

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED FINANCIAL STATEMENTS FOR THE
INTERIM PERIOD 1 JANUARY - 31 MARCH 2020**

(ORIGINALLY ISSUED IN TURKISH)

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2020

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

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

	Footnotes	31 March 2020	31 December 2019	Audited
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	4	270.366	119.328	
Trade Receivables		1.463.250	1.748.257	
Trade Receivables Due From Related Parties	6	1.461.549	1.741.171	
Trade Receivables Due From Unrelated Parties	7	1.701	7.086	
Other Receivables		633.684	630.205	
Other Receivables Due From Related Parties	6	474.523	482.149	
Other Receivables Due From Unrelated Parties	8	159.161	148.056	
Derivative Financial Assets		12.816	2.603	
Derivative Financial Assets Held for Trading	26	12.816	2.603	
Inventories	9	970.036	646.136	
Prepayments		20.581	20.052	
Prepayments to Unrelated Parties	10	20.581	20.052	
Other Current Assets		5.439	1.163	
Other Current Assets Due From Unrelated Parties	17	5.439	1.163	
TOTAL CURRENT ASSETS		3.376.269	3.167.744	

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

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

		Footnotes	31 March 2020	31 December 2019	Audited
NON-CURRENT ASSETS					
Other Receivables			4.230	3.748	
Other Receivables Due From Unrelated Parties	8		4.230	3.748	
Property, Plant and Equipments			1.541.697	1.516.259	
Land and Premises	11		192.824	192.824	
Land Improvements	11		39.306	39.632	
Buildings	11		434.448	435.552	
Machinery and Equipments	11		816.326	771.383	
Vehicles	11		148	168	
Fixtures and Fittings	11		29.469	26.336	
Leasehold Improvements	11		5.230	5.133	
Construction in Progress	11		23.946	45.231	
Right of Use Assets	12		132.519	61.947	
Intangible Assets and Goodwill			188.389	180.509	
Other Rights	13		163	165	
Capitalized Development Costs	13		175.996	167.955	
Other Intangible Assets	13		12.230	12.389	
Prepayments			60.226	53.595	
Prepayments to Unrelated Parties	10		60.226	53.595	
TOTAL NON-CURRENT ASSETS			1.927.061	1.816.058	
TOTAL ASSETS			5.303.330	4.983.802	

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

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

	Footnotes	31 March 2020	31 December 2019	Audited
LIABILITIES				
CURRENT LIABILITIES				
Current Borrowings		622.973	733.300	
Current Borrowings from Related Parties		13.380	6.973	
Lease Liabilities	6	13.380	6.973	
Current Borrowings From Unrelated Parties		609.593	726.327	
Bank Loans	5	599.045	714.041	
Lease Liabilities	5	10.548	12.286	
Current Portion of Non-current Borrowings		72.927	13.342	
Current Portion of Non-current Borrowings from Unrelated Parties		72.927	13.342	
Bank Loans	5	72.927	13.342	
Trade Payables		2.292.009	2.069.922	
Trade Payables to Related Parties	6	164.170	132.380	
Trade Payables to Unrelated Parties	7	2.127.839	1.937.542	
Employee Benefit Obligations	16	40.146	42.926	
Other Payables		-	70.291	
Other Payables to Related Parties	6	-	70.291	
Derivative Financial Liabilities		16.317	5.264	
Derivative Financial Liabilities Held for Trading	26	16.317	5.264	
Derivative Financial Liabilities Held for Hedging	28	-	-	
Current Tax Liabilities, Current	24	637	504	
Current Provisions		6.998	5.847	
Other Current Provisions	14	6.998	5.847	
Other Current Liabilities		47.503	50.322	
Other Current Liabilities to Unrelated Parties	17	47.503	50.322	
TOTAL CURRENT LIABILITIES		3.099.510	2.991.718	

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

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

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

	Footnotes	31 March 2020	31 December 2019	Audited
NON-CURRENT LIABILITIES				
Long Term Borrowings		139.968	56.831	
Long Term Borrowings From Related Parties		91.530	32.546	
Lease Liabilities	6	91.530	32.546	
Long Term Borrowings From Unrelated Parties		48.438	24.285	
Bank Loans	5	31.377	10.303	
Lease Liabilities	5	17.061	13.982	
Trade Payables		496	6.747	
Trade Payables to Unrelated Parties	7	496	6.747	
Non-current Provisions		60.298	57.289	
Non-current Provisions for Employee Benefits	16	60.298	57.289	
Deferred Tax Liabilities	24	61.000	64.989	
TOTAL NON-CURRENT LIABILITIES		261.762	185.856	
TOTAL LIABILITIES		3.361.272	3.177.574	

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

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

	Footnotes	31 March 2020	31 December 2019	Audited
EQUITY				
Equity Attributable to Owners of Parent		1.942.058	1.806.228	
Issued Capital	18	190.000	190.000	
Inflation Adjustments on Capital	18	9.734	9.734	
Share Premium (Discount)	18	109.031	109.031	
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		395.496	395.981	
Gains (Losses) on Revaluation and Remeasurement		395.496	395.981	
Increases (Decreases) on Revaluation of Property, Plant and Equipment		410.776	410.776	
Gains (Losses) on Remeasurements of Defined Benefit Plans		(15.280)	(14.795)	
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		872	-	
Gains (Losses) on Hedge		872	-	
Gains (Losses) on Cash Flow Hedges		872	-	
Restricted Reserves Appropriated From Profits		173.938	173.938	
Legal Reserves	18	173.938	173.938	
Prior Years' Profits or Losses	18	927.544	359.472	
Current Period Net Profit Or Loss		135.443	568.072	
TOTAL EQUITY		1.942.058	1.806.228	
TOTAL LIABILITIES AND EQUITY		5.303.330	4.983.802	

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

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

		1 January -		
		Footnotes	31 March 2020	31 March 2019
PROFIT OR LOSS				
Revenue	19	1.595.057	1.385.110	
Cost of Sales	19	(1.365.954)	(1.237.672)	
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		229.103	147.438	
GROSS PROFIT (LOSS)		229.103	147.438	
General Administrative Expenses	21	(16.397)	(14.071)	
Marketing Expenses	21	(24.331)	(20.915)	
Research and Development Expense	21	(15.568)	(11.118)	
Other Income from Operating Activities	22	100.154	114.735	
Other Expenses from Operating Activities	22	(135.224)	(151.877)	
PROFIT (LOSS) FROM OPERATING ACTIVITIES		137.737	64.192	
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		137.737	64.192	
Finance Income	23	122.478	120.842	
Finance Costs	23	(128.251)	(99.983)	
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE				
TAX		131.964	85.051	
Tax (Expense) Income, Continuing Operations		3.479	(1.652)	
Current Period Tax (Expense) Income	24	(637)	(541)	
Deferred Tax (Expense) Income	24	4.116	(1.111)	
PROFIT (LOSS) FROM CONTINUING OPERATIONS		135.443	83.399	
PROFIT (LOSS)		135.443	83.399	
Earnings Per Share with a TL 1 of Par Value	25	0,71	0,44	

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

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

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

	1 January - 31 March 2020	1 January - 31 March 2019
OTHER COMPREHENSIVE INCOME		
Other Comprehensive Income that will not be Reclassified to Profit or Loss	(484)	(612)
Gains (Losses) on Remeasurements of Defined Benefit Plans	(605)	(765)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss	121	153
Taxes Relating to Remeasurements of Defined Benefit Plans	121	153
Other Comprehensive Income that will be Reclassified to Profit or Loss	872	2.360
Other Comprehensive Income (Loss)		
Related with Cash Flow Hedges	1.118	3.026
Gains (Losses) on Cash Flow Hedges	1.118	3.026
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss	(246)	(666)
Taxes Relating to Cash Flow Hedges	(246)	(666)
OTHER COMPREHENSIVE INCOME (LOSS)	388	1.748
TOTAL COMPREHENSIVE INCOME (LOSS)	135.831	85.147

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 MARCH 2020 AND 2019

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

Issued Capital	Inflation Adjustments on Capital	Share Premiums or Discounts	Increases (Decreases) on Revaluation of Property, Plant and Equipment				Gains (Losses) on Remeasurements of Defined Benefit Plans		Gains (Losses) on Revaluations and Remeasurement		Other Accumulated Comprehensive Income that will not be Reclassified in Profit or Loss		Cash Flow Hedges		Reserve Of Gains or Losses on Hedge		Other Accumulated Comprehensive Income that will be Reclassified in Profit or Loss		Restricted Reserves Appropriated From Profits		Prior Years' Profits or Losses		Net Profit or Loss		Retained Earnings		Equity attributable to owners of parent		Equity					
			Increases (Decreases) on Revaluation of Property, Plant and Equipment				Gains (Losses) on Remeasurements of Defined Benefit Plans		Gains (Losses) on Revaluations and Remeasurement		Other Accumulated Comprehensive Income that will not be Reclassified in Profit or Loss		Cash Flow Hedges		Reserve Of Gains or Losses on Hedge		Other Accumulated Comprehensive Income that will be Reclassified in Profit or Loss		Restricted Reserves Appropriated From Profits		Prior Years' Profits or Losses		Net Profit or Loss		Retained Earnings		Equity attributable to owners of parent		Equity					
Previous Period																																		
1 January -31 March 2019																																		
Equity at Beginning of Period	190.000	9.734	109.031	417.527	(7.569)	409.958	409.958	(636)	(636)	(636)	(636)	118.206	352.721	622.561	975.282	1.811.575	1.811.575	1.811.575	1.811.575	1.811.575	1.811.575	1.811.575	1.811.575	1.811.575	1.811.575	1.811.575	1.811.575	1.811.575						
Transfers	-	-	-	-	(1.688)	(612)	(2.300)	(2.300)	2.360	2.360	2.360	-	-	-	622.561	(622.561)	-	-	-	-	-	-	-	-	-	-	-	-	-					
Total Comprehensive Income (Loss)	-	-	-	-	(1.688)	(612)	(1.688)	(1.688)	-	-	-	-	-	-	1.688	83.399	85.087	85.147	85.147	85.147	85.147	85.147	85.147	85.147	85.147	85.147	85.147	85.147	85.147	85.147				
Profit (Loss)	-	-	-	-	(1.688)	-	(1.688)	(1.688)	-	-	-	-	-	-	1.688	83.399	85.087	83.399	83.399	83.399	83.399	83.399	83.399	83.399	83.399	83.399	83.399	83.399	83.399	83.399				
Other Comprehensive Income (Loss)	-	-	-	-	-	(612)	(612)	(612)	2.360	2.360	2.360	2.360	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.748	1.748	1.748					
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Equity at End of Period	190.000	9.734	109.031	415.839	(8.181)	407.658	407.658	1.724	1.724	1.724	1.724	118.206	976.970	83.399	1.060.369	1.896.722	1.896.722	1.896.722	1.896.722	1.896.722	1.896.722	1.896.722	1.896.722	1.896.722	1.896.722	1.896.722	1.896.722	1.896.722	1.896.722	1.896.722				
Current Period																																		
1 January -31 March 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	1.806.228	1.806.228	1.806.228	1.806.228	1.806.228	1.806.228	1.806.228	1.806.228	1.806.228	1.806.228	1.806.228	1.806.228	1.806.228			
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	568.072	(568.072)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Comprehensive Income (Loss)	-	-	-	-	-	(484)	(484)	(484)	872	872	872	872	-	-	-	-	-	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443	135.443
Other Comprehensive Income (Loss)	-	-	-	-	-	(484)	(484)	(484)	872	872	872	872	-	-	-	-	-	-	-	-	-	-	-	-	-	-	388	388	388	388	388			
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Equity at End of Period	190.000	9.734	109.031	410.776	(15.279)	395.497	395.497	872	872	872	872	173.938	927.544	135.443	1.062.987	1.942.059	1.942.059	1.942.059	1.942.059	1.942.059	1.942.059	1.942.059	1.942.059	1.942.059	1.942.059	1.942.059	1.942.059	1.942.059	1.942.059	1.942.059	1.942.059			

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

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

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

	Footnotes	1 January - 31 March 2020	1 January - 31 March 2019
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		377.579	253.466
Profit (Loss)		135.443	83.399
Profit (Loss) from Continuing Operations		135.443	83.399
Adjustments to Reconcile Profit (Loss)		96.102	26.416
Adjustments for Depreciation and Amortisation Expense	11	66.075	60.318
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(714)	(752)
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	(714)	(752)
Adjustments for Provisions		5.955	2.012
Adjustments for (Reversal of) Provisions Related with Employee Benefits	16	4.804	2.133
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	14	1.151	(121)
Adjustments for Interest (Income) Expenses		(4.432)	(43.691)
Adjustments for Interest Income	23	(17.986)	(61.277)
Adjustments for Interest Expense	23	13.554	17.586
Adjustments for Unrealised Foreign Exchange Losses (Gains)		30.997	47.844
Adjustments for Fair Value Losses (Gains)		1.958	(24.138)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		1.958	(24.138)
Adjustments for Tax (Income) Expenses		(3.479)	1.652
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(1.397)	(108)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(1.397)	(108)
Other Adjustments to Reconcile Profit (Loss)		1.139	(16.721)

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

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

	Footnotes	1 January - 31 March 2020	1 January - 31 March 2019
Changes in Working Capital		149.035	146.140
Adjustments for Decrease (Increase) in Trade Accounts Receivable		285.007	354.825
Decrease (Increase) in Trade Accounts Receivables from Related Parties	6	279.622	352.290
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties	7	5.385	2.535
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(11.587)	12.789
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations	8	(11.587)	12.789
Adjustments for Decrease (Increase) in Inventories	9	(323.186)	(119.193)
Decrease (Increase) in Prepaid Expenses	10	(7.160)	(14.221)
Adjustments for Increase (Decrease) in Trade Accounts		215.836	(101.508)
Increase (Decrease) in Trade Accounts Payables to Related Parties	6	31.790	5.614
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties	7	184.046	(107.122)
Increase (Decrease) in Employee Benefit Liabilities	16	(2.780)	14.694
Other Adjustments for Other Increase (Decrease) in Working Capital		(7.095)	(1.246)
Decrease (Increase) in Other Assets Related with Operations	17	(4.276)	(3.842)
Increase (Decrease) in Other Payables Related with Operations	17	(2.819)	2.596
Cash Flows from (used in) Operations		380.580	255.955
Payments Related with Provisions for Employee Benefits	16	(2.400)	(1.466)
Income Taxes refund (Paid)	24	(601)	(1.023)

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

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

	Footnotes	1 January - 31 March 2020	1 January - 31 March 2019
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(90.370)	(388.412)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		1.546	228
Proceeds from Sales of Property, Plant and Equipment		1.546	228
Purchase of Property, Plant, Equipment and Intangible Assets		(99.542)	(83.105)
Purchase of Property, Plant and Equipment	11	(83.484)	(70.602)
Purchase of Intangible Assets	13	(16.058)	(12.503)
Cash Advances and Loans Made to Other Parties		7.626	(305.535)
Cash Advances and Loans Made to Related Parties	6	7.626	(305.535)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		(135.032)	83.405
Proceeds from Borrowings		359.815	545.400
Proceeds from Loans		359.815	545.519
Proceeds from Other Financial Borrowings		-	(119)
Repayments of Borrowings		(428.026)	(462.222)
Loan Repayments		(429.367)	(462.222)
Payments of Other Financial Borrowings		1.341	-
Decrease in Other Payables to Related Parties		(70.291)	(34.759)
Payments of Lease Liabilities		(7.152)	(5.338)
Interest Paid		(7.364)	(20.953)
Interest Received		17.986	61.277
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		152.177	(51.541)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		152.177	(51.541)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	82.287	103.283
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		234.464	51.742

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

(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 İstanbul ("BİST") since 21 April 2006.

As of 31 March 2020, the number of personnel employed was 7.939 (31 December 2019: 7.821).

As of balance sheet dates, the shareholders of the Company and their percentage shareholdings were as follows:

	Shareholding %
Vestel Elektronik Sanayi ve Ticaret A.Ş.	95,18
Other shareholders	4,82
	100,00

As of 31 March 2020, 59.800.000 shares of the Company have been quoted at the Borsa İstanbul ("BİST") (31,5 % of its share capital; 31 December 2019: 31,5 %).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance

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

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

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

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

2.2 Comparative information and restatement of prior period financial statements

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

2.3 Restatement and errors in the accounting estimates

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

2.4. Amendments in Turkey Financial Reporting Standards

a) Standards, amendments and interpretations that are issued but not effective as at 1 January 2020:

Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) clarify the explanation of the definition of material; and
- iii) incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

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- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

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

2.5. Summary of significant accounting policies

2.5.1 Revenue

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

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

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

- (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.

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

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

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

2.5.3 Property, plant and equipment

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

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

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

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

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

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

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

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

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

The Company – as a lessee

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

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

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

Lease Liability

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

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

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

After initial recognition, the lease liability is measured:

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

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

The Company – as a lessor

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

Right of use assets:

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

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

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

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;

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- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development
- Other development costs are recognized as expense as incurred. If it is not possible to distinguish the research phase from the development phase of an internal project, the entity treats the expenditure on that project as if it were incurred in the research phase only.
- Other development costs are recognized as expense as incurred. If it is not possible to distinguish the research phase from the development phase of an internal project, the entity treats the expenditure on that project as if it were incurred in the research phase only.

b) Rights and other intangible fixed assets

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

2.5.5 Financial instruments

a) Financial assets

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

Financial assets carried at amortized cost

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

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

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

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Financial assets carried at fair value

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

Impairment of financial assets

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

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

b) Financial liabilities

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

c) Derivative financial instruments and hedge accounting

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

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

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

Cash flow hedges:

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

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

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

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

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

2.5.6 Foreign currency transactions

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

2.5.7 Provisions, contingent assets and liabilities

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

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

2.5.8 Related parties

Shareholders, key management personnel and board members, their close family members and companies controlled, jointly controlled or significantly influenced by them and Zorlu Holding Company companies are considered and referred to as related parties.

2.5.9 Taxation on income

Tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items directly recognized in equity. In that case, tax is recognized in shareholders' equity.

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The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Investment incentives that are conducive to payment of corporate taxes at reduced rates are subject to deferred tax calculation when there is reasonable assurance that the Company will benefit from the related incentive.

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

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

2.5.10 Employee benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision for employment termination benefits as of 31 December 2019 is calculated in accordance with the assumptions used by the independent actuarial firm and is recorded in the financial statements at its net present value. Employment termination benefits are considered as being part of defined retirement benefit plan as per TAS 19. All actuarial gains and losses are recognized in statements of income.

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2.5.11 Government grants

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

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

2.5.12 Earnings per share

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

2.5.13 Statement of cash flows

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

2.5.14 Offsetting

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

2.5.15 Events after the balance sheet date

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

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

2.5.16 Going concern

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

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2.6. Critical accounting estimates and judgments

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

i. Revaluation of lands, buildings and land improvements

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

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

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

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

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

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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

	1 January - 31 March 2020	1 January - 31 March 2019
Segment revenue		
Turkey	336.672	181.658
Europe	914.372	908.356
Other	346.478	296.547
 Gross sales	 1.597.522	 1.386.561
Discounts (-)	(2.465)	(1.451)
 Net sales	 1.595.057	 1.385.110

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

The amount of export is 1.260.850 thousand TL for the period ended 31 March 2020 (1 January-31 March 2019: 1.204.903 thousand TL). Export sales are denominated in EURO, and USD as 93,7%, and 6,3% of total export respectively (1 January-31 March 2019: 94,3% EUR, 5,7% 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.

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NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2020	31 December 2019
Cash	348	228
Bank deposits		
- Demand deposits	113.085	82.059
- Time deposits	121.031	-
Blocked deposits	35.902	37.041
Cash and cash equivalents	270.366	119.328

NOTE 5 - FINANCIAL LIABILITIES

	31 March 2020	31 December 2019
Short - term financial liabilities		
Short term bank loans	599.045	714.041
Short term portion of long term bank loans	72.927	13.342
Lease liabilities	23.928	19.259
	695.900	746.642
Long - term financial liabilities		
Long term bank loans	31.377	10.303
Lease liabilities	108.591	46.528
	139.968	56.831

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NOTE 5 - FINANCIAL LIABILITIES (Cont'd)

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

Currency	31 March 2020			31 December 2019		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
				annum		
- EUR	2,64%	63.749	459.949	3,13%	82.089	545.940
- TL	15,20%	139.096	139.096	20,01%	168.101	168.101
			599.045			714.041

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

Currency	31 March 2020			31 December 2019		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
				annum		
- TL	17,46%	72.927	72.927	19,84%	13.342	13.342
Short term portion			72.927			13.342
- TL	17,62%	31.377	31.377	19,84%	10.303	10.303
Long term portion			31.377			10.303
			104.304			23.645

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NOTE 5 - FINANCIAL LIABILITIES (Cont'd)

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

	31 March 2020	31 December 2019
One to two years	26.543	4.106
Two to three years	2.629	3.491
Three to four years	1.454	1.562
Four to five years	-	-
More than five years	751	-
	31.377	10.303

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

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

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

	31 March 2020	31 March 2019
Net financial debt as of 1 January	721.186	550.421
Cash inflows from loans	359.815	545.519
Cash outflows from loan payments	(429.367)	(475.067)
Cash inflow/outflow from other financial leasing	67.012	69.413
Unrealized Fx gain/loss	30.997	22.082
Accrued interest	3.937	6.444
Change in cash and cash equivalents	(152.177)	51.541
Net financial debt at the end of the period	601.403	770.353

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NOTE 6 - RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 March 2020	31 December 2019
Vestel Ticaret A.Ş.	1.461.542	1.742.304
Vestel France S.A	7	-
	1.461.549	1.742.304
Unearned interest on receivables (-)	-	(1.133)
	1.461.549	1.741.171

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

b) Short term trade payables to related parties

	31 March 2020	31 December 2019
Vestel Elektronik Sanayi ve Ticaret A.Ş.	63.976	57.962
Vestel Ticaret A.Ş.	-	6.216
Vestel Holland B.V.	99.893	67.598
Other related parties	301	637
	164.170	132.413
Unearned interest on payables (-)	-	(33)
	164.170	132.380

c) Other short term receivables from related parties

	31 March 2020	31 December 2019
Vestel Elektronik Sanayi ve Ticaret A.Ş.	474.523	482.149

The Company's interest rate of other receivables in TL is 18%, USD %7 ve EUR %5 (31 December 2019: in TL 36%).

d) Other short term liabilities to related parties

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

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NOTE 6 - RELATED PARTY DISCLOSURES (Cont'd)

e) Lease Liabilities from Related Parties

The Company's short term lease liabilities 13.380 thousand TL, long term lease liabilities 91.530 thousand TL from Vestel Elektronik Sanayi ve Ticaret A.Ş. (31 December 2019: short term 6.973 thousand TL and 32.546 thousand TL)

f) Transactions with related parties

	1 January - 31 March 2020	1 January - 31 March 2019
Sales		
Vestel Ticaret A.Ş.	1.555.040	1.341.641
Vestel Elektronik Sanayi ve Ticaret A.Ş.	21.060	15.111
Other related parties	7	-
	1.576.107	1.356.752
Purchases and operating expenses		
Vestel Holland B.V.	58.701	18.498
Vestel Elektronik Sanayi ve Ticaret A.Ş.	89.437	61.604
Other related parties	-	3.656
	148.138	83.758
	1 January - 31 March 2020	1 January - 31 March 2019
Operating expenses		
Vestel Holland BV	229	-
Vestel Ticaret A.Ş.	2.362	110
Vestel Elektronik Sanayi ve Ticaret A.Ş.	8.559	7.375
Other related parties	4.500	2.811
	15.650	10.296

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NOTE 6 - RELATED PARTY DISCLOSURES (Cont'd)

f) Transactions with related parties (cont'd)

	1 January - 31 March 2020	1 January - 31 March 2019
Other operating income		
Vestel Ticaret A.Ş.	484	70.563
Other related parties	33	1.334
	517	71.897
Other operating expense		
Vestel Ticaret A.Ş.	16	13.949
Other related parties	41	149
	58	14.098
	1 January - 31 March 2020	1 January - 31 March 2019
Financial income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	17.307	59.235
Other related parties	36	-
	17.343	59.235
Financial expense		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	3.304	3.339
Other related parties	2	-
	3.304	3.339

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NOTE 6 - RELATED PARTY DISCLOSURES (Cont'd)

	1 January - 31 March 2020	1 January - 31 March 2019
Other operating income		
Vestel Ticaret A.Ş.	484	70.563
Other related parties	33	1.334
	517	71.897
Other operating expense		
Vestel Ticaret A.Ş.	16	13.949
Other related parties	41	149
	58	14.098

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 three months period ended 31 March 2020 is 2.187 thousand TL (1 January -31 March 2019: 1.391 thousand TL).

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 March 2020	31 December 2019
Short - term trade receivables		
Trade receivables		
- Related parties (note 6)	1.461.549	1.742.304
- Other parties	2.313	6.096
Cheques and notes receivables	-	1.500
	1.463.862	1.749.900
Unearned interest expense (-)		
- Related parties (note 6)	-	(1.133)
- Other parties	(102)	(9)
Allowance for doubtful receivables (-)	(510)	(501)
Total short - term trade receivables	1.463.250	1.748.257

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

	31 March 2020	31 December 2019
Short term trade payables		
Trade payables		
- Related parties (note 6)	164.170	132.413
- Other parties	2.127.919	1.937.952
	2.292.089	2.070.365
Unearned interest income (-)		
- Related parties (note 6)	-	(33)
- Other parties	(80)	(410)
Total short term trade payables	2.292.009	2.069.922
Long term trade payables		
Trade payables		
- Other parties	559	6.856
	559	6.856
Unearned interest income (-)		
- Other parties	(63)	(109)
Total long term trade payables	496	6.747

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NOTE 8 - OTHER RECEIVABLES

	31 March 2020	31 December 2019
Short - term other receivables		
Other receivables from related parties (note 6)	474.523	482.149
Receivables from government agencies	146.636	139.045
Deposits and guarantees given	10.974	7.654
Other receivables	1.551	1.357
	633.684	630.205
Long - term other receivables		
Deposits and guarantees given	4.230	3.748
	4.230	3.748

NOTE 9 - INVENTORIES

	31 March 2020	31 December 2019
Raw materials	621.716	387.201
Work in process	14.347	10.816
Finished goods	334.282	249.142
	970.345	647.159
Provision for impairment on inventories (-)	(309)	(1.023)
	970.036	646.136

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

Cost of the inventory included in the cost of sales for the current period amounts to 1.154.631 thousand TL (1 January – 31 March 2019: 1.057.718 thousand TL).

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

	31 March 2020	31 December 2019
Finished goods and merchandise	309	1.023
	309	1.023

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NOTE 9 - INVENTORIES (Cont'd)

Movement of inventory impairment on inventories is as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Opening balance, 1 January	1.023	2.194
Current year additions	309	2.194
Realised due to sale of inventory	(1.023)	(2.946)
Balance at 31 March	309	1.442

NOTE 10 - PREPAID EXPENSES

	31 March 2020	31 December 2019
Prepaid expenses in current assets		
Order advances given	11.942	11.170
Prepaid expenses	8.630	8.819
Business advances given	9	63
	20.581	20.052
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	56.691	52.981
Prepaid expenses	3.535	614
	60.226	53.595

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January				Fair value	31 March
	2020	Additions	Disposals	Transfer	increase	2020
Cost or revaluation						
Land	192.824	-	-	-	-	192.824
Land improvements	40.998	2.514	-	-	-	43.512
Buildings	447.048	35.584	-	277	-	482.909
Leasehold improvements	10.907	462	-	10	-	11.379
Plant and machinery	1.763.514	33.577	(7.528)	26.926	-	1.816.489
Motor vehicles	626	-	(2)	-	-	624
Furniture and fixtures	76.719	3.093	(83)	2.326	-	82.055
Construction in progress	45.231	8.254	-	(29.539)	-	23.946
	2.577.867	83.484	(7.613)	-	-	2.653.738
Accumulated depreciation						
Land improvements	1.366	2.840	-	-	-	4.206
Buildings	11.496	36.965	-	-	-	48.461
Leasehold improvements	5.774	375	-	-	-	6.149
Plant and machinery	992.131	15.420	(7.388)	-	-	1.000.163
Motor vehicles	458	18	-	-	-	476
Furniture and fixtures	50.383	2.279	(76)	-	-	52.586
	1.061.608	57.897	(7.464)	-	-	1.112.041
Net book value	1.516.259					1.541.697

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

	1 January				Fair value	31 March
	2019	Additions	Disposals	Transfer	increase	2019
Cost						
Land	192.824	-	-	-	-	192.824
Land improvements	40.833	31	-	-	-	40.864
Buildings	438.634	3.590	-	136	-	442.360
Leasehold improvements	10.100	106	-	243	-	10.449
Plant and machinery	1.499.154	45.434	(690)	8.945	-	1.552.843
Motor vehicles	600	25	-	-	-	625
Furniture and fixtures	69.513	1.684	(113)	461	-	71.545
Construction in progress	37.488	19.732	-	(9.785)	-	47.435
	2.289.146	70.602	(803)	-	-	2.358.945
Accumulated depreciation						
Land improvements	-	338	-	-	-	338
Buildings	-	2.829	-	-	-	2.829
Leasehold improvements	4.387	330	-	-	-	4.717
Plant and machinery	806.605	45.636	(685)	-	-	851.556
Motor vehicles	379	22	-	-	-	401
Furniture and fixtures	42.411	2.000	(112)	-	-	44.299
	853.782	51.155	(797)	-	-	904.140
Net book value	1.435.364					1.454.805

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

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

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

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

Allocation of period depreciation and amortization expenses is as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Cost of sales	56.027	52.373
Research and development expenses	9.358	7.375
Marketing, selling and distribution expenses	159	152
General administrative expenses	531	418
	66.075	60.318

NOTE 12 - RIGHT OF USE ASSETS

	1 January 2020	Effect of change in accounting policies		31 March 2020
Cost				
Land and buildings	43.353	-	72.907	116.260
Machinery	32.790	-	4.816	37.606
	76.143	-	77.723	153.866
Accumulated amortization				
Land and buildings	5.136	-	4.172	9.308
Machinery	9.060	-	2.979	12.039
	14.196	-	7.151	21.347
Net book value	61.947	-	-	132.519

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NOTE 12 - RIGHT OF USE ASSETS (Cont'd)

	1 January 2019	Effect of change in accounting policies	Additions	31 March 2019
Cost				
Land and buildings	-	40.682	-	40.682
Machinery	-	31.154	-	31.154
	-	71.836	-	71.836
Accumulated amortization				
Land and buildings	-	-	1.017	1.017
Machinery	-	-	2.152	2.152
	-	-	3.169	3.169
Net book value	-	71.836	68.667	

NOTE 13 - INTANGIBLE ASSETS

	1 January 2020	Additions	Disposals	Transfers	31 March 2020
Cost					
Rights	6.534	-	-	-	6.534
Development cost	301.527	15.785	-	-	317.312
Other intangible assets	20.328	273	-	-	20.601
	328.389	16.058	-	-	344.447
Accumulated amortization					
Rights	6.369	2	-	-	6.371
Development cost	133.572	7.744	-	-	141.316
Other intangible assets	7.939	432	-	-	8.371
	147.880	8.178	-	-	156.058
Net book value	180.509				188.389

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NOTE 13 - INTANGIBLE ASSETS (Cont'd)

	1 January	2019	Additions	Disposals	Transfers	31 March	2019
Cost							
Rights	6.429	-	-	-	-	6.429	
Development cost	244.701	12.279	(114)	-	-	256.866	
Other intangible assets	16.127	224	-	-	-	16.351	
	267.257	12.503	(114)			279.646	
Accumulated amortization							
Rights	6.360	2	-	-	-	6.362	
Development cost	107.534	5.636	-	-	-	113.170	
Other intangible assets	6.496	356	-	-	-	6.852	
	120.390	5.994				126.384	
Net book value		146.867				153.262	

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

Useful lives of intangible assets are as follows:

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 March 2020	31 December 2019
Short - term provisions		
Provision for lawsuit risks	6.998	5.847
	6.998	5.847

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

The movements in the provision for lawsuits are as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Opening balance, 1 January	5.847	3.190
Current year additions	1.292	64
Payments/ disposals	(141)	(185)
Balance at 31 March	6.998	3.069

b) Guarantees received by the Company

	31 March 2020	31 December 2019
Guarantee letters	23.958	27.573
Cheques and notes	1.373	1.330
Collaterals and pledges	5.605.504	5.605.504
	5.630.835	5.634.407

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

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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
31 March 2020				
A. CPM's given on behalf of its own legal entity	137	2.612	9.974	29.709
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.008.140	32.031	854.695	7.654.839
i. Total amount of CPM's given on behalf of the parent company	722.288	-	614.636	5.321.065
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	2.333.774
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	1.008.277	34.643	864.669	7.684.548

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2019				
A. CPM's given on behalf of its own legal entity	-	2.000	29.100	42.401
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.008.140	32.031	854.695	7.056.271
i. Total amount of CPM's given on behalf of the parent company	722.288	-	614.636	4.905.169
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	285.852	32.031	240.059	2.151.102
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	1.008.140	34.031	883.795	7.098.672

The Company has given collaterals to various banks on behalf of Vestel Elektronik Sanayi and Ticaret A.Ş. Vestel Ticaret A.Ş. and Vestel Holland BV for their forward contracts and bank loans obtained.

Proportion of other CPM's given by the Company to its equity 395 % as of 31 March 2019 (31 December 2019: 391%).

NOTE 15 - COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to 816.272 thousand USD (31 December 2019: 800.533 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 March 2020 the Company has forward foreign currency purchase contract that amounts to 149.214 thousand TL, 91.222 thousand EUR and 204.619 thousand USD against forward foreign currency sales contract that amounts to 142.395 thousand EUR, 115.631 thousand USD and 364.528 thousand TL (31 December 2019: 289.370 thousand TL, 61.191 thousand EUR and 127.966 thousand USD against forward foreign currency sales contract that amounts to 104.806 thousand EUR, 60.682 thousand USD and 402.625 thousand TL).

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NOTE 16 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 March 2020	31 December 2019
Due to personnel	30.556	32.176
Social security payables	9.590	10.750
	40.146	42.926

Long term provisions for employee benefits:

	31 March 2020	31 December 2019
Provision for employment termination benefits	60.298	57.289

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

The amount payable is the equivalent of one month's gross salary for each year of service and is limited to a maximum of TL 6.730,15 TL / year as of 31 March 2020 (31 December 2019: 6.379,86 TL/year).

The provision for employee termination benefits is not funded.

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

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

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NOTE 16 - EMPLOYEE BENEFITS (Cont'd)

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

	31 March 2020	31 December 2019
	1 January -	1 January -
	31 March 2020	31 March 2019
Provision for employment termination benefits	60.298	57.289
Balance at 1 January	57.289	38.713
Increase during the year	2.954	486
Payments during the year	(2.400)	(1.466)
Actuarial (gain) /loss	605	765
Interest expense	1.850	1.647
Balance at 31 March	60.298	40.145

NOTE 17 - OTHER ASSETS AND LIABILITIES

	31 March 2020	31 December 2019
Other current assets		
Income accrals from supplier	5.263	1.066
VAT carried forward	176	97
	5.439	1.163
Other current liabilities		
Taxes and dues payable	14.347	14.564
Advances received	26.321	32.442
Other	6.835	3.316
	47.503	50.322

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NOTE 18 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

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

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

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

b) Adjustments to share capital

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

	31 March 2020	31 December 2019
Adjustment to share capital	9.734	9.734

c) Share Premium

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

	31 March 2020	31 December 2019
Share premium	109.031	109.031

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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.

	31 March 2020	31 December 2019
Legal reserves	173.938	173.938

e) Retained earnings

	31 March 2020	31 December 2019
Extraordinary reserves	282.356	282.356
Previous year's profits	645.188	77.116
	927.544	359.472

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

f) Dividend distribution

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

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

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

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

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

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NOTE 19 - SALES

	1 January - 31 March 2020	1 January - 31 March 2019
Domestic sales	336.672	181.658
Overseas sales	1.260.850	1.204.903
Gross sales	1.597.522	1.386.561
Less: Sales discounts (-)	(2.465)	(1.451)
Net sales	1.595.057	1.385.110
Cost of sales	(1.365.954)	(1.237.672)
Gross profit	229.103	147.438

NOTE 20 - EXPENSES BY NATURE

	1 January - 31 March 2020	1 January - 31 March 2019
Raw materials, supplies and finished goods	1.243.302	1.111.972
Changes in finished goods, work in process and trade goods	(88.671)	(54.254)
Personnel expenses	125.208	104.673
Depreciation and amortization	66.075	60.318
Other	76.336	61.067
	1.422.250	1.283.776

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

a) General administrative expenses:

	1 January - 31 March 2020	1 January - 31 March 2019
a) General and administrative expenses:		
Personnel expenses	4.495	2.715
Consultancy Expenses	8.064	5.596
Rent and office expenses	1.181	1.571
Travelling expenses	356	448
Energy expenses	192	180
Depreciation and amortization	531	418
Benefits and services provided externally	104	37
Other	1.474	3.106
	16.397	14.071

b) Marketing expenses:

	1 January - 31 March 2020	1 January - 31 March 2019
Personnel expenses	5.775	4.436
Transportation, distribution and storage expenses	11.672	11.476
Taxes and duties	3.250	2.455
Insurance expenses	470	498
Depreciation and amortization	159	152
Other	3.005	1.898
	24.331	20.915

c) Research and development expenses:

Depreciation and amortization	9.358	7.375
Personnel expenses	2.680	1.982
Other	3.530	1.761
	15.568	11.118

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NOTE 22 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other operating income

	1 January - 31 March 2020	1 January - 31 March 2019
Credit finance gains arising from trading activities	3.227	7.141
Foreign exchange gains arising from trading activities	85.846	105.961
Other income	11.081	1.633
	100.154	114.735

b) Other operating expenses

	1 January - 31 March 2020	1 January - 31 March 2019
Debit finance charges arising from trading activities	1.674	9.934
Foreign exchange expenses arising from trading activities	132.154	137.626
Other expenses	1.396	4.317
	135.224	151.877

NOTE 23 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 March 2020	1 January - 31 March 2019
Foreign exchange gains	25.487	15.220
Gains on derivative financial instruments	79.005	44.345
Interest income	17.986	61.277
	122.478	120.842

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

b) Financial expense:

	1 January - 31 March 2020	1 January - 31 March 2019
Foreign exchange losses	49.118	40.042
Losses on derivative financial instruments	65.064	42.337
Interest expense	13.554	17.586
Other finance expenses	515	18
	128.251	99.983

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

	31 March 2020	31 December 2019
Corporation and income taxes	637	2.913
Prepaid taxes	(97)	(2.409)
Current income tax liabilities - net	540	504
Deffered tax liabilities	(61.000)	(64.989)
Deffered tax assets	-	-
Deferred tax assets / (liabilities)	(61.000)	(64.989)

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

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

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

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

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

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

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

	1 January - 31 March 2020	1 January - 31 March 2019
Current period tax expense	(637)	(541)
Deferred tax benefit / (expense)	4.116	(1.111)
Total tax income	3.479	(1.652)

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

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:

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

	Cumulative temporary differences		Deferred tax	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
Deferred tax assets				
Employment termination benefits	(60.298)	(57.289)	12.060	11.458
Maddi ve maddi olmayan duran varlıkların kayıtlı değerleri ile vergi matrahları arasındaki net fark	(33.042)	(12.900)	6.608	2.580
Provision for impairment on inventories	(309)	(1.023)	68	225
Derivative financial instruments	(16.317)	(5.264)	3.590	1.158
Other	(19.056)	(20.623)	4.190	4.537
			26.517	19.958
Deferred tax liabilities				
Useful life and valuation differences on property, plant and equipment and intangible assets	-	-	-	-
Revaluation of tangible fixed assets	492.140	496.359	(83.052)	(83.474)
Derivative financial instruments	12.816	2.603	(2.820)	(573)
Other	7.739	4.500	(1.645)	(900)
			(87.517)	(84.947)
Deferred tax assets / (liabilities) - net			(61.000)	(64.989)

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

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

	1 January - 31 March 2020	1 January - 31 March 2019
Opening balance, 1 January	(64.989)	(73.036)
Tax expense recognized in income statement	4.116	(1.111)
Recognized in shareholders' equity	(125)	(513)
Deferred tax liabilities		
at the end of the period, net	(60.998)	(74.660)
Subsidiaries with net deferred tax liabilities	(61.000)	(74.660)
Subsidiaries with net deferred tax assets	-	-

NOTE 25- EARNINGS PER SHARE

	1 January - 31 March 2020	1 January - 31 March 2019
Net (loss) / income attributable to equity holders of the parent	135.443	83.399
Weighted number of ordinary shares with a TL 1 of par value (thousand shares)	190.000	190.000
	0,71	0,44

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NOTE 26 – DERIVATIVE INSTRUMENTS

	31 March 2020		31 December 2019	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
<u>Derivative financial assets:</u>				
Held for trading				
Forward foreign currency transactions	842.915	12.816	673.575	2.603
<u>Derivative financial liabilities:</u>				
Held for trading				
Forward foreign currency transactions	1.297.765	(16.317)	782.893	(5.264)
Cash flow hedge				
Forward foreign currency transactions	-	-	-	-
	2.140.680	(3.501)	1.456.468	(2.661)

NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign currency risk:

The Company is exposed to exchange rate risk due to its foreign currency denominated transactions. The main principle of foreign currency risk management is to maintain foreign exchange position at the level that minimizes the impact of foreign exchange fluctuations. Derivative instruments are used in foreign currency risk management where necessary. In this respect the Company mainly prefers using foreign exchange forward contracts.

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

31 March 2020	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	5.326	120.583	-	904.711
2a. Monetary financial assets (including cash and cash equivalents)	-	-	-	-
	7.372	13.705	64	146.982
2b. Non-monetary financial assets	-	-	-	-
3. Other	24.644	6.059	-	204.296
4. Current assets (1+2+3)	37.342	140.347	64	1.255.989
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
	34	4.133	-	30.041
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	34	4.133	-	30.041
9. Total assets (4+8)	37.376	144.480	64	1.286.030
10. Trade payables	169.741	102.531	778	1.846.572
11. Financial liabilities	-	63.749	-	459.949
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	169.741	166.280	778	2.306.521
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	169.741	166.280	778	2.306.521
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)	88.988	(51.173)	-	210.633
19a. Hedged total assets	204.619	91.222	-	1.991.464
19b. Hedged total liabilities	(115.631)	(142.395)	-	(1.780.832)
20. Net foreign currency asset/ (liability) position (9-18+19)	(43.377)	(72.973)	(714)	(809.858)
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(157.043)	(31.992)	(714)	(1.254.828)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(3.501)
23. Export	13.063	175.869	-	1.260.850
24. Import	68.645	40.832	1.160	689.715

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

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

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

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

	Gain / Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 March 2020				
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(102.329)	102.329	(102.329)	102.329
Secured portion from USD risk (-)	30.799	(30.799)	57.955	(57.955)
USD net effect	(71.530)	71.530	(44.374)	44.374
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	(23.082)	23.082	(23.082)	23.082
Secured portion from EUR risk (-)	(10.078)	10.078	(37.042)	37.042
EUR net effect	(33.160)	33.160	(60.124)	60.124
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	(177)	177	(177)	177
Other currency net effect	(177)	177	(177)	177

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

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

NOTE 28- SUBSEQUENT EVENTS

The COVID-19 pandemic, which occurred in China at the end of 2019 and influenced the whole world, negatively affects the global economy. Due to the COVID-19 pandemic, there may be disruptions in the procurement, production and sales processes as a result of the slowdown in the sector in which the Company operates. The possible effects of the pandemic on the general economy and the Company's activities are evaluated comprehensively, and the duration of the impact of the pandemic cannot be predicted, so the effects on the financial statements of the Company cannot be reasonably estimated.