

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AT
1 JANUARY – 31 DECEMBER 2021
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEETS) AS OF 31 DECEMBER 2021 AND
31 DECEMBER 2020

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

	Footnotes	Audited 31 December 2021	Audited 31 December 2020
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	112.837	216.011
Trade Receivables		5.153.747	3.285.995
Trade Receivables Due From Related Parties	6,7	5.123.913	3.280.987
Trade Receivables Due From Third Parties	7	29.834	5.008
Other Receivables		1.859.666	1.086.150
Other Receivables Due From Related Parties	6,8	1.445.270	855.935
Other Receivables Due From Third Parties	8	414.396	230.215
Derivative Financial Instruments		193.125	18.830
Derivative Financial Instruments Held for Trading	28	3.793	18.543
Derivative Financial Instruments Held for Hedging	28	189.332	287
Inventories	9	2.649.388	952.552
Prepayments		148.518	53.422
Prepayments to Third Parties	10	148.518	53.422
Other Current Assets		3.344	3.812
Other Current Assets Due From Third Parties	18	3.344	3.812
TOTAL CURRENT ASSETS		10.120.625	5.616.772

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEETS) AS OF 31 DECEMBER 2021 AND
31 DECEMBER 2020

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

	Footnotes	Audited 31 December 2021	Audited 31 December 2020
NON-CURRENT ASSETS			
Other Receivables		17.901	4.500
Other Receivables Due From Third Parties	8	17.901	4.500
Property, Plant and Equipments		3.274.859	2.190.304
Land and Premises	11	755.907	503.898
Land Improvements	11	64.057	49.957
Buildings	11	1.123.688	643.223
Machinery and Equipment	11	1.205.534	919.610
Vehicles	11	236	366
Fixtures and Fittings	11	49.319	36.413
Leasehold Improvements	11	4.700	4.688
Construction in Progress	11	71.418	32.149
Right of Use Assets	12	132.955	148.920
Intangible Assets and Goodwill		271.950	216.439
Other Rights	13	158	180
Capitalized Development Costs	13	249.183	202.424
Other Intangible Assets	13	22.609	13.835
Prepayments		238.345	53.056
Prepayments to Third Parties	10	238.345	53.056
Deferred Tax Asset	26	132.778	-
TOTAL NON-CURRENT ASSETS		4.068.788	2.613.219
TOTAL ASSETS		14.189.413	8.229.991

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEETS) AS OF 31 DECEMBER 2021 AND
31 DECEMBER 2020

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

		Audited 31 December 2021	Audited 31 December 2020
	Footnotes		
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		623.480	998.969
Current Borrowings from Related Parties	5,6	2.399	16.181
Lease Liabilities		2.399	16.181
Current Borrowings From Third Parties		621.081	982.788
Bank Loans	5	597.237	960.540
Lease Liabilities	5	23.844	22.248
Current Portion of Non-current Borrowings		311.896	234.294
Current Portion of Non-current Borrowings from Third Parties		311.896	234.294
Bank Loans	5	308.458	234.294
Issued Debt Instruments	5	3.438	-
Trade Payables		5.842.718	2.874.941
Trade Payables to Related Parties	6,7	273.646	188.142
Trade Payables to Third Parties	7	5.569.072	2.686.799
Employee Benefit Obligations	17	68.864	54.166
Other Payables		1.431.678	206.285
Other Payables to Related Parties	6	1.431.678	206.285
Derivative Financial Liabilities		233.435	48.839
Derivative Financial Liabilities Held for Trading	28	233.435	11.743
Derivative Financial Liabilities Held for Hedging	28	-	37.096
Current Tax Liabilities, Current	26	939	2.432
Current Provisions		9.724	9.674
Other Current Provisions	15	9.724	9.674
Other Current Liabilities		39.302	29.075
Other Current Liabilities to Third Parties	18	39.302	29.075
TOTAL CURRENT LIABILITIES		8.562.036	4.458.675

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEETS) AS OF 31 DECEMBER 2021 AND
31 DECEMBER 2020

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

		Audited 31 December 2021	Audited 31 December 2020
	Footnotes		
NON-CURRENT LIABILITIES			
Long Term Borrowings		399.464	207.731
Long Term Borrowings From Related Parties		120.472	109.058
Lease Liabilities	5,6	120.472	109.058
Long Term Borrowings From Third Parties		278.992	98.673
Bank Loans	5	9.922	88.566
Lease Liabilities	5	4.070	10.107
Issued Debt Instruments	5	265.000	-
Trade Payables		181.003	61.787
Trade Payables to Third Parties	7	181.003	61.787
Non-current Provisions		151.875	85.734
Non-current Provisions for Employee Benefits	17	151.875	85.734
Deferred Tax Liabilities	26	-	54.299
Other Non-Current Liabilities		2.380	-
Other Non-Current Liabilities to Third Parties		2.380	-
TOTAL NON-CURRENT LIABILITIES		734.722	409.551
TOTAL LIABILITIES		9.296.758	4.868.226

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEETS) AS OF 31 DECEMBER 2021 AND
31 DECEMBER 2020

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

	Footnotes	Audited 2021	Audited 2020
EQUITY			
Equity Attributable to Owners of the Company		4.892.655	3.361.765
Issued Capital	19	1.600.000	190.000
Inflation Adjustments on Capital	19	9.734	9.734
Share Premium (Discount)	19	-	109.031
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		1.400.337	771.673
Gains (Losses) on Revaluation and Remeasurement		1.400.337	771.673
Increases (Decreases) on Revaluation of Property, Plant and Equipment		1.467.974	800.187
Gains (Losses) on Remeasurements of Defined Benefit Plans	25	(67.637)	(28.514)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		141.999	(29.447)
Gains (Losses) on Hedge		141.999	(29.447)
Gains (Losses) on Cash Flow Hedges	25	141.999	(29.447)
Restricted Reserves Appropriated From Profits		98.506	187.190
Legal Reserves	19	98.506	187.190
Prior Years' Profits or Losses	19	123.487	792.276
Current Period Net Profit Or Loss		1.518.592	1.331.308
TOTAL EQUITY		4.892.655	3.361.765
TOTAL LIABILITIES AND EQUITY		14.189.413	8.229.991

Financial statements for the period 1 January – 31 December 2021 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 28 February 2022. General Assembly and specified regulatory bodies have the right to make amendments to statutory financial statements after issue.

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2021 AND 2020

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

		Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
	Notes		
PROFIT OR LOSS			
Revenue	20	16.178.009	9.409.285
Cost of Sales	20	(13.613.315)	(7.602.834)
GROSS PROFIT FROM COMMERCIAL OPERATIONS		2.564.694	1.806.451
GROSS PROFIT		2.564.694	1.806.451
General Administrative Expenses	22	(150.602)	(81.028)
Marketing Expenses	22	(196.323)	(118.022)
Research and Development Expense	22	(114.203)	(78.866)
Other Income from Operating Activities	23	1.912.448	523.030
Other Expenses from Operating Activities	23	(2.169.236)	(547.368)
PROFIT FROM OPERATING ACTIVITIES		1.846.778	1.504.197
PROFIT BEFORE FINANCING INCOME (EXPENSE)		1.846.778	1.504.197
Finance Income	24	1.528.225	476.221
Finance Costs	24	(2.158.151)	(648.486)
PROFIT FROM CONTINUING OPERATIONS, BEFORE TAX		1.216.852	1.331.932
Tax (Expense) Income, Continuing		301.740	(624)
Current Period Tax Expense	26	(5.803)	(5.771)
Deferred Tax Income	26	307.543	5.147
PROFIT FROM CONTINUING OPERATIONS		1.518.592	1.331.308
PROFIT		1.518.592	1.331.308
Earnings Per Share with a TL 1 of Par Value			
	27	3,38	2,96

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2021 AND 2020

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

		Audited 1 January -	Audited 1 January -
	Notes	31 December 2021	31 December 2020
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss		640.852	382.442
Gains on Revaluation of Property, Plant and Equipment		755.528	401.410
Losses on Remeasurements of Defined Benefit Plans	25	(48.904)	(17.149)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss		(65.772)	(1.819)
Taxes Relating to Gains on Revaluation of Property, Plant and Equipment		(75.553)	(5.249)
Taxes Relating to Remeasurements of Defined Benefit Plans		9.781	3.430
Other Comprehensive Income that will be Reclassified to Profit or Loss		171.446	(29.447)
Other Comprehensive Income (Loss) Related with Cash Flow Hedges	25	226.140	(36.809)
Gains (Losses) on Cash Flow Hedges		226.140	(36.809)
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		(54.694)	7.362
Taxes Relating to Cash Flow Hedges	25	(54.694)	7.362
OTHER COMPREHENSIVE INCOME		812.298	352.995
TOTAL COMPREHENSIVE INCOME		2.330.890	1.684.303

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021 AND 2020

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021 AND 2020

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

		Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
	Footnotes		
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		1.375.261	574.223
Profit (Loss) For The Period		1.518.592	1.331.308
Profit (Loss) For The Period from Continuing Operations		1.518.592	1.331.308
Adjustments to Reconcile Profit (Loss)		806.328	371.234
Adjustments for Depreciation and Amortisation Expense	11,12,13	384.518	300.308
Adjustments for Impairment Loss (Reversal of Impairment Loss)		2.921	2.432
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	2.921	2.432
Adjustments for Provisions		28.939	24.673
Adjustments for (Reversal of) Provisions Related with Employee Benefits	17	28.889	20.846
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	15	50	3.827
Adjustments for Interest (Income) Expenses		263.557	43.062
Adjustments for Interest Income	24	(73.383)	(52.487)
Adjustments for Interest Expense	24	336.940	95.549
Adjustments for Unrealised Foreign Exchange Losses (Gains)		167.180	4.136
Adjustments for Fair Value Losses (Gains)		236.441	(9.461)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		236.441	(9.461)
Adjustments for Tax (Income) Expenses	26	(301.740)	624
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(4.341)	(2.706)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(4.341)	(2.706)
Other Adjustments to Reconcile Profit (Loss)	4	28.853	8.166

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021 AND 2020

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

		Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
	Footnotes		
Changes in Working Capital		(930.711)	(1.114.925)
Adjustments for Decrease (Increase) in Trade Accounts Receivable		(1.867.752)	(1.537.738)
Decrease (Increase) in Trade Accounts Receivables from Related Parties	6	(1.842.926)	(1.539.816)
Decrease (Increase) in Trade Accounts Receivables from Third Parties	7	(24.826)	2.078
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(197.582)	(82.911)
Decrease (Increase) in Other Third Party Receivables Related with Operations	8	(197.582)	(82.911)
Adjustments for Decrease (Increase) in Inventories	9	(1.699.757)	(308.848)
Decrease (Increase) in Prepaid Expenses	10	(280.385)	(32.831)
Adjustments for Increase (Decrease) in Trade Accounts Payable		3.086.993	860.059
Increase (Decrease) in Trade Accounts Payables to Related Parties	6	85.504	55.762
Increase (Decrease) in Trade Accounts Payables to Third Parties	7	3.001.489	804.297
Increase (Decrease) in Employee Benefit Liabilities	17	14.698	11.240
Other Adjustments for Other Increase (Decrease) in Working Capital		13.074	(23.896)
Decrease (Increase) in Other Assets Related with Operations	18	467	(2.649)
Increase (Decrease) in Other Payables Related with Operations	18	12.607	(21.247)
Cash Flows from (used in) Operations		1.394.209	587.617
Payments Related with Provisions for Employee Benefits	17	(11.652)	(9.551)
Income Taxes Refund (Paid)	26	(7.296)	(3.843)

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021 AND 2020

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

	Footnotes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(727.757)	(584.928)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		31.505	14.980
Proceeds from Sales of Property, Plant and Equipment and Intangible Assets		31.505	14.980
Purchase of Property, Plant, Equipment and Intangible Assets		(759.262)	(599.908)
Purchase of Property, Plant and Equipment	11	(634.046)	(519.930)
Purchase of Intangible Assets	13	(125.216)	(79.978)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		(721.825)	115.554
Proceeds from Borrowings		1.564.022	2.006.706
Proceeds from Loans	5	1.299.022	2.006.706
Cash Proceeds from Issued Bonds	5	265.000	-
Repayments of Borrowings		(1.835.329)	(1.461.014)
Loan Repayments	5	(1.835.329)	(1.465.848)
Payments of Other Financial Borrowings		-	4.834
Decrease in Other Payables to Related Parties	6	1.225.393	135.994
Payments of Lease Liabilities		(58.373)	(39.718)
Dividends Paid	6	(800.000)	(128.766)
Interest Paid		(301.586)	(76.349)
Interest Received	24	73.383	52.487
Other Cash Inflows (Outflows)		(589.335)	(373.786)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(74.321)	104.849
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5	(74.321)	104.849
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	187.136	82.287
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	112.815	187.136

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

NOTE 1 – COMPANY’S ORGANISATION AND NATURE OF OPERATIONS

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

The Company started its operations in 1999 and produces refrigerators, room air conditioning units, washing machines, cookers, dishwashers and water heaters. The Company’s production facilities occupy 406 square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 629 square meters.

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

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

As of 31 December 2021, the number of personnel employed was 9.416 (31 December 2020: 9.210).

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

	Shareholding %
Vestel Elektronik Sanayi ve Ticaret A.Ş.	82,53
Other shareholders	17,47
	100,00

As of 31 December 2021, Company have been quoted at the Borsa İstanbul (“BİST”) 31,47% of its share capital; 31 December 2020: 31,47 %).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

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

2.1 Basis of presentation (Cont'd)

2.1.1 Statement of compliance (Cont'd)

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

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

2.2 Comparative information and restatement of prior period financial statements

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

2.3 Restatement and errors in the accounting estimates

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

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

2.4. Amendments in Turkey Financial Reporting Standards

New standards, amendments and interpretations issued and effective for the financial year beginning 31 December 2021

Standards issued but not yet effective and not early adopted

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

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

International Standard Board (IASB) has extended the practical expedient by 12 months – permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. Related changes were published by POA as Amendments to TFRS 16 on June 5, 2020.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply it early, including in financial statements not authorised for issue as of 31 March 2021 the date of publication of this amendment. In other words, if the financial statements for the accounting periods before the date of publication of the amendment have not yet been issued, it is possible to apply this amendment for the relevant financial statements. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings.

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

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

Reference to the Conceptual Framework (Amendments to TFRS 3)

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

The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

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

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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 December 2021

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

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.

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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 December 2021

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

The amendments include:

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

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

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

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.

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

2.4. Amendments in Turkey Financial Reporting Standards

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes (Cont'd)

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized 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.

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)

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

2.4. Amendments in Turkey Financial Reporting Standards

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)

Annual Improvements to TFRS Standards 2018–2020

Improvements to UFRS

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

TFRS 1 First-time Adoption of International Financial Reporting Standards

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

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

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRSs

TFRS 9 Financial Instruments

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

Amendments are effective on 1 January 2021

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

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

2.5. Summary of significant accounting policies

2.5.1 Revenue

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

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

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

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

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

2.5. Summary of significant accounting policies

2.5.2 Inventories (Cont'd)

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

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

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

2.5.3 Property, plant and equipment

Land, land improvements and buildings are stated at fair value, based on valuations performed as at 31 December 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. Machinery and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

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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)

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

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

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

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

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 assesses 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;

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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)

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 4 years; for building and warehouses is usually fixed from 1 to 20 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;
- 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 - 20 years.

The Company – as a lessor

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

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

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

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.

a) Research and development costs

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

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

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

b) Rights and other intangible fixed assets

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

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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 (Cont’d)

a) Financial assets

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

Financial assets carried at amortized cost

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

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

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

Financial assets carried at fair value

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

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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 (Cont'd)

b) Financial liabilities

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

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

c) Derivative financial instruments and hedge accounting

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

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

The hedging transactions of the Company that qualify for hedge accounting are accounted in accordance with TFRS 9.

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.

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

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

2.5.6 Foreign currency transactions

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

2.5.7 Provisions, contingent assets and liabilities

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

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

2.5.8 Related parties

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

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

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

2.5.9 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.

Transfer pricing

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

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

Tax exposures

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

2.5.10 Employee benefits

Employment termination benefits, as required by the Turkish Labor Law, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision for employment termination benefits as of 31 December 2021 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.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

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

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

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

i. Revaluation of lands, buildings and land improvements

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

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

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

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.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

NOTE 3 - SEGMENT REPORTING

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

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

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

Geographical segments

Segment revenue	1 January - 31 December 2021	1 January - 31 December 2020
Turkey	3.568.771	2.166.143
Europe	9.288.037	5.554.463
Other	3.426.420	1.732.569
Gross sales	16.283.228	9.453.175
Discounts (-)	(105.219)	(43.890)
Net sales	16.178.009	9.409.285

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

The amount of export is TL 12.714.457 for the period ended 31 December 2021. (1 January-31 December 2020: TL 7.287.032). Export sales are denominated in EURO, and USD as 92,2%, and 7,8% of total export respectively (1 January-31 December 2020: 94,2% EUR, 5,8% USD).

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

NOTE 4 – CASH AND CASHEQUIVALENTS

	31 December 2021	31 December 2020
Cash	449	215
Bank deposits		
- Demand deposits	33.434	169.037
- Time deposits	78.932	17.884
	112.815	187.136
Blocked deposits	22	28.875
Cash and cash equivalents	112.837	216.011

As at 31 December 2021, the Company has time deposits amounting to EUR 4.450, -USD 1.000, and TL 618. (31 December 2020: USD 2.300 and TL 1.001).

The effective interest rates for time deposits are as below:

	31 December 2021	31 December 2020
TL	15,50%	18,00%
EUR	0,07%	-
USD	0,23%	1,00%

NOTE 5 – FINANCIAL LIABILITIES

	31 December 2021	31 December 2020
Short - term financial liabilities		
Short term bank loans	597.237	960.540
Short term portion of long term bank loans	308.458	234.294
Lease liabilities	26.243	38.429
Issued debt instruments (*)	3.438	-
	935.376	1.233.263
Long - term financial liabilities		
Long term bank loans	9.922	88.566
Lease liabilities	124.542	119.165
Issued debt instruments (*)	265.000	-
	399.464	207.731

(*) 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.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

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

Currency	31 December 2021			31 December 2020		
	Weighted average of effective interest rates	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- USD	-	-	-	3,17%	20.000	146.810
- EUR	3,82%	38.620	567.025	2,57%	89.400	805.306
- TL	21,50%	30.212	30.212	20,61%	8.424	8.424
			597.237			960.540

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

Currency	31 December 2021			31 December 2020		
	Weighted average of effective interest rates	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- EUR	2,57%	6.679	98.062	2,57%	3.477	31.316
- TL	20,89%	210.396	210.396	20,61%	202.978	202.978
Short term portion			308.458			234.294
- EUR	-	-	-	2,57%	6.537	58.889
- TL	20,67%	9.922	9.922	20,61%	29.677	29.677
Long term portion			9.922			88.566
			318.380			322.860

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 5 – FINANCIAL LIABILITIES (Cont'd)

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

	31 December 2021	31 December 2020
One to two years	8.300	85.284
Two to three years	1.622	1.877
Three to four years	-	1.405
	9.922	88.566

Fair value of short term bank borrowings are considered to approximate their carrying values due to immateriality of discounting. Fair values are determined using a verage effective annual interest rates.

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

As of 31 December 2021 and 31 December 2020, reconciliation of net financial debt is as below:

	31 December 2021	31 December 2020
Net financial debt as of 1 January	1.253.858	721.186
Cash inflows from loans	1.299.022	2.006.706
Cash outflows from loan payments	(1.835.329)	(1.465.848)
Issued debt instruments	265.000	-
Cash inflow/outflow from other financial debts	(6.809)	91.807
Unrealized Fx gain/loss	167.180	4.136
Accrued interest	4.782	720
Change in cash and cash equivalents	74.321	(104.849)
Net financial debt at the end of the period	1.222.025	1.253.858

NOTE 6 – RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 December 2021	31 December 2020
Vestel Ticaret A.Ş.	5.123.891	3.278.077
Other related parties	22	2.910
	5.123.913	3.280.987

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

b) Short term trade payables to related parties

	31 December 2021	31 December 2020
Vestel Elektronik Sanayi ve Ticaret A.Ş.	196.214	113.846
Vestel Ticaret A.Ş.	10.195	13.646
Vestel Holland B.V.	60.155	50.610
Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	-	10.887
Other related parties	7.822	671
	274.386	189.660
Unearned interest on payables (-)	(740)	(1.518)
	273.646	188.142

c) Other short term receivables from related parties

	31 December 2021	31 December 2020
Vestel Elektronik Sanayi ve Ticaret A.Ş.	1.445.270	855.935

As of 31 December 2021 the Company's interest rate of other receivables in EUR %5 and in USD 7 % respectively (31 December 2020: EUR 5%, TL 20%).

d) Other short term liabilities to related parties

	31 December 2021	31 December 2020
Vestel Elektronik Sanayi ve Ticaret A.Ş.	1.431.678	206.285

The Company's interest rate of other payables in TL is 20% (31 December 2020: TL 20%).

e) Lease liabilities to related parties

	31 December 2021	31 December 2020
Vestel Elektronik Sanayi ve Ticaret A.Ş.	122.871	125.239

As of 31 December 2021, short term lease liabilities to related parties is TL 2.399, long term lease liabilities to related parties is TL 120.472 (31 December 2020: short term TL 16.181, long term TL 109.058).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

f) Transactions with related parties

	1 January - 31 December 2021	1 January - 31 December 2020
Sales		
Vestel Ticaret A.Ş.	15.934.695	9.237.267
Vestel Elektronik Sanayi ve Ticaret A.Ş.	194.704	101.969
Other related parties	324	3.108
	16.129.723	9.342.344
Purchases and operating expenses		
Vestel Holland B.V.	510.591	250.763
Vestel Elektronik Sanayi ve Ticaret A.Ş.	873.316	493.455
Other related parties	109.489	26.812
	1.493.396	771.030
	1 January - 31 December 2021	1 January - 31 December 2020
Other operating income		
Vestel Ticaret A.Ş.	1.509.664	458.097
Other related parties	15.713	3.527
	1.525.377	461.624
Other operating expense		
Vestel Ticaret A.Ş.	213.481	157.026
Other related parties	36.521	19.397
	250.002	176.423
Dividend paid		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	681.329	119.166
Public shares	118.671	9.600
	800.000	128.766

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 6 – RELATED PARTY DISCLOSURES (Cont'd)

f) Transactions with related parties (Cont'd)

	1 January - 31 December 2021	1 January - 31 December 2020
Financial income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	707.739	125.080
Other related parties	-	39
	707.739	125.119
Financial expense		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	181.145	18.904
	181.145	18.904

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

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

Compensation paid to key management for the twelve months period ended 31 December 2021 is TL 15.437 thousand (1 January-31 December 2020: TL 8.488).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 7 – TRADE RECEIVABLES AND PAYABLES

	31 December 2021	31 December 2020
Short - term trade receivables		
Trade receivables		
- Related parties (note 6)	5.123.913	3.280.987
- Other parties	30.677	5.583
	5.154.590	3.286.570
Allowance for doubtful receivables (-)	(843)	(575)
Total short - term trade receivables	5.153.747	3.285.995

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

	31 December 2021	31 December 2020
Short term trade payables		
Trade payables		
- Related parties (note 6)	274.386	189.660
- Other parties	5.581.178	2.696.289
	5.855.564	2.885.949
Unearned interest income (-)		
- Related parties (note 6)	(740)	(1.518)
- Other parties	(12.106)	(9.490)
Total short term trade payables	5.842.718	2.874.941
Long term trade payables		
Trade payables		
- Other parties	181.003	61.832
	181.003	61.832
Unearned interest income (-)		
- Other parties	-	(45)
Total long term trade payables	181.003	61.787

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 8 – OTHER RECEIVABLES

	31 December 2021	31 December 2020
Short - term other receivables		
Other receivables from related parties (note 6)	1.445.270	855.935
Receivables from government agencies	403.190	216.766
Deposits and guarantees given	9.222	12.347
Other receivables	1.984	1.102
	1.859.666	1.086.150
	31 December 2021	31 December 2020
Long - term other receivables		
Deposits and guarantees given	17.901	4.500
	17.901	4.500

NOTE 9 – INVENTORIES

	31 December 2021	31 December 2020
Raw materials	1.883.450	622.132
Work in process	42.363	18.062
Finished goods	728.151	314.013
	2.653.964	954.207
Provision for impairment on inventories (-)	(4.576)	(1.655)
	2.649.388	952.552

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

Cost of the inventory included in the cost of sales for the current period amounts to TL 12.117.424 thousand (1 January – 31 December 2020: TL 6.580.559).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 9 – INVENTORIES (Cont’d)

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

	31 December 2021	31 December 2020
Raw materials	665	205
Finished goods and merchandise	3.911	1.450
	4.576	1.655

Movement of impairment on inventories is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance, 1 January	1.655	1.023
Current year additions	8.569	2.432
Realised due to sales of inventory	(5.648)	(1.800)
Balance at 31 December	4.576	1.655

NOTE 10 – PREPAID EXPENSES

	31 December 2021	31 December 2020
Prepaid expenses in current assets		
Order advances given	136.086	33.914
Prepaid expenses	12.432	19.508
	148.518	53.422
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	237.586	49.821
Prepaid expenses	759	3.235
	238.345	53.056

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	1 January				Fair value	31 December
	2021	Additions	Disposals	Transfer	increase	2021
Cost or revaluation						
Land	503.898	-	-	-	252.009	755.907
Land improvements	49.957	84	-	(1.838)	15.854	64.057
Buildings	643.223	9.721	(2)	(16.919)	487.665	1.123.688
Leasehold improvements	12.014	935	(4)	839	-	13.784
Plant and machinery	2.111.681	426.395	(19.535)	128.814	-	2.647.355
Motor vehicles	862	-	(28)	-	-	834
Furniture and fixtures	96.533	19.503	(724)	6.663	-	121.975
Construction in progress	32.149	177.408	-	(138.139)	-	71.418
				-	-	
	3.450.317	634.046	(20.293)	(20.580)	755.528	4.799.018
Accumulated depreciation						
Land improvements	-	1.835	-	(1.835)	-	-
Buildings	-	18.745	-	(18.745)	-	-
Leasehold improvements	7.326	1.762	(4)	-	-	9.084
Plant and machinery	1.192.071	269.030	(19.280)	-	-	1.441.821
Motor vehicles	496	127	(25)	-	-	598
Furniture and fixtures	60.120	13.233	(697)	-	-	72.656
	1.260.013	304.732	(20.006)	(20.580)	-	1.524.159
Net book value	2.190.304					3.274.859

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

	1 January				Fair value	31 December
	2020	Additions	Disposals	Transfer	increase	2020
Cost or revaluation						
Land	192.824	112.976	-	-	198.098	503.898
Land improvements	40.998	987	-	(2.756)	10.728	49.957
Buildings	447.048	24.773	-	(21.182)	192.584	643.223
Leasehold improvements	10.907	975	(3)	135	-	12.014
Plant and machinery	1.763.514	321.576	(21.986)	48.577	-	2.111.681
Motor vehicles	626	295	(59)	-	-	862
Furniture and fixtures	76.719	13.283	(293)	6.824	-	96.533
Construction in progress	45.231	45.065	-	(58.147)	-	32.149
	2.577.867	519.930	(22.341)	(26.549)	401.410	3.450.317
Accumulated depreciation						
Land improvements	1.366	1.404	-	(2.770)	-	-
Buildings	11.496	12.273	-	(23.769)	-	-
Leasehold improvements	5.774	1.554	(2)	-	-	7.326
Plant and machinery	992.131	221.584	(21.644)	-	-	1.192.071
Motor vehicles	458	97	(59)	-	-	496
Furniture and fixtures	50.383	10.006	(269)	-	-	60.120
	1.061.608	246.918	(21.974)	(26.539)	-	1.260.013
Net book value	1.516.259					2.190.304

Additions to property, plant and equipment in the period 1 January – 31 December 2021 and 2020 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker, dishwasher and air conditioner factories.

As of 31 December 2021, there are no pledges against the property, plant and equipment. (31 December 2020: None)

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

	Useful life
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
Leasehold improvements	1-5 years

Allocation of period depreciation and amortization expenses is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Cost of sales	314.958	251.075
Research and development expenses	52.195	39.298
Marketing, selling and distribution expenses	14.109	7.645
General administrative expenses	3.256	2.290
	384.518	300.308

31 December 2021	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	755.907	-
Buildings and land improvements	-	1.187.745	-
31 December 2020	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	503.898	-
Buildings and land improvements	-	693.180	-

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

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

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

31 December 2021	Land	Land improvements and buildings
Cost	152.038	213.761
Accumulated depreciation (-)		(51.491)
Net book value	152.038	162.270
31 December 2020	Land	Land improvements and buildings
Cost	152.038	203.958
Accumulated depreciation (-)	-	(46.146)
Net book value	152.038	157.812

NOTE 12 – RIGHT OF USE ASSETS

	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Land and buildings	143.046	16.069	-	159.115
Machinery	39.111	4.924	-	44.035
	182.157	20.993	-	203.150
Accumulated amortization				
Land and buildings	13.507	24.167	-	37.674
Machinery	19.730	12.791	-	32.521
	33.237	36.958	-	70.195
Net book value	148.920			132.955

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

NOTE 12 – RIGHT OF USE ASSETS(Cont’d)

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

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

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NOTE 13 – INTANGIBLE ASSETS

	1 January 2021	Additions	Disposals	Transfers	31 December 2021
Cost					
Rights	6.568	-	-	-	6.568
Development cost	366.325	113.977	(27.737)	-	452.565
Other intangible assets	23.577	11.239	-	-	34.816
	396.470	125.216	(27.737)	-	493.949
Accumulated amortization					
Rights	6.388	22	-	-	6.410
Development cost	163.901	40.341	(860)	-	203.382
Other intangible assets	9.742	2.465	-	-	12.207
	180.031	42.828	(860)	-	221.999
Net book value	216.439				271.950

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

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 since it is highly probable that it will derive economic benefit from these projects and the economic benefits and expenditures made during the development process can be reliably measured.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 13 – INTANGIBLE ASSETS (Cont’d)

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 – GOVERNMENT GRANTS

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

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

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı (“TEYDEB”) amounts to TL 1.656 for the period 1 January - 31 December 2021 (1 January - 31 December 2020: TL 1.283).

The Company has not obtained any Turquality Brand support incentive from Republic of Turkey Prime Ministry Undersecretary of Treasury in 2021 (2020: None).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2021	31 December 2020
Short - term provisions		
Provision for lawsuit risks	9.724	9.674
	9.724	9.674

The movements in the provision for lawsuits are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance, 1 January	9.674	5.847
Current year additions	7.687	4.415
Payments/ disposals	(7.637)	(588)
Balance at 31 December	9.724	9.674

b) Guarantees received by the Company

	31 December 2021	31 December 2020
Guarantee letters	318.126	38.071
Cheques and notes	1.714	1.435
Collaterals and pledges	16.623.134	8.163.433
	16.942.974	8.202.939

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2020				
A. CPM's given on behalf of its own legal entity	-	7.420	44.929	111.766
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.008.140	32.031	854.695	8.543.476
i. Total amount of CPM's given on behalf of the parent company	722.288	-	614.636	5.916.588
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	285.852	32.031	240.059	2.626.888
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	1.008.140	39.451	899.624	8.655.242

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

Proportion of other CPM's given by the Company to its equity was 148% as of 31 December 2021 (31 December 2020: 254%).

NOTE 16 – COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to USD 1.108.914 (31 December 2020: USD 974.233) due to the export and investment incentive certificates obtained

As of 31 December 2021 the Company has forward foreign currency purchase contract that amounts to TL 1.544.300, EUR 15.499 and USD 472.835 against forward foreign currency sales contract that amounts to EUR 462.473, USD 74.605, GBP 7.000 and TL 27.332 (31 December 2020: TL 959.540, EUR 4.257 and USD 287.768 against forward foreign currency sales contract that amounts to EUR 289.759, USD 39.567 and TL 238.438 sales contracts).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 17 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2021	31 December 2020
Due to personnel	47.465	38.090
Social security payables	21.399	16.076
	68.864	54.166

Long term provisions for employee benefits:

	31 December 2021	31 December 2020
Provision for employment termination benefits	151.875	85.734

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

The amount payable is the equivalent of one month's gross salary for each year of service and is limited to a maximum of full TL 8.284,51 TL / year as of 31 December 2021 (31 December 2020: 7.117,17 TL/year).

The provision for employee termination benefits is not funded.

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as at 31 December 2021 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31 December 2021 provision is calculated based on real discount rate of 4,44% (31 December 2020: 4,44%) assuming 15,8% annual inflation rate and 20,9% discount rate.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

NOTE 17 – EMPLOYEE BENEFITS (Cont'd)

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

	1 January - 31 December 2021	1 January - 31 December 2020
Balance at 1 January	85.734	57.289
Increase during the year	17.063	14.084
Payments during the year	(11.652)	(9.551)
Actuarial (gain) /loss	48.904	17.149
Interest expense	11.826	6.763
Balance at 31 December	151.875	85.734

As of 31 December 2021, an increase in annual discount rate by 0,25% would lead to a decrease in employee benefit liability by 3,4%; a decrease in annual discount rate by 0,25% would lead to an increase in employee benefit liability by 3,6%. (31 December 2020: 4% decrease and 4,2% increase).

As of 31 December 2021, an increase in salary escalation by 0,25% would lead to an increase in employee benefit liability by 4,6%; a decrease in salary escalation by 0,25% would lead to a decrease in employee benefit liability by 4,5%. (31 December 2020: 4,4% increase and 4,2% decrease)

NOTE 18 – OTHER ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
Other current assets		
VAT carried forward	254	333
Income and discount accruals	3.090	3.479
	3.344	3.812
Other current liabilities		
Taxes and dues payable	38.369	28.055
Advances received	25	121
Other	908	899
	39.302	29.075

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 19 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	31 December 2021	31 December 2020
Shares of par value TL 1 each		
Issued share capital	1.600.000	190.000

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

	Shareholding		Amount	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Vestel Elektronik Sanayi ve Ticaret A.Ş.	82,53%	89,90%	1.320.552	170.810
Shares held by public	17,47%	10,10%	279.448	19.190
	100,00%	100,00%	1.600.000	190.000

1

Vestel Elektronik Sanayi ve Ticaret A.Ş. sold 5.000.000 shares of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. at Borsa İstanbul on 19 February 2021, 4.000.000 shares of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. at Borsa İstanbul on 12 April 2021 and 5.000.000 shares of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. at Borsa İstanbul on 2 September 2021. Following these transactions, Vestel Elektronik Sanayi ve Ticaret A.Ş.'s share in Vestel Beyaz Eşya declined to 82,53%.

The company has applied to Capital Markets Board to increase its share capital from 190.000 TL to 1.600.000 TL on September 1 2021. Share capital increase will be free of charge. Capital Board Market has approved the application and process is continuing as of reporting date.

b) Adjustments to share capital

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

	31 December 2021	31 December 2020
Adjustment to share capital	9.734	9.734

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

c) Share Premium

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

	31 December 2021	31 December 2020
Share premium	-	109.031

d) Restricted reserves ("Legal reserves")

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

	31 December 2021	31 December 2020
Legal reserves	98.506	187.190

e) Retained earnings

	31 December 2021	31 December 2020
Extraordinary reserves	1.185	694.202
Previous year's profits	122.302	98.074
	123.487	792.276

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

f) Dividend distribution

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

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

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

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

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

The distribution of the Company's net profit for the year 2020 was approved at the Ordinary General Assembly meeting held on 15 April 2021. As of 31 December 2020, the company has been prepared its Financial statements in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards ("TMS/IFRS") and the formats determined by the CMB, in accordance with the Capital Markets Board's Communiqué No. II.14.1 on "Principles of Financial Reporting in the Capital Markets". According to the financial statements, The Company has net profit of TL 1.310.170. According to the financial statements prepared within the framework of the relevant provisions of the Turkish Commercial Code No. 6102 (TCC) and the Tax Procedure Law No. 213 (TPL), it has earned a net profit of TL 1.310.000. It has been decided that the distributable profit amounting to TL 1.310.000 for the 31 December 2020 accounting period will not be distributed and transferred to extraordinary reserves. As of 31 December 2020, legal reserves amounting to TL 128.226, share premiums amounting to TL 78.364, extraordinary reserves amounting to TL 695.387, of other distributable resources amounting to TL 901.977 in total, amounting to TL 800.000, were paid three equal installments in cash to the shareholders.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

f) Dividend distribution (Cont'd)

A reserve fund of TL 80.000 has been set aside over the amount of dividend subject to profit distribution. After the general legal reserve is set aside, the remaining TL 800.000 was paid to the shareholders of the Company in 3 installments on 31 May 2021, 30 June 2021 and 30 July 2021.

As of 31 December 2021, the Company has a net profit of TL 1.518.592 (2020: TL 1.331.308). As of 31 December 2021, the net period profit in the legal books kept by the Company in accordance with the Tax Procedure Law is TL 1.470.124 and there is no retained earnings.

NOTE 20 – SALES

	1 January - 31 December 2021	1 January - 31 December 2020
Domestic sales	3.568.771	2.166.143
Export sales	12.714.457	7.287.032
Gross sales	16.283.228	9.453.175
Less: Sales discounts (-)	(105.219)	(43.890)
Net sales	16.178.009	9.409.285
Cost of sales	(13.613.315)	(7.602.834)
Gross profit	2.564.694	1.806.451

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 21 – EXPENSES BY NATURE

	1 January - 31 December 2021	1 January - 31 December 2020
Raw materials, supplies and finished goods	12.555.863	6.652.676
Changes in finished goods, work in process and trade goods	(438.439)	(72.117)
Personnel expenses	983.411	643.508
Depreciation and amortization	384.518	300.308
Other	589.090	356.375
	14.074.443	7.880.750

The fees related to the services received by the Company from the Independent Audit Firm are as follows:

	1 Ocak - 31 Aralık 2021	1 Ocak - 31 Aralık 2020
Audit fee for the reporting period	276	215
	276	215

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

a) General administrative expenses:

	1 January - 31 December 2021	1 January - 31 December 2020
Personnel expenses	34.880	16.969
Consultancy Expenses	66.596	35.128
Rent and office expenses	7.140	5.069
Travelling expenses	1.861	1.192
Energy expenses	1.200	855
Depreciation and amortization	3.256	2.290
Benefits and services provided externally	1.113	1.092
Other	34.556	18.433
	150.602	81.028

b) Marketing expenses:

	1 January - 31 December 2021	1 January - 31 December 2020
Personnel expenses	48.198	29.361
Transportation, distribution and storage expenses	79.937	53.589
Taxes and duties	27.720	17.143
Insurance expenses	5.249	2.718
Depreciation and amortization	14.109	7.645
Other	21.110	7.566
	196.323	118.022

c) Research and development expenses:

Depreciation and amortization	52.195	39.298
Personnel expenses	36.489	19.029
Other	25.519	20.539
	114.203	78.866

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 23 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other operating income

	1 January - 31 December 2021	1 January - 31 December 2020
Credit finance gains arising from trading activities	6.117	12.073
Foreign exchange gains arising from trading activities	1.882.268	484.445
Other income	24.063	26.512
	1.912.448	523.030

b) Other operating expense

	1 January - 31 December 2021	1 January - 31 December 2020
Debit finance charges arising from trading activities	5.073	919
Foreign exchange expenses arising from trading activities	2.131.416	535.443
Other expenses	32.747	11.006
	2.169.236	547.368

NOTE 24 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gains	781.167	126.794
Gains on derivative financial instruments	673.675	296.940
Interest income	73.383	52.487
	1.528.225	476.221

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

b) Financial expense:

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange losses	521.185	191.431
Losses on derivative financial instruments	1.295.762	360.577
Interest expense	336.940	95.549
Other finance expenses	4.264	929
	2.158.151	648.486

NOTE 25 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

a) Cash flow hedge fund:

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance, 1 January	(29.447)	-
Gains (losses) on cash flow hedges	226.140	(36.809)
Taxes relating to cash flow hedges	(54.694)	7.362
Balance at 31 December	141.999	(29.447)

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

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance, 1 January	(28.514)	(14.795)
Gains (losses) on remeasurements of defined benefit plans	(48.904)	(17.149)
Taxes relating to remeasurements of defined benefit plans	9.781	3.430
Balance at 31 December	(67.637)	(28.514)

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 25 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS (Cont'd)

c) Gains on Revaluation of Property, Plant and Equipment

	1 Ocak - 31 Aralık 2021	1 Ocak - 31 Aralık 2020
Opening balance, 1 January	800.187	410.776
Increases (Decreases) on Revaluation of Property, Plant and Equipment	755.528	401.410
Gains (Losses) on Remeasurements of Defined Benefit Plans	(75.553)	(5.249)
Transfers	(12.188)	(6.750)
31 Aralık itibarıyla bakiye	1.467.974	800.187

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

	31 December 2021	31 December 2020
Corporate tax	5.803	5.771
Prepaid taxes	(4.864)	(3.339)
Corporate tax	939	2.432
Deferred tax liabilities	-	(54.299)
Deferred tax assets	132.778	-
Deferred tax assets / (liabilities)	132.778	(54.299)

In Turkey, advance tax returns are filed on a quarterly basis at the rate of 25%, 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 75% of sale of investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity.

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

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

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

In accordance with the regulation numbered 31462, published in Official Gazette on 22 April 2021, corporate tax rate for the year 2021 has set for 25%, 2022 for 23%. This change will be effective for corporate tax calculation for the periods starting from 1 July 2021, Therefore, deferred tax assets and liabilities as of 31 December 2021 are calculated with 25% tax rate for the temporary differences which will be realized within 12 months period, and with those 20% for those which will be realized after 2022 September and onwards.

As of 1 January – 31 December 2021 and 2020 tax expense in the statement of comprehensive income is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Current period tax expense	(5.803)	(5.771)
Deferred tax benefit / (expense)	307.543	5.147
Total tax income/(expense)	301.740	(624)

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

	1 January - 31 December 2021	1 January - 31 December 2020
Profit before tax	1.216.852	1.331.932
Local tax rate	25%	22%
Tax income calculated using local tax rate	(304.213)	(293.025)
Non-deductible expenses	(30.477)	(2.437)
Discounts and exemptions	42.575	28.436
Effect of reduced tax rate	599.945	267.121
Effect of legal tax rate change on deferred tax	(1.226)	(911)
Other	(4.864)	192
	301.740	(624)

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

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

Deferred tax assets and liabilities

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

	Cumulative temporary differences		Deferred tax	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deferred tax assets				
Employment termination benefits	(151.875)	(85.734)	30.375	17.147
Investment incentive	-	-	228.430	-
Net difference between book values and tax bases of tangible and intangible assets	(100.000)	(34.505)	20.000	6.901
Provision for impairment on inventories	(4.576)	(1.655)	1.144	331
Derivative financial instruments	(233.435)	(48.839)	58.359	9.768
Other	(41.044)	(43.034)	10.261	8.607
			348.569	42.754
	Cumulative temporary differences		Deferred tax	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deferred tax liabilities				
Revaluation of tangible fixed assets	1.627.515	887.222	(159.541)	(87.035)
Derivative financial instruments	193.125	18.830	(48.281)	(3.766)
Other	31.877	31.259	(7.969)	(6.252)
			(215.791)	(97.053)
Deferred tax assets / (liabilities) - net			132.778	(54.299)

(*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of December 31, 2021 the tax advantage of TRY 228.430 from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the financial statements. The Company did not recognize deferred tax assets amounting to TRY 447.269 arising from investment incentives on the basis of conservative approach of accounting.

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

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

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance, 1 January	(54.299)	(64.989)
Tax expense recognized in income statement	307.543	5.147
Recognized in shareholders' equity	(120.466)	5.543
Deferred tax assests/liabilities at the end of the period, net	132.778	(54.299)
Subsidiaries with net deferred tax liabilities	-	(54.299)
Subsidiaries with net deferred tax assets	132.778	-

NOTE 27– EARNINGS PER SHARE

	1 January - 31 December 2021	1 January - 31 December 2020
Net profit attributable to shareholders	1.518.592	1.331.308
Weighted number of ordinary shares with a TL 1 of par value (thousand shares)	449.533	449.533
	3,38	2,96

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NOTE 28 – DERIVATIVE INSTRUMENTS

	31 December 2021		31 December 2020	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
<u>Derivative financial assets:</u>				
Held for trading				
Forward foreign currency transactions	96.988	3.793	975.841	18.543
Cash flow hedge				
Forward foreign currency transactions	4.797.224	189.332	195.845	287
<u>Derivative financial liabilities:</u>				
Held for trading				
Forward foreign currency transactions	3.013.866	(233.435)	528.226	(11.743)
Cash flow hedge				
Forward foreign currency transactions	-	-	1.410.330	(37.096)
	7.908.078	(40.310)	3.110.242	(30.009)

NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital risk management:

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

As of 31 December 2021 and 2020 the Company's net debt / total equity ratios are as follows:

	31 December 2021	31 December 2020
Total financial liabilities (note 5)	1.334.840	1.440.994
Cash and cash equivalents (note 4)	(112.815)	(187.136)
Net debt	1.222.025	1.253.858
Total equity	4.892.655	3.361.765
Capital invested	6.114.680	4.615.623
Net debt/capital invested	0,20	0,27

b) Financial risk factors:

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

b.1) Credit risk:

Credit risk arises from bank deposits, trade receivables and other trade receivables. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of these agreements. The Company sells significant portion of its products to Vestel Ticaret A.Ş. which is a group company. Credit risk is evaluated by considering past experiences and current economic conditions and receivables is presented in the balance sheet after appropriate amount of provision for doubtful receivables is allocated. The company considers that the credit risk is managed effectively. The following statements show the analysis of credit risks as of 31 December 2021 and 31 December 2020:

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

31 December 2021	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
Maximum exposed credit risk as at 31 December 2021 (A+B+C+D)	5.123.913	32.323	1.445.270	414.396	112.366	471
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	5.123.913	29.834	1.445.270	414.396	112.366	471
B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired	-	-	-	-	-	-
C. Net book value of overdue but not impaired financial assets	-	8.489	-	-	-	-
- Secured portion by guarantees, etc	-	(6.000)	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Overdue	-	843	-	-	-	-
- Impairment	-	(843)	-	-	-	-
- Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

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

	31 December 2021	31 December 2020
0 -1 month	6.393	389
1 -3 month	1.887	525
3 -12 month	209	-
Total overdue receivables	8.489	914

b.2) Price risk:

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

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

b.3) Liquidity risk:

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

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

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

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

The analysis of the Company's financial liabilities with respect to their maturities as of 31 December 2021:

Contractual Maturities	Book Value	Total contractual cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Bank borrowings and lease liabilities	1.334.840	1.546.537	413.200	578.370	369.981	184.986
Trade payables	6.023.721	6.053.930	4.079.834	1.793.093	101.814	79.189
Other payables	1.431.678	1.431.678	1.431.678	-	-	-
	8.790.239	9.032.145	5.924.712	2.371.463	471.795	264.175
Derivative financial instruments						
Derivative cash inflows	-	(7.908.078)	(7.908.078)	-	-	-
Derivative cash outflows	-	7.626.994	7.626.994	-	-	-
	40.310	(281.084)	(281.084)	-	-	-

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

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

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

b.4) Foreign currency risk:

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

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

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

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

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

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

	Gain / Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2021				
Appreciation of USD against TL by 10%				
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)
Appreciation of EUR against TL by 10%				
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
Appreciation of other currencies against TL by 10%				
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
Total	(204.852)	204.852	(185.918)	185.918

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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NOTE 29 – 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 2020				
Appreciation of USD against TL by 10%				
USD net asset / liability	(59.327)	59.327	(59.327)	59.327
Secured portion from USD risk (-)	21.718	(21.718)	162.649	(162.649)
USD net effect	(37.609)	37.609	103.322	(103.322)
Appreciation of EUR against TL by 10%				
EUR net asset / liability	67.868	(67.868)	67.868	(67.868)
Secured portion from EUR risk (-)	(93.192)	93.192	(237.804)	237.804
EUR net effect	(25.324)	25.324	(169.936)	169.936
Appreciation of other currencies against TL by 10%				
Other currencies net asset / liability	(5)	5	(5)	5
Other currency net effect	(5)	5	(5)	5
Total	(62.938)	62.938	(66.619)	66.619

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

b.5) Interest rate risk:

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

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

	31 December 2021	31 December 2020
Financial instruments with fixed interest rates		
Time deposits	78.932	17.884
Financial liabilities	475.591	1.190.830
Financial instruments with variable interest rates		
Financial liabilities	859.249	250.164
Other liabilities	-	-

On 31 December 2021, if interest rates of all currency denominated financial assets and liabilities with variable interest rates has strengthened / weakened by 100 basis points with all other variables held constant, income before taxes would have been TL 1.351 (2020: TL 283) lower / higher as a result of interest expenses.

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

Categories of financial instruments and fair values

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

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

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

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

Fair value of financial instruments

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

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

Monetary assets

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

Monetary liabilities

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

Fair value hierarchy

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

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

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

Level 3: Valuation techniques do not contain observable market inputs

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

Fair value hierarchy tables as of 31 December 2021 and 31 December 2020 are as follows:

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets / (liabilities)				
Derivative financial assets / (liabilities)	-	(40.310)	-	(40.310)
31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets / (liabilities)				
Derivative financial assets / (liabilities)	-	(30.009)	-	(30.009)

NOTE 31- SUBSEQUENT EVENTS

None.

NOTE 32- NOTES ON STATEMENT OF CASH FLOWS

As of 31 December 2021, cash flows from operating activities is TL 1.375.261 (31 December 2020: TL 574.223), cash flows from investing activities is TL (727.757) (31 December 2020: TL 548.928), cash flows from financing activities is TL (721.825) (31 December 2020: TL 115.554).

NOTE 33- NOTES ON CHANGES IN EQUITY

As of 31 December 2021, equity attributable to owners of parent is TL 4.892.655 (31 December 2020: TL 3.361.765).