

**EVERYTHING IS
BETTER WITH
VESTEL...**



**VESTEL BEYAZ EŐYA
2021 INTEGRATED
ANNUAL REPORT**



VESTEL

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MESSAGE FROM THE CEO



“I am pleased to present to our stakeholders our first integrated report addressing Vestel Beyaz Eşya’s economic, environmental and social performance, targets and approach in a holistic manner.”

10

VESTEL BEYAZ EŞYA IN A NUTSHELL

In light of our long-term strategy and vision, we lead the market as one of Turkey and Europe's largest household appliances manufacturers.



VESTEL

30

INTEGRATED BUSINESS MODEL

As a technology company creating social and environmental benefits through our accessible and smart products that make life easier, we have created our integrated business model.

50

FINANCIAL PERFORMANCE

Net sales (TL 16.2 billion) grew by 72% on a TL basis year-on-year, while unit sales increased by 19%.

56

TECHNOLOGY AND HUMAN-ORIENTED TRANSFORMATION

As Vestel Beyaz Eşya, we aim to transform our operations and human resources in parallel with technological developments. In this respect, we increase our production capacity in a smart and responsible manner with the power of R&D and innovation.

80

A NET-ZERO COMPANY

We invest in innovative business models for transition to a net zero-emission economy and strive to implement circular models in both our products and operations.

87

ACCESSIBLE AND SMART SOLUTIONS THAT MAKE LIFE EASIER

To create environmental and social benefits with our products and thus meet to the needs of consumers to the greatest extent, we aim to make life easier through smart, high-quality, safe products and services.



SUSTAINABLE PERFORMANCE

Continuing to perform our activities with a focus on the goals of maximizing efficiency and quality by combining competencies gained by being a robust technology company with effective management skills and processes, we carry our high operational and financial performance forward.

RECORD-LEVEL EBITDA

TL **2.5** billion

In line with strong revenue growth in 2021, EBITDA reached an all-time high of TL 2.5 billion.

TECHNOLOGY AND HUMAN-ORIENTED TRANSFORMATION

We aim to transform our corporate culture in a human-oriented way by leveraging the power of technology and digitalization. We adopt diversity, inclusion and social benefit as our fundamental principles throughout the value chain and integrate technological innovations that reduce our environmental impacts and add value to human life into our processes. With the power of R&D and innovation, we increase our production capacity in a smart and responsible manner.

HIGH- PRODUCTION CAPACITY

13.6
million units

TOTAL NUMBER OF EMPLOYEES

9,416

Through additional investments in 2021, Vestel Beyaz Eşya's total annual production capacity reached 13.6 million units.





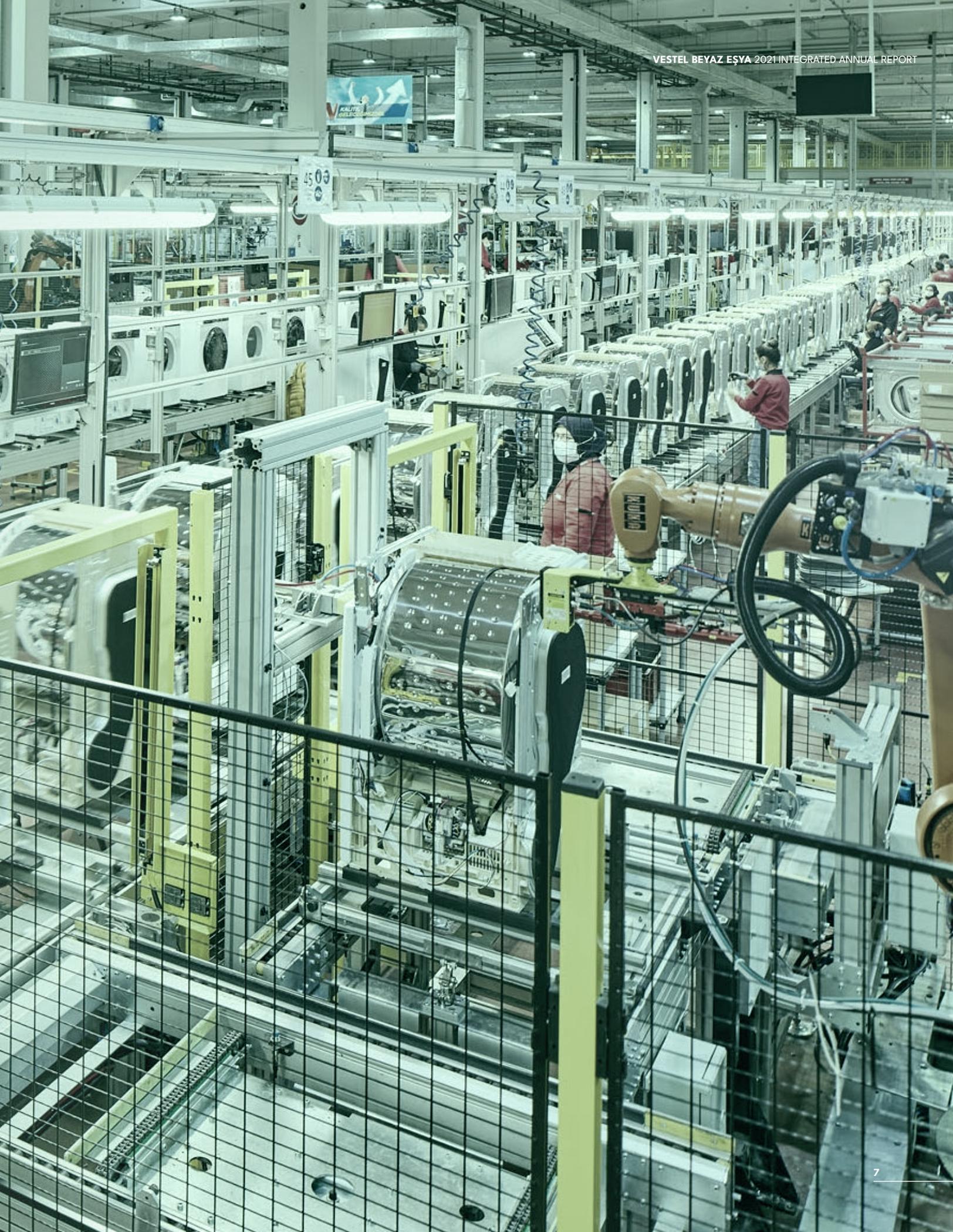
A NET-ZERO COMPANY

For a sustainable future and transition to an economy based on net zero emissions, we trigger transformation across our entire value chain. We leverage the power of Industry 4.0 and automation to support the reduction of energy consumption through operational improvements and innovative products. We implement circular models to improve resource efficiency in production and reduce our environmental impact from products.

CARBON EMISSIONS TARGET

NET ZERO BY 2050

We aim to reach net zero emissions by 2050, first in our own operations and then in our entire value chain. We are working on our decarbonization plan as part of our commitment to set Science Based Target (SBTi).



ACCESSIBLE AND SMART SOLUTIONS THAT MAKE LIFE EASIER

We aim to create environmental and social benefits with our products and respond to the needs of our consumers to the greatest extent, to improve customer experience through digital service platforms and to make life easier through our smart and connected products and high-quality and safe services. We attach importance to the accessibility of our fully-fledged solutions by all segments of the society.

SMART PRODUCTS

~33% share in domestic sales

Smart appliance sales accounted for approximately 33% of our total domestic major household appliances sales in 2021.



VESTEL BEYAZ EŞYA IN A NUTSHELL

As Vestel Beyaz Eşya (“Vestel Beyaz Eşya” or the “Company”), we produce refrigerators, freezers, washing machines, tumble dryers, cooking appliances, dishwashers, air-conditioners and water heaters by using cutting-edge technologies at our seven plants located in Vestel City, Manisa, which has a total indoor area of 406,000 m².

In light of our long-term strategy and vision, we lead the market as one of Turkey and Europe’s largest household appliances manufacturers by maintaining stable growth since our establishment in 1997.

We are among the leading original design manufacturers (ODM) in Europe, one of the five largest manufacturers in the household appliances market in Europe and one of the top three players of the sector in Turkey thanks to the products we develop by closely following the trends in technology. We account for one third of Turkey’s household appliances exports. While sales in European countries are mainly conducted on an ODM basis; we also carry out branded sales through the global brands licensed by and the regional brands owned by Vestel Group.

In light of our long-term strategy and vision, we lead the market as one of Turkey and Europe’s largest household appliances manufacturers.

Vestel Ticaret AŞ¹, which carries out Vestel Beyaz Eşya’s sales and marketing activities, reinforces the Company’s strong brand image in the domestic market with its competence in logistics and distribution, extensive dealer network and its service organization which is backed by an advanced technological infrastructure. The after-sales services for Vestel Beyaz Eşya’s products are carried out by the authorized service providers which provide services throughout the country as well as by the Central Services and the call center under the Vestel Customer Services General Directorate.

¹Vestel Beyaz Eşya’s domestic and international sales and marketing activities are carried out by Vestel Ticaret AŞ (“Vestel Ticaret”), a 100% subsidiary of Vestel Elektronik Sanayi ve Ticaret AŞ.



VESTEL CITY

With Vestel City, we, as Vestel, are the world's first electronics and household appliances company, and Turkey's first brand and industrial facility featured in the "Megafactories" documentary series featuring the world-renowned brands on the National Geographic Channel, one of the world's largest documentary channels. We continue to work with the aim of completing the Industry 4.0 transformation and making a transition to fully-automated smart plants.

Established at Vestel City with an indoor area of 66,000 m² and becoming operational in 2018, our washing machine and tumble dryer plant was built in line with the Industry 4.0 infrastructure. Upon the commissioning of the new plant with an annual production capacity of 750,000 washing machines and 750,000 tumble dryers, Vestel Beyaz Eşya completed its product range in six main household appliance product families. Following our additional capacity expansion investments in the refrigerator and tumble dryer plants in 2021, our annual production capacity increased from 12.5 million to 13.6 million units.

Vestel City

A total area of

1.3 million m²

Vestel City: Established over an area of 1.3 million sqm, it is one of Europe's largest industrial manufacturing complexes operating in a single location.



SUMMARY FINANCIAL AND OPERATIONAL INDICATORS

Summary Income Statement (EUR Million)	2017	2018	2019	2020	2021
Net Sales	937	1,006	1,098	1,172	1,545
Export Ratio	74%	79%	82%	77%	78%
Gross Profit	120	161	139	225	245
Gross Profit Margin	12.8%	16.0%	12.7%	19.2%	15.9%
Operating Profit*	86	129	105	190	201
Operating Profit Margin*	9.2%	12.8%	9.5%	16.2%	13.0%
EBITDA*	113	158	145	228	238
EBITDA Margin*	12.1%	15.7%	13.2%	19.4%	15.4%
Net Profit	72	110	89	166	145
Net Profit Margin	7.7%	10.9%	8.2%	14.1%	9.4%

* Excludes other operating income and expense

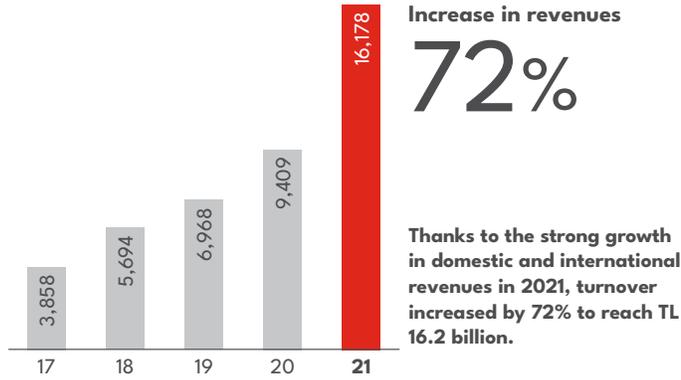
Summary Balance Sheet (EUR Million)	2017	2018	2019	2020	2021
Cash and Cash Equivalents	16	20	18	24	8
Accounts Receivables	232	246	263	365	351
Inventories	111	96	97	106	180
Current Assets	507	508	476	624	689
Fixed Assets	123	238	228	243	223
Total Assets	671	777	749	914	966
Current Liabilities	378	456	450	495	583
Non-Current Liabilities	69	21	28	45	50
Shareholders' Equity	224	301	272	373	333
Net Financial Debt	137	110	113	159	181

Summary Cash Flow Statement (EUR Million)	2017	2018	2019	2020	2021
Cash Flows from Operating Activities	159	191	97	72	131
Net Cash Flows from Investing Activities	-148	-135	-21	-73	-70
Net Cash Flows from Financing Activities	2	-49	-79	14	-69

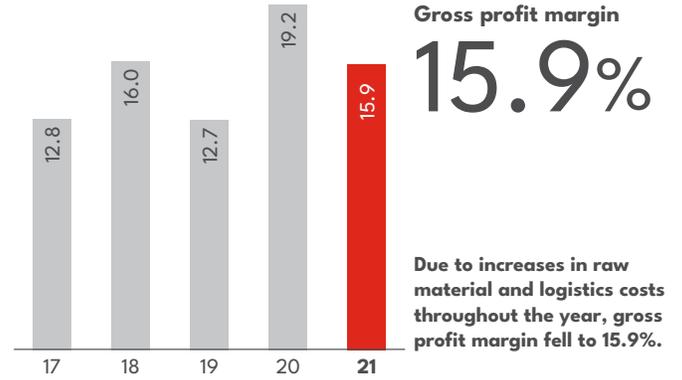
The Euro ("EUR") amounts in the Summary Balance Sheet are calculated over Turkish Lira ("TL") amounts using the EUR/TL foreign exchange buying rate of the Central Bank of the Republic of Turkey ("CBRT") as of December 31, 2021.

EUR amounts in the Summary Income Statement and Cash Flow Statement are calculated over TL amounts using the average CBRT EUR/TL foreign exchange buying rate for the year ended December 31, 2021.

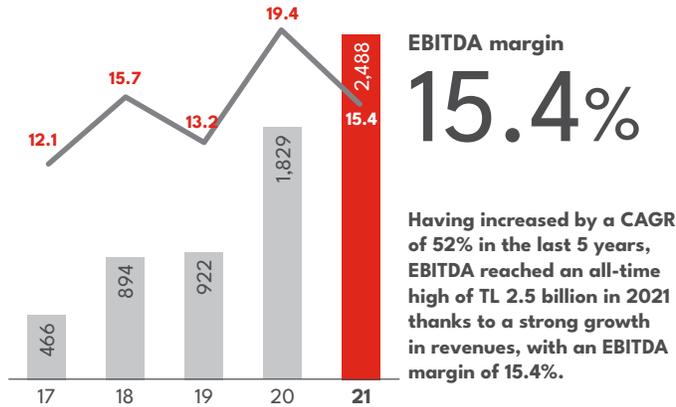
Net Sales (TL million)



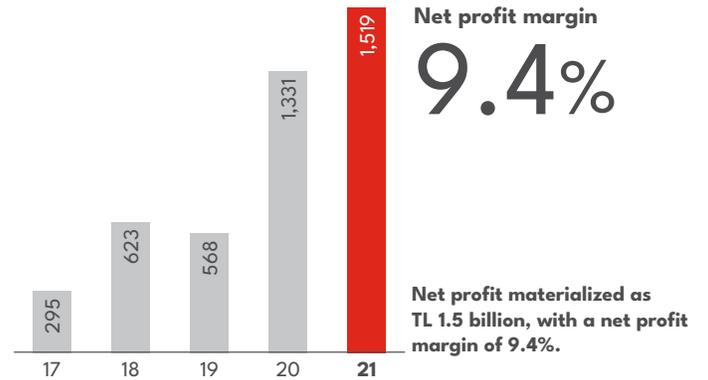
Gross Profit Margin (%)



EBITDA* (TL million) and EBITDA Margin (%)



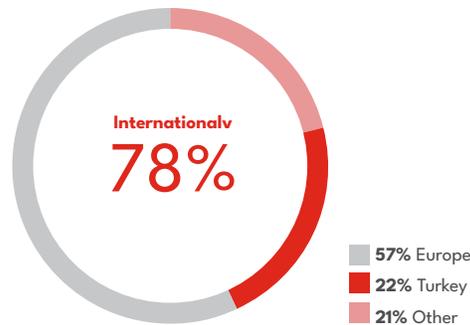
Net Profit (TL million)



■ EBITDA ■ EBITDA 2021 ■ EBITDA Margin

*Excludes other operating income and expense.

Geographical Breakdown of Sales



SHAREHOLDING STRUCTURE OF VESTEL BEYAZ EŞYA

SHAREHOLDING STRUCTURE

Shareholders	Nominal Share Amount (TL)	Share in Capital (%)
Vestel Elektronik Sanayi ve Ticaret AŞ*	1,320,552,236	82.53
Other Shareholders (Free Float)	279,447,764	17.47
A total of	1,600,000,000	100.0

* "Vestel Elektronik" or "Vestel" or "Vestel Group of Companies"

Vestel Beyaz Eşya switched from principal capital system to registered capital system in 2021, and the Company's registered capital ceiling was set as TL 2 billion. Vestel Beyaz Eşya increased its share capital by 742% via a bonus issue from TL 190,000,000 to TL 1,600,000,000 on October 25, 2021. The issued capital of the Company is divided into 1,600,000,000 bearer shares with a nominal value of TL 1.00 each. Vestel Beyaz Eşya does not have any privileged shares.

Vestel Elektronik Sanayi ve Ticaret AŞ's stake in Vestel Beyaz Eşya declined from 89.9% to 82.53% following the block share sales on Borsa İstanbul amounting to a total of 14,000,000 shares conducted on February 19, 2021, April 12, 2021, and September 2, 2021, respectively.

82.53%

Vestel Elektronik Sanayi
ve Ticaret AŞ

VESTEL
BEYAZ EŞYA

17.47%

Other Shareholders
(Free Float)

COMPETITIVE ADVANTAGES OF VESTEL BEYAZ EŞYA

Innovation

- Creating a new value for customers with its strong R&D structure, production capabilities and highly-competent human resources, responding to customer needs in a short period of time and via technological solutions and rendering innovation fast and accessible to everyone.

Scaled-up Manufacturing Model, Manufacturing Flexibility and Product Customization

- Responding to the needs of different customers with various socio-cultural backgrounds in foreign markets on time, with the right product, the right price and the right sales channels;
- The ability to develop products in numerous various models for different customers thanks to its flexible production capability.

Customer Commitment and Experience

- Offering a perfect ODM service from A to Z, from original design and production to point distribution;
- Refraining from competing directly with customers' brands in Europe;
- Fast production and delivery as well as the ability to respond to small batch orders;
- Vestel's extensive sales and after-sales service network across Turkey;
- Vestel's after-sales customer experience that makes a difference.

Cost Advantages

- Benefiting from economies of scale in procurements, especially in the purchase of components, which represents the most important cost factor, with its strong position as a large-scale manufacturer;
- Efficiency, effectiveness and cost advantages provided by manufacturing within a single complex at Vestel City, one of the largest production complexes in Europe built over a single site;
- Advantages in transportation cost and delivery times against Far Eastern competitors thanks to the proximity of its manufacturing plants to the European market;
- The existence of a well-developed supplier base in Manisa especially for the household appliances and cost advantages in terms of distribution and logistics, facilitated by Vestel City's proximity to İzmir port and the Company's suppliers;
- Sizable share in import and export containers at İzmir ports;
- Reduction in logistics costs by optimizing the application of different and mixed logistics models;
- Lower unit labor cost compared to European manufacturers;
- Newer and more modern production facilities compared to manufacturers in Europe;
- The import tax advantage in exporting to countries with which Turkey has a Free Trade Agreement over the manufacturers of countries which do not have such an agreement.

A Pioneer in Digital Transformation

- Adopting technology and innovation as a corporate culture building upon its innovative characters since its establishment;
- Broad technological capabilities and vision;
- Industry 4.0 transformation;
- Digitalized business processes;
- Customer experience strengthened by digitalization;
- Leading Turkey's digital transformation as well as its technological transformation;
- Being at the center of digital transformation via its solutions, innovative practices and products as a company exporting technology from Turkey to the world.

FROM VESTEL TO THE ENTIRE WORLD...

Reaching a wide consumer base through its domestic “omni-channel marketing strategy”, Vestel has one of the most extensive sales and after-sales services networks of Turkey.

Vestel in Turkey

Under its omni-channel marketing strategy, Vestel reaches a wide variety of consumers through dealers as well as household stores, hypermarkets, discount stores, electronics retail chains and e-commerce websites, boosting its effectiveness and market share.

Vestel's Domestic Sales Organization

- 1,173 Vestel Stores (including 72 Vestel Corporate Ekspres Stores)
- 10 VsOutlet Stores
- 755 Regal Sales Outlets
- vestel.com.tr
- vsoutlet.com.tr
- regal-tr.com

Vestel After-Sales Services

- Call Center
- 355 Authorized Service Providers
- 5 Central Services
- 1 KEA (Small Domestic Appliances) Base
- 4 güVENUSsü (Trust Base) Centers
- 1 Mini güVENUSsü (Trust Base) Center

Vestel's Global Operation Network

Vestel's overseas sales and marketing organization comprises the local organizations of foreign trade offices in a total of 10 countries as well as direct sales outlets in neighboring regions.



Export to
158
Countries

10
Foreign Trade
Offices

For Marketing and
Sales Organization
~2,500

Domestic Stores and
Sales Outlets **1,173**



 Vestel City Manisa

 Export Countries

 **Foreign Trade Offices**

- | | |
|-------------|----------------------|
| UK | Russia |
| France | Kazakhstan |
| Germany | Romania |
| Spain | Poland |
| Netherlands | United Arab Emirates |

MESSAGE FROM THE CHAIRMAN

As Vestel Beyaz Eşya, we continued to contribute to the development of our country with our robust growth in export markets in 2021. Thanks to Vestel Beyaz Eşya's flexible and agile structure, digital transformation and technology-oriented business model, we have successfully managed this challenging process.



Ahmet Nazif ZORLU
Chairman of the Board

Esteemed Stakeholders,

Although the COVID-19 pandemic still persists, we left behind another year during which socioeconomic fluctuations affected the world. 2021 was a year of increased imbalances throughout the markets while there was a consolidation in economic recovery. Problems in logistics and raw material supply, record increases in commodity prices triggered by rising energy and food prices, combined with the aftereffects of the expansionary monetary policies of the central banks, caused the emergence of a global inflation wave risk. We continue to experience the negative impacts of this process on the household appliances sector as well as in many other industries.

We left 2021 behind as a year throughout which the effects of the pandemic and fluctuations in the exchange rate set the agenda in Turkey as well. The recent cuts in interest rates have changed inflation expectations while at the same time increasing the pressure on the exchange rate, real household income and external financing. However, we have recorded improvements in industrial production as vaccination rates have increased. As Vestel Beyaz Eşya, we continued to contribute to the development of our country with our robust growth in export markets in 2021.

Thanks to Vestel Beyaz Eşya's flexible and agile structure, digital transformation and technology-oriented business model, we have successfully managed this challenging process. Comprehensive risk management and diversity in our supplier network have played an important role in tackling the global supply challenge. Our export-oriented business model, which has expanded to 158 countries, plays an important role in maintaining our success by minimizing the risks posed by the changes in Turkey's economic conditions. 2021 was a year during which we achieved a growth far above the market in Europe, our sales increased strongly in regions outside of Europe, including the American market, and we launched new investments and completed some of the investments under our capacity expansion program. In addition, we maintained our steady growth in the domestic market.

The pandemic process has become the threshold to a better understanding that the importance of sustainability and sustainability-oriented transformations will shape the future all over the world. Being aware of this phenomenon, we focused on improving sustainability as a way of doing business at Vestel Beyaz Eşya. We developed our strategy for Vestel Beyaz Eşya under the guidance of the Smart Life 2030 vision encompassing the entire value chain of Zorlu Group, highlighting business models that serve the climate-oriented and circular economy, and creating value for all stakeholders via a responsible investment approach and gathered our operations under three headings: “human-oriented technological transformation”, “a net zero company” and “accessible and smart solutions that make life easier”.

Human-Oriented Technological Transformation

We aim to achieve a human-oriented transformation in the entire value chain by leveraging the power of technology and innovation. We lead the consumer electronics and household appliances sectors in Turkey in terms of Industry 4.0 and digitalization practices by integrating emerging technologies, especially artificial intelligence (AI), the internet of things (IoT) and autonomous systems, into our manufacturing processes.

Driven by the transformation culture, we have increased our global market share and strengthened our competitiveness. We support education and training programs through which our employees can develop their knowledge and skills, and we encourage in-house innovation programs. We adopt diversity, inclusion and social benefit for all our stakeholders as our fundamental principles and integrate technological innovations that add value to human life into our processes. In line with the equal opportunities approach, we aim to increase our female employee ratio to 40% by 2030.

A Net Zero Company

In order to manage the ever-increasing effects of the climate crisis, transition to an economy based on net zero emissions is of great importance. And in order to achieve net zero emissions, especially in Vestel Beyaz Eşya’s operations, we aim to be a net zero company in the entire value chain by 2050. We will continue to improve different practices such as product recovery and repair as well as raw material recycling, with a focus on contributing to the circular economy.

Accessible and Smart Solutions That Make Life Easier

We design innovative products and services; and we believe that our products and services will play a key role in the building of a sustainable society. We strive to develop products with reduced environmental impact and high savings through our R&D and innovation competence, and we devote a significant part of our R&D budget to developing smart products that create benefits. Through our products, we aim to achieve energy and water efficiency, reduce plastics pollution, and render accessible the “Smart Home” concept based on customer experience.

I am very pleased to share Vestel Beyaz Eşya’s first integrated report, through which we describe our activities in integration with our sustainability approach in the light of our Smart Life 2030 strategy.

I sincerely believe that Vestel Beyaz Eşya will contribute to global problems with innovative and sustainable solutions under its new climate-friendly and social benefit-oriented strategy. I would like to express my gratitude to all our stakeholders, especially my colleagues, for their valuable cooperation and constant contributions.

Sincerely,

BOARD OF DIRECTORS



Ahmet Nazif Zorlu
Chairman of the Board

(1944 - Denizli) Ahmet Zorlu began his career in his family-owned textile company in Babadağ, Denizli. Opening his first textile store in Trabzon, Ahmet Zorlu moved the company's headquarters to İstanbul and laid the foundations of Zorlu Holding together with his brother, Zeki Zorlu in 1970. Ahmet Zorlu set up his first production company, Korteks, in 1976 and gathered all of his companies under the roof of Zorlu Holding in 1990. Acquiring Vestel in 1994, Zorlu opened the door to new lines of business for Zorlu Holding. Ahmet Zorlu's entrepreneurialism, which began with the textile industry, went on to manifest itself in more companies operating in a wide range of industries such as consumer electronics, household appliances, energy, property development, metallurgy and defense. Ahmet Zorlu serves as the Chairman or Vice Chairman of the Board in numerous Zorlu Group companies operating in different industries particularly including Vestel Beyaz Eşya and Vestel Elektronik.

With a keen interest in non-governmental organizations, Ahmet Zorlu sits on the Board of Directors of DEİK (Foreign Economic Relations Board), TUSIAD (Turkish Industry and Business Association), DENSİR (Education and Culture Foundation of the People of Denizli), BASIAD (Babadağ Industry and Business Association) and TETSIAD (Turkish Home Textile Industrialists' Association).



Elmas Melih Araz
Vice Chairman

(1948 - İstanbul) A graduate of Robert College, Melih Araz received his Bachelor's Degree from Ankara University, Faculty of Political Sciences, in 1972. He completed his MBA at the Kelley School of Business at Indiana University in 1975, where he was a USAID/TEV scholar. He also attended an "Executive Management Program" at Harvard Business School in 1988. Starting his career in finance and banking at Citibank N.A.'s office in Turkey in 1977, Mr. Araz served in executive positions at the bank's İstanbul, Bahrain, Athens and New York offices and assumed key responsibilities in the establishment and expansion of Citibank's operations in Turkey. Melih Araz later served as the CEO/General Manager at Interbank AŞ, a Çukurova Holding affiliate, for eight years where he played a leading role in elevating Interbank to a respected and pioneering position in corporate and investment banking in Turkey. After leaving Interbank, Mr. Araz worked as a consultant in various major projects and served as a Board Member at a number of companies including Zorlu Enerji Elektrik Üretim AŞ (2008-2013) and Enka İnşaat ve Sanayi AŞ (2012-2018). Mr. Araz still assumes important duties at Ata Group. In addition to his position as Vice Chairman of the Board of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Melih Araz also serves as a Board Member of Vestel Elektronik Sanayi ve Ticaret AŞ, one of Zorlu Group companies. Mr. Araz also sits on the Boards of Ata Yatırım Menkul Kıymetler AŞ, Ata Gayrimenkul Yatırım Ortaklığı AŞ, TFI Gıda Yatırımları AŞ, Burger King China JV Ltd., İzmir Enternasyonel Otelcilik AŞ and Entegre Harç Sanayi ve Ticaret AŞ.



Olgun Zorlu
Board Member

(1965 - Trabzon) Olgun Zorlu began his professional career in 1986 after completing his higher education in textiles and business administration in the UK. He started to serve in managerial positions at various Zorlu Group companies in 1988 and led their foreign market research and business development operations. In addition to his board membership at Vestel Beyaz Eşya, Mr. Zorlu also serves as a Board Member at Zorlu Holding and various other Zorlu Group companies. Olgun Zorlu is a member of the Turkish Industry & Business Association (TUSIAD) and Association of Turkish Home Textile Industrialists and Businessmen (TETSIAD).



Şule Zorlu
Board Member

(1976 - İstanbul) After graduating from Işık High School, Şule Zorlu pursued her undergraduate studies in the USA. She studied business administration at Pepperdine University in Los Angeles in her first year and at New Jersey's Silberman College/FDU in the following two years. She worked at Zorlu Holding's American subsidiary Zorlu USA Textile for about six months. In 1999, she returned to Turkey to take office as a Management Trainee at Denizbank and went on to serve in various departments of the bank for two years. Şule Zorlu became a Board Member at Anadolu Kredi Kartları AŞ, which was acquired in early 2002. In 2003, she was appointed as the General Manager of Linens Pazarlama. In addition to being a Board Member at Vestel Beyaz Eşya, Mrs. Zorlu serves as the Chairwoman of the Board at Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ.



Selen Zorlu Melik
Board Member

(1975 - Trabzon) Selen Zorlu Melik graduated from the Department of Business Administration of the Faculty of Economics and Administrative Sciences at Uludağ University. She began her professional career at Denizbank in 1998. Following her internship at the Bursa branch of Denizbank, she enrolled in Denizbank's Management Trainee Program in 1999. After working in a number of positions at the Denizbank head office, Selen Zorlu Melik attended a marketing certificate program at the University of California, Berkeley in 2001. Selen Zorlu Melik began working at the Korteks Yarn Plant in 2002 and became a Board Member of the same company in 2004. In addition to being a member of the Board of Directors at Vestel Beyaz Eşya, Selen Zorlu Melik also serves as a member of the Board of Directors at various companies affiliated to Zorlu Group.



Bekir Ağırdir
Board Member

(1956 - Denizli) After graduating from the Department of Business Administration at Middle East Technical University in 1979, Bekir Ağırdir served as Sales Manager and Assistant General Manager, respectively, at Bilsan Bilgisayar Malzemeleri AŞ (1980-1984), Sales Coordinator at Meteksam Ltd.(1984-1986), General Manager at Pirintaş Bilgisayar Malzemeleri ve Basım Sanayi AŞ (1986- 1996), Deputy General Manager at Atılım Kağıt ve Defter Sanayi AŞ (1996-1999) and as General Manager and Board Member at PMB Akıllı Kart ve Bilgi Teknolojileri AŞ (1999-2003). Between 2003-2005, he worked as a Coordinator and then as General Manager at Tarih Vakfı (History Foundation of Turkey). Mr. Ağırdir has been the General Manager and Board Member of KONDA Araştırma ve Danışmanlık Limited Şirketi (KONDA Research and Consultancy) since 2005. In addition to Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Ağırdir also serves as a Board Member at Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ, two other Zorlu Group companies. Mr. Ağırdir is also on the boards of Turkey Economic and Social Studies Foundation (TESEV) and Hrant Dink Foundation, and was a founding member of Yanındayız Association, Democratic Republic Program and EYİMİR Cultural Foundation. He is also a member of METU Alumni Association and commentator for T24 Internet Newspaper and GAIN Internet Media.



Ayşegül İldeniz
Board Member

(1969 - İzmir) Ayşegül İldeniz holds a Bachelor's degree in Business Administration from Boğaziçi University and a Master's degree in Digital Communications from San Francisco State University. Ms. İldeniz joined Intel Corporation, the leading global microprocessor company, in 1998 where she served respectively, as General Manager for Intel Turkey, as Regional Director for Turkey, Middle East and Africa region covering 67 countries and as a Board Member for Intel's Europe-based operations. She was later appointed to the position of Global Vice President of the New Devices Group at the Intel Headquarters in Silicon Valley. In 2016, Ms. İldeniz became the Chief Operating Officer of Silver Spring Networks, a company listed on the New York Stock Exchange, which controls half of the US smart energy market with 26 million users and implemented Smart Cities programs in a number of cities including Chicago, Singapore, Paris, Copenhagen and Dubai. Ayşegül İldeniz is a pioneer in the fields of innovation, technology and future vision, both in Silicon Valley and in İstanbul. In 2015, she was named one of the "100 Most Creative People in Business" by the Fast Company, one of the most prestigious publications in the United States, and the "Third Most Influential Turkish-American Woman" by the Turks of America (TOA), while in Turkey she was selected "IT Woman of the Year" in 2004 and "Woman Executive of the Year" in 2006 by Dünya Newspaper. Ayşegül İldeniz is currently the President of the TUSIAD Silicon Valley Network and a Board Member of the American Turkish Society and the New York-based Turkish Philanthropy Funds. Ayşegül İldeniz also serves as a Board Member of Vestel Elektronik Sanayi ve Ticaret AŞ, Zorlu Enerji Elektrik Üretim AŞ and Doğan Şirketler Grubu Holding AŞ.

MESSAGE FROM THE CEO

As an export-oriented company delivering products to 158 countries, we minimized foreign exchange risks and increased our sales revenues. In 2021, our turnover rose by 72% year-on-year to reach TL 16.2 billion while EBITDA increased by 36% to TL 2.5 billion.



Enis Turan ERDOĞAN
Chief Executive Officer

Esteemed stakeholders,

2021 was a year of recovery with the expansionary monetary policies implemented on one hand, and the rapid increase in investments and household expenditures on the other. According to data from the United Nations, the pace of recovery did not follow the same course in all economies although the course of the global economy, which grew by 5.5% in 2021, got closer to the trends prevailing before COVID-19. While developed countries will emerge from the pandemic quickly thanks to their steady political and economic institutions, it is predicted that it will take a longer time for developing countries to recover.

Although the global economy has achieved the highest growth rate in the last four decades due to the low base effect, many companies in the real sector have faced different problems since the beginning of 2021. Increasing raw material prices, rise in inflation and growing inflationary expectations due to expansionary monetary policies, disruptions in the supply chain and logistics have revealed risks that can deeply affect all business processes of companies. While consumers spent more time at home due to the pandemic and quarantine processes, supporting the demand for household appliances during the first half of the year, there was a normalization in demand with the relaxation of measures during the second half of the year. However, the problems in the supply chain triggered

by the disruption of the supply-demand balance on a global scale continue to affect the household appliances industry. Despite all the difficulties experienced, as Vestel Beyaz Eşya, we succeeded in effectively managing potential risks in the supply chain by diversifying our suppliers and the regions from which we source our raw materials. Thanks to our wide and diversified supplier base, we continued to maintain our production uninterrupted throughout the year.

This past period has revealed that agile and dynamically-organized companies prove to be much more successful in managing risks and opportunities than companies that continue to do business from a conventional perspective. Vestel Beyaz Eşya recorded a strong performance in 2021 with the agile and flexible way of doing business adopted since the day it was founded. As an export-oriented company delivering products to 158 countries, we minimized foreign exchange rate risks and increased our sales revenues. In 2021, our turnover rose by 72% year-on-year to reach TL 16.2 billion while EBITDA increased by 36% to TL 2.5 billion.

A Sustainable and Inclusive New Management Strategy

With the active engagement of all departments within our Company and employees from all levels, we developed Vestel strategy in line with Zorlu Group's Smart Life 2030 strategy. Via this strategy, which we named the "Vestel Strategy in Action", we identified the topics we would focus on, particularly profitable growth, emerging business models, customer experience and sustainability, and developed our growth strategies for various product groups. At a time when the economic, environmental and social problems we face are deepening, it is more important than ever for companies to adopt inclusive and sustainable business models. At Vestel Beyaz Eşya, we developed our integrated management model in 2021 in order to achieve sustainable and inclusive growth, and to manage our risks and opportunities from a holistic perspective.

Additionally, we will continue to offer uninterrupted support for the entire business world to implement the 10 principles of the United Nations Global Compact (UNGC), which we signed in 2021, in the fields of human rights, labor standards, environment and anti-corruption.

Export-Oriented Growth Model

Under our export-oriented growth model, we aim to increase our investments and international collaborations in the upcoming period. While reinforcing our strength in the European market, we are striving to boost our presence in many other regions of the world such as North America, South America, the Middle East and South Africa. We aim to expand our activities in North America, especially in the USA, through the sales office we plan to open in the region. By closely following developments such as free trade agreements between countries, we improve our activities in our existing markets, and continue to engage in activities and research to open up to new markets. We aim to increase our production capacity by 50% with an investment of EUR 160 million that we will undertake in stages within the next few years.

A Pioneer in Innovation and Digital Transformation

We emphasize R&D, innovation and digital transformation with the vision of being a technology company with a focus on value-added services and digital solutions. We allocate approximately 1-1.5% of our revenues to R&D activities every year. By placing innovation and digital transformation at the center of all our business processes, we design an end-to-end smart and traceable manufacturing process. Currently, we have enabled the digitalization of our production processes to a great extent by launching various practices including lights-out manufacturing, robot-human collaboration and robot-robot collaboration.

Value-Added Products and Solutions

We offer consumers smart and connected products manufactured with the most advanced technologies. By focusing on sustainability in our R&D activities, we offer products and services that create environmental and social benefits for consumers. We are constantly improving our product range with our past experience in the household appliances sector and our strong technological infrastructure. Our household appliances are among the most efficient products of the industry in terms of energy and water saving. As a result of our activities intended for developing solutions for plastics pollution, we started using materials produced from olive pit waste in refrigerators and tumble dryers. We continue to engage in R&D studies for the use of recycled and recyclable raw materials. We respond to the increasing need for hygiene through products equipped with Daylight technology that we developed for evolving consumer expectations throughout the COVID-19 process. We integrate our products into the Smart Home concept and enable control of all products from a single window with the Evin Akı (smart home) application. In the upcoming years, we aim to focus more on smart products and the IoT segment.

Climate Crisis and the Net Zero Company Model

2021 was also a year throughout which the effects of the climate crisis were felt deeply. We left behind a year during which environmental disasters took their toll in many parts of the world, including Turkey, threatening human life and the ecosystem. As indicated in the 6th Assessment Report published by the Intergovernmental Panel on Climate Change, the climate crisis will pose irreversible effects if intervention does not happen as soon as possible. At COP26, governments came together to announce net zero commitments and emphasized the importance of acting together against the climate

crisis, one of the most important steps taken in this regard in 2021. Transition to a net zero economy will deeply affect all sectors and ways of doing business, leading to radical transformations. We, as Vestel Beyaz Eşya, plan to play a pioneering role in the transition to a net zero company model, both with our operations and with our products and services. Accordingly, we have set a goal of achieving net zero emissions by 2050, first in our own operations and then across the entire value chain, and we have committed to set a Science Based Target (under Science Based Target initiative - SBTi).

Talent Management and Investment in Diversity

As a developing technology company with a focus on digital transformation, managing our human resources is one of our top priorities. Accordingly, we are striving to manage risks that may arise from the talent gap. We care about the rapid adaptation of our employees and our business to the work life changes stemming from the pandemic process. We invest in talents, develop university-industry collaboration projects, measure and encourage performance so that new talents can be attracted by Vestel Beyaz Eşya while developing existing talents. We support both Vestel employees and the staff at dealers and authorized service providers in their development through various training programs such as the Technology Academy, Retail Academy and Service Academy. Employees now prefer companies that focus on equal opportunities and inclusion, and companies can also improve their performance faster in equal and inclusive environments. At Vestel Beyaz Eşya, we support equal opportunities in the working environment and aim to increase our female employee rate to 40% by 2030. We established the Gender Equality Group consisting of volunteers in order to develop projects that raise awareness with the motto "An Equal Life is Possible for All". To this end, we are striving to ensure that women with children have equal conditions in work life with A Happy Mother Project.

I am pleased to present to our stakeholders our first integrated report addressing Vestel Beyaz Eşya's economic, environmental and social performance, targets and approach in a holistic manner. I would like to take this opportunity to thank our employees, suppliers, customers, shareholders and all other stakeholders.

Sincerely,

Enis Turan ERDOĞAN
Chief Executive Officer



SENIOR MANAGEMENT



Enis Turan Erdoğan
Chief Executive Officer

(1955 - Mersin) Enis Turan Erdoğan obtained his bachelor's degree in mechanical engineering from İstanbul Technical University in 1976 and his MBA from Brunel University in the UK in 1979. Following his return to Turkey, he worked in managerial positions at various companies in the private sector before joining Vestel in 1988. Having assumed various managerial positions at Vestel since 1988, Mr. Erdoğan served as the Chairman of Vestel Foreign Trade and as an Executive Committee Member at Vestel Elektronik until 2013. Since January 1, 2013, Turan Erdoğan has been the CEO of the Vestel Group of Companies. Mr. Erdoğan served as the President of TURKTRADE (Turkish Foreign Trade Association) for two terms between 2002 and 2006. From 2010 to 2014, he sat at the board of Europe's largest ICT Confederation, DIGITALEUROPE, as the first Turkish national to hold this position.



Bekir Cem Köksal
Executive Committee Member

(1967 - Ankara) Cem Köksal graduated from the Mechanical Engineering Department of Boğaziçi University in 1988 and obtained a master's degree at Bilkent University in 1990. After serving in the banking industry between 1990 and 2001, Cem Köksal was named Deputy General Manager of Denizbank in 1997. Mr. Köksal joined Vestel as the Chief Financial Officer in 2002 and currently serves as an Executive Committee Member at the Vestel Group of Companies is the Chief Financial Officer at Zorlu Holding and is also a Board Member at Zorlu Enerji. Mr. Köksal is also the Chairman of the Sustainability Committee at Zorlu Holding AŞ, a member of the Board of Directors of UN Global Compact Turkey and a substitute member of the Board of Directors of the Association for Business and Sustainable Development (SKD).



Necmi Kavuşturan
Executive Committee Member

(1956 - Gaziantep) Necmi Kavuşturan graduated from the Faculty of Political Sciences at Ankara University in 1979. Mr. Kavuşturan began his career as a specialist at Türkiye İş Bankası in 1979 and became the Deputy General Manager of Interbank in 1985. Pioneering various projects at Interbank such as the "Management Trainee" program, open performance systems and overall quality management, Necmi Kavuşturan was appointed as the Deputy General Manager in charge of Management Services at Denizbank, a title he held between 1997 and 2003. During this period, Mr. Kavuşturan also managed the Advertisement, Public Relations, Construction and Purchasing Departments of Denizbank. Appointed as the Head of Human Resources Group at Zorlu Holding in 2003, Necmi Kavuşturan has also been serving as an Executive Committee Member for Human Resources at the Vestel Group of Companies since 2005.



Erdal Haspolat
General Manager of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ

(1970 - Bitlis) Erdal Haspolat graduated from the Department of Mechanical Engineering at Middle East Technical University in 1992. He started his career as System Design Engineer at the Rocket Industry Department of Ankara Makine Kimya Endüstrisi Kurumu in 1992. Mr. Haspolat began to work in the R&D Department of Vestel Beyaz Eşya's Refrigerator Plant in 1998 and served as the R&D Engineer and R&D Laboratory Responsible between 1998 and 2002. During this period, Erdal Haspolat also took part in projects for the localization of imported components used in the production of air conditioners. Between 2002 and 2005, he served as the Quality Assurance Manager and R&D Manager for Vestel Beyaz Eşya's new washing machine plant project. In 2005, he assumed the management of the dishwasher project, which was launched for the addition of dishwashers to Vestel Beyaz Eşya's product line. Taking part in the production, quality, product design and related processes of the plant, he was involved in all the investment and design processes of the project together with his project team and was also in charge of the Dishwasher Plant until 2013. In 2013, he became the Manager of the Refrigerator Plants. Mr. Haspolat was appointed as the General Manager of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ in April 2015 and has been serving in this position since then.



Alp Dayı

General Manager of Financial Affairs of the Vestel Group of Companies

(1963 - Alaşehir) Alp Dayı graduated from the Department of Industrial Engineering at Dokuz Eylül University in 1985 and received a degree in Finance from the University of California, UC Berkeley in 2006. Alp Dayı has served as a senior manager responsible for financial affairs at various industrial companies since 1987 and joined Vestel Group of Companies in 1999. He currently serves as the General Manager of Financial Affairs of the Vestel Group of Companies, assuming responsibility for Vestel's domestic and foreign subsidiaries.



Hasan Uğur

Deputy General Manager in Charge of Refrigerator Plants

(1981- Mersin) Hasan Uğur graduated from the Department of Mechanical Engineering at Middle East Technical University in 2004. He began his professional career at Vestel Beyaz Eşya as Design Engineer in the R&D Department at the Dishwasher Production Plant in 2005 and later served as the Mechanical Hydraulic System Design Supervisor and Senior Design Architect, respectively. Mr. Uğur has been working as an R&D Manager at the Refrigerator Plants since 2013 and has been appointed as the Deputy General Manager in charge of Refrigerator Plants in February 2019.



Serkan Balcı

Deputy General Manager in Charge of Washing Machine Plants

(1982 - İzmir) Serkan Balcı graduated from the Department of Mechanical Engineering at Dokuz Eylül University in 2004. He began his professional career at Vestel Beyaz Eşya as a Laboratory Engineer in the R&D Department at the Washing Machine Production Plant in 2006 and later served as the R&D Laboratory Supervisor, Senior Design Architect and R&D Manager, respectively. Mr. Balcı was appointed as the Deputy General Manager Responsible for Washing Machine and Tumble Dryer Plants on January 1, 2020, and continues to serve as the Deputy General Manager in charge of Washing Machine Plants as of September 1, 2020 due to an organizational change.



Serhat Tolga Sönmez

Deputy General Manager in Charge of Dishwasher Plant

(1972- Erzurum) Serhat Tolga Sönmez graduated from the Department of Electrical and Electronics Engineering at Dokuz Eylül University in 1994. After assuming different positions in the white goods sector, he joined Vestel Beyaz Eşya Sanayi ve Ticaret AŞ in 1998. He worked in different departments at the Refrigerator Plant, where he was also involved in its establishment, and was then appointed as the Manager of the Plant in 2006. Mr. Sönmez has been serving as the Deputy General Manager in charge of Dishwasher Plant since 2013.

SENIOR MANAGEMENT

**Mehmet Yavuz**

Deputy General Manager in Charge of Cooking Appliances Plant

(1978 - Diyarbakır) Mehmet Yavuz graduated from the Department of Industrial Engineering at İstanbul Technical University in 2002. He worked as a Quality Assurance Officer at Aykim Metal Sanayi ve Ticaret AŞ from 2002 to 2004. Mr. Yavuz then joined Vestel Beyaz Eşya in 2004 and assumed various responsibilities in the Company's Washing Machine, Dishwasher and Refrigerator plants. Mr. Yavuz served as the Acting Deputy General Manager for the Cooking Appliances Plant from October 2017 and was then appointed as the Deputy General Manager in February 2018.

**Özgün Döşemeciler**

Deputy General Manager in Charge of Tumble Dryer Plant

(1981 - İzmir) Özgün Döşemeciler graduated from the Department of Mechanical Engineering at Ege University in 2005. He began his professional career at Vestel Beyaz Eşya as a Design Engineer in the R&D Department at the Washing Machine Production Plant in 2006 and later served as the R&D Osculating Group Mechanical Design Supervisor and Senior Design Architect, respectively. Mr. Döşemeciler has been working as an R&D Manager at the Tumble Dryer Plant since 2016 and was appointed as the Deputy General Manager in charge of Tumble Dryer Plant on September 1, 2020.

**Özgür Yılmaz**

Deputy General Manager in Charge of Purchasing

(1976 - İzmir) Özgür Yılmaz graduated from the Department of Mechanical Engineering at Middle East Technical University in 1998. Mr. Yılmaz worked on attack helicopters in the Turkish Armed Forces between 1998 and 2001. He began working at Vestel Beyaz Eşya as a Washing Machine Design Engineer in 2002 and later served as the Chief Engineer for R&D Mechanical Design and R&D Manager, respectively. Mr. Özgür Yılmaz served as the Deputy General Manager for the Washing Machine Plant since 2012 and was also responsible for the new Washing Machine and Tumble Dryer Plant, which came online in 2018. Özgür Yılmaz was appointed as the Deputy General Manager in charge of Purchasing on January 1, 2020.

Turgay Büyük

Deputy General Manager in Charge of R&D



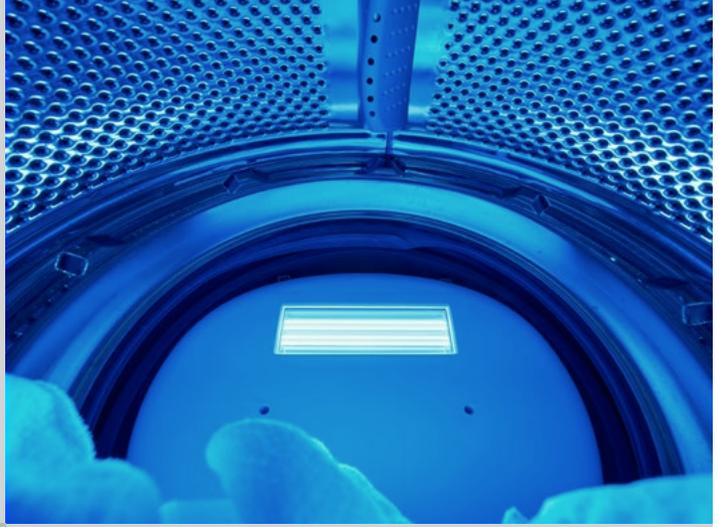
(1981 - İzmir) Turgay Büyük graduated from the Department of Electric and Electronic Engineering at Middle East Technical University in 2004. He started working at Vestel Beyaz Eşya as a Laboratory Engineer in the Dishwasher R&D Department in 2005 and later served as R&D Laboratory Group Supervisor and Senior Design Architect, respectively. Mr. Büyük, who has been serving as the Technology Development Manager since 2016, was appointed as Deputy General Manager in Charge of R&D on September 1, 2020.



HIGHLIGHTS FROM 2021

We achieved our highest export level to date.

In 2021, we exported products amounting to TL 12.7 billion (EUR 1.2 billion). Exports accounted for 78% of our sales revenues. In addition to our strong growth in the European market, which is our primary market, we increased our sales to non-European countries, including the American market, and achieved a total turnover of TL 16.2 billion with a 72% growth rate year-on-year.



We developed washing machines equipped with a microfiber filter system.

Through our washing machines equipped with a microfiber filter system, we aim to reduce microplastics in the water discharged during washing and help prevent them from ending up in nature.



We increased our production capacity.

Following our additional capacity expansion investments in the refrigerator and tumble dryer plants in 2021, we increased our annual production capacity from 12.5 million to 13.6 million units.

We prepared our first integrated report.

We conducted our materiality analysis based on a comprehensive stakeholder analysis and created our integrated strategy. In line with this model, we prepared our first integrated report covering the results of 2021.

We announced our 2050 net zero target and committed to setting a Science Based Target.

We aim to reach net zero emissions by 2050, first in our own operations and then in our entire value chain. We announced our commitment to set a Science Based Target (under SBTi), which is an important step in reaching net zero emissions.

We are increasing our renewable energy investments.

We plan to generate 230 MWh of electrical energy annually with the 142 kWp solar panel we installed on the rooftop of the utilities facility that distributes energy to the refrigerator and washing machine plants. In addition, we aim to continue and increase our solar energy investments.

We became a signatory to the United Nations Global Compact (UNGC).

As Vestel Beyaz Eşya, we became a signatory to the United Nations Global Compact, the world's largest corporate sustainability initiative, in 2021.

We were rewarded with more than 50 awards. 🏆

We have achieved huge success in R&D, production, design, marketing, corporate communication, human resources and customer relations, and have won more than 50 awards in various fields. You can find detailed information about the awards we have received in Appendix 5 (page 140).

We registered 51 patents.

We registered 42 patents in Turkey and 9 in the European Patent Office. We achieved TL 50 million in revenues from these patents.

We developed “Daylight-Pro” products with UV-C technology.

Our “Daylight-Pro” technology helps respond to the increasing hygiene needs of consumers against bacteria and viruses while offering energy and water efficiency.

VESTEL BEYAZ EŞYA INTEGRATED BUSINESS MODEL

INPUTS

Financial Capital

- » Total capital and assets
- » Robust and sustainable liquidity position
- » Use of various financing instruments (Domestic / foreign bank loans, capital market instruments, etc.)
- » Close monitoring of the foreign exchange position
- » Close monitoring of receivables and use of credit insurance

Human Capital

- » Competent senior management and board of directors
- » 9,416 qualified employees
- » 406 contractor employees
- » Share of women on the board of directors: 43%

Intellectual Capital

- » An R&D team of 598 people
- » 24 years of sectoral knowledge and innovation capacity
- » TL 148.2 million of R&D investment
- » 2.5 million TL smart product investment

Manufactured Capital

- » One of Europe's largest production facilities established over a single site
- » A total of 7 plants with an indoor area of 406,000 sqm at Vestel City, which has a total of 1.3 million sqm
- » 1,173 Vestel stores, 755 Regal stores and 10 VsOutlets
- » TL 426.4 million investment in plants, machinery and equipment
- » A production capacity of 13.6 million units/year

Social and Relationship Capital

- » Collaborations with 20 sectoral stakeholders
- » Transparent and accountable investor relations
- » Nearly 700,000 individual (B2C) customers in Turkey and more than 1,200 corporate customers (B2B) at the global level
- » A total of 2,164 suppliers; 1,750 local suppliers; 108 critical suppliers

Natural Capital

- » 475,960 tonnes of raw material input
- » 211,930 MWh of energy consumption
- » 938,930 m³ of water use

GLOBAL TRENDS AND DEVELOPMENTS

» Changing socio-economic conditions and supply chains in the wake of the pandemic

» Further acceleration of the digitalization trend and changing expectations of customers

Designing innovative and digital products and services that respond to customer needs

Flexible and agile manufacturing scale, smart plants

VESTEL

STRATEGIC APPROACH

1

TO BE A TECHNOLOGY COMPANY CREATING SOCIAL AND ENVIRONMENTAL BENEFITS THROUGH ACCESSIBLE AND SMART PRODUCTS THAT MAKE LIFE EASIER

TECHNOLOGY AND HUMAN-ORIENTED TRANSFORMATION

Achieving human-oriented transformation in the entire value chain with the power of technology

» Global environmental problems such as climate crisis, dwindling resources and loss of biodiversity

Offering the best customer experience-oriented sales and after-sales services

Manufacturing in large-

2

A NET-ZERO COMPANY

Applying innovative business models and adopting the circular economy in the transition to an economy based on net zero emissions

3

ACCESSIBLE AND SMART SOLUTIONS THAT MAKE LIFE EASIER

Developing solutions that meet the needs of the future and make life easier by creating environmental and social benefits

OUTPUTS

Products

- Refrigerators
- Freezers
- Dishwashers
- Washing Machines
- Tumble Dryers
- Cooking Appliances
- Air-conditioners
- Water Heaters
- Vaccine Storage Cabinets

Services

- Smart and digital solutions
- Customer services
- Hygiene solutions

Waste and Emissions

- 88,666 tonnes of carbon emissions
- 46,772 tonnes of waste

OUTCOMES

Financial Capital

- » A market value of TL 12.6 billion as of December 31, 2021
- » A net profit of TL 1.5 billion
- » A turnover of TL 16.2 billion with an increase of 72%
- » An EBITDA of TL 2.5 billion with an increase of 36%
- » Savings of TL 151.5 million through innovation efforts regarding processes
- » Exports of TL 12.7 billion
- » A gross dividend payment of TL 800 million
- » A net financial debt-to-EBITDA ratio of 0.5x

Human Capital

- » Share of female employees at 31%
- » A high-performing employee turnover rate of 1.6%
- » 87,683 hours of OHS training offered to employees
- » A 3% increase in the employment of persons with disabilities
- » 14 hours of training per employee per year
- » An 11% increase in employee satisfaction scores and a 23% increase in employee engagement scores

Intellectual Capital

- » 3 awards in digitalization and technology
- » 135 patent applications
- » 51 registered patents
- » TL 50 million of revenues from patents
- » 138 actively-engaged R&D projects

Social and Relationship Capital

- » A domestic customer satisfaction score of 88, a 2% increase year-on-year
- » A Net Promoter Score of 83 for domestic after-sales services, a 2% increase year-on-year
- » A community investment of TL 4.8 million
- » Strong brand identity and perception
- » Collaboration with 9 universities regarding open innovation

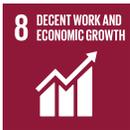
Natural Capital

- » A 12% reduction in greenhouse gas intensity compared to 2019
- » A reduction of 3,131 tonnes of carbon emissions by saving 5,433 MWh of energy
- » A 7% reduction in the amount of energy consumed per unit product compared to 2019
- » 76 MWh of renewable energy use
- » A 25% reduction in the amount of water consumed per unit product compared to 2019
- » An 8% reduction in the amount of waste generated per unit product compared to 2019
- » Waste recycling rate of 95%
- » 20,245 household appliances refurbished as part of the circular economy
- » A reduction of 3,729.5 tonnes of virgin plastics

STRATEGIC APPROACH

Vision:

To be a technology company creating social and environmental benefits through accessible and smart products that make life easier

Area of Strategy	Technology and Human-Oriented Transformation	A Net Zero Company	Accessible and Smart Solutions That Make Life Easier
	<p>Achieving human-oriented transformation in the entire value chain with the power of technology</p> <ul style="list-style-type: none"> Spreading a transformation culture driven by technology and digitalization to the entire Company and increasing our share in the global market Applying technological innovations that add value to human life to the value chain Focusing on diversity, inclusion and social benefit 	<p>Applying innovative business models and adopting the circular economy for transition to an economy based on net zero emissions</p> <ul style="list-style-type: none"> Achieving net zero emissions, first in our own operations and then in our entire value chain Introducing circular models that improve our impact on natural resources 	<p>Developing solutions that meet the needs of the future and make life easier by creating environmental and social benefits</p> <ul style="list-style-type: none"> Developing new ideas and business models Developing digital service platforms by understanding customer needs Offering products and services that create environmental and social benefits
Relevant Material Issue	<ul style="list-style-type: none"> R&D and Innovation Digitalization Talent Management Responsible Supply Chain 	<ul style="list-style-type: none"> Climate Crisis and Transition to a Zero Carbon Economy Circular Economy and Waste 	<ul style="list-style-type: none"> R&D and Innovation Digitalization and Consumer Experience Products Creating Environmental and Social Benefits Customer Satisfaction and Communication
Target	<ul style="list-style-type: none"> Increasing the share of women in total workforce to 40% by 2030 Ensuring 100% compliance of all critical suppliers with the Supplier Code of Conduct by 2030 	<ul style="list-style-type: none"> Being a net zero company in the entire value chain by 2050* 	<ul style="list-style-type: none"> Increasing the online turnover rate in Turkey to 25% by 2030
Relevant Sustainable Development Goals (SDGs)	 	 	 
	 	 	

*A commitment was given to set a Science Based Target under SBTi in 2021. These targets will be announced by the end of 2023.

Technology and Human-Oriented Transformation

We aim to transform our corporate culture in a human-oriented way by leveraging the power of technology and digitalization. By spreading this culture throughout the Company, we can develop the competencies of our employees in line with the emerging needs of the century and apply digital and technological innovations to our operations. While we adopt diversity, inclusion and social benefit as our basic principles, we apply the technological innovations adding value to human life in the value chain. With the power of the transformation culture, we are expanding our global sphere of influence by increasing our share in the global market.

Major Capital Areas



Financial Capital



Intellectual Capital



Social and Relationship Capital



Human Capital

A Net Zero Company

We believe that resource scarcity and climate crisis action should be on everyone's agenda including both the public and the private sector. Considering this responsibility, we are investing in innovative business models for transition to a net zero-emission economy and striving to implement circular models in both our products and operations.

Major Capital Areas



Financial Capital



Natural Capital

Accessible and Smart Solutions That Make Life Easier

Our products and services will play a key role in building a sustainable society. One of our main goals is to create solutions that respond to the needs of the future, make life easier and are accessible to everyone by creating environmental and social benefits. We focus on identifying emerging needs and responding to them via new ideas and business models. We invest in digital service platforms by prioritizing customer experience.

Major Capital Areas



Financial Capital



Intellectual Capital



Manufactured Capital



Social and Relationship Capital

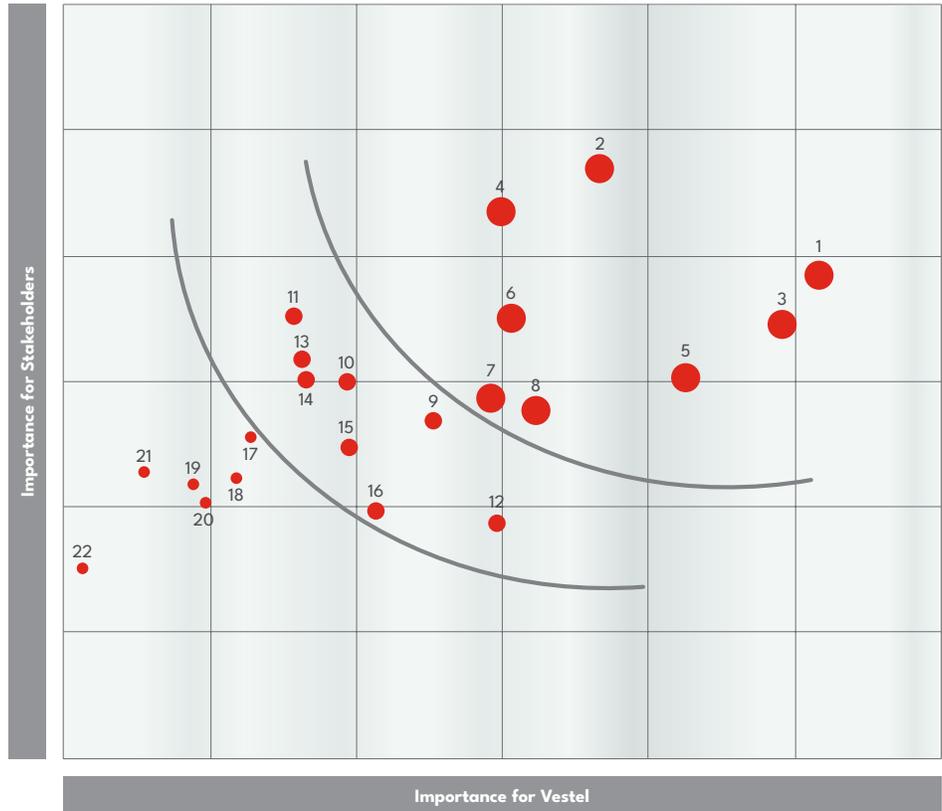
MATERIALITY ANALYSIS

Matrix of Material Issues

Materiality Analysis

To start the materiality analysis process, we first created a long list of topics, including relevant topics for our industry, based on an extensive literature review. In 2021, various stakeholder groups prioritized the list of topics through online surveys along with a comprehensive stakeholder analysis through which we received the opinions of a total of 2,372 stakeholders. In addition, we benefited from the reports of international and sectoral initiatives and associations, global trends, sustainability index criteria and the priorities of other sector players under the external trend analysis.

External trend analysis and stakeholder opinions helped us identify the priorities of stakeholders while Vestel's business strategy, opinions of executives, four-stage impact analysis and **Zorlu Holding's Smart Life 2030 strategy** contributed to setting Vestel's priorities. Common issues that stood out in both areas formed our material issues. Interviews were held with 12 general managers and 1 board member, while the opinions of 31 deputy general managers were collected through online surveys in the Vestel Group of Companies to identify the opinions of the executives. During the four-stage impact analysis, each topic was evaluated in terms of financial impacts and risks, regulatory impacts, innovation opportunities, sectoral examples, and competitive advantage.



Very High Priority Issues

- 1 R&D and Innovation
- 2 Climate Crisis and Transition to a Zero Carbon Economy
- 3 Digitalization and Consumer Experience
- 4 Circular Economy and Waste
- 5 Customer Satisfaction and Communication
- 6 Products Creating Environmental and Social Benefits
- 7 Responsible Supply Chain
- 8 Talent Management



High Priority Issues

- 9 Data Security and Cyber Risks
- 10 Occupational Health and Safety
- 11 Water and Wastewater
- 12 Stakeholder Engagement and Collaborations
- 13 Ethics, Compliance and Transparency
- 14 Product Quality and Safety
- 15 Equal Opportunities, Diversity and Inclusion
- 16 Employee Engagement and Satisfaction



Medium Priority Issues

- 17 Responsible Raw Material Management and Conflict Affected and High-Risk Area Minerals
- 18 Corporate Governance
- 19 Integrated Risk Management
- 20 Corporate Citizenship / Community Investment Programs
- 21 Human Rights
- 22 Biodiversity

Material Issues

Material Issue	Significance	Relevant Stakeholders	Relevant Section
R&D and Innovation	As a technology company, R&D and innovation are critical to both developing new products and transforming operations.	Employees, customers	Technology and Human-Oriented Transformation
Climate Crisis and Transition to a Zero Carbon Economy	It is of great importance to achieve net zero in greenhouse gas emissions as quickly as possible in order to keep global warming below 1.5 °C by 2050 and to minimize the effects of the climate crisis. Our product portfolio and the steps we take in our operations play a key role in the transition to a zero carbon economy.	All stakeholders/ society	A Net Zero Company
Digitalization and Consumer Experience	In parallel with digitalization, customers demand digital products and services with emerging technologies. Developing digital products responding to their needs by closely following evolving consumer behaviors is among the basic requirements for being a pioneer in the rapidly transforming sector.	Customers, employees	Accessible and Smart Solutions That Make Life Easier
Circular Economy and Waste	The prevailing linear economy model stands out as a model in which waste is considered worthless and the increasing pressure on natural resources is ignored, leading to negative consequences such as economic loss and environmental pollution. In order to prevent these phenomena and protect the continuity of production, the adoption of circular models through which products are designed to be reintroduced to the economy and which thus change the perspective on resources and waste comes to the fore.	All stakeholders/ society	A Net Zero Company
Customer Satisfaction and Communication	Keeping customer satisfaction high by always offering innovative products and "the best" to customers plays a key role in the continuity of business success.	Customers	Customer Experience
Products Creating Environmental and Social Benefits	Different products and services containing low carbon levels, reducing water consumption and pollution as well as those we have developed for disadvantaged groups will play an important role in building a sustainable society.	Customers, society	Accessible and Smart Solutions That Make Life Easier
Responsible Supply Chain	Management of the supply chain has a very important place in terms of the continuity of our business and the reputation of the company. Monitoring environmental and social performance within the supply chain is among the basic requirements of a successful supply chain management.	Suppliers	Supply Chain
Talent Management	With the rapid increase in digitalization, especially with the COVID-19 pandemic, many jobs and job descriptions have to transform. In a constantly-transforming environment, existing capabilities need to be continuously developed and adapted to emerging needs. It is critical to find the right talents and invest in talents according to the requirements of the new century in order to remain a pioneering company in technology and digitalization.	Employees	Employees

SUSTAINABILITY MANAGEMENT

An effective management structure is of great importance for the integration of environmental, social and governance (ESG) topics throughout the Company. Sustainability issues are managed by the Sustainability Department reporting to the CEO. Under the coordination of the Vestel Group of Companies Sustainability Department, there are working groups on Environment, Social, Governance, Technology, Supply Chain and Customer Satisfaction. These working groups began working in 2021 in line with the new road maps and they aim to accelerate their activities in 2022.

In addition, the Company contributes to Zorlu Holding’s sustainability efforts along with all Group companies under Zorlu Holding’s Smart Life 2030 strategy. Information meetings and training programs are organized for employees on ESG policies and practices.

We monitor our performance in ESG topics through sustainability indices. We have been listed in the Borsa İstanbul Sustainability Index since 2016. As of 2021, we started responding to the EcoVadis sustainability assessment.

WORKING GROUPS AND THEIR FIELDS OF ACTIVITY

<p>ENVIRONMENT</p> <ul style="list-style-type: none"> Climate Crisis and Zero Carbon Economy Circular Economy and Waste Products Creating Environmental Benefits Water and Wastewater Biodiversity 	<p>SOCIAL</p> <ul style="list-style-type: none"> Talent Management Occupational Health and Safety Equal Opportunities, Diversity and Inclusion Employee Engagement and Satisfaction Human Rights Corporate Citizenship / Community Investment Programs 	<p>GOVERNANCE</p> <ul style="list-style-type: none"> Corporate Governance Integrated Risk Management Ethics, Compliance and Transparency Stakeholder Engagement and Collaborations
<p>TECHNOLOGY</p> <ul style="list-style-type: none"> R&D and Innovation Digitalization and Consumer Experience Products Creating Environmental and Social Benefits Data Security and Cyber Risks Product Quality and Safety 	<p>SUPPLY CHAIN</p> <ul style="list-style-type: none"> Responsible Supply Chain Responsible Raw Material Management and Conflict Affected and High-Risk Area Minerals 	<p>CUSTOMER EXPERIENCE</p> <ul style="list-style-type: none"> Customer Satisfaction and Communication Customer Experience



ETHICAL PRINCIPLES



At Vestel Beyaz Eşya, we have adopted an ethical way of doing business based on Zorlu Holding's Ethical Principles. In line with these principles that guide achievement of our vision, we also conduct our activities in accordance with the principles of accountability and transparency.

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Zorlu Holding's Ethical Principles regulate the basic principles, values and ways of doing business of Zorlu Holding and all Group companies. Ethical Principles, which constitute an indispensable set of rules created with the cornerstones of "integrity" and "honesty", are in harmony with corporate policies, values and principles. They cover all our employees and are also binding for all stakeholders, especially suppliers, business partners, dealers, authorized vendors and authorized service providers. In this respect, they ensure that our stakeholder relations are managed effectively.

We aim to ensure the compliance of all our stakeholders with the Ethical Principles by integrating ethical conduct into the entire organization. In the fight against all kinds of corruption, including bribery and extortion, we make use of tools such as Zorlu Holding's internal audit mechanism, independent company audits, and information management systems, in addition to the Ethical Principles.

Zorlu Holding's Ethical Principles are available [here](#). 

We aim to ensure the compliance of all our stakeholders with the Ethical Principles by integrating the ethical conduct into the entire institution.

Compliance with the Ethical Principles

All employees and stakeholders can send an e-mail to the Ethical Principles Hotline (etik@vestel.com.tr, etik@zorlu.com) and call 0 212 456 23 23 or 0 850 226 23 23 at any time of the day to report or consult on nonconformities they encounter on ethical issues.

Created with the aim of establishing, developing and maintaining an ethical culture, the Ethics Committee is chaired by Zorlu Holding's CEO and consists of Zorlu Holding's Chief Human Resources Officer, Zorlu Holding's Chief Legal Officer and Zorlu Holding's Audit General Manager.

Notifications received by the Ethical Principles Hotline are evaluated by Zorlu Holding's Audit Department. The results are shared with the Ethics Committee, Board members and the relevant Group CEOs on a quarterly basis.

In 2021, Vestel Beyaz Eşya received no notifications for cases regarding the Ethical Principles. There were no legal cases on environmental and governance (including corruption) issues in 2021. There were a total of 15 finalized legal cases regarding social issues.

As a Zorlu Group company, we offer Ethical Principles e-training through Zorlu Academy online training platform. These trainings aim to raise awareness about how employees can use the Ethical Principles to reconsider their way of doing business, approaches and perspectives. The Ethical Principles Training is carried out under the umbrella of Smart Life 2030 and has been prepared and implemented as part of the activities of the Holding Corporate Governance Working Group under the coordination of the Audit Department and the Human Resources Group. In 2021, 167 employees received one-hour of Ethical Principles training at Vestel Beyaz Eşya.

GLOBAL TRENDS, RISKS AND OPPORTUNITIES

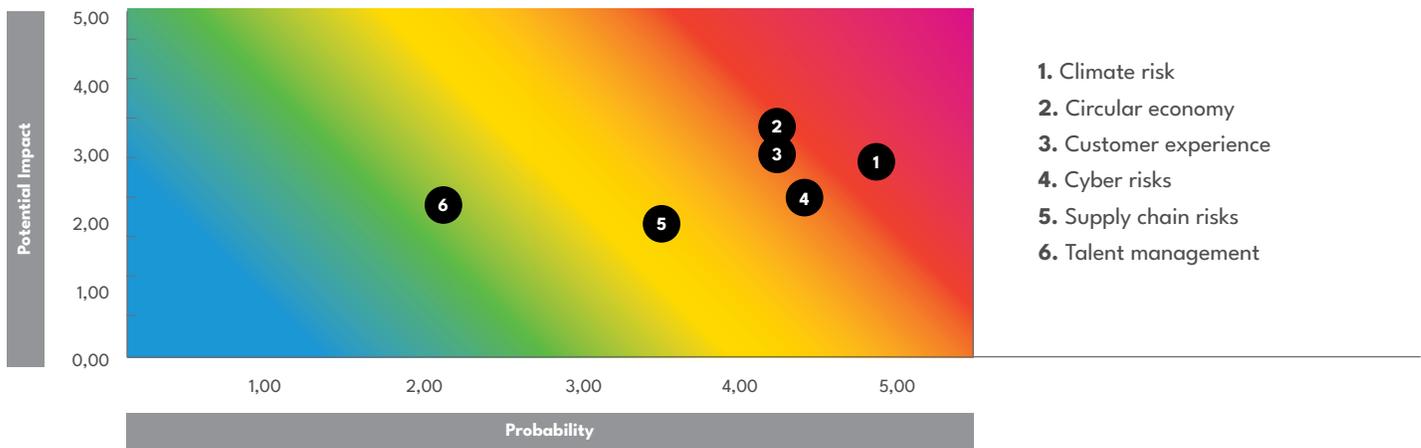
While engaging in our business, we are affected by various global trends and risks. We follow different external factors such as changing dynamics with the pandemic, environmental problems and evolving demands of customers, and strive to seize opportunities by responding to these risks and trends. At Vestel Beyaz Eşya, we involve all departments in risk and opportunity analysis prepared under Management Systems in order to develop a risk culture.

While the pandemic has triggered significant disruptions in supply chains, the semiconductor crisis, localization, and has accelerated digitalization, customer experiences and expectations are evolving in different directions in parallel with digitalization. Additionally, environmental problems such as the climate crisis and resource scarcity are among the most important problems and risks for the

whole world and must be overcome with collective efforts. We aim to maximize the value we create for our stakeholders by responding to changing trends with the products and services we offer and transforming our operations.

Our material issues also shape the major non-financial risks and opportunities we follow. In this section, we have covered our main environmental, social and governance risks, impacts and mitigation strategies. You can find detailed information on risk management processes and financial risks in the Corporate Governance / Risks and Assessment of the Board of Directors section (page 107).

Matrix of Non-Financial Risks



Climate Crisis Risks

According to the World Economic Forum (WEF) Global Risks Report 2022, climate change and extreme weather events triggered by climate change are among the risks that have the highest impact and pose a critical threat in the short, medium and long term. Although there are various risks that climate change poses to human life and

the business world, these risks are grouped under two main headings by the Task Force on Climate-related Financial Disclosures (TCFD). These are the risks based on transition to a zero carbon economy and the physical risks expected due to the physical effects of climate change.

Potential Impact	Term ¹
<p>Transition Risks</p> <ul style="list-style-type: none"> • Europe accounts for 85-90% of the total international sales of Vestel. Various mechanisms such as carbon pricing in trading countries, carbon border adjustment mechanism (CBAM) under the European Green Deal, and emissions trading systems potentially creating a financial burden on the Company • Increasing carbon costs being reflected in product prices, thus increasing barriers to entry into certain markets <p>Physical Risks</p> <ul style="list-style-type: none"> • Production interruption and losses at production facilities triggered by a rise in extreme weather events such as floods and tornadoes • Fires caused by extreme heat in forests and power lines close to Vestel • Elevated water stress at Vestel and its suppliers due to high temperatures caused by climate change as well as decreased availability of high-quality and sufficient water in production activities 	Medium
<p>Transition Risks</p> <ul style="list-style-type: none"> • Loss of reputation due to Vestel's potential failure to achieve its climate change-related targets and adaptation to climate change • Difficulties in accessing funds and financing that invest based on environmental, social and governance (ESG) performance • Faster response by competitors, lagging behind in the market and missing new growth areas due to the developments and innovations regarding transition to a zero carbon economy <p>Physical Risks</p> <ul style="list-style-type: none"> • Potential price and supply fluctuations in input costs due to interruptions and pauses in the supply chain triggered by extreme weather events • Various potential malfunctions and deterioration in electronic components due to high temperatures • Risk of inundation of production facilities due to sea level rise in Manisa, İzmir and its surroundings 	Long
<p>Opportunities</p> <ul style="list-style-type: none"> • Renewable energy, which plays an important role in achieving the net zero target by 2050, becoming a cheaper energy source and the procurement or generation of renewable energy by Vestel • Vestel's achievement of elevated environmental, social and governance (ESG) performance and access to more affordable financing from financial institutions compared to conventional loans • Developing new products and services ensuring mitigation and adaptation to climate change such as air-conditioning solutions, solutions for renewable energy, products with high energy and water efficiency, electric vehicle chargers and batteries, and achieving a significant increase in turnover and growth opportunities with these products and services • Building resilience against potential business interruptions and price/supply fluctuations along the supply chain by supporting suppliers to make investments to mitigate climate change risks • Reducing carbon costs by getting ahead of competitors in climate change performance 	
<p>Risk Mitigation Strategies</p> <ul style="list-style-type: none"> • Net zero emission target by 2050 and commitment to set a Science Based Target (SBTi) • Renewable energy investment plans • Efficiency projects launched for operations • Product portfolio breaking records in energy and water savings, products offering natural resource efficiency • "Emergency action plan" against natural disasters caused by the climate change 	

¹ Short: 0-2 years Medium: 2-5 years Long: 5 years and above

GLOBAL TRENDS, RISKS AND OPPORTUNITIES

Circularity and Waste Management Risks

Today, we are facing an environmental crisis caused by plastic pollution. Plastic waste ends up in nature and oceans due to the failure to recycle it in an appropriate way. The World Bank report **expects**  that global waste will increase by 70% until 2050 due to existing production and waste management systems and the rising global population along with an estimate of 12 billion tonnes of plastics ending up in nature.

In order to prevent this crisis and its potential negative implications, it is important that the existing production systems move from a take-make-waste approach to a circular understanding of make-use-recover. Regulations such as the European Green Deal Circular Economy Action Plan and the Zero Waste Project of the Republic of Turkey Ministry of Environment, Urbanization and Climate Change are among the steps taken by public authorities in this vein.

Potential Impact	Term
<ul style="list-style-type: none"> Increased costs due to future regulations to prevent plastic pollution and regulations aimed at increasing recycled content in products and packaging (such as the EU Ecodesign Directive, the new Packaging Waste Control Regulation) and the introduction of potential taxes Higher cost to Vestel Beyaz Eşya due to the higher cost of recycled plastic raw materials Non-adoption of circular economy business models such as refurbishment and reuse by customers 	Medium
<ul style="list-style-type: none"> Customer preference for different products due to quality and durability concerns associated with recycled plastic Potential financial losses triggered by the inadequacy of the recycling infrastructure in the countries of operation and the failure to use waste products properly and reintegrate them into the economy Falling behind other competitors and loss of market share due to the failure to develop products intended for the circular economy and plastic pollution 	Long
Opportunities	
<ul style="list-style-type: none"> Access to various Horizon funds through R&D projects intended for the circular economy under the EU Green Deal Reducing waste costs and potential additional financial burdens through circular models Increasing product and customer satisfaction by introducing opportunities such as repair services and reuse of products and opening new business areas for models based on used products and rental/sharing According to a recent survey, 85% of retailers in Europe state  that their sustainable product sales have increased in the last five years, and 92% say that they will rise in the next five years. Achieving cost advantages with reusable, repairable and durable products with high recycled content and attracting customers who are sensitive to these issues to Vestel Reducing raw material costs in production by reusing raw materials Creating growth areas with innovative products that generate solutions to the circular economy and plastic pollution 	
Risk Mitigation Strategies	
<ul style="list-style-type: none"> Designing the most efficient production processes with Industry 4.0 and investing in circular economy models Zero waste plants Products that offer natural resource efficiency and reduce pollution Investing in repair, refurbishment and resale models R&D studies for the use of recycled and recyclable raw materials 	

Customer Experience and Digitalization Risks

- While Industry 4.0 promises more efficiency with less effort through various technologies such as smart automation, data and analytics, these practices deeply transform the business model of companies. Emerging technologies bring about many risks as well as benefits. As these disruptive technologies replace existing products and services and open up various opportunities in processes, various potential uncertainties **make it difficult** for companies to predict and effectively manage these risks in advance. As all these digital processes become more prevalent in our lives, cyber threats are also emerging.

In parallel with digitalization, customers also demand digital products and services with emerging technologies. When customers do not have opportunities to experience a product themselves, they consider the reviews of customers with experience on this product in their decision-making processes. Users can see each review shared on the internet thanks to digitalization and can also access real or baseless complaints and negative reviews about a product. Digitalization is of great importance for Vestel Beyaz Eşya in order to understand the demands and needs of its customers in advance and to respond to these needs, yet it poses various risks.

Potential Impact	Term
<ul style="list-style-type: none"> • Vestel Beyaz Eşya’s potential failure to catch up with customer trends and demands due to the ineffective use of tools such as data analytics, CRM, and big data • Drop in customer satisfaction and loss of reputation due to any vulnerability in the cyber infrastructure of technology in smart home and internet of things (IoT) products • Loss of customers due to lack of fast, secure and smart products and services • Damage to Vestel’s brand image in the eyes of customers due to negative comments about the brand on digital platforms (social media and internet) • Competitors getting ahead with innovative/connected/digital products and loss of market share due to being late in digital transformation • Lagging behind competition in the market for products creating social benefits 	Short-Medium
Opportunities	
<ul style="list-style-type: none"> • Gaining new customers by offering personalized products, experiences and services to customers thanks to technologies such as data analytics, artificial intelligence (AI), internet of things (IoT), CRM and big data • Growth and increase in market share with innovative digital products offered (IoT, connected and smart products with AI systems, state-of-the-art products, digital assistants, etc.) • Achieving new sales areas with products creating social benefits (products and solutions for disadvantaged groups, providing access to technology via the rental model, offering solutions to support balanced nutrition) • Achieving efficiency, speed and cost advantage with the introduction of digital transformation in production 	
Risk Mitigation Strategies	
<ul style="list-style-type: none"> • Designing new processes for customer experience with the establishment of the Data Science Department • Investments in data analysis and the renewed Evin Aklı (smart home) ecosystem • Efforts to improve the IoT product range • Improvements in online sales channels 	

Our projects and products intended for improving the customer experience are available at Accessible and Smart Solutions that Make Life Easier section (page 87).

GLOBAL TRENDS, RISKS AND OPPORTUNITIES

Cyber Risks

While the digitalization of business processes, products and services offers opportunities such as efficiency and higher performance in the working environment, it also poses cyber risks. As a company, we face various cyber risks:

- Bad activity risk
- Technological risks associated with software, industrial control systems and means of communication
- Infrastructure and inventory security risks
- Extensive attack surface and external network footprint risks (perimeter posture)
- Dark web risks
- Potential data breach incidents and business interruption risks (security incidents)
- Risks regarding the company’s reputation and promotion (external presence risk)
- Cybersecurity personnel deficit risks (internal organization risks)

Potential Impact	Term
<ul style="list-style-type: none"> • Disruption in business processes in case of insufficient technological infrastructure and cyber security • Violation/leakage of corporate data and personal data • Loss of reputation • Financial loss and loss of customers • Penalties and sanctions 	Short-Medium

Opportunities

- Improving reputation with strong cybersecurity
- Opening new business areas by developing products against cyber risks

Risk Mitigation Strategies

- Integration of the ISO 27001 Information Security Management System into operations
- Information security trainings
- Process management with periodic actions and warnings introduced against vulnerabilities through periodic scanning
- Publishing version updates and engaging in end-to-end security analyses for each component by following the globally-published vulnerabilities of applications and platforms made available to the external world
- Use of Intrusion Prevention Systems (IPS) and Firewall against external threats and actors

Short-Term Infrastructure Measures (0-2 Years)

- Increasing the security of our computers and mobile devices
- Continuously improving the Information Security Management System
- Rendering external connection to our systems and network more secure
- Increasing the access security to our systems

Medium-Term Infrastructure Measures (2-5 Years)

- Periodic testing and continuous improvement of our cyber incident response plan
- Scanning, troubleshooting and planned improvements
- Offering cyber risk assessment for third parties
- Extensive investments in penetration test findings

You can access information about cyber risks in products and operations and our relevant measures in the Digital Transformation section (page 61).

Supply Chain Risks

In business lines and sectors with complex supply chains, supply chain management has a very important place in terms of business continuity and corporate reputation. COVID-19 more clearly revealed the vulnerabilities and risks in the supply chain, as evidenced by the global lack of supply for an important input such as semiconductors, rendering the management of risks in this area much more critical. Supply chain risks include supply and demand risks, environmental risks, business and financial risks, and compliance risks.

- **Supply risks:** Potential problems in Vestel's supply chain and the risk of not being able to procure products from suppliers in a timely/complete manner
- **Demand risks:** Vestel's supply of insufficient or excess products to the market as a result of sudden decreases and increases in customer demand due to sudden major shocks (e.g. COVID-19, etc.)
- **Environmental risks:** Risks such as cost increases in the supply chain and production disruptions, etc. triggered by climate change and environmental problems
- **Business and financial risks:** Risks arising from reasons such as increasing costs in the supply chain, potential loss of financial stability regarding Vestel's suppliers and organizational errors, etc.
- **Compliance risks:** Risks arising in the supply chain from non-compliance with regulations regarding human rights, conflict minerals (Tin, Tungsten, Tantalum, Gold (3TG)), ethical and environmental issues

Potential Impact	Term
<ul style="list-style-type: none"> • Disruption or slowdown in production at Vestel Beyaz Eşya and failure to place sufficient number of products on the market due to disruptions in the supply chain • Quality of Vestel Beyaz Eşya products being affected by quality problems and faults in outsourced products • Bankruptcy risk and default of manufacturers within the supply chain causing slowdowns in the supply chain in case of working with suppliers with insufficient organizational and financial maturity • Penalization of a supplier within the supply chain or the suspension of its operations due to non-compliance with laws • Loss of reputation due to a non-compliance or crisis with environmental, social or ethical issues in the supply chain • Sudden and fluctuating price changes in the products procured due to extreme weather events and other environmental effects, negatively affecting the Company's profitability due to failure to directly reflect these changes to product prices 	Short-Medium
Opportunities	
<ul style="list-style-type: none"> • Improving Vestel Beyaz Eşya's ESG performance and competitiveness in the sector by adopting responsible and sustainable procurement principles throughout the entire supply chain • Contributing to financial performance through effective supply chain management • Establishment of good relations with suppliers and the effective management thereof leading to the improvement of Vestel Beyaz Eşya's reputation and facilitating the establishment of good business relations • Seizing the potential for innovation and differentiation in the market via a sustainable supply chain 	
Risk Mitigation Strategies	
<ul style="list-style-type: none"> • Ensuring diversity in suppliers and efficient supply chain efforts • Digital transformation efforts in procurement • Commissioning of the Supplier Evaluation and Audit System • Working with local suppliers offering logistics, cost and carbon footprint reduction advantages 	

GLOBAL TRENDS, RISKS AND OPPORTUNITIES

Talent Management Risks

With the rapid increase in digitalization in recent years, especially due to COVID-19, many jobs and job descriptions have had to transform. In a constantly-transforming environment, existing capabilities **need** to be continuously developed and adapted to emerging needs. This situation, known as the talent gap, poses greater risks especially for

companies operating in engineering and technology. According to a **study** published by Gartner, the talent gap is one of the biggest risks facing the global business world.

Potential Impact	Term
<ul style="list-style-type: none"> Vestel Beyaz Eşya's lagging behind in innovation and digitalization trends due to the failure to attract new talents to the Company and the loss of existing talents and the loss of market share due to the failure to respond to evolving customer demands and expectations Increased human resources costs due to the prolonged recruitment processes as the right candidate could not be found and the onboarding/training programs to be offered to new employees Reduction of employee engagement and satisfaction and the Company's loss of reputation as a result of insufficient talent management Decreased efficiency and weakened financial performance in the Company due to the loss of good talents and high employee turnover 	Medium-Long
Opportunities	
<ul style="list-style-type: none"> Incorporating new talents into Vestel Beyaz Eşya and acquiring new and up-to-date skills, increasing R&D and innovation capacity and thus competitiveness in the sector Enabling new and young talents to nurture the Company with innovative ideas and offer innovative products Strengthening the Company's efficiency and financial performance driven by a skilled workforce that fully realizes its potential Reduced costs through reduced employee turnover Boosting of Vestel Beyaz Eşya's reputation in the sector by a decline in employee turnover and high employee satisfaction 	
Risk Mitigation Strategies	
<ul style="list-style-type: none"> Training and development programs for employees Programs and university collaborations to attract young talents Practices intended to improve employee engagement Competitive wage practices 	

You can access the details of the actions we have taken for talent management in the Employees section (page 65).



EVALUATION FOR THE YEAR 2021

Despite the problems experienced in the global supply chain and logistics and the impacts such as the semiconductor crisis in 2021, we have maintained our strong growth thanks to our wide and diversified supplier network and our agile and proactive management.



Despite the problems experienced in the global supply chain and logistics and impacts such as the semiconductor crisis in 2021, we have maintained our strong growth thanks to our wide and diversified supplier network and agile and proactive management. We have achieved a growth well above the industry in the European market driven by our growth with both A brand clients and distributor/retail chains. Under our strategy to diversify our export markets and increase our penetration in regions which offer higher growth potential such as South Africa, Southeast Asia, South America and Australia, we achieved considerable growth in non-European markets, especially Egypt, India, Russia, Libya and the United Arab Emirates in 2021. We attained rapid growth with new customer acquisition and new product categories in the North American market, which we entered for the first time in 2020 while we increased the share of non-European markets in our international sales.



In 2021, the European household appliances market, consisting of 25 EU countries, grew by approximately 4%. While the demand for household appliances remained strong during the first half of the year as consumers spent more time at home due to the pandemic, the demand went back to normal during the second half of the year due to the relaxation of restrictions and the shifting of expenditures to out-of-home consumption driven by a rise in vaccinations. This trend is expected to continue in 2022.

In 2021, the Turkish major household appliances market (based on wholesale shipments), which consists of six main products, grew by 9%. Retail MDA sales, on the other hand, declined by 3% due to the strong base in 2020. Parallel to the developments in the European market, the demand in the Turkish MDA market also slowed down in the second half of the year due to the high base effect, the reopening of the economy and people spending more time outside. However, the sudden rise in the exchange rate and increasing inflation expectations in the last two months of the year led to consumer demand being brought forward. Due to our focus on foreign markets in 2021, the growth in our domestic sales lagged slightly behind the overall market.

In 2021, our products with hygiene features attracted higher demand

due to the ongoing impacts of the pandemic. As smart products and IoT-supported products continued to grow rapidly, we continued to expand our product range in this category. We aim to further concentrate on these categories as they will be among the rising trends of the market in the upcoming years. We expect our future steps with our own brands in the Middle East, Asia and North America to be the catalysts for our growth in these markets.

We anticipate that the supply problems caused by the pandemic and the increase in logistics costs will continue to prevail in 2022. We expect the freight cost and logistics advantages we gained against China, which is an important production base, in 2021 due to our proximity to Europe to remain in 2022. We anticipate that the trends in the European and US markets such as reducing dependence on Asia in procurements, diversifying supply chains and supplying from nearby regions (near shoring) will continue to strengthen.

Our growth strategy in the European market in 2022 can be summarized under four main headings:

- 1- Increasing our sales by adding new customers and expanding our business volume with existing customers in the ODM segment**
- 2- Increasing the number of projects we receive from A brand customers**
- 3- Sustaining our sales growth under Sharp brand, which is one of our licensed brands, and growing rapidly with the Daewoo brand, which we have licensed in 2021 for 10 years to engage in production and sales activities in a total of 49 countries including the EU countries and Turkey**
- 4- Reinforcing our collaboration with the kitchen suppliers to increase our presence in the built-in product channel**

Through our focus on North America, Africa and Asia, we will achieve strong growth in non-European markets in 2022 and continue to increase the share of these regions in our total sales.

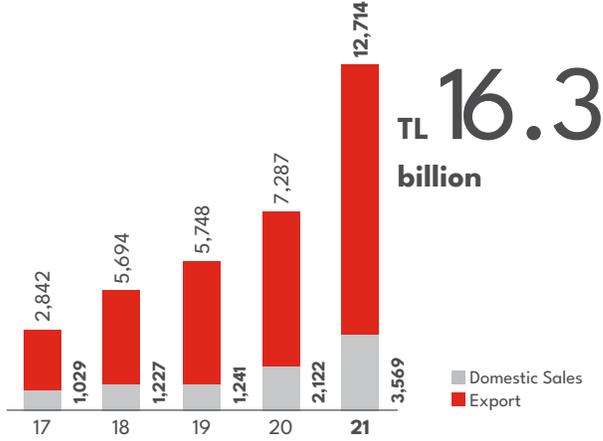
We will strive to create segments where we can increase our sales and acquire new projects from our customers, not only in the entry and mid-end segments, but also in the upper segments, especially with our competitive products and newly-developed technologies. As for sustainability, we aim to increase more environmentally-friendly

products and production processes that consume less energy and water.

We are planning to increase our production capacity in main product categories in order to achieve the growth targeted in our existing and potential markets. Through our new investments, we aim to increase our production capacity in household appliances to 19 million units per year within a couple of years.

FINANCIAL PERFORMANCE

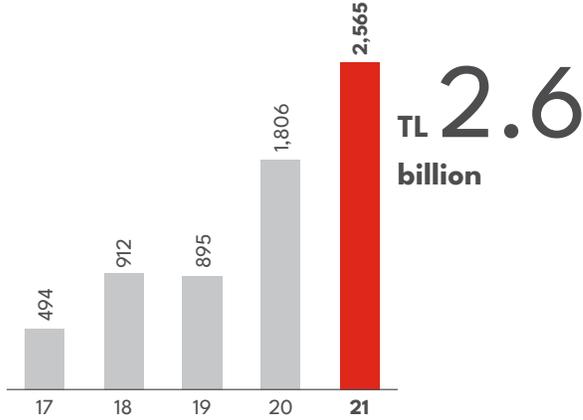
Gross Sales Revenues (TL million)



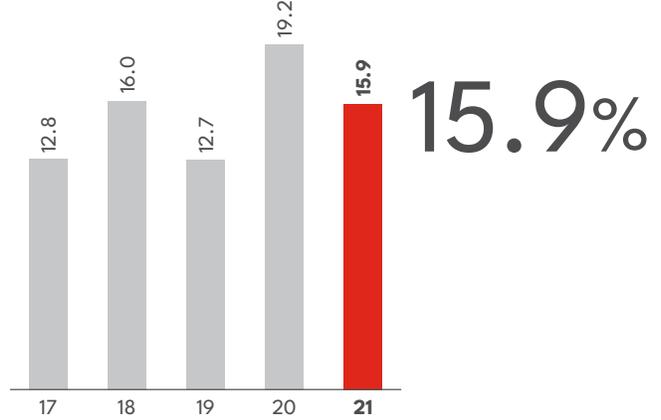
Gross sales stood at TL 16.3 billion in 2021 with TL 12.7 billion (78%) of this amount consisting of international sales. 57% of total sales was made to European countries followed by Turkey at 22% and other countries at 21%.

Net sales (TL 16.2 billion) grew by 72% in TL terms year-on-year, while unit sales increased by 19%.

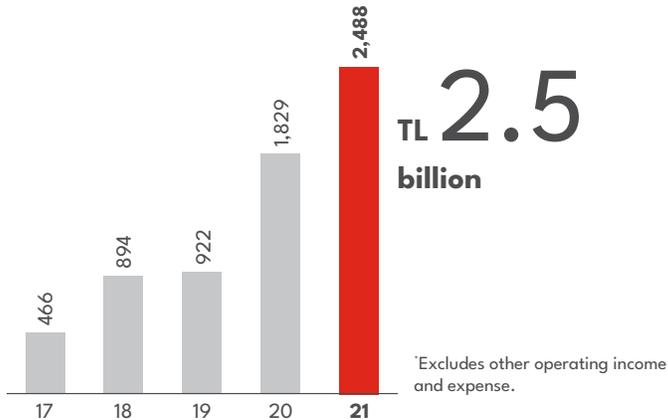
Gross Profit (TL million)



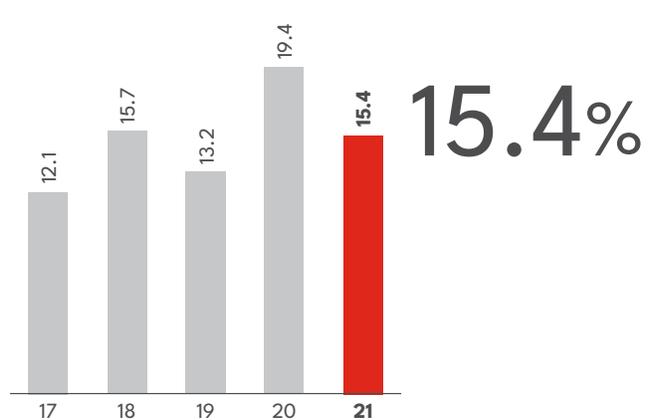
Gross Profit Margin (%)



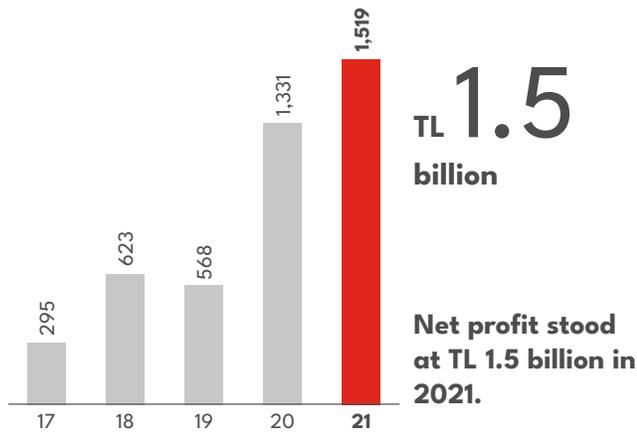
EBITDA (TL million)*



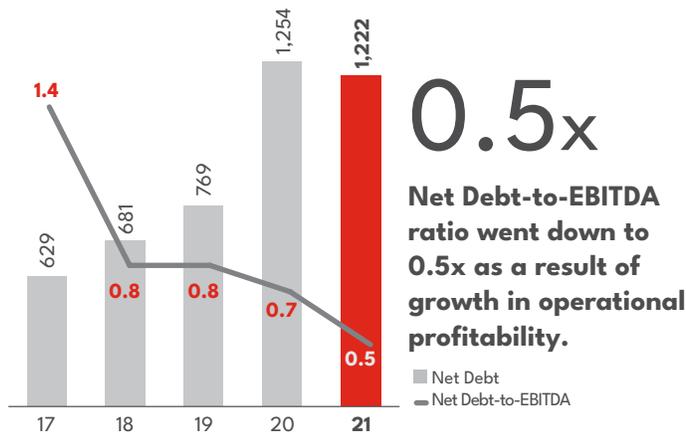
EBITDA Margin* (%)



Net Profit (TL million)

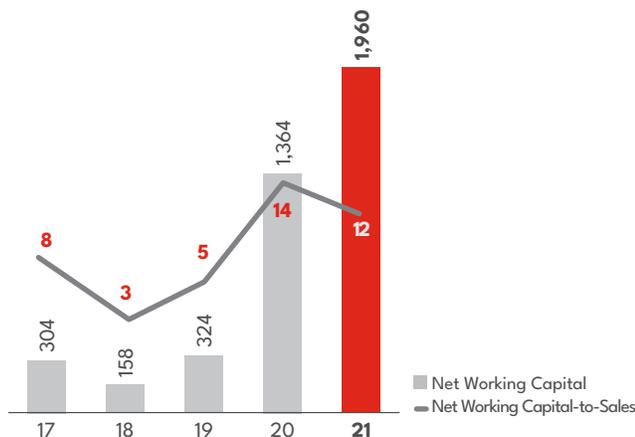


Net Debt (TL million) and Net Debt-to-EBITDA* (%)



*Excludes other operating income and expense

Net Working Capital (TL million) Net Working Capital-to-Sales (%)



Working Capital and Cash Management

- Working capital is essential for a company to expand its business volume, mitigate its risk, avoid financial difficulties in extraordinary circumstances, and run its operations profitably and efficiently.
- Vestel Beyaz Eşya strives to ensure the continuity of operations in capital management on one hand and increase profitability by leveraging the balance between liabilities and equity in the most efficient way on the other.

Vestel Beyaz Eşya aims to keep its working capital needs at an optimal level with solutions that will benefit all stakeholders in the supply chain in terms of financial management. Due to the rapid recovery in the economies and realization of deferred demand after the first half of 2020, when the initial effects of the pandemic were felt strongly, there was a surge in demand in international markets. Strong demand continued to prevail during the first half of 2021 which coupled with the bottlenecks in the supply chain triggered significant increases in raw material prices in 2021. Uncertainty in the economies and increases in raw material and freight prices led to an increase in inventory levels while the double-digit growth in production and sales volumes inflated the Company's working capital requirement. Owing to its robust financial management, Vestel Beyaz Eşya periodically planned its working capital needs and minimized potential risks. While working capital is financed at favorable costs via use of diversified financial instruments, proactive solutions are developed by constantly monitoring and reporting the underlying sub-items of the working capital need.

Commercial Finance Practices

Aiming to protect the cash flow of its suppliers, Vestel Beyaz Eşya implements supplier financing programs through various banks that provide companies with flexible financial methods and immediate cash flow. In addition to this, the Company aims to increase the diversity of corporate finance solutions used in the financing of international and domestic trade receivables and working capital management is facilitated with technological solutions. In this regard, the focus is on system and process improvements and regular meetings with banks.

The Company aims to offer protection against volatility for all stakeholders in the supply chain by organizing meetings with stakeholders and business partners on supplier financing systems.

- Vestel Beyaz Eşya aims to keep its net working capital-to-net sales ratio at low levels. In 2021, this ratio improved year-on-year and stood at 12%.
- The new financing agreements planned to be concluded in 2022 aim to reduce the costs of working capital financing.

FINANCIAL PERFORMANCE

Vestel Beyaz Eşya prioritizes risk management and proactive approach in areas identified in light of strategic criteria.

Financial Risk Management

a) Exchange Rate Risk

- The main principle in managing the exchange rate risk arising from the transactions conducted in foreign currencies is to maintain the level of the foreign exchange position in a way that is least affected by the fluctuations in the exchange rate.
- Exchange rate risk is minimized with forward foreign exchange transactions. In addition to derivative transactions, balance sheet positions are constantly evaluated, and actions are taken for natural hedging.
- Market conditions are constantly monitored, and cost planning is updated by adopting a proactive management approach according to expectations, and necessary actions are taken for external financing risks.

b) Interest Rate Risk

- Interest rate risk arises due to borrowing at variable and fixed interest rates. This risk is managed by balancing the amounts and maturities of interest rate-sensitive assets and liabilities, using on-balance sheet methods or by using derivative instruments.
- In this respect, the main target is to reduce borrowing costs.

c) Liquidity Risk

- Realized and planned cash flows are regularly monitored, and potential liquidity risks are identified in advance to develop solutions.
- The cash position is maintained by ensuring the maturity match of financial assets and liabilities.

d) Credit Risk

- The Company has well-established relations with several domestic and foreign banks for many years, which offers an advantage in borrowing costs.
- In order to diversify the counterparty risk, the Company obtains financing from international institutions and also exploits financing opportunities in capital markets. As part of its strategy to diversify its financing resources, Vestel Beyaz Eşya issued bonds amounting to TL 265 million to qualified domestic investors for the first time in 2021. Financing negotiations are ongoing with foreign financial institutions to raise financing for the planned EUR 160 million capacity expansion investment.
- In addition, efforts are being made to extend the Company's short-term loans to the long term.

Key Points

1. Export-Oriented Growth

Export revenues constitute 78% of our total sales revenues. Although Western Europe is our largest export market, we continue to grow rapidly in the Middle Eastern, African, Asian, South American, and North American markets.

2. Hedging

High FX denominated revenues and an active hedging strategy encompassing balance sheet, cash flow and strategic hedging protect Vestel Beyaz Eşya against fluctuations in foreign exchange rates.

3. Sustainable Investment for Capacity Increase

ŞThe Company will manufacture products above the European average energy classes upon completion of its new capacity increase investments.

4. Solar Panel Installation on Plant Rooftops

As part of new investment projects, we have planned to install solar panels with a total installed power of 31,500 kWp on the rooftops of our production plants in order to generate electricity from renewable energy sources and reduce our energy costs. Negotiations with international financial institutions to finance this investment are ongoing. It is predicted that the annual electricity generation of the solar panels will be approximately 46 GWh.

Credit Rating

JCR-Eurasia Rating evaluated Vestel Beyaz Eşya Sanayi ve Ticaret AŞ in the high investment-level category in 2021 and affirmed the Company's Long and Short-Term National Issuer Credit Ratings as "AA (Trk)" and "A-1+ (Trk)", and assigned its outlooks as "Stable".

In addition, the Company's Long Term International Foreign and Local Currency Ratings were set as "BB+/Negative" according to JCR-ER's national-global rating methodology.

On June 9, 2021, Vestel Beyaz Eşya issued a 728-day maturity and variable coupon payment bond amounting to TL 265,000,000 to be sold to qualified investors in the domestic market without a public offering.

FINANCIAL PERFORMANCE

Dividend Distribution

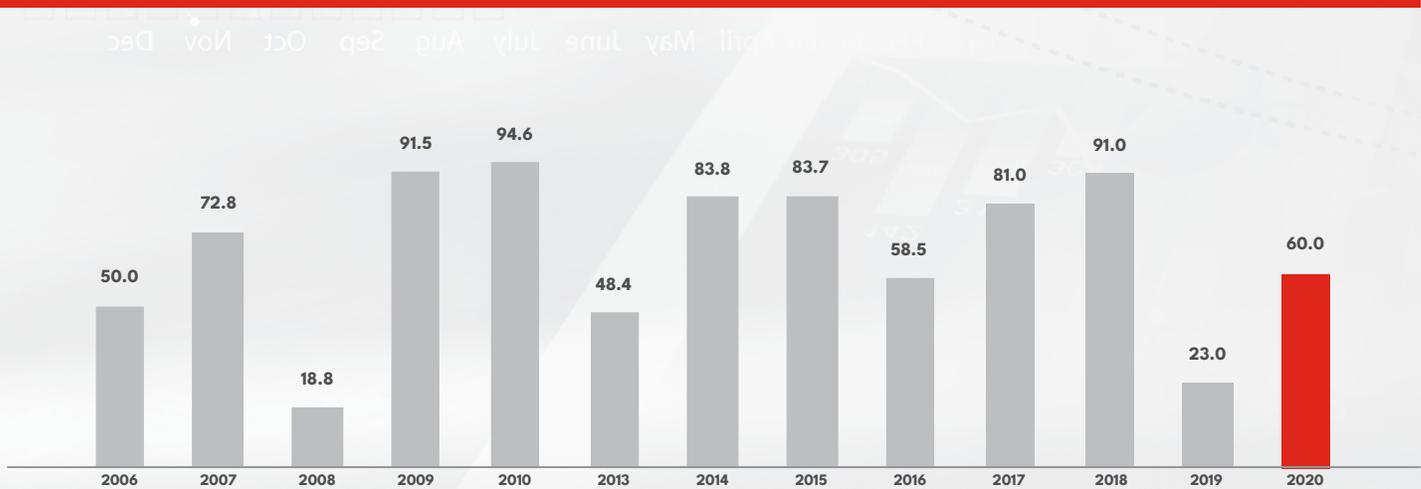
Vestel Beyaz Eşya's Dividend Distribution Policy is to distribute at least 25% of its distributable profit in cash and/or bonus shares.

In 2021, the Company distributed 60% of its distributable profit to shareholders as cash dividends with a gross dividend yield of 7.4%. The dividend was paid in 3 equal installments.

Year*	2006	2007	2008	2009	2010	2013	2014	2015	2016	2017	2018	2019	2020
Issued Capital (TL)	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000
Net Distributable Profit (TL)	61,472,535	70,736,410	30,816,495	111,964,111	23,693,899	51,302,674	125,158,202	156,367,884	307,447,389	295,234,000	622,561,000	568,072,000	1,331,308,000
Gross Cash Dividend Distributed (TL)	30,736,267	51,500,861	5,798,470	102,403,737	22,403,545	24,809,266	104,824,701	130,877,465	180,000,000	240,000,000	566,828,182	128,766,200	800,000,000
Dividend Payout Ratio (%)	50.00	72.81	18.82	91.46	94.55	48.36	83.75	83.70	58.55	81.29	91.05	22.67	60.09
Gross Dividend per Share with a Nominal of TL 1 (TL)	0.1618	0.2711	0.0305	0.5390	0.1179	0.1306	0.5517	0.6888	0.9474	1.2632	2.9833	0.6777	4.2105

* The corresponding year for the realization of the distributable profit

Ratio of Distributed Dividend to Net Distributable Profit for the Period (%)



Vestel Beyaz Eşya Shares

The shares of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ have been trading on Borsa İstanbul (BIST) under the VESBE ticker since 2006. As of the end of 2021, Vestel Beyaz Eşya, which is traded on the Stars Market, was included in the BIST Metal Goods, Machinery, BIST Manisa, BIST Industrial, BIST Stars, BIST All, BIST 100, BIST 100-30, BIST Sustainability, BIST Sustainability Participation, BIST Participation All, BIST Participation 100, BIST Participation 50, BIST Dividend 25 and BIST Dividend indices.

Since 2016, Vestel Beyaz Eşya has been voluntarily listed in the Borsa İstanbul (BIST) Sustainability Index encompassing the stocks of companies traded on the BIST with a high corporate sustainability performance.

In line with the Company’s strong operational and financial performance, Vestel Beyaz Eşya shares rose by 78% in 2021, despite the prevailing effects of the pandemic, outperforming the BIST-100 index by 41%.

In the same period, the BIST-100 index increased by 26%.

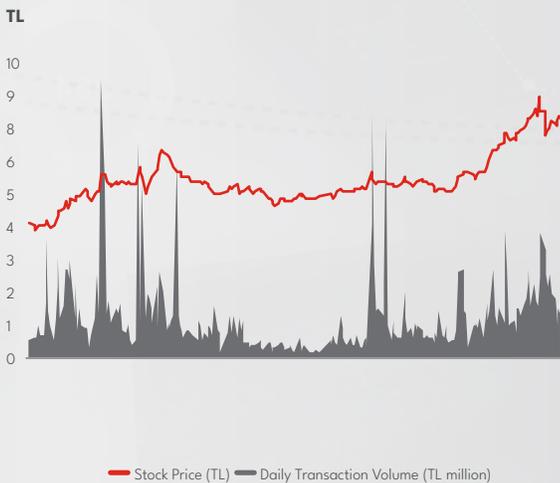
Summary Price Information for 2021

Number of Shares	1,600,000,000
Shares in Free Float*	279,447,764
Yearly High (TL)	8.60
Yearly Low (TL)	4.23
Year-End Closing Price (TL)	7.88
Market Capitalization* (TL Million)	12,608

As of December 31, 2021

Vestel Beyaz Eşya Stock Performance and Relative Performance

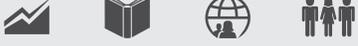
Vestel Beyaz Eşya – Stock Performance



Vestel Beyaz Eşya - Relative Performance



TECHNOLOGY AND HUMAN-ORIENTED TRANSFORMATION



Savings

2021

TL **151.5** million

As a result of process innovation studies, we achieved a savings of TL 151.5 million.

The ability of companies to adapt to change has become one of the most important competitive factors in the business world, which has been transformed in the axis of various global trends such as the climate crisis, the talent gap and evolving consumer behaviors. As Vestel Beyaz Eşya, we attach importance to effectively managing risks and opportunities by acting proactively beyond adapting to this change. One of the areas we focus on in line with our strategic approach is to transform our corporate culture in a human-oriented way by leveraging the power of technology and digitalization. To this end, we engage in efforts involving all stakeholders within our value chain.

We aim to spread the transformation culture brought about by technology and digitalization to the entire Company, starting first with our employees. We go beyond our Company and adopt diversity, inclusion and social benefit as our fundamental principles throughout the value chain and integrate technological innovations that add value to human life into our processes. Driven by the transformation culture, we increase our global market share and strengthen our competitiveness.

PRODUCTION AND INNOVATION POWER

We derive our production power from activities performed in our R&D centers and from an R&D team of approximately 600 people.

As Vestel Beyaz Eşya, we aim to transform our operations and human resources in parallel with technological developments. In this respect, we increase our production capacity in a smart and responsible manner with the power of R&D and innovation. By closely following evolving consumer behaviors, we develop innovative production processes that respond to their needs and reduce our environmental impact as well. We adapt emerging technologies such as AI, the IoT, and autonomous systems to our seven plants in Vestel City, which is established over an area of 1.3 million m² in Manisa and is Europe's largest integrated production complex under one roof. We produce next generation refrigerators, freezers, washing machines, tumble dryers, cooking appliances, dishwashers, air-conditioners, and water heaters.

We derive our production power from activities performed in our R&D centers and from an R&D team of approximately 600 people. We provide our team with the training they need to adapt to the requirements of the era and develop their competences.



- We are among the largest original design manufacturers (ODM) in Europe.
- We are one of the five largest manufacturers in the household appliances market in Europe and one of the top three players of the sector in Turkey.
- We account for one third of Turkey's household appliances exports.
- In 2021, the ratio of R&D spending made by the Company to sales revenues stood at 0.92%.
- In 2021, we applied for 135 patents and registered 51. Out of our existing patents, the number of those generating commercial income has reached 56.
- As a result of innovation studies in processes, we achieved a savings of TL 151.5 million.

We adapt emerging technologies such as AI, IoT and autonomous systems to our seven plants in Vestel City, which is established over an area of 1.3 million m² in Manisa and is one of Europe's largest integrated production complexes under one roof.

PRODUCTION AND INNOVATION POWER

INDUSTRY 4.0

We are working rapidly to make Vestel City the first production facility in Turkey that has completed the Industry 4.0 transformation. Since our initial investments in 2015, we have mostly completed this transformation.

As of the beginning of 2021, we started working on the digitalization of processes and communication of production-planning management with machinery in the washing machine and tumble dryer plant, which was completed in 2018. We perform all mechanical designs, process analyses, parts manufacturing, and simulation analyses using Programmable Logic Controllers (PLC) and robot software within our Company. This enables us to manage projects with agility and at low cost. In addition to our products, we also invest in production technology. We are a company that can design and manufacture production lines and file patent applications for the machines designed. We have installed special automation systems with our experienced and competent employees and can now offer all trainings on software, electrics, and mechanics.

Autonomous systems: Thanks to the production and mechanical lines and paint shops we have established with the Industry 4.0 infrastructure, we engage in production activities using cutting-edge technologies. We have placed autonomous robots at various points of the production lines. In 2021, we maintained our leading position in installing and commissioning robot cells in the household appliances sector and across all sectors. By continuing to expand the nexus of robot-machine-human, we can produce using perfect production techniques.

We carry out in-plant transportation operations through software with unmanned and remote control capability. We have switched from the line, metal or magnetic tracking methods used on the ground to systems that can be managed entirely with mobile and special navigation systems. We can control all automated guided vehicles in seven different plants at the same time through a single traffic software. This development is a first in Turkey in terms of quantity and functionality for the household appliances sector and other sectors. With the use of automated guided vehicles, on-site transportation costs and the need for forklifts are reduced while production efficiency is boosted by zeroing damages arising from transporting products and components.



TPM Special Award from JIPM

At the Excellence Awards annually presented by the Japan Institute of Plant Maintenance (JIPM) to companies implementing Total Productive Maintenance (TPM) studies in the best way across the world, we became the first and only company deemed worthy of the “Special Award for TPM Achievement” with seven separate product families (refrigerator, washing machine, tumble dryer, dishwasher, cooking appliances, air-conditioner, water heater) at seven separate plants at the same time in 2019. We previously won the Award for TPM Excellence in 2014 and the Award for Excellence in Consistent TPM Commitment in 2017. 

We rank at the forefront of all sectors across the world, with approximately 200 robots with six or more axes per more than 9,400 employees.

We have also started working on matching automated guided transport vehicles with production programs through remotely-controlled software. In this way, we aim to render the production planning process autonomous.

Next generation batteries: We use non-flammable, lightweight, high-capacity lithium iron phosphate batteries in electric vehicles to protect human health and safety during in-plant transportation. We carry out in-plant transportation operations faster and safer and without any human error. We aim to perform the entire production with unmanned vehicles, unlike modular and standard production lines.

Automated warehouses: We are increasing the number of automated warehouses thanks to the unmanned vehicles and industrial robots we have commissioned. Owing to the automated warehouses, we reduce warehousing and transportation costs, control consumption online and minimize potential human errors in the production flow.

Virtual and augmented reality: By working on virtual reality and augmented reality, we aim to train operators quickly and easily and increase production quality. Prior to all investment decisions (robot-machine-equipment-automated warehouse, etc.), we ensure that the targets are attainable financially and technically with the help of virtual reality programs and special simulations. In addition, we plan to systematically record the use information of all machinery used in production and convey the correct information to all new employees with augmented and/or virtual reality. Thus, a new employee will become fully equipped in a short period of time via a simple software using glasses, a tablet or a mobile device. We aim to reset personal errors and increase quality with the right training at once.

3D printing: We engage in pilot production for preparing molds for robot arm holders and machine parts with the help of 3D printers. Thus, we finalize all testing, commissioning and potential production interruptions due to malfunctions/errors in a short period of time, and we precisely run mold-machine investments in one go.

Machine-to-machine communication: We strive to manage all plant machinery with regard to online monitoring of the data in the machinery, tracking them with special screens and mobile devices in the cloud environment, and systems to be guided by artificial intelligence. We aim to complete our horizontal-vertical integration in the next few years by establishing an infrastructure where machines communicate with other machines and robots talk to each other, and then by combining our entire internal ecosystem with the supply industry. Our goals include the digitalization of quality systems, online monitoring of defects, production test results and material consumption, and obtaining all production reports with an accuracy of 99.9%.

Automatic labeling: In 2021, we switched to more flexible and planned production with automatic labeling projects communicating with the data network, especially online. We started robotizing and automating all testing stations in order to prevent human error and to produce flawless products. By automating the packaging of products, we also increased the safety of products throughout the process from production to the end user. All assembly operations are carried out at the right torques and with high precision through the visual control-based special software.

Washing machine and tumble dryer plant: In 2021, we increased our production capacity in tumble dryers by 60% through a capacity expansion investment at the washing machine and tumble dryer plant, which we have brought into operation in 2018 with the Industry 4.0 infrastructure. Since the production lines, machinery, transport vehicles and automation projects in the plant can communicate with each other, we can monitor the production process instantly.

PRODUCTION AND INNOVATION POWER

R&D Collaborations and Open Innovation

We performed the following activities in 2021 under R&D collaborations and open innovation:

- We collaborated with nine universities within our R&D center projects by receiving academic consultancy.
- We had 12 ongoing and completed TÜBİTAK projects in 2021. We continue to collaborate with universities, undergraduate and graduate students through our R&D Center projects.
- We implemented R&D projects with Vestel Ventures and Zorlu Tekstil, an affiliated company of Zorlu Holding.
- We have an ongoing project under the SME Support Program for R&D projects.
- Under university-industry collaboration, we integrate universities into our R&D projects under their undergraduate dissertations. In 2021, we received support from universities for our projects through nine undergraduate dissertations as well as offering theoretical and practical support to university students involved in the projects.



	2019	2020	2021
Number of full-time employees in R&D departments	537	569	598
Total R&D spending (TL thousand)	81.149	104.366	148.248
R&D spending as % of sales revenue	1.16%	1.11%	0.92%

We believe that we can carry our experience, knowledge and vision further by collaborating with the stakeholders in our ecosystem. To this end, we develop joint projects with universities and research institutions. In 2021, we implemented most of the eight TEYDEB projects supported by TÜBİTAK through collaborations with universities.

We applied to “M-ERA.NET Call 2020” with the aim of coordinating national research strategies on advanced material technologies, encouraging excellence and increasing competitiveness in this regard through the “Biotechnological Anti Freezing Coating (BioAFC)” project. Upon approval, we were entitled to receive funding for our project through the TÜBİTAK 1071-Support Program for Increasing Capacity to Benefit from International Research Funds and Participation in International R&D Collaborations. Other partners in the project were Sabancı University’s Nanotechnology Research and Application Center, Kansai Altan Boya Sanayi ve Ticaret AŞ (Turkey) and Kaunas University of Technology (Lithuania). Under this project, we aimed to eliminate the use of heating coils, reduce energy consumption, and reduce material use thanks to the biotechnological anti freezing coating on refrigerator evaporators.

We applied to “M-ERA.NET Call 2020” aiming to coordinate national research strategies on advanced material technologies, encourage excellence and increase competitiveness in this regard through the “Biotechnological Anti Freezing Coating (BioAFC)” project.

Intrapreneurship: Parlak Bi'Fikir (A Bright Idea)

As Vestel Beyaz Eşya, we are involved in Parlak Bi'Fikir (A Bright Idea), an intrapreneurship program developed by Zorlu Holding for the employees across the Group as part of its Smart Life 2030 strategy.

Launched with the aim of developing a culture of innovation and an intrapreneurial spirit within companies, generating permanent solutions for problems, combining these solutions with technology and developing their area of access, the program supports employees of Zorlu Group, who have “bright ideas” to bring their ideas into life by going through certain assessments and receiving funding from Zorlu Holding.

The second cycle of the program was launched in June 2020 and was completed in 2021. Under this cycle, 720 ideas were submitted. After the jury evaluation, including top management, 15 ideas were selected. Following the applications received upon a team call, bootcamp meetings were held for teaming and teams were identified for the eight top in-demand ideas. After the four-month camp, all of the eight teams received seed investment as a result of an interim evaluation. Three of these eight teams qualified to hold investment negotiations with Vestel Ventures. As a result of the investment negotiations with Vestel Ventures, one member of the three teams entitled to receive the investment was an employee of Vestel Beyaz Eşya.

The teams that were entitled to receive investment established a start-up where Zorlu Holding was a 25% partner. In addition, these start-ups can receive support from Zorlu Holding in areas such as law, accounting, human resources, finance and communication. During the first phase of the planned two-phase investment, TL 500,000 was invested in each team.

DIGITAL TRANSFORMATION

In line with our vision of being a technology company creating social and environmental benefits, we integrate digitalization into both our business processes and working culture, as well as the products and services we offer. We continue to make investments in digitalization to provide our customers with a better shopping and product experience, to manage supply chain processes more effectively and to proactively manage cyber security risks in order to protect data privacy.

Digital Transformation Office

Vestel established Vestel's Digital Transformation Office to ensure coordination at every stage of our digital transformation journey, and to design and disseminate data-driven and appropriate methods/processes throughout the Company. We strive to adopt and introduce modern and agile methods in all of Vestel Beyaz Eşya's operations through human-oriented working, systemic perspective and strategic management approaches.

We aim to transform Vestel into a global technology company within 10 years by engaging in activities aimed at boosting its value in the current market in addition to new markets and products that will expand its fields of activity. We are working towards achieving our goals with 50 projects, 236 project employees, 15 different transformation processes and methods, 245 employees who have completed their respective training and 41 transformation ambassadors.

Digital Transformation in Vestel's Customer Experience

Data Science and Data Management: In the field of Data Science and Data Management, our future plans include sales forecasting, ensuring data quality, dealer distribution and location optimization, sales, stock forecasting, dealer and consumer segmentation, and A/B testing.

Traffic Tracking in Stores: Under this project, store traffic monitoring is implemented using devices located at the entrances of our stores. This data is analyzed by capturing data from busy hours of the day and busy days of the week through customer traffic measurements. Thus, we can increase store traffic by identifying common trends while developing services depending on customer preferences and perceptions by gaining insight into consumer behaviors as per the rules of the Personal Data Protection Law (PDPL). As of 2021, installation of traffic tracking systems was completed in 85 stores in total. The scope of the project is constantly improved with innovative features such as excluding sales consultants in traffic data, grouping people entering the store in groups and perceiving them as a single customer and adding a weather indicator to the system to improve traffic analysis.

Digital Labels: The digital labels piloted in the Sahrayıçedit store in İstanbul allow price information to be changed automatically on a product. This practice helps field staff, facilitates the field control of central management and offers the most accurate prices and campaigns to the customers. The activity also contributes to the omni-channel transformation by providing the opportunity to update the prices at physical and online stores simultaneously.

PRODUCTION AND INNOVATION POWER

Veslink: By using the software installation devices called Veslink by Vestel, authorized service providers are able to fix a problem without replacing spare parts by installing the necessary software on electronic cards in a short period of time in cases of software-related malfunctions. Thanks to Veslink operations, launched with the vision of offering technology-oriented solutions, we have improved our performance in providing solutions in the first contact, reducing stock costs and increasing customer satisfaction. In addition, movements of authorized service providers in the value chain for the replacement of cards is also prevented. In 2021, we prevented 18 tonnes of carbon emissions by preventing 6,178 km of vehicle movement.

Voice Bot and Video Remote Assistance (Video Call Support): Feasibility studies for Voice Bot and Video Remote Assistance applications are ongoing with the aim to start using them in the upcoming period. Thanks to the Voice Bot application, we will have the ability to resolve customer demands without any delay and good digital consumer experience will be offered. Video Remote Assistance, on the other hand, provides a better understanding of customer demands and solving them remotely via video call support. This application, which will help solve the problems of customers remotely in call centers and service providers, aims to provide a fast and reliable solution with video call support and to offer customers a better experience.

Remote Temperature Measurement (Thermoline): Under the Thermoline project, remote online temperature measurement is offered for defective products requiring temperature measurement and workshop operations to eliminate the delivery of products to workshops. Thermoline allows problems to be solved directly by using spare parts aimed at eliminating problems. Thanks to the Thermoline project, we prevented 1,320 km of authorized service provider vehicle movement in 2021, thus preventing 4 tonnes of carbon emissions.

Digitalization in Sales Processes: Sales management, retailing process management, business partner finance/collection processes, management of corporate channels and media investment processes have all been digitalized. Thus, we aim to create a common reporting language and data sets, develop corporate memory and reduce operational workload.



Digital Transformation in the Supply Chain

With the establishment of our Supply Chain Digital Transformation Center of Excellence, we started managing our work more effectively. In 2021, we completed the projects launched and developed to fulfill the system requirements in 2020. Thus, the use of purchasing system tools became more efficient.

Autonomous Retail Project: This project aims to supply products sold through distribution channels via a fully-digitalized and artificial intelligence-supported supply chain system. In addition, our current distribution network is being restructured according to our customers and the logistics network is being redesigned in a way that improves cost, on-time delivery and customer satisfaction in order to increase the level of service offered to customers in line with Vestel's omni-channel strategy.

Purchasing Information Systems Tools: Efficient use of purchasing tools, preventing data loss and ensuring data recycling are among our main goals.

We keep our corporate structure dynamic with the implementation of projects such as instant reporting, transitioning to e-waybills and an invoice tracking module. We launched the Supplier Network Collaboration (SNC) project to maximize the speed and efficiency of the order communication network between suppliers and the Company in 2021. Through the reporting screen, we can view instant data according to desired conditions and act in the fastest way. In addition, we prevent the annual average consumption of 10,000 pieces of paper as a result of our digitalization in areas such as contracts and invoices in our procurement processes.

In line with our 2022 target, we will continue perform technical activities for the recognition, testing and implementation of new industrial programs that offer practical solutions.

Thanks to the Transport Management (TM) and Supplier Network Collaboration (SNC) modules, we can control the movements and orders of materials. We integrate into these modules digitally with our logistics partners and suppliers via SAP software. By establishing a warehouse-based material ordering system on SAP, we eliminate the movement of two forklifts and one truck between warehouses per year. We provide a space advantage of 200 m² with the location-based revision of the production deficiency report prepared over SAP. We aim to be a transparent supply chain for our customers by increasing stock traceability.

Digital Transformation in Finance

We are constantly improving the scope of automation and financial technology practices in order to maximize efficiency with the least effort in financial transactions.

Thanks to the projects implemented, we have strengthened the control mechanisms of operational processes, minimized potential human errors and increased labor productivity. By accelerating the process, period closures are brought forward and financial reports are drawn up earlier. In addition, we have achieved significant paper and time savings with digital signatures.

Thanks to the automated systems put into operation in physical and virtual stores for the organization of collection processes, significant performance improvement was achieved through the rapid detection of errors.

This process of automation is ongoing in order to calculate resource costs instantly, quickly and accurately.

Vestel's Financial Affairs Department became a finalist in the "Digital Pioneer" category with its VIM (Vendor Invoice Management) Project at the SAP Turkey Quality Awards 2021, where the most successful corporate practices and digital transformation projects of the year are awarded every year. 🏆



Data Security and Cybersecurity

While the digitalization of business processes, products and services offers opportunities such as efficiency and higher performance in the working environment, it also poses cyber risks. Cybersecurity management activities are overseen under the responsibility of Vestel's Information Technologies Director, who has 23 years of experience in information technologies and who reports to the CIO of Zorlu Holding. There are policies, procedures and systems in place for protecting the security and privacy of the data of both our Company and customers.

We ensure the data privacy and security of our systems under the ISO 27001 Information Security Management System. We created an Emergency Incident Response Policy in accordance with the standards of the EU Cybersecurity Act and the National Institute of Standard and Technology (NIST). Business continuity plans and incident response procedures are in place, and they are tested annually with our business partners. In 2022, we plan to launch a web page where all information and security vulnerabilities are published, and where researchers can report the vulnerabilities they detect in Vestel products and IoT solutions. A clear escalation process which employees can follow in the event an employee notices something suspicious is in place. Our information security policy is available [here](#) 🌐.

Privacy Policy: As per Personal Data Protection Law (PDPL) No. 6698, we take all necessary technical and administrative measures to ensure the appropriate level of security in order to prevent unlawful processing of and illegal access to personal data, and to ensure the protection of personal data. We share with our customers Vestel's **Privacy Policy** 🌐 and Disclosure Text informing which data is processed for which purposes and their rights, and we perform data processing processes with their explicit consent.

Our privacy policy applies to our entire operations, including our suppliers. Zorlu Holding's Data Protection Department is responsible for privacy issues. In cases of breach of confidentiality, the provisions of the Disciplinary Regulation apply to violators (for detailed information, Zorlu Holding's Ethical Principles are available [here](#) 🌐). Audits are performed regarding privacy policy compliance. There were no cases of customer privacy breach in 2021. Accordingly, there were no complaints received from outside parties or regulatory bodies reported to the Personal Data Protection Board in 2021.

Measures taken against cyber risks in operations: We only have external access to corporate systems via an SSL VPN (secure remote connection). Access to all systems is monitored and recorded. We use Intrusion Prevention Systems (IPS) and a Firewall, and we respond quickly to any potential anomalies. We test and apply security patches released by manufacturers for systems.

PRODUCTION AND INNOVATION POWER

Measures taken against cyber risks in products: (ETSI 303645 Cyber Security Standards for consumer IoT, EU Cyber Security Act). In addition, we created security testing scenarios and testing infrastructure with testing groups in accordance with these analyses and related standards, especially ETSI 303645 Cyber Security Standards for consumer IoT. For each new product, we constantly perform these tests in the software or solution version, evaluate the results and add measures depending on the designs. In addition, security mechanisms are implemented to identify and prevent attacks in cloud-based solutions to which IoT devices are connected, ensuring continuous security monitoring. Likewise, measures against known attacks for IoT devices were added to the software of the devices.

Especially recently, security incidents across the world are caused by vulnerabilities in third-party software and libraries within the software. In order to prevent this phenomenon, vulnerability analyses on such software used in Vestel solutions are performed together with testing groups. We can remotely update the software of all Vestel

IoT devices in order to keep the security levels of devices in the field at the specified level, to update the third-party software installed thereon and to fix any potential vulnerabilities. In addition, we launched the certification process of products that can connect to the internet under the Common Criteria, the only cyber security certificate to represent the security level of products to customers, business partners and users.

We are a member of the Turkish Cyber Security Cluster established under the Presidency of Defense Industries affiliated to the Presidency of the Republic of Turkey.

At Vestel, we care about the security of all IoT devices sold within the country, not just the IoT ecosystem. We are a member of the Turkish Cyber Security Cluster established under the Presidency of Defense Industries affiliated to the Presidency of the Republic of Turkey and we offer consultancy on IoT security under the relevant group. As part of this consultancy, we contributed to the creation of the National IoT Security Standards.



EMPLOYEES

Human capital plays a key role in our value creation model. We believe that our investments in human capital improve the technology we develop, the patents we receive and our R&D power. Relying upon this background, we know that our plants developing technologies and state-of-the-art products and devices can create sustainable value only with the presence of competent, engaged and highly-motivated employees, and we continue to work with this awareness.

We continue to create and develop the most ideal working environment for the health, safety, rights and personal development of our employees. We develop human resources policies that facilitate the adaptation processes of employees, encourage their professional success and development, respond to their expectations and needs by considering fairness and equal opportunities, and contribute to national employment.

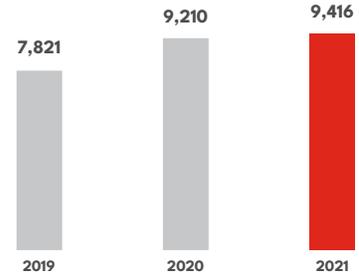
GENDER EQUALITY, HUMAN RIGHTS AND INCLUSION

Active participation of women in corporate life has positive impacts on the productivity and financial performance of companies. In this respect, we encourage efforts to ensure gender equality throughout the Company, including recruitment practices. Under the guidance of Zorlu Holding's **Eşit Bi'Hayat (An Equal Life) Gender Equality Manifesto** and its status as a signatory to the **United Nations Women's Empowerment Principles**, we assume responsibility for ensuring gender equality in society, in the household appliances industry, and among the employees of Vestel Beyaz Eşya at all levels.

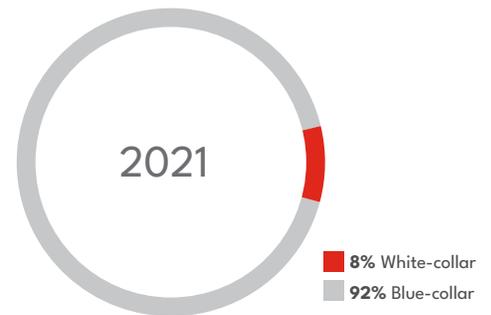
In 2019, we launched the Women Technician Training Project under Vestel Service Academy. Through this project, we offer technical training to our customer representatives working at Vestel authorized service

We aim to increase the share of our female employees to 40% by 2030.

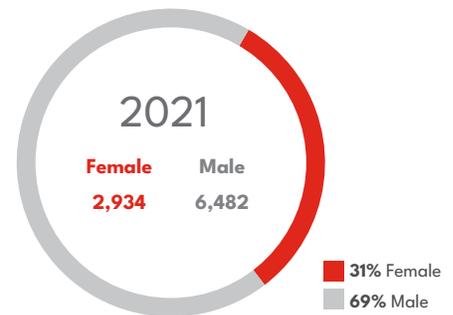
Total Number of Employees



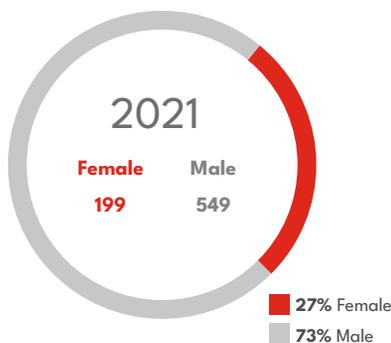
Share of Employees by Category



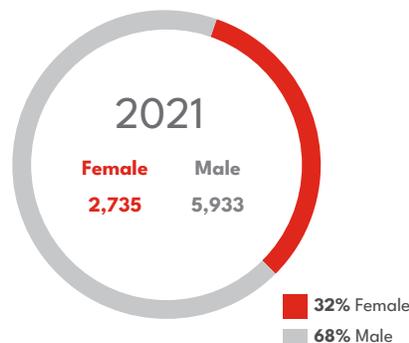
Total Number of Employees by Gender



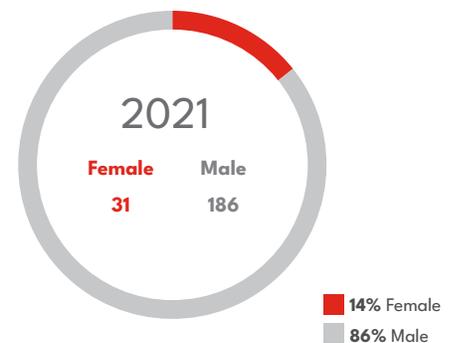
White-collar Employees by Gender



Blue-collar Employees by Gender



Share of Managers by Gender



EMPLOYEES

The Vestel Women Technician Training Project, which breaks new ground in the household appliances industry, received the Silver Award in the Development Program Generating Social Contribution category at the 2021 Turkish Education and Development Platform (TEGEP) Learning and Development Awards. 🏆

providers and provide them with the opportunity to work on after-sales technical support teams. At the end of 2021, a total of 58 women technician candidates successfully completed applied technical training, and 34 started working in the field. During the second phase of the “Vestel Women Technician Employment Project” in 2022, we plan to receive applications from all parts of Turkey in cooperation with the Women Masters Platform, employ the candidates completing technical product and communication trainings at Vestel authorized service providers and increase the number of women technicians to 100.



We established the voluntary Gender Equality Group within Vestel in order to develop projects that raise awareness with the motto “An Equal Life is Possible for All”. Under this group’s work, we are striving to ensure that women with children have equal conditions in work life with A Happy Mother Project.

Our Domestic Violence Prevention Policy 🌐 encompassing the Zorlu Holding Group companies, including Vestel, has been published. We will launch online gender equality trainings in 2022. We are carrying out the relevant processes to obtain the Equal Opportunities Model certificate of the Women Entrepreneurs Association of Turkey (KAGIDER).

In line with our gender equality approach, we published the “Eşit Bi’Hayat (An Equal Life) Dictionary” as a guide to avoiding the sexist discourse patterns and idioms embedded in our language.

We brought together alternative discourses that can be used from an equal and inclusive perspective in the dictionary, which is accessible to all our stakeholders and can be accessed via **the Smart Life 2030** 🌐 website.

122 female and 292 male employees benefited from maternity and parental leave in 2021. 55% of female employees who used maternity and parental leave in 2021 re-entered work life.

Employee Salaries by Level and Gender	Ratio (Average Women Salary/ Average Men Salary)*
Management level (Base salary only)	0.94
Management level (Base salary + other cash incentives)	0.93
Non-management level (Base salary only)	0.90

*At Vestel, we meticulously implement the policy of equal pay for equal work without gender discrimination. The difference in ratios arises from additional variables such as seniority/performance.

Integration of Employees with Disabilities

We have employed nine persons with mental disabilities at Vestel Beyaz Eşya since 2019 in order to integrate persons with mental disabilities at the Sheltered Workplace for Persons with Mental Disabilities (Z.E.K.İ. Life Center), the first of which was established in the Manisa Organized Industrial Zone in Turkey, and to offer social support to their families.

Human Rights

At Vestel Beyaz Eşya, we respect, protect and observe the human rights of our employees. We strive to provide a decent, respectable, egalitarian and fair working environment enshrining human dignity. In this respect, we are **committed** 🌐 to full compliance with the Universal Declaration of Human Rights, the laws and standards set by the International Labor Organization (ILO), and the legal framework and legislation regulating human rights and work life in Turkey. In addition to this, we continue to work on compliance with human rights as a signatory to the United Nations Global Compact (UNGC). We do not tolerate discrimination in any of our human resources processes, starting with recruitment practices. We do not discriminate people based on gender, age, religion, language, race, sect, social status, physical build, ethnicity, nationality, sexual orientation or any other personal feature. We offer our employees equal opportunities in line with their skills and experience. We also apply an equal pay policy for equal work in our remuneration system.

We do not tolerate child labor, forced labor and human trafficking. We are also working on developing a due diligence process to control compliance with human rights in the value chain. Compliance with human rights in our own production facilities is audited annually under the Social Compliance Audits (BSCI, SEDEX, etc.) performed by our customers.

You can review our **Ethical Principles** 🌐 for detailed information on preventive and corrective practices for inequality, human rights violations, child labor and forced labor.

One of our top priorities is to find the right talent to lead technology and digitalization, to retain talents, and to enable them to connect with Vestel Beyaz Eşya.

Measures Against Discrimination and Harassment

We protect the personal rights of our employees without tolerating any physical, sexual and psychological harassment and the inconveniences and injustices they may cause. Under the **Ethical Principles** , our employees can report incidents to the Ethical Principles Hotline. In case of any violation, we investigate each case that is the subject of the complaint, manage the process in a transparent and fair manner and impose necessary sanctions. We share our policy on this issue under the Ethical Principles. There were no incidents of discrimination detected at Vestel Beyaz Eşya in 2021.

DEVELOPMENT OF EMPLOYEES AND TALENT MANAGEMENT

The talent gap or shortage is at the forefront of issues that companies may face in the 21st century. As a company that provides services in engineering and technology, we are aware that investment in talent will minimize the risk of this gap or shortage.

Attracting new and appropriate talents to our Company with the motto “being where the talent is” forms the basis of our strategy. One of our top priorities is to find the right talent to lead technology and digitalization, to retain talents, and to enable them to connect with Vestel Beyaz Eşya.

We consider the personal and professional development of all employees as our most valuable investment for the future, and we adopt working models that improve the skills of employees and boost their adaptation to innovation and change on the basis of technology and human-oriented transformation. In this context, we care about executing the career development of our employees through a fair and inclusive process.

Performance Management

At Vestel Beyaz Eşya, we integrate all white-collar employees into the performance management system. We continue to monitor and support the development of our employees in terms of learning and development, cooperative or collaborative work, responsibility, innovation and creativity, which are Vestel’s core competencies. Only by evaluating the competencies of our employees within the competency-based performance evaluation system and ranking the employees in the same organization relative to each other can we obtain their final performance. Under the target and competence-based performance management system, we set targets at the beginning of each year and monitor achievement of the interim targets and performance in the middle of the year. We obtain the absolute performance result for each employee by entering the values reached at the end of the year into the system and evaluating the competencies. The total number of employees participating in regular performance and career development appraisals at Vestel Beyaz Eşya reached 620 in 2021. We care about maintaining our long-term cooperation with our employees by supporting their career planning with vertical and horizontal promotions. We publish the (Vertical) Promotion and Horizontal Promotion Regulation on career management on the corporate portal, making it accessible to our employees.

We make performance-oriented annual wage increases and use the wage scale, which is updated every year after the wage increase period, in all career processes.



EMPLOYEES

Rotation Practices

At Vestel Beyaz Eşya, we focus on developing and accelerating human-oriented transformation with innovative perspectives through effective human resources management and by making it a part of our corporate culture. We periodically engage in succession planning and primarily meet our human resources needs through our in-house human capital. We introduced the rotation practice in 2018 in order to diversify the knowledge, skills and experiences of employees, to plan their career by enabling them to gain different job or company experiences, and to boost efficiency of the company and the motivation of employees. We see rotations among the Vestel Group of Companies employees as an important lever that strengthens inter-company communication and cooperation, and significantly improves the performance of employees and companies thanks to different career paths. In 2021, a total of 21 employees benefited from the rotation practice.

Trainings

We design our training activities with the aim of discovering and developing employees who are capable of thinking, researching, and questioning and who are creative, entrepreneurial and productive. In today's world, where the need for competent human resources is constantly increasing, we plan and implement our training investments for employees in terms of sections, departments and projects. Vestel does not only invest in its own employees, but also in the development of dealer and authorized service provider employees. We analyze the trainings received by employees by breaking down the data them by age group, gender, management level and type of training.

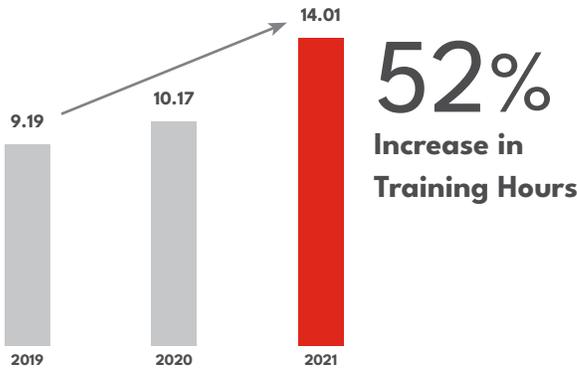
In 2021, we offered an average of 14 hours of training per employee and spent TL 187 per employee on training.

Leadership and Coaching Trainings

In 2021, 24 of our employees attended leadership and coaching trainings and received 217 total hours of training. In addition, we implemented Vestel Management Power and Vestel Technical Management Power Programs. Under our manager development projects, we aim to develop the leadership competences of mid-level managers at Vestel Beyaz Eşya. 26 of our managers benefited from this program in 2021.

In 2021, we offered an average of 14 hours of training per employee and allocated a training budget of TL 187 per employee.

Annual Average Training Hours Per Employee



Employee Development Programs

Vestel Technology Academy	Vestel Retail Academy	Vestel Service Academy
<p>Developed in collaboration with the Vestel Group of Companies and Özyeğin University, this is a long-term employee training and development program aimed at enabling Vestel engineers to receive lifelong qualified training and to further their technical knowledge and experience. The Technology Academy forms the infrastructure for Vestel engineers to launch value-added projects as well as their intellectual development.</p>	<p>Vestel Retail Academy is an employee development program designed to offer trainings on “Sales-Marketing”, “Management Skills”, “Performance Development”, “Personal Development” and “Finance” to head office employees, corporate store employees and dealer business partners. Under this program, training programs are implemented with the priority of developing the capacities of dealers, one of Vestel’s most important stakeholders.</p>	<p>Vestel Service Academy has been operating within Vestel Customer Services since 2012 for the regular and continuous training and development of all service teams, such as authorized service provider technicians, customer representatives and service managers in order to provide a flawless experience in after-sales services.</p>

Vestel Technology Academy

Developed in collaboration with the Vestel Group of Companies and Özyeğin University, Vestel Technology Academy is a long-term employee training and development program aimed at enabling to enable Vestel engineers to receive lifelong qualified training and to further their technical knowledge and experience. Under this training program, we encourage employees who have completed their university education in the field of engineering to receive Master’s and PhD-level training in the fields required by Vestel Beyaz Eşya.

52 Vestel Beyaz Eşya employees continued graduate education in Computer, Electrical-Electronics, Industrial and Mechanical Engineering through Vestel Technology Academy in 2021, and a total of 66 employees have graduated so far. In addition, 11 academic studies were transformed into industrial practices and four studies became part of a patent, publication or incentive processes.

Established with the vision of “bringing the university campus to the Company”, Vestel Technology Academy also offers Vestel engineers the opportunity to become in-house academics and our employees, who are evaluated by Özyeğin University and fulfill the prerequisites, are appointed as Visiting Faculty Members. In this context, one of our employees gave lectures related to Electrical and Electronics Engineering during the 2019-2020 academic year, and internal academics continued to give lectures throughout the 2020-2021 academic year.

Vestel Retail Academy

Vestel Retail Academy (VRA) is an employee development program designed to offer trainings on “Sales-Marketing”, “Management Skills”, “Performance Development”, “Personal Development” and “Finance” to head office employees, corporate store employees and dealer business partners. Under this program, training programs are implemented with the priority of developing the capacities of dealers, one of Vestel’s most important stakeholders. Founding dealer owners, next generation dealers, store managers and field employees can all participate in the programs. In 2021, 210 classrooms were opened with VRA, including the Head Office, Zorlu Holding and non-Group companies, and training programs were offered on 107 different topics for 7,989 participants, offering a total of 23,064 person x hours of training.

Through VRA, dealer business partners were encouraged to recommend a second product in addition to a product purchased to boost their cross sales within the Don’t Ask, Just Recommend Project” in 2021 in addition to the standard training programs organized for dealer business partners and encompassing areas such as “Sales, Marketing, Personal Development”.

Additionally, the training portfolio within the program was diversified and the social learning group “V-Circle Project” was added, enabling head office employees to share their innovation experiences with each other. In 2021, a single group was created, and the V-Circle Project was implemented, allowing participants to learn by sharing experiences. Within this project, which is based on the community of practice model, participants are given the opportunity to share their success and failure stories with each other in a closed group, raise issues and learn together by seeking solutions.

EMPLOYEES

The Service Academy was rewarded with a Gold award for the “Best Training and Development Program” for “Specialized Trainings”, a Gold award in the “Best Digital Solution in Training” category for “Household Appliances Error Code Application” and a Silver award for the “Development Program Achieving Social Benefits” for “the Women Technician Project” at the 2021 TEGEP Learning and Development Awards. 🏆

Vestel Service Academy

Vestel Service Academy has been operating within Vestel Customer Services since 2012 for the regular and continuous training and development of all service teams, such as authorized service provider technicians, customer representatives and service managers in order to provide a flawless experience in after-sales services. The Academy provided 19,500 person x hours of training in 2021 through different training approaches in which digital and live channels were actively used throughout many training modules. Vestel Service Academy is the first training program in Turkey to hold a TS ISO 29990 Certificate.

The Service Academy was rewarded with a Gold award in the “Best Training and Development Program” for “Specialized Trainings”, a Gold award in the “Best Digital Solution in Training” category for “Household Appliances Error Code Application” and a Silver award in the “Development Program Achieving Social Benefits” for the “Women Technician Project” at the 2021 TEGEP Learning and Development Awards. 🏆

Zorlu Academy Online Training Platform

Zorlu Academy Online Training Platform offers training programs to cover Zorlu Holding and all Group companies, including Vestel Beyaz Eşya. Starting in 2021, the platform began offering various online personal development and technical training content to the employees of Beyaz Eşya. In 2021, 770 Vestel Beyaz Eşya employees received 287 hours of training via this platform.

An online compulsory environmental training was added to the platform and shared with employees in order to raise their awareness and responsibility regarding environmental issues.

Onboarding Program

Since 2017, we have been implementing the Onboarding Program as part of the recruitment process. The first three months following the job offer and initiation of employment are known as the most critical period during which a new employee’s commitment to the Company is created. The main goals of the Onboarding Program are to facilitate the onboarding and adaptation process and to promote Vestel culture. Implemented through an online platform since 2020, the Onboarding process has been integrated with the Pole Star Mentorship Program. In 2021, we rendered the content of the onboarding training interactive by adding new tasks and games.

Pole Star Mentorship Program

The Pole Star Mentorship Program is the involvement of a team member who guides newly-recruited employees in the Onboarding Program. Acting as volunteers for three months in parallel with the onboarding process, Pole Stars are selected under the leadership of their department managers and attend specialized training offered by the Human Resources Department. In 2021, a total of 155 Pole Star mentors guided their new colleagues.

Attracting Young Talents

We create equal opportunities for young talents, and know that they play an important role in building the future of Vestel. Therefore, we invest in the acquisition of young talents and create new employment opportunities. We aim to improve Vestel’s “Attractive Employer” perception among new graduates and young talents.

Vestel Campus Activities

We are continuing our employer brand journey on university campuses with the motto “Possible with Vestel, Why Not?” as of 2021. The aim of this activity is to reach qualified prospective candidates on university campuses before they graduate and to employ competent human resources. Another goal is to implement projects such as university career events, engineering competitions, graduation projects, sponsorships, workshops and case studies that require close relations with university career centers and student clubs and support university-industry cooperation. In addition, we aim to support female engineering student communities with university campus events. We attach importance to meeting with female engineering students, encouraging and supporting them as a Company developing technologies. By attending a total of 36 events at 13 universities in 2021, we had the opportunity to bring our employer brand to many university students. We also conduct Vestel Management Trainee and Vestel V-Compass University Internship Programs in order to attract young talents to our Company and to contribute to youth employment in our country.

The Vestel MT Program received the “Most Admired Talent Program of 2021” award presented by Toptalent.co, with the votes of new graduates and young professionals. 🏆

Vestel Management Trainee Program

The Vestel Management Trainee (MT) Program is a comprehensive young talent training program through which we aim to train new university graduates as future managers of Vestel and which we carry out with the support of distinguished universities. Content of the program, which spans a period of four months, consists of academic courses, theoretical training within the Company, personal development training and practical internship phases. Through this program, we aim to prepare young trainees to understand the corporate culture and have detailed, up-to-date and accurate knowledge of the industry and its functioning as well as develop new projects that will add value to Vestel.

In 2021, we completed the 12th Vestel Management Trainee Program in an online fashion with the participation of 19 graduates in total from the leading universities of Turkey and in cooperation with Koç University. Eight of these 19 young trainees is now working at Vestel Beyaz Eşya.

Vestel V-Compass University Internship Program

Within the Vestel Group of Companies, we offer short-term internship opportunities to engineering students in production and R&D, and to students of the Faculties of Economics and Administrative Sciences in the Financial Affairs, Sales and Human Resources Departments. In 2020 and 2021, these summer internship programs, previously held at plants and administrative units, were organized online instead to COVID-19 measures in place.

University - Industry Collaboration Projects

We aim to develop projects as Vestel Beyaz Eşya to increase the use of academic knowledge and domestic resources of universities. Under this cooperation, which brings Vestel Beyaz Eşya’s R&D Department and academics together, we aim to convey Vestel’s knowledge in technology, innovation, digital transformation and Industry 4.0 to university students, as well as organize workshops for the localization of imported products in the sector. We signed a cooperation protocol with Afyon Kocatepe University in 2020 in order to support the professional development of students and to create new product and technology development platforms.

Technical visits planned for 2021 were carried out online and the Vestel Beyaz Eşya experience was offered to many students by making live broadcasts from production areas during these visits attended by Vestel Beyaz Eşya’s officials and engineers. At the end of the online technical visits, students and Vestel Human Resources specialists came together and exchanged information about available career opportunities at Vestel Beyaz Eşya. Through these technical visits, we enabled approximately 780 students to see and experience Vestel Beyaz Eşya plants.

The “TÜBİTAK 4007 Science Festivals - Touch the Technology Event”, planned and supported with the cooperation of Uşak University and Vestel Beyaz Eşya, took place in Uşak in 2021. We had the chance to get together with approximately 700 students in the event area with the “Design Workshop for Walkers for Dogs with Disabilities with Vestel”, “Workshop for Interaction with Innovative Vestel Household Appliances” and “Design Thinking Workshop for the Kitchen of the Future”.



We continue to meet with senior students of Ege University’s Faculty of Economics and Administrative Sciences Department of Business Administration through our Vestel Ege University Business Administration Seminar courses. We share theoretical knowledge and practices, including Vestel’s corporate culture, with students through the trainers composed of the Company’s employees who are experts in their respective fields. Under this program, we aim to help students gain perspective by coming together with professionals from the business world in the university environment and to contribute to the training content by strengthening university-industry cooperation. Through our Vestel Ege University Business Administration Seminar courses, which we have been continuing uninterruptedly since 2018, we offer 13 courses to 40 students per year where we can convey our industry experience.

EMPLOYEES

We aim to evaluate and improve the opportunities we provide to our employees as well as the work environment through the Employee Satisfaction and Engagement Survey.

Employee Engagement and Satisfaction

We believe that employee engagement will enable Vestel Beyaz Eşya to boost its competitiveness, financial performance and reputation as an employer, and we attach importance to the happiness of our employees in this sense. In order to be an accessible employer, we make investments in technological infrastructure and continuously improve our work to develop employee rights fairly, launch practices that strike a balance between work and life and create a healthy and peaceful working environment.

We aim to evaluate and improve the opportunities we provide to our employees as well as the working environment through the Employee Satisfaction and Engagement Survey which is organized every two years. We share the results of the survey with the senior management, breaking it down based on the age group and gender categories. In the last two years, our employee satisfaction score has increased by 11% and our employee engagement score by 23%.

In addition, we collect anonymous requests and complaints of all employees regarding working conditions through the Complaint/Wish/Request Evaluation System via the kiosks in the plants and our Corporate intranet. We undertake the necessary actions with the responsibility of the Human Resources and Occupational Health and Safety Departments for incoming requests and complaints.

- We continue to engage in practices aimed at boosting employee engagement through the practice “This Month’s Changemakers”. We prepare videos on the achievements, activities, behaviors and talents of our employees and share them through all our internal communication channels.
- Our “Demli Chats” seminars were suspended in 2020 and 2021 due to the global pandemic; however, we plan to start up these seminars again in 2022 with instructive guests on special days to continue raising awareness for subjects such as disabilities, gender equality, etc.

Fringe Benefits

Common fringe benefits for all of our employees include transportation, meals, childcare support, education scholarships offered by Zorlu Holding’s Mehmet Zorlu Foundation for the successful children of employees, marriage, maternity and bereavement leaves, cash aid, four shopping cheques per year, the right to use the fitness center in Vestel City, discounts on Vestel-branded products and additional bonus payments to those who have completed their Master’s and PhD studies.

Work and Life Balance

Through the sustainability goal of “Corporate Well-Being” at the Vestel Group of Companies, we developed the “Viva!” Project to improve the quality of life of employees and to ensure that they lead a long-term corporate life. We started to implement this project by integrating it with Zorlu Holding’s “We Are Good Together” Project and the Wellbees application in 2020.

The We Are Good Together Project covers:

- Activities aimed at protecting physical and mental integrity,
- Seminars and workshops on good and healthy lifestyles,
- A common sharing platform with event announcements,
- E-mail content and notifications to boost employee motivation,
- Adopting the motto “Working at Vestel means better living” and activities organized for this purpose,
- Awareness-raising information sharing for healthy living,
- Spreading the corporate culture and creating sharing environments that strengthen the communication between the Human Resources Department and employees,
- Suggestions and practices for improving Vestel’s physical conditions.

In addition to the “We Are Good Together” Project, we also offer free psychologist, nutritionist and sports coach support to our employees. Furthermore, we established Basketball, Dance, Outdoor Sports, Photography, Music and Running clubs in order to support the social development of our employees as well as their professional development. Among these clubs, the Running Club, which is called the Vestel Venus roadRUNNERteam, and Vestel’s Corporate Basketball Team continue to work intensively. Vestel’s Venus roadRUNNERteam, which attended a total of 12 races all over Turkey in 2021, made us proud by winning medals in many races, including the “Most Crowded Running Team” and “Fastest Running Team” awards at the 2021 Eskişehir Half Marathon. 🏆

In addition to work and life balance solutions, working-from-home arrangements have been applied in appropriate departments due to the pandemic. We strive to work for the continuation of this practice after the pandemic. According to Article 74/2 of Labor Law No. 4857, female employees are granted the right to work part-time after maternity leave.

Employee Volunteerism and Contribution to the Society

One of Vestel's important goals under its sustainability approach is to increase corporate volunteering efforts. Under the "Kıvılcıklar (Sparks) Movement" launched in 2019, we organize volunteer activities under five main groups within the Vestel Group of Companies: "environment", "children", "persons with disabilities", "reuse of materials" and "our friends: animals". In 2021, 207 Vestel Beyaz Eşya employees voluntarily participated in these activities for a total of 524 hours.

Some examples of the volunteer work carried out in 2021 with the participation of Vestel Kıvılcıkları (Sparks) including the employees of Vestel Beyaz Eşya are given below:

- In cooperation with the surrounding municipalities, we organized events for the cleaning of glass waste, one of the most important causes of forest fires in our country. We carried out environmental cleaning in Manisa and Foça, where 80 Kıvılcım (Sparks) volunteered for a total of 160 hours within the project.
- In cooperation with the Bilim Kahramanları (Science Heroes) Association, we organized Discovery Workshops to enable 3rd and 4th graders to learn to love science. Reaching 60 children with the participation of 16 Kıvılcım (Sparks), the project lasted for a total of 40 volunteer hours.
- Under the "Happy Tales" project executed in cooperation with the Laughter Heals Association, audio recordings of stories read by Kıvılcıklar (Sparks) were shared with children staying in hospital for treatment. 110 Kıvılcım (Sparks) read out 400 different tales for 220 volunteer hours.

OCCUPATIONAL HEALTH AND SAFETY

At Vestel Beyaz Eşya, we are sensitive about the application of Occupational Health and Safety (OHS) policies and practices in order to provide a safe and healthy working environment, and we attach importance to the assessment and management of the potential impacts of all risks that may result in loss, injury or damage due to any danger in the workplace to employees, contractors, supply industries, visitors, solutions partners and other employees in working areas. Our goals include examining risk and hazard assessments to identify what could cause harm in the workplace, raising employee awareness, improving and developing processes, creating ergonomic work areas, ensuring that the most stringent safety measures are taken regarding change of operations, providing a safe and healthy working environment to employees, preventing occupational diseases and achieving zero accidents.

In case of occupational accidents, we analyze the incident by conducting an accident site investigation and root cause analysis with the employee who had the accident, the relevant department manager, the OHS expert, the workplace physician and the employee representative. We draw up an occupational accident report by recording details and images of the accident and then take action with officials of the relevant department in order to prevent such accidents from recurring and to eliminate future potential risks.



Vestel Beyaz Eşya's Occupational Health and Safety Policy is available [here](#) .



EMPLOYEES

Our employee representatives play an important role in the increase of participation in the activities related to OHS in plants and in follow-ups of these activities. We have a total of 120 employee representatives from each department selected by election.

Our employee representatives play an important role in the increase of participation in activities related to occupational health and safety in our plants and in follow-ups of these activities. We have a total of 120 employee representatives, who are selected by election, from each department. Ensuring the identification of sources of danger and risks, demanding necessary measures to be taken, representing employees at relevant meetings, taking part in risk analyses and occupational health and safety activities are among the duties of chief employee representatives.

We enable our employees to report unsafe situations and behaviors they encounter, potential accident risks, suggestions and requests by filling out an online form. These notifications are first forwarded to the OHS expert through the occupational health and safety portal. Then, an on-site evaluation is performed with the employee filing the notification, an official of the relevant department, the OHS expert and the workplace physician to create a report and necessary actions are taken by the officials of the relevant department.

We provide personal protective equipment to all our employees within plant areas, specific to their work and fulfilling certain standards. We also conduct regular checks to ensure the safety of equipment.

We provide personal protective equipment to all our employees within plant areas, specific to their work and fulfilling certain standards. We also conduct regular inspections to ensure the safety of equipment. Occupational hygiene and indoor environmental quality measurements ((incl. noise) are regularly made by accredited organizations every year and we take necessary measures in case of non-compliance. We conduct periodic health check ups for of all our employees. We approve the entry of chemical substances into the plants by performing technical and preliminary evaluations and through consultations with the OHS expert, workplace physician and officials of the relevant department. We allow the use of chemicals after the completion of field trials and employee trainings.

At Vestel Beyaz Eşya, we continued to organize OHS trainings for all employees in line with social distancing rules, legally-regulated capacities, limited attendance and ensure that the training rooms were disinfected before and after each training throughout the COVID-19 period. A total of 87,683 person x hours of basic OHS training was organized during the year.

We were entitled to receive the “COVID-19 Safe Production Certificate” in 2020 by successfully completing the TSE audits carried out in line with the ISO COVID-19 Response Standards thanks to our rapid actions and measures throughout the pandemic period.



Occupational Health and Safety measures taken during the COVID-19 process:

- We accelerated and completed the construction of the new health center planned in Vestel City.
- In cooperation with the Manisa Yunus Emre District Health Directorate, we launched a vaccination campaign in the plants, informed the employees about the vaccination and accelerated vaccination efforts.
- Workplace nurses were involved in vaccination activities following the training given by the Yunus Emre District Health Directorate. We offered our employees the opportunity to be vaccinated at the workplace.
- With the rise in the vaccination rate and the measures taken at Vestel Beyaz Eşya, our employees started working at the office and plants again.
- Thanks to the “Vestel Health Follow-up” application, the software of which was developed through cooperation of the Vestel OHS and R&D departments, we ensure that all employees fill out daily follow-up forms and take necessary measures.

In 2020, due to the pandemic, we started shifting to the working-from-home model in the departments where this was possible, and granted paid leave to employees who had chronic diseases but could not engage in working-from-home arrangements. Therefore, we observed a decrease in the lost-time injury frequency rates and the severity rates in 2020. In 2021, there was an increase in the number of our employees in order to continue production without interruption upon the normalization process. By evaluating the rising lost-time injury frequency rate and severity rate during this adaptation process, we planned our improvement processes such as station-based risk analyses, ergonomics analyses, and training activities for 2022, and we will continue to increase these efforts.

OHS Performance Indicators

Employees	2019	2020	2021
Number of Fatalities	0	0	0
Lost-Time Injury Frequency Rate ³	71.47	55.71	79.80
Lost-Time Injury Severity Rate ⁴	0.33	0.23	0.32
Occupational Disease	0	0	0

Contractor Employees	2019	2020	2021
Number of Fatalities	0	0	0
Lost-Time Injury Frequency Rate ³	18.21	26.85	39.84
Lost-Time Injury Severity Rate ⁴	0.05	0.08	0.18
Occupational Disease	0	0	0

³Lost-Time Injury Frequency Rate = Total Number of Occupational Lost Time Accidents x 1,000,000 / (Total Working Days - Non-Working Days) x Daily Working Duration

⁴Lost-Time Injury Severity Rate = Total Number of Lost Days x 100 / (Total Working Days vs. Non-Working Days)

CORPORATE CITIZENSHIP



We continue to expand our corporate citizenship in various social and environmental issues, taking into account societal needs. Out of the Sustainable Development Goals, we organize various philanthropic activities prioritizing Quality Education, Gender Equality and Decent Work and Economic Growth.

In 2021, Vestel Beyaz Eşya contributed a total of TL 4.8 million to corporate citizenship/philanthropic activities, of which 1% was accounted for through donations.



CORPORATE CITIZENSHIP

Total Value of Philanthropic Contributions in 2021

Type of Contribution	Total amount
Cash contributions (TL)	4,787,860
Time: employee volunteering during paid working hours (hrs)	524
In-kind giving (TL)	-
Management overheads (TL)	8,285

COVID-19 and Community Support

Throughout the pandemic period, Vestel Customer Services continued to contribute to society and take initiatives related to public health to the next level. By standing with health institutions and healthcare professionals, 24/7 free services was provided to healthcare professionals. Through the practices implemented up to September 2021, all healthcare professionals could freely benefit from technical support and service including products not covered by warranty by calling a special line dedicated to them: 0850 393 56 66.

Vestel's Sponsorships

Vestel became the "Main Sponsor of Women's Volleyball National Teams" and the "Official Sponsor of Men's Volleyball National Teams" in accordance with a new agreement signed with the Turkish Volleyball Federation in 2020. The agreement covers all age groups in the national teams category. In parallel with the sponsorship agreement, Burhan Felek Sports Hall, the only international volleyball arena in İstanbul, will be named the "TVF Burhan Felek Vestel Sports Hall" for three years.

We continue to support the development of and interest in volleyball in Turkey through communications such as the "We are a Country of Volleyball" launched in 2021.

The Trabzonspor Football Team and Kastamonu Municipality Youth and Sports Club Women's Handball Team were among the ongoing sponsorships. After being the co-sponsor of the Turkish Gymnastics Federation and the main sponsor of the Rhythmic Discipline of the Turkish Gymnastics Federation, Vestel became the sponsor of all gymnastics disciplines for women and men.

Sailing was also included among social investment areas; and our national athletes Beste Kaynakçı and Okyanus Arkan, who competed in the 470 Sailing World Championships, were supported through sponsorship.

Design Competition for a Circular Economy: Design the Repair Workshop was sponsored.

In addition, as part of Vestel's support for the arts, and as a way to bring society closer to culture and the arts, the documentary movie Nusrat: Iron and Blood was sponsored. Vestel's aim through this



sponsorship was to inform society about the success story of the ship Nusrat and shed light on her history and the major role she played in the victory of Çanakkale.

You Have My Hand



Launched in 2021, the “You Have My Hand” project is implemented through the collaboration of the Gender Equality Working Group, Vestel, the Provincial Directorate of Family Labor and Social Services, the Women’s Guest House Directorate and Violence Prevention and Monitoring Centers (ŞÖNİM). The project has three phases:

- During the first phase, we respond to the household appliances and electronic appliances needs of Women’s Shelters providing protection and accommodation to women who are in the process of psychological, social, and economic healing after being exposed to physical, emotional, sexual, economic and verbal abuse or violence.
- We also respond to the household appliances and electronic appliances needs for homes where these women establish an independent life upon leaving the women’s shelter.
- Finally, out of the women establishing independence, those recommended by the commission and approved by Vestel are employed as Customer Representatives at Vestel’s Call Center. Starting in 2022, we aim to employ 10 women from this project at Vestel’s Customer Services Call Center every year.

The “You Have My Hand” project aims to improve the quality of life for women staying at women’s shelters and their children, strengthen public-private sector collaboration in the solution of social problems, offer social and corporate support to women who were victims of violence, contribute to the new life women victims of violence as they begin to lead independent lives, improve the qualifications of these women through vocational training, integrate them into work life and, thus, enshrine equal opportunities and gender equality. A total of 43 products were donated to 4 women and 1 guesthouse in 2021.

Walkers for Animals with Disabilities

Under this project launched in 2018, we produce walkers for animals with disabilities in an attempt to make their lives easier. As a result of the activities carried out between 2018 and 2021, we donated 28 walkers in total, which we designed from the parts of our household appliances that had completed their useful life, to animals with disabilities in need of help and care.

Through this project implemented in cooperation with the Manisa Metropolitan Municipality and MOSTEM (Private MOSB Vocational and Technical Anatolian High School), for which we were deemed worthy of many international and local awards, our aim was to reach more animals in need. 🏆

We aim to establish workshops at schools that are lagging behind in socio-economic development by making use of household appliances allocated for recycling.

Do It Yourself Workshops with Vestel

We aim to establish various workshops at schools that are lagging behind in socio-economic development by making use of household appliances allocated for recycling. Under the project, we will produce workshop equipment in 13 different groups from the parts of household appliances allocated for recycling in line with the principles of a circular economy and zero waste in collaboration with Uşak University.

We plan to produce Do It Yourself Workshop equipment from electronic waste coming out of our production lines and produce thermoplastics from our plastic waste for use in printers. We aim to reach 2,000 students as part of the workshops that will take place in eight different schools.

To this end, we aim to contribute to both zero waste and circular economy practices by using waste in the production of educational materials, as well as contributing to the development of school-age children’s coding and digitalization skills through the workshops that we support in many different fields. We will continue to design and produce workshop equipment after the project. Thus, we will contribute to raising awareness and mainstreaming this culture.

Organized in cooperation with Uşak Universtiy, “Do It Yourself Workshops with Vestel” were entitled to be supported by the Social Development Support Program introduced by the Zafer Development Agency

Other Contributions

In 2021, Vestel Customer Services continued to organize various philanthropy projects such as the Tema Foundation sapling donation, disaster area aid and food donation to stray animals. Through the Waste Plastic Cap Collection campaign launched in 2011, we collected 12,260 kg of waste plastics in total in 2021 and donated 5 battery-powered and 3 manual wheelchairs to people in need.

SUPPLY CHAIN



We consider the supply chain as one of the key components of business success. We aim to create long-term environmental, social and economic value across the entire supply chain. We identify potential risks and opportunities to develop and protect the value chain. We attach importance to being transparent in the supply chain and monitoring and reporting our performance. Based on our innovative structure, we have adopted technology and innovation as a corporate culture since the day we were founded. In this context, we are constantly investing in the digitalization of our supply chain.

The pandemic affected the whole world, causing disruptions in the global supply chain. It affected operations and processes and made management difficult due to the differences between supply and demand. Throughout the pandemic period, we have ensured continuity in our supply chain with our flexibility, agility and ability to adapt to conditions immediately. Thanks to the diversity of our supply network, our flexible production capabilities, our effective sales and service channels, and our experience in e-commerce, we are successfully managing this process at Vestel. We strive to mitigate risks such as cost increases and production disruptions in the supply chain. At Vestel Beyaz Eşya, we strive to ensure diversity in suppliers and create an efficient supply chain. We take a proactive approach to many unforeseen challenges in all operational processes from supply to production and from production to sales, and we integrate our sustainable supply chain strategy into all our operations. The top five priorities of our supply chain management strategy are quality, cost, safety, logistics and sustainability.

We prioritize local suppliers in supplier selection in order to ensure continuity in supply and production and to support local economic development. In 2021, 81% of our 2,146 suppliers were local. 40% of the payments made to suppliers were made to local suppliers. In order to minimize the impact of increasing supply chain costs on product costs, we design our operational efficiency projects in a way to include supply industries and employees at all levels. In 2021, a new liaison office was established in Vietnam to both mitigate supply chain risks and seize cost opportunities with new suppliers as well as make use of the overall potential in the MDA markets in the Association of Southeast Asian Nations (ASEAN) throughout the COVID-19 process and thereafter.

At Vestel Beyaz Eşya, we have seven different plants, each with its own planning team. Our teams meet regularly once a month to work on the commonization of standard processes in our different plants and share best practices in Supply Chain workshop groups. We are redesigning the supply chain to improve raw material procurement processes. We are striving to meet customer requests faster by shortening delivery times from suppliers. Thus, we can increase our competitiveness in the market. We are working to develop it by analyzing all steps of our supply chain in detail. We systematically check and update our material-product master data values and material-based stock indicators. Thanks to our in-house and inter-enterprise integration, we have achieved an efficient synergy in our supply chain management.

The Supply Chain Working Group evaluates key performance indicators (KPIs) revealing the efficiency of the entire value chain. Sales figures increased by 19% in 2021 while an improvement of 7% was achieved in the order fulfillment rate. Despite the supply chain disruptions caused by the pandemic, we managed to maintain the raw material stock performance indicators, which we expected to increase due to the increasing number of orders.

Audit and Evaluation in the Supply Chain

At all companies under the Vestel Group, we consider the compliance of our suppliers, seen as important business partners, with internationally-accepted environmental, social and ethical standards and principles among our main responsibilities. We expect our suppliers and all of our business partners to comply with our Supplier Code of Conduct and legal obligations.

We expect our suppliers to comply with our Supplier Code of Conduct s disclosed on the Vestel Supplier Portal (“satinalma.vestel.com.tr”) and ask them to register in our supplier management system, Supplier Lifecycle Management (SLC). The Supplier Code of Conduct encompassing all Group companies and the main principles expected by Vestel Beyaz Eşya from its suppliers is available [here](#) .

We subject potential suppliers to a Competency Survey before working with Vestel Beyaz Eşya. Under the Competency Survey, we ask suppliers many comprehensive questions regarding social compliance (including child labor and forced labor), occupational health and safety, environment, quality, and management system practices. In addition, we ask suppliers to provide their environmental policies, audit reports and authorized economic operator certificates through our surveys. Through audits carried out by the Purchasing and Quality units, issues related to environmental compliance, occupational safety and fulfilling Vestel Beyaz Eşya’s material/product quality standards are checked.

We identify suppliers that have a critical impact on our business processes. Our critical suppliers are high volume suppliers, critical material suppliers, non-substitutable suppliers, suppliers identified as a result of Pareto Analysis. Suppliers with critical impact accounted for 80% of our 2021 purchasing turnover.

We continue to offer trainings to our existing suppliers for spreading awareness of responsible procurement. In 2021, we offered 66 hours of training to 11 suppliers. We aim to reach more suppliers by digitalizing supplier trainings.



The practices of contracted waste companies, which are a part of the supply chain, on the environment, OHS and energy are audited. Activities required for improving the scope of ESG audits for all critical suppliers are followed by our Supply Chain Working Group.



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Conflict Affected and High-Risk Area Minerals

3TG minerals (tin, tantalum, tungsten and gold) and cobalt mined in conflict affected and high-risk areas around the world are used for manufacturing electronics and household appliances. We are committed to complying with the United Nations’ guidelines and restrictions regarding these minerals, and to not purchasing these essential raw materials from conflict affected and high-risk areas or in a way that financially supports conflict.

We examine raw materials within supplied products and identify those containing conflict minerals during the testing of hazardous chemicals. We ask any of our suppliers using these minerals to fill out the Conflict Minerals Reporting Template (CMRT) of the Responsible Minerals Initiative (RMI). We expect our suppliers to fill out this template each year. In 2021, we received commitments from a total of 29 suppliers that they do not use any conflict materials.

A NET-ZERO COMPANY



We believe that resource scarcity and climate crisis action should be on everyone's agenda including both the public and private sector. The investments made in renewable energy and energy efficiency as well as our innovative business models play a key role in the transition to a net-zero economy.

For a sustainable future, we need to trigger transformation across our entire value chain. We are aware of this requirement and are leveraging the power of Industry 4.0 and automation to support the reduction of energy consumption through operational improvements and innovative products. We implement circular models to improve resource efficiency in production and reduce our environmental impact from products.

THE JOURNEY TO NET ZERO



Climate Crisis and Net Zero Targets

We aim to achieve net zero emissions by 2050 and are working on our decarbonization plan as part of our commitment to set Science Based Targets (SBTi).

It is critically important to reach net zero in greenhouse gas emissions as quickly as possible to curb the climate crisis and keep global warming below 1.5 °C by 2050. To that end, the net zero targets declared by countries gain significance. The European Union aims to secure net zero emissions by 2050 through the EU Green Deal. As part of this target, it will transform its trading sectors. In addition to the EU, the USA and China, which are responsible for a considerable portion of greenhouse gas emissions today, have committed to reach net zero emissions by 2050 and 2060, respectively. Turkey, on the other hand, ratified the Paris Agreement in 2021 and set a net zero emission target by 2053. The private sector plays a major role in reaching these targets declared by countries. Considering the number of employees, annual production capacity and the impact of global supply chains, the potential effectiveness of private sector action is evident.

Climate Crisis Action at Vestel Beyaz Eşya

To increase renewable energy generation, we installed a 142 kWp rooftop solar panel at our utilities facility that distributes energy to refrigerator and washing machine plants in 2021. We plan to generate 230 MWh of energy annually and reduce carbon emissions by 134 tonnes. We aim to continue and increase our renewable energy investments.

In line with the global agenda, we aim to reach net zero emissions by 2050, first in our own operations and then throughout our entire value chain. By making low-carbon technologies more commonplace, we are on our way to becoming a climate-friendly company. In 2021, we submitted a letter of commitment to set Science Based Targets (SBTi), a major step in reaching net zero emissions. To that end, we aim to switch to technologies that cause less greenhouse gas emissions from production, increase renewable energy investments and manufacture products with high energy efficiency, less water consumption, less carbon emissions and a low environmental impact. As part of SBTi efforts, we started a detailed process to collect data in order to calculate Scope 3 emissions in 2021. Accordingly, we will draft a plan for both operations and the decarbonization of the value chain.



We have been transparently sharing our verified greenhouse gas emissions, climate performance and reporting to the Carbon Disclosure Project (CDP) since 2012. In 2020, our Climate Change and Water Program score was C.

THE JOURNEY TO NET ZERO

Climate-Related Incentives: Since 2019, Vestel Beyaz Eşya has implemented a reward system for employees working on assembly lines. In the reward system, the employees of assembly departments receive points when they achieve their targets defined for pre-determined environment, energy and climate change performance indicators. Subsequently, the employees are ranked according to their points at the end of each month. The top three departments receive Vestel Points and they can collect and accumulate these points to redeem for gifts from our award catalogue.

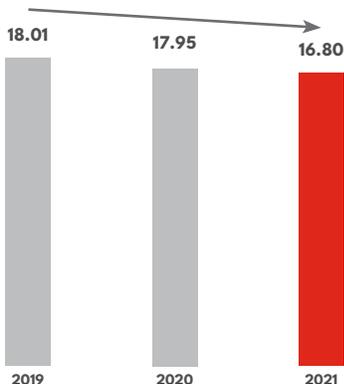
Improvements in logistics operations such as increasing lower-emission transport and load optimization play an important role in achieving net zero emissions in the value chain. At Vestel Beyaz Eşya, packaging optimization efforts help us minimize space loss in container, truck and intermodal transfers for shipments from the Far East and Europe. In 2021, the inclusion of more domestic alternative sources enabled us to downscale a total of 12,000 km of air transport distance to approximately 1,000 km of road transport. This allowed us to reduce carbon emissions by approximately 2 tonnes.

We use environmentally-friendly refrigerants with very low global warming potential in all our refrigerators and tumble dryers. Moreover, we have reduced the quantity of refrigerant per unit product by 2% in the refrigerator group and by 8% in the tumble dryer group year on year.

As Vestel, we distributed 1,000 books on climate change in order to raise employee awareness.

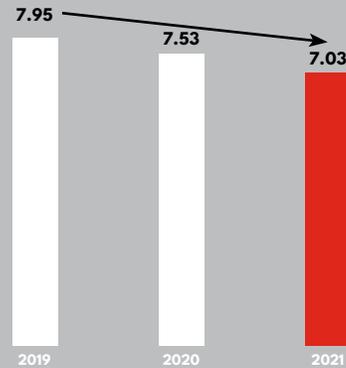
7% Reduction in Energy Consumption

Energy Consumption Per Unit Product (kWh/product)



12% of Greenhouse Gas Reduction

Greenhouse Gas Intensity (kg CO₂e/product)



Energy Efficiency

In 2021, we launched a total of 21 main energy efficiency projects, saving 5,433 MWh of energy and TL 3.9 million. This corresponds to the electricity consumption of 1,552 people in Turkey. We reduced total electricity consumption per unit product by 4%, total natural gas consumption per unit product by 8% and total hot water consumption per unit product by 16% year-on-year. Thanks to the projects, we prevented 3,131 tonnes of carbon emissions.



We can instantaneously monitor the consumption of all energy points online at the Data Monitoring and Control Center of Vestel Beyaz Eşya, and we keep energy consumption under control in light of the data obtained. Thanks to the Data Monitoring and Control Center, we achieved energy savings of TL 8.2 million in 2021.

In terms of reducing energy consumption of IT infrastructure, we run information systems data centers over consolidated servers as much as possible. In this context, we use virtual servers and consume less energy by minimizing the number of physical servers. In addition, cooling systems in data centers ensure that only necessary areas are cooled.

In terms of energy efficiency in products, we achieved 7% improvement in tumble dryers sold in Turkey and 0.3% in air-conditioners year-on-year in 2021⁵.

⁵ In line with the amendment of the energy efficiency regulation, comparisons could not be made on a yearly basis for refrigerator, dishwasher and washing machine products.



Adoption of circular economy models and engaging in repair, recycling and upcycling activities play a critical role in forestalling the global waste problem, while at the same time achieving financial benefits.



CIRCULAR ECONOMY

The linear economy model applied today is based on “take-make-waste” processes. Ignoring the rising strains on natural resources, this model paves the way for negative consequences such as economic loss and environmental pollution. In order to prevent these phenomena and protect the continuity of production, the adoption of circular models through which products are designed to be reintroduced to the economy and which change the perspective on resources and waste, accordingly come to the fore.

At Vestel Beyaz Eşya, we operate in a sector with intensive natural resource consumption. In the design phase, we use fewer parts where possible to reduce the use of raw materials. We use fewer materials to produce parts through design changes and strive to increase the use of recycled and renewable materials. We pay attention to reducing the level of reprocessing and using existing molds during the production phase. We design the packaging quantity to be at the most appropriate level for the product and human health, so that the maximum quantity of product fits into the container during the transportation phase. We aim to extend the use phase of Vestel products and contribute to the circular economy through activities such as after-sales repair, reuse and refurbishing. In this respect, we design products in a way to ensure the accessibility of all parts during repair in order to facilitate the repair of the products. Adoption of circular economy models and engaging in repair, recycling and upcycling activities play a critical role in forestalling the global waste problem, while at the same time achieving financial benefits.

As a company, Vestel Beyaz Eşya supports the repair and recovery of products and engages in activities on this subject at Vestel Customer Services.

Product Recovery and Repair

Under the Material Inspection and Recovery Project, Vestel Customer Services ensure that products are repaired and the defective parts are repaired and reused. Vestel authorized service providers collect all replaced defective parts, recover repairable parts to be used as spare parts for future product repairs and sort other parts by waste classes and send them to recycling. Authorized service providers evaluate the materials and spare parts replaced due to malfunction and consider them for reuse; and repair those which are available for repair. Thus, the materials that have financial value for the Company are recovered, resulting in economic gain, and potential environmental impacts are prevented by reducing the quantity of potential electronic waste as well.



Products replaced under warranty are delivered to the Returned Products Evaluation Center (DÜDEM) within Vestel City, those available for repair are refurbished at our Refurbishing Centers and sold at Vestel Outlet stores and some dealers. In 2021, we refurbished a total of 20,245 household appliances and brought them back to the economy. Non-refurbishable products are recycled through a licensed recycling company.

In order to identify the recyclability rate of the products manufactured by Vestel Beyaz Eşya, we had a specialized recycling company measure the sample products selected from seven product categories.

CIRCULAR ECONOMY

Product Category	Recyclability Rate (%)
Refrigerators	85
Dishwashers	68
Washing Machines	63
Tumble Dryers	93-100
Ovens	82-98
Air-conditioners	98
Water Heaters	89

Vestel Beyaz Eşya complies with the 2012/19/EU waste directive on the management of waste from electrical and electronic equipment. Informative guides on how to disassemble and recycle household appliances are prepared by i4R, of which Vestel Beyaz Eşya is a member, established in line with this directive. We share these guides to help recycling/recovery facilities.

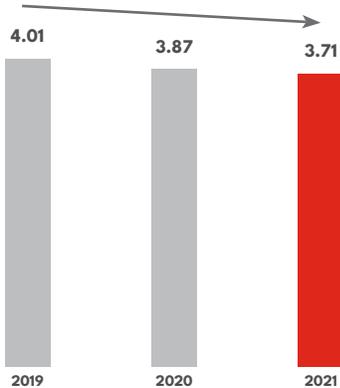
WASTE MANAGEMENT

Within all our activities under the Zero Waste Management System, we primarily focus on the prevention and reduction of waste generation and the recycling and recovery of waste.

We sort the waste generated at various stages of production and store it in temporary waste storage areas. We transfer all collected waste to licensed waste companies in accordance with the Waste Control Regulation and conduct regular audits of waste companies to ensure that waste is recycled or recovered in an appropriate way. Due to the COVID-19 pandemic, we conducted remote audits in 2021. By tracking waste in all processes, we reduce environmental pollution and support recycling and recovery.

8% Reduction in Waste

Waste Per Unit Product (kg/product)



Zero Waste

Under our zero waste approach, we have recycled or recovered all production-related waste since 2019. As per the Zero Waste Regulation, we ensure that the waste from our offices is sorted in an appropriate way. In 2020, we digitalized the environment and zero waste trainings that could not be offered due to the pandemic in order to reach all our employees. As part of our work, we were granted the Zero Waste Certificate in 2021. From a circular economy perspective, we produced some of our waste bins using production-based waste such as washing machine drums and refrigerator inner trays. We also make use of our food remnants under the Zero Waste practice. In 2021, we composted 862 kg of food scraps and used 450 kg of it for our own green areas at Vestel. We also donated 54 tonnes of food scraps for stray animals.



In order to reduce plastic pollution, we use materials produced from olive pit waste instead of plastic raw materials in our refrigerator and tumble dryer parts.



Use of Recycled Plastics and Reduction of Plastics

We are working on reducing plastic raw material consumption and plastic waste generated in production processes and offices. Under the Business World Plastics Initiative (IPG), to which Vestel Beyaz Eşya is a signatory, we made a commitment to reduce the use of plastics and reuse them by recycling in 2021. In this respect, we cooperate with domestic and foreign suppliers and start-ups in order to ensure the use of recycled and alternative plastic raw materials. By recovering the scraps generated throughout production processes, we have aimed to use a total of 7,081 tonnes of recycled plastics in products and components, including 1,983 tonnes by the end of 2021, 2,361 tonnes by the end of 2022, and 2,737 tonnes by the end of 2023. In addition, we will improve the product and packaging designs of all household appliances and reduce the use of plastics by 1,000 tonnes by the end of 2023 when compared to the base year 2020 through activities to be performed under the cooperation of our R&D and Production units.

By going beyond our commitments in 2021, we reduced 168 tonnes of plastics in packaging materials, 1,212 tonnes of plastics in products, used 2.5 tonnes of bio-based plastic materials and 2,347 tonnes of recycled plastics. Thus, we prevented the use of 3,729.5 tonnes of virgin plastics in total.

We manufacture our products with sustainable materials, focusing on the environmental impact of every material we use in our products. We manufacture heat pump tumble dryers containing bio-plastics. We reduce the use of petroleum-based plastic raw materials by using materials produced from olive pits and sugar cane in refrigerators.

Breaking new ground in Turkey, we have been using FSC (Forest Stewardship Council) certified cardboards for the packaging of Vestel refrigerators and dishwashers since 2021.

Packaging Management

Breaking new ground in Turkey, we started using 100% recycled and recyclable cardboard in the packaging of all Vestel-branded household appliances manufactured for Turkey at our facilities. In 2021, we prevented 209,553 trees from being cut by using a total of 12,327 tonnes of recycled cardboard. We prefer internationally-certified paper-based resources for the sustainable consumption of such resources.

WATER STEWARDSHIP

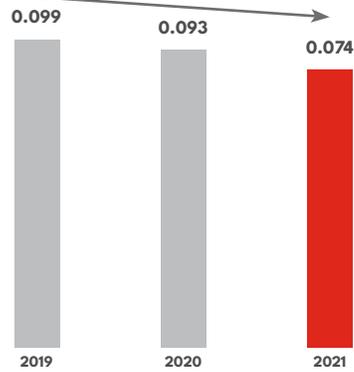
At Vestel Beyaz Eşya, we supply the water used in manufacturing processes from the municipal water and well water (groundwater) of the Manisa Organized Industrial Zone. We are aware of the pressure on water resources and accordingly, we aim to introduce water recovery models that improve our impact. We focus on minimizing water consumption, which we consider one of the most significant risks in manufacturing processes. In order to achieve this, we strive to develop and expand water-efficient projects and to recycle water. We have our water footprint verified under ISO 14046 Water Footprint Standard and report all water stewardship-related processes to CDP. Wastewater is discharged to the treatment plant of Manisa Organized Industrial Zone.

We recycle water in our paint shops, one of our biggest water consumption points. As a result of the optimization implemented in the refrigerator paint shop, we eliminated the rinsing process and saved 43,600 m³ of water as well as 785 MWh of energy. Thus, we saved as much as the annual water consumption of 523 people in Turkey. We aim to expand the project to other paint shops in 2022.

25%

Reduction in Water Consumption

Water Consumption Per Unit Product (m³/product)



We have our water footprint verified under the ISO 14046 Water Footprint Standard and report all water stewardship-related processes to CDP.



ACCESSIBLE AND SMART SOLUTIONS THAT MAKE LIFE EASIER



We believe that our products and services will play a key role in building a sustainable society. To create environmental and social benefits with our products and thus to respond to the needs of our consumers to the greatest extent, we aim to make life easier through smart, high-quality, safe products and services. We attach importance to the accessibility of our fully-fledged solutions by all segments of the society. We invest in digital service platforms by prioritizing customer experience.

We are constantly striving to improve our performance in the household appliances industry, where we are positioned as a technology company that attaches importance to innovation.

PRODUCTS AND SOLUTIONS THAT CREATE BENEFITS

We aim to offer accessible, easy, smart and energy-efficient products to consumers by creating environmental and social benefits through our products. We focus on high energy and water efficiency in the products we offer to the consumers, and we constantly improve our goals in this area. We strive to develop products with reduced environmental impact and high savings through R&D and innovation studies, and we devote a significant part of the R&D budget to developing smart products that create benefits.

While making the lives of consumers easier by developing smart and connected products, we also continuously improve our performance with the products we develop by accurately analyzing evolving consumer expectations. We observe quality and product safety in all our manufacturing processes.

PRODUCTS AND SOLUTIONS THAT CREATE BENEFITS

PRODUCTS OF VESTEL BEYAZ EŞYA

Energy-Efficient Products

We design products with the highest energy efficiency class in the market. In this context, we offer our consumers efficient and user-friendly refrigerators, washing machines, tumble dryers, dishwashers, cooking appliances and air-conditioners thanks to the technologies we have developed. We design tumble dryers with weight sensors. Thus, the most efficient drying mode is selected by determining the amount of load in the machine and energy saving is achieved. We produce ovens with HeatWrap technology that can cook five trays at the same time, and induction hobs with much higher thermal efficiency than gas stoves.



Water-Efficient Products

At Vestel Beyaz Eşya, we focus on water efficiency as well as energy efficiency. In this respect, our products are among those that consume the least water in the market. We produce dishwashers that consume 5.4 liters of water by saving 45% more water than the market average per wash. These dishwashers save up to 3 liters of water per wash thanks to our “Aquazone” technology compared to conventional technologies, and we also produce washing machines, which consume 35 liters of water per wash by saving approximately 30% more water.

Thanks to our Aquazone technology, we reduce the water consumption rates of dishwashers up to 3 liters per wash.

We produce dishwashers that save up to 45% more water than average products and washing machines that save up to 30% more water.

In order to reduce plastics pollution, we produce washing machines equipped with a microfiber filter, which largely prevents the mixing of microplastics in clothes with water.



Products Reducing Plastics Pollution

Clothes made of plastic-based materials can release microplastics during washing, which then mix with wastewater and flow into rivers and seas, causing an increase in water pollution and deterioration in the aquatic ecosystem. We aim to support the reduction of water pollution with washing machines equipped with microfiber filter systems which we have developed and for which patents have been filed. In this context, we became a member of APPLiA's Consortium on Microplastics Release in 2021 and we are striving to take a more active role in global initiatives.

Products for Changing Consumer Needs Following the COVID-19 Pandemic

We strive to best respond to the changes in consumer demands due to the COVID-19 pandemic. Our “Daylight” technology provides consumers with a high level of hygiene in refrigerators, dishwashers, washing machines, tumble dryers and air-conditioners. The products manufactured with this technology, which is based on the natural protective nature of clean air fed by sunlight, increase air quality at points of contact and protect consumers against harmful organisms.

- Refrigerators produced with Daylight technology help preserve food in a fresher and more natural way for a longer period of time by cleaning the air inside the refrigerators and increasing the air quality that foods come into contact with.
- When used in dishwashers, this technology helps to destroy almost all bacteria on the dishes, and with its waterless washing program, it also enables consumers to disinfect daily use items such as keys and wallets.

Our “Daylight-Pro” products with UV-C technology help meet the increasing hygiene needs of consumers, while also offering energy and water efficiency.

- Internal units of Vestel Daylight Inverter air-conditioners are equipped with a UV-C hygiene system that purifies ambient air at certain rates as it is pulled into the unit, thus disinfecting the air.

Washing machines with Vestel Daylight technology offer a high level of hygiene with daylight, fast daylight and baby clothes programs while they also lead to energy savings with the fast daylight program that performs hygienic washing at low temperatures. The waterless daylight cleaning program also provides hygiene for items that consumers use in their daily lives, such as keys and wallets.



During the COVID-19 pandemic, the demand for devices used in hospitals and the medical industry increased rapidly. In addition to the vaccine storage cabinets we produced in this respect, we started developing ventilators. Throughout this process, carried out with a business partner operating in the medical sector, the R&D, testing and certification activities of the ventilator were completed in 2021. In 2022, we aim to produce ventilators and make them available to our customers.

Continuous Hygiene Solution for Special Environments

Designed with the collaboration of Vestel and InnwayRG, and with a pending patent application, the “Initus-V System” consists of Far UV-C and specialized textiles that offer effective hygienic capabilities for surfaces and air. Applied medical research with the Initus-V System was initially conducted at Medicana Bahçelievler Hospital with 10 patients undergoing angiography. The first open surgery using the Initus-V system was performed in the neurosurgery unit of İstanbul Aydın University’s Faculty of Medicine. Trials of the Initus-V system are ongoing at Atatürk University’s Medical Faculty COVID Operating Room, Neurosurgery Outpatient Clinic and Faculty of Dentistry. As the system is being used in a limited way in human environments for the first time in the world, legislation does not yet cover this system. For this reason, we are striving to render the system a marketable product through amendments to the legislation.



PRODUCTS AND SOLUTIONS THAT CREATE BENEFITS

We quickly identify the needs of evolving consumer habits and respond with our technological infrastructure. As a result of the change in food consumption habits during the pandemic and quarantine period, the demand for home-made healthy food consumption increased. The next generation MAYA refrigerator developed for consumers who want to prepare healthy fermented foods at home is an example of our response to consumer needs. This refrigerator offers the ability to prepare and store seven different types of food requiring fermentation such as dough, yoghurt, kefir, vinegar and pickles through automatically-adjusted temperature and time functions. Equipped with maximum freshness technology in addition to the fermentation technology, Vestel's MAYA Refrigerator ensures that the gases formed by the respiration of fruits and vegetables are removed from the environment so that food is stored for a longer time without losing its nutritional value. In addition, our active ion technology sends negatively-charged ions into the refrigerator, neutralizing positively-charged bad odor molecules and increasing air quality. The fermentation compartment can be used as a freezer or cooler when desired, while the functions of other compartments can be adjusted according to the consumer's preference, and it achieves energy saving with special compartments that can be turned off when not in use.

Air-Conditioning Products

We develop solutions for various consumer needs with our wide product portfolio consisting of VRF air-conditioners, multi inverter air-conditioners and split air-conditioners. In addition to individual customers, we make cooling-heating load calculations, device layout plans and system designs in accordance with the needs of corporate customers during the design phase of projects. Also called variable flow systems, VRF systems (Variable Refrigerant Flow) are defined as air-conditioning systems in which more than one indoor unit can be controlled independently with the help of an outdoor unit and gas flow distributors. VRF air-conditioners also have high energy efficiency, high piping distances and capacity values.

Products for Various Markets

In addition to the entire product range that we manufacture in accordance with the European market, we are striving to boost our effectiveness in various markets abroad by developing products that comply with the requirements, consumer expectations and legal regulations of various countries. In line with the new energy regulations (EU Eco Design Directive) that came into effect in Europe in 2021, we quickly adapted our relevant product groups. In 2021, our A energy class washing machines and B energy class dishwashers became ready for mass production. In this context, we aim to increase our market share in Europe by proceeding with the production of high energy class products.



ÇAMAŞIR MAKİNESİ

Avrupa Birliği sürdürülebilirlik ve enerji tüketimi azaltma çalışmaları kapsamında, üreticileri daha düşük enerji tüketen yenilikçi verimli ürünleri üretmeye teşvik etmek amacıyla mevcut regülasyonda güncelleme yaparak enerji verimliliği sınıflarını yeniden ölçeklemiştir. Yeni enerji etiketlemesinde A+++ / A+ ölçeklendirmesi değiştirilerek, tüm ürünler için tek tip A'dan G'ye enerji sınıfı olarak sınıflandırılmıştır. Çamaşır makinelerinde yeni enerji sınıfları; Eko 40-60 programındaki enerji ve su tüketimi, program süresi, ses seviyesi ve sınıflarına göre oluşturulmaktadır. Ayrıca enerji etiketlerinin dizaynı da güncellenerek, kullanıcıların ürün bilgilerine QR kod ile ulaşılabilirliği sağlanmıştır.

ESKİ ENERJİ SINIFLARI

A+++(-%70), A+++(-%60), A+++(-%50), A+++(-%40), A+++(-%30), A+++(-%20), A+++(-%10), A+++ , A+ , A

YENİ ENERJİ SINIFLARI

A, B, C, D, E, F, G

In 2021, the ratio of our domestic smart household appliances sales to all household appliances sales stood at approximately 33%.

Smart and Connected Products

With the rise in digitalization, the development of smart and connected technologies in many consumer products has also increased. As consumer expectations change in line with these developments, the demand for smart home products is increasing. We focus on building smart devices, smart homes, smart cities and business models based on revenue-sharing around them. Our collaborations with technology companies such as Amazon, Google and Innit have enabled us to bring smart products to consumers.

We integrate our products into the Smart Home concept. In 2021, we accelerated activities on data security and analysis through operations intended to create a big data platform. We have developed an ecosystem that can serve all connected products and work in harmony with up-to-date technologies and voice assistants.

Thanks to our technological infrastructure, we respond to consumer expectations by developing smart products that can be remotely controlled via wireless communication. We also developed an application called Veezy for customers abroad. Thus, products produced for the Turkish market that can be controlled over wireless communication will now be able to reach customers abroad.

Consumers who own Vestel household appliances with wireless communication technology can manage their products through the Evin Akli (smart home) application. Through the smart billing feature added to the indoor and outdoor unit software and mobile application for Vestel air-conditioners, users can choose how much they want to spend using the app, and then monitor the amount of their bills and energy consumption on a monthly and daily basis. In this way, the application enables users to save energy. In addition, if 80% of the entered invoice amount is reached, the app recommends the user to switch to the economic mode. In addition, Vestel Customer Services can inform customers of all signals received from their products and stand by them whenever necessary in order to improve the user experience in smart products. With a more flexible and agile structure, a record is created at authorized service providers without the need for the customer to even notice the problem by making use of the data obtained from smart products. In addition, user habits can be estimated thanks to the data received from the products. Thus, we continue to establish customized product protective measures, usage tips and maintenance information mechanisms.

In 2021, we added voice command features to Vestel Evin Akli (smart home) Application to support access to technology for blind customers. Thus, all movements on the phone can be transmitted to consumers through sounds.



Products and Services for Persons with Disabilities

At Vestel, we care about our blind customers and cooperate with Blindlook, a 100% voice-responsive application. Thanks to the audio world developed by Blindlook, our blind customers can meet all their needs and benefit from all services and products integrated into the application with Audio Simulation technology. All functions of products are recorded on the application, and users are guided simultaneously. With this inclusive service, we have become one of the brands holding the EyeBrand Certificate.

In 2021, we added voice command features to Vestel's Evin Akli (smart home) Application to support access to technology for blind customers. Thus, all movements on the phone can be transmitted to customers through voice commands.

Accessible Authorized Service Providers: Vestel Customer Services opened Turkey's first Accessible Authorized Service Provider in İstanbul, Avcılar in 2018, and strives to ensure that all authorized service providers throughout the country are "Accessible Service Providers". Accessible authorized service providers serve customers with disabilities with the aim of offering the highest level of customer experience by providing them with the opportunity to easily access anywhere they want to reach. These service providers offer accommodations such as front door entrance ramps, accessible toilets and sinks, yellow directional lines for blind people, customer representatives who know sign language for deaf, and direction signs. Authorized service providers are granted the title of three-star, two-star and one-star Accessible Authorized Service Provider depending on the criteria of accessibility they fulfill. Accordingly, four authorized service providers were recognized as three-star Accessible Authorized Service Providers, 20 authorized service providers as two-star and one authorized service provider as a one-star provider.

PRODUCTS AND SOLUTIONS THAT CREATE BENEFITS

Licensed Sharp Brand

Sharp, a licensed brand of Vestel, stands out in the innovative and sustainable product category. 2K20 series washing machines, tumble dryers and dishwashers, refrigerators, ovens and induction hobs are products that are easy to use, stylish and offer high levels of water and energy efficiency. The 2K20 series washing machine, which is produced with thermojet technology allowing for 60% energy savings, 25% water savings and can be remotely controlled via wireless communication. The tumble dryer of the series, which can be controlled by wireless communication, helps to remove odors from clothes. Machines with environmentally friendly R290 refrigerants also offer better drying performance with the 3Drack® drying rack. While the dishwasher achieves an efficient washing performance with its Aquaglide triple water spray arms, the refrigerator can spread negative ions into the refrigerator with the help of UV light based on UltrapureTech. The built-in oven of the new series provides the opportunity to cook on five trays at the same time by distributing heat more efficiently and evenly thanks to Air Stream® technology. At the same time, consumers with Sharp-branded products can connect with devices remotely via the Sharp application.

Sharp 2K20 new series household appliances were rewarded a total of 23 awards with six products at the Plus X Awards. 🏆

In addition to the awards won with its new series of smart refrigerators, built-in ovens, washing machines, dishwashers and tumble dryers, Sharp also received the “Most Innovative Brand 2021” title of PlusX Awards organization.

Vestel Beyaz Eşya is awarded by international organizations for its innovative products. 🏆

In 2021, Vestel Beyaz Eşya received international awards for the technologies and designs we have developed.

- At Good Design 2021, organized by the Chicago Athenaeum Architecture and Design Museum, we were deemed worthy of six awards in total with our Nova Frenchdoor Refrigerator, AIO Dishwasher, T80 Washing Machines and Tumble Dryers, Double Bridge Zone Induction Hob and Duo Built-in Oven.
- We won the Top Prize with our innovative UV-C technology in our tumble dryer in the Most Innovative Project category, and Third Prize for our Acoustic Improvement of Compressor in a Heat Pump System in the Best Design Project category at the International Conference on Design, Research and Development.
- After tests conducted at the world-famous InFluenc_H Institute in Germany, our Vestel Daylight Washing Machine was awarded a Level-3 Gold Hygiene Certificate, which is the highest level.
- Standing out with its design, our T80 washing machine equipped with Hydroboost technology and remote control capability through wireless communication was rewarded at the Red Dot Design Awards 2021.
- We were deemed worthy of an award with our Built-in Oven equipped with Full Touch Sous-Vide Technology and AIO Dishwasher at the iF Design Awards 2021.
- We won awards with our Slim Led Touch Built-in Oven, T40 Tumble Dryer and Smart Jet Washing Machine products at the European Product Design Awards 2021.



QUALITY AND PRODUCT SAFETY

In 2021, we provided a total of 17,388 person x hours of quality and product safety training to 2,898 employees.

We constantly review and improve our manufacturing processes in order to manufacture products that are accessible to consumers and fulfill high quality and safety standards. We design and offer products that comply with national and international standards, respond to customer expectations, and comply with the standards we have established as a result of our internal evaluations. We always keep product safety and quality at the highest level by testing products and manufacturing processes regularly. Our ISO 9001 Quality Management System guides us throughout all these processes. Our Quality Policy is available [here](#) .

In terms of product quality, we perform quality control for products according to internationally-accepted control criteria by using the necessary testing equipment in the plants. We inspect the mass production by performing electrical safety tests of products within production lines and according to the sample rate set at the production lines. No product has been recalled or withdrawn from the market in the last three years for quality and safety reasons.

Based on our consciousness of quality and product safety, we expect our suppliers to produce according to certain criteria. The documents we request from suppliers vary by the product group supplied. Being aware of our responsibility towards our customers, we are committed to avoiding the materials and hazardous substances that may harm the environment and human health, adversely affect the standard of living when they turn into waste, or cause other negative consequences, and we expect the same from our suppliers. We regularly review the Restricted Materials List we publish and demand full compliance from suppliers. We require suppliers to hold the Certificate on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS), comply with the Regulation of the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), and hold the Declaration of the List of Substances of Very High Concern (SVHC) certifying that they do not use any hazardous chemicals.

We regularly inform our employees about product quality and safety, and aim to raise their awareness through trainings. In 2021, we provided a total of 17,388 person x hours of quality and product safety training to 2,898 employees.

Product Safety Tests

All product groups manufactured by Vestel or sold through outsourcing can be tested at Vestel Product Safety Laboratory. Through the studies in the laboratory, products are checked against all risks that threaten human life such as electric shock, fire, overturning, overheating or explosion in the field in line with international standards. The Product Safety Laboratory is accredited by TÜRKAK (Turkish Accreditation Agency) in accordance

with ISO 17025 standard and authorized by independent approval bodies such as Verband der Elektrotechnik (VDE), Technischer Überwachungsverein (TÜV), INTERTEK and DEKRA. The laboratory also offers external services in line with its existing infrastructure competence, experience and accreditation.

In 2021, approximately 5,000 products out of various product groups such as household appliances, TV, satellite receiver, lighting, information technology products, batteries, small domestic appliances and AC/DC electric vehicle chargers were approved in the laboratory. The engineers working in the laboratory also play a role in the creation of international standards and offer training in institutions such as the Turkish Standards Institution (TSE) and Information Technologies and Communications Authority (BTK) by leveraging the experience they have gained in standards within the accreditation work. Detailed information about all our laboratories is available [here](#) .

CUSTOMER EXPERIENCE

We continue to strive to improve customer satisfaction and loyalty with high-quality, safe services and expert service staff, and to offer personalized and uninterrupted services with digital and smart solutions. We are constantly improving our services to around 700.000 million individual customers in Turkey and more than 1,200 corporate customers globally. We observe international standards in customer management processes and continue to perform under the ISO 10002 Customer Satisfaction Management System and TS EN ISO 18295-1 Customer Communication Centers System held by Vestel Customer Services.

It is important to monitor performance in order to boost customer satisfaction and loyalty. For this reason, customer satisfaction is measured monthly from among a group of customers who receive repair and installation services from Vestel and is reported quarterly. In 2021, the customer satisfaction score stood at 88, the customer loyalty score at 90, and the after-sales service net promoter score at 83. Our goal is to improve our performance on scores up to 90 and maintain satisfaction and loyalty levels on scores in the range of 90-100. In addition, the number of complaints submitted to Vestel Customer Services decreased by 44% year-on-year. Our goal is to resolve all complaints within seven days.

Our Vestel Customer Satisfaction Policy is available [here](#) .

CUSTOMER EXPERIENCE

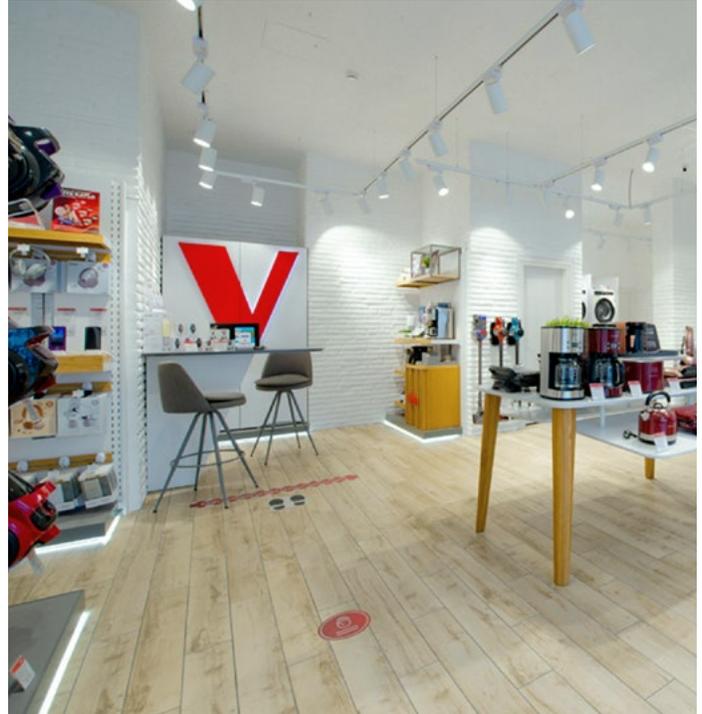


	2019	2020	2021
Customer satisfaction	87	86	88
Customer loyalty	87	87	90
Number of customers responding to the satisfaction and loyalty survey	1,004	933	2,309
Net promoter score for after-sales services	84	82	83

Vestel's Dealer and Distributor Network

Vestel has an extensive dealer and distributor network, including 1,336 Vestel and Regal dealers and 12 Finlux distributors in Turkey, 58 distributors in Europe and 8 distributors in other countries. Under the local management budget intended to accelerate the retail sales of dealers, support is offered to dealers in three areas: store focal product, store turnover target and communication support. These activities aim to boost store traffic, brand recognition and retail sales. Communication activities and campaigns are organized under "Focus Province" to boost sales at dealers within selected provinces.

In 2021, trainings were offered to the employees of dealers on effective communication, sales techniques and smart products under the Development Program for Dealer Sales Representatives and 88 dealers and distributors received a total of 1,195 hours of training. In addition, online webinars were held in 2021 for the owners of dealers on topics such as leadership, team communication, business management in the face of market uncertainties, and the effective use of social media.



STORE EXPERIENCE

Keeping a high level of customer experience is one of our top priorities while offering useful, accessible and high-quality products to consumers. In order to improve the customer experience, we closely monitor the demands, expectations and needs of consumers and carry out activities in this vein. By using user experience research methodologies such as A/B testing, consumer preferences and habits can effectively be identified, and campaigns are shaped based on the testing results.

We were deemed worthy of the “Achievement in Customer Excellence” Award in the Household Appliances and Television categories for the eighth time under ŞikayetVar A.C.E. (Achievement in Customer Excellence) Awards 2021, which recognizes brands with the highest customer satisfaction. 🏆

Next Generation Retailing Approach: Vestel Ekspres

In 2020, the small- footprint Vestel Ekspres store concept was launched, offering a digital display feature through which practices such as shopping experience and fast delivery to customers are offered, thus improving and differentiating the customer experience. Under the next generation Vestel Ekspres Store concept introduced in various cities, especially in İstanbul, İzmir and Antalya, we can respond to evolving shopping habits, combine online purchasing experience with physical retail, offer consumers opportunities such as instantly finding the product they want, fast comparison and same day delivery and installation. Special digital applications suitable for next generation retailing in Vestel Ekspres stores are in the planning process and will be made available to consumers. As of the end of 2021, we have 72 Vestel Ekspres stores.

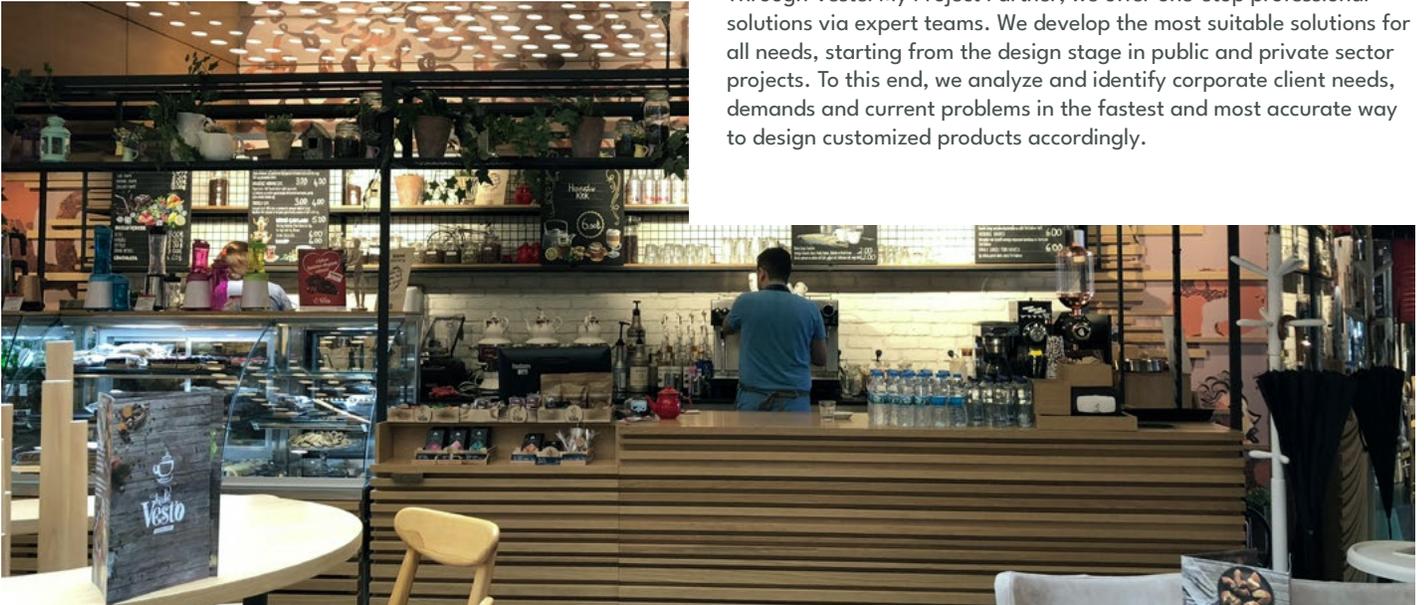
A Brand New Store Concept: Cafe Vesto

Cafe Vesto concept was brought to life by combining the cafe and store concepts to improve the store experience of customers. In this context, Vestel stores in Beşiktaş, Zorlu Center and Bahçeşehir in İstanbul, Elvankent in Ankara, and Karşıyaka and Alsancak in İzmir were designed under the cafe concept. Cafe Vestos enable customers to get to know Vestel products while enjoying a pleasant time, including indulging in local delicacies presented in parallel with our motto “Proudly Domestic”.

We were awarded in the Company Adopting Consumer Satisfaction as a Principle category at the 24th Consumer Awards organized by the Ministry of Trade of the Republic of Turkey. 🏆

Vestel My Project Partner

Developed with the aim of offering result-oriented and effective solutions to customers, Vestel My Project Partner was formed by bringing together Air-Conditioning, Hotel & Construction Projects, Digital Solutions and Public Sales Departments under a single roof. Through Vestel My Project Partner, we offer one-stop professional solutions via expert teams. We develop the most suitable solutions for all needs, starting from the design stage in public and private sector projects. To this end, we analyze and identify corporate client needs, demands and current problems in the fastest and most accurate way to design customized products accordingly.



CUSTOMER EXPERIENCE

E-commerce

In the wake of the COVID-19 pandemic, changes in consumer behaviors and the acceleration of digital transformation have rapidly increased the volume of e-commerce. Throughout quarantine processes, consumers did all kinds of shopping through online channels while manufacturers tried to improve their sales channels on digital platforms. This has caused digital transformation to change shopping behaviors rapidly and radically. In the first half of 2021, e-commerce volume in Turkey increased by 75% year-on-year. Standing out in terms of customer experience and ease of use, e-commerce platforms were now being preferred more and more. At Vestel, we shape our services and practices by adopting an omni-channel approach, and we continue to improve the online shopping experience both on our website www.vestel.com.tr and at leading corporate online marketplace sites. Thanks to the newly-introduced cloud-based e-commerce infrastructure, we can respond more easily to technical needs and centralize online customer data. In addition, it is planned to improve the customer experience by renewing our e-commerce platform. Progress is made in line with Vestel's target of increasing its online turnover rate in Turkey to 25% by 2030.

The title "Vestel Authorized Online Dealer" is granted to authorized dealers fulfilling a set of criteria. Thus, Vestel standards are maintained in the sales and after-sales services offered to consumers. Through the **Find Stock** service on the website, consumers can see which store has the product they are interested in. Via the **e-appointment** service, customers can choose the time they want for the delivery and installation of their products. With detailed shipment tracking, it is possible to access all steps of an order down to delivery through the website. Products that do not require installation can be returned to the corporate store, even if they were purchased online. If a cancellation request is created on the website, the products to be returned through the authorized service providers are collected from the customers' door.

We ensure that orders placed through online channels are delivered and installed within **24 hours by referring** them to the store which is the closest and most appropriate for the consumer thanks to Vestel's smart order algorithm and wide network of dealers and service providers. Called "Delivery in 24 Hours", this practice allows for product delivery in a fast and safe way.

As Vestel, we shape our services and practices by adopting an integrated retail approach, and we continue to improve the online shopping experience both on our website www.vestel.com.tr and at our corporate stores on leading online marketplace sites.

By commissioning **VMH Logistics**, we aim to deliver spare parts and products that our authorized service providers require for serving our customers within 24 hours at the latest through fast delivery. It is planned to reach 80% of Turkey by the end of 2022 and expand the transportation network.

Through the **Live Store** application, consumers can get information about and see products by making live video calls with sales representatives at corporate stores. Thanks to the **See at Home** application, customers can access 360-degree images of products using our website's Augmented Reality (AR) technology and experience how the product will look in their home. Via the **Live Chat** service, customers can talk to product experts instantly via messaging applications and ask questions and get information about products.

The portal "**There is a Solution for Everything Here**" (Self-Service Customer Support Portal) contains all information and issue solutions about all products offered to customers. Through the Çözümüvar customer support portal, positioned as Digital Vestel Customer Services, we aim to offer consumers a good digital experience. Thanks to the portal, users can sort out product malfunctions by following the provided steps without the need for a technician, examine product features and even purchase products through a link to vestel.com.tr. In addition, they can create a malfunction notifications and installation request, and benefit from services such as additional warranty and spare parts without the need for a call center representative. As of 2021, we started selling spare parts directly to the end consumer so that they can easily repair their products themselves and extend the product's life. Moreover, carbon footprint is reduced as the vehicles of authorized service providers are not used.

You can access other digitalization projects in the customer experience under the Digital Transformation section (page 61).



ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

ADDITIONAL DISCLOSURES MADE WITHIN THE SCOPE OF THE REGULATION ON THE DETERMINATION OF THE MINIMUM CONTENT OF ANNUAL REPORT OF COMPANIES DATED 28.08.2012 AND NUMBERED 28395

GENERAL INFORMATION

Reporting Period:	01.01.2021 - 31.12.2021
Legal Name:	Vestel Beyaz Eşya Sanayi ve Ticaret AŞ
Trade Registry Information:	Istanbul Trade Registry Office, No: 380814
Registered Capital Ceiling:	TL 2,000,000,000
Paid-in/Issued Capital:	TL 1,600,000,000
Contact Information for the Headquarters and Branches:	<p>Head Office: Levent 199 Büyükdere Cad. No: 199 34394 Şişli - ISTANBUL / TURKEY Phone: + 90 (212) 456 22 00</p> <p>Branch 1: Organized Industrial Zone, 45030, MANISA / TURKEY Tel: +90 (236) 233 01 31</p> <p>Branch 2: Keçiliköy OSB Mah. 5639 Sok. No:17/2/12 Yunusemre - MANISA / TURKEY Phone: +90 (236) 226 30 00</p>
Company Website:	www.vestel.com.tr
Investor Relations Website:	http://vesbe.vestelinvestorrelations.com

Shareholding Structure and Capital Distribution

As of 31.12.2021, the Company's shareholding structure is as follows:

Shareholders	Nominal Value of Shares (TL)	Share in Capital (%)
Vestel Elektronik Sanayi ve Ticaret AŞ	1,320,552,236	82.53
Other (Free Float)	279,447,764	17.47
Total	1,600,000,000	100.0

As of 31.12.2021, Vestel Beyaz Eşya has 503,578,947 shares (31.5% of the share capital) which can be traded on Borsa Istanbul.

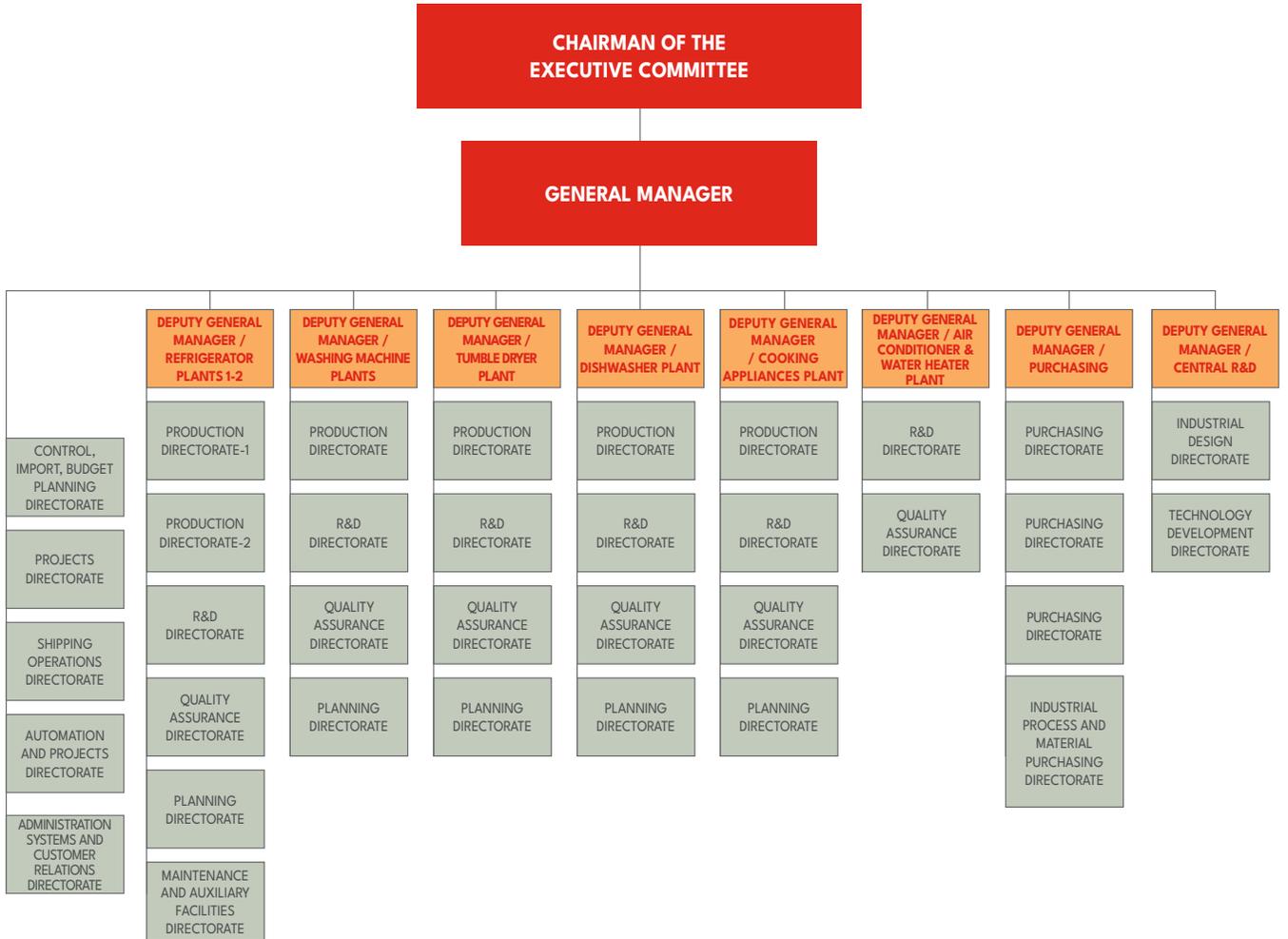
Vestel Elektronik's stake in Vestel Beyaz Eşya declined from 89.9% to 82.53% following the block sale transactions executed on Borsa Istanbul on February 19, 2021, April 12, 2021 and September 2, 2021.

Vestel Beyaz Eşya increased its paid-in capital from TL 190 mn to TL 1,600 mn via a TL 1,410 mn (742%) bonus issue as of October 25, 2021.

Privileged Shares and Voting Rights of Shares

There are no privileged shares in the Company.

ORGANIZATIONAL CHART OF VESTEL BEYAZ EŞYA



ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

The Board of Directors

The members of the Board of Directors are elected by the General Assembly in accordance with the provisions of the Company's Articles of Association pursuant to the Turkish Commercial Code and relevant regulations. In the event of a vacancy in the Board of Directors, a new member shall be appointed to the vacant position by the Board of Directors in accordance with the Articles of Association and the relevant provisions of the Turkish Commercial Code. If the vacant position is for an independent member of the Board, the appointment shall be made in accordance with the regulations of the Capital Markets Board. The approval of the shareholders for the newly appointed member shall be obtained at the first General Meeting of Shareholders. The member approved by the General Assembly shall complete the term of office of his/her predecessor.

The Board members elected at the 2019 Annual General Meeting held on 30 June 2020, who have executed their duty during the period, and their tenure are listed in the table below.

Member	Duty	Term of Office		Other Positions Held Within Zorlu Group	Positions Held Outside the Zorlu Group	Status	Board Membership in Other Publicly Listed Companies
		Beginning Date	Ending Date				
Ahmet Nazif Zorlu	Chairman	June 30, 2020	June 30, 2023	Chairman and Vice Chairman at Zorlu Group Companies	-	Non-executive	Vestel Elektronik Sanayi ve Ticaret AŞ, Zorlu Enerji Enerji Üretim AŞ
Elmas Melih Araz	Vice Chairman	June 20, 2020	June 30, 2023	Board Member at Vestel Elektronik Sanayi ve Ticaret AŞ	Board Member at Ata Yatırım Menkul Kıymetler AŞ, Ata Gayrimenkul Yatırım Ortaklığı AŞ, TFI Tab Gıda Yatırımları AŞ, Burger King China JV Ltd. İzmir Enternasyonal Otelcilik AŞ and Entegre Harç Sanayi ve Ticaret AŞ	Independent	Vestel Elektronik Sanayi ve Ticaret AŞ, Ata Gayrimenkul Yatırım Ortaklığı AŞ
Olgun Zorlu	Board Member	June 30, 2020	June 30, 2023	Board Member at Zorlu Group Companies	-	Non-executive	Vestel Elektronik Sanayi ve Ticaret AŞ, Zorlu Enerji Enerji Üretim AŞ
Şule Zorlu	Board Member	June 30, 2020	June 30, 2023	-	Chairperson at Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ	Non-executive	-
Selen Zorlu Melik	Board Member	June 30, 2020	June 30, 2023	Board Member at Zorlu Group Companies	-	Non-executive	Vestel Elektronik Sanayi ve Ticaret AŞ, Zorlu Enerji Enerji Üretim AŞ
Bekir Ağırdir	Board Member	June 30, 2020	June 30, 2023	Vice Chairman at Vestel Elektronik Sanayi ve Ticaret AŞ and Vice Chairman at Zorlu Enerji Elektrik Üretim AŞ	General Manager and Board Member at KONDA Araştırma ve Danışmanlık Limited Şirketi	Independent	Vestel Elektronik Sanayi ve Ticaret AŞ, Zorlu Enerji Enerji Üretim AŞ
Ayşegül İldeniz	Board Member	June 30, 2020	June 30, 2023	Board Member at Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ	COO at Silver Spring Networks and Board Member at Doğan Şirketler Grubu Holding AŞ	Independent	Vestel Elektronik Sanayi ve Ticaret AŞ, Zorlu Enerji Enerji Üretim AŞ, Doğan Şirketler Grubu Holding AŞ

Changes in the Board of Directors in the Reporting Period

There has been no change in the Board of Directors elected at the Annual General Meeting during the year.

Duties and Authorities of the Members of the Board of Directors

The Chairman and the members of the Board of Directors have the duties and the authorities set forth in the relevant articles of the Turkish Commercial Code and the Company's Articles of Association.

Number of Board Meetings held during the year and the Attendance Rate of Board Members

Board of Directors convened 12 times in 2021. As a precaution due to the pandemic, the Board meetings were held in-person and online simultaneously in 2021 where physical attendance was optional. The members of the Board of Directors attended the meetings to a large extent regularly and the average attendance rate to the meetings stood at 98%.

Senior Management

Name Surname	Job Title
Enis Turan Erdoğan	Chairman of the Executive Committee
Bekir Cem Köksal	Executive Committee Member
Necmi Kavuşturan	Executive Committee Member
Erdal Haspolat	General Manager
Alp Dayı	Chief Financial Officer
Hasan Uğur	Deputy General Manager in Charge of the Refrigerator Plants
Mehmet Yavuz	Deputy General Manager in Charge of the Cooking Appliances Plant
Özgür Yılmaz	Deputy General Manager in Charge of Purchasing
Serkan Balcı	Deputy General Manager in Charge of the Washing Machine Plants
Serhat Tolga Sönmez	Deputy General Manager in Charge of the Dishwasher Plant
Özgün Döşemeciler	Deputy General Manager in Charge of the Tumble Dryer Plant
Turgay Büyük	Deputy General Manager in Charge of Central R&D

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

Changes in the Senior Management during the year

There has been no change in the senior management during the year.

Number of Employees

As of 31.12.2021, Vestel Beyaz Eşya has 9,416 employees.

Information on the Transactions of the Members of the Board of Directors with the Company on Behalf of Themselves or Others and their Activities within the Scope of Non-competition

At the Annual General Meeting held on April 15, 2021, the members of the Board of Directors were granted permission to transact within the framework of the Articles 395 and 396 of the Turkish Commercial Code for the year 2021.

Personnel and Labour Movements and Collective Bargaining Practices and the Rights and Benefits provided to Employees

The Company does not employ any personnel working under the Collective Bargaining Agreement. All employee rights and interests are protected and overseen under the Labour Law No. 4857.

Amendments to the Articles of Association

The Article 6 of the Company's Articles of Association, entitled "Share Capital" has been amended due to the Company's shift to registered capital system and the increase in its paid-in capital via a bonus issue during the year.

COMPENSATION AND MONETARY BENEFITS PROVIDED TO BOARD MEMBERS AND SENIOR MANAGERS

At the Company's 2020 Annual General Meeting held on 15 April 2021, the decision was taken to pay a net annual fee of TL 240,000 (TL 20,000 per month net) to each independent Board member and not to make any payment to other Board members for the year 2021.

In the twelve-month period ending on 31.12.2021, the total compensation and monetary benefits provided to the members of the Board of Directors and senior executives amounted to TL 15,437 in total.

ACTIVITIES OF THE COMPANY AND IMPORTANT DEVELOPMENTS REGARDING THE ACTIVITIES

Capacity and Production

Plants	Plant Enclosed Area (m ²)
Refrigerator	148,916
Washing Machine	42,327
Air Conditioner	8,500
Cooking Appliances	34,100
Dishwasher	28,580
Washing Machine and Tumble Dryer	66,301
Warehouse	74,496
Container Site Land	2,884
Total	406,104

Vestel Beyaz Eşya achieved 88% capacity utilization rate (CUR) in 2021 (CUR in 2020: 77%). With the capacity expansion investments undertaken during the year, the annual production capacity of the refrigerator plant was increased by 650,000 units and of the tumble dryer plant by 450,000 units, raising Vestel Beyaz Eşya's total annual production capacity from 12,500,000 units to 13,600,000 units.

Production

The Company's production volume increased by 20% yoy in 2021.

Sales

Vestel Beyaz Eşya recorded TL 16,283,228 ths. of gross revenues in 2021, of which TL 12,714,457 ths. comprised of export revenues. 57% of total revenues were generated from sales to European countries, 22% from domestic market and 21% from sales to other countries.

Net sales grew by 72% in TL terms while unit sales increased by 19% compared to the previous year.

Investments and Investment Incentives

The Company's total capital expenditures amounted to USD 85.5 million in 2021. Machinery and equipment investments accounted for the highest portion with a 71% share, followed by research and development activities (15%) and mold investments (6%).

Information on Direct and Indirect Subsidiaries and Ownership Interests

The Company does not have any directly or indirectly owned subsidiary.

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

Information on the Company's acquisition of its own shares

The Company did not acquire its own shares in 2021.

Information on Special Audit and Public Audit

Within the framework of the regulations of the Capital Markets Board regarding financial reporting and independent audit, the Company's semi-annual and yearly financial statements are audited by an independent audit firm.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ was selected as the independent auditor for auditing the Company's accounts and transactions for the year 2021 in accordance with the Capital Market Law, the Turkish Commercial Code and the related legislation, in the Annual General Meeting held on 15 April 2021.

Information on Legal Action taken against the Company which could affect the Company's Financial Status and Activities and the Possible Consequences of such Legal Action

No material lawsuit, which could affect the financial status and activities of the Company, was filed against the Company in 2021.

Administrative or Judicial Sanctions Imposed against the Company or the Board Members due to Practices Violating the Legislation

There is no administrative or judicial sanction applied against the Company or the members of the Board of Directors.

General Meetings of Shareholders

The decisions taken in the Company's Annual General Meeting held on 15 April 2021 were implemented.

No Extraordinary General Shareholders' Meeting was held during the year.

Donations and Social Responsibility Projects

In 2021, the total donations made in line with the Company's Donation and Charity Policy amounted to TL 4,787,860.

Conclusion Section of the Affiliation Report Prepared Pursuant to the Article 199 of the Turkish Commercial Code

In accordance with the provisions of the Turkish Commercial Code (TCC), Vestel Beyaz Eşya was an affiliated company of Zorlu Holding AŞ during the fiscal year 2021. Pursuant to the Article 199 of the Turkish Commercial Code, Vestel Beyaz Eşya's Board of Directors issued the following declaration in its affiliation report, which was prepared regarding the Company's relationship with the controlling company or an affiliated company of the controlling company:

"Our Company's legal actions taken with the controlling company, or the companies affiliated to the controlling company for the benefit of the controlling company, or a company affiliated to it under the direction of the controlling company and any and all measures taken or avoided in favor of the controlling company, or a company affiliated to it in 2021 operating year were evaluated based on the circumstances and conditions known to us. As a result of this evaluation, we declare that in all transactions regarding the 2021 operating year, an appropriate remuneration was received by our Company in accordance with the circumstances and conditions known to us, and that there was no measure taken or avoided that could harm the Company."

Information on Transactions

No transaction was taken within this scope.

FINANCIAL POSITION

Determination of the Adequacy of the Company's Capital and Assessment of the Board of Directors

The Company has neither suffered capital impairment nor is insolvent within the scope of the calculation performed by taking into account the ratios specified in Article 376 of the Turkish Commercial Code.

Information on Capital Market Instruments Issued

Vestel Beyaz Eşya issued the following corporate bond to domestic qualified investors in 2021.

ISIN Code	Issuance Date	Term (Days)	Maturity	Nominal Value (TL)	Type of Interest Rate	Interest Rate (%)	Coupon Payments	Principal Payment
TRSVEST62314	09.06.2021	728	07.06.2023	265,000,000	Floating	TLREF* + 2.25%	Quarterly	At maturity

*TLREF: Turkish Lira Overnight Reference Rate

Corporate Credit Rating

JCR Eurasia Rating	BB+/Negative
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On 15 March 2021, JCR-Eurasia Rating evaluated “Vestel Beyaz Eşya Sanayi ve Ticaret AŞ” in investment grade category and assigned the Company ‘AA (Trk)’ and ‘A-1+ (Trk)’ ratings on Long and Short-Term National Scales with ‘Stable’ outlook. The Long Term International Foreign and Local Currency Ratings of the Company were mapped as ‘BB+/Negative’ according to JCR-ER’s national-global mapping methodology.

Dividend Distribution Policy

The Company distributes profit in accordance with the provisions of the Turkish Commercial Code, Capital Market Regulations, Tax Regulations and other pertinent legislation as well as the profit distribution provision of its Articles of Association. The amount of profit to be distributed and date of distribution are approved by the General Assembly, upon the proposal of the Board of Directors.

Vestel Beyaz Eşya has adopted dividend distribution policy of distributing at least 25% of its distributable profit in cash and/or as bonus shares. Board of Directors shall review this policy every year, by taking into account the domestic and global economic conditions, the Company’s growth and investment plans and financial position. Revisions made in the policy shall be submitted to the approval of shareholders at the first General Assembly meeting following such revisions and the revised policy will be published on the Company’s web site.

Distribution of profit shall commence on the date determined by the General Assembly, provided that it is no later than the end of the year in which the General Assembly meeting is held. Subject to the provisions of the legislation in force, the Company may consider distributing advance dividends or paying dividends in equal or varying installments.

Board of Directors’ proposal for dividend distribution has been accepted at the Company’s 2020 Annual General Meeting held on 15 April 2021. Pursuant to the Board of Director’s resolution dated 22 April 2021, the distribution dates of the dividends to be paid in three equal installments have been determined as as 31.05.2021, 30.06.2021 and 30.07.2021 and all installments have been paid.

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

OTHER MATTERS

Information on Conflicts of Interest between the Company and the Institutions from which the Company Obtains Investment Consultancy, Rating and Similar Services, and the Measures Taken to Prevent such Conflicts of Interest

None.

Information on Legislative Changes that may Significantly Affect the Company's Activities

There were no legislative changes in 2021 that could significantly affect the Company's activities.

Information on Cross-Shareholdings where Direct Participation in Share Capital exceeds 5%

None.

Required Information on Related Party Transactions and Balances

The required information on the Company's related party transactions are provided in the footnotes of the 2021 financial statements.

RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

Risk Management

Zorlu Holding's Enterprise Risk Management Department is responsible for the early detection of risks which could jeopardize the existence, development and continuity of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ("Vestel Beyaz Eşya" or "the Company"), implementation of necessary measures against detected risks and the management of risks in a centralized structure. In this regard, the Zorlu Holding Risk Policy and Procedure and Enterprise Risk Management Framework have been prepared to apply to all Zorlu Group companies.

Zorlu Holding Enterprise Risk Management Policy is summarized below:

Goal Setting	<ul style="list-style-type: none"> Incorporating risk management principles into strategic planning and goal setting processes Aligning the strategy and goals set with the Company's risk appetite
Risk Identification	<ul style="list-style-type: none"> Identifying the risks and opportunities that may affect the Company's goals with the engagement of the whole organization in a coordinated manner and within the framework of a common perception
Risk Assessment and Inherent Risk	<ul style="list-style-type: none"> Assessing the probability of risks and their impact on the Company in case of their occurrence Determining the value of risk before the actions taken and control activities, i.e. inherent risk
Determining Actions	<ul style="list-style-type: none"> Addressing the risks in the most appropriate way (Risk Acceptance, Risk Transfer, Risk Mitigation, Risk Avoidance) by taking into consideration the risk appetite and cost/benefit factors Determining actions in line with the responses identified and managing the risks proactively
Residual Risk and Action Plan Follow-up	<ul style="list-style-type: none"> Determining the value of risk after the actions taken, i.e. residual risk Monitoring the completion process of the activities specified in action plans
Reporting and Communication of Risks	<ul style="list-style-type: none"> Prioritizing the risks identified and monitoring them using the Key Risk Indicators Measuring and reporting the key risk indicators which give warnings and all other risks taking into consideration the control points Sharing all activities transparently and ensuring that risk management process is integrated into the decision-making mechanisms with the establishment of risk awareness and culture in all activities of the Group
CONTINUOUS MONITORING	

Vestel Beyaz Eşya's Early Detection of Risk Committee, which was established on 15 March 2013 pursuant to the Article 378 of the Turkish Commercial Code, undertakes studies for the early detection of risks which could jeopardize the existence, development and continuity of the Company, implementation of necessary actions and remedies regarding the identified risks and management of risks in a coordinated manner. The Early Detection of Risk Committee convened 6 times in 2021 to ensure adequate oversight of enterprise risk management processes. The decisions taken as a result of the Committee's investigations were presented to the Board of Directors.

RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

The Committee prepared the following 6 reports in 2021:

- Results of the Risk Assessment Survey 2020 for Vestel Group of Companies
- Global Risk Outlook and the Impacts of the Pandemic on the Sector
- Carbon Emission in the Energy Sector and Climate Change
- Economic and Social Impacts of Migration Waves on Turkey
- Risks Rising with Global Warming and the Insurance of These Risks
- Increasing Risks in Recent Years and Their Impacts

The Company's vision is defined as creating sustainable value for all parties by ensuring operational efficiency, growth and legal compliance. The six main risk categories, which may jeopardize the realization of the Company's goals towards its vision and the actions taken in relation thereto are summarized below.

Strategic Risks

Strategic risks refer to the inadequacy of the Company's strategies, inability to remain competitive and achieve its goals due to failure to accurately identify external factors, employment of an outdated business model, incorrect composition of business portfolio, inefficient organizational structure, inconsistency of performance measures with business strategies, insufficient resource allocation and similar reasons.

The strategic risks category includes, among others, various risks in relation to environmental analysis, business model and portfolio, organizational structure, resource allocation and planning.

Actions taken regarding these risks are as follows:

- Conducting coordinated feasibility studies, benefit and cost analysis and budgeting studies by the relevant departments in relation to new investment decisions,
- Evaluation of the legal, political, etc., risks before and after the investment by obtaining consultancy services as and when necessary,
- Diversification of investments made in different countries and business lines,
- Monitoring the return on investments made,
- Using dealers, distributors, online sales and similar distribution channels actively and considering each one as a business model,
- Entering new business lines by making use of strategic partnerships in public and private sectors,
- Formulating innovative strategies with respect to sales and marketing.

Sector Related Risks

The sector related risks mainly result from the delays in adapting to the changes in short- and long-term supply and demand balances that occur as a result of changing production and consumption patterns. It is inevitable for these changes to have an impact on price predictability. Sector related risks also include adaptation to the climate change-related shifts in the industry.

Vestel Beyaz Eşya strives to mitigate the negative impacts of such risks by diversifying its areas of operation as much as possible.

Financial Risks

Financial risks refer to the inadequacy of the Company's finances, the emergence of currency, interest rate and credit risks and other uncertainties and fluctuations in financial markets, which may have a negative impact on the Company, and inability to secure adequate liquidity.

The financial risks category includes, among others, risks in relation to interest rates, currency, capital, financial derivative instruments, commodity prices, liquidity, cash flow management and receivable collection.

In order to determine the effects of financial risks on financial statements, various indicators such as Net Financial Debt/EBITDA, Net Foreign Currency Position/Shareholders' Equity and liquidity ratios as well as the effective maturity dates of financial liabilities are monitored and it is ensured that the necessary actions are taken at the levels which require warning.

The following actions are taken against these risks:

- Use of alternative financing methods,

- Ensuring asset-liability balance within the balance sheet,
- Making use of various derivative instruments for hedging purposes, when necessary,
- Within the scope of stress tests and scenario analyses, stress tests are carried out in order to observe the effects of changes in market risk factors and market volatility on the financial position of the Company and to mitigate possible risks,
- Conducting Value at Risk (VaR) study for forward contracts recognized in equity within the cash flow hedge reserve account, measuring the worst one and five-day fair value variations within a 99% confidence interval,
- Paying attention to not taking on a financing burden which cannot be covered with the highly liquid assets as per the Company's philosophy,
- Monitoring the budget targets and realizations on a monthly basis and making revisions as necessary,
- Monitoring the profit target and realizations on a monthly basis and making revisions as necessary,
- Insuring receivables and obtaining various guarantees.

Operational Risks

Operational risks refer to the inability of the Company's business model to secure and sustain operational efficiency over the course of its operations towards achieving customer satisfaction and the Company's performance targets in relation to quality, cost and time.

The operational risks category includes, among others, risks in relation to decision making with respect to operational processes such as supply, capacity, business interruption, customer satisfaction, human resources, environmental health and safety, information capital, authorization, information processing and technology, contractual obligations and pricing and risks related to financial reporting processes and budgeting and fraud risks.

The following actions are taken against these risks:

- Supervision of all operational activities by the Internal Audit, Financial Audit and Tax Audit Departments set up under the organization of Zorlu Holding,
- Monitoring the operational risks that Zorlu Holding Enterprise Risk Management Department deems to be important through key risk indicators via the information technology system and informing the relevant business units about risk levels when necessary,
- Measuring, reporting and monitoring customer satisfaction in relation to products and service network,
- Regularly providing compulsory training programs on occupational health and safety to all Zorlu Holding employees in accordance with the relevant regulations,
- Centralized follow-up of the recommendations proposed by the insurance companies to Group companies subsequent to risk inspections,
- Following-up the policies and procedures for compliance with the legally defined standards in relation to environmental health, stakeholder safety and stakeholder health,
- Monitoring and keeping records of repair and maintenance of plant and machinery,
- Committing to comply with the United Nations Global Compact and principles such as human rights, environment, society, ethics and the fight against corruption,
- Carrying out work to fulfill all the obligations imposed by the legislation for the processing, storage and security of personal data throughout the Company, taking into account the local regulations.

Reputation Risk

The Company's performance in other risk areas naturally poses a reputation risk for the Company. The reputation risk mainly refers to the negative impacts that may be caused by the Company's operations on the environment, society and internal and external stakeholders.

The following actions are taken against these risks:

- The Company's performance in other risk areas naturally poses a reputation risk for the Company. The reputation risk mainly refers to the negative impacts that may be caused by the Company's operations on the environment, society and internal and external stakeholders.
- The following actions are taken against these risks:

RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

External Risks

External environment risks are cases where external factors arise which may affect the continuity of the Company's business model and the core values which drive the overall targets and strategies that set this model in motion.

The external risks category includes, among others, risks in relation to access to capital, shareholder relations, natural disasters (force majeure risks), competition, customer demand (trends), financial markets, market sensitivity, sector risks, legal risks and risks in relation to regulatory compliance, political status and technological innovation.

The following actions are taken against these risks:

- Developing necessary plans for recovering and resuming critical systems, technical infrastructure and facilities in alternative sites in case of a natural disaster or contingency, regularly monitoring business continuity and emergency action plans,
- Determining a comprehensive insurance coverage within the Company by considering risks related to natural disasters and terror incidents, transferring potential risks to insurance companies and minimizing their potential financial impacts,
- Managing regulatory changes, legal actions, tax conflicts, intellectual property infringements, unfair competition and risks in relation thereto through coordinated communication among all the relevant departments within the Company,
- Carrying out specific short-lived rehabilitations and works to integrate into new technologies,
- Taking appropriate measures against adverse geographical and climatic conditions,
- Establishing continuous and healthy communication which is open to all stakeholders through the activities of the Corporate Communications Department.

Other than the actions listed under the risk headings above, insurance policies are purchased as a risk transfer mechanism. The primary insurance policies purchased are listed below.

List of Primary Insurances Purchased

- Fire, Machinery Breakdown and Loss of Profit
- Employer's Liability
- Directors and Officers (D&O) Liability
- Professional Indemnity
- Third Party Liability
- Product Liability
- Credit Insurance
- Marine/Cargo
- Fidelity Guarantee, Cash in Transit and Cash in Safe
- Hazardous Materials
- Personal Accident
- Construction/Installation Policy

INTERNAL AUDIT ACTIVITIES AND INTERNAL CONTROL SYSTEM

The General Directorate of Internal Audit and Its Activities

As is the case for all Zorlu Group Companies, the internal audit of the Vestel Group of Companies is carried out by the centralized Internal Audit Department operating within Zorlu Holding since 2000. The Internal Audit Department carries out the board approved audit programs in line with the International Internal Audit Standards and legal requirements and shares the results of its audits through both the audit reports prepared after each audit and the annual reports detailing all the audit and control activities conducted throughout the year with the Board of Directors and the Heads of Business Units.

In addition to the Internal Audit Department, Financial Audit and Tax Audit Departments were established in 2011 in order to perform financial audits across all Group companies, which commenced their activities in 2012. In addition to the Internal Audit Department, the Financial Audit and Tax Audit Departments, which were created in 2011 and designed to conduct financial audits in all Group Companies, initiated their audits in 2012. In the last quarter of 2013, the Internal Audit and the Financial and Tax Audit departments were gathered under the umbrella of Zorlu Holding General Directorate of Audit and Internal Control. In accordance with the changing needs of Zorlu Group, the Tax Audit Department was restructured as Tax Audit Directorate as of December 1, 2015, while the Internal Audit Department was restructured into two distinct directorates, namely the Internal Audit Process Oversight and Internal Audit Inspection Oversight as of January 1, 2016. Following the completion of the organizational restructuring process in the General Directorate of Audit and Internal Control for the execution of internal control activities separately in 2017, the General Directorate of Internal Control began its operations as an independent unit as of January 1, 2018. As of July 1, 2021, an organizational change was made within the General Directorate of Audit. In this context, the tax consultancy function of the Tax Directorate, which performs tax consultancy and audit functions, was transferred to the Office of Chief Financial Officer, and the activities of the Internal Audit Process and Internal Audit Review Directorates were gathered under the umbrella of the Directorate of Internal Audit and Ethics with the addition of the ethics function.

The purpose, authorities and duties as well as the operating principles and structure for the internal audit activities have been defined by a series of board-approved documents circulated across Group companies, such as the “Audit Regulation” and the “Internal Audit Working Principles”.

Internal Audit Activities

Process audit activities are carried out in line with a board-approved, risk-based annual audit program to evaluate the effective and efficient use of resources, adherence to written rules (laws, regulations, internal policies and directives), and the accuracy, security and reliability of information.

Prior to each audit, internal auditors meet with senior management for a risk assessment, during which the risks that could jeopardize the company’s targets are positioned on a risk matrix based on their potential impact and probability of occurrence. During audit field work, the effectiveness of internal controls for high-impact and high-probability risks are evaluated through tests. The results of the observations are shared with the company management in the form of a draft report, and then a final report, including the feedback of the management, is sent to the senior management. As a result, the department provides consultancy services with reasonable assurance while offering best practices drawing from synergy within the Group. One month after the issue of the final report, actions taken in line with the 4T approach (Treat, Terminate, Transfer, Tolerate) are reported to the Board of Directors.

Internal Audit Department organizes periodic meetings with the Audit Committee throughout the year. In these meetings, participants evaluate planned and actual audits, consultancy activities and special audits and other relevant matters for the year ahead, share findings, review action plans, follow-up results based on these findings, and review plans for the upcoming period.

Zorlu Group supports and promotes Zorlu Group Internal Audit Team, which consists of 7 people, in receiving additional training to improve and enhance their existing knowledge, skills and other qualities, becoming a member of the related associations (e.g. The Institute of Internal Auditors, Turkey – TIA) and obtaining international certificates. The Internal Audit team includes 2 CIAs (Certified Internal Auditor), 2 CFEs (Certified Fraud Examiner), 1 CRMA (Certification in Risk Management Assurance), and 1 CMB Real Estate Appraisal License.

INTERNAL AUDIT ACTIVITIES AND INTERNAL CONTROL SYSTEM

Financial Audit and Tax Audit Activities

The Financial Audit and Tax Audit Departments have been carrying out their activities at Zorlu Group companies since 2012. Currently, these departments have 9 and 4 employees, respectively.

These departments ensure that the Group companies' balance sheet and income statement accounts used for financial and tax reporting purposes are in conformity with the uniform chart of accounts, tax legislation and audit standards and provide reasonable assurance to the Board of Directors in these areas.

Audit findings are reported to the company executives and senior management.

In addition, the Financial Audit Team reviews the CMB-compliant financial reports of the publicly traded companies of Zorlu Group and shares its comments with the related departments.

The Financial Audit Team includes 1 Certified Public Oversight Authority Licensed Auditor and 5 CPAs (Certified Public Accountant), while the Tax Audit Team includes 3 CPAs.

The General Directorate of Internal Control and Its Activities

The internal control function at the Vestel Group of Companies is carried out in a structure which is centrally coordinated within Zorlu Holding AŞ, as in other Zorlu Group companies. A special field team in the Internal Control Department has been assigned to the Vestel Group of Companies, which has been serving since 2017.

The purpose, duties and authorities and the working principles of the Internal Control Department and the professional and ethical rules to which it adheres, are defined by the documents such as the "Internal Control Regulation" and the "Internal Control Manual", which were shared with the relevant managers.

The mission of the Internal Control Department is to establish and sustain an internal control system to ensure efficient, effective, integrated and consistent risk management at Group companies in line with the pre-set targets, and to share, disseminate and promote "best practices" across companies.

The Internal Control Department assists executives and employees in identifying areas of improvement in existing processes and the internal control system as well as the actions to be taken in this context, implementing the specified actions, and monitoring their progress on a regular basis. In addition, the department provides continuous guidance to executives and process owners with regard to these activities. All relevant executives and employees of the Company take part in the activities to establish, monitor and evaluate internal control system and implementing necessary measures.

The Internal Control Department prepares an annual, risk-based internal control plan and carries out its activities in a systematic, consistent and disciplined approach. Risk-based evaluations carried out by the Internal Control Department, requests from the Board of Directors and management, findings on internal control from audit activities conducted by the Internal Audit Department and corporate risk maps play an important role in the formation of the internal control work plan. The annual internal control work plan is submitted to the CEO and the Board of Directors for their information and approval.

The internal control activities, which are planned and realized within the year, are evaluated at the periodic meetings held between the Internal Control Department and the management. In these meetings, the findings are shared and the action plans to be taken based on these findings and follow-up results are evaluated and the plans for the upcoming period are reviewed.

The Zorlu Group Internal Control team is supported and encouraged by Zorlu Group to obtain further training to improve their existing knowledge and competencies, to take part in related professional associations and to obtain professional international certificates such as CIA, SMMM, CISA, CFE, CICA, CRMA, etc.

Opinion of the Board of Directors regarding the Company's Internal Control System and Internal Audit Activities

None.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The corporate governance activities were initiated at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, which takes utmost care to comply with the “Corporate Governance Principles” of the Capital Markets Board (“CMB”) in 2005. Within the scope of these efforts, in the first stage, a series of amendments were made in the Company’s Articles of Association in order to offer an equitable, accountable, responsible and transparent structure to shareholders. These amendments served to grant the rights to minority shareholders, which are envisaged in the Corporate Governance Principles while important changes were made to the management structure in pursuit of “better governance”. The Corporate Governance practices were continued with the establishment of corporate governance mechanisms within the Company. While the Board of Directors was vested with greater objectivity with the addition of independent members, committees were set up under the Board with the aim of further enhancing the effectiveness of corporate governance.

Vestel Beyaz Eşya Sanayi ve Ticaret AŞ carries out its activities in compliance with the applicable legislation and the Capital Markets Board’s “Corporate Governance Principles”. The Company fully complies with all the compulsory principles in the Corporate Governance Principles appended to the CMB’s Communiqué on Corporate Governance (II-17.1), and has also adopted the majority of the non-compulsory principles. No conflict of interest has been noted between the stakeholders in relation to the principles that have not yet been fully complied with.

Aware of the positive contributions that adoption of the Corporate Governance Principles brings to the Company, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ continues its efforts to further improve its compliance with the Corporate Governance Principles and to comply with the non-mandatory principles that are not yet implemented.

For the period ended on 31 December 2021, the compliance with the Corporate Governance Principles that are appended to the Corporate Governance Communiqué and the explanations with regard to the principles that have not yet been complied with are included in the Corporate Governance Compliance Report, the Corporate Governance Information Form and in other relevant sections of the annual report.

In case of any amendments to the Corporate Governance Compliance Report or the Corporate Governance Information Form during the reporting period, a material event disclosure is made and the amendments are also included in the interim activity reports.

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.						
1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company’s activities in order for these transactions to be presented at the General Shareholders’ Meeting.					X	There was no such transaction in 2021.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders’ Meeting.	X					
1.3.10 - The agenda of the General Shareholders’ Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				A separate item on donations and grants was included in the agenda of the Annual General Meeting in order to inform the shareholders. General information on the amount of donations and grants made and the beneficiaries was provided to shareholders at the Annual General Meeting. The implementation is planned to continue in this vein in the following AGMs.
1.3.11 - The General Shareholders’ Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	The Company has no cross-shareholding relationship which brings a controlling relationship.
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			The scope of minority rights has not been expanded in the Articles of Association and the provisions of the relevant legislation apply. No amendment to the Articles of Association is planned in this regard.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	The Company distributed cash dividends in 2021.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.					X	In accordance with the Article 12 of the CMB's Communiqué on Material Events Disclosure, the changes in the Company's ownership structure resulting from the transactions on stock exchange are monitored and updated by the Central Securities Depository (MKK). The Company's website provides a link to the Company's shareholding structure disclosed at the Public Disclosure Platform. Information on individual shareholders who own capital indirectly is disclosed in the Corporate Governance / Ownership Structure section of the Company's website.
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				Apart from the interim activity reports, all information that may affect the investment decisions of foreign investors is available in English on the Company's Investor Relations website. Interim activity reports are planned to be published in English within the scope of time and cost management.

2.2. ANNUAL REPORT

2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					

3.1. CORPORATION'S POLICY ON STAKEHOLDERS

3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					Although there is no provision in the Articles of Association, employees are encouraged to participate in company management through internal practices (Vestel Complaint/Wish/Request Evaluation System).
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					The succession plan prepared by Zorlu Holding for the key managerial (DGM and above) positions of the Company was reviewed by the Company in 2021 and is planned to be submitted to Zorlu Holding Board of Directors in 2022. The Vestel Leadership Power Program was initiated for the Company's Deputy General Managers in cooperation with Koç University and the Vestel Management Power Program for the Company's promising middle managers demonstrating a high performance in collaboration with Boğaziçi University in 2021. The Management Power Program will also continue in 2022.
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.					X	Employees are informed by their managers or by their elected representatives at the factories of any decisions that may affect them. There is no labor union at Vestel Beyaz Eşya.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.					X	There is no collective bargaining agreement or union at Vestel Beyaz Eşya.
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.		X				The Chairman and the Chief Executive Officer are different individuals. Internal regulatory work on the working principles of the Board of Directors, including job descriptions, is ongoing.
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			There is no policy or target for the election of female directors to the Board. As of 2021, three female members, one of whom is an independent, serve on the Board of Directors, with the ratio of female members standing at 43%, thus meeting the minimum rate envisaged under this principle.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.		X				As a precautionary measure due to the pandemic, the Board meetings were held in person and online simultaneously in 2021 where physical attendance was optional. Evaluations regarding the organization of Board meetings electronically are ongoing.
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	The board members who could not attend the board meetings did not submit their opinion in writing during the reporting period although they had the option to do so.
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				In order to benefit from their diverse business and sectoral experience, board members are not restricted to assume other duties outside the Company and there is no plan to impose such restrictions. The external commitments of the board members are presented in the annual report and in the AGM information document and presented to shareholders at the AGM.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Two independent members of the Board serve on more than one committee. Due to the number of the independent board members no change is planned regarding the current situation.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	The committees did not obtain any external consultancy services in 2021.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			No work is planned regarding the performance evaluation of the Board of Directors.
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			In line with the general practice, remuneration of the board members and senior executives is disclosed collectively in the annual report. Taking into consideration the legislation on the protection of personal data as well, the Company will continue to monitor the general practice with respect to disclosure on an individual basis.

CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholders Rights

The number of investor meetings (conference, seminar/etc.) organized by the company during the year	During the year, a total of 125 meetings were held with investors and analysts either via video calls or by phone. The Company attended 3 virtual investor conferences and 5 virtual investor group meetings organized by the brokerage houses. In addition, the Company organized 2 virtual roadshows.
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1.2. Right to Obtain and Examine Information

The number of special audit request(s)	There was no request for the appointment of a special auditor during the reporting period.
The number of special audit requests that were accepted at the General Shareholders' Meeting	None

1.3. General Assembly

Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/919134
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Yes, they were presented.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There was no such transaction in 2021.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	There was no transaction carried out within the scope of Article 9 in 2021.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	https://www.kap.org.tr/tr/Bildirim/928189
The name of the section on the corporate website that demonstrates the donation policy of the company	Corporate Governance / Policies / Donation and Charity Policy
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/216168
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	None.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Although there is no restriction regarding the participation of stakeholders in the AGM, there was no participation thereby other than the shareholders.

1.4. Voting Rights

Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	None.
The percentage of ownership of the largest shareholder	82.53%

1.5. Minority Rights

Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	None.

1.6. Dividend Right

The name of the section on the corporate website that describes the dividend distribution policy	Stock Information / Dividend Distribution Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	-
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	-

GENERAL ASSEMBLY MEETINGS

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
15.04.2021	None.	87.9726%	0.0003%	87.9723%	Corporate Governance / General Meetings of Shareholders	Corporate Governance / General Meetings of Shareholders	None.	None.	https://www.kap.org.tr/tr/Bildirim/928641

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	The information requested in the corporate governance principle numbered 2.1.1. is available on the Company's Investor Relations website under the sections "About Us, News, Corporate Governance, Financials, Stock Information and Frequently Asked Questions".
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Corporate Governance / Ownership Structure
List of languages for which the website is available	Turkish & English

2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	It is presented in the Board of Directors and Senior Management sections of the annual report. Statements of Independence were presented in the Corporate Governance section of the 2020 Annual Report as board members were selected for three years in the AGM held on June 30, 2020.
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	It is presented in the Corporate Governance section of the annual report.
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	It is presented in the Additional Disclosures As Per the Legislation section of the annual report.
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	It is presented in the Additional Disclosures As Per the Legislation section of the annual report.
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	It is presented in the Additional Disclosures As Per the Legislation section of the annual report.
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	It is presented in the Additional Disclosures As Per the Legislation section of the annual report.
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	It is presented in Additional Disclosures As Per the Legislation section of the annual report.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	It is presented in the Employees and Corporate Citizenship sections of the annual report.

CORPORATE GOVERNANCE INFORMATION FORM

3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Corporate Governance / Policies / Employee Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	15
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Zorlu Holding Internal Audit & Ethics Deputy General Manager on behalf of Zorlu Holding AŞ's Ethics Committee (Senem Dal - senem.dal@zorlu.com)
The contact detail of the company alert mechanism	Code of Ethics Hotlines: etik@zorlu.com 0 212 456 23 23 / 0 850 226 23 23

3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	The Complaint/Wish/Request Evaluation System, which was created in order to evaluate the complaints, wishes and requests of employees and to increase employee motivation and satisfaction as well as efficiency, is available on the corporate portal which is only open to the Company employees.
Corporate bodies where employees are actually represented	Occupational Health and Safety Committee, Happy Employee Committee, Meal Satisfaction and Menu Selection Committee

3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The succession plan for the key managerial positions of the Company (Deputy General Manager and above), which had been prepared by Zorlu Holding, was reviewed by the Company in 2021 and is planned to be submitted to the Zorlu Holding Board of Directors in 2022.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	The Vestel Group of Companies' Recruitment and Placement Regulation, which includes the criteria for equal opportunities and recruitment of personnel, is available on the Company's corporate portal. The Regulation sets out the general rules regarding the employment of individuals, who are compatible with the vision, mission, work requirements and values of the Vestel Group of Companies, by offering them an equal opportunity and by evaluating them fairly and impartially to meet the human resource needs of the Group companies. The Human Resources Policy is available in the Corporate Governance / Policies section on the corporate website.
Whether the company provides an employee stock ownership programme	There is no employee stock ownership programme.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	The Human Resources Policy is available in the Corporate Governance / Policies / Human Resources Policy section. It is specifically mentioned in all regulations: "No discrimination is permitted in applications on the basis of gender, age, religion, race, sect, social status, physical appearance, ethnic origin, nationality, sexual orientation or any other personal characteristics."
The number of definitive convictions the company is subject to in relation to health and safety measures	None.

3.5. Ethical Rules and Social Responsibility

The name of the section on the corporate website that demonstrates the code of ethics	Corporate Governance / Code of Ethics
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	It is presented in the Sustainability section of the corporate website under the "Environmental Sustainability", "Social Sustainability" and "Corporate Sustainability" headings.
Any measures combating any kind of corruption including embezzlement and bribery	These measures are included in the Zorlu Holding Ethical Principles, which is available under the heading of the Code of Ethics in the Corporate Governance section on the Company's corporate website.

4. BOARD OF DIRECTORS-I

4.2. Activities of the Board of Directors

Date of the last board evaluation conducted	None
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Chairman: Ahmet Nazif Zorlu, Vice Chairman: Elmas Melih Araz. All members of the Board of Directors have been given first degree signature authority. With the Board resolution dated 30.06.2020 and numbered 2020/21, any member of the Board of Directors who has first degree signature authority is authorized for three years to represent and bind the Company without any monetary limitation in any matter with a joint signature together with Ahmet Nazif Zorlu.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	2
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	It is presented in the Corporate Governance section of the annual report.
Name of the Chairman	Ahmet Nazif Zorlu
Name of the CEO	Enis Turan Erdoğan
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	They are different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	https://www.kap.org.tr/tr/Bildirim/944012
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	There is no such policy.
The number and ratio of female directors within the Board of Directors	Number: 3 Ratio: 43%

COMPOSITION OF BOARD OF DIRECTORS

Name, Surname of Board Member	Whether Executive Director or Not	Whether Independent Director or Not	The First Election Date to Board	Link to PDP Notification that includes the Independency Declaration	Whether the Independent Director considered by the Nomination Committee	Whether She/He is the Director who ceased to satisfy the Independence or Not	Whether the Director has at least 5 years of experience on Audit, Accounting and/or Finance or Not
Ahmet Nazif Zorlu	Non-executive	Not independent director	10.11.1997	-	-	-	-
Elmas Melih Araz	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/919134	Considered	No	Yes
Olgun Zorlu	Non-executive	Not independent director	10.11.1997	-	-	-	-
Şule Zorlu	Non-executive	Not independent director	23.05.2003	-	-	-	-
Selen Zorlu Melik	Non-executive	Not independent director	08.05.2019	-	-	-	-
Ayşegül İldeniz	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/919134	Considered	No	-
Bekir Ağırđır	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/919134	Considered	No	Yes

CORPORATE GOVERNANCE INFORMATION FORM

4. BOARD OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)	Board meetings were held simultaneously in physical and virtual environments as a measure taken due to the pandemic, and physical attendance was made optional. A total of 12 meetings were held in this way in 2021.
Director average attendance rate at board meetings	97.6%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	1 week before the meeting
The name of the section on the corporate website that demonstrates information about the board charter	It is specified in Article 10 of the Articles of Association which is available in the Corporate Governance section of the website.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None.

4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented	It is presented in the Corporate Governance section of the annual report.
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/220055 https://www.kap.org.tr/tr/Bildirim/267359 https://www.kap.org.tr/tr/Bildirim/348292 https://www.kap.org.tr/tr/Bildirim/348296 https://www.kap.org.tr/tr/Bildirim/348298

COMPOSITION OF BOARD COMMITTEES-I

Names of the Board Committees	Name of Committees Defined As "Other" in the First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Audit Committee	-	Elmas Melih Araz	Yes	Board member
Audit Committee	-	Bekir Ağırır	No	Board member
Corporate Governance Committee	-	Bekir Ağırır	Yes	Board member
Corporate Governance Committee	-	Olgun Zorlu	No	Board member
Corporate Governance Committee	-	Serap Mutlu	No	Not board member
Committee of Early Detection of Risk	-	Elmas Melih Araz	Yes	Board member
Committee of Early Detection of Risk	-	Şule Zorlu	No	Board member

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is presented in the Corporate Governance section of the annual report.
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is presented in the Corporate Governance section of the annual report.
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is presented in the Corporate Governance section of the annual report.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is presented in the Corporate Governance section of the annual report.
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is presented in the Corporate Governance section of the annual report.

4.6. Financial Rights

Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	It is presented in Message from the CEO, Financial Performance and Evaluation for the Year 2021 sections of the annual report.
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Corporate Governance / Policies / Remuneration Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	It is presented in the Additional Disclosures As Per the Legislation section of the annual report.

COMPOSITION OF BOARD COMMITTEES-II

Names of the Board Committees	Name of Committees defined as "Other" in the First Column	The Percentage of Non-executive Directors	The Percentage of Independent Directors in the Committee	The Number of Meetings Held in Person	The Number of Reports on its Activities Submitted to the Board
Audit Committee	-	100%	100%	6	5
Corporate Governance Committee	-	67%	33%	5	2
Committee of Early Detection of Risk	-	100%	50%	6	6

STRUCTURE OF THE BOARD OF DIRECTORS

Vestel Beyaz Eşya is managed, represented and bound by a Board of Directors composed of a minimum of five and maximum of eleven members to be elected by the General Assembly.

Majority of the members of the Board of Directors consists of non-executive members.

The number and qualifications of the independent members who will serve on the Board of Directors are determined in accordance with the Capital Market Legislation and the regulations concerning corporate governance of the Capital Markets Board. Chairman or vice-chairman of the Board is elected from amongst the independent members. Board members are elected from amongst individuals, who have the knowledge and experience about the the sector and the field of operation of the Company, preferably with higher education, with skills to read and analyze financial statements and reports and the basic information about the legal regulations applicable to the Company's daily and long-term transactions and dispositions, and who have the opportunity and determination to attend all of the scheduled meetings of the Board of Directors for the relevant budget year.

Board members are elected for a period of minimum of one and maximum of three years. Board members whose term of office expires may be re-elected. General Assembly may replace board members at any time.

Board meetings are held at the Company's head office, when deemed necessary and at least once a month. Chairman and in his/her absence, the vice-chairman, invites the Board of Directors to convene a meeting. Apart from this, any member may request the Board Chairman to invite the Board to convene. The Board convenes and resolves with the absolute majority of the total number of members. Regulations imposed by the Corporate Governance Principles of the Capital Markets Board also apply.

Vestel Beyaz Eşya's Board of Directors consists of a total of 7 members, three of whom are independent. All Board members are non-executive. Independent members fulfill the independence criteria envisaged in the CMB's Communiqué on Corporate Governance No. II-17.1. Independent board member candidates were determined by the resolution of the Board of Directors based on the evaluation and proposal of the Corporate Governance Committee. The candidates for independent board membership submitted their written statement of independence within the framework of the legislation, Articles of Association and the independence criteria set forth in the Communiqué on Corporate Governance to the Corporate Governance Committee at the time of their nomination. The Committee submitted its evaluation reports on whether these candidates fulfill the independence criteria to the Board of Directors and the Board decided that these candidates would be submitted to the approval of shareholders at the General Assembly to be elected as independent members to the Board.

3 female members serve on the Board of Directors, one of whom is an independent director and the ratio of female members on the Board is 43%.

The board members were elected to serve for 3 years at the Annual General Meeting held on June 30, 2020. The average term of office for the current board members is 11.5 years.

No board member, including the chairperson, has a preferential voting right. Each member possesses an equal vote.

Chairperson and CEO are separate individuals.

THE DUTIES AND AUTHORITIES OF THE BOARD OF DIRECTORS

The Board of Directors manages and represents the Company. In addition to this main task, the Board of Directors is also responsible to the Company's stakeholders (customers, employees, suppliers and other stakeholders).

The following are the non-transferable and inalienable duties and powers of the Board of Directors:

- Managing the company at a high level and including the issue of instructions,
- Determining the management organization of the company,
- Establishing the necessary order for financial planning to the extent required by accounting, financial audit and management of the company,
- Appointment and dismissal of managers and persons serving the same purpose and who hold the authority to sign,
- Higher supervision of whether the persons responsible for management act in accordance with the laws, articles of association, internal guidelines and written instructions of the Board of Directors,
- Keeping the books of shares, the Board of Directors' resolutions and minutes of the general shareholders' meetings, preparation of the annual report and corporate governance report and submission to the General Assembly, organization of the General Shareholders' Meetings and execution of the General Assembly decisions,
- Taking the measures stipulated in the Article 376 of the Turkish Commercial Code in case of loss of capital or insolvency.

In this context, the responsibilities of the Board of Directors are as follows:

- To act cautiously in line with duty of care and supervision,
- To determine the company's short- and long-term goals,
- To examine the strategies which will be implemented to achieve the company's goals, to contribute to their development and to ensure their implementation,
- To examine the strategic and financial performance of the company and to take measures for improvement,
- To select the general manager, evaluate him/her in accordance with certain performance criteria and to determine his/her remuneration,
- To ensure the administrative and financial audit of the company,
- To ensure that the Board of Directors has the structure and function required to ensure the effective and efficient operation of the sub-committees of the Board of Directors and senior management, and to determine their performance criteria,
- To determine the communication and relationship approach taken by the company in communicating with the stakeholders and external authorities,
- To determine and implement business ethics rules for the company and its employees,
- To ensure that the company's internal and external activities and actions comply with the relevant legislation.

The Board of Directors is authorized to take decisions on all kinds of work and transactions as required to perform the company's business activities, except those to be taken by the General Assembly in accordance with the law and the Articles of Association.

BOARD COMMITTEES

- In order to assist the Board of Directors to perform its duties and responsibilities more effectively, a Corporate Governance Committee, an Early Detection of Risk Committee and an Audit Committee have been set up under the Board in line with the Capital Markets Board's Corporate Governance Principles. Owing to the nature of the Board structure, the Company has not set up a separate "Remuneration Committee" or a "Nomination Committee", the duties of which are performed by the Corporate Governance Committee.
- As per the Corporate Governance Principle No. 4.5.3, all members of the Audit Committee and the chairpersons of other committees are elected from among the independent members of the Board.
- The independent board members, Mr. Bekir Ağırdir and Mr. Elmas Melih Araz serve on more than one committee due to the number of the Board members and the committee formation requirements in accordance with the CMB's Corporate Governance Principles.
- Committees convene at intervals stipulated by the legislation and the related Committee's working principles or upon a request from a member. The committees submit their reports containing information about their work and meeting results to the Board of Directors.
- Any and all resources and support required for the committees to fulfill their duties effectively are provided by the Board of Directors. The committees can invite anyone they deem necessary to their meetings and take their opinions.
- Duties, working principles and the members of the Committees are determined by the Board of Directors and are disclosed to the public on the Public Disclosure Platform and the Company website.

Audit Committee

- The Audit Committee was set up for the effective oversight of the Company's financial and operational activities pursuant to the Article 3 of the CMB's Communiqué Serial X, No. 19. The Committee is responsible for the supervision of the Company's accounting system, public disclosure of financial information, independent audit and the functioning and efficiency of the Company's internal control and internal audit system.
- Pursuant to the CMB's Communiqué on Corporate Governance No. II-17.1, the "Working Principles of the Audit Committee" were revised and approved at the Board of Directors' meeting dated March 27, 2014. The revised working principles were made available to the shareholders through the Public Disclosure Platform and the Company's website.
- The Audit Committee is structured in accordance with the Capital Markets Board's Corporate Governance Principles and comprises two members.
- The Chairman of the Committee was elected from among the independent members of the Board and certain criteria were taken into account in the election process. Care is taken to ensure that the Chairperson of the Committee previously held a similar role, has the knowledge to analyze financial statements, is well-versed in accounting standards, and is highly qualified.
- Both members of the Audit Committee were elected from among the independent Directors. The Chairman of the Committee is Mr. Elmas Melih Araz, and the other member is Mr. Bekir Ağırdir.

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 16 April 2021:

Committee Members	Duty	Status
Elmas Melih Araz	Chairman of the Committee	Independent Board Member
Bekir Ağırdir	Member of the Committee	Independent Board Member

- In principle, the Audit Committee shall convene at least four times a year, being once in each quarter. The Committee convened six times in 2021.
- The Committee carries out its activities in line with the working principles set out in detail and in writing.
- In 2021, the Audit Committee performed the following functions:
 - Monitoring the Company's financial and operational activities,
 - Supervision and approval of the compliance of the annual and interim financial statements to be disclosed to the public with the accounting principles followed by the Company as well as their accuracy and veracity,
 - Selection of the independent audit firm, preparation of the independent audit contract and initiation of the independent audit process,
 - Monitoring the effectiveness and performance of the independent audit activity,
 - Overseeing the functioning and effectiveness of the internal control and internal audit system,
 - Review of the internal control and internal audit reports.

Corporate Governance Committee

- The Corporate Governance Committee was established to monitor the Company’s compliance with the CMB’s Corporate Governance Principles, carry out studies for improvement and make proposals to the Board of Directors in order to improve the implementation of corporate governance practices.
- Pursuant to the CMB’s Communiqué on Corporate Governance No. II-17.1, the “Working Principles of the Corporate Governance Committee” were revised and approved at the Board of Directors’ meeting dated 27 March 2014. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the Company website.
- The Corporate Governance Committee is composed of at least three members, including two non-executive Board Members and the Investor Relations Manager. The Chairman of the Committee is Mr. Bekir Ağır, an independent Board member.
- Corporate Governance Committee also fulfills the duties of the Nomination Committee and the Remuneration Committee.

The structure of the Committee and membership information are as follows as per the decision taken in the Company’s Board meeting on 16 April 2021:

Committee Members	Duty	Status
Bekir Ağır	Chairman of the Committee	Independent Board Member
Olgun Zorlu	Member of the Committee	Non-executive Board Member
Serap Mutlu	Member of the Committee	Investor Relations Director

- In principle, the Committee convenes at least twice a year in order to ensure the effective performance of its duties. Corporate Governance Committee convened five times in 2021.
- The activities carried out by the Corporate Governance Committee in 2021, in accordance with its working principles put into writing in detail, are presented below:
 - Proposing improvements in corporate governance practices to the Board of Directors to enhance compliance with the CMB’s Communiqué on Corporate Governance No. II-17.1; conducting and supervising the necessary works for alignment with the legislation,
 - Overseeing the activities of the Investor Relations Department,
 - Within the scope of the Remuneration Committee duties, submission to the Board of its recommendation for the remuneration of the members of the Board of Directors and executives with administrative responsibility for 2021, which takes into account their progress in meeting the remuneration criteria.

Early Detection of Risk Committee

- The Early Detection of Risk Committee was established pursuant to the Board of Directors’ Resolution dated 15 March 2013, in order to identify risks which could threaten the existence, development and continuity of the Company, take necessary measures against these risks and undertake risk management activities in line with the Turkish Commercial Code, Articles of Association and CMB’s Communiqué on Corporate Governance. The Committee continues its activities with regard to the early detection of threats which may have negative consequences on the development and continuity of the Company and manage the risks effectively by developing action plans against such threats.
- Pursuant to the CMB’s Communiqué on Corporate Governance No. II-17.1, the “Working Principles of the Early Detection of Risk Committee” were revised and approved at the Board of Directors’ meeting dated 27 March 2014. The revised working principles were made available to the shareholders through the Public Disclosure Platform and the Company’s website.
- The Early Detection of Risk Committee is composed of at least two Board members. In case the Committee has only two members, both of them, and in case it has more than two members, the majority of them, must be non-executive Board members. The Chairman of the Committee is Mr. Elmas Melih Araz, who is an independent Board member. The other member of the Committee is the Board member Mrs. Şule Zorlu.
- Early Detection of Risk Committee submits a report to the Board of Directors every two months.

The structure of the Committee and membership information are as follows as per the decision taken in the Company’s Board meeting on 16 April 2021::

Committee Members	Duty	Status
Elmas Melih Araz	Chairman of the Committee	Independent Board Member
Şule Zorlu	Member of the Committee	Non-executive Board Member

BOARD COMMITTEES

The Early Detection of Risk Committee convenes as frequently as necessitated for the efficiency of its activities and in principle at least three times a year. The Committee held six meetings in 2021 and submitted six risk reports to the Board of Directors.

- The activities carried out by the Committee in 2021, in line with the working principles put into writing in detail, are presented below:
 - High level risk assessment was carried out and an inventory of risks that are critical to the Company in strategic, financial and operational areas was prepared.
 - Risks were classified according to the following criteria on the risk map, where they are positioned according to their impact and probability levels.

By Level of Potential Impact:

- Negligible
- Minor
- Moderate
- Serious
- Critical

By Level of Likelihood:

- Rare
- Low
- Possible
- High
- Almost Certain

- Sector and company based risks contained in the risk reports were grouped under 9 main risk headings (External Environment, Operational, Authorization, Information Technology and Technology, Honesty/Integrity, Financial, Process/Operational, Reporting and Strategic) according to COSO (The Committee of Sponsoring Organizations of the Treadway Commission) risk taxonomy.
- As a result of these assessments, it was seen that risks were generally gathered under the main headings of External Environment, Operational, Financial and Strategic Risks.
- As a result of the risk inventory and the Enterprise Risk Management Department's research, risk reports were prepared and submitted to the Committee in order to ensure early detection of risks which may jeopardize the Company's existence, development and continuity and adoption of the necessary measures against these risks and management of risk. These reports are as follows:
 - Results of the Risk Assessment Survey 2020 for Vestel Group of Companies
 - Global Risk Outlook and the Impacts of the Pandemic on the Sector
 - Carbon Emission in the Energy Sector and Climate Change
 - Economic and Social Impacts of Migration Waves on Turkey
 - Risks Rising with Global Warming and the Insurance of These Risks
 - Increasing Risks in Recent Years and Their Impacts

EVALUATION OF THE BOARD OF DIRECTORS REGARDING THE WORKING PRINCIPLES AND EFFECTIVENESS OF THE BOARD COMMITTEES

The Board Committees were established to support the Board of Directors in fulfilling its duties and responsibilities more effectively. In line with the Corporate Governance Principles of the Capital Markets Board, at its meeting on 16 April 2021, the Board of Directors resolved to:

- Elect Mr. Bekir Ağırdir, Independent Member of the Board, as the Chairman of the Corporate Governance Committee and Mr. Olgun Zorlu, Board Member, and Ms. Serap Mutlu, Investor Relations Director, as Committee members,
- Elect Mr. Elmas Melih Araz, Independent Member of the Board, as the Chairman of the Audit Committee and Mr. Bekir Ağırdir, Independent Member of the Board, as Committee Member,
- Elect Mr. Elmas Melih Araz, Independent Member of the Board, as the Chairman of the Early Detection of Risk Committee and Mrs. Şule Zorlu, Board Member, as Committee Member.

Due to the structure of the Board, the Company did not establish a separate “Remuneration Committee” and a “Nomination Committee”. The duties of these committees are fulfilled by the Corporate Governance Committee.

The Working Principles of the Board Committees were revised in accordance with the CMB’s Communiqué on Corporate Governance No. II-17.1 and approved at the Board meeting held on 27 March 2014. The revised working principles were made available to the shareholders through the Public Disclosure Platform and the Company’s website (<http://vesbe.vestelinvestorrelations.com>).

In 2021, the Board Committees performed their duties and responsibilities effectively as required in the Corporate Governance Principles and their own Working Principles.

In compliance with the way required for the effectiveness of their functions, their Working Principles and annual meeting schedules, in 2021:

- The Corporate Governance Committee convened four times,
- The Corporate Governance Committee convened once to fulfill the duties of the Remuneration Committee,
- The Audit Committee convened six times,
- The Early Detection of Risk Committee convened six times.

The Committees submitted reports on their activities and the results of their meetings to the Board of Directors. According to these meetings:

- The “Corporate Governance Committee”, which was established in line with the Capital Markets Board’s Communiqué on Corporate Governance in order to monitor the Company’s compliance with the Corporate Governance Principles, carry out studies for improvement, and submit proposals to the Board of Directors, monitored the Company’s compliance with the Corporate Governance Principles, made recommendations to the Board to improve compliance with the non-mandatory principles and oversaw the activities of the Investor Relations Department.
- The Corporate Governance Committee also fulfills the duties of the Remuneration Committee. Within the scope of its duties as the Remuneration Committee, the Corporate Governance Committee submitted to the Board of Directors its proposal for the remuneration of Board members and executives with administrative responsibility for 2021, by taking into account the extent of the fulfilment of the remuneration criteria.
- The “Audit Committee”, which was established for the supervision of the Company’s accounting system, the independent audit, public disclosure of financial information, and functioning and efficiency of the Company’s internal control and internal audit system, presented its views and recommendations in the areas of its responsibility to the Board of Directors.
- The “Early Detection of Risk Committee”, which was established for the early detection of risks which could threaten the Company’s existence, development and continuity, implementation of necessary measures against these risks and management of risk, carried out a high-level risk assessment, prepared an inventory of critical risks for the Company in strategic, financial and operational areas and prepared and submitted six Risk Reports to the Board as a result of its risk inventories and Enterprise Risk Management Department’s research during the year within the scope of its duties set forth in its Working Principles.

APPENDICES

APPENDIX 1: ABOUT THE REPORT

This report, which is the first integrated report for Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, covers our integrated business model that creates long-term value for our stakeholders, our material issues, risk and opportunity management, future strategies and performance indicators on financial, environmental, social and governance areas.

The information and data in this report covers seven production facilities (Refrigerator I-II Plants, Washing Machine Plant, Tumble Dryer Plant, Dishwasher Plant, Cooking Appliances Plant, Air-Conditioning Plant and Water Heater Plant) within Vestel City in Manisa, and encompasses the period between January 1 and December 31, 2021. In order to share the impacts of Vestel Beyaz Eşya on the value chain, the report also covers customer experience, sales, marketing, after-sales services, store and dealer practices under Vestel Ticaret.

This report has been prepared in accordance with the GRI Standards “Core” category and is based on the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC). The report also encompasses progress achieved under the United Nations Global Compact (UNGC) and our contributions to the United Nations (UN) Sustainable Development Goals. The table prepared according to UNGC principles can be seen in Appendix 7 (Page 148).

At Vestel Beyaz Eşya, we respond to the basic principles expected in the CMB’s Sustainability Principles Compliance Framework in the report. We ensure due compliance in reporting by including the Statement of Compliance with the Sustainability Principles table, and continue to work towards full compliance with the principles. Detailed information on this subject is available in the Statement of Compliance (Page 149) table in Appendix 8.

In its 2022 integrated annual report, Vestel Beyaz Eşya aims to have its social and environmental performance indicators verified by independent third parties under the leadership of its sustainability department.

APPENDIX 2: STAKEHOLDER RELATIONS

Our communication and collaborations with stakeholders constitute the key elements of our value creation model. We establish dialogue with various stakeholders through various channels and integrate our stakeholders' views into decision-making processes. Through this year's stakeholder analysis, we reached employees, suppliers, analysts, investors, customers, authorized dealers and service providers, universities, sectoral associations and initiatives, NGOs, media and local governments and received their opinions on our sustainability material issues. Under the strategy that we have shaped based on these material issues, we aim to share our performance with the public through our annual integrated reports.

We assume an active role in the working groups of various organizations, especially the TUSIAD Environment and Climate Change Working Group, TOBB DTM Environmental Commission and TURKBESD Waste Management Working Group in order to follow the developments in the sector and environmental and social activities. We also became a member of APPLiA's Consortium on Microplastics Release in 2021.

Our CEO is a member of the TURKTRADE board.

Methods for Communication with Stakeholders

Stakeholder Group	Communication Channels	Frequency of Communication
Employees	In-house information in different formats (e-mail, digital screens, online platforms, face-to-face meetings, Corporate intranet)	Daily
	Surveys, opinion and recommendation kiosks	
	Trainings	
	Annual corporate meetings	
	Integrated reports	
	Online and physical in-house leader communication sessions	
Sectoral Organizations and Associations, NGOs, International Organizations	Principles of Industrial Excellence	Monthly
	Membership in professional associations	
	Chairmanship of the board of directors in professional and sectoral/trade associations	
	Integrated reports	
Suppliers	Research reports	Weekly
	Participation in seminars and summits	
	Supplier Code of Conduct	
	Trainings	
	Audits and counts	
Investors, Shareholders and Analysts	Periodic review meetings	Weekly
	Announcements	
	Integrated reports	
	Disclosures on the Public Disclosure Platform	
	Press releases	
	Investor Relations website	
	Integrated reports	
	One-on-one meetings and e-mail correspondence	
	Phone calls	
	Video conferences	
Investor conferences and roadshows		
General meetings of shareholders		
Annual and interim activity reports		
Presentations for investors		
Analyst reports		

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Stakeholder Group	Communication Channels	Frequency of Communication
Public Institutions	One-on-one visits	Monthly
	Team meetings with relevant institutions	
	Reports, analyses	
	Public events	
Media	Press releases and interviews	Weekly
	Ads	
	Social media	
	Web site	
	Press conferences	
	Trade show visits	
	Reports and surveys	
Consumers and Customers	Press releases and interviews	Daily
	One-on-one meetings with corporate customers	
	Ads	
	Social media	
	Web site	
	Customer services	
Local Community	Integrated reports	Quarterly
	Regular visits	
	Seminars and training activities	
	Corporate social responsibility and philanthropy projects	
Universities	University career events	Monthly
	University and student club sponsorships	
	Reports and surveys	
	Collaborations and projects	

APPENDIX 3: ASSOCIATION MEMBERSHIPS AND SUPPORTED INITIATIVES

- United Nations Global Compact (UNGC)
- Turkey Circular Economy Platform
- Business World Plastics Initiative (IPG)
- White Goods Manufacturers' Association of Turkey (TURKBESD)
- Turkish Exporters Assembly (TIM)
- Electrical and Electronics Recycling and Waste Management Association (ELDAY)
- United Brands Association of Turkey
- Quality Association of Turkey (KalDer)
- Turkish Investor Relations Society (TÜYİD)
- İstanbul Chamber of Industry (İSO)
- İstanbul Chamber of Commerce (İTO)
- İzmir Chamber of Commerce (İZTO)
- Manisa Chamber of Commerce and Industry
- Muradiye Organized Industrial Zone
- APPLiA (Home Appliance Europe)
- TURKTRADE
- Durable Goods Council (TOBB DTM)
- Air-Conditioning and Refrigeration Manufacturers' Association (İSKİD)
- Association for the Protection of Intellectual Property
- Authorized Economic Operator Association

Contributions	2019	2020	2021
Amount spent for membership fees to trade associations (TL)	443,650	434,625	641,252

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APPENDIX 4: INTEGRATED MANAGEMENT SYSTEMS AND ENVIRONMENTAL MANAGEMENT

Activities carried out under the umbrella of the Integrated Management System are performed as per the TS EN ISO 9001 Quality Management System, TS EN ISO 14001 Environmental Management System, TS EN ISO 50001 Energy Management System, TS EN ISO 14064 Greenhouse Gas Calculation and Verification Standards, 14046 Water Footprint Standards, TS ISO 45001 Occupational Health and Safety Management System and TS EN ISO 27001 Information Security Management System.

Certification	Coverage of group-wide production sites* (%)
ISO 9001	100
ISO 14001	100
ISO 14046	100
ISO 14064	100
ISO 27001	28
ISO 45001	100
ISO 50001	100

*Vestel Beyaz Eşya's production facilities and internal warehouses are included in the calculation for the coverage ratio of production sites holding the certificate.

The Integrated Management Systems (environment, energy, occupational health and safety, information security and quality) Policies of Vestel Beyaz Eşya are available [here](#) .

Vestel Beyaz Eşya's Environmental Coordination Group ensures that environmental issues are handled within a broader structure along with Vestel Environment Working Group. The Management Systems and Customer Relations Manager is responsible for environmental sustainability management as Vestel Beyaz Eşya Environmental Officer and Environmental Management Representative.

Through environmental management systems, we analyze and record all environmental outputs according to the ISO 14001 standard. In this context, we draft various reports on a monthly and annual basis. We monitor wastewater pollution analyses, energy and water consumption, water and carbon footprints, diesel consumption and hazardous and non-hazardous waste quantities on a monthly basis. As per environmental legislation, we indicate this information in a monthly evaluation report. We use environmental monitoring and measurement tracking programs to collect and calculate environmental data. We track energy and water consumption data through invoices and meters, and waste through the registration system. Considering 2020 as a base year, we calculate and report our carbon footprint is in accordance with the ISO 2020 standard and our water footprint according to the ISO 14064 standard and have this information verified by independent third parties.

As of March 2020, we stopped face-to-face environmental trainings due to the pandemic. Through the trainings we digitalized in 2021, we continued to reach employees by increasing efficiency and provided environmental training to 435 people online.

In 2021, we spent TL 6.6 million in environmental investments and expenditures. In the last three years, there have been no environmental violations of legal obligations/regulations; and no environmental fines/penalties have been paid by Vestel Beyaz Eşya.

In addition to complying with all national laws which bind us, especially the Environmental Law as specified by the Republic of Turkey Ministry of Environment, Urbanization and Climate Change, we also fully comply with the following regulations intended for the sector in Europe and at global level:

- Directive on Waste Electrical and Electronic Equipment (WEEE),
- Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS),
- Regulation of the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH),
- Ecodesign Framework Directive for Energy-Related Products,
- Energy Efficiency Law and the Regulation on Increasing Efficiency in the Use of Energy Resources and Energy,
- Applicable energy label regulations issued for each product group,
- Environmental Law No. 2872 and related regulations.

Biodiversity

There are no habitats for species which are of importance for scientific studies and/or are or may be endangered as well as species endemic to our country, biosphere reserves, biotopes, biogenetic reserve areas, or unique geological or geomorphological formations in the Manisa Organized Industrial Zone (MOSB) where Vestel Beyaz Eşya operates. As a result of previous environmental impact assessments (EIA), it was determined that no species under protection and no endangered flora species were found within the Company’s operating area.

No flora-fauna studies have been carried out near our facilities due to the fact that there are only industrial areas in the 2 km sphere of influence of the MOSB borders. As Vestel Beyaz Eşya, we are committed to complying with the Environmental Law No. 2872 and the regulations issued pursuant to this law regarding potential measures.

Air Emissions

In addition to greenhouse gas emissions, various air emissions occur as a result of production processes. In order to keep emissions within the limits of the regulations, we have them measured every two years as per the Regulation on the Control of Industrial Air Pollution. In 2020, we completed the routine emission measurement through the accredited institutions appointed through the new practice of the Ministry of Environment and Urbanization of the Republic of Turkey. It was determined that 152 dust measurements regarding 152 chimneys, 127 VOC (Volatile Organic Compound) measurements, 23 combustion gas measurements, 2 heavy metal and 2 fluoride measurements were below the limit values stipulated in the Regulation.

Annual total air emissions* (tonnes)	2020
NO _x	35.6
SO _x	3.3
Persistent organic pollutants (POP)	-
Volatile organic compounds (VOC)	0.8
Dust (PM)	3.3

*Under legal compliance, these values are measured every two years and the next measurement will be in 2022. There is no perfluorocarbon emission.

APPENDICES

APPENDIX 5: AWARDS

Design Awards

Good Design Awards

At Good Design 2021, organized by the Chicago Athenaeum Architecture and Design Museum, Vestel was deemed worthy of six awards in total with its Nova Frenchdoor Refrigerator, AIO Dishwasher, T80 Washing Machines and Tumble Dryers, Double Bridge Zone Induction Hob and Duo Built-in Oven.

iF Design Awards

Vestel Beyaz Eşya won an award at the iF Design Awards 2021, one of the world's most established and prestigious design competitions, with its oven equipped with SousVide Technology and AIO dishwasher.

European Product Design Award

Vestel Beyaz Eşya received three awards for its Slim Led Touch Built-in Oven, Smart Jet Washing Machine and T40 Tumble Dryer designs as part of the European Product Design Award, one of the most prestigious international design awards.

Plus X Award

Vestel designs achieved significant success with 65 awards at the Plus X Awards, one of the world's most prestigious design and innovation awards. In addition, Vestel Beyaz Eşya received the "Most Innovative Brand 2021" title, the most important and special award of the event, with its Sharp brand.

Which? Magazine Award

Vestel Dishwasher was selected as the best product of 2021 in its respective category and Vestel Washing Machine as the Best Buy by Which? Magazine, an important publication in the United Kingdom with approximately 600,000 readers.

Most Innovative Project and Best Design Project Awards for Vestel

Vestel Beyaz Eşya won the Top Prize with its innovative UV-C technology in its tumble dryer in the Most Innovative Project category, and the Third Prize with its Acoustic Improvement of Compressor in a Heat Pump System in the Best Design Project category at the International Conference on Design, Research and Development.

Design Turkey Awards

Vestel Beyaz Eşya won the Outstanding Design Award for its Sous-Vide Slim Led Touch Built-in Oven, and the Good Design Award for its T40 Washing Machine at the Design Turkey Industrial Design Awards organized under the collaboration of the Ministry of Trade of the Republic of Turkey, Turkish Exporters Assembly (TİM) and Industrial Designers' Society of Turkey (ETMK).

International Design Awards

At the US-based International Design Awards, known as the “Nobel of Design”, Vestel Beyaz Eşya received six awards for the Sharp-branded washing machine, tumble dryer, dishwasher, refrigerator, built-in oven and induction hob products.

Digitalization-Technology Awards

Top Prize for Vestel Evin Akli (smart home) Cloud Solution

The Evin Akli (smart home) Cloud Architecture developed by Vestel IoT Cloud team, which aims to achieve low cost and high performance, was deemed worthy of the Top Prize in the “Cloud Cost Efficiency” category at the IDC Turkey Cloud Awards.

Technology Company of the Year Award for Vestel

Vestel was selected as the Technology Company of the Year at the Boğaziçi Business World Awards organized by Boğaziçi University Engineering Society (ENSO).

Platin Magazine - Ipsos Household Appliances and Electronic Products Company of the Year Award

Platin, the monthly business world and economy magazine, along with the independent market research company IPSOS, presented awards under the theme of “Education” to the top 100 companies listed in the index in 2021 contributing to Turkey in international trade. Accordingly, Vestel was deemed worthy of the Top Prize in the Household Appliances and Electronic Appliances category.

Technology and Innovation Brand of the Year Award

Vestel was deemed worthy of the Technology and Innovation Brand of the Year Award at the Aegean Investment Export Innovation Technology Awards Ceremony hosted by Yeni Asir Newspaper.

EKLER

Vestel's Customer Services Awards**Sector Leadership in Consumer Satisfaction**

Vestel was deemed worthy of an award by the Ministry of Trade of the Republic of Turkey for its innovations in the retail industry, its consumer-oriented services and practices, and its customer satisfaction-oriented efforts.

Top Brand Managing the Customer Experience

Vestel was awarded the ACE Diamond Award, the top prize, in both the household appliances and television categories at the Achievement in Customer Excellence (ACE Awards 2020), where the Şikayetvar platform evaluates the customer satisfaction management of brands in Turkey. Vestel was selected as the "Top Brand Managing the Customer Experience" for the 8th time in a row.

Successful Team of the Year Award

At the Aegean Region Local Quality Awards, organized by the İzmir Branch of the Turkish Quality Association (KalDer) for the 21st time, Vestel won five awards including 2 Gold, 2 Silver and 1 Bronze, in the "KalDer Successful Team of the Year" category at the award ceremony, where successful activities and teams for customer satisfaction were evaluated.

TEGEP Learning and Development Awards

As part of the Turkish Education and Development Platform (TEGEP) Learning and Development Awards, Vestel won 2 Gold and 1 Silver Awards in three categories: Vestel Customer Services - Service Academy's Specialization Trainings project won the Gold Award in the Best Training and Development Program Category; the Household Appliances Error Codes Application won the Gold Award in the Best Digital Solution in Training Category; and the Vestel Women Technician Training Project, which breaks new ground in the household appliances industry, received the Silver Award in the Development Program Generating Social Contribution category.

Turkey Call Center Awards

Vestel Communication Center, affiliated to Vestel Customer Services, won the 2021 Turkey Call Center Awards Special Jury Award organized by IMI Conferences, for its successful practices.

Vestel Marketing and Customer Services - "The Best Workplace in Turkey"

Vestel Customer Services and Vestel Sales & Marketing organizations were selected as "Turkey's Best Workplace" by Kincentric, one of the world's leading human resources and management consultancy companies.

CX Awards Turkey and İstanbul Marketing Awards

Vestel Customer Services received two awards from the 4th CX Awards Turkey and one award from the İstanbul Marketing Awards.

Pandemic Award

Vestel Customer Services was deemed worthy of the Pandemic Award presented by the After-Sales Services Association for its special services to healthcare professionals, which it initiated during the pandemic, as well as its solutions via the Çözümüvar portal.

Vestel's Marketing and Corporate Communication Awards

Crystal Apple Awards

Vestel received a total of 10 awards including 6 Crystal, 2 Silver and 2 Bronze at the Crystal Apple Festival, one of the most prestigious awards in the advertising and marketing industry.

Felis Awards

Vestel was rewarded with a total of seven awards including 6 Felis and 1 Achievement, at Felis, one of the leading awards in the advertising and marketing industry.

Hammers Awards

Vestel received a total of 10 awards including 5 Gold, 4 Silver and 1 Bronze at the Hammers Awards.

One of these awards was the Gold Award in the Best PR Team category, received by the Vestel Corporate Communications team.

İstanbul Marketing Awards

Vestel won the Gold Award in the Sports Communication category at the İstanbul Marketing Awards 2021 with its Biz Voleybol Ülkesiyiz (We are a Country of Volleyball) communication.

Other Awards

Gold Hygiene Certificate

According to tests conducted at the world-famous InFLuenc_H Institute in Germany, Vestel Daylight Washing Machine was awarded Level-3 Gold Hygiene Certificate, which is the highest level.

Award for Do It Yourself

Vestel Beyaz Eşya's "Do it Yourself Workshops with Vestel" project received grant support from the Social Development Support Program (SOGEP) run by the Ministry of Industry and Technology of the Republic of Turkey and was selected as the Second Most Successful Project throughout the Country.

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APPENDIX 6: PERFORMANCE INDICATORS

All performance indicators cover 100% of Vestel Beyaz Eşya's production facilities and internal warehouses.

SOCIAL PERFORMANCE INDICATORS

Employees by Gender	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of Employees	2,338	5,483	2,853	6,357	2,934	6,482
Total	7,821		9,210		9,416	

Employees by Category	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
White-collar	175	494	190	526	199	549
Blue-collar	2,163	4,989	2,663	5,831	2,735	5,933

Employees by Working Duration	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Employed for 0-5 Years	1,949	3,636	2,234	3,973	2,077	3,643
Employed for 5-10 Years	265	892	463	1,261	668	1,415
Employed for 10 Years or More	124	955	156	1,123	189	1,424

Managers by Gender and Age	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
>50 years old	0	4	0	5	0	9
30-50 years old	18	141	22	153	27	162
<30 years old	2	12	4	12	4	15
Total	177		196		217	

Managers by Categories	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of Employees in Junior Management Positions	15	96	18	104	24	110
Number of Employees in Middle Management Positions	5	52	8	55	7	65
Number of Employees in Top Management Positions	0	9	0	11	0	11
Number of Managerial Employees in Revenue-Generating Functions	1	11	3	17	4	19

	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of Employees in Science, Technology, Engineering and Math (STEM)-related Positions	133	435	153	458	160	492

New Employee Hires by Gender and Age	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
>50 years old	1	10	2	5	0	1
30-50 years old	165	568	415	641	328	590
<30 years old	338	1,655	907	2,213	778	1,824
Total	2,737		4,183		3,521	

Employee Turnover Rates	2019	2020	2021
Total Employee Turnover Rate	28%	30%	35%
Voluntary Employee Turnover Rate	14%	16%	19%
Open Positions Filled by Internal Candidates (Internal Hires)	13%	20%	12%

Maternity/Parental Leave	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of Employees Who Took Maternity/Parental Leave	142	295	126	296	122	292
Number of Employees Who Returned from the Maternity/Parental Leave	123	295	65	296	67	292

Performance Appraisal	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Total Number of Employees Subjected to a Regular Performance and Career Development Evaluation	133	408	147	457	151	469

Contractor Employees by Gender	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of Contractor Employees	169	346	117	320	136	270
Total	515		437		406	

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Contractor Trainings	2019	2020	2021
Training Hours for Contractor Employees	430	2,042	3,773

OHS Trainings	2019	2020	2021
OHS Training Hours for Employees	26,769	41,099	87,683
OHS Training Hours for Contractor Employees	1,672	1,543	1,693

ENVIRONMENTAL PERFORMANCE INDICATORS

Energy Consumption (MWh)	2019	2020	2021
Natural Gas	68,233	69,267	76,979
Diesel	1,211	1,242	1,211
Electricity (non-renewable energy)	90,931	101,344	117,953
Electricity (renewable energy - solar)	-	-	76
Hot Water	16,345	15,539	15,711
Total	176,722	187,392	211,930

Greenhouse Gas Emissions (tCO₂e)⁶	2019	2020	2021
Scope 1	14,937	15,006	16,764
Scope 2	63,097	63,596	71,902
Total Greenhouse Gas Emissions (Scope 1 and 2) ⁷	78,034	78,602	88,666
Scope 3 ⁸	11,468,780	13,095,679	10,921,629

Water Consumption (m³)	2019	2020	2021
Municipal Water Withdrawal	395,367	415,898	365,959
Groundwater Withdrawal	574,943	558,767	572,971
Total Water Withdrawal ⁹	970,310	974,665	938,930
Amount of Recycled Water	0	0	465
Amount of Wastewater Discharged	873,279	877,199	845,037
Total Net Water Consumption ¹⁰	97,031	97,467	93,893

Total dissolved solids in the municipal inlet water: 273 mg/L; Total dissolved solids in the groundwater (well) inlet water: 550 mg/L

⁶ Vestel Beyaz Eşya calculated its carbon footprint in accordance with the GHG Protocol standard and reported it in accordance with the requirements in Article "9.3 Content of the greenhouse gas report" in TS EN ISO 14064-1 standard. IPCC 5th Assessment Report was taken as a basis for emission factors in carbon footprint calculations made in accordance with the Tier 1 method. For emission factors that could not be determined through the IPCC report, DEFRA, EPA and Ecoinvent version 3.6 sources were used. Our direct and indirect emissions within the boundaries of the organization are verified by independent third parties according to the ISO 14064 standard.

⁷ Scope 1 covers the natural gas and refrigerants as well as the fuels of vehicles used in processes and facilities. Scope 1 and 2 emissions are verified by independent third parties.

⁸ Scope 3 includes indirect greenhouse gas emissions associated with the use and end-of-life of products.

⁹ Water footprint is verified by independent third parties.

¹⁰ Total Net Water Consumption = Water Withdrawal - Water Discharged

Amount of Waste¹¹ (tonnes)	2019	2020	2021
Total Hazardous Waste	1,440	1,392	1,760
Hazardous Waste Incinerated with Energy Recovery	479	464	618
Hazardous Waste Recovered	959	927	1,141
Hazardous Waste Landfilled	0.9	0.8	0.9
Total Non-Hazardous Waste	37,946	39,053	45,012
Non-Hazardous Waste Incinerated with Energy Recovery	1,585	1,755	1,892
Non-Hazardous Waste Recycled	36,361	37,298	43,120
Non-Hazardous Waste Landfilled	0	0	0
Total Waste	39,385	40,444	46,772
Total Waste Recycled/Recovered	37,320	38,225	44,261
Total Waste Disposed	2,065	2,220	2,511
Recycling Rate of Waste (%)	95%	95%	95%

Raw Material Consumption¹² (tonnes)	2019	2020	2021
Steel	177,395	196,944	233,229
Plastics	125,478	137,714	164,930
Glass	27,005	30,117	38,633
Paper - Cardboard	13,759	14,697	17,681
Aluminum	2,704	2,857	3,710
Paint	1,986	2,170	2,527
Copper	770	883	1,181
Other	9,727	10,422	14,070

¹¹ Waste is recycled or disposed of off-site.

¹² Raw materials of the ready-made components were not included in the analysis.

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APPENDIX 7: UN GLOBAL COMPACT (UNGC) PROGRESS TABLE

Area	Principles	Relevant Department
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	Gender Equality, Human Rights and Inclusion; Ethical Principles
	Principle 2: Businesses should make sure that they are not complicit in human rights abuses	
Labor Standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Vestel Beyaz Eşya does not have any personnel employed under any Collective Bargaining Agreement. All employee rights and benefits are protected and enshrined under Labor Law No. 4857. We have a total of 120 employee representatives from each department who are selected by election. Employees are informed by their managers about the decisions that may affect them.
	Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor	Gender Equality, Human Rights and Inclusion; Ethical Principles; Supply Chain
	Principle 5: Businesses should uphold the effective abolition of child labor	
	Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation	Gender Equality, Human Rights and Inclusion
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges	A Net Zero Company; Appendix 4: Integrated Management Systems and Environmental Management; Environmental Performance Indicators
	Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	A Net Zero Company; Appendix 2: Stakeholder Relations; Appendix 4: Integrated Management Systems and Environmental Management
	Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	A Net Zero Company; Products and Solutions Creating Benefits
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	Ethical Principles

APPENDIX 8: STATEMENT OF COMPLIANCE WITH CMB SUSTAINABILITY PRINCIPLES

General Principles	Description and Reference
A1. Strategies, Policies and Goals	
<p>The Board of Directors identifies material issues, risks and opportunities for ESG and establishes appropriate ESG policies. In terms of the effective implementation of the said policies; directives and work procedures, etc. may be drafted for the internal use of the company. The Board of Directors issues a resolution for these policies and discloses them to the public.</p>	<p>Global Trends, Risks and Opportunities Risks and the Evaluation of the Board of Directors</p>
<p>Corporate Strategy is set in accordance with ESG policies, risks and opportunities. Short and long-term goals are set and disclosed in line with the corporate strategy and ESG policies.</p>	<p>Strategic Approach</p>
A2. Implementation/Monitoring	
<p>The committees/units responsible for the implementation of ESG policies are identified and disclosed. The responsible committee/unit reports the activities carried out under the policies to the Board of Directors at least once a year and, in any case, within the maximum periods set for the disclosure of annual reports to the public in the relevant regulations of the Capital Markets Board.</p>	<p>Sustainability Management</p>
<p>Implementation and action plans are created in line with the short and long term goals set and disclosed to the public.</p>	<p>Strategic Approach</p>
<p>ESG Key Performance Indicators (KPIs) are set and disclosed comparatively on a yearly basis. KPIs are presented with sectoral comparisons at local and international level, if verifiable data is available.</p>	<p>They are shared throughout the report. Appendix 6: Performance Indicators</p>
<p>Innovation activities intended for improving sustainability performance with regard to business processes or products and services are disclosed.</p>	<p>Production and Innovation Power A Net Zero Company Accessible and Smart Products That Make Life Easier</p>
A3. Reporting	
<p>Sustainability performance, goals and actions are reported and disclosed at least once a year. Information on sustainability activities is disclosed within the annual report.</p>	<p>Under the integrated report, the approach, performance, goals and actions on material issues are shared transparently with the stakeholders.</p>
<p>Essential information that is important for the stakeholders in terms of understanding the position, performance and development of the company is shared in a direct and concise manner. Detailed information and data is also disclosed on the corporate website, and separate reports can be prepared that directly respond to the needs of various stakeholders.</p>	
<p>The utmost care is taken in terms of transparency and reliability. In accordance with a balanced approach, all types of developments on material issues are objectively disclosed in statements and reports.</p>	

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Information on which of the United Nations (UN) 2030 Sustainable Development Goals its activities is related to is provided.	The report states to which targets the projects launched contribute under each Sustainable Development Goal.
Statements regarding the lawsuits filed and/or concluded against the company with regard to environmental, social and corporate governance concerns are issued.	Ethical Principles
A4. Verification	
Sustainability performance measures are disclosed, if verified by independent third parties (independent sustainability assurance providers), and efforts are made to boost such verifications.	Environmental Performance Indicators
B. Environmental Principles	
Description and Reference	
The policies and practices, action plans, environmental management systems (known as the ISO 14001 standard) and programs in the field of environmental management are disclosed.	Appendix 4: Integrated Management Systems and Environmental Management
Environmental laws and other relevant regulations which are complied with are disclosed.	
The boundaries, reporting periods, reporting dates, data collection processes and limitations on reporting conditions of the environmental report to be covered in the report to be drawn up in line with the Sustainability Principles are disclosed.	About the Report Appendix 6: Performance Indicators
The most senior responsible person in the company regarding environment and climate change, the relevant committees and their duties are disclosed.	Sustainability Management Appendix 4: Integrated Management Systems and Environmental Management
Incentives offered for the management of environmental issues, including the achievement of objectives, are disclosed.	The Journey to Net Zero (Climate Crisis Action at Vestel Beyaz Eşya)
How environmental issues are integrated into business goals and strategies are disclosed.	A Net Zero Company
The sustainability performances of business processes or products and services and activities intended for improving such performances are disclosed.	A Net Zero Company Accessible and Smart Products That Make Life Easier Appendix 4: Integrated Management Systems and Environmental Management Environmental Performance Indicators
How environmental issues are managed throughout the company's value chain, how suppliers and customers are integrated into strategies, not just in terms of direct operations but throughout the company's value chain, are disclosed.	Supply Chain

<p>Involvement in policy-making processes on environmental issues (sectoral, regional, national and international) as well as membership in associations regarding environmental issues, collaborations with relevant institutions and civil society organizations and the duties borne, if any, and the activities supported thereby are disclosed.</p>	<p>A Net Zero Company Appendix 2: Stakeholder Relations Appendix 3: Association Memberships and Supported Initiatives</p>
<p>Information on environmental impacts is periodically reported in a comparable manner in light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect)), air quality, energy management, water and wastewater management, waste management, biodiversity impacts).</p>	<p>A Net Zero Company Appendix 4: Integrated Management Systems and Environmental Management Environmental Performance Indicators</p>
<p>Details of the standards, protocols, methodologies, and base year used to collect and calculate data are disclosed.</p>	<p>Appendix 4: Integrated Management Systems and Environmental Management</p>
<p>Short and long-term goals to mitigate environmental impacts are set and disclosed. These goals are recommended to be set based on scientific data, as suggested by the United Nations Conference of the Parties on Climate Change. If there is progress concerning previously set goals throughout the reporting year, information is provided on the subject.</p>	<p>The Journey to Net Zero Environmental Performance Indicators</p>
<p>The strategy and actions to combat the climate crisis are disclosed.</p>	
<p>Programs or procedures intended for preventing or minimizing the potential adverse impact of products and/or services are disclosed in addition to the actions towards reducing the greenhouse gas emissions of third parties.</p>	<p>Products and Solutions Creating Benefits</p>
<p>Actions taken to mitigate environmental impacts, the total number of projects and initiatives carried out, and the environmental benefits/ gains and cost savings generated are disclosed.</p>	<p>A Net Zero Company</p>
<p>Total energy consumption data (excluding raw materials) is reported and energy consumption values are disclosed as Scope-1 and Scope-2.</p>	<p>Environmental Performance Indicators</p>
<p>Information on electricity, heat, steam and cooling generated and consumed in the reporting year is provided.</p>	
<p>The increases in the use of renewable energy and the transition to zero or low carbon electricity are discussed and activities disclosed.</p>	<p>The Journey to Net Zero</p>
<p>Data on the generation and use of renewable energy is disclosed.</p>	<p>The Journey to Net Zero Environmental Performance Indicators</p>
<p>Energy efficiency projects are conducted and the amount of energy consumption and emission reduction achieved thanks to these activities are disclosed.</p>	<p>Energy Efficiency</p>

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<p>The amount of water drawn, used, recycled and discharged from underground or above ground, its sources and procedures (Total water withdrawal by source, water sources affected by drawing water; percentage and total volume of recycled and reused water, etc.) are disclosed.</p>	<p>Environmental Performance Indicators</p>
<p>Whether any operations or activities are included in any carbon pricing systems (Emissions Trading System, Cap & Trade or Carbon Tax) is disclosed.</p>	<p>Vestel Beyaz Eşya is not included in the carbon pricing system.</p>
<p>Information on the carbon credit accumulated or purchased during the reporting period is disclosed.</p>	<p>There is no carbon credit purchased.</p>
<p>If carbon pricing is applied in partnership with certain institutions, the details are disclosed.</p>	<p>Carbon pricing does not apply.</p>
<p>All mandatory and voluntary platforms where environmental information is presented is disclosed.</p>	<p>A Net Zero Company Appendix 4: Integrated Management Systems and Environmental Management</p>
<p>C. Social Principles Description and Reference</p>	
<p>C1. Human Rights and Employee Rights</p>	
<p>A Corporate Human Rights and Employee Rights Policy is created, in which full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey, and the legal framework and legislation regulating human rights and work life in Turkey is committed. The policy in question and the roles and responsibilities associated with its implementation are disclosed.</p>	<p>Gender Equality, Human Rights and Inclusion</p>
<p>Equal opportunities are provided in recruitment processes. Considering the impacts of supply and value chain, the company includes the issues of fair workforce, improvement of labor standards, women's employment and inclusion issues (such as non-discrimination based on gender, religious belief, language, race, ethnicity, age, disability, refugee status, etc.) in its policies.</p>	
<p>Measures taken along the value chain to protect the rights of groups (low-income groups, women, etc.) that are sensitive to certain economic, environmental and social factors as well as the protection of minority rights/equal opportunities are disclosed.</p>	<p>Gender Equality, Human Rights and Inclusion Supply Chain</p>
<p>Developments regarding the preventive and corrective practices of discrimination, inequality, human rights violations and forced labor are reported and regulations to prevent child labor are disclosed.</p>	

<p>Policies regarding investment in employees (training, development policies), compensation, fringe benefits, right to unionize, work/life balance solutions and talent management are disclosed. Mechanisms for employee complaints and dispute resolution, and identifies dispute resolution processes are created and activities taken to ensure employee satisfaction are disclosed.</p>	<p>Employees</p>
<p>Occupational health and safety policies are created and disclosed to the public. Measures taken against occupational accidents and for the protection of health as well as accident statistics are disclosed.</p>	<p>Occupational Health and Safety Social Performance Indicators</p>
<p>Personal data protection and data security policies are created and disclosed.</p>	<p>Data Security and Cybersecurity</p>
<p>An ethical policy (including business, work ethics, compliance processes, advertising and marketing ethics, public disclosure, etc.) is created and disclosed.</p>	<p>Ethical Principles</p>
<p>Work on community investment, social responsibility, financial inclusion and access to finance is disclosed.</p>	<p>Employee Volunteerism and Contribution to the Society Corporate Citizenship Working Capital and Cash Management</p>
<p>Information meetings and training programs are organized for employees on ESG policies and practices.</p>	<p>Sustainability Management Ethical Principles Employees Appendix 4: Integrated Management Systems and Environmental Management</p>
<p>C2. Stakeholders, International Standards and Initiatives</p>	
<p>Sustainability activities are carried out by taking into account the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, society and civil society organizations, etc.).</p>	<p>Materiality Analysis Appendix 2: Stakeholder Relations</p>
<p>A customer satisfaction policy is created for the management and resolution of customer complaints and is disclosed.</p>	<p>Customer Experience</p>
<p>Stakeholder communications are conducted in a continuous and transparent manner; and information regarding with which stakeholders, for what purpose, on what subject and how often communication is established is disclosed as well as any developments recorded in sustainability activities.</p>	<p>Appendix 2: Stakeholder Relations</p>

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<p>The international reporting standards adopted thereby (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), etc.) are disclosed.</p>	<p>About the Report The Journey to Net Zero</p>
<p>The international institutions or principles to which the Company is a signatory or of which it is a member (Equator Principles, United Nations Environment Programme Finance Initiative (UNEP-FI), United Nations Global Compact (UNGC), United Nations Principles for Responsible Investment (UNPRI), etc.) are disclosed as well as the international principles adopted thereby (such as International Capital Market Association (ICMA) Green/Sustainable Bond Principles).</p>	<p>Appendix 3: Association Memberships and Supported Initiatives</p>
<p>Concrete efforts are undertaken to be included in the Borsa İstanbul Sustainability Index and international sustainability indices such as the Dow Jones Sustainability Index, the FTSE4Good or the MSCI ESG Indices.İstanbul</p>	<p>Sustainability Management</p>
<p>D. Corporate Governance Principles</p>	<p>Description and Reference</p>
<p>Sustainability, the environmental impacts of activities and the relevant principles are considered while drawing up corporate governance strategy.</p>	<p>Vestel Beyaz Eşya Integrated Business Model Strategic Approach</p>
<p>Necessary measures are taken to comply with the principles regarding the stakeholders and to strengthen communication with stakeholders as stated in the Corporate Governance Principles. Opinions of stakeholders are sought in identifying the measures and strategies in the field of sustainability.</p>	<p>Materiality Analysis Appendix 2: Stakeholder Relations</p>
<p>Efforts are made to raise awareness about sustainability and its importance, through social responsibility projects, awareness-raising events and trainings.</p>	<p>Ethical Principles Employees Corporate Citizenship</p>
<p>Effort are made to have membership in international standards and initiatives on sustainability and to contribute to the relevant activities.</p>	<p>Appendix 2: Stakeholder Relations Appendix 3: Association Memberships and Supported Initiatives</p>
<p>Policies and programs to combat bribery and corruption and the principle of integrity in terms of taxation are disclosed.</p>	<p>Ethical Principles</p>

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STATEMENT OF RESPONSIBILITY FOR THE ANNUAL REPORT

STATEMENT OF RESPONSIBILITY PURSUANT TO THE ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUÉ ON THE PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS NO. II-14.1

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF THE ANNUAL REPORT

RESOLUTION DATE: 01.03.2022

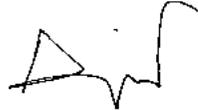
RESOLUTION NUMBER: 2022/7

We hereby declare that the Annual Report for the year 2021 prepared by our Company in accordance with the Turkish Commercial Code and the Capital Markets Board's Communiqué on the "Principles of Financial Reporting in Capital Markets" No. II-14.1 ("Communiqué") and audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ;

- Has been reviewed by us in line with the Capital Markets Board regulations,
- Based on the information we possess within the scope of our duties and responsibilities in the Company, the annual report does not contain any incorrect statement or any omission of material facts which may result in a misleading conclusion as of the date of issuance,
- Based on the information we possess within the scope of our duties and responsibilities in the Company, the annual report prepared in accordance with the Communiqué presents fairly the progress and the performance of the business and the financial position of the Company along with the material risks and uncertainties the Company is exposed to.



Chairman of the Audit Committee
Elmas Melih Araz



Member of the Audit Committee
Bekir Ağırđır



Financial Affairs Coordinator
Alp Dayı

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Shareholders of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Opinion

We have audited the annual report of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi (the "Company") for the period between 1 January 2021 and 31 December 2021, since we have audited the complete set financial statements for this period.

In our opinion, the financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent, in all material respects, with the audited complete set of financial statements and information obtained during the audit and provides a fair presentation.

Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA (including Independence Standards) (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Opinion on Complete Set of Financial Statements

We have expressed an unqualified opinion on the complete set of financial statements of the Company for the period between 1 January 2021 and 31 December 2021 on 28 February 2022.

Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II - 14.1 (the "Communiqué"), the Company's management is responsible for the following regarding the annual report:

- a) The Company's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.
- b) The Company's management prepares its annual report in such a way that it reflects the operations of the year and the financial position of the Company accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Company's financial statements. The annual report shall also clearly indicates the details about the Company's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.
- c) The annual report also includes the matters below:
 - Significant events occurred in the Company after the reporting period,
 - The Company's research and development activities.
 - Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

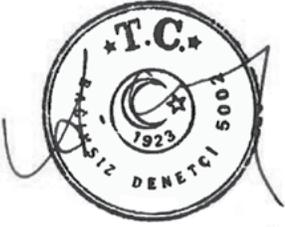
When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the audited financial statements of the Company and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing issued by POA. These standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Ahmet Hamdi Cura, SMMM
Engagement Partner
1 March 2022
İzmir, Türkiye

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY PURSUANT TO THE ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUÉ ON THE PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS NO. II-14.1

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS

RESOLUTION DATE: 28.02.2022

RESOLUTION NUMBER: 2022/6

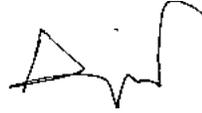
We hereby declare that the financial statements for the fiscal year 2021 prepared by our Company in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards and the formats determined by the Capital Markets Board pursuant to the Turkish Commercial Code and the Capital Markets Board's Communiqué on the "Principles of Financial Reporting in Capital Markets" No. II-14.1 ("Communiqué") and audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ;

- Have been reviewed by us in line with the Capital Markets Board regulations,
- Based on the information we possess within the scope of our duties and responsibilities in the Company, the financial statements do not contain any incorrect statement or any omission of material facts which may result in a misleading conclusion as of the date of issuance,
- Based on the information we possess within the scope of our duties and responsibilities in the Company, the financial statements prepared in accordance with the Communiqué present fairly the assets, liabilities, financial position and the results of operations of the Company and we are responsible for the announcement made.

Sincerely,



Chairman of the Audit Committee
Elmas Melih Araz



Member of the Audit Committee
Bekir Ağır



Financial Affairs Coordinator
Alp Dayı

Vestel Beyaz EŐya Sanayi ve Ticaret Anonim Őirketi

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS AT
1 JANUARY – 31 DECEMBER 2021 TOGETHER WITH INDEPENDENT AUDITOR’S REPORT**

(Originally Issued in Turkish)

INDEPENDENT AUDITOR’S REPORT



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR’S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the Shareholders of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the financial statements of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi (“the Company”), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRS”).

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by Capital Markets Board of Turkey (“CMB”) and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) (“Standards on Auditing issued by POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA (including Independence Standards) (“POA’s Code of Ethics”) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA’s Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair Value Measurement of Tangible Assets

Refer to Note 2.5.3 and Note 11 to the financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for fair value measurement of tangible assets.

The key audit matter

The Company has applied the accounting policy to measure its land, buildings and land improvements at fair value in its financial statements in accordance with TAS 16, “Property, Plant and Equipment”.

As a result of the revaluation in 2021, the Company recognized TL 755.528 thousand fair value increase on tangible assets.

Fair values of the Company’s revaluated tangible assets are determined by professional independent valuation expert authorized by the CMB.

Fair value measurement of tangible assets is determined as a key audit matter, since the amount of fair value increase recognized in the financial statements as of 31 December 2021 is material to the financial statements of the Company and the inputs and calculations used in valuation methods are complex and includes significant estimates and judgements.

How the matter was addressed in our audit

Audit procedures that are applied in this matter involves below:

The evaluation of the competence, capabilities and objectivity of the independent professional valuation experts to determine the fair value of tangible assets,

Check the depreciation amounts of revalued tangible assets by recalculation,

Evaluating the valuation methods and inputs used for fair value measurement of tangible assets with the participation of our valuation experts,

Evaluating the appropriateness of key estimates and inputs used in valuation methods, including comparison of current precedent values in the market and preceding values with the participation of our valuation experts,

Checking the appropriateness and adequacy of financial statement disclosures, including the explanations of the key estimates and assumptions regarding the fair value measurement of tangible assets, in accordance with TFRS.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 28 February 2022.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2021 and 31 December 2021, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Ahmet Hamdi Çara, SMMM

Engagement Partner

28 February 2022

İzmir, Türkiye

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Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

**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
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		623.480	998.969
Current Borrowings from Related Parties		2.399	16.181
Lease Liabilities	5, 6	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 to Related Parties	6,7	5.842.718	2.874.941
Trade Payables to Third Parties	7	273.646	188.142
Employee Benefit Obligations	7	5.569.072	2.686.799
Other Payables	17	68.864	54.166
Other Payables to Related Parties	6	1.431.678	206.285
Derivative Financial Liabilities		1.431.678	206.285
Derivative Financial Liabilities Held for Trading	28	233.435	48.839
Derivative Financial Liabilities Held for Hedging	28	233.435	11.743
Current Tax Liabilities, Current	28	-	37.096
Current Provisions	26	939	2.432
Other Current Provisions	15	9.724	9.674
Other Current Liabilities	15	9.724	9.674
Other Current Liabilities to Third Parties	18	39.302	29.075
		39.302	29.075
TOTAL CURRENT LIABILITIES		8.562.036	4.458.675

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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 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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

**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
EQUITY			
Equity Attributable to Owners of the Company			
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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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.)

	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2021
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 Operations		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 100 SHARE WITH A KR 1 OF PAR VALUE (TL)		27	2,96
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		226.140	(36.809)
Gains (Losses) on Cash Flow Hedges	25	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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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.)

	Issued Capital	Inflation Adjustments on Capital	Share Premiums or Discounts				Other Accumulated Comprehensive Income that will not be Reclassified in Profit or Loss
				Increases (Decreases) on Revaluation of Property, Plant and Equipment	Gains (Losses) on Remeasurements of Defined Benefit Plans	Gains (Losses) on Revaluations and Remeasurements	
Previous Period							
1 January - 31 December 2020							
Balance at Beginning of Period	190.000	9.734	109.031	410.776	(14.795)	395.981	395.981
Transfers	-	-	-	(6.750)	-	(6.750)	(6.750)
Total Comprehensive Income (Loss)	-	-	-	396.161	(13.719)	382.442	382.442
Profit (Loss)	-	-	-	-	-	-	-
Other Comprehensive Income (Loss)	-	-	-	396.161	(13.719)	382.442	382.442
Dividends Paid	-	-	-	-	-	-	-
Balance at End of Period	190.000	9.734	109.031	800.187	(28.514)	771.673	771.673
Current Period							
1 January - 31 December 2021							
Balance at Beginning of Period	190.000	9.734	109.031	800.187	(28.514)	771.673	771.673
Transfers	-	-	-	(12.188)	-	(12.188)	(12.188)
Total Comprehensive Income (Loss)	-	-	-	679.975	(39.123)	640.852	640.852
Profit (Loss)	-	-	-	-	-	-	-
Other Comprehensive Income (Loss)	-	-	-	679.975	(39.123)	640.852	640.852
Capital Increase	1.410.000	-	(37.945)	-	-	-	-
Dividends Paid	-	-	(71.086)	-	-	-	-
Balance at End of Period	1.600.000	9.734	-	1.467.974	(67.637)	1.400.337	1.400.337

	Gain/(Loss) From Cash Flow Hedge	Reserve Of Gains or Losses on Hedge	Other Accumulated Compre- hensive Income that will be Reclassified to Profit or Loss	Restricted Reserves Appropriated From Profits	Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings	Equity attributable to owners of parent	Equity
	-	-	-	173.938	359.472	568.072	927.544	1.806.228	1.806.228
	-	-	-	13.252	561.570	(568.072)	(6.502)	-	-
	(29.447)	(29.447)	(29.447)	-	-	1.331.308	1.331.308	1.684.303	1.684.303
	-	-	-	-	-	1.331.308	1.331.308	1.331.308	1.331.308
	(29.447)	(29.447)	(29.447)	-	-	-	-	352.995	352.995
	-	-	-	-	(128.766)	-	(128.766)	(128.766)	(128.766)
	(29.447)	(29.447)	(29.447)	187.190	792.276	1.331.308	2.123.584	3.361.765	3.361.765
	(29.447)	(29.447)	(29.447)	187.190	792.276	1.331.308	2.123.584	3.361.765	3.361.765
	-	-	-	0	1.343.496	(1.331.308)	12.188	-	-
	171.446	171.446	171.446	-	-	1.518.592	1.518.592	2.330.890	2.330.890
	-	-	-	-	-	1.518.592	1.518.592	1.518.592	1.518.592
	171.446	171.446	171.446	-	-	-	-	812.298	812.298
	-	-	-	(43.619)	(1.328.436)	-	(1.328.436)	-	-
	-	-	-	(45.065)	(683.849)	-	(683.849)	(800.000)	(800.000)
	141.999	141.999	141.999	98.506	123.487	1.518.592	1.642.079	4.892.655	4.892.655

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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) 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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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
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		(1.842.926)	(1.539.816)
Decrease (Increase) in Trade Accounts Receivables from Third Parties		(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		(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)

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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		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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi**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 Istanbul (“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 Istanbul (“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 Sanayi ve Ticaret Anonim Şirketi

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.

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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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 (Cont’d)

New standards, amendments and interpretations issued and effective for the financial year beginning 31 December 2021 (Cont’d)

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

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.

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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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 (Cont'd)

New standards, amendments and interpretations issued and effective for the financial year beginning 31 December 2021 (Cont'd)

Onerous Contracts-Cost of Fulfilling a Contract (Amendments to TAS 37) (Cont'd)

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.

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:

- Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- Clarifying how lending conditions affect classification; and
- 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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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 (Cont'd)

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

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

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

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

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

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be 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 Sanayi ve Ticaret Anonim Şirketi**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 (Cont'd)****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.

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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)

2.5. Summary of significant accounting policies

2.5.1 Revenue

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

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

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

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

2.5.2 Inventories

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

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

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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)

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

2.5.3 Property, plant and equipment

Land, land improvements and buildings are stated at fair value, based on valuations performed as at 31 December 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.

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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi**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)**2.5. Summary of significant accounting policies (Cont'd)****2.5.3 Property, plant and equipment (Cont'd)****Leases***The Company - as a lessee*

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

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

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

The Company rents various buildings, warehouses, forklifts and machinery. The duration of the leasing contracts for machine and equipment is usually 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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi**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)**2.5. Summary of significant accounting policies (Cont'd)****2.5.3 Property, plant and equipment (Cont'd)****Leases (Cont'd)**

After initial recognition, the lease liability is measured:

- Increasing the carrying amount to reflect interest on lease liability,
- Reducing the carrying amount to reflect the lease payments made and
- 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.

Right of use assets:

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

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

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

2.5.4 Intangible Asset and Goodwill**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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi**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)**2.5. Summary of significant accounting policies (Cont’d)****2.5.5 Financial instruments****a) Financial assets**

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

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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(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)

2.5.5 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.

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.

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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)

2.5.7 Provisions, contingent assets and liabilities

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

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

2.5.8 Related parties

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

2.5.9 Taxation on income

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

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

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

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

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

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

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(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)

2.5.9 Taxation on income (Cont'd)

Transfer pricing

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

Tax exposures

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

2.5.10 Employee benefits

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

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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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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)

2.5.14 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:

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.

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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)

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

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

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

NOTE 3 - SEGMENT REPORTING

Operating segments are identified on the same basis as financial information is reported internally to the Company’s chief operating decision maker. The Company’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.

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NOTE 4 - CASH AND CASH EQUIVALENTS

	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 ⁽¹⁾	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 ⁽¹⁾	265.000	-
	399.464	207.731

⁽¹⁾ The sale of corporate bonds to qualified investors with a maturity of 728 days and variable coupon payments amounting to TL 265.000 was completed on 9 June 2021.

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**NOTES TO THE FINANCIAL STATEMENTS
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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 per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- USD	-	-	-	3,17%	20.000	146.810
- EUR	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 per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- USD	-	-	-	-	-	-
- EUR	2,57%	6.679	98.062	0	3.477	31.316
- TL	20,89%	210.396	210.396	20,61%	202.978	202.978
Short term portion			308.458			234.294
- USD	-	-	-	-	-	-
- 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 Sanayi ve Ticaret Anonim Şirketi

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)

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 average effective annual interest rates.

Guarantees given for the bank loans obtained are disclosed 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)
Payments of lease liabilities	-	-
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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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 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.

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%).

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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 6 - RELATED PARTY DISCLOSURES (Cont'd)**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).

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

	1 January - 31 December 2021	1 January - 31 December 2020
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

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FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

NOTE 6 - RELATED PARTY DISCLOSURES (Cont'd)

f) Transactions with related parties (Cont'd)

	1 January - 31 December 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
	1 January - 31 December 2021	1 January - 31 December 2020
Dividend paid		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	681.329	119.166
Public shares	118.671	9.601
	800.000	128.766
	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
Other related parties	-	-
	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 Sanayi ve Ticaret Anonim Şirketi

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 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
Ertelenmiş finansman gideri (-)		
- İlişkili taraflardan (dipnot 6)	-	-
- Diğer taraflardan	-	-
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 Sanayi ve Ticaret Anonim Şirketi

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 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 tax receivables	1.984	1.102
Other receivables		
	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).

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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 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 Sanayi ve Ticaret Anonim Şirketi

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

	1 January 2021	Additions	Disposals	Transfer	Fair value increase	31 December 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
Other tangible assets	-	-	-	-	-	-
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

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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)

	1 January 2020	Additions	Disposals	Transfer	Fair value increase	31 December 2020
Cost or revaluation						
Land	192.824	112.976	-	-	198.098	503.898
Land improvements	40.998	987	-	(2.756)	10.728	49.957
Buildings	447.048	24.773	-	(21.182)	192.584	643.223
Leasehold improvements	10.907	975	(3)	135	-	12.014
Plant and machinery	1.763.514	321.576	(21.986)	48.577	-	2.111.681
Motor vehicles	626	295	(59)	-	-	862
Furniture and fixtures	76.719	13.283	(293)	6.824	-	96.533
Other tangible assets	45.231	45.065	-	(58.147)	-	32.149
Construction in progress						-
	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)

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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)

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

	Useful life
Land improvements	5- 35 yıl
Buildings	20- 50 yıl
Leasehold improvements	5 yıl
Plant and machinery	3- 15 yıl
Motor vehicles	5 yıl
Furniture and fixtures	5- 10 yıl
Leasehold improvements	1- 5 yıl

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

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

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

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	-

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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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.

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NOTES TO THE FINANCIAL STATEMENTS
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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 yıl
Development cost	2- 10 yıl
Other intangible assets	2- 15 yıl

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).

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**a) Provisions**

	<u>31 December 2021</u>	<u>31 December 2020</u>
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:

	<u>1 January - 31 December 2021</u>	<u>1 January - 31 December 2020</u>
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

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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)**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.

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

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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 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 Sanayi ve Ticaret Anonim Şirketi

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.

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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	14.083
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

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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 2020	31 December 2020	31 December 2020	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%	100%	1.600.000	190.000

Vestel Elektronik Sanayi ve Ticaret A.Ş. sold 5.000.000 shares of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. at Borsa Istanbul on 19 February 2021, 4.000.000 shares of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. at Borsa Istanbul on 12 April 2021 and 5.000.000 shares of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. at Borsa Istanbul 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

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

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NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)**d) Restricted reserves (“Legal reserves”)**

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

	31 December 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

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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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

f) Dividend distribution (Cont'd)

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/TFRS”) 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.

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

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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 January - 31 December 2021	1 January - 31 December 2020
Audit fee for reporting period	276	215
	276	215

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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

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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

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

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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)

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	1.467.974	800.187

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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
Deffered tax liabilities	-	(54.299)
Deffered tax assets	132.778	
Deffered 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.

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.

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)

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

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)	193
	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.

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

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

Deferred tax assets and liabilities (Cont'd)

	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)

⁽¹⁾ 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 amounting to TRY 477.269 arising from investment incentives on the basis of conservative approach of accounting.

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 assets/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)
Derivative financial assets:				
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
Derivative financial liabilities:				
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.

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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 risk as of 31 December 2021 and 31 December 2020:

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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	-	-	-	-	-	-

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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	-	-	-	-	-	-

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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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.

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 Sanayi ve Ticaret Anonim Şirketi

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 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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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 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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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 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.

31 December 2021	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
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 Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS
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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2020	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
Appreciation of USD against TL by 10%				
USD net asset/liability	(59.327)	59.327	(59.327)	59.327
Secured portion from USD risk	21.718	(21.718)	162.649	(162.649)
USD net effect	(37.609)	37.609	103.322	(103.322)
Appreciation of EUR against TL by 10%				
EUR net asset/liability	67.868	(67.868)	67.868	(67.868)
Secured portion from EUR risk	(93.192)	93.192	(237.804)	237.804
EUR net effect	(25.324)	25.324	(169.936)	169.936
Diğer para birimlerinin TL karşısında %10 değerlenmesi halinde				
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

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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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 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.

Fair value of financial instruments

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

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

Monetary assets

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

Monetary liabilities

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

Fair value hierarchy

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

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

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

Level 3: Valuation techniques do not contain observable market inputs

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**NOTES TO THE FINANCIAL STATEMENTS
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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				
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).

INVESTOR INFORMATION

General Information

Reporting Period: 01.01.2021 - 31.12.2021

Trade Name: Vestel Beyaz Eşya Sanayi ve Ticaret AŞ

Trade Registration No: Istanbul Trade Registry Office, No: 380814

Registered Capital Ceiling: TL 2,000,000,000

Paid-in/Issued Capital: TL 1,600,000,000

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Financial Data and Company Announcements

Financial statements, auditor reports, annual reports and material event disclosures of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ are available on the Company's website at <http://vesbe.vestelinvestorrelations.com>.

Additionally, requests for information can be submitted to the Investor Relations Directorate of the Vestel Group of Companies via phone and e-mail.

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