VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2021 (TOGETHER WITH INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT)

(ORIGINALLY ISSUED IN TURKISH)

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2021

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2021

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AS OF 30 JUNE 2021 AND 31 DECEMBER 2020

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

	Notes	Reviewed 30 June 2021	Audited 31 December 2020
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	39.354	216.011
Trade Receivables		4.239.301	3.285.995
Trade Receivables Due From Related Parties	*6, 7*	*4.212.640*	*3.280.987*
Trade Receivables Due From Third Parties	*7*	*26.661*	*5.008*
Other Receivables		1.792.010	1.086.150
Other Receivables Due From Related Parties	*6*	*1.452.229*	*855.935*
Other Receivables Due From Third Parties	*8*	*339.781*	*230.215*
Derivative Financial Instruments		38.313	18.830
Derivative Financial Instruments Held for Trading	*26*	*7.824*	*18.543*
Derivative Financial Instruments Held for Hedging	*26*	*30.489*	*287*
Inventories	9	1.990.210	952.552
Prepayments		111.016	53.422
Prepayments to Third Parties	*10*	*111.016*	*53.422*
Other Current Assets		9.511	3.812
Other Current Assets Due From Third Parties	*17*	*9.511*	*3.812*
TOTAL CURRENT ASSETS		**8.219.715**	**5.616.772**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AS OF 30 JUNE 2021 AND 31 DECEMBER 2020

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

	Notes	Reviewed 30 June 2021	Audited 31 December 2020
NON-CURRENT ASSETS			
Other Receivables		11.519	4.500
Other Recevables Due From Third Parties	*8*	*11.519*	*4.500*
Property, Plant and Equipment		2.283.735	2.190.304
Lands	*11*	*503.898*	*503.898*
Land Improvements	*11*	*49.040*	*49.957*
Buildings	*11*	*638.603*	*643.223*
Machinery and Equipment	*11*	*972.301*	*919.610*
Vehicles	*11*	*302*	*366*
Furnitures and Fixtures	*11*	*41.718*	*36.413*
Leasehold Improvements	*11*	*4.693*	*4.688*
Construction in Progress	*11*	*73.180*	*32.149*
Right of Use Assets	12	148.285	148.920
Intangible Assets		236.156	216.439
Other Rights	*13*	*170*	*180*
Capitalized Development Costs	*13*	*218.173*	*202.424*
Other Intangible Assets	*13*	*17.813*	*13.835*
Prepayments		102.522	53.056
Prepayments to Third Parties	*10*	*102.522*	*53.056*
TOTAL NON-CURRENT ASSETS		**2.782.217**	**2.613.219**
TOTAL ASSETS		**11.001.932**	**8.229.991**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AS OF 30 JUNE 2021 AND 31 DECEMBER 2020

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

	Notes	Reviewed 30 June 2021	Audited 31 December 2020
LIABILITIES			
CURRENT LIABILITIES			
Short-term Borrowings		745.928	998.969
Short-term Borrowings from Related Parties		2.258	16.181
Lease Liabilities	*5,6*	*2.258*	*16.181*
Short-term Borrowings From Third Parties		743.670	982.788
Bank Loans	*5*	*709.455*	*960.540*
Lease Liabilities	*5*	*30.792*	*22.248*
Issued debt instruments	*5*	*3.423*	-
Short-term Portion of Long-term Borrowings		93.529	234.294
Short-term Portion of Long-term Borrowings from Third Parties		93.529	234.294
Bank Loans	*5*	*93.529*	*234.294*
Trade Payables		4.423.151	2.874.941
Trade Payables to Related Parties	*6*	*254.523*	*188.142*
Trade Payables to Third Parties	*7*	*4.168.628*	*2.686.799*
Employee Benefit Obligations	16	75.832	54.166
Other Payables		1.118.981	206.285
Other Payables to Related Parties	*6*	*1.118.981*	*206.285*
Derivative Financial Instruments		30.441	48.839
Derivative Financial Instruments Held for Trading	*26*	*28.938*	*11.743*
Derivative Financial Instruments Held for Hedging	*26*	*1.503*	*37.096*
Current Tax Liabilities	24	2.637	2.432
Current Provisions		10.320	9.674
Other Current Provisions	*14*	*10.320*	*9.674*
Other Current Liabilities		51.752	29.075
Other Current Liabilities to Third Parties	*17*	*51.752*	*29.075*
TOTAL CURRENT LIABILITIES		**6.552.571**	**4.458.675**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AS OF 30 JUNE 2021 AND 31 DECEMBER 2020

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

	Notes	Reviewed 30 June 2021	Audited 31 December 2020
NON-CURRENT LIABILITIES			
Long Term Borrowings		444.960	207.731
Long Term Borrowings From Related Parties		121.708	109.058
Lease Liabilities	*5,6*	*121.708*	*109.058*
Long Term Borrowings From Third Parties		323.252	98.673
Bank Loans	*5*	*51.484*	*88.566*
Lease Liabilities	*5*	*6.768*	*10.107*
Issued debt instruments	*5*	*265.000*	*-*
Trade Payables		111.056	61.787
Trade Payables to Third Parties	*7*	*111.056*	*61.787*
Non-current Provisions		106.544	85.734
Non-current Provisions for Employee Benefits	*16*	*106.544*	*85.734*
Deferred Tax Liabilities	24	45.074	54.299
TOTAL NON-CURRENT LIABILITIES		**707.634**	**409.551**
TOTAL LIABILITIES		**7.260.205**	**4.868.226**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AS OF 30 JUNE 2021 AND 31 DECEMBER 2020

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

	Notes	Reviewed 30 June 2021	Audited 31 December 2020
EQUITY			
Equity Attributable to Owners of the Company		**3.741.727**	**3.361.765**
Paid-in Share Capital	18	190.000	190.000
Inflation Adjustments to Paid-in Capital	18	9.734	9.734
Share Premium (Discount)	18	32.576	109.031
Other Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		764.115	771.673
Gains (Losses) on Revaluation and Remeasurement		764.115	771.673
Increases (Decreases) on Revaluation of Property, Plant and Equipment		*794.093*	*800.187*
Gains (Losses) on Remeasurements of Defined Benefit Plans		*(29.978)*	*(28.514)*
Other Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		21.740	(29.447)
Gains (Losses) on Hedge		21.740	(29.447)
Gains (Losses) on Cash Flow Hedges		*21.740*	*(29.447)*
Restricted Reserves Appropriated From Profits		142.089	187.190
Legal Reserves	*18*	*142.089*	*187.190*
Retained earnings/Accumulated losses	18	1.754.227	792.276
Net profit or loss for the period		827.246	1.331.308
TOTAL EQUITY		**3.741.727**	**3.361.765**
TOTAL LIABILITIES AND EQUITY		**11.001.932**	**8.229.991**

Financial statements for the period 1 January – 30 June 2021 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 30 July 2021.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY – 30 JUNE 2021 AND 2020

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

	Notes	Reviewed 1 January - 30 June 2021	Reviewed 1 January - 30 June 2020	1 April - 30 June 2021	1 April - 30 June 2020
PROFIT OR LOSS					
Revenue	19	7.344.803	3.510.378	4.375.432	1.915.321
Cost of Sales	19	(6.151.200)	(2.966.898)	(3.676.369)	(1.600.944)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		**1.193.603**	**543.480**	**699.063**	**314.377**
GROSS PROFIT (LOSS)		**1.193.603**	**543.480**	**699.063**	**314.377**
General Administrative Expenses	21	(58.668)	(36.566)	(31.176)	(20.169)
Marketing Expenses	21	(85.368)	(49.915)	(44.436)	(25.584)
Research and Development Expenses	21	(55.741)	(31.031)	(30.435)	(15.463)
Other Income from Operating Activities	22	583.765	205.240	170.732	105.084
Other Expenses from Operating Activities	22	(639.121)	(262.226)	(149.379)	(127.002)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		**938.470**	**368.982**	**614.369**	**231.243**
PROFIT (LOSS) BEFORE FINANCE INCOME (EXPENSE)		**938.470**	**368.982**	**614.369**	**231.243**
Finance Income	23	511.192	216.982	181.333	94.504
Fınance Expense	23	(642.017)	(237.539)	(287.187)	(109.288)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		**807.645**	**348.425**	**508.515**	**216.459**
Tax (Expense) Income		19.601	2.295	7.664	(1.182)
Current Period Tax (Expense) Income	24	(3.866)	(1.642)	(2.378)	(1.005)
Deferred Tax (Expense) Income	24	23.467	3.937	10.042	(177)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**827.246**	**350.720**	**516.179**	**215.277**
PROFIT (LOSS) FOR THE PERIOD		**827.246**	**350.720**	**516.179**	**215.277**
Earnings Per Share with a TL 1 of Par Value	**25**	**4,35**	**1,85**	**2,72**	**1,13**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY – 30 JUNE 2021 AND 2020

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

	Reviewed 1 January - 30 June 2021	Reviewed 1 January - 30 June 2020	1 April - 30 June 2021	1 April - 30 June 2020
OTHER COMPREHENSIVE INCOME				
Other Comprehensive Income that will not be Reclassified to Profit or Loss	(1.464)	(2.308)	(136)	(1.824)
Gains (Losses) on Remeasurement of Defined Benefit Plans	(1.830)	(2.885)	(169)	(2.280)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss	366	577	33	456
Taxes Relating to Remeasurement of Defined Benefit Plans	366	577	33	456
Other Comprehensive Income that will be Reclassified to Profit or Loss	51.187	(8.822)	(10.132)	(9.694)
Other Comprehensive Income (Loss) Related with Cash Flow Hedges	65.795	(11.310)	(10.854)	(12.428)
Gains (Losses) on Cash Flow Hedges	65.795	(11.310)	(10.854)	(12.428)
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss	(14.608)	2.488	722	2.734
Taxes Relating to Cash Flow Hedges	(14.608)	2.488	722	2.734
OTHER COMPREHENSIVE INCOME (LOSS)	**49.723**	**(11.130)**	**(10.268)**	**(11.518)**
TOTAL COMPREHENSIVE INCOME (LOSS)	**876.969**	**339.590**	**505.911**	**203.759**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY – 30 JUNE 2021 AND 2020

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

	Paid in Share Capital	Inflation Adjustments to Paid-in Capital	Share Premiums / Discounts	Increases / Decreases on Revaluation of Property, Plant and Equipment	Gains / Losses on Remeasure-ments of Defined Benefit Plans	Gains / Losses on Revaluations and Remeasurements	Other Compre-hensive Income that will not be Reclassified in Profit or Loss	Cash Flow Hedges	Reserve Of Gains or Losses on Hedge	Other Compre-hensive Income that will be Reclassified in Profit or Loss	Restricted Reserves Appropriated From Profits	Retained Earnings/ Accumulated Losses	Net Profit or Loss for the period	Retained Earnings	Equity attributable to owners of parent	Equity
Prior Period																
1 January -30 June 2020																
Equity at Beginning of Period	**190.000**	**9.734**	**109.031**	**410.776**	**(14.795)**	**395.981**	**395.981**	**-**	**-**	**-**	**173.938**	**359.472**	**568.072**	**927.544**	**1.806.228**	**1.806.228**
Transfers	-	-	-	-	-	-	-	-	-	-	-	568.072	(568.072)	-	-	-
Total Comprehensive Income (Loss)	-	-	-	(3.375)	(2.308)	(5.683)	(5.683)	(8.822)	(8.822)	(8.822)	-	3.375	350.720	354.095	339.590	339.590
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	350.720	350.720	350.720	350.720
Other Comprehensive Income (Loss)	-	-	-	(3.375)	(2.308)	(5.683)	(5.683)	(8.822)	(8.822)	(8.822)	-	3.375	-	3.375	(11.130)	(11.130)
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity at End of Period	**190.000**	**9.734**	**109.031**	**407.401**	**(17.103)**	**390.298**	**390.298**	**(8.822)**	**(8.822)**	**(8.822)**	**173.938**	**930.919**	**350.720**	**1.281.639**	**2.145.818**	**2.145.818**
Current Period																
1 January -30 June 2021																
Equity at Beginning 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**
Transfers	-	-	-	(6.094)	-	(6.094)	(6.094)	-	-	-	-	1.337.402	(1.331.308)	6.094	-	-
Total Comprehensive Income (Loss)	-	-	-	-	(1.464)	(1.464)	(1.464)	51.187	51.187	51.187	-	-	827.246	827.246	876.969	876.969
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	827.246	827.246	827.246	827.246
Other Comprehensive Income (Loss)	-	-	-	-	(1.464)	(1.464)	(1.464)	51.187	51.187	51.187	-	-	-	-	49.723	49.723
Dividends Paid	-	-	(76.455)	-	-	-	-	-	-	-	(45.101)	(375.451)	-	(375.451)	(497.007)	(497.007)
Equity at End of Period	**190.000**	**9.734**	**32.576**	**794.093**	**(29.978)**	**764.115**	**764.115**	**21.740**	**21.740**	**21.740**	**142.089**	**1.754.227**	**827.246**	**2.581.473**	**3.741.727**	**3.741.727**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 30 JUNE 2021 AND 2020

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

	Notes	Reviewed 1 January - 30 June 2021	Reviewed 1 January - 30 June 2020
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**594.943**	**183.004**
Profit (Loss) for the period		827.246	350.720
Profit (Loss) from Continuing Operations		827.246	350.720
Adjustments to Reconcile Profit (Loss) for the period		**358.283**	**182.197**
Adjustments for Depreciation and Amortisation Expense	11,12,13	182.241	145.218
Adjustments for Impairment Loss (Reversal of Impairment Loss)		4.303	4.793
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	4.303	4.793
Adjustments for Provisions		23.762	10.186
Adjustments for (Reversal of) Provisions Related with Employee Benefits	16	23.116	7.254
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	14	646	2.932
Adjustments for Interest (Income) Expenses		77.967	4.942
Adjustments for Interest Income	23	(39.211)	(26.911)
Adjustments for Interest Expense	23	117.178	31.853
Adjustments for Unrealised Foreign Exchange Losses (Gains)		52.141	19.302
Adjustments for Fair Value Losses (Gains)		27.914	(6.154)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		27.914	(6.154)
Adjustments for Tax (Income) Expenses	24	(19.601)	(2.295)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(1.976)	(1.745)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(1.976)	(1.745)
Other Adjustments to Reconcile Profit (Loss)	4	11.532	7.950

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 30 JUNE 2021 AND 2020

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

	Notes	Reviewed 1 January - 30 June 2021	Reviewed 1 January - 30 June 2020
Changes in Working Capital		**(582.789)**	**(343.736)**
Adjustments for Decrease (Increase) in Trade Receivables		(953.306)	(184.291)
Decrease (Increase) in Trade Receivables from Related Parties	6	(931.653)	(189.743)
Decrease (Increase) in Trade Receivables from Third Parties	7	(21.653)	5.452
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(116.585)	37.765
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations	8	(116.585)	37.765
Adjustments for Decrease (Increase) in Inventories	9	(1.041.961)	(212.332)
Decrease (Increase) in Prepaid Expenses	10	(107.060)	(20.699)
Adjustments for Increase (Decrease) in Trade Payables		1.597.479	51.626
Increase (Decrease) in Trade Payables to Related Parties	6	66.381	45.350
Increase (Decrease) in Trade Payables to Third Parties	7	1.531.098	6.276
Increase (Decrease) in Employee Benefit Liabilities	16	21.666	2.510
Other Adjustments for Other Increase (Decrease) in Working Capital		16.978	(18.315)
Decrease (Increase) in Other Assets Related with Operations	17	(5.699)	(10.485)
Increase (Decrease) in Other Payables Related with Operations	17	22.677	(7.830)
Cash Flows from (used in) Operations		**602.740**	**189.181**
Payments Related with Provisions for Employee Benefits	16	(4.136)	(4.850)
Income Taxes Refund (Paid)	24	(3.661)	(1.327)

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 30 JUNE 2021 AND 2020

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

	Notes	Reviewed 1 January - 30 June 2021	Reviewed 1 January - 30 June 2020
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(872.670)**	**11.089**
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		14.818	1.948
Proceeds from Sales of Property, Plant and Equipment		14.818	1.948
Purchase of Property, Plant, Equipment and Intangible Assets		(291.194)	(172.776)
Purchase of Property, Plant and Equipment	11	(238.197)	(138.818)
Purchase of Intangible Assets	13	(52.997)	(33.958)
Cash Advances and Loans Made		(596.294)	181.917
Cash Advances and Loans Made to Related Parties	6	(596.294)	181.917
CASH FLOWS USED IN FINANCING ACTIVITIES		**112.602**	**(119.216)**
Proceeds from Borrowings		851.161	573.242
Proceeds from Bank Loans	5	580.956	570.589
Proceeds from Issued Debt Instruments	5	265.000	-
Proceeds from Other Financial Borrowings		5.205	2.653
Repayments of Borrowings		(1.061.038)	(603.536)
Bank Loan Repayments	5	(1.061.038)	(603.536)
Decrease in Other Payables to Related Parties		912.696	(70.289)
Payments of Lease Liabilities		(14.252)	(21.743)
Dividends Paid	18	(497.007)	-
Interest Paid		(118.169)	(23.801)
Interest Received	23	39.211	26.911
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**(165.125)**	**74.877**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(165.125)**	**74.877**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	187.136	82.287
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4**	**22.011**	**157.164**

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

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

NOTE 1 – COMPANY'S ORGANISATION AND NATURE OF OPERATIONS

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

The Company started its operations in 1999 and produces refrigerators, room air conditioning units, washing machines, cookers, dishwashers and water heaters. The Company's production facilities occupy 402.000 square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 506.000 square meters.

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

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

As of 30 June 2021, the number of personnel employed was 9.926 (31 December 2020: 9.210).

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.	85,17
Other shareholders	14,83
	100,00

As of 30 June 2021, 59.800.000 shares of the Company have been quoted at the Borsa Istanbul ("BİST") (31,5 % of its share capital; 31 December 2020: 31,5 %).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance

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

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

2.1 Basis of presentation (Cont'd)

2.1.1 Statement of compliance (Cont'd)

The Company prepared its condensed interim financial statements for the period ended 30 June 2021 in accordance with ("TAS") 34 "Interim Financial Reporting" in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

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

The Company's condensed interim financial statements do not include all disclosure and notes that should be included at year-end financial statements. Therefore the condensed interim financial statements should be read in conjunction with the financial statements as at 31 December 2020.

The Company maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The financial statements, except for land, buildings and land improvements and the financial assets and liabilities presented with their fair values, are maintained under historical cost conversion in TL. These financial statements are based on the statutory records which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/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 POA, 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, 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 in both 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 30 June 2021

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.

COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment)

IASB has extended the practical expedient by 12 months – permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. Related changes were published by POA as Amendments to TFRS 16 on 7 April 2021.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply it early, including in financial statements not authorised for issue. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings.

The original version of the practical expedient was, and remains, optional. However, the 2021 amendments are, in effect, not optional. This is because a lessee that chose to apply the practical expedient introduced by the 2020 amendments has to consistently apply the extension to eligible contracts with similar characteristics and in similar circumstances.

This means that lessees will need to reverse previous lease modification accounting if a rent concession was ineligible for the original practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

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, TFRS 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.

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

2.4. Amendments in Turkey Financial Reporting Standards (Cont'd)

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.

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.

IASB developed amendments to TAS 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.

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.

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

2.4. Amendments in Turkey Financial Reporting Standards (Cont'd)

Classification of Liabilities as Current or Non-current (Amendments to TAS 1) (Cont'd)

The amendments include:

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

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

(c) Clarifying how lending conditions affect classification; and

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

The Company shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, the amendment published on 15 July 2020, IASB decided to defer the effective date of IAS 1 until 1 January 2023. Related changes were published by POA on 15 January 2021.

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

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 Turkish 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 consolidated 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.

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

2.4. Amendments in Turkey Financial Reporting Standards (Cont'd)

Amendments are effective on 1 January 2021

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2021:

1) Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases

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

The following standards, interpretations of and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

IASB also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

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

2.4. Amendments in Turkey Financial Reporting Standards (Cont'd)

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (Cont'd)

The amendments are consistent with the refined definition of material previously:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

The amendments are effective from 1 January 2023 but companies can apply it earlier.

The Company does not expect that application of these amendments to Amendments to IAS 1 and IFRS Practice Statement 2 will have significant impact on its financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Company does not expect that application of these amendments to Amendments to IAS 8 and IFRS Practice Statement 2 will have significant impact on its financial statements.

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

2.5. Summary of significant accounting policies

2.5.1 Revenue

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

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

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

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,

(b) Company can identify each party's rights regarding the goods or services to be transferred,

(c) Company can identify the payment terms for the goods or services to be transferred,

(d) The contract has commercial substance,

(e) It is probable that Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

2.5.2 Inventories

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

Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income in the period the write-down or loss occurred.

When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

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

2.5. Summary of significant accounting policies (Cont'd)

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. Plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

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

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.

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

2.5. Summary of significant accounting policies (Cont'd)

2.5.3 Property, plant and equipment (Cont'd)

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 20 years.

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

2.5. Summary of significant accounting policies (Cont'd)

2.5.3 Property, plant and equipment (Cont'd)

Lease Liability

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

a) Fixed payments, including in-substance fixed payments;

b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date.

c) The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewable period if the Company is reasonably certain to exercise an extension option. and penalties for early termination of a lease unless the Company is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

a) Increasing the carrying amount to reflect interest on lease liability,

b) Reducing the carrying amount to reflect the lease payments made and

c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. h

The duration of the contracts, which constitute the lease obligation of the company, varies between 1 - 20 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. Summary of significant accounting policies (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 ad expected cash outflows. The Company classifies its financial assets at the time of initial recognition.

Financial assets carried at amortized cost

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

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

2.5. Summary of significant accounting policies (Cont'd)

2.5.5 Financial instruments (Cont'd)

a) Financial assets (Cont'd)

<u>Financial assets carried at amortized cost (Cont'd)</u>

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.

<u>Financial assets carried at fair value</u>

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.

<u>Impairment of financial assets</u>

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

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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

2.5. Summary of significant accounting policies (Cont'd)

2.5.5 Financial instruments (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.

<u>Cash flow hedges:</u>

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.

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

2.5. Summary of significant accounting policies (Cont'd)

2.5.7 Provisions, contingent assets and liabilities

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

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

2.5.8 Related parties

Shareholders, key management personnel and board members, their close family members and companies controlled, jointly controlled or significantly influenced by them and the Group 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.

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

2.5. Summary of significant accounting policies (Cont'd)

2.5.9 Taxation on income (Cont'd)

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.

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.

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

2.5. Summary of significant accounting policies (Cont'd)

2.5.11 Government grants

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

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

2.5.12 Earnings per share

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

2.5.13 Statement of cash flows

In the statement of cash flows, cash flows are classified into three categories as operating, investment and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investment activities indicate cash inflows and outflows resulting from property, plant and equipment 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 Subsequent events

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.

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

2.5. Summary of significant accounting policies (Cont’d)

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:

i. <u>Revaluation of lands, buildings and land improvements</u>

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. (Note 11).

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

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

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

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

2.6. Critical accounting estimates and judgments (Cont'd)

i. Revaluation of lands, buildings and land improvements (Cont'd)

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

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

NOTE 3 - SEGMENT REPORTING

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

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

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

Geographical segments

Segment revenue	1 January - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2021	1 April - 30 June 2020
Turkey	1.754.069	888.252	1.068.739	551.580
Europe	4.085.617	1.938.973	2.403.059	1.024.601
Other	1.521.693	688.579	913.739	342.101
Gross sales	7.361.379	3.515.804	4.385.537	1.918.282
Discounts (-)	(16.576)	(5.426)	(10.105)	(2.961)
Net sales	**7.344.803**	**3.510.378**	**4.375.432**	**1.915.321**

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

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

NOTE 3 - SEGMENT REPORTING (Cont'd)

Geographical segments (Cont'd)

The amount of export is TL 5.607.310 thousand for the period ended 30 June 2021. (1 January-30 June 2020: TL 2.627.552 thousand). Export sales are denominated in EURO, and USD as 93,9%, and 6,1% of total export respectively (1 January-30 June 2020: 94,2% EUR, 5,8% USD).

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

NOTE 4 – CASH AND CASH EQUIVALENTS

	30 June 2021	**31 December 2020**
Cash	249	215
Bank deposits		
- Demand deposits	*17.760*	*169.037*
- Time deposits	*4.002*	*17.884*
	22.011	**187.136**
Blocked deposits	17.343	28.875
Cash and cash equivalents	**39.354**	**216.011**

As at 30 June 2021, the Company has time deposits amounting to TL 4.002 thousand. The maturities for time deposits are less than 1 month. (31 December 2020: USD 2.300 thousand and TL 1.000 thousand).

Effective interest rates

	30 June 2021	**31 December 2020**
TL	18,00%	18,00%
USD	-	1,00%

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

NOTE 5 – FINANCIAL LIABILITIES

	30 June 2021	31 December 2020
Short - term financial liabilities		
Short term bank loans	709.455	960.540
Short term portion of long term bank loans	93.529	234.294
Lease liabilities	33.050	38.429
Issued debt instruments (*)	3.423	-
	839.457	**1.233.263**
Long - term financial liabilities		
Long term bank loans	51.484	88.566
Lease liabilities	128.476	119.165
Issued debt instruments (*)	265.000	-
	444.960	**207.731**

(*) The sale of corporate bonds with a maturity of 728 days and variable coupon payments amounting to TL 265.000 thousand, to be sold to qualified investors, was completed on 9 June 2021.

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

	30 June 2021			31 December 2020		
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	3,22%	5.000	43.526	3,17%	20.000	146.810
- EUR	2,20%	43.120	446.917	2,57%	89.400	805.306
- TL	20,27%	219.012	219.012	20,61%	8.424	8.424
			709.455			**960.540**

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

NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

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

	30 June 2021			31 December 2020		
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	4,25%	6.753	69.996	2,57%	3.477	31.316
- TL	20,26%	23.533	23.533	20,61%	202.978	202.978
Short term portion			**93.529**			**234.294**
- EUR	4,25%	3.262	33.806	2,57%	6.537	58.889
- TL	19,93%	17.678	17.678	20,61%	29.677	29.677
Long term portion			**51.484**			**88.566**
			145.013			**322.860**

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

	30 June 2021	**31 December 2020**
One to two years	49.020	85.284
Two to three years	1.761	1.877
Three to four years	703	1.405
	51.484	**88.566**

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.

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

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

NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

As of 30 June 2021 and 30 June 2020, reconciliation of net financial debt is as below:

	30 June 2021	30 June 2020
Net financial debt as of 1 January	**1.253.858**	**721.186**
Cash inflows from loans	845.956	570.589
Cash outflows from loan payments	(1.061.038)	(603.536)
Payments of lease liabilities	3.932	67.646
Unrealized foreign exchange gain/loss	52.141	19.303
Accrued interest	2.432	460
Change in cash and cash equivalents	165.125	(74.877)
Net financial debt at the end of the period	**1.262.406**	**700.771**

NOTE 6 – RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	30 June 2021	31 December 2020
Vestel Ticaret A.Ş.	4.212.640	3.278.077
Other related parties	-	2.910
	4.212.640	**3.280.987**

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

b) Short term trade payables to related parties

	30 June 2021	31 December 2020
Vestel Elektronik Sanayi ve Ticaret A.Ş.	171.596	113.846
Vestel Ticaret A.Ş.	-	13.646
Vestel Holland B.V.	69.516	50.610
Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	15.200	10.887
Other related parties	1.029	671
	257.341	189.660
Unearned interest on payables (-)	(2.818)	(1.518)
	254.523	**188.142**

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

NOTE 6 – RELATED PARTY DISCLOSURES

c) Other short-term receivables from related parties

	30 June 2021	31 December 2020
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**1.452.229**	**855.935**

The Company's interest rate of other receivables in TL is 20%, USD is 7% and EUR is 5% (31 December 2020: in TL 21%, USD 7% and EUR 5%).

d) Other short-term liabilities to related parties

	30 June 2021	31 December 2020
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**1.118.981**	**206.285**

The Company's interest rate of other payables in TL is 20%, USD is 7% and EUR is 5% (31 December 2020: in TL 21%, USD 7% and EUR 5%).

e) Lease liabilities to related parties

	30 June 2021	31 December 2020
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**123.966**	**125.239**

The Company's short term lease liabilities to Vestel Elektronik Sanayi ve Ticaret A.Ş. are amounted to TL 2.258 thousand and long term lease liabilities are amounted to TL 121.708 thousand. (31 December 2020: short term TL 16.181 thousand and TL 109.058 thousand)

f) Transactions with related parties

	1 January - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2021	1 April - 30 June 2020
Sales				
Vestel Ticaret A.Ş.	7.096.229	3.456.274	4.260.637	1.894.189
Vestel Elektronik Sanayi ve Ticaret A.Ş.	105.094	40.560	60.709	19.250
Other related parties	147	7	145	-
	7.201.470	**3.496.841**	**4.321.491**	**1.913.439**
Purchases and operating expenses				
Vestel Holland B.V.	145.050	99.553	70.267	40.852
Vestel Ticaret A.Ş.	31.762	4.085	24.485	1.460
Vestel Elektronik Sanayi ve Ticaret A.Ş.	432.844	179.000	255.783	92.188
Other related parties	12.613	1.312	12.613	1.312
	622.269	**283.950**	**363.148**	**135.812**

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

	1 January - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2021	1 April - 30 June 2020
Other operating income				
Vestel Ticaret A.Ş.	465.509	167.009	149.112	83.781
Other related parties	3.698	28.188	1.497	15.505
	469.207	**195.197**	**150.609**	**99.286**
Other operating expense				
Vestel Ticaret A.Ş.	147.161	34.250	319	33.919
Vestel Holland BV	10.030	10.894	3.882	4.466
Other related parties	2.217	435	1.055	124
	159.408	**45.579**	**5.256**	**38.509**

	1 January - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2021	1 April - 30 June 2020
Financial income				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	240.162	52.328	88.176	22.838
	240.162	**52.328**	**88.176**	**22.838**
Financial expense				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	51.198	3.424	35.952	118
Other related parties	-	34	-	34
	51.198	**3.458**	**35.952**	**152**

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

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

Compensation paid to key management for the six months period ended 30 June 2021 is TL 7.006 thousand (1 January -30 June 2020: TL 4.556 thousand).

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

	30 June 2021	31 December 2020
Short - term trade receivables		
Trade receivables		
- Related parties (note 6)	*4.212.640*	*3.280.987*
- Third parties	*24.908*	*5.571*
Cheques and notes receivables	2.400	12
	4.239.948	3.286.570
Allowance for doubtful receivables (-)	(647)	(575)
Total short - term trade receivables	**4.239.301**	**3.285.995**

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

	30 June 2021	31 December 2020
Short term trade payables		
Trade payables		
- Related parties (note 6)	*257.341*	*189.660*
- Third parties	*4.182.366*	*2.696.289*
	4.439.707	2.885.949
Unearned interest income (-)		
- Related parties (note 6)	*(2.818)*	*(1.518)*
- Third parties	*(13.738)*	*(9.490)*
Total short term trade payables	**4.423.151**	**2.874.941**
Long term trade payables		
Trade payables		
- Third parties	*111.056*	*61.832*
	111.056	61.832
Unearned interest income (-)		
- Third parties	-	*(45)*
Total long term trade payables	**111.056**	**61.787**

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

NOTE 8 – OTHER RECEIVABLES

	30 June 2021	31 December 2020
Short - term other receivables		
Other receivables from related parties (note 6)	1.452.229	855.935
Receivables from government agencies	329.755	216.766
Deposits and guarantees given	9.012	12.347
Other receivables	1.014	1.102
	1.792.010	**1.086.150**
Long - term other receivables		
Deposits and guarantees given	11.519	4.500
	11.519	**4.500**

NOTE 9 – INVENTORIES

	30 June 2021	31 December 2020
Raw materials and supplies	1.309.521	622.132
Work in process	32.556	18.062
Finished goods	651.264	314.013
	1.993.341	954.207
Provision for impairment on inventories (-)	(3.131)	(1.655)
	1.990.210	**952.552**

As of 30 June 2021 the Company does not have inventories pledged as security for liabilities (31 December 2020: None).

Cost of the inventory included in the cost of sales for the current period amounts to TL 5.435.743 thousand (1 January – 30 June 2020: TL 2.541.583 thousand).

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

	30 June 2021	31 December 2020
Raw materials	1.143	689
Finished goods and merchandise	1.988	966
	3.131	**1.655**

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

NOTE 9 – INVENTORIES (Cont'd)

Movement of inventory impairment on inventories is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Balance at 1 January	**1.655**	**1.023**
Current year provisions	4.303	4.793
Realised due to sale of inventory	(2.827)	(1.332)
Balance at 30 June	**3.131**	**4.484**

NOTE 10 – PREPAID EXPENSES

	30 June 2021	31 December 2020
Prepaid expenses in current assets		
Order advances given	86.915	33.914
Prepaid expenses	24.083	19.504
Business advances given	18	4
	111.016	**53.422**
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	102.131	49.821
Prepaid expenses	391	3.235
	102.522	**53.056**

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Additions	Disposals	Transfer	30 June 2021
Cost or revaluation					
Land	503.898	-	-	-	503.898
Land improvements	49.957	-	-	-	49.957
Buildings	643.223	3.962	(2)	565	647.748
Leasehold improvements	12.014	415	(4)	437	12.862
Machinery and equipment	2.111.681	154.712	(6.412)	25.443	2.285.424
Vehicles	862	-	(26)	-	836
Furniture and fixtures	96.533	10.183	(570)	1.449	107.595
Construction in progress	32.149	68.925	-	(27.894)	73.180
				-	
	3.450.317	**238.197**	**(7.014)**	**-**	**3.681.500**
Accumulated depreciation					
Land improvements	-	917	-	-	917
Buildings	-	9.146	(1)	-	9.145
Leasehold improvements	7.326	847	(4)	-	8.169
Machinery and equipment	1.192.071	127.280	(6.228)	-	1.313.123
Vehicles	496	64	(26)	-	534
Furniture and fixtures	60.120	6.318	(561)	-	65.877
	1.260.013	**144.572**	**(6.820)**	**-**	**1.397.765**
Net book value	**2.190.304**				**2.283.735**

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

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

	1 January 2020	Additions	Disposals	Transfer	30 June 2020
Cost					
Land	192.824	-	-	-	192.824
Land improvements	40.998	341	-	-	41.339
Buildings	447.048	2.644	-	1.619	451.311
Leasehold improvements	10.907	598	-	58	11.563
Machinery and equipment	1.763.514	115.050	(11.068)	35.778	1.903.274
Vehicles	626	178	-	-	804
Furniture and fixtures	76.719	4.701	(176)	3.847	85.091
Construction in progress	45.231	15.306	-	(41.302)	19.235
	2.577.867	**138.818**	**(11.244)**	**-**	**2.705.441**
Accumulated depreciation					
Land improvements	1.366	51	-	-	1.417
Buildings	11.496	6.647	-	-	18.143
Leasehold improvements	5.774	760	-	-	6.534
Machinery and equipment	992.131	107.643	(10.881)	-	1.088.893
Vehicles	458	44	-	-	502
Furniture and fixtures	50.383	4.692	(160)	-	54.915
	1.061.608	**119.837**	**(11.041)**	**-**	**1.170.404**
Net book value	**1.516.259**				**1.535.037**

Additions to property, plant and equipment in the period 1 January – 30 June 2021 and 2020 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker, dishwasher and air conditioner factories. As of 30 June 2021, there are no pledges against the property, plant and equipment.

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

	Useful life
Land improvements	8 - 35 years
Buildings	25 - 50 years
Leasehold improvements	5 years
Machinery and equipment	5 - 20 years
Vehicles	5 years
Furniture and fixtures	5 - 10 years

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

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

Allocation of depreciation and amortization expenses for the period is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Cost of sales	150.925	121.150
Research and development expenses	24.950	19.203
Marketing, selling and distribution expenses	4.820	3.782
General administrative expenses	1.546	1.083
	182.241	**145.218**

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

30 June 2021	Land	Land improvements and buildings
Cost	152.038	208.487
Accumulated depreciation (-)		(49.437)
Net book value	**152.038**	**159.050**

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

30 June 2021	Level 1	Level 2
Tangible Assets		
Lands	-	503.898
Buildings and land improvements	-	687.643

31 December 2020	Level 1	Level 2
Tangible Assets		
Lands	-	503.898
Buildings and land improvements	-	693.180

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

NOTE 12 – RIGHT OF USE ASSETS

	1 January 2021	Additions	30 June 2021
Cost			
Land and buildings	143.046	16.067	159.113
Machinery	39.111	335	39.446
	182.157	**16.402**	**198.559**
Accumulated amortization			
Land and buildings	13.507	11.236	24.743
Machinery	19.730	5.801	25.531
	33.237	**17.037**	**50.274**
Net book value	**148.920**		**148.285**

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

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

NOTE 13 – INTANGIBLE ASSETS

	1 January 2021	Additions	Disposals	30 June 2021
Cost				
Rights	6.568	-	-	6.568
Development cost	366.325	47.939	(12.965)	401.299
Other intangible assets	23.577	5.058	-	28.635
	396.470	**52.997**	**(12.965)**	**436.502**
Accumulated amortization				
Rights	6.388	10	-	6.398
Development cost	163.901	19.542	(317)	183.126
Other intangible assets	9.742	1.080	-	10.822
	180.031	**20.632**	**(317)**	**200.346**
Net book value	**216.439**			**236.156**

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

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.

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

NOTE 13 – INTANGIBLE ASSETS (Cont'd)

Useful lives of intangible assets are as follows:

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

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	30 June 2021	31 December 2020
Short - term provisions		
Provision for lawsuit	10.320	9.674
	10.320	**9.674**

The movements in the provision for lawsuits are as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Opening balance, 1 January	**9.674**	**5.847**
Current year additions	1.155	3.148
Payments/ disposals	(509)	(216)
Balance at 30 June	**10.320**	**8.779**

b) Guarantees received by the Company

	30 June 2021	31 December 2020
Guarantee letters	85.885	38.071
Cheques and notes	1.538	1.435
Collaterals and pledges	9.517.121	8.163.433
	9.604.544	**8.202.939**

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

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

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

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
30 June 2021				
A. CPM's given on behalf of its own legal entity	-	9.420	255.221	352.855
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	854.979	-	761.582	8.204.345
i. Total amount of CPM's given on behalf of the parent company	585.057	-	639.219	5.732.257
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	269.922	-	122.363	2.472.088
iii.Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**854.979**	**9.420**	**1.016.803**	**8.557.200**

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

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 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**

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 219 % as of 30 June 2021 (31 December 2020: 254%).

NOTE 15 – COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to USD 848.716 thousand (31 December 2020: USD 974.233 thousand) due to the export and investment incentive certificates obtained.

As of 30 June 2021 the Company has forward foreign currency purchase contract that amounts to TL 1.778.930 thousand, EUR 11.817 thousand, and USD 245.994 thousand against forward foreign currency sales contract that amounts to EUR 275.205 thousand, USD 112.131 thousand and TL 192.002 thousand (31 December 2020: TL 959.540 thousand, EUR 4.257 thousand and USD 287.768 thousand against forward foreign currency sales contract that amounts to EUR 289.760 thousand, USD 39.567 thousand and TL 238.438 thousand).

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

NOTE 16 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	30 June 2021	31 December 2020
Due to personnel	55.836	38.090
Social security payables	19.996	16.076
	75.832	**54.166**

Long term provisions for employee benefits:

	30 June 2021	31 December 2020
Provision for employment termination benefits	**106.544**	**85.734**

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 7.638,96 TL / year as of 30 June 2021 (31 December 2020: 7.117,17 TL/year).

The provision for employee termination benefits is not funded.

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as at 30 June 2021 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 30 June 2021 provision is calculated based on real discount rate of 4,44% (31 December 2020: 4,44%) assuming 8,5 % annual inflation rate and 12,94% discount rate.

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

NOTE 16 – EMPLOYEE BENEFITS (Cont'd)

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

	1 January - 30 June 2021	1 January - 30 June 2020
Balance at 1 January	**85.734**	**57.289**
Increase during the year	17.203	3.554
Payments during the year	(4.136)	(4.850)
Actuarial (gain) /loss	1.830	2.885
Interest expense	5.913	3.700
Balance at 30 June	**106.544**	**62.578**

NOTE 17 – OTHER ASSETS AND LIABILITIES

	30 June 2021	31 December 2020
Other current assets		
VAT carried forward	486	333
Income and discount accruals	9.025	3.479
	9.511	**3.812**
Other current liabilities		
Taxes and dues payable	36.634	28.055
Advances received	15	121
Other	15.103	899
	51.752	**29.075**

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

NOTE 18 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	30 June 2021	31 December 2020
Shares of par value TL 1 each		
Issued share capital	190.000	190.000

As of 30 June 2021 and 31 December 2020 the shareholding structure is as follows:

	Shareholding		Amount	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Vestel Elektronik Sanayi ve Ticaret A.Ş.	85,17%	89,90%	161.823	170.810
Shares held by public	14,83%	10,10%	28.177	19.190
	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 19 February 2021 and 4.000.000 shares of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. at Borsa Istanbul on 12 April 2021. Following these transactions, Vestel Elektronik Sanayi ve Ticaret A.Ş.'s share in Vestel Beyaz Eşya declined to 85,17%.

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.

	30 June 2021	31 December 2020
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 be used in capital increase.

	30 June 2021	31 December 2020
Share premium	**32.576**	**109.031**

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

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

d) Restricted reserves ("Legal reserves")

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

	30 June 2021	31 December 2020
Legal reserves	**142.089**	**187.190**

e) Retained earnings

	30 June 2021	31 December 2020
Extraordinary reserves	282.607	694.202
Previous years' profits	1.471.620	98.074
	1.754.227	**792.276**

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

f) Dividend distribution

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

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

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

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

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

In accordance with the provisions of the Turkish Commercial Code and Tax Procedure Law, the Company decided to distribute dividends amounting to TL 800,000 thousand (4,2105 TL gross, 3,5789 TL net for each 1.00 TL nominal value per share) for the period ended 2020. As of 30 June 2021, dividends paid amounted to TL 497.007 thousand.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY – 30 JUNE 2021

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

NOTE 19 – REVENUE

	1 January - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2021	1 April - 30 June 2020
Domestic sales	1.754.069	888.252	1.068.739	551.580
Overseas sales	5.607.310	2.627.552	3.316.798	1.366.702
Gross sales	**7.361.379**	**3.515.804**	**4.385.537**	**1.918.282**
Less: Sales discounts	(16.576)	(5.426)	(10.105)	(2.961)
Net sales	**7.344.803**	**3.510.378**	**4.375.432**	**1.915.321**
Cost of sales	(6.151.200)	(2.966.898)	(3.676.369)	(1.600.944)
Gross profit	**1.193.603**	**543.480**	**699.063**	**314.377**

NOTE 20 – EXPENSES BY NATURE

	1 January - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2021	1 April - 30 June 2020
Raw materials, supplies and finished goods	5.787.488	2.526.736	3.373.340	1.283.434
Changes in finished goods, work in process and trade goods	(351.745)	14.847	(75.773)	103.518
Personnel expenses	482.153	259.779	261.993	134.571
Depreciation and amortization	182.241	145.218	94.547	79.143
Other	250.840	137.830	128.309	61.494
	6.350.977	**3.084.410**	**3.782.416**	**1.662.160**

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

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

a) General administrative expenses:

	1 January - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2021	1 April - 30 June 2020
Personnel expenses	15.287	6.244	7.309	1.749
Consultancy and IT expenses	26.446	15.583	14.869	7.519
Rent and office expenses	3.331	2.508	1.660	1.327
Travelling expense	822	588	404	232
Energy expenses	422	491	218	299
Depreciation and amortization	1.546	1.083	784	552
External benefits and services	641	368	327	264
Other	10.173	9.701	5.605	8.227
	58.668	**36.566**	**31.176**	**20.169**

b) Marketing expenses:

	1 January - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2021	1 April - 30 June 2020
Personnel expenses	22.824	12.255	12.771	6.480
Transportation expenses	36.722	23.025	14.740	11.353
Tax and duties	9.984	6.361	6.107	3.111
Insurance expenses	1.969	758	1.176	288
Depreciation and amortization	4.820	3.782	4.568	3.623
Other	9.049	3.734	5.074	729
	85.368	**49.915**	**44.436**	**25.584**

c) Research and development expenses:

	1 January - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2021	1 April - 30 June 2020
Depreciation and amortization	24.950	19.203	13.172	9.845
Personnel expenses	17.305	4.423	10.769	1.743
Other	13.486	7.405	6.494	3.875
	55.741	**31.031**	**30.435**	**15.463**

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

NOTE 22 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other operating income	**1 January - 30 June 2021**	**1 January - 30 June 2020**	**1 April - 30 June 2021**	**1 April - 30 June 2020**
Finance gains arising from trading activities	6.119	5.366	2.806	2.139
Foreign exchange gains arising from trading activities	566.568	182.182	163.111	96.336
Other income	11.078	17.692	4.815	6.609
	583.765	**205.240**	**170.732**	**105.084**

b) Other operating expenses

	1 January - 30 June 2021	**1 January - 30 June 2020**	**1 April - 30 June 2021**	**1 April - 30 June 2020**
Finance charges arising from trading activities	2.120	420	982	(1.254)
Foreign exchange expenses arising from trading activities	626.849	253.734	142.162	121.580
Other expenses	10.152	8.072	6.235	6.676
	639.121	**262.226**	**149.379**	**127.002**

NOTE 23 – FINANCE INCOME AND FINANCE EXPENSE

a) Finance income:

	1 January - 30 June 2021	**1 January - 30 June 2020**	**1 April - 30 June 2021**	**1 April - 30 June 2020**
Foreign exchange gains	267.744	59.389	83.194	33.902
Gains on derivative financial instruments	204.237	130.682	75.832	51.677
Interest income	39.211	26.911	22.307	8.925
	511.192	**216.982**	**181.333**	**94.504**

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

NOTE 23 – FINANCE INCOME AND FINANCE EXPENSE (Cont'd)

b) Finance expense:

	1 January - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2021	1 April - 30 June 2020
Foreign exchange losses	175.475	87.189	54.641	38.071
Losses on derivative financial instruments	346.829	117.837	160.682	52.773
Interest expense	117.178	31.853	71.760	18.299
Other finance expenses	2.535	660	104	145
	642.017	**237.539**	**287.187**	**109.288**

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

	30 June 2021	31 December 2020
Corporation and income taxes	3.866	5.771
Prepaid taxes	(1.229)	(3.339)
Current income tax liabilities - net	**2.637**	**2.432**
Deffered tax liabilities	(45.074)	(54.299)
Deferred tax assets / (liabilities)	**(45.074)**	**(54.299)**

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

In Turkey, advance tax returns are filed on a quarterly basis at the rate of 25%, until the 14th day of the following month and paid until the 17th day. Advance tax returns files within the year are offset against corporate income tax calculated over the annual taxable corporate income.

According to the Corporate Tax Law, 50% of the capital gains arising from the sale of tangible assets and 75% of the earning from investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity.

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

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

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

There is no procedure for a final and definitive agreement on tax assessments. Tax returns are filed between until the 25th day 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 31462, published in Official Gazette on 22 April 2021, corporate tax rate for the year 2021 has set for 25%, 2022 for 23%. This change will be effective for corporate tax calculation for the periods starting from 1 July 2021,Therefore, deferred tax assets and liabilities as of 30 June 2021 are calculated with 25% tax rate for the temporary differences which will be realized in 2021, and with 20% for those which will be realized after 2023 and onwards.

As of 1 January – 30 June 2021 and 2020 tax expense in the statement of income is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Current period tax expense	(3.866)	(1.642)
Deferred tax benefit / (expense)	23.467	3.937
Total tax income	**19.601**	**2.295**

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

Deferred tax assets and liabilities

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

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

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

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

	Cumulative temporary differences		**Deferred tax**	
	30 June 2021	**31 December 2020**	**30 June 2021**	**31 December 2020**
Deferred tax assets				
Employment termination benefits	(106.544)	(85.734)	21.309	17.147
Net difference between book values and tax bases of tangible and intangible assets	(74.338)	(34.505)	14.868	6.901
Provision for impairment on inventories	(3.131)	(1.655)	783	331
Derivative financial instruments	(30.441)	(48.839)	7.610	9.768
Other	(59.584)	(43.034)	14.895	8.607
			59.465	**42.754**

	Cumulative temporary differences		**Deferred tax**	
	30 June 2021	**31 December 2020**	**30 June 2021**	**31 December 2020**
Deferred tax liabilites				
Revaluation of tangible fixed assets	863.570	887.222	(86.357)	(87.035)
Derivative financial instruments	38.313	18.830	(9.578)	(3.766)
Other	34.415	31.259	(8.604)	(6.252)
			(104.539)	**(97.053)**
Deferred tax assets / (liabilities) - net			**(45.074)**	**(54.299)**

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

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

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

	1 January - 30 June 2021	1 January - 30 June 2020
Opening balance, 1 January	**(54.299)**	**(64.989)**
Tax income recognized in income statement	23.467	3.937
Recognized in shareholders' equity	(14.242)	3.066
Deferred tax liabilities at the end of the period, net	**(45.074)**	**(57.986)**

NOTE 25– EARNINGS PER SHARE

	1 January - 30 June 2021	1 January - 30 June 2020
Net income attributable to equity holders of the parent	827.246	350.720
Weighted number of ordinary shares with a TL 1 of par value (thousand shares)	190.000	190.000
	4,35	**1,85**

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

NOTE 26 – DERIVATIVE INSTRUMENTS

	30 June 2021		31 December 2020	
	Contract amount	**Fair Value Assets / (Liabilities)**	**Contract amount**	**Fair Value Assets / (Liabilities)**
Derivative financial assets:				
Held for trading				
Forward foreign currency transactions	1.406.672	7.824	975.841	18.543
Cash flow hedge				
Forward foreign currency transactions	1.261.558	30.489	195.845	287
Derivative financial liabilities:				
Held for trading				
Forward foreign currency transactions	1.113.456	(28.938)	528.226	(11.743)
Cash flow hedge				
Forward foreign currency transactions	261.156	(1.503)	1.410.330	(37.096)
	4.042.842	**7.872**	**3.110.242**	**(30.009)**

NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign currency risk:

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

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

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

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

30 June 2021	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	25.648	234.689	-	2.655.705
2a. Monetary financial assets (including cash and cash equivalents)	- 1.324	- 1.979	- 1.119	- 33.156
2b. Non-monetary financial assets	-	-	-	-
3. Other	118.859	40.285	-	1.452.225
4. Current assets (1+2+3)	**145.831**	**276.953**	**1.119**	**4.141.086**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	3.091	4.136	-	69.775
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**3.091**	**4.136**	**-**	**69.775**
9. Total assets (4+8)	**148.922**	**281.089**	**1.119**	**4.210.862**
10. Trade payables	232.817	140.286	265	3.480.978
11. Financial liabilities	5.000	49.873	-	560.439
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**237.817**	**190.159**	**265**	**4.041.417**
14. Trade payables	-	10.715	-	111.056
15. Financial liabilities	-	3.262	-	33.806
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**13.977**	**-**	**144.862**
18. Total liabilities (13+17)	**237.817**	**204.136**	**265**	**4.186.278**
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)	**133.863**	**(263.388)**	**-**	**(1.564.581)**
19a. Hedged total assets	245.994	11.817	-	2.263.904
19b. Hedged total liabilities	(112.131)	(275.205)	-	(3.828.485)
20. Net foreign currency asset/ (liability) position (9-18+19)	**44.968**	**(186.435)**	**854**	**(1.539.997)**
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(91.986)**	**72.817**	**854**	**(45.193)**
22. Fair value of financial instruments used in foreign currency hedging	**-**	**-**	**-**	**7.872**
23. Export	42.387	550.803	-	5.607.310
24. Import	215.815	129.620	2.162	3.224.321

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

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

As of 30 June 2021 and 31 December 2020, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

	Gain / Loss		Equity	
30 June 2021	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
Appreciation of USD against TL by 10%:				
USD net asset / liability	(80.076)	80.076	(80.076)	80.076
Secured portion from USD risk (-)	(35.335)	35.335	116.910	(116.910)
USD net effect	**(115.411)**	**115.411**	**36.834**	**(36.834)**
Appreciation of EUR against TL by 10%:				
EUR net asset / liability	75.471	(75.471)	75.471	(75.471)
Secured portion from EUR risk (-)	(105.899)	105.899	(255.245)	255.245
EUR net effect	**(30.428)**	**30.428**	**(179.774)**	**179.774**
Appreciation of other currency rates against TL by 10%:				
Other currencies net asset / liability	85	(85)	85	(85)
Secured portion from other currency risk (-)	-	-	-	-
Other currency net effect	**85**	**(85)**	**85**	**(85)**
Total	**(145.754)**	**145.754**	**(142.855)**	**142.855**

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

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

	Gain / Loss		Equity	
31 December 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 currency rates 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**

NOTE 28– SUBSEQUENT EVENTS

None.