VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS AT 1 JANUARY – 31 DECEMBER 2020 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEETS) AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2019

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

	Footnotes	Audited 31 December 2020	Audited 31 December 2019
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	216.011	119.328
Trade Receivables		3.285.995	1.748.257
Trade Receivables Due From Related Parties	6,7	3.280.987	1.741.171
Trade Receivables Due From Third Parties	7	5.008	7.086
Other Receivables		1.086.150	630.205
Other Receivables Due From Related Parties	6,8	855.935	482.149
Other Receivables Due From Third Parties	8	230.215	148.056
Derivative Financial Instruments		18.830	2.603
Derivative Financial Instruments Held for Trading	28	18.543	2.603
Derivative Financial Instruments Held for Hedging	28	287	-
Inventories	9	952.552	646.136
Prepayments		53.422	20.052
Prepayments to Third Parties	10	53.422	20.052
Other Current Assets		3.812	1.163
Other Current Assets Due From Third Parties	18	3.812	1.163
TOTAL CURRENT ASSETS		**5.616.772**	**3.167.744**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEETS) AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2019

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

	Footnotes	Audited 31 December 2020	Audited 31 December 2019
NON-CURRENT ASSETS			
Other Receivables		4.500	3.748
Other Recevables Due From Third Parties	8	4.500	3.748
Property, Plant and Equipments		2.190.304	1.516.259
Land and Premises	11	503.898	192.824
Land Improvements	11	49.957	39.632
Buildings	11	643.223	435.552
Machinery and Equipment	11	919.610	771.383
Vehicles	11	366	168
Fixtures and Fittings	11	36.413	26.336
Leasehold Improvements	11	4.688	5.133
Construction in Progress	11	32.149	45.231
Right of Use Assets	12	148.920	61.947
Intangible Assets and Goodwill		216.439	180.509
Other Rights	13	180	165
Capitalized Development Costs	13	202.424	167.955
Other Intangible Assets	13	13.835	12.389
Prepayments		53.056	53.595
Prepayments to Third Parties	10	53.056	53.595
TOTAL NON-CURRENT ASSETS		**2.613.219**	**1.816.058**
TOTAL ASSETS		**8.229.991**	**4.983.802**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEETS) AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2019

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

	Footnotes	Audited 31 December 2020	Audited 31 December 2019
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		998.969	733.300
Current Borrowings from Related Parties	5,6	16.181	6.973
Lease Liabilities		16.181	6.973
Current Borrowings From Third Parties		982.788	726.327
Bank Loans	5	960.540	714.041
Lease Liabilities	5	22.248	12.286
Current Portion of Non-current Borrowings		234.294	13.342
Current Portion of Non-current Borrowings from Third Parties		234.294	13.342
Bank Loans	5	234.294	13.342
Trade Payables		2.874.941	2.069.922
Trade Payables to Related Parties	6,7	188.142	132.380
Trade Payables to Third Parties	7	2.686.799	1.937.542
Employee Benefit Obligations	17	54.166	42.926
Other Payables		206.285	70.291
Other Payables to Related Parties	6	206.285	70.291
Derivative Financial Liabilities		48.839	5.264
Derivative Financial Liabilities Held for Trading	28	11.743	5.264
Derivative Financial Liabilities Held for Hedging	28	37.096	-
Current Tax Liabilities, Current	26	2.432	504
Current Provisions		9.674	5.847
Other Current Provisions	15	9.674	5.847
Other Current Liabilities		29.075	50.322
Other Current Liabilities to Third Parties	18	29.075	50.322
TOTAL CURRENT LIABILITIES		**4.458.675**	**2.991.718**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEETS) AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2019

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

	Footnotes	Audited 31 December 2020	Audited 31 December 2019
NON-CURRENT LIABILITIES			
Long Term Borrowings		207.731	56.831
Long Term Borrowings From Related Parties		109.058	32.546
Lease Liabilities	5,6	109.058	32.546
Long Term Borrowings From Third Parties		98.673	24.285
Bank Loans	5	88.566	10.303
Lease Liabilities	5	10.107	13.982
Trade Payables		61.787	6.747
Trade Payables to Third Parties	7	61.787	6.747
Non-current Provisions		85.734	57.289
Non-current Provisions for Employee Benefits	17	85.734	57.289
Deferred Tax Liabilities	26	54.299	64.989
TOTAL NON-CURRENT LIABILITIES		**409.551**	**185.856**
TOTAL LIABILITIES		**4.868.226**	**3.177.574**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEETS) AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2019

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

	Footnotes	Audited 31 December 2020	Audited 31 December 2019
EQUITY			
Equity Attributable to Owners of the Company		**3.361.765**	**1.806.228**
Issued Capital	19	190.000	190.000
Inflation Adjustments on Capital	19	9.734	9.734
Share Premium (Discount)	19	109.031	109.031
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		771.673	395.981
Gains (Losses) on Revaluation and Remeasurement		771.673	395.981
Increases (Decreases) on Revaluation of Property, Plant and Equipment		800.187	410.776
Gains (Losses) on Remeasurements of Defined Benefit Plans		(28.514)	(14.795)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		(29.447)	-
Gains (Losses) on Hedge		(29.447)	-
Gains (Losses) on Cash Flow Hedges		(29.447)	-
Restricted Reserves Appropriated From Profits		187.190	173.938
Legal Reserves	19	187.190	173.938
Prior Years' Profits or Losses	19	792.276	359.472
Current Period Net Profit Or Loss		1.331.308	568.072
TOTAL EQUITY		**3.361.765**	**1.806.228**
TOTAL LIABILITIES AND EQUITY		**8.229.991**	**4.983.802**

Financial statements for the period 1 January – 31 December 2020 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 15 February 2021. General Assembly and specified regulatory bodies have the right to make amendments to statutory financial statements after issue.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

	Footnotes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
PROFIT OR LOSS			
Revenue	20	9.409.285	6.967.964
Cost of Sales	20	(7.602.834)	(6.083.290)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		**1.806.451**	**884.674**
GROSS PROFIT (LOSS)		**1.806.451**	**884.674**
General Administrative Expenses	22	(81.028)	(69.037)
Marketing Expenses	22	(118.022)	(93.392)
Research and Development Expense	22	(78.866)	(58.023)
Other Income from Operating Activities	23	523.030	314.368
Other Expenses from Operating Activities	23	(547.368)	(377.348)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		**1.504.197**	**601.242**
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		**1.504.197**	**601.242**
Finance Income	24	476.221	338.823
Fınance Costs	24	(648.486)	(375.501)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		**1.331.932**	**564.564**
Tax (Expense) Income, Continuing		(624)	3.508
Current Period Tax (Expense) Income	26	(5.771)	(2.913)
Deferred Tax (Expense) Income	26	5.147	6.421
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**1.331.308**	**568.072**
PROFIT (LOSS)		**1.331.308**	**568.072**
Earnings Per Share with a TL 1 of Par Value	27	**7,01**	**2,99**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2020 AND 2019

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

	Footnotes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss	25	382.442	(7.226)
Gains (Losses) on Revaluation of Property, Plant		401.410	-
Gains (Losses) on Remeasurements of Defined Benefit Plans		(17.149)	(9.032)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss		(1.819)	1.806
Taxes Relating to Gains (Losses) on Revaluation of Property, Plant and Equipment		(5.249)	-
Taxes Relating to Remeasurements of Defined Benefit Plans		3.430	1.806
Other Comprehensive Income that will be Reclassified to Profit or Loss		(29.447)	636
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		(36.809)	816
Gains (Losses) on Cash Flow Hedges		(36.809)	816
Taxes Relating to Components of Other Comprehensive Income		7.362	(180)
Taxes Relating to Cash Flow Hedges		7.362	(180)
OTHER COMPREHENSIVE INCOME (LOSS)		**352.995**	**(6.590)**
TOTAL COMPREHENSIVE INCOME (LOSS)		**1.684.303**	**561.482**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

	Issued Capital	Inflation Adjustments on Capital	Share Premiums or Discounts	Increases (Decreases) on Revaluation of Property, Plant and Equipment	Gains (Losses) on Remeasure-ments of Defined Benefit Plans	Gains (Losses) on Revaluations and Remeasurements	Other Accumulated Compre-hensive Income that will not be Reclassified in Profit or Loss	Gain/(Loss) From Cash Flow Hedge	Reserve Of Gains or Losses on Hedge	Other Accumulated Compre-hensive Income that will be Reclassified to Profit or Loss	Restricted Reserves Appropriated From Profits	Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings	Equity attributable to owners of parent	Equity
Previous Period																
1 January -31 December 2019																
Balance 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)	-	-	-	(6.751)	(7.226)	(13.977)	(13.977)	636	636	636	-	6.751	568.072	574.823	561.482	561.482
Profit (Loss)	-	-	-	(6.751)	-	(6.751)	(6.751)	-	-	-	-	6.751	568.072	574.823	568.072	568.072
Other Comprehensive Income (Loss)	-	-	-	-	(7.226)	(7.226)	(7.226)	636	636	636	-	-	-	-	(6.590)	(6.590)
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(566.829)	-	(566.829)	(566.829)	(566.829)
Balance at End 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**
Current Period																
1 January -31 December 2020																
Balance 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	-	-	-	(6.750)	-	(6.750)	(6.750)	-	-	-	13.252	561.570	(568.072)	(6.502)	-	-
Total Comprehensive Income (Loss)	-	-	-	396.161	(13.719)	382.442	382.442	(29.447)	(29.447)	(29.447)	-	-	1.331.308	1.331.308	1.684.303	1.684.303
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	1.331.308	1.331.308	1.331.308	1.331.308
Other Comprehensive Income (Loss)	-	-	-	396.161	(13.719)	382.442	382.442	(29.447)	(29.447)	(29.447)	-	-	-	-	352.995	352.995
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(128.766)	-	(128.766)	(128.766)	(128.766)
Balance at End of Period	**190.000**	**9.734**	**109.031**	**800.187**	**(28.514)**	**771.673**	**771.673**	**(29.447)**	**(29.447)**	**(29.447)**	**187.190**	**792.276**	**1.331.308**	**2.123.584**	**3.361.765**	**3.361.765**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

	Footnotes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**574.223**	**617.727**
Profit (Loss) For The Period		1.331.308	568.072
Profit (Loss) For The Period from Continuing Operations		1.331.308	568.072
Adjustments to Reconcile Profit (Loss)		**371.234**	**187.130**
Adjustments for Depreciation and Amortisation Expense	11,12,13	300.308	257.440
Adjustments for Impairment Loss (Reversal of Impairment Loss)		2.432	(1.171)
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	2.432	(1.171)
Adjustments for Provisions		24.673	19.129
Adjustments for (Reversal of) Provisions Related with Employee Benefits	17	20.846	16.472
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	15	3.827	2.657
Adjustments for Interest (Income) Expenses		43.062	(74.709)
Adjustments for Interest Income	24	(52.487)	(161.325)
Adjustments for Interest Expense	24	95.549	86.616
Adjustments for Unrealised Foreign Exchange Losses (Gains)		4.136	24.859
Adjustments for Fair Value Losses (Gains)		(9.461)	(14.624)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(9.461)	(14.624)
Adjustments for Tax (Income) Expenses	26	624	(3.508)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(2.706)	(809)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(2.706)	(809)
Other Adjustments to Reconcile Profit (Loss)	4	8.166	(19.477)

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

	Footnotes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
Changes in Working Capital		**(1.114.925)**	**(127.423)**
Adjustments for Decrease (Increase) in Trade Accounts Receivable		(1.537.738)	(268.044)
Decrease (Increase) in Trade Accounts Receivables from Related Parties	6	(1.539.816)	(265.060)
Decrease (Increase) in Trade Accounts Receivables from Third Parties	7	2.078	(2.984)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(82.911)	11.988
Decrease (Increase) in Other Third Party Receivables Related with Operations	8	(82.911)	11.988
Adjustments for Decrease (Increase) in Inventories	9	(308.848)	(65.911)
Decrease (Increase) in Prepaid Expenses	10	(32.831)	(21.434)
Adjustments for Increase (Decrease) in Trade Accounts		860.059	161.061
Increase (Decrease) in Trade Accounts Payables to Related Parties	6	55.762	82.130
Increase (Decrease) in Trade Accounts Payables to Third Parties	7	804.297	78.931
Increase (Decrease) in Employee Benefit Liabilities	17	11.240	11.730
Other Adjustments for Other Increase (Decrease) in Working Capital		(23.896)	43.187
Decrease (Increase) in Other Assets Related with Operations	18	(2.649)	(333)
Increase (Decrease) in Other Payables Related with Operations	18	(21.247)	43.520
Cash Flows from (used in) Operations		**587.617**	**627.779**
Payments Related with Provisions for Employee Benefits	17	(9.551)	(6.927)
Income Taxes Refund (Paid)	26	(3.843)	(3.125)

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

	Footnotes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(958.714)**	**(135.306)**
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		14.980	2.630
Proceeds from Sales of Property, Plant and Equipment and Intangible Assets		14.980	2.630
Purchase of Property, Plant, Equipment and Intangible Assets		(599.908)	(359.671)
Purchase of Property, Plant and Equipment	11	(519.930)	(297.826)
Purchase of Intangible Assets	13	(79.978)	(61.845)
Cash Advances and Loans Made		(373.786)	221.735
Cash Advances and Loans Made to Related Parties	6	(373.786)	221.735
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**489.340**	**(503.417)**
Proceeds from Borrowings		2.006.706	1.116.152
Proceeds from Loans	5	2.006.706	1.116.152
Repayments of Borrowings		(1.461.014)	(1.041.103)
Loan Repayments	5	(1.465.848)	(1.040.466)
Payments of Other Financial Borrowings		4.834	(637)
Decrease in Other Payables to Related Parties		135.994	(64.579)
Payments of Lease Liabilities		(39.718)	(23.392)
Dividends Paid	6	(128.766)	(566.829)
Interest Paid		(76.349)	(84.991)
Interest Received		52.487	161.325
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**104.849**	**(20.996)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5**	**104.849**	**(20.996)**
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**	**187.136**	**82.287**

(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 405.864 square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 628.814 square meters.

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

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

As of 31 December 2020, the number of personnel employed was 9.210 (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.	89,90
Other shareholders	10,10
	100,00

As of 31 December 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") 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 maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The financial statements, except for land, buildings and land improvements and the financial assets and liabilities presented with their fair values, are maintained under historical cost conversion in TL. These financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/TFRS.

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

2.2 Comparative information and restatement of prior period financial statements

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

2.3 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

New standards, amendments and interpretations issued and effective for the financial year beginning 31 December 2020

Standards issued but not yet effective and not early adopted

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 are issued by POA on 12 March 2020 as 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, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

The Company does not expect that application of these amendments to IAS 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-Amendments to TFRS 16 is issued by POA on 5 June 2020.

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

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

2.4. Amendments in Turkey Financial Reporting Standards

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.

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.

IBOR Reform and its Effects on Financial Reporting—Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 AND TFRS 16)

In August 2020, IASB has published amendments which is issued by POA in 18 December 2020 that complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

The Phase 2 amendments, Interest Rate Benchmark Reform—Phase 2, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). In 2019, the Board issued its initial amendments in Phase 1 of the project and then these amendments were also issued by POA.

The objectives of the Phase 2 amendments are to assist companies in:

- applying TFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform; and
- providing useful information to users of financial statements.

In Phase 2 of its project, the Board amended requirements in TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases relating to and these amendments were also issued by POA :

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and
- disclosures.

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

2.4. Amendments in Turkey Financial Reporting Standards

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2021 with earlier application permitted.

Reference to the Conceptual Framework (Amendments to TFRS 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. And then, IFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

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

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 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. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

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 TAS 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. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

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

2.4. Amendments in Turkey Financial Reporting Standards

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 TFRS Standards 2018–2020

Improvements to TFRSs

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

TFRS 1 First-time Adoption of International Financial Reporting Standards

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

TFRS 9 Financial Instruments

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

Amendments are effective on 1 January 2020

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2022.
The changes that become effective as of January 1, 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

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

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

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

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

2.4. Amendments in Turkey Financial Reporting Standards

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

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

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

2.5. Summary of significant accounting policies

2.5.1 Revenue

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

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

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

Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the

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

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 2020 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.

Property, plant and equipment except for land, land improvements and buildings 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. Machinery 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)

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

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

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

Leases

The Company – as a lessee

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset. The Company assess whether:

a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, if the supplier has a substantive substitution right, the asset is not identified.
c) The Company has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
d) The Company has the right to direct use of the asset, The Company concludes to have the right of use, when it is predetermined how and for what purpose the Company will use the asset. The Company has the right to direct use of asset if either:
i. The Company has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
ii. The Company designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

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

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

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

Lease Liability

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

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

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

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

The Company – as a lessor

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

Right of use assets:

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

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

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

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

2.5.4 Intangible assets

a) Research and development costs

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

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

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

b) Rights and other intangible fixed assets

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

2.5.5 Financial instruments

a) Financial assets

The Company classifies its financial assets into three categories: financial assets measured at amortized cost, fair value through profit or loss and fair value through other comprehensive income. The classification depends on the basis of the business model determined according to utilization purposes and expected cash outflows. The Company classifies its financial assets 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.

The 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.

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

c) Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

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

The hedging transactions of the Company that qualify for hedge accounting are accounted in accordance with TFRS 9. As TFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of TFRS 9 will not have a significant impact on Company's financial statements.

Cash flow hedges:

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

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

(i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and

(ii) the cumulative change in fair value (present value) of the hedged item (i.e. the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.

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

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

2.5.6 Foreign currency transactions

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

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

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

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

Transfer pricing

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via transfer pricing, dated 18 November 2007 sets the implementation procedures of the law. If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arms' length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible items for corporate income tax purposes.

Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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 2020 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.

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

2.5.13 Statement of cash flows

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

2.5.14 Offsetting

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

2.5.15 Events after the balance sheet date

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

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

2.5.16 Going concern

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

2.6. Critical accounting estimates and judgments

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

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

i. Revaluation of lands, buildings and land improvements

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 2020 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 market approach whereas revaluations of buildings and land improvements and machinery and equipment were based on the method of cost approach and based on the following valuation techniques and assumptions:

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.

- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.

- In the cost approach method, fair value of the buildings and land improvements was calculated by considering depreciation on the re-construction costs. 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.

(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's Board of Directors has been identified as the Company's chief operating decision maker who is responsible for allocating resources between segments and assessing their performances. The Company management determines operating segments by reference to the reports reviewed by the Board of Directors to make strategic decisions.

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

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

Geographical segments

Segment revenue	**1 January - 31 December 2020**	**1 January - 31 December 2019**
Turkey	2.166.143	1.241.424
Europe	5.554.463	4.352.798
Other	1.732.569	1.395.035
Gross sales	9.453.175	6.989.257
Discounts (-)	(43.890)	(21.293)
Net sales	**9.409.285**	**6.967.964**

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

The amount of export is TL 7.287.032 thousand for the period ended 31 December 2020. (1 January-31 December 2019: TL 5.747.833 thousand). Export sales are denominated in EURO, and USD as 94,2%, and 5,8% of total export respectively (1 January-31 December 2019: 93,1% EUR, 6,9% USD).

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

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

NOTE 4 – CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash	215	228
Bank deposits		
- Demand deposits	169.037	82.059
- Time deposits	17.884	-
	187.136	82.287
Blocked deposits	28.875	37.041
Cash and cash equivalents	**216.011**	**119.328**

As at 31 December 2020, the Company has time deposits amounting to USD 2.300 thousand and TL 1.000 thousand. The maturities for time deposits are less than 1 month (31 December 2019: None).

The effective interest rates for time deposits are as below:

	31 December 2020	31 December 2019
TL	18,00%	-
USD	1,00%	-

NOTE 5 – FINANCIAL LIABILITIES

	31 December 2020	31 December 2019
Short - term financial liabilities		
Short term bank loans	960.540	714.041
Short term portion of long term bank loans	234.294	13.342
Lease liabilities	38.429	19.259
	1.233.263	**746.642**
Long - term financial liabilities		
Long term bank loans	88.566	10.303
Lease liabilities	119.165	46.528
	207.731	**56.831**

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

NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

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

	31 December 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**
- USD	3,17%	20.000	146.810	-	-	-
- EUR	2,57%	89.400	805.306	3,13%	82.089	545.940
- TL	20,61%	8.424	8.424	20,01%	168.101	168.101
			960.540			**714.041**

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

	31 December 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	2,57%	3.477	31.316	0,00%	-	-
- TL	20,61%	202.978	202.978	19,84%	13.342	13.342
Short term portion			**234.294**			**13.342**
- EUR	2,57%	6.537	58.889	-	-	-
- TL	20,61%	29.677	29.677	19,84%	10.303	10.303
Long term portion			**88.566**			**10.303**
			322.860			**23.645**

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

NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

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

	31 December 2020	31 December 2019
One to two years	85.284	4.106
Two to three years	1.877	3.491
Three to four years	1.405	1.562
Four to five years	-	1.144
	88.566	**10.303**

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

Guarantees given for the bank loans obtained are disclosed in note 15.

As of 31 December 2020 and 31 December 2019, reconciliation of net financial debt is as below:

	31 December 2020	31 December 2019
Net financial debt as of 1 January	**721.186**	**550.421**
Cash inflows from loans	2.006.706	1.116.152
Cash outflows from loan payments	(1.465.848)	(1.040.466)
Cash inflow/outflow from other financial debts	91.807	52.179
Unrealized Fx gain/loss	4.136	20.412
Accrued interest	720	1.492
Change in cash and cash equivalents	(104.849)	20.996
Net financial debt at the end of the period	**1.253.858**	**721.186**

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

NOTE 6 – RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 December 2020	31 December 2019
Vestel Ticaret A.Ş.	3.278.077	1.742.304
Other related parties	2.910	-
	3.280.987	1.742.304
Unearned interest on receivables (-)	-	(1.133)
	3.280.987	**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

	31 December 2020	31 December 2019
Vestel Elektronik Sanayi ve Ticaret A.Ş.	113.846	57.962
Vestel Ticaret A.Ş.	13.646	6.216
Vestel Holland B.V.	50.610	67.598
Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	10.887	-
Other related parties	671	637
	189.660	132.413
Unearned interest on payables (-)	(1.518)	(33)
	188.142	**132.380**

c) Other short term receivables from related parties

	31 December 2020	31 December 2019
Vestel Elektronik Sanayi ve Ticaret A.Ş.	855.935	482.149

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

d) Other short term liabilities to related parties

	31 December 2020	31 December 2019
Vestel Elektronik Sanayi ve Ticaret A.Ş.	206.285	70.291

The Company's interest rate of other payables in TL is 20% (31 December 2019: EUR 5%, USD 7%).

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

e) Lease liabilities to related parties

	31 December 2020	31 December 2019
Vestel Elektronik Sanayi ve Ticaret A.Ş.	125.239	39.519

As of 31 December 2020, short term lease liabilities to related parties is TL 16.181 thousand, long term lease liabilities to related parties is TL 109.058 thousand (31 December 2019: TL 6.973 thousand, TL 32.546 thousand).

f) Transactions with related parties

	1 January - 31 December 2020	1 January - 31 December 2019
Sales		
Vestel Ticaret A.Ş.	9.237.267	6.823.274
Vestel Elektronik Sanayi ve Ticaret A.Ş.	101.969	71.581
Other related parties	3.108	29
	9.342.344	**6.894.884**
Purchases and operating expenses		
Vestel Holland B.V.	250.763	214.045
Vestel Elektronik Sanayi ve Ticaret A.Ş.	493.455	332.544
Other related parties	26.812	29.942
	771.030	**576.531**

	1 January - 31 December 2020	1 January - 31 December 2019
Other operating income		
Vestel Ticaret A.Ş.	458.097	210.618
Other related parties	3.527	5.945
	461.624	**216.563**
Other operating expense		
Vestel Ticaret A.Ş.	157.026	84.104
Other related parties	19.397	4.487
	176.423	**88.591**

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

f) Transactions with related parties (cont'd)

	1 January - 31 December 2020	1 January - 31 December 2019
Dividend paid		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	119.166	539.483
Public shares	9.601	27.346
	128.766	**566.829**

	1 January - 31 December 2020	1 January - 31 December 2019
Financial income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	125.080	158.044
Other related parties	39	123
	125.119	**158.167**
Financial expense		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	18.904	17.341
Other related parties	-	12
	18.904	**17.353**

g) Guarantees received from and given to related parties are disclosed in note 15.

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 twelve months period ended 31 December 2020 is TL 8.488 thousand (1 January -31 December 2019: TL 8.025 thousand).

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

	31 December 2020	31 December 2019
Short - term trade receivables		
Trade receivables		
- Related parties (note 6)	3.280.987	1.742.304
- Other parties	5.571	6.096
Cheques and notes receivables	12	1.500
	3.286.570	1.749.900
Unearned interest expense (-)		
- Related parties (note 6)	-	(1.133)
- Other parties	-	(9)
Allowance for doubtful receivables (-)	(575)	(501)
Total short - term trade receivables	**3.285.995**	**1.748.257**

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

	31 December 2020	31 December 2019
Short term trade payables		
Trade payables		
- Related parties (note 6)	189.660	132.413
- Other parties	2.696.289	1.937.952
	2.885.949	2.070.365
Unearned interest income (-)		
- Related parties (note 6)	(1.518)	(33)
- Other parties	(9.490)	(410)
Total short term trade payables	**2.874.941**	**2.069.922**
Long term trade payables		
Trade payables		
- Other parties	61.832	6.856
	61.832	6.856
Unearned interest income (-)		
- Other parties	(45)	(109)
Total long term trade payables	**61.787**	**6.747**

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

NOTE 8 – OTHER RECEIVABLES

	31 December 2020	31 December 2019
Short - term other receivables		
Other receivables from related parties (note 6)	855.935	482.149
Receivables from government agencies	216.766	139.045
Deposits and guarantees given	12.347	7.654
Other receivables	1.102	1.357
	1.086.150	**630.205**

	31 December 2020	31 December 2019
Long - term other receivables		
Deposits and guarantees given	4.500	3.748
	4.500	**3.748**

NOTE 9 – INVENTORIES

	31 December 2020	31 December 2019
Raw materials	622.132	387.201
Work in process	18.062	10.816
Finished goods	314.013	249.142
	954.207	647.159
Provision for impairment on inventories (-)	(1.655)	(1.023)
	952.552	**646.136**

As of 31 December 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 6.580.559 thousand (1 January – 31 December 2019: TL 5.271.194 thousand).

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

NOTE 9 – INVENTORIES (Cont'd)

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

	31 December 2020	31 December 2019
Finished goods and merchandise	1.655	1.023
	1.655	**1.023**

Movement of impairment on inventories is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance, 1 January	**1.023**	**2.194**
Current year additions	2.432	3.521
Realised due to sales of inventory	(1.800)	(4.692)
Balance at 31 December	**1.655**	**1.023**

NOTE 10 – PREPAID EXPENSES

	31 December 2020	31 December 2019
Prepaid expenses in current assets		
Order advances given	33.914	11.170
Prepaid expenses	19.504	8.819
Business advances given	4	63
	53.422	**20.052**
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	49.821	52.981
Prepaid expenses	3.235	614
	53.056	**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	Fair value increase	31 December 2020
Cost or revaluation						
Land	192.824	112.976	-	-	198.098	503.898
Land improvements	40.998	987	-	(2.756)	10.728	49.957
Buildings	447.048	24.773	-	(21.182)	192.584	643.223
Leasehold improvements	10.907	975	(3)	135	-	12.014
Plant and machinery	1.763.514	321.576	(21.986)	48.577	-	2.111.681
Motor vehicles	626	295	(59)	-	-	862
Furniture and fixtures	76.719	13.283	(293)	6.824	-	96.533
Construction in progress	45.231	45.065	-	(58.147)	-	32.149
				-	-	
	2.577.867	**519.930**	**(22.341)**	**(26.549)**	**401.410**	**3.450.317**
Accumulated depreciation						
Land improvements	1.366	1.404	-	(2.770)	-	-
Buildings	11.496	12.273	-	(23.769)	-	-
Leasehold improvements	5.774	1.554	(2)	-	-	7.326
Plant and machinery	992.131	221.584	(21.644)	-	-	1.192.071
Motor vehicles	458	97	(59)	-	-	496
Furniture and fixtures	50.383	10.006	(269)	-	-	60.120
	1.061.608	**246.918**	**(21.974)**	**(26.539)**	**-**	**1.260.013**
Net book value	**1.516.259**					**2.190.304**

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

Additions to property, plant and equipment in the period 1 January – 31 December 2020 and 2019 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker, dishwasher and air conditioner factories.

As at 31 December 2020, there are no pledges against the property, plant and equipments. (31 December 2019: None)

On 31 December 2020, the Company acquired 122,5 thousand sqm land in Manisa Organized Industrial Zone (MOSB) and the building located in 3 thousand sqm portion of this land for a total consideration of TL 131,811 thousand from Vestel Elektronik Sanayi ve Ticaret A.Ş. The acquisition price for the land was determined in accordance with the value set by the Board of Directors of the Manisa Organized Industrial Zone within the framework of the Article 15 of the Law No. 4562 while the price for the building was determined by negotiation between the parties.

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

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

Cost and accumulated depreciation of land, land improvements and buildings before revaluation are as follows:

31 December 2020	**Land**	**Land improvements and buildings**
Cost	152.038	203.958
Accumulated depreciation (-)	-	(46.146)
Net book value	**152.038**	**157.812**

31 December 2019	**Land**	**Land improvements and buildings**
Cost	39.062	171.990
Accumulated depreciation (-)	-	(40.908)
Net book value	**39.062**	**131.082**

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

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

Allocation of period depreciation and amortization expenses is as follows:

	1 January - 31 December 2020	**1 January - 31 December 2019**
Cost of sales	251.075	221.424
Research and development expenses	39.298	33.700
Marketing, selling and distribution expenses	7.645	612
General administrative expenses	2.290	1.704
	300.308	**257.440**

31 December 2020	**Level 1**	**Level 2**	**Level 3**
Tangible assets			
Land	-	503.898	-
Land improvements and buildings	-	693.180	-

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

NOTE 12 – RIGHT OF USE ASSETS

	1 January 2020	Additions	Disposals	31 December 2020
Cost				
Land and buildings	43.353	99.693	-	143.046
Machinery	32.790	8.519	(2.198)	39.111
	76.143	**108.212**	**(2.198)**	**182.157**
Accumulated amortization				
Land and buildings	5.136	8.371	-	13.507
Machinery	9.060	12.868	(2.198)	19.730
	14.196	**21.239**	**(2.198)**	**33.237**
Net book value	**61.947**	**86.973**	**-**	**148.920**

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

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

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

NOTE 13 – INTANGIBLE ASSETS

	1 January 2020	Additions	Disposals	Transfers	31 December 2020
Cost					
Rights	6.534	34	-	-	6.568
Development cost	301.527	76.705	(11.907)	-	366.325
Other intangible assets	20.328	3.239	-	10	23.577
	328.389	**79.978**	**(11.907)**	**10**	**396.470**
Accumulated amortization					
Rights	6.369	19	-	-	6.388
Development cost	133.572	30.329	-	-	163.901
Other intangible assets	7.939	1.803	-	-	9.742
	147.880	**32.151**	**-**	**-**	**180.031**
Net book value	**180.509**				**216.439**

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

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 – GOVERMENT GRANTS

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

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

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to TL 1.283 thousand for the period 1 January - 31 December 2020 (1 January - 31 December 2019: TL 622 thousand).

The Company has not obtained any Turquality Brand support incentive from Republic of Turkey Prime Ministry Undersecretary of Treasury in 2020 (2019: None).

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

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2020	31 December 2019
Short - term provisions		
Provision for lawsuit risks	9.674	5.847
	9.674	**5.847**

The movements in the provision for lawsuits are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance, 1 January	**5.847**	**3.190**
Current year additions	4.415	2.777
Payments/ disposals	(588)	(120)
Balance at 31 December	**9.674**	**5.847**

b) Guarantees received by the Company

	31 December 2020	31 December 2019
Guarantee letters	38.071	27.573
Cheques and notes	1.435	1.330
Collaterals and pledges	8.163.433	5.605.504
	8.202.939	**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 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2020				
A. CPM's given on behalf of its own legal entity	-	7.420	44.929	111.766
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	8.543.476
i. Total amount of CPM's given on behalf of the parent company	722.288	-	614.636	5.916.588
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	2.626.888
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**	**899.624**	**8.655.242**

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

NOTE 15 – 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 was 254% as of 31 December 2020 (31 December 2019: 391%).

NOTE 16 – COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to USD 974.233 thousand(31 December 2019: USD 800.553 thousand) due to the export and investment incentive certificates obtained.

As of 31 December 2020 the Company has forward foreign currency purchase contract that amounts to TL 959.540 thousand, EUR 4.257 thousand and USD 287.768 thousand against forward foreign currency sales contract that amounts to EUR 289.759 thousand, USD 39.567 thousand and TL 238.438 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).

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

NOTE 17 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2020	31 December 2019
Due to personnel	38.090	32.176
Social security payables	16.076	10.750
	54.166	**42.926**

Long term provisions for employee benefits:

	31 December 2020	31 December 2019
Provision for employment termination benefits	**85.734**	**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 7.117,17 TL / year as of 31 December 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 31 December 2019 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31 December 2020 provision is calculated based on real discount rate of 4,44% (31 December 2019: 5,21%) assuming 8,5% annual inflation rate and 12,94% discount rate.

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

NOTE 17 – EMPLOYEE BENEFITS (Cont'd)

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

	1 January - 31 December 2020	1 January - 31 December 2019
Balance at 1 January	**57.289**	**38.713**
Increase during the year	14.083	10.539
Payments during the year	(9.551)	(6.927)
Actuarial (gain) /loss	17.149	9.032
Interest expense	6.763	5.932
Balance at 31 December	**85.734**	**57.289**

As of 31 December 2020, an increase in annual discount rate by 0,25% would lead to a decrease in employee benefit liability by 4% ; a decrease in annual discount rate by 0,25% would lead to an increase in employee benefit liability by 4.2%. (31 December 2019: 4% decrease and 4,2% increase).

As of 31 December 2020, an increase in salary escalation by 0,25% would lead to an increase in employee benefit liability by 4,4%; a decrease in salary escalation by 0,25% would lead to a decrease in employee benefit liability by 4.2%.(31 December 2019: 4,3% increase and 4,1% decrease)

NOTE 18 – OTHER ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
Other current assets		
VAT carried forward	333	97
Other	3.479	1.066
	3.812	**1.163**
Other current liabilities		
Taxes and dues payable	28.055	14.564
Advances received	121	32.442
Other	899	3.316
	29.075	**50.322**

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

NOTE 19 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	31 December 2020	31 December 2019
Shares of par value TL 1 each		
Issued share capital	190.000	190.000

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

	Shareholding		Amount	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Vestel Elektronik Sanayi ve Ticaret A.Ş.	89,90%	95,18%	170.810	180.834
Shares held by public	10,10%	4,82%	19.190	9.166
	100,00%	**100,00%**	**190.000**	**190.000**

Vestel Elektronik Sanayi ve Ticaret A.Ş. sold 5,000,000 shares of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. at Borsa Istanbul on 29 June 2020, 18,365 shares on 3 September 2020 and 5,000,000 shares on 25 November 2020. Following these transactions, Vestel Elektronik Sanayi ve Ticaret A.Ş.'s share in Vestel Beyaz Eşya declined to 89,90%.

b) Adjustments to share capital

Adjustment to share capital is the difference between the share capital recalculated to adjust the effects of hyperinflation until 31 December 2004 and historical share capital.

	31 December 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.

	31 December 2020	31 December 2019
Share premium	**109.031**	**109.031**

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

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

d) Restricted reserves ("Legal reserves")

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

	31 December 2020	31 December 2019
Legal reserves	**187.190**	**173.938**

e) Retained earnings

	31 December 2020	31 December 2019
Extraordinary reserves	694.202	282.356
Previous year's profits	98.074	77.116
	792.276	**359.472**

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

f) Dividend distribution

For listed 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 redeemed share right certificates, to members of board of directors 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.

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

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

NOTE 20 – SALES

	1 January - 31 December 2020	1 January - 31 December 2019
Domestic sales	2.166.143	1.241.424
Export sales	7.287.032	5.747.833
Gross sales	**9.453.175**	**6.989.257**
Less: Sales discounts (-)	(43.890)	(21.293)
Net sales	**9.409.285**	**6.967.964**
Cost of sales	(7.602.834)	(6.083.290)
Gross profit	**1.806.451**	**884.674**

NOTE 21 – EXPENSES BY NATURE

	1 January - 31 December 2020	1 January - 31 December 2019
Raw materials, supplies and finished goods	6.652.676	5.312.745
Changes in finished goods, work in process and trade goods	(72.117)	(41.551)
Personnel expenses	643.508	474.957
Depreciation and amortization	300.308	257.440
Other	356.375	300.151
	7.880.750	**6.303.742**

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

NOTE 22 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) General administrative expenses:

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses	16.969	15.242
Consultancy Expenses	35.128	23.974
Rent and office expenses	5.069	6.890
Travelling expenses	1.192	2.022
Energy expenses	855	1.022
Depreciation and amortization	2.290	1.704
Benefits and services provided externally	1.092	285
Other	18.433	17.898
	81.028	**69.037**

b) Marketing expenses:

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses	29.361	21.288
Transportation, distribution and storage expenses	53.589	46.177
Taxes and duties	17.143	12.868
Insurance expenses	2.718	1.958
Depreciation and amortization	7.645	612
Other	7.566	10.489
	118.022	**93.392**

c) Research and development expenses:

Depreciation and amortization	39.298	33.700
Personnel expenses	19.029	8.554
Other	20.539	15.769
	78.866	**58.023**

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

NOTE 23 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other operating income

	1 January - 31 December 2020	1 January - 31 December 2019
Credit finance gains arising from trading activities	12.073	19.272
Foreign exchange gains arising from trading activities	484.445	287.459
Other income	26.512	7.637
	523.030	**314.368**

b) Other operating expense

	1 January - 31 December 2020	1 January - 31 December 2019
Debit finance charges arising from trading activities	919	22.222
Foreign exchange expenses arising from trading activities	535.443	324.452
Other expenses	11.006	30.674
	547.368	**377.348**

NOTE 24 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange gains	126.794	30.031
Gains on derivative financial instruments	296.940	147.467
Interest income	52.487	161.325
	476.221	**338.823**

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

NOTE 24 – FINANCIAL INCOME AND FINANCIAL EXPENSE (Cont'd)

b) Financial expense:

	1 January - 31 December 2020	**1 January - 31 December 2019**
Foreign exchange losses	191.431	77.894
Losses on derivative financial instruments	360.577	210.801
Interest expense	95.549	86.616
Other finance expenses	929	190
	648.486	**375.501**

NOTE 25 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

a) Cash flow hedge fund:

	1 January - 31 December 2020	**1 January - 31 December 2019**
Opening balance, 1 January	-	(636)
Gains (losses) on cash flow hedges	(36.809)	816
Taxes relating to cash flow hedges	7.362	(180)
Balance at 31 December	**(29.447)**	**-**

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

	1 January - 31 December 2020	**1 January - 31 December 2019**
Opening balance, 1 January	(14.795)	(7.569)
Gains (losses) on remeasurements of defined benefit plans	(17.149)	(9.032)
Taxes relating to remeasurements of defined benefit plans	3.430	1.806
Balance at 31 December	**(28.514)**	**(14.795)**

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

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

	31 December 2020	31 December 2019
Corporate tax	5.771	2.913
Prepaid taxes	(3.339)	(2.409)
Corporate tax	**2.432**	**504**
Deffered tax liabilities	(54.299)	(64.989)
Deferred tax assets / (liabilities)	**(54.299)**	**(64.989)**

Corporate tax is applied on taxable corporate income, which is calculated from the statutory profit by adding back non-deductible expenses and by deducting other exempt income.

Dividend payments made to resident and non-resident individuals, non-resident legal entities and corporations resident in Turkey (except for the ones exempt from corporate and income tax), are subject to an income tax of 15%.

Dividend payments made from a corporation resident in Turkey to a corporation also resident in Turkey are not subject to income tax. Furthermore, income tax is not calculated in case the profit is not distributed or transferred to equity.

In Turkey, advance tax returns are filed on a quarterly basis at the rate of %22, until the 17th day of the following month and paid until the 17th day. Advance tax returns files within the year are offset against corporate income tax calculated over the annual taxable corporate income.

According to the Corporate Tax Law, 50% of the capital gains arising from the sale of tangible assets and investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity.

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

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

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%. Corporate tax rate will be applied as 20% for 2021. As at 31 December 2020, 20% tax rate is used for deferred tax assets and liabilities calculation on temporary differences. (31 December 2019: 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards).

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

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

As of 1 January – 31 December 2020 and 2019 tax expense in the statement of comprehensive income is as follows:

	1 January - 31 December 2020	**1 January - 31 December 2019**
Current period tax expense	(5.771)	(2.913)
Deferred tax benefit / (expense)	5.147	6.421
Total tax income/(expense)	**(624)**	**3.508**

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

	1 January - 31 December 2020	**1 January - 31 December 2019**
Profit before tax	**1.331.932**	**564.564**
Local tax rate	22%	22%
Tax income calculated using local tax rate	(293.025)	(124.204)
Non-deductible expenses	(2.437)	(914)
Discounts and exemptions	28.436	16.490
Effect of reduced tax rate	267.121	112.860
Effect of legal tax rate change on deferred tax	(911)	(805)
Other	193	81
	(624)	**3.508**

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

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

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

	Cumulative temporary differences		Deferred tax	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Deferred tax assets				
Employment termination benefits	(85.734)	(57.289)	17.147	11.458
Net difference between book values and tax bases of tangible and intangible assets	(34.505)	(12.900)	6.901	2.580
Provision for impairment on inventories	(1.655)	(1.023)	331	225
Derivative financial instruments	(48.839)	(5.264)	9.768	1.158
Other	(43.034)	(20.623)	8.607	4.537
			42.754	**19.958**

	Cumulative temporary differences		Deferred tax	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Deferred tax liabilites				
Revaluation of tangible fixed assets	887.222	494.250	(87.035)	(83.474)
Derivative financial instruments	18.830	2.603	(3.766)	(573)
Other	31.259	6.609	(6.252)	(900)
			(97.053)	**(84.947)**
Deferred tax assets / (liabilities) - net			**(54.299)**	**(64.989)**

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

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

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

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance, 1 January	**(64.989)**	**(73.036)**
Tax expense recognized in income statement	5.147	6.421
Recognized in shareholders' equity	5.543	1.626
Deferred tax liabilities at the end of the period, net	**(54.299)**	**(64.989)**

NOTE 27– EARNINGS PER SHARE

	1 January - 31 December 2020	1 January - 31 December 2019
Net profit attributable to shareholders	1.331.308	568.072
Weighted number of ordinary shares with a TL 1 of par value (thousand shares)	190.000	190.000
	7,01	**2,99**

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

NOTE 28 – DERIVATIVE INSTRUMENTS

	31 December 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	975.841	18.543	673.575	2.603
Foreign currency swap contracts	-	-	-	-
Cash flow hedge				
Forward foreign currency transactions	195.845	287	-	-
Derivative financial liabilities:				
Held for trading				
Forward foreign currency transactions	528.226	(11.743)	782.893	(5.264)
Cash flow hedge				
Forward foreign currency transactions	1.410.330	(37.096)	-	-
	3.110.242	**(30.009)**	**1.456.468**	**(2.661)**

NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital risk management:

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

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

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

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

As of 31 December 2020 and 2019 the Company's net debt / total equity ratios are as follows:

	31 December 2020	**31 December 2019**
Total financial liabilities (note 5)	1.440.994	803.473
Cash and cash equivalents (note 4)	(216.011)	(119.328)
Net debt	**1.224.983**	**684.145**
Total equity	3.361.765	1.806.228
Capital invested	**4.586.748**	**2.490.373**
Net debt/capital invested	**0,27**	**0,27**

b) Financial risk factors:

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

b.1) Credit risk:

Credit risk arises from bank deposits, trade receivables and other trade receivables. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of these agreements. The Company sells significant portion of its products to Vestel Ticaret A.Ş. which is a group company. Credit risk is evaluated by considering past experiences and current economic conditions and receivables is presented in the balance sheet after appropriate amount of provision for doubtful receivables is allocated. The company considers that the credit risk is managed effectively. The following statements show the analysis of credit risk as of 31 December 2020 and 31 December 2019:

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

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

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2020	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**	**Other**
Maximum exposed credit risk as at 31 December 2020 (A+B+C+D)	**3.280.987**	**5.008**	**855.935**	**230.215**	**186.921**	**29.090**
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	3.280.987	5.008	855.935	230.215	186.921	29.090
B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired	-	-	-	-	-	-
C.Net book value of overdue but not impaired financial assets	-	914	-	-	-	-
- Secured portion by guarantees, etc	-	(914)	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Overdue	-	575	-	-	-	-
- Impairment	-	(575)	-	-	-	-
-Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

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

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

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

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

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

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

	31 December 2020	31 December 2019
0 -1 month	389	247
1 -3 month	525	125
Total overdue receivables	**914**	**372**

b.2) Price risk:

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

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

b.3) Liquidity risk:

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

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

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

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

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

The analysis of the Company's financial liabilities with respect to their maturities as of 31 December 2020:

Contractual Maturities	Book Value	Total contractual cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Bank borrowings and lease liabilities	1.440.994	1.443.315	67.867	1.198.036	177.412	-
Trade payables	2.936.728	2.947.767	2.217.911	668.025	27.636	34.195
Other payables	206.285	206.285	206.285	-	-	-
	4.584.007	**4.597.367**	**2.492.063**	**1.866.061**	**205.048**	**34.195**
Derivative financial instruments						
Derivative cash inflows	-	(3.110.242)	(3.110.242)	-	-	-
Derivative cash outflows	-	3.139.003	3.139.003	-	-	-
	30.009	**28.761**	**28.761**	**-**	**-**	**-**

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

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

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

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

b.4) Foreign currency risk:

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2020

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

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

31 December 2020	**USD**	**EUR**	**Other (TL Equivalent)**	**TL Equivalent**
1. Trade receivables	8.918	244.192	10	2.265.130
2a. Monetary financial assets (including	-	-	-	-
cash and cash equivalents)	3.274	20.868	-	212.010
2b. Non-monetary financial assets	-	-	-	-
3. Other	88.113	23.218	-	855.939
4. Current assets (1+2+3)	**100.305**	**288.278**	**10**	**3.333.078**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	155	2.181	-	20.784
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**155**	**2.181**	**-**	**20.784**
9. Total assets (4+8)	**100.460**	**290.459**	**10**	**3.353.862**
10. Trade payables	161.127	106.687	59	2.143.838
11. Financial liabilities	20.000	92.877	-	983.441
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**181.127**	**199.564**	**59**	**3.127.279**
14. Trade payables	-	6.833	-	61.551
15. Financial liabilities	-	6.537	-	58.889
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**13.370**	**-**	**120.440**
18. Total liabilities (13+17)	**181.127**	**212.935**	**59**	**3.247.719**
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)	**248.201**	**(285.503)**	**-**	**(749.863)**
19a. Hedged total assets	287.768	4.257	-	2.150.708
19b. Hedged total liabilities	(39.567)	(289.760)	-	(2.900.571)
20. Net foreign currency asset/ (liability) position (9-18+19)	**167.534**	**(207.979)**	**(49)**	**(643.720)**
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(80.822)**	**75.343**	**(49)**	**85.360**
22. Fair value of financial instruments used in foreign currency hedging	**-**	**-**	**-**	**(30.009)**
23. Export	59.616	851.767	-	7.287.032
24. Import	295.017	148.673	5.215	3.274.444

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

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

As of 31 December 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	
31 December 2020	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
Appreciation of USD against TL by 10%				
USD net asset / liability	(59.327)	59.327	(59.327)	59.327
Secured portion from USD risk (-)	21.718	(21.718)	162.649	(162.649)
USD net effect	**(37.609)**	**37.609**	**103.322**	**(103.322)**
Appreciation of EUR against TL by 10%				
EUR net asset / liability	67.868	(67.868)	67.868	(67.868)
Secured portion from EUR risk (-)	(93.192)	93.192	(237.804)	237.804
EUR net effect	**(25.324)**	**25.324**	**(169.936)**	**169.936**
Appreciation of other currencies against TL by 10%				
Other currencies net asset / liability	(5)	5	(5)	5
Other currency net effect	**(5)**	**5**	**(5)**	**5**
Total	**(62.938)**	**62.938**	**(66.619)**	**66.619**

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

NOTE 29 – 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**
Appreciation of USD against TL by 10%				
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**
Appreciation of EUR against TL by 10%				
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**
Appreciation of other currencies against TL by 10%				
Other currencies net asset / liability	(177)	177	(177)	177
Other currency net effect	**(177)**	**177**	**(177)**	**177**
Total	**(75.212)**	**75.212**	**(75.212)**	**75.212**

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

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

b.5) Interest rate risk:

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

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

	31 December 2020	31 December 2019
Financial instruments with fixed interest rates		
Time deposits	17.884	-
Financial liabilities	1.190.830	665.367
Financial instruments with variable interest rates		
Finansal liabilities	250.164	138.106
Other liabilities	-	47.504

On 31 December 2020, if interest rates of all currency denominated financial assets and liabilities with variable interest rates has strengthened / weakened by 100 basis points with all other variables held constant, income before taxes would have been TL 283 thousand (2019: TL 126 thousand) lower / higher as a result of interest expenses.

NOTE 30 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Categories of financial instruments and fair values

The Company classifies its financial assets into three categories: financial assets measured at amortized cost, fair value through profit or loss and fair value through other comprehensive income. Among Company's financial assets, cash and cash equivalents (note 4), trade receivables (notes 6 and 7) and other receivables (notes 6 and 8), are classified as loans and receivables and are measured at amortized cost using the effective interest method.

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

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

Fair value of financial instruments

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

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

Monetary assets

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

Monetary liabilities

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

Fair value hierarchy

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

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

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

Level 3: Valuation techniques do not contain observable market inputs

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

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

Fair value hierarchy tables as of 31 December 2020 and 31 December 2019 are as follows:

31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets / (liabilities)				
Derivative financial assets / (liabilities)	-	(30.009)	-	(30.009)

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets / (liabilities)				
Derivative financial assets / (liabilities)	-	(2.661)	-	(2.661)

NOTE 31– SUBSEQUENT EVENTS

None.

NOTE 32– 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 31 December 2020, the Company re-evaluated the effects of the COVID-19 pandemic and the estimates and assumptions used in the financials. Impairments that may occur in Company's assets have been evaluated and no impairment has been identified.

NOTE 33– NOTES ON STATEMENT OF CASH FLOWS

As at 31 December 2020, cash flows from operating activities is TL 574.223 thousand (31 December 2019: TL 617.727 thousand), cash flows from investing activities is TL 958.714 thousand (31 December 2019: TL 135.306 thousand), cash flows from financing activities is TL 489.340 thousand (31 December 2019: TL 503.417 thousand).

NOTE 34– NOTES ON CHANGES IN EQUITY

As at 31 December 2020, equity attributable to owners of parent is TL 3.361.765 thousand (31 December 2019: TL 1.806.228 thousand).