

**VESTEL BEYAZ EŐYA SANAYİ VE TİCARET
ANONİMŐİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED FINANCIAL STATEMENTS FOR THE
INTERIM PERIOD 1 JANUARY - 31 MARCH 2022**

(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 2022

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY
- 31 MARCH 2022**

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 31 MARCH 2022 AND 31 DECEMBER 2021

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

| | | | Audited |
|---|------------------|----------------------|-------------------------|
| | Footnotes | 31 March 2022 | 31 December 2021 |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | 4 | 40.511 | 112.837 |
| Financial Investments | | 64.576 | - |
| Time Deposits | | 64.576 | - |
| Trade Receivables | | 5.204.739 | 5.153.747 |
| <i>Trade Receivables Due From Related Parties</i> | 6,7 | 5.167.112 | 5.123.913 |
| <i>Trade Receivables Due From Third Parties</i> | 7 | 37.627 | 29.834 |
| Other Receivables | | 3.642.203 | 1.859.666 |
| <i>Other Receivables Due From Related Parties</i> | 6,8 | 3.027.964 | 1.445.270 |
| <i>Other Receivables Due From Third Parties</i> | 8 | 614.239 | 414.396 |
| Derivative Financial Assets | | 251.254 | 193.125 |
| <i>Derivative Financial Assets Held for Trading</i> | 26 | 3.149 | 3.793 |
| <i>Derivative Financial Assets Held for Hedging</i> | 26 | 248.105 | 189.332 |
| Inventories | 9 | 4.733.400 | 2.649.388 |
| Prepayments | | 185.966 | 148.518 |
| <i>Prepayments to Third Parties</i> | 10 | 185.966 | 148.518 |
| Current Tax Assets | | 11 | - |
| Other Current Assets | | 17.510 | 3.344 |
| <i>Other Current Assets Due From Third Parties</i> | 17 | 17.510 | 3.344 |
| TOTAL CURRENT ASSETS | | 14.140.170 | 10.120.625 |

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 31 MARCH 2022 AND 31 DECEMBER 2021

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

| | | Footnotes | 31 March 2022 | 31 December 2021 | Audited |
|---|----|-----------|-------------------|------------------|-------------------|
| NON-CURRENT ASSETS | | | | | |
| Other Receivables | | | 22.997 | | 17.901 |
| <i>Other Receivables Due From Third Parties</i> | 8 | | 22.997 | | 17.901 |
| Property, Plant and Equipments | | | 3.495.121 | | 3.274.859 |
| <i>Land and Premises</i> | 11 | | 755.907 | | 755.907 |
| <i>Land Improvements</i> | 11 | | 62.455 | | 64.057 |
| <i>Buildings</i> | 11 | | 1.112.797 | | 1.123.688 |
| <i>Machinery and Equipments</i> | 11 | | 1.331.575 | | 1.205.534 |
| <i>Vehicles</i> | 11 | | 208 | | 236 |
| <i>Fixtures and Fittings</i> | 11 | | 55.946 | | 49.319 |
| <i>Leasehold Improvements</i> | 11 | | 4.965 | | 4.700 |
| <i>Construction in Progress</i> | 11 | | 171.268 | | 71.418 |
| Right of Use Assets | 12 | | 178.573 | | 132.955 |
| Intangible Assets and Goodwill | | | 290.569 | | 271.950 |
| <i>Other Rights</i> | 13 | | 156 | | 158 |
| <i>Capitalized Development Costs</i> | 13 | | 267.972 | | 249.183 |
| <i>Other Intangible Assets</i> | 13 | | 22.441 | | 22.609 |
| Prepayments | | | 332.575 | | 238.345 |
| <i>Prepayments to Third Parties</i> | 10 | | 332.575 | | 238.345 |
| Deferred Tax Asset | 24 | | 137.722 | | 132.778 |
| TOTAL NON-CURRENT ASSETS | | | 4.457.557 | | 4.068.788 |
| TOTAL ASSETS | | | 18.597.727 | | 14.189.413 |

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 31 MARCH 2022 AND 31 DECEMBER 2021

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

| | | Footnotes | 31 March 2022 | 31 December 2021 | Audited |
|--|-----|-----------|-------------------|------------------|---------|
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Current Borrowings | | | 2.346.124 | 623.480 | |
| Current Borrowings from Related Parties | | | 3.178 | 2.399 | |
| <i>Lease Liabilities</i> | 5,6 | | 3.178 | 2.399 | |
| Current Borrowings From Third Parties | | | 2.342.946 | 621.081 | |
| <i>Bank Loans</i> | 5 | | 2.305.741 | 597.237 | |
| <i>Lease Liabilities</i> | 5 | | 37.205 | 23.844 | |
| Current Portion of Non-current Borrowings | | | 75.239 | 311.896 | |
| Current Portion of Non-current Borrowings from Third Parties | | | 75.239 | 311.896 | |
| <i>Bank Loans</i> | 5 | | 72.407 | 308.458 | |
| Issued Debt Instruments | | | 2.832 | 3.438 | |
| Trade Payables | | | 8.185.907 | 5.842.718 | |
| <i>Trade Payables to Related Parties</i> | 6 | | 581.091 | 273.646 | |
| <i>Trade Payables to Third Parties</i> | 7 | | 7.604.816 | 5.569.072 | |
| Employee Benefit Obligations | 16 | | 109.660 | 68.864 | |
| Other Payables | | | 842.446 | 1.431.678 | |
| <i>Other Payables to Related Parties</i> | 6 | | 842.446 | 1.431.678 | |
| Derivative Financial Liabilities | | | 147.561 | 233.435 | |
| <i>Derivative Financial Liabilities Held for Trading</i> | 26 | | 128.257 | 233.435 | |
| <i>Derivative Financial Liabilities Held for Hedging</i> | 26 | | 19.304 | - | |
| Deferred Income | | | 545.134 | - | |
| <i>Deferred Income from Related Parties</i> | 6 | | 545.134 | - | |
| Current Tax Liabilities, Current | 24 | | 1.577 | 939 | |
| Current Provisions | | | 7.313 | 9.724 | |
| <i>Other Current Provisions</i> | 14 | | 7.313 | 9.724 | |
| Other Current Liabilities | | | 83.804 | 39.302 | |
| <i>Other Current Liabilities to Third Parties</i> | 17 | | 83.804 | 39.302 | |
| TOTAL CURRENT LIABILITIES | | | 12.344.765 | 8.562.036 | |

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 31 MARCH 2022 AND 31 DECEMBER 2021

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

| | | Audited | |
|---|------------------|----------------------|-------------------------|
| | Footnotes | 31 March 2022 | 31 December 2021 |
| NON-CURRENT LIABILITIES | | | |
| Long Term Borrowings | | 423.810 | 399.464 |
| Long Term Borrowings From Related Parties | | 153.980 | 120.472 |
| <i>Lease Liabilities</i> | 5,6 | 153.980 | 120.472 |
| Long Term Borrowings From Third Parties | | 269.830 | 278.992 |
| <i>Bank Loans</i> | 5 | 3.092 | 9.922 |
| <i>Lease Liabilities</i> | 5 | 1.738 | 4.070 |
| Issued Debt Instruments | | 265.000 | 265.000 |
| Trade Payables | | 188.486 | 181.003 |
| <i>Trade Payables to Third Parties</i> | 7 | 188.486 | 181.003 |
| Non-current Provisions | | 163.231 | 151.875 |
| <i>Non-current Provisions for Employee Benefits</i> | 16 | 163.231 | 151.875 |
| Other Non-current Liabilities | | - | 2.380 |
| <i>Other Non-current Liabilities to Third Parties</i> | | - | 2.380 |
| TOTAL NON-CURRENT LIABILITIES | | 775.527 | 734.722 |
| TOTAL LIABILITIES | | 13.120.292 | 9.296.758 |

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM BALANCE SHEETS AS OF 31 MARCH 2022 AND 31 DECEMBER 2021

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

| | | Footnotes | 31 March 2022 | 31 December 2021 | Audited |
|---|----|-----------|-------------------|------------------|-------------------|
| EQUITY | | | | | |
| Equity Attributable to Owners of Parent | | | 5.477.435 | | 4.892.655 |
| Issued Capital | 18 | | 1.600.000 | | 1.600.000 |
| Inflation Adjustments on Capital | 18 | | 9.734 | | 9.734 |
| Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss | | | 1.373.980 | | 1.400.337 |
| Gains (Losses) on Revaluation and Remeasurement | | | 1.373.980 | | 1.400.337 |
| <i>Increases (Decreases) on Revaluation of Property, Plant and Equipment</i> | | | 1.453.828 | | 1.467.974 |
| <i>Gains (Losses) on Remeasurements of Defined Benefit Plans</i> | | | (79.848) | | (67.637) |
| Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss | | | 166.239 | | 141.999 |
| Gains (Losses) on Hedge | | | 166.239 | | 141.999 |
| <i>Gains (Losses) on Cash Flow Hedges</i> | | | 166.239 | | 141.999 |
| Restricted Reserves Appropriated From Profits | | | 98.506 | | 98.506 |
| <i>Legal Reserves</i> | 18 | | 98.506 | | 98.506 |
| Prior Years' Profits or Losses | 18 | | 1.656.225 | | 123.487 |
| Current Period Net Profit | | | 572.751 | | 1.518.592 |
| TOTAL EQUITY | | | 5.477.435 | | 4.892.655 |
| TOTAL LIABILITIES AND EQUITY | | | 18.597.727 | | 14.189.413 |

Financial statements for the period 1 January – 31 March 2022 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 29 April 2022.

The accompanying notes are an integral part of these interim condensed 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 2022 AND 2021

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

| | | 1 January - Footnotes 31 March 2022 | 1 January - 31 March 2021 |
|--|-----------|--|------------------------------|
| PROFIT OR LOSS | | | |
| Revenue | 19 | 5.417.752 | 2.969.371 |
| Cost of Sales | 19 | (4.296.697) | (2.474.831) |
| GROSS PROFIT FROM COMMERCIAL OPERATIONS | | 1.121.055 | 494.540 |
| GROSS PROFIT | | 1.121.055 | 494.540 |
| General Administrative Expenses | 21 | (52.699) | (27.492) |
| Marketing Expenses | 21 | (295.816) | (40.932) |
| Research and Development Expense | 21 | (42.003) | (25.306) |
| Other Income from Operating Activities | 22 | 631.763 | 413.033 |
| Other Expenses from Operating Activities | 22 | (728.530) | (489.742) |
| PROFIT FROM OPERATING ACTIVITIES | | 633.770 | 324.101 |
| PROFIT BEFORE FINANCING INCOME (EXPENSE) | | 633.770 | 324.101 |
| Finance Income | 23 | 711.248 | 329.859 |
| Finance Costs | 23 | (779.823) | (354.830) |
| PROFIT FROM CONTINUING OPERATIONS, BEFORE TAX | | 565.195 | 299.130 |
| Tax (Expense) Income, Continuing Operations | | 7.556 | 11.937 |
| Current Period Tax (Expense) Income | 24 | (1.577) | (1.488) |
| Deferred Tax (Expense) Income | 24 | 9.133 | 13.425 |
| PROFIT FROM CONTINUING OPERATIONS | | 572.751 | 311.067 |
| PROFIT | | 572.751 | 311.067 |
| Earnings Per Share with a TL 1 of Par Value | 25 | 0,36 | 0,19 |

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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 2022 AND 2021

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

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|--|------------------------------|------------------------------|
| OTHER COMPREHENSIVE INCOME | | |
| Other Comprehensive Income that will not be Reclassified to Profit or Loss | (12.211) | (1.328) |
| Gains (Losses) on Remeasurements of Defined Benefit Plans | (15.263) | (1.661) |
| Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss | 3.052 | 333 |
| <i>Taxes Relating to Remeasurements of Defined Benefit Plans</i> | <i>3.052</i> | <i>333</i> |
| Other Comprehensive Income that will be Reclassified to Profit or Loss | 24.240 | 61.319 |
| Other Comprehensive Income (Loss) Related with Cash Flow Hedges | 31.481 | 76.649 |
| <i>Gains (Losses) on Cash Flow Hedges</i> | <i>31.481</i> | <i>76.649</i> |
| Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss | (7.241) | (15.330) |
| <i>Taxes Relating to Cash Flow Hedges</i> | <i>(7.241)</i> | <i>(15.330)</i> |
| OTHER COMPREHENSIVE INCOME | 12.029 | 59.991 |
| TOTAL COMPREHENSIVE INCOME | 584.780 | 371.058 |

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 MARCH 2022 AND 2021**

(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 Remeasurements | 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 Appropriate From Profits | Prior Years' Profits | Net Profit | Retained Earnings | Equity attributable to owners of parent | Equity |
|--------------------------------------|------------------|----------------------------------|-----------------------------|---|---|---|--|------------------|---------------------------------------|--|--|----------------------|------------------|-------------------|---|------------------|
| Previous Period | | | | | | | | | | | | | | | | |
| 1 January -31 March 2021 | | | | | | | | | | | | | | | | |
| Equity at Beginning of Period | 190.000 | 9.734 | 109.031 | 800.187 | (28.514) | 771.673 | 771.673 | (29.447) | (29.447) | (29.447) | 187.190 | 792.276 | 1.331.308 | 2.123.584 | 3.361.765 | 3.361.765 |
| Transfers | - | - | - | (3.047) | - | (3.047) | (3.047) | - | - | - | 36 | 1.334.319 | (1.331.308) | 3.011 | - | - |
| Total Comprehensive Income (Loss) | - | - | - | - | (1.328) | (1.328) | (1.328) | 61.319 | 61.319 | 61.319 | - | - | 311.067 | 311.067 | 371.058 | 371.058 |
| Profit (Loss) | - | - | - | - | - | - | - | - | - | - | - | - | 311.067 | 311.067 | 311.067 | 311.067 |
| Other Comprehensive Income (Loss) | - | - | - | - | (1.328) | (1.328) | (1.328) | 61.319 | 61.319 | 61.319 | - | - | - | - | 59.991 | 59.991 |
| Equity at End of Period | 190.000 | 9.734 | 109.031 | 797.140 | (29.842) | 767.298 | 767.298 | 31.872 | 31.872 | 31.872 | 187.226 | 2.126.595 | 311.067 | 2.437.662 | 3.732.823 | 3.732.823 |
| Current Period | | | | | | | | | | | | | | | | |
| 1 January -31 March 2022 | | | | | | | | | | | | | | | | |
| Equity at Beginning of Period | 1.600.000 | 9.734 | - | 1.467.974 | (67.637) | 1.400.337 | 1.400.337 | 141.999 | 141.999 | 141.999 | 98.506 | 123.487 | 1.518.592 | 1.642.079 | 4.892.655 | 4.892.655 |
| Transfers | - | - | - | (14.146) | - | (14.146) | (14.146) | - | - | - | - | 1.532.738 | (1.518.592) | 14.146 | - | - |
| Total Comprehensive Income (Loss) | - | - | - | - | (12.211) | (12.211) | (12.211) | 24.240 | 24.240 | 24.240 | - | - | 572.751 | 572.751 | 584.780 | 584.780 |
| Profit (Loss) | - | - | - | - | - | - | - | - | - | - | - | - | 572.751 | 572.751 | 572.751 | 572.751 |
| Other Comprehensive Income (Loss) | - | - | - | - | (12.211) | (12.211) | (12.211) | 24.240 | 24.240 | 24.240 | - | - | - | - | 12.029 | 12.029 |
| Equity at End of Period | 1.600.000 | 9.734 | - | 1.453.828 | (79.848) | 1.373.980 | 1.373.980 | 166.239 | 166.239 | 166.239 | 98.506 | 1.656.225 | 572.751 | 2.228.976 | 5.477.435 | 5.477.435 |

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31
MARCH 2022 AND 2021

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

| | Footnotes | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|---|-----------|---------------------------------|---------------------------------|
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | | 1.266.297 | 378.089 |
| Profit | | 572.751 | 311.067 |
| Profit from Continuing Operations | | 572.751 | 311.067 |
| Adjustments to Reconcile Profit (Loss) | | 288.759 | 224.142 |
| Adjustments for Depreciation and Amortisation Expense | 11,12,13 | 126.505 | 87.694 |
| Adjustments for Impairment Loss (Reversal of Impairment Loss) | | 5.749 | 2.060 |
| Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories | 9 | 5.749 | 2.060 |
| Adjustments for Provisions | | 9.514 | 17.083 |
| Adjustments for (Reversal of) Provisions Related with Employee Benefits | 16 | 11.925 | 16.726 |
| Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions | 14 | (2.411) | 357 |
| Adjustments for Interest (Income) Expenses | | 85.548 | 28.514 |
| Adjustments for Interest Income | 23 | (41.753) | (16.904) |
| Adjustments for Interest Expense | 23 | 127.301 | 45.418 |
| Adjustments for Unrealised Foreign Exchange Losses (Gains) | | 182.359 | 93.462 |
| Adjustments for Fair Value Losses (Gains) | | (112.522) | 10.783 |
| Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments | | (112.522) | 10.783 |
| Adjustments for Tax (Income) Expenses | 24 | (7.556) | (11.937) |
| Adjustments for Losses (Gains) on Disposal of Non-Current Assets | | (811) | (1.115) |
| Adjustments for Losses (Gains) Arised From Sale of Tangible Assets | | (811) | (1.115) |
| Other Adjustments to Reconcile Profit (Loss) | 4 | (27) | (2.402) |

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31
MARCH 2022 AND 2021

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

| | Footnotes | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|---|-----------|---------------------------------|---------------------------------|
| Changes in Working Capital | | 427.372 | (153.064) |
| Decrease (Increase) in Financial Investments | | (64.576) | - |
| Adjustments for Decrease (Increase) in Trade Accounts Receivable | | (50.992) | (168.299) |
| Decrease (Increase) in Trade Accounts Receivables from Related Parties | 6 | (43.199) | (165.294) |
| Decrease (Increase) in Trade Accounts Receivables from Third Parties | 7 | (7.793) | (3.005) |
| Adjustments for Decrease (Increase) in Other Receivables Related with Operations | | (204.939) | (47.045) |
| Decrease (Increase) in Other Third Party Receivables Related with Operations | 8 | (204.939) | (47.045) |
| Adjustments for Decrease (Increase) in Inventories | 9 | (2.089.761) | (771.188) |
| Decrease (Increase) in Prepaid Expenses | 10 | (131.678) | (78.033) |
| Adjustments for Increase (Decrease) in Trade Accounts Payable | | 2.350.672 | 884.527 |
| Increase (Decrease) in Trade Accounts Payables to Related Parties | 6 | 307.445 | 24.726 |
| Increase (Decrease) in Trade Accounts Payables to Third Parties | 7 | 2.043.227 | 859.801 |
| Increase (Decrease) in Employee Benefit Liabilities | 16 | 40.796 | 6.765 |
| Adjustments for increase (decrease) in other operating payables | | 545.134 | - |
| Adjustments for increase in other operating payables from related parties | 6 | 545.134 | - |
| Other Adjustments for Other Increase (Decrease) in Working Capital | | 32.716 | 20.209 |
| Decrease (Increase) in Other Assets Related with Operations | 17 | (14.166) | (3.692) |
| Increase (Decrease) in Other Payables Related with Operations | 17 | 46.882 | 23.901 |
| Cash Flows from (used in) Operations | | 1.288.882 | 382.145 |
| Payments Related with Provisions for Employee Benefits | 16 | (15.832) | (1.613) |
| Income Taxes refund (Paid) | 24 | (6.753) | (2.443) |

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31
MARCH 2022 AND 2021

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

| | Footnotes | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|--|-----------|---------------------------------|---------------------------------|
| CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES | | (1.934.467) | (714.092) |
| Proceeds from Sales of Property, Plant, Equipment and Intangible Assets | | 10.164 | 7.110 |
| Proceeds from Sales of Property, Plant and Equipment | | 10.164 | 7.110 |
| Purchase of Property, Plant, Equipment and Intangible Assets | | (361.937) | (138.715) |
| Purchase of Property, Plant and Equipment | 11 | (321.393) | (113.145) |
| Purchase of Intangible Assets | 13 | (40.544) | (25.570) |
| Cash Advances and Loans Made | | (1.582.694) | (582.487) |
| Cash Advances and Loans Made to Related Parties | 6 | (1.582.694) | (582.487) |
| CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES | | 595.817 | 244.124 |
| Proceeds from Borrowings | | 1.854.927 | 300.243 |
| Proceeds from Loans | 5 | 1.854.927 | 300.243 |
| Repayments of Borrowings | | (566.332) | (283.872) |
| Loan Repayments | 5 | (566.332) | (283.872) |
| Decrease in Other Payables to Related Parties | | (591.612) | 256.218 |
| Payments of Lease Liabilities | | (21.283) | (1.253) |
| Interest Paid | | (121.636) | (44.116) |
| Interest Received | | 41.753 | 16.904 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES | | (72.353) | (91.879) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | (72.353) | (91.879) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 4 | 112.815 | 187.136 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 4 | 40.462 | 95.257 |

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

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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 406.000 square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 629.000 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 2022, the number of personnel employed was 9.841 (31 December 2021: 9.822).

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. | 82,53 |
| Other shareholders | 17,47 |
| | 100,00 |

As of 31 March 2022, Company have been quoted at the Borsa İstanbul (“BİST”) (31,47 % of its share capital; 31 December 2021: 31,47 %).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance

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

The Company prepared its condensed interim financial statements for the period ended 31 March 2022 in accordance with (“TAS”) 34 “Interim Financial Reporting” in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

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

2.1 Basis of presentation (Cont'd)

2.1.1 Statement of compliance (Cont'd)

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

The Company's condensed interim financial statements do not include all disclosure and notes that should be included at year-end financial statements. Therefore the condensed interim financial statements should be read in conjunction with the financial statements as at 31 December 2021.

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/IFRS.

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.

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

2.4. Amendments in Turkey Financial Reporting Standards

New standards, amendments and interpretations issued and effective for the financial year beginning 31 March 2022

Standards issued but not yet effective and not early adopted

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

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

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

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

The amendments include:

- (a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

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

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 1

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

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

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes. Related changes were published by POA as Amendments to TAS 12 on 27 August 2021.

The amendments to TAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to Amendments to TAS 12

Definition of Accounting Estimates (Amendments to TAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021. Related changes were published by POA as Amendments to TAS 8 on 11 August 2021.

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

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

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

Developing an accounting estimate includes both:

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

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

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

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to Amendments to TAS 8)

Disclosure of Accounting Policies (Amendments to TAS 1)

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021. Among these amendments, the ones related to TAS 1 were published by POA as Amendments to TAS 1 on 11 August 2021.

The key amendments to TAS 1 include:

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

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

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to Amendments to TAS 1)

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

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

Amendments are effective on 1 January 2022

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

- 1- Annual Improvements to IFRS Standards 2018–2020 -Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture
- 2- Reference to the Conceptual Framework – Amendments to IFRS 3 Business Combinations
- 3- Property, Plant and Equipment – Proceeds before Intended Use: Amendments to IAS 16 Property, Plant and Equipment
- 4- Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

These newly adopted amendments to standards have not been a significant impact on the financial statements of the Company.

2.5. Summary of significant accounting policies

2.5.1 Revenue

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

- (a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- (b) Company can identify each party’s rights regarding the goods or services to be transferred,
- (c) Company can identify the payment terms for the goods or services to be transferred,
- (d) The contract has commercial substance,
- (e) It is probable that Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer’s ability and intention to pay that amount of consideration when it is due.

2.5.2 Inventories

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

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

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

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

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 2021 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.

Property, plant and equipment except for land, land improvements and buildings acquired after 1 January 2005 are carried at cost, less accumulated amortization and impairment losses, if any.

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

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

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

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

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

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

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

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

2.5.3 Property, plant and equipment (Cont'd)

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

Leases

The Company – as a lessee

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

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

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

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

Lease Liability

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

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

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

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

2.5.3 Property, plant and equipment (Cont'd)

Lease Liability (Cont'd)

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

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

After initial recognition, the lease liability is measured:

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

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

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

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

The Company – as a lessor

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

Right of use assets:

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

a) the amount of the initial measurement of the lease liability,

b) any lease payments made at or before the commencement date, less any lease incentives received,

c) any initial direct costs incurred by the Company

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

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;

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

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

2.5.4 Intangible assets (Cont’d)

a) Research and development costs (Cont’d)

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

b) Rights and other intangible fixed assets

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

2.5.5 Financial instruments

a) Financial assets

The Company classifies its financial assets into the following specified categories: financial assets 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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NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

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

2.5.5 Financial instruments

a) Financial assets

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.

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

b) Financial liabilities

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

c) Derivative financial instruments and hedge accounting

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

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

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

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

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

2.5.5 Financial instruments

c) Derivative financial instruments and hedge accounting

Cash flow hedges:

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

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

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

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

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

2.5.6 Foreign currency transactions

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

2.5.7 Provisions, contingent assets and liabilities

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

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.

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

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

2.5.8 Related parties

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

2.5.9 Taxation on income

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

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

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

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

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

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

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

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

2.5.10 Employee benefits

Employment termination benefits, as required by the Turkish Labor Law represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision for employment termination benefits as of 31 December 2020 is calculated in accordance with the assumptions used by the independent actuarial firm and is recorded in the financial statements at its net present value. Employment termination benefits are considered as being part of defined retirement benefit plan as per TAS 19. All actuarial gains and losses are recognized in statements of income.

2.5.11 Government grants

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

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

2.5.12 Earnings per share

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

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

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

2.5.13 Statement of cash flows

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

2.5.14 Offsetting

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

2.5.15 Events after the balance sheet date

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

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

2.5.16 Going concern

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

2.6. Critical accounting estimates and judgments

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

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

2.6. Critical accounting estimates and judgments

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 2021 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 2022 | 1 January - 31 March 2021 |
|------------------------|--|--|
| Segment revenue | | |
| Turkey | 1.629.351 | 685.330 |
| Europe | 2.641.872 | 1.682.558 |
| Other | 1.159.655 | 607.954 |
| Gross sales | 5.430.878 | 2.975.842 |
| Discounts (-) | (13.126) | (6.471) |
| Net sales | 5.417.752 | 2.969.371 |

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

The amount of export is 3.801.527 thousand TL for the period ended 31 March 2022 (1 January-31 March 2021: 2.290.512 thousand TL). Export sales are denominated in EURO, and USD as 88,8%, and 8,2% of total export respectively (1 January-31 March 2021: 95,0% EUR, 5% USD).

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

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NOTE 4 – CASH AND CASHEQUIVALENTS

| | 31 March 2022 | 31 December 2021 |
|----------------------------------|----------------------|-------------------------|
| Cash | 497 | 449 |
| Bank deposits | | |
| - Demand deposits | 39.965 | 33.434 |
| - Time deposits | - | 78.932 |
| | 40.462 | 112.815 |
| Blocked deposits | 49 | 22 |
| Cash and cash equivalents | 40.511 | 112.837 |

As at 31 March 2022, the Company has not time deposits that the maturity is less than 3 month. (31 December 2021: 4.450 EUR, USD 1.000 thousand and TL 618 thousand)

Effective interest rates

| | 31 March 2022 | 31 December 2021 |
|-----|----------------------|-------------------------|
| TL | - | 15,50% |
| EUR | - | 0,07% |
| USD | - | 0,23% |

NOTE 5 – FINANCIAL LIABILITIES

| | 31 March 2022 | 31 December 2021 |
|--|----------------------|-------------------------|
| Short - term financial liabilities | | |
| Short term bank loans | 2.305.741 | 597.237 |
| Short term portion of long term bank loans | 72.407 | 308.458 |
| Lease liabilities | 40.383 | 26.243 |
| Issued debt instruments (*) | 2.832 | 3.438 |
| | 2.421.363 | 935.376 |
| Long - term financial liabilities | | |
| Long term bank loans | 3.092 | 9.922 |
| Lease liabilities | 155.718 | 124.542 |
| Issued debt instruments (*) | 265.000 | 265.000 |
| | 423.810 | 399.464 |

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

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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 2022 | | | 31 December 2021 | | |
|----------|--|-------------------|------------------|--|-------------------|----------------|
| | Weighted average of effective interest rates per annum | Original currency | TL Equivalent | Weighted average of effective interest rates per annum | Original currency | TL Equivalent |
| - USD | 7,33% | 67.500 | 988.592 | - | - | - |
| - EUR | 5,50% | 60.500 | 986.670 | 3,82% | 38.620 | 567.025 |
| - TL | 16,56% | 330.479 | 330.479 | 21,50% | 30.212 | 30.212 |
| | | | 2.305.741 | | | 597.237 |

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

| Currency | 31 March 2022 | | | 31 December 2021 | | |
|---------------------------|--|-------------------|---------------|--|-------------------|----------------|
| | Weighted average of effective interest rates per annum | Original currency | TL Equivalent | Weighted average of effective interest rates per annum | Original currency | TL Equivalent |
| - EUR | 4,25% | 3.338 | 54.430 | 2,57% | 6.679 | 98.062 |
| - TL | 20,82% | 17.977 | 17.977 | 20,89% | 210.396 | 210.396 |
| Short term portion | | | 72.407 | | | 308.458 |
| - TL | 18,17% | 3.092 | 3.092 | 20,67% | 9.922 | 9.922 |
| Long term portion | | | 3.092 | | | 9.922 |
| | | | 75.499 | | | 318.380 |

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

| | 31 March 2022 | 31 December 2021 |
|--------------------|---------------|------------------|
| One to two years | 2.064 | 8.300 |
| Two to three years | 1.028 | 1.622 |
| | 3.092 | 9.922 |

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NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

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 14.

As of 31 March 2022 and 31 March 2021, reconciliation of net financial debt is as below:

| | 31 March 2022 | 31 March 2021 |
|--|----------------------|----------------------|
| Net financial debt as of 1 January | 1.222.025 | 1.253.858 |
| Cash inflows from loans | 1.854.927 | 300.243 |
| Cash outflows from loan payments | (566.332) | (283.872) |
| Cash inflow/outflow from other financial leasing | 45.316 | 3.112 |
| Unrealized Fx gain/loss | 176.944 | 95.905 |
| Accrued interest | (522) | 1.302 |
| Change in cash and cash equivalents | 72.353 | 91.879 |
| Net financial debt at the end of the period | 2.804.711 | 1.462.427 |

NOTE 6 – RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

| | 31 March 2022 | 31 December 2021 |
|-----------------------|----------------------|-------------------------|
| Vestel Ticaret A.Ş. | 5.166.856 | 5.123.891 |
| Other related parties | 256 | 22 |
| | 5.167.112 | 5.123.913 |

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.

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NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

b) Short term trade payables to related parties

| | 31 March 2022 | 31 December 2021 |
|--|----------------------|-------------------------|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 346.300 | 196.214 |
| Vestel Ticaret A.Ş. | 137.647 | 10.195 |
| Vestel Holland B.V. | 80.981 | 60.155 |
| Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş. | 16.568 | - |
| Other related parties | 909 | 7.822 |
| | 582.405 | 274.386 |
| Unearned interest on payables (-) | (1.314) | (740) |
| | 581.091 | 273.646 |

c) Other short term receivables from related parties

| | 31 March 2022 | 31 December 2021 |
|--|----------------------|-------------------------|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 3.027.964 | 1.445.270 |

The Company's interest rate of other receivables in USD %7 and EUR %5 (31 December 2021: in USD 7% and EUR 5%).

d) Other short term liabilities to related parties

| | 31 March 2022 | 31 December 2021 |
|--|----------------------|-------------------------|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 842.446 | 1.431.678 |

The Company's interest rate of other receivables in TL %24 (31 December 2021: in TL 20%).

e) Lease Liabilities from Related Parties

| | 31 March 2022 | 31 December 2021 |
|--|----------------------|-------------------------|
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 157.158 | 122.871 |

The Company's short term lease liabilities 3.178 thousand TL, long term lease liabilities 153.980 TL thousand TL from Vestel Elektronik Sanayi ve Ticaret A.Ş. (31 December 2021: short term 2.399 thousand TL and 120.472 thousand TL)

f) Deferred Income from Related Parties

| | 31 March 2022 | 31 December 2021 |
|---------------------|----------------------|-------------------------|
| Vestel Ticaret A.Ş. | 545.134 | - |

As of 31 March 2022, deferred revenues are related to advances received from customers as a result of the change in the Company's intermediary export model.

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NOTE 6 – RELATED PARTY DISCLOSURES (Cont’d)

g) Transactions with related parties

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|--|--|--|
| Sales | | |
| Vestel Holland B.V. | 1.300.438 | - |
| Vestel Ticaret A.Ş. | 1.441.415 | 2.835.592 |
| Vestel France S.A. | 407.685 | - |
| Vestel Iberia Sl | 313.601 | - |
| Vestel Germany Gmbh | 226.847 | - |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 52.452 | 44.385 |
| Other related parties | 363.599 | 2 |
| | 4.106.037 | 2.879.979 |
| Purchases and operating expenses | | |
| Vestel Holland B.V. | 400.607 | 74.783 |
| Vestel Ticaret A.Ş. | 78.546 | 7.277 |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 376.440 | 177.061 |
| | 855.593 | 259.121 |

As of 1 January 2022, the Company changed its business model as “Intermediary Export Model” with Vestel Ticaret A.Ş., which carries out the marketing and sales activities of the Company, where Vestel Ticaret A.Ş. has become an agent in export sales transactions. Accordingly, the assessments regarding the revenue recognition arising from the Company’s export sales have been reassessed in accordance with TFRS 15. Previously, export revenue was recognized when the products were delivered to Vestel Ticaret A.Ş., whereas in the new model, they are recognized when they are delivered to the final customer. Due to the said model change, the revenue amounting to TL 735,345 thousand has not been recognized in the financial statements of the Company for the interim reporting period of 1 January- 31 March 2022, since the delivery conditions to final customers have not yet been formed as of 31 March 2022. In addition, expenses related to sales transactions such as exports, commissions and transportation are invoiced to the Company by Vestel Ticaret A.Ş. and the Company’s derivative transactions for pricing and currency risk management have also been adjusted.

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NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

g) Transactions with related parties (Cont'd)

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|--|--|--|
| Other operating income | | |
| Vestel Ticaret A.Ş. | 465.692 | 316.397 |
| Other related parties | 16.935 | 2.201 |
| | 482.627 | 318.598 |
| Other operating expense | | |
| Vestel Ticaret A.Ş. | 161.903 | 146.842 |
| Vestel Holland BV | 8.243 | 6.148 |
| Diğer ilişkili kuruluşlar | 23.311 | 1.162 |
| | 193.457 | 154.152 |
| | | |
| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
| Financial income | | |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 303.641 | 151.986 |
| | 303.641 | 151.986 |
| Financial expense | | |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 78.689 | 15.246 |
| | 78.689 | 15.246 |

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

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

Compensation paid to key management for the three months period ended 31 March 2022 is amounting to TL 3.287 (1 January -31 March 2021: TL thousand 4.316).

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

| | 31 March 2022 | 31 December 2021 |
|---|----------------------|-------------------------|
| Short - term trade receivables | | |
| Trade receivables | | |
| - <i>Related parties (note 6)</i> | 5.167.112 | 5.123.913 |
| - <i>Other parties</i> | 38.553 | 30.677 |
| | 5.205.665 | 5.154.590 |
| Allowance for doubtful receivables (-) | (926) | (843) |
| Total short - term trade receivables | 5.204.739 | 5.153.747 |

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

| | 31 March 2022 | 31 December 2021 |
|--|----------------------|-------------------------|
| Short term trade payables | | |
| Trade payables | | |
| - <i>Related parties (note 6)</i> | 582.405 | 274.386 |
| - <i>Other parties</i> | 7.622.956 | 5.581.178 |
| | 8.205.361 | 5.855.564 |
| Unearned interest income (-) | | |
| - <i>Related parties (note 6)</i> | (1.314) | (740) |
| - <i>Other parties</i> | (18.140) | (12.106) |
| Total short term trade payables | 8.185.907 | 5.842.718 |
| Long term trade payables | | |
| Trade payables | | |
| - <i>Other parties</i> | 188.486 | 181.003 |
| Total long term trade payables | 188.486 | 181.003 |

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NOTE 8 - OTHER RECEIVABLES

| | 31 March 2022 | 31 December 2021 |
|---|----------------------|-------------------------|
| Short - term other receivables | | |
| Other receivables from related parties (note 6) | 3.027.964 | 1.445.270 |
| Receivables from government agencies | 603.774 | 403.190 |
| Deposits and guarantees given | 8.853 | 9.222 |
| Other receivables | 1.612 | 1.984 |
| | 3.642.203 | 1.859.666 |
| Long - term other receivables | | |
| Deposits and guarantees given | 22.997 | 17.901 |
| | 22.997 | 17.901 |

NOTE 9 - INVENTORIES

| | 31 March 2022 | 31 December 2021 |
|---|----------------------|-------------------------|
| Raw materials | 2.730.663 | 1.883.450 |
| Work in process | 83.836 | 42.363 |
| Finished goods | 1.925.830 | 728.151 |
| | 4.740.329 | 2.653.964 |
| Provision for impairment on inventories (-) | (6.929) | (4.576) |
| | 4.733.400 | 2.649.388 |

As of 31 March 2022 the Company does not have inventories pledged as security for liabilities (31 December 2021: None).

Cost of the inventory included in the cost of sales for the current period amounts to 3.756.712 thousand TL (1 January - 31 March 2021: 2.138.176 thousand TL).

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

| | 31 March 2022 | 31 December 2021 |
|--------------------------------|----------------------|-------------------------|
| Raw materials | 1.993 | 665 |
| Finished goods and merchandise | 4.936 | 3.911 |
| | 6.929 | 4.576 |

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NOTE 9 – INVENTORIES (Cont'd)

Movement of inventory impairment on inventories is as follows:

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|-----------------------------------|------------------------------|------------------------------|
| Opening balance, 1 January | 4.576 | 1.655 |
| Current year additions | 5.749 | 2.060 |
| Realised due to sale of inventory | (3.396) | (1.655) |
| Balance at 31 March | 6.929 | 2.060 |

NOTE 10 – PREPAID EXPENSES

| | 31 March 2022 | 31 December 2021 |
|---|----------------|------------------|
| Prepaid expenses in current assets | | |
| Order advances given | 170.546 | 136.086 |
| Prepaid expenses | 15.344 | 12.432 |
| Business advances given | 76 | - |
| | 185.966 | 148.518 |
| Prepaid expenses in non-current assets | | |
| Advances given for fixed asset purchases | 332.336 | 237.586 |
| Prepaid expenses | 239 | 759 |
| | 332.575 | 238.345 |

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

| | 1 January | | | | 31 March |
|---------------------------------|------------------|------------------|------------------|-----------------|------------------|
| | 2022 | Additions | Disposals | Transfer | 2022 |
| Cost or revaluation | | | | | |
| Land | 755.907 | - | - | - | 755.907 |
| Land improvements | 64.057 | - | - | - | 64.057 |
| Buildings | 1.123.688 | 5.168 | - | 327 | 1.129.183 |
| Leasehold improvements | 13.784 | 596 | - | 159 | 14.539 |
| Plant and machinery | 2.647.355 | 173.248 | (1.656) | 31.331 | 2.850.278 |
| Motor vehicles | 834 | - | - | - | 834 |
| Furniture and fixtures | 121.975 | 8.652 | (32) | 2.062 | 132.657 |
| Construction in progress | 71.418 | 133.729 | - | (33.879) | 171.268 |
| | | | | - | |
| | 4.799.018 | 321.393 | (1.688) | - | 5.118.723 |
| Accumulated depreciation | | | | | |
| Land improvements | - | 1.602 | - | - | 1.602 |
| Buildings | - | 16.386 | - | - | 16.386 |
| Leasehold improvements | 9.084 | 490 | - | - | 9.574 |
| Plant and machinery | 1.441.821 | 78.471 | (1.589) | - | 1.518.703 |
| Motor vehicles | 598 | 28 | - | - | 626 |
| Furniture and fixtures | 72.656 | 4.084 | (29) | - | 76.711 |
| | 1.524.159 | 101.061 | (1.618) | - | 1.623.602 |
| Net book value | 3.274.859 | | | | 3.495.121 |

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

| | 1 January | | | | 31 March |
|---------------------------------|------------------|------------------|------------------|-----------------|------------------|
| | 2021 | Additions | Disposals | Transfer | 2021 |
| Cost | | | | | |
| Land | 503.898 | - | - | - | 503.898 |
| Land improvements | 49.957 | - | - | - | 49.957 |
| Buildings | 643.223 | 2.137 | (2) | 206 | 645.564 |
| Leasehold improvements | 12.014 | 110 | (4) | 425 | 12.545 |
| Plant and machinery | 2.111.681 | 90.191 | (3.490) | 7.958 | 2.206.340 |
| Motor vehicles | 862 | - | - | - | 862 |
| Furniture and fixtures | 96.533 | 4.930 | (371) | 761 | 101.853 |
| Construction in progress | 32.149 | 15.777 | - | (9.350) | 38.576 |
| | 3.450.317 | 113.145 | (3.867) | - | 3.559.595 |
| Accumulated depreciation | | | | | |
| Land improvements | - | 459 | - | - | 459 |
| Buildings | - | 4.533 | (1) | - | 4.532 |
| Leasehold improvements | 7.326 | 410 | (4) | - | 7.732 |
| Plant and machinery | 1.192.071 | 62.158 | (3.333) | - | 1.250.896 |
| Motor vehicles | 496 | 32 | - | - | 528 |
| Furniture and fixtures | 60.120 | 3.059 | (366) | - | 62.813 |
| | 1.260.013 | 70.651 | (3.704) | - | 1.326.960 |
| Net book value | 2.190.304 | | | | 2.232.635 |

Additions to property, plant and equipment in the period 1 January – 31 March 2022 and 2021 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker, dishwasher and air conditioner factories.

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

| | <u>Useful life</u> |
|------------------------|--------------------|
| Land improvements | 5 - 35 years |
| Buildings | 20 - 50 years |
| Leasehold improvements | 5 years |
| Plant and machinery | 3 - 15 years |
| Motor vehicles | 5 years |
| Furniture and fixtures | 5 - 10 years |

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

Allocation of period depreciation and amortization expenses is as follows:

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|--|--|--|
| Cost of sales | 104.166 | 74.902 |
| Research and development expenses | 20.971 | 11.778 |
| Marketing, selling and distribution expenses | 451 | 252 |
| General administrative expenses | 917 | 762 |
| | 126.505 | 87.694 |

NOTE 12 – RIGHT OF USE ASSETS

| | 1 January 2022 | Additions | Disposals | 31 March 2022 |
|---------------------------------|---------------------------|------------------|------------------|--------------------------|
| Cost | | | | |
| Land and buildings | 159.115 | 58.282 | - | 217.397 |
| Machinery | 44.035 | 820 | (694) | 44.161 |
| | 203.150 | 59.102 | (694) | 261.558 |
| Accumulated amortization | | | | |
| Land and buildings | 37.674 | 9.370 | - | 47.044 |
| Machinery | 32.521 | 3.432 | (12) | 35.941 |
| | 70.195 | 12.802 | (12) | 82.985 |
| Net book value | 132.955 | | | 178.573 |

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

| | 1 January 2021 | Additions | Disposals | 31 March 2021 |
|---------------------------------|-------------------|--------------|-----------|------------------|
| Cost | | | | |
| Land and buildings | 143.046 | 6.475 | - | 149.521 |
| Machinery | 39.111 | 333 | - | 39.444 |
| | 182.157 | 6.808 | - | 188.965 |
| Accumulated amortization | | | | |
| Land and buildings | 13.507 | 2.903 | - | 16.410 |
| Machinery | 19.730 | 4.196 | - | 23.926 |
| | 33.237 | 7.099 | - | 40.336 |
| Net book value | 148.920 | | | 148.629 |

NOTE 13 – INTANGIBLE ASSETS

| | 1 January 2022 | Additions | Disposals | 31 March 2022 |
|---------------------------------|-------------------|---------------|----------------|------------------|
| Cost | | | | |
| Rights | 6.568 | - | - | 6.568 |
| Development cost | 452.565 | 39.822 | (9.755) | 482.632 |
| Other intangible assets | 34.816 | 722 | - | 35.538 |
| | 493.949 | 40.544 | (9.755) | 524.738 |
| Accumulated amortization | | | | |
| Rights | 6.410 | 2 | - | 6.412 |
| Development cost | 203.382 | 11.750 | (472) | 214.660 |
| Other intangible assets | 12.207 | 890 | - | 13.097 |
| | 221.999 | 12.642 | (472) | 234.169 |
| Net book value | 271.950 | | | 290.569 |

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NOTE 13 – INTANGIBLE ASSETS (Cont'd)

| | 1 January 2021 | Additions | Disposals | 31 March 2021 |
|---------------------------------|-------------------|---------------|----------------|------------------|
| Cost | | | | |
| Rights | 6.568 | - | - | 6.568 |
| Development cost | 366.325 | 22.295 | (6.112) | 382.508 |
| Other intangible assets | 23.577 | 3.275 | - | 26.852 |
| | 396.470 | 25.570 | (6.112) | 415.928 |
| Accumulated amortization | | | | |
| Rights | 6.388 | 5 | - | 6.393 |
| Development cost | 163.901 | 9.410 | (280) | 173.031 |
| Other intangible assets | 9.742 | 529 | - | 10.271 |
| | 180.031 | 9.944 | (280) | 189.695 |
| Net book value | 216.439 | | | 226.233 |

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 2022 | 31 December 2021 |
|--------------------------------|---------------|------------------|
| Short - term provisions | | |
| Provision for lawsuit risks | 7.313 | 9.724 |
| | 7.313 | 9.724 |

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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 2022 | 1 January - 31 March 2021 |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Opening balance, 1 January | 9.724 | 9.674 |
| Current year additions | 535 | 416 |
| Payments/ disposals | (2.946) | (59) |
| Balance at 31 March | 7.313 | 10.031 |

b) Guarantees received by the Company

Guarantee letters, collaterals, cheques and notes received

| | 31 March 2022 | 31 December 2021 |
|-------------------------|----------------------|-------------------------|
| Guarantee letters | 454.183 | 318.126 |
| Cheques and notes | 1.838 | 1.714 |
| Collaterals and pledges | 18.859.625 | 16.623.134 |
| | 19.315.646 | 16.942.974 |

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 2022 | | | | |
| A. CPM's given on behalf of its own legal entity | - | 2.000 | 49.196 | 81.813 |
| 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 | 501.042 | - | 714.412 | 8.052.573 |
| i. Total amount of CPM's given on behalf of the parent company | 380.820 | - | 589.049 | 6.166.463 |
| ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C. | 120.222 | - | 125.363 | 1.886.110 |
| iii. Total amount of CPM's given on behalf of third parties which are not in scope of C. | - | - | - | - |
| Total | 501.042 | 2.000 | 763.608 | 8.134.386 |

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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 2021 | | | | |
| A. CPM's given on behalf of its own legal entity | - | 2.000 | 55.557 | 84.922 |
| 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 | 501.542 | - | 711.412 | 7.220.173 |
| i. Total amount of CPM's given on behalf of the parent company | 380.820 | - | 589.049 | 5.531.141 |
| ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C. | 120.722 | - | 122.363 | 1.689.033 |
| iii. Total amount of CPM's given on behalf of third parties which are not in scope of C. | - | - | - | - |
| Total | 501.542 | 2.000 | 766.969 | 7.305.095 |

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 147 % as of 31 March 2022 (31 December 2021: 148%).

NOTE 15 – COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to 239.394 thousand USD (31 December 2021: 1.108.914 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 March 2022 the Company has forward foreign currency purchase contract that amounts to 1.059.089 TL thousand, EUR 17.462 thousand, GBP 11.783 thousand, PLN 5.784 thousand and USD 477.557 thousand against forward foreign currency sales contract that amounts to EUR 318.522 thousand, GBP 3.210 thousand, USD, 82.279 thousand, PLN 34.534 thousand and TL 1.879.708 thousand (31 December 2021: TL 1.544.300 thousand, EUR 15.499 thousand and USD 472.835 thousand against forward foreign currency sales contract that amounts to EUR 462.473 thousand, USD 74.605 thousand, GBP 7.000 thousand and TL 27.332 thousand).

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NOTE 16 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

| | 31 March 2022 | 31 December 2021 |
|--------------------------|----------------------|-------------------------|
| Due to personnel | 80.951 | 47.465 |
| Social security payables | 28.709 | 21.399 |
| | 109.660 | 68.864 |

Long term provisions for employee benefits:

| | 31 March 2022 | 31 December 2021 |
|---|----------------------|-------------------------|
| Provision for employment termination benefits | 163.231 | 151.875 |

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

The amount payable is the equivalent of one month's gross salary for each year of service and is limited to a maximum of TL 10.848,59 TL / year as of 31 March 2022 (31 December 2021: 8.284,51 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 2022 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 2022 provision is calculated based on real discount rate of % 4,44 (31 December 2021: 4,44%) assuming 15,8 % annual inflation rate and 20,9% discount rate.

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NOTE 16 – EMPLOYEE BENEFITS (Cont'd)

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

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|-----------------------------|--------------------------------------|--------------------------------------|
| Balance at 1 January | 151.875 | 85.734 |
| Increase during the year | 4.334 | 13.769 |
| Payments during the year | (15.832) | (1.613) |
| Actuarial (gain) /loss | 15.263 | 1.661 |
| Interest expense | 7.591 | 2.957 |
| Balance at 31 March | 163.231 | 102.508 |

NOTE 17 – OTHER ASSETS AND LIABILITIES

| | 31 March 2022 | 31 December 2021 |
|----------------------------------|----------------------|-------------------------|
| Other current assets | | |
| Income accruals from supplier | 16.182 | - |
| VAT carried forward | 1.286 | 254 |
| Other | 42 | 3.090 |
| | 17.510 | 3.344 |
| Other current liabilities | | |
| Taxes and dues payable | 61.906 | 38.369 |
| Advances received | 37 | 25 |
| Other | 21.861 | 908 |
| | 83.804 | 39.302 |

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NOTE 18 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

| | 31 March 2022 | 31 December 2021 |
|-------------------------------|----------------------|-------------------------|
| Shares of par value TL 1 each | | |
| Issued share capital | 1.600.000 | 1.600.000 |

As of 31 March 2022 and 31 December 2021 the shareholding structure is as follows:

| | Shareholding | | Amount | |
|--|----------------------|-------------------------|----------------------|-------------------------|
| | 31 March 2022 | 31 December 2021 | 31 March 2022 | 31 December 2021 |
| Vestel Elektronik Sanayi ve Ticaret A.Ş. | 82,53% | 82,53% | 1.320.552 | 1.320.552 |
| Shares held by public | 17,47% | 17,47% | 279.448 | 279.448 |
| | 100,00% | 100,00% | 1.600.000 | 1.600.000 |

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 2022 | 31 December 2021 |
|-----------------------------|----------------------|-------------------------|
| Adjustment to share capital | 9.734 | 9.734 |

c) 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 2022 | 31 December 2021 |
|----------------|----------------------|-------------------------|
| Legal reserves | 98.506 | 98.506 |

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

d) Retained earnings

| | 31 March 2022 | 31 December 2021 |
|-------------------------|----------------------|-------------------------|
| Extraordinary reserves | 1.185 | 1.185 |
| Previous year's profits | 1.655.040 | 122.302 |
| | 1.656.225 | 123.487 |

e) 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 2022 | 1 January - 31 March 2021 |
|---------------------------|--|--|
| Domestic sales | 1.629.351 | 685.330 |
| Overseas sales | 3.801.527 | 2.290.512 |
| Gross sales | 5.430.878 | 2.975.842 |
| Less: Sales discounts (-) | (13.126) | (6.471) |
| Net sales | 5.417.752 | 2.969.371 |
| Cost of sales | (4.296.697) | (2.474.831) |
| Gross profit | 1.121.055 | 494.540 |

NOTE 20 - EXPENSES BY NATURE

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|--|--|--|
| Raw materials, supplies and finished goods | 4.995.864 | 2.414.148 |
| Changes in finished goods, work in process and trade goods | (1.239.152) | (275.972) |
| Personnel expenses | 358.381 | 220.160 |
| Depreciation and amortization | 126.505 | 87.694 |
| Other | 445.617 | 122.531 |
| | 4.687.215 | 2.568.561 |

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

a) General administrative expenses:

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|---|--|--|
| Personnel expenses | 8.290 | 7.978 |
| Consultancy Expenses | 26.805 | 11.577 |
| Rent and office expenses | 2.232 | 1.671 |
| Travelling expenses | 572 | 418 |
| Energy expenses | 687 | 204 |
| Depreciation and amortization | 917 | 762 |
| Benefits and services provided externally | 350 | 314 |
| Other | 12.846 | 4.568 |
| | 52.699 | 27.492 |

b) Marketing expenses:

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|---|--|--|
| Personnel expenses | 17.820 | 10.053 |
| Transportation, distribution and storage expenses | 194.288 | 21.982 |
| Taxes and duties | 9.747 | 3.877 |
| Insurance expenses | 3.579 | 793 |
| Depreciation and amortization | 451 | 252 |
| Other | 69.931 | 3.975 |
| | 295.816 | 40.932 |

c) Research and development expenses:

| | | |
|-------------------------------|---------------|---------------|
| Depreciation and amortization | 20.971 | 11.778 |
| Personnel expenses | 15.595 | 6.536 |
| Other | 5.437 | 6.992 |
| | 42.003 | 25.306 |

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NOTE 22 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other operating income

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|--|--|--|
| Credit finance gains arising from trading activities | 6.689 | 3.313 |
| Foreign exchange gains arising from trading activities | 562.780 | 403.457 |
| Other income | 62.294 | 6.263 |
| | 631.763 | 413.033 |

b) Other operating expenses

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|---|--|--|
| Debit finance charges arising from trading activities | 595 | 1.138 |
| Foreign exchange expenses arising from trading activities | 715.789 | 484.687 |
| Other expenses | 12.146 | 3.917 |
| | 728.530 | 489.742 |

NOTE 23 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|---|--|--|
| Foreign exchange gains | 292.109 | 184.550 |
| Gains on derivative financial instruments | 377.386 | 128.405 |
| Interest income | 41.753 | 16.904 |
| | 711.248 | 329.859 |

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

b) Financial expense:

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|--|--|--|
| Foreign exchange losses | 161.903 | 120.834 |
| Losses on derivative financial instruments | 489.802 | 186.147 |
| Interest expense | 127.301 | 45.418 |
| Other finance expenses | 817 | 2.431 |
| | 779.823 | 354.830 |

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

| | 31 March 2022 | 31 December 2021 |
|---|----------------------|-------------------------|
| Corporation and income taxes | 7.380 | 5.803 |
| Prepaid taxes | (5.814) | (4.864) |
| Current income tax liabilities - net | 1.566 | 939 |
| Deffered tax assets | 137.722 | 132.778 |
| Deffered tax assets / (liabilities) | 137.722 | 132.778 |

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

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

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

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

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

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

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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 7316, published in Official Gazette numbered 31462 on 22 April 2021, corporate tax rate for the year 2021 has increased from 20% to 25%, for the year 2022 to %23. The amendment is effective for annual reporting periods beginning on or after 1 July 2021. Therefore, deferred tax assets and liabilities as of 31 March 2022 are calculated with %23 and 20% tax rate.

As of 1 January - 31 March 2022 and 2021 tax expense in the statement of income is as follows:

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|----------------------------------|--------------------------------------|--------------------------------------|
| Current period tax expense | (1.577) | (1.488) |
| Deferred tax benefit / (expense) | 9.133 | 13.425 |
| Total tax income | 7.556 | 11.937 |

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 2022 | 31 December 2021 | 31 March 2022 | 31 December 2021 |
| Deferred tax assets | | | | |
| Employment termination benefits | (163.231) | (151.875) | 32.646 | 30.375 |
| Investment incentives | - | - | 228.430 | 228.430 |
| Net difference between book values and tax bases of tangible and intangible assets | (130.860) | (100.000) | 26.172 | 20.000 |
| Provision for impairment on inventories | (6.929) | (4.576) | 1.594 | 1.144 |
| Derivative financial instruments | (147.561) | (233.435) | 33.939 | 58.359 |
| Other | (158.670) | (41.044) | 36.494 | 10.261 |
| | | | 359.275 | 348.569 |
| | | | | |
| | Cumulative temporary differences | | Deferred tax | |
| | 31 March 2022 | 31 December 2021 | 31 March 2022 | 31 December 2021 |
| Deferred tax liabilities | | | | |
| Revaluation of tangible fixed assets | 1.596.611 | 1.627.515 | (158.247) | (159.541) |
| Derivative financial instruments | 251.254 | 193.125 | (57.788) | (48.281) |
| Other | 23.991 | 31.877 | (5.518) | (7.969) |
| | | | (221.553) | (215.791) |
| | | | | |
| Deferred tax assets / (liabilities) - net | | | 137.722 | 132.778 |

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

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|--|------------------------------|------------------------------|
| Opening balance, 1 January | 132.778 | (54.299) |
| Tax expense recognized in income statement | 9.133 | 13.425 |
| Recognized in shareholders' equity | (4.189) | (14.997) |
| Deferred tax liabilities | | |
| at the end of the period, net | 137.722 | (55.871) |

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NOTE 25- EARNINGS PER SHARE

| | 1 January - 31 March 2022 | 1 January - 31 March 2021 |
|--|--|--|
| Net (loss) / income attributable to equity holders of the parent | 572.751 | 311.067 |
| Weighted number of ordinary shares with a TL 1 of par value (thousand shares) | 1.600.000 | 1.600.000 |
| | 0,36 | 0,19 |

NOTE 26 - DERIVATIVE INSTRUMENTS

| | 31 March 2022 | | 31 December 2021 | |
|---|----------------------------|--|----------------------------|--|
| | Contract amount | Fair Value Assets / (Liabilities) | Contract amount | Fair Value Assets / (Liabilities) |
| <u>Derivative financial assets:</u> | | | | |
| Held for trading | | | | |
| Forward foreign currency transactions | 675.118 | 3.149 | 96.988 | 3.793 |
| Cash flow hedge | | | | |
| Forward foreign currency transactions | 6.338.231 | 248.105 | 4.797.224 | 189.332 |
| <u>Derivative financial liabilities:</u> | | | | |
| Held for trading | | | | |
| Forward foreign currency transactions | 731.088 | (128.257) | 3.013.866 | (233.435) |
| Cash flow hedge | | | | |
| Forward foreign currency transactions | 840.237 | (19.304) | - | - |
| | 8.584.674 | 103.693 | 7.908.078 | (40.310) |

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.

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

Foreign currency risk(Cont'd):

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

| 31 March 2022 | USD | EUR | Other (TL Equivalent) | TL Equivalent |
|---|------------------|------------------|------------------------------|----------------------|
| 1. Trade receivables | 24.949 | 155.809 | 6.760 | 2.913.185 |
| 2a. Monetary financial assets (including cash and cash equivalents) | - | - | - | - |
| | 1.765 | 504 | 45 | 34.114 |
| 2b. Non-monetary financial assets | - | - | - | - |
| 3. Other | 186.945 | 17.782 | - | 3.027.959 |
| 4. Current assets (1+2+3) | 213.659 | 174.095 | 6.805 | 5.975.258 |
| 5. Trade receivables | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - |
| 6b. Non-monetary financial assets | 3.181 | 13.347 | - | 264.259 |
| 7. Other | - | - | - | - |
| 8. Non-current assets (5+6+7) | 3.181 | 13.347 | - | 264.259 |
| 9. Total assets (4+8) | 216.840 | 187.442 | 6.805 | 6.239.517 |
| 10. Trade payables | 317.671 | 161.815 | 210.865 | 7.502.387 |
| 11. Financial liabilities | 67.500 | 63.839 | - | 2.029.716 |
| 12a. Other monetary liabilities | - | - | - | - |
| 12b. Other non-monetary liabilities | - | - | - | - |
| 13. Current liabilities (10+11+12) | 385.171 | 225.654 | 210.865 | 9.532.103 |
| 14. Trade payables | - | 11.557 | - | 188.478 |
| 15. Financial liabilities | - | - | - | - |
| 16a. Other monetary liabilities | - | - | - | - |
| 16b. Other non-monetary liabilities | - | - | - | - |
| 17. Non-current liabilities (14+15+16) | - | 11.557 | - | 188.478 |
| 18. Total liabilities (13+17) | 385.171 | 237.211 | 210.865 | 9.720.581 |
| 19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b) | 395.278 | (301.060) | 64.145 | 943.440 |
| 19a. Hedged total assets | 477.557 | 17.462 | 246.612 | 7.525.597 |
| 19b. Hedged total liabilities | (82.279) | (318.522) | (182.467) | (6.582.157) |
| 20. Net foreign currency asset/ (liability) position (9-18+19) | 226.947 | (350.829) | (139.915) | (2.537.624) |
| 21. Net foreign currency monetary asset/ (liability) position (=1+2a+3+5+6a-10-11-12a-14-15-16a) | (171.512) | (63.116) | (204.060) | (3.745.323) |
| 22. Fair value of financial instruments used in foreign currency hedging | - | - | - | 103.693 |
| 23. Export | 23.878 | 233.569 | 117.849 | 3.801.527 |
| 24. Import | 159.910 | 57.955 | - | 3.133.534 |

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

| 31 December 2021 | USD | EUR | Other (TL Equivalent) | TL Equivalent |
|---|------------------|------------------|------------------------------|----------------------|
| 1. Trade receivables | 18.151 | 234.293 | 407 | 3.675.922 |
| 2a. Monetary financial assets (including cash and cash equivalents) | - | - | - | - |
| | 1.768 | 5.553 | 54 | 104.529 |
| 2b. Non-monetary financial assets | - | - | - | - |
| 3. Other | 49.687 | 54.519 | - | 1.445.270 |
| 4. Current assets (1+2+3) | 69.606 | 294.365 | 461 | 5.225.728 |
| 5. Trade receivables | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - |
| 6b. Non-monetary financial assets | 2.869 | 8.065 | - | 155.645 |
| 7. Other | - | - | - | - |
| 8. Non-current assets (5+6+7) | 2.869 | 8.065 | - | 155.645 |
| 9. Total assets (4+8) | 72.475 | 302.430 | 461 | 5.381.373 |
| 10. Trade payables | 242.059 | 123.435 | 1.794 | 4.955.424 |
| 11. Financial liabilities | - | 45.299 | - | 665.087 |
| 12a. Other monetary liabilities | - | - | - | - |
| 12b. Other non-monetary liabilities | - | - | - | - |
| 13. Current liabilities (10+11+12) | 242.059 | 168.734 | 1.794 | 5.620.511 |
| 14. Trade payables | - | 12.328 | - | 181.003 |
| 15. Financial liabilities | - | - | - | - |
| 16a. Other monetary liabilities | - | - | - | - |
| 16b. Other non-monetary liabilities | - | - | - | - |
| 17. Non-current liabilities (14+15+16) | - | 12.328 | - | 181.003 |
| 18. Total liabilities (13+17) | 242.059 | 181.062 | 1.794 | 5.801.515 |
| 19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b) | 398.230 | (446.973) | (122.171) | (1.516.733) |
| 19a. Hedged total assets | 472.835 | 15.499 | - | 6.363.777 |
| 19b. Hedged total liabilities | (74.605) | (462.472) | (122.171) | (7.880.510) |
| 20. Net foreign currency asset/ (liability) position (9-18+19) | 228.646 | (325.605) | (123.504) | (1.936.875) |
| 21. Net foreign currency monetary asset/ (liability) position (=1+2a+3+5+6a-10-11-12a-14-15-16a) | (172.453) | 113.303 | (1.333) | (575.793) |
| 22. Fair value of financial instruments used in foreign currency hedging | - | - | - | (40.310) |
| 23. Export | 96.640 | 1.133.142 | 1.499 | 12.714.457 |
| 24. Import | 451.449 | 235.871 | 9.374 | 6.475.270 |

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

As of 31 March 2022 and 31 December 2021, 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 2022 | | | | |
| +/- 10% fluctuation of USD rate: | | | | |
| USD net asset / liability | (251.193) | 251.193 | (251.193) | 251.193 |
| Secured portion from USD risk (-) | (73.715) | 73.715 | 496.453 | (496.453) |
| USD net effect | (324.908) | 324.908 | 245.260 | (245.260) |
| +/- 10% fluctuation of EUR rate: | | | | |
| EUR net asset / liability | (102.933) | 102.933 | (102.933) | 102.933 |
| Secured portion from EUR risk (-) | (24.440) | 24.440 | (475.034) | 475.034 |
| EUR net effect | (127.373) | 127.373 | (577.967) | 577.967 |
| +/- 10% fluctuation of other currency rates: | | | | |
| Other currencies net asset / liability | (20.406) | 20.406 | (20.406) | 20.406 |
| Secured portion from other currency risk (-) | 12.094 | (12.094) | 17.853 | (17.853) |
| Other currency net effect | (8.312) | 8.312 | (2.553) | 2.553 |

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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 2021 | | | | |
| +/- 10% fluctuation of USD rate: | | | | |
| USD net asset / liability | (223.801) | 223.801 | (223.801) | 223.801 |
| Secured portion from USD risk (-) | 37.208 | (37.208) | 515.777 | (515.777) |
| USD net effect | (186.593) | 186.593 | 291.976 | (291.976) |
| +/- 10% fluctuation of EUR rate: | | | | |
| EUR net asset / liability | 166.356 | (166.356) | 166.356 | (166.356) |
| Secured portion from EUR risk (-) | (172.244) | 172.244 | (631.879) | 631.879 |
| EUR net effect | (5.888) | 5.888 | (465.523) | 465.523 |
| +/- 10% fluctuation of other currency rates: | | | | |
| Other currencies net asset / liability | (133) | 133 | (133) | 133 |
| Secured portion from other currency risk (-) | (12.238) | 12.238 | (12.238) | 12.238 |
| Other currency net effect | (12.371) | 12.371 | (12.371) | 12.371 |

NOTE 28- SUBSEQUENT EVENTS

Based on Board of Direction Decision dated on April 12, 2022, In accordance with the Company's Articles of Association and Dividend Distribution Policy, the first dividend is determined as TL 362,468,416, which is calculated as 25% of the distributable profit based on the CMB financials. After deducting the first dividend of TL 362,468,416 and TL 61,830,886 of first legal reserve from the net distributable profit of TL 1,396,617,718 based on the Turkish Commercial Code and Tax Procedure Law, the second dividend is determined as TL 335,840,443. Accordingly, the Company's Board of Directors resolved to propose the payment of TL 698,308,859 of cash dividends, including the first and second dividends, to its shareholders which corresponds to a gross cash dividend of TL 0.4364 and a net cash dividend of TL 0.3928 per share, on 30 June 2022 and the addition of the remaining amount of TL 636,477,973, after deducting the TL 698,308,859 of gross distributable profit to be paid to the shareholders and the TL 135,337,082 of first legal reserve from the TL 1,470,123,914 of net profit reported in the statutory tax financials to the extraordinary reserves and to submit these proposals to the approval of shareholders at the Annual General Meeting for the year 2021.