	**(85)**	**85**	**(85)**
Total	**(95.346)**	**95.346**	**(96.477)**	**96.477**

(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 June 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 tested and no impairment has been identified.