

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

**VESTEL ELEKTRONİK
2021 INTEGRATED
ANNUAL REPORT**

TABLE OF CONTENTS

10	VESTEL IN A NUTSHELL
12	SUMMARY FINANCIAL AND OPERATIONAL INDICATORS
14	VESTEL ELEKTRONİK SANAYİ VE TİCARET AŞ - SHAREHOLDING STRUCTURE
15	COMPETITIVE ADVANTAGES OF VESTEL ELEKTRONİK
16	FROM VESTEL TO THE ENTIRE WORLD...
18	MESSAGE FROM THE CHAIRMAN
20	BOARD OF DIRECTORS
22	MESSAGE FROM THE CEO
24	SENIOR MANAGEMENT
28	VESTEL INTEGRATED BUSINESS MODEL
30	STRATEGIC APPROACH
32	MATERIALITY ANALYSIS
34	SUSTAINABILITY MANAGEMENT
36	ETHICAL PRINCIPLES
38	GLOBAL TRENDS, RISKS AND OPPORTUNITIES
46	EVALUATION OF PRODUCT GROUPS FOR THE YEAR 2021
50	FINANCIAL PERFORMANCE
54	TECHNOLOGY AND HUMAN-ORIENTED TRANSFORMATION
55	PRODUCTION AND INNOVATION POWER
71	EMPLOYEES
81	CORPORATE CITIZENSHIP
84	SUPPLY CHAIN
86	A NET-ZERO COMPANY
87	THE JOURNEY TO NET ZERO
89	CIRCULAR ECONOMY
93	WATER STEWARDSHIP
94	ACCESSIBLE AND SMART SOLUTIONS THAT MAKE LIFE EASIER
95	PRODUCTS AND SOLUTIONS THAT CREATE BENEFITS
102	QUALITY AND PRODUCT SAFETY
103	CUSTOMER EXPERIENCE
106	OTHER COMPANIES AFFILIATED TO VESTEL
108	ADDITIONAL DISCLOSURES AS PER THE LEGISLATION
117	CORPORATE GOVERNANCE
117	RISKS AND THE ASSESSMENT OF THE BOARD OF DIRECTORS
121	INTERNAL AUDIT ACTIVITIES AND INTERNAL CONTROL SYSTEM
123	STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
124	CORPORATE GOVERNANCE COMPLIANCE REPORT
132	CORPORATE GOVERNANCE INFORMATION FORM
138	STRUCTURE OF THE BOARD OF DIRECTORS
139	DUTIES AND AUTHORITIES OF THE BOARD OF DIRECTORS
140	BOARD COMMITTEES
143	EVALUATION OF THE BOARD OF DIRECTORS REGARDING THE WORKING PRINCIPLES AND EFFECTIVENESS OF THE BOARD COMMITTEES
144	APPENDICES
164	GRI CONTENT INDEX
167	FINANCIAL REPORTS
167	STATEMENT OF RESPONSIBILITY FOR THE ANNUAL REPORT
168	INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT
170	STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
171	CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
260	INVESTOR INFORMATION

22

MESSAGE FROM THE CEO



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

10

VESTEL IN A NUTSHELL

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


VESTEL

28

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

In 2021, turnover rose by 51% to TL 32.5 billion, and EBITDA by 52% to TL 5.5 billion.

54

TECHNOLOGY AND HUMAN-ORIENTED TRANSFORMATION

In line with our strategic approach, we transform our culture in a human-oriented way by leveraging the power of technology and digitalization and engage in activities involving all stakeholders in our value chain.

86

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.

94

ACCESSIBLE AND SMART SOLUTIONS THAT MAKE LIFE EASIER

To create environmental and social benefits with our products and thus 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.

SUSTAINABLE PERFORMANCE

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

RECORD-LEVEL EBITDA

TL **5.5** billion

In line with strong growth in revenues in 2021, EBITDA reached an all-time high of TL 5.5 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.

TOTAL NUMBER OF EMPLOYEES

19,119 people



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 Targets (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 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 society.

SMART PRODUCTS

~33% share in domestic sales

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



VESTEL IN A NUTSHELL

Vestel Elektronik Sanayi ve Ticaret AŞ (“Vestel”, “Vestel Elektronik”, “Vestel Group of Companies” or “Company”) is a global group of companies consisting of a total of 24 companies, 14 of which are overseas companies, operating in electronics, household appliances, digital and mobile products. We appeal to a wide variety of consumers in 158 countries thanks to our extensive range of products built on our competencies in technology, design development and product customization. With over 19,000 employees, production capacity built on technological superiority and contribution to our country’s exports, we represent an important source of power for the Turkish economy.

As one of the world’s leading original design manufacturers (ODMs) in consumer electronics and household appliances, we are one of the top three LCD TV manufacturers and one of the top five household appliance manufacturers in Europe. We are among the most well-known brands in Turkey, and are the largest manufacturer in the Turkish TV market as well as one of the top three in household appliances.

As one of the leading technology companies in Turkey and across the globe, we continue to work with the aim of completing the Industry 4.0 transformation and making a transition to fully-automated smart plants. Backed by our competencies in artificial intelligence (AI) software and the internet of things (IoT), we also play a leading role in smart city and smart home platforms.

In the global market, we also engage in branded product sales through acquired regional brands and licensed global brands in addition to our ODM based sales. Our collaboration with leading global brands, such as with Sharp in household appliances and with Toshiba in TVs, through our brand licensing agreements reinforce our position in the European market. The Daewoo brand, which we licensed for both household appliances and televisions in 2021, will support us in increasing our competitiveness and branded sales.

Boasting one of the most extensive sales and after-sales service networks in Turkey, we reach a wide consumer base through our “multi-brand and omni-channel strategy”. We account for 90% of Turkey’s TV exports and one-third of household appliances exports, and have been the export champion of the electronics industry for 23 years.



Vestel is a technology company guiding the market both in Turkey and in global markets thanks to its production, R&D and innovation competencies.

VESTEL CITY

With Vestel City, we are the world's first electronics and household appliances company, and Turkey's first brand and industrial facility, to be featured on the "Megafactories" documentary series featuring world-renowned brands on the National Geographic Channel, one of the world's largest documentary channels.

Vestel City

A total of

1.3 million m²

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



SUMMARY FINANCIAL AND OPERATIONAL INDICATORS

Summary Income Statement (USD million)	2017	2018	2019	2020	2021
Net Sales	3,317	3,298	3,028	3,075	3,658
Export Ratio	66%	75%	77%	73%	75%
Gross Profit	665	891	754	859	1,015
Gross Profit Margin	20.1%	27.0%	24.9%	27.9%	27.7%
Operating Profit [*]	137	384	301	407	513
Operating Profit Margin [*]	4.1%	11.6%	10.0%	13.2%	14.0%
EBITDA [*]	238	479	412	514	617
EBITDA Margin [*]	7.2%	14.5%	13.6%	16.7%	16.9%
Net Profit ^{**}	20	83	62	272	242
Net Profit Margin	0.6%	2.5%	2.0%	8.9%	6.6%

^{*}Excludes other operating income and expense

^{**}After minority shares

Summary Balance Sheet (million USD)	2017	2018	2019	2020	2021
Cash and Cash Equivalents	530	587	403	436	161
Accounts Receivables	971	681	568	737	514
Inventories	781	544	477	553	734
Current Assets	2,381	1,908	1,618	1,877	1,609
Fixed Assets	627	634	581	656	572
Total Assets	3,671	3,414	3,275	3,689	3,321
Current Liabilities	2,711	2,577	2,467	2,333	2,359
Non-Current Liabilities	356	206	172	344	167
Shareholders' Equity	604	631	636	1,012	795
Net Financial Debt [*]	667	931	930	769	773

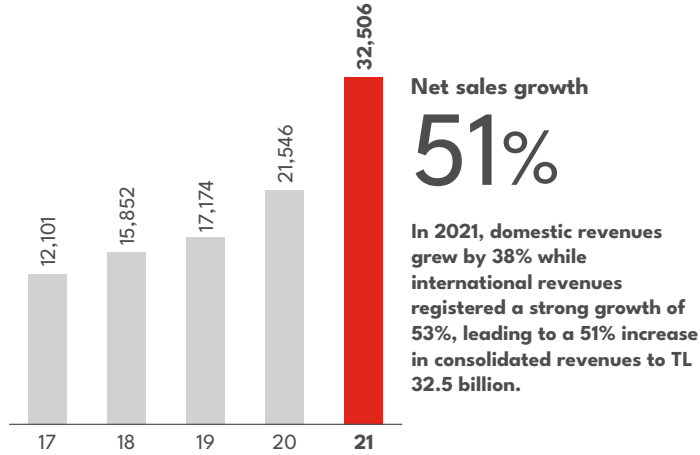
^{*}Blocked deposits are not included in the calculations.

Summary Cash Flow Statement (USD million)	2017	2018	2019	2020	2021
Cash Flows from Operating Activities	166	250	547	323	192
Net Cash Flows from Investing Activities	-265	657	-476	-310	-156
Net Cash Flows from Financing Activities	305	447	-69	70	-178

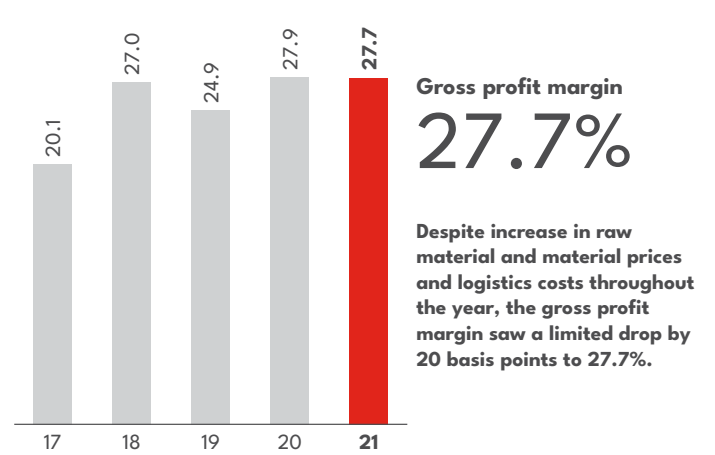
The US Dollar ("USD") amounts in the Summary Balance Sheet are calculated over Turkish Lira ("TL") amounts using the official USD/TL foreign exchange buying rate of the Central Bank of the Republic of Turkey ("CBRT") as of December 31, 2021.

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

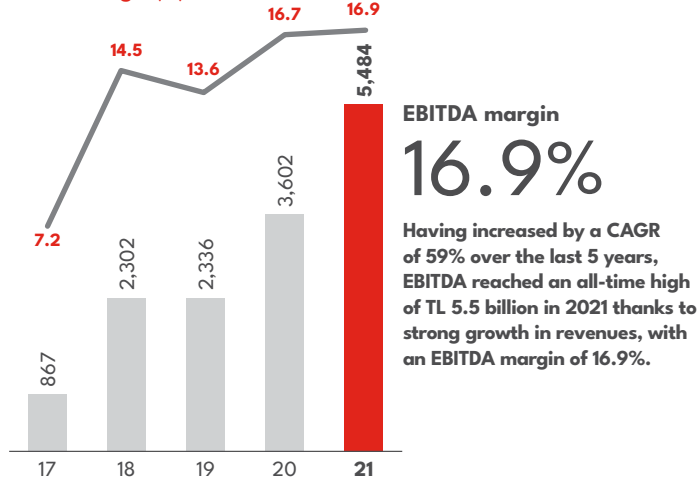
Net Sales (TL million)



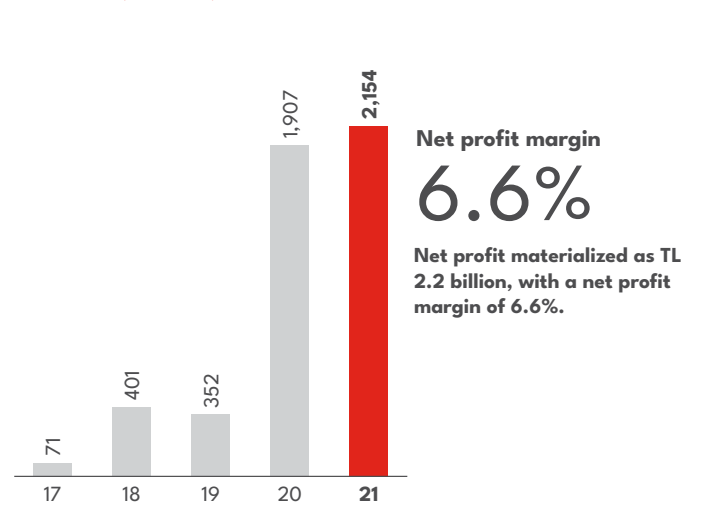
Gross Profit Margin (%)



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



Net Profit* (TL million)

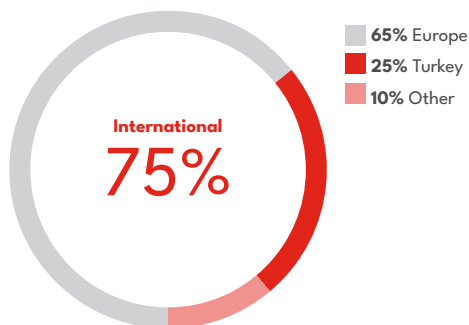


■ EBITDA ■ EBITDA 2021 ■ EBITDA Margin

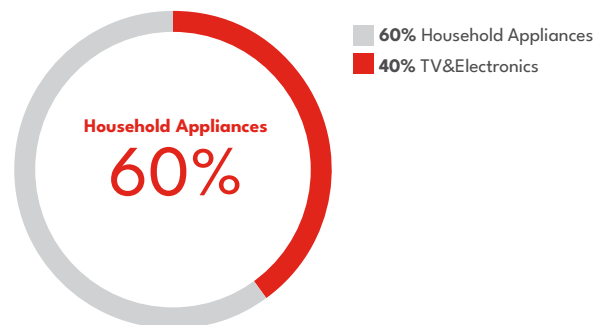
*Excludes other operating income and expense

*After minority shares

Geographical Breakdown of Sales



Breakdown of Sales by Business Segment



VESTEL ELEKTRONİK SANAYİ VE TİCARET AŞ

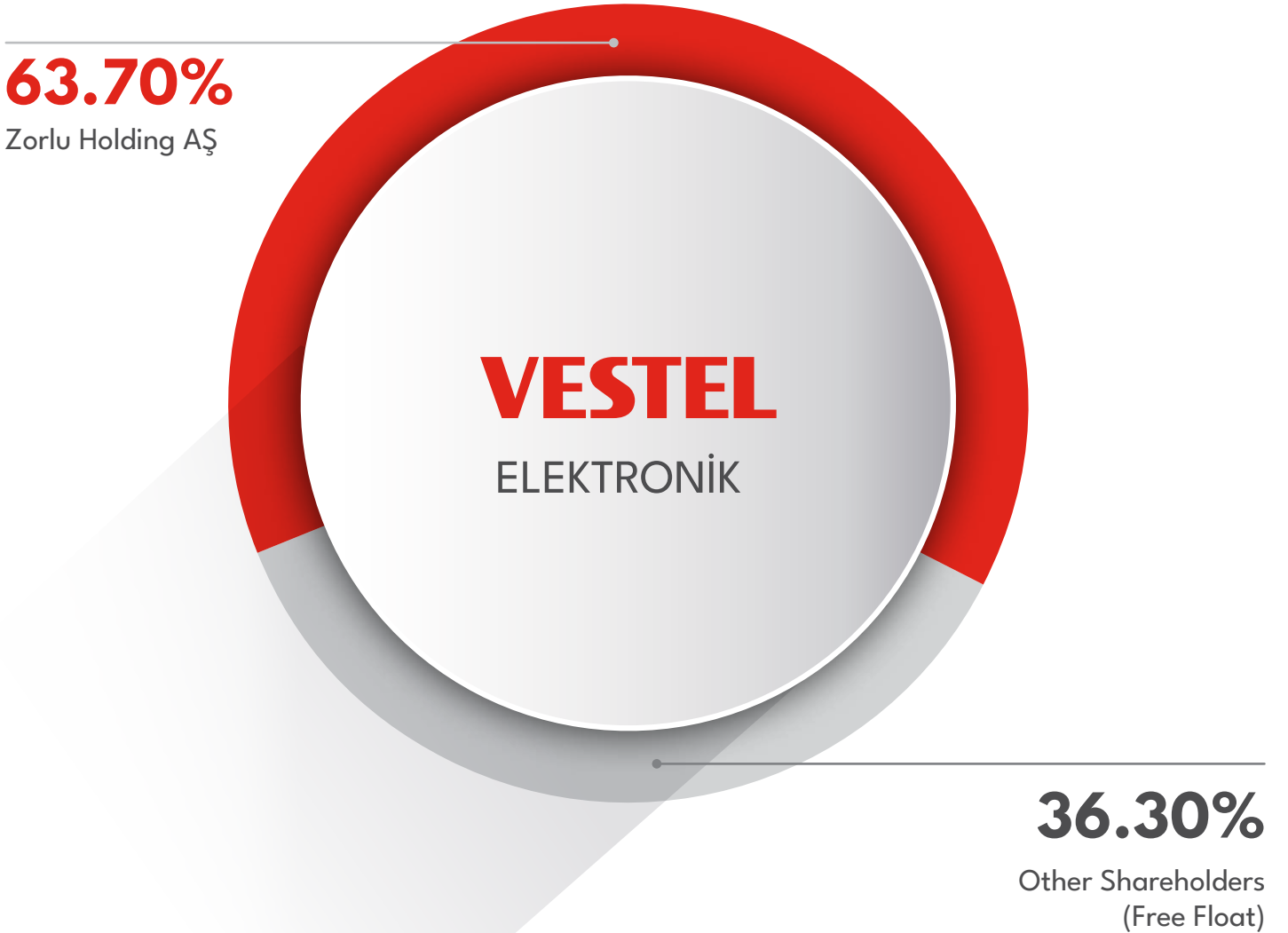
SHAREHOLDING STRUCTURE

Shareholders	Nominal Share Amount (TL)	Share in Capital (%)
Zorlu Holding AŞ	213,696,518	63.70
Other Shareholders (Free Float)	121,759,757	36.30
Total	335,456,275	100.00

Vestel Elektronik's issued capital is TL 335,456,275.00 and consists of 33,545,627,500 shares, each with a nominal value of 1 kuruş. The Company's share capital does not include any privileged shares.

Vestel Elektronik increased its registered capital ceiling from TL 1 billion to TL 2 billion in 2021.

As a result of Zorlu Holding AŞ's share sales on Borsa İstanbul in 2021, its stake in the Company decreased from 66.51% to 63.70%.



COMPETITIVE ADVANTAGES OF VESTEL ELEKTRONİK

Innovation

- Creating new value for customers thanks to a strong R&D structure, production capabilities and highly-competent human resources, responding to customer needs in a short period of time, 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 flexible production capabilities.

Customer Commitment and Experience

- Offering comprehensive ODM service from A to Z, from original design and production to point distribution;
- Refraining from competing directly with customer brands in Europe;
- Fast production and delivery as well as the ability to respond to small batch orders;
- Extensive sales and after-sales service network across Turkey;
- 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 triggered 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 by building upon the pioneering spirit embodied by the Company 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...

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.

Vestel in Turkey

Vestel Ticaret AŞ (Vestel Ticaret), a 100% subsidiary, carries out all the marketing and sales operations of Vestel in Turkey. Vestel's vast array of advanced technology and quality products along with its experience in the multi-brand concept are complemented by Vestel Ticaret's strong distribution network.

Under its omni-channel marketing strategy, Vestel reaches a wide variety of consumers through dealers, sales points and online sales outlets as well as household stores, hypermarkets, discount stores, electronics retail chains and e-commerce websites.

Sales Organization in Turkey

- 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

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

Our sales strategy in international markets is implemented on the pillars of sales on an ODM basis to A-brand manufacturers, distributors and retail chains, and branded product sales through the regional brands acquired and global brands licensed by Vestel Group.

In addition to expanding the customer portfolio to which ODM services are provided, Vestel also aims to increase its brand penetration and market share in foreign markets with the regional brands it has acquired and added to its portfolio in Europe as well as its licensed global brands.

We carry out our overseas marketing and sales activities through the local sales and distribution network of foreign trade companies under our subsidiary Vestel Ticaret. This sales-distribution network consists of foreign trade offices in the UK, France, Germany, Spain, the Netherlands, Poland, Romania, Russia, Kazakhstan and the United Arab Emirates. Sales and marketing activities in other international markets are carried out directly by Vestel Ticaret.



Export to
158
Countries

10
Foreign Trade
Offices

~2,500
Overseas Stores and
Sales Outlets

1,173
Domestic
Vestel Stores



MESSAGE FROM THE CHAIRMAN

Thanks to Vestel's flexible and agile structure, as well as our 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 important roles in tackling the global supply challenge.



Ahmet Nazif ZORLU
Chairman of the Board

Esteemed Stakeholders,

Although the COVID-19 pandemic still persists, we have left behind another year during which socioeconomic fluctuations have affected the world. 2021 was a year of increases in imbalances throughout the markets despite a consolidation in economic recovery. While normalization and recovery, which gained momentum in parallel with the pace of vaccination around the world, brought along a strong increase in demand, disruptions occurred in the supply chain due to insufficient supply. We observed that production had to be suspended from time to time in some sectors. 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 our sectors 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 they also increased the pressure on the exchange rate, real household income and external financing. However, improvements in industrial production have been seen as vaccination rates have increased. We, as Vestel, continued to contribute to the development of our country with our robust growth in export markets in 2021.

Thanks to Vestel's flexible and agile structure, as well as our 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 far above the market growth in Europe in household appliances sales, strongly expanded in regions

outside of Europe, including the American market, and launched new investments and completed some of the ongoing investments under our capacity expansion program.

In addition to this, we continued to grow steadily in the domestic market and focused on maintaining the success we had achieved in online channels as well. In this context, we are moving forward with the target of increasing the rate of online sales within our domestic turnover to 25% by 2030, in line with the digitalization trend accelerated by the pandemic.

The COVID-19 process has become a threshold where the importance of sustainability is better understood all over the world and sustainability-oriented transformations will shape the future. Being aware of this phenomenon, we have focused on integrating sustainability as a way of doing business at Vestel. 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, we have developed our strategy for Vestel and gathered it under three pillars of “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 this transformation culture, we have increased our global market share and strengthened our competitiveness. We support education and training programs through which our employees develop their intellectual knowledge and skills, and we encourage in-house innovation programs. We are proud of being the Turkish company with the highest number of registrations in patent offices across Europe. We adopt diversity, inclusion and social benefit for all stakeholders of Vestel 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. In order to achieve net zero emissions, especially in Vestel's operations, we aim to be a net zero company in the entire value chain by 2050. We will continue to increase the use of different practices such as product recovery, repair and raw material recycling with a focus on 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 studies, 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. In addition to automotive electronics, we produce and export batteries for e-mobility vehicles such as e-bikes and charging units for electric cars. Products in this group are critical for value-added exports.

I am very pleased to share Vestel'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 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,



Ahmet Nazif ZORLU
Chairman of the Board

BOARD OF DIRECTORS



Ahmet Nazif Zorlu
Chairman of the Board

(1944 - Denizli) Ahmet Zorlu began his career in the 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 Elektronik and Vestel Beyaz Eşya.

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

Bekir Ağırđır
Vice Chairman

(1956 - Denizli) After graduating from the Department of Business Administration at

Middle East Technical University in 1979, Bekir Ağırđır 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. Ağırđır 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 Elektronik Sanayi ve Ticaret AŞ, Ağırđır also serves as a Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ, two other Zorlu Group companies. Mr. Ağırđır 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 EYMİR Cultural Foundation. He is also a member of METU Alumni Association and commentator for T24 Internet Newspaper and GAIN Internet Media.

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. Mr. Zorlu started serving as a Board Member at Zorlu Holding in 1998. In addition to his board membership at Vestel Elektronik, Olgun Zorlu also serves as a Board Member at Zorlu Holding and various other Zorlu Group companies. Mr. Zorlu is a member of the Turkish Industry and Business Association (TUSİAD) and the Turkish Home Textile Industrialists' Association (TETSIAD).



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 Factory 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 Elektronik, Selen Zorlu Melik also serves as a member of the Board of Directors at various companies affiliated to Zorlu Group.



Mehmet Emre Zorlu
Board Member

(1984 - İstanbul) After graduating from the Department of Electrical and Electronics Engineering at Koç University in 2006, Emre Zorlu completed his master's program in Innovation and Technology Management at Essex University in the UK in 2007-2008 and started working at the Vestel Group of Companies in 2009. In addition to his board membership at Vestel Elektronik, Mehmet Emre Zorlu also serves as a Board Member at Zorlu Holding and Zorlu Group companies. Since 2015, Emre Zorlu has been a member of the Board of Directors at Vestel Ventures Ar-Ge AŞ, which aims to support and fund entrepreneurship in many areas such as technology, innovation and IP investments. Mr. Zorlu is a member of the Board of Trustees of the Entrepreneurship Foundation, the Board of Directors of Endeavor Turkey and the Social Innovation Exchange (SIX) Global Council.



Elmas Melih Araz
Board Member

(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 2018-2020) and Enka İnşaat ve Sanayi AŞ (2012-2018). Mr. Araz still assumes important duties at Ata Group. In addition to Vestel Elektronik Sanayi ve Ticaret AŞ, Melih Araz is also a Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ and 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 Enternasyonal Otelcilik AŞ and Entegre Harç Sanayi ve Ticaret AŞ.



Ayşegül İlideniz
Board Member

(1969 - İzmir) Ayşegül İlideniz 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. İlideniz 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. İlideniz 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 İlideniz 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 İlideniz 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. In addition to Vestel Elektronik Sanayi ve Ticaret AŞ, Ayşegül İlideniz also serves as a Board Member of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Zorlu Enerji Elektrik Üretim AŞ and Doğan Şirketler Grubu Holding AŞ.

MESSAGE FROM THE CEO

As Vestel, we recorded a strong performance in 2021 with our agile and flexible way of doing business which we have adopted since the day we were founded.



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, recovery has not followed the same course in all economies; although the course of the global economy, which grew by 5.5% in 2021, got closer to the economic trends prevailing before the COVID-19. While developed countries will emerge from the pandemic quickly with 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 supply chains and logistics have revealed risks that can deeply affect all business processes of companies. While consumers spent more time at home together with the pandemic and quarantine processes, supporting the demand for television and household appliances, 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 consumer electronics and household appliances industries in which we operate.

Despite all the difficulties experienced, as Vestel, 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 operations 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 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 grew our sales revenues. In 2021, our consolidated turnover rose by 51% year-on-year to reach TL 32.5 billion while EBITDA increased by 52% to TL 5.5 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's 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, we developed our integrated business 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 increasing our strength in the European market, we are striving to boost our presence especially in household appliances 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% in household appliances 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 2% 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. We were awarded with the Best R&D Center Award in our sector this year at the Technology Development Zones and R&D Centers Awards presented by the Ministry of Industry and Technology of the Republic of Turkey.

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 invest in emerging business models and business areas with our past experience and strong technological infrastructure in the consumer electronics and household appliances sectors. We are increasing our effectiveness in the automotive sector, which is undergoing a great transformation, through our work on batteries and our partnership in the TOGG national automobile project. In 2021, we signed an agreement with E.ON after Iberdrola for the supply of electric vehicle charging units. In addition to this, we launched the manufacturing of the first domestic battery in Turkey for e-bikes. We offer value-added services by establishing collaborations in the telecommunications sector, and have also started working on 5G infrastructure. Finally, we support next generation startups working on healthcare electronics, innovative devices, advanced materials, smart urban planning, smart homes and smart plants through our corporate investment company Vestel Ventures.

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, 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 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 such environments. At Vestel, we support equal opportunities in the working environment and aim to increase our female employee rate to 40% by 2030. Under our Women Technician Training Project, we offer woman customer representatives the opportunity to work in after-sales technical support teams. 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'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 and Chairman of the Sustainability Committee at Zorlu Holding and is also a Board Member at Zorlu Enerji. Mr. Köksal is 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 an Executive Committee Member for Human Resources at the Vestel Group of Companies since 2005.

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 the 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 both domestic and foreign subsidiaries of Vestel.

İsmail Murat Sarpel
General Manager of Vestel Elektronik Sanayi ve Ticaret AŞ

(1968 - İzmir) İsmail Murat Sarpel graduated from the Department of Electrical and Electronics Engineering at Middle East Technical University in 1990 and completed his Master's degree in the same department in 1993. Mr. Sarpel started his career at the Vestel Group of Companies in 1990. He worked on TV design projects and served as TV Design Engineer and TV Project Manager at Vestel Elektronik during 1990-1997. Mr. Sarpel, who worked as Design Group Manager in Information Technologies between 1997 and 1998, was assigned to establish Vestel USA, which was also involved in Information Technologies, in Silicon Valley in 1998. Until 2001, he served as the R&D Director and the General Manager at Vestel USA. After returning to Turkey in 2001, Mr. Sarpel established the R&D Department at Vestel Komünikasyon, which was Turkey's first R&D department to work on digital media projects and served as the Deputy General Manager there. In 2005, he was appointed as the General Manager of Vestel Komünikasyon and served in this position for 1.5 years. Mr. Sarpel became the General Manager responsible for the Electronics R&D Department at the Vestel Group of Companies in 2007. Murat Sarpel was appointed as the General Manager of Vestel Elektronik Sanayi ve Ticaret AŞ in 2017 and became responsible for all operations including planning, logistics and procurement in addition to R&D.



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 a 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.



Seda Kaya

General Manager in Charge of International Sales at Vestel Ticaret AŞ

(1975 - İzmir) Seda Kaya graduated from the International Relations Department at Bilkent University in 1997. In the same year, she began to work as Sales Specialist at Vestel Dış Ticaret and served as Sales Specialist, Product Manager and Regional Sales Manager responsible for different regions and product groups between 2000 and 2006. Ms. Kaya served as the Deputy General Manager responsible for the international sales of consumer electronics products from 2006 to 2015. She was appointed as the General Manager in Charge International Sales at Vestel Ticaret AŞ in June 2015 and has been serving in this position since then.



Ergün Güler

General Manager in Charge of Domestic Sales and Marketing at Vestel Ticaret AŞ

(1974 - Berlin) Ergün Güler, who holds an undergraduate degree in Business Administration from Dokuz Eylül University and an MBA degree from Bilkent University, started his career at Vestel in 1999 as Finance Specialist and served as the Deputy General Manager in charge of Financial Affairs and Treasury between 2006 and 2012. Mr. Güler, who was appointed as the Corporate Risk & Treasury Coordinator at Zorlu Holding in May 2012, has been serving as the General Manager in Charge of Domestic Sales and Marketing at Vestel Ticaret AŞ since October 2012.



Ali Tarkan Tekcan

General Manager in Charge of Customer Services at Vestel Ticaret AŞ

(1970 - İzmir) A. Tarkan Tekcan, PhD, graduated from the Department of Electrical and Electronics Engineering at Dokuz Eylül University in 1991 and completed his Master's degree in the same department in 1994. Mr. Tekcan completed an Engineering Management Program at İzmir Institute of Technology in 2006 and received his PhD Degree from the Department of Electrical and Electronics Engineering at Dokuz Eylül University in 2012. He worked as Research Assistant at the Department of Electrical and Electronics Engineering at Dokuz Eylül University between 1992 and 1996, served as the Director at the İzmir branch of the Chamber of Electrical Engineers between 1996 and 1997 and as Director at Ege Calibration and Metrology Training Center during 1997-1998. Mr. Tekcan started his career at Vestel as a Test Engineer at the R&D Test Group in 1999 and served as the Deputy General Manager in Charge of R&D at Vestel Elektronik Sanayi ve Ticaret AŞ between 2006 and 2012. He was appointed as the General Manager in Charge of Customer Services at Vestel Ticaret AŞ as of October 2012.

HIGHLIGHTS FROM 2021

We became the export champion for the 23rd time.

In 2021, we achieved TL 25.9 billion of revenues in international markets and became the export champion for the 23rd time in our industry. We ranked 4th among all sectors. International sales accounted for 75% of our sales revenues. In household appliances, we increased our sales to non-European countries, including the American market, while further increasing our market share in the European market.



We licensed the South Korean brand Daewoo.

We signed a 10-year brand licensing agreement with Posco International Corporation, the owner of the brand, for the production and sale of household appliances and televisions under the Daewoo brand. While this agreement will contribute to our market share in Europe, it will also accelerate our sales to Russia and the Turkic Republics.

We have partnered with DTS, a next-generation sound, imaging and sensor company.

In order to develop TVs with Play-Fi sound technology, we signed a cooperation agreement with DTS, the world leader in the field of next-generation sound, imaging and sensors. Through this collaboration, we plan to launch the production of Vestel televisions that support Play-Fi, a wireless sound system, in the second half of 2022.

We signed an agreement with E.ON, one of Europe's leading electric utility companies, for the production of electric vehicle charging units.

We continue to expand our operations in this field with automotive electronics and electric vehicle charging units for electric and autonomous vehicles, which are important for a future with net zero emissions. After Iberdrola, we signed an agreement with E.ON, as well. In this context, we will manufacture electric vehicle charging units that will be used at many points in Germany.

We cooperate with telecom companies for telecommunication infrastructure.

On the TV side, we have strengthened our cooperation with content providers and telecom operators by producing over-the-top (OTT) boxes that provide internet-based TV broadcasting services. On the telecommunications side, we have also started working on 5G infrastructure. We produce the Home Gateway Modem (next generation modem) and IPTV Set Top Box for telecom companies.

We were selected as the Best R&D Center.

We derive our strength in production from our R&D vision, our eight R&D centers in different parts of the world, and our immense R&D team of approximately 1,600 people working in these centers. We allocate approximately 2% of our revenues to R&D activities every year. As of 2021, we are one of the top 10 companies in Turkey with the highest R&D spending. We were awarded with the Best R&D Center Award in our sector this year at the Technology Development Zones and R&D Centers Awards presented by the Ministry of Industry and Technology of the Republic of Turkey. 🏆

In 2021, we became the Turkish company with the most European patent registrations.

A total of 60 European patents, including 51 at Vestel Elektronik and 9 at Vestel Beyaz Eşya, were registered at the European Patent Office in our name, making us the Turkish company with the highest number of European Patent registrations. Our total number of registered patents in 2021 was 102, which generated a total of TL 50 million in revenues.

VESTEL2021 Integrated
Annual Report**We focus on creating environmental benefits via Vestel Ventures.**

Through Vestel Ventures, we invested in Biolive, which produces bioplastic granules from olive pit waste. We use Biolive's raw material called Bio-Pura, which is biodegradable and does not contain toxic substances, as an alternative to petroleum-derived plastic in some parts of our household appliances.

We prepared our first integrated report.

We conducted our materiality analysis based on a comprehensive stakeholder analysis and created our integrated business 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 energy annually with the 142 kWp solar panel we installed on the roof 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 Elektronik and Vestel Beyaz Eşya, we became a signatory to the United Nations Global Compact (UNGC), the world's largest corporate sustainability initiative, in 2021.

We became the 11th most valuable brand in Turkey.

Vestel achieved the highest brand value and brand ranking in the "Turkey 100 2021" most valuable Turkish brands ranking of the international financial institution Brand Finance. Vestel rose from 16th to 11th in the ranking, becoming the fastest growing brand among the top 15 brands, both within and across sectors. Vestel's brand value increased by 44% in one year, increasing to USD 709 million from USD 493 million.

We continued to support sports.

In addition to volleyball, which we continue to support at the national level, we also became the main sponsor of the Turkish Gymnastics Federation. We became the sponsor of all gymnastics disciplines for men and women. Volleyball, football, gymnastics, handball, sailing and e-sports are among the sports that we sponsor.

We received more than 150 awards. 🏆

We have achieved huge success in R&D, production, design, marketing, corporate communication, human resources and customer relations, and we have won more than 150 awards in various fields. You can find detailed information about the awards we have received in Appendix 5 (page 150).

VESTEL 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
- » 19,119 qualified employees
- » 924 contractor employees
- » 3,943 authorized service employees
- » Share of women on the board of directors: 29%

Intellectual Capital

- » An R&D team of 1,575 people
- » More than 30 years of sectoral knowledge and innovation capacity
- » TL 539 million of R&D investment
- » TL 2.5 million digitalization investment for household appliances

Manufactured Capital

- » A total of 14 plants including 9 at Vestel City with an area of 1.3 million sqm
- » 1,173 Vestel stores, 755 Regal stores and 10 VsOutlets
- » TL 1 billion investment in plants, machinery and equipment

Social and Relationship Capital

- » Collaborations with 39 sectoral associations and initiatives
- » A significant network of collaborations with over 70 industrial partners
- » Over 1.1 million individual (B2C) customers per year in Turkey and over 1,500 corporate customers (B2B) at the global level
- » A total of 4,749 suppliers; 3,555 local suppliers; 257 critical suppliers
- » 355 authorized service providers
- » Transparent and accountable investor relations
- » Strong brand identity and perception

Natural Capital

- » 534,953 tonnes of raw material input
- » 375,309 MWh of energy consumption
- » 1.47 million m³ of water use

GLOBAL TRENDS AND DEVELOPMENTS

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

» Further acceleration of 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

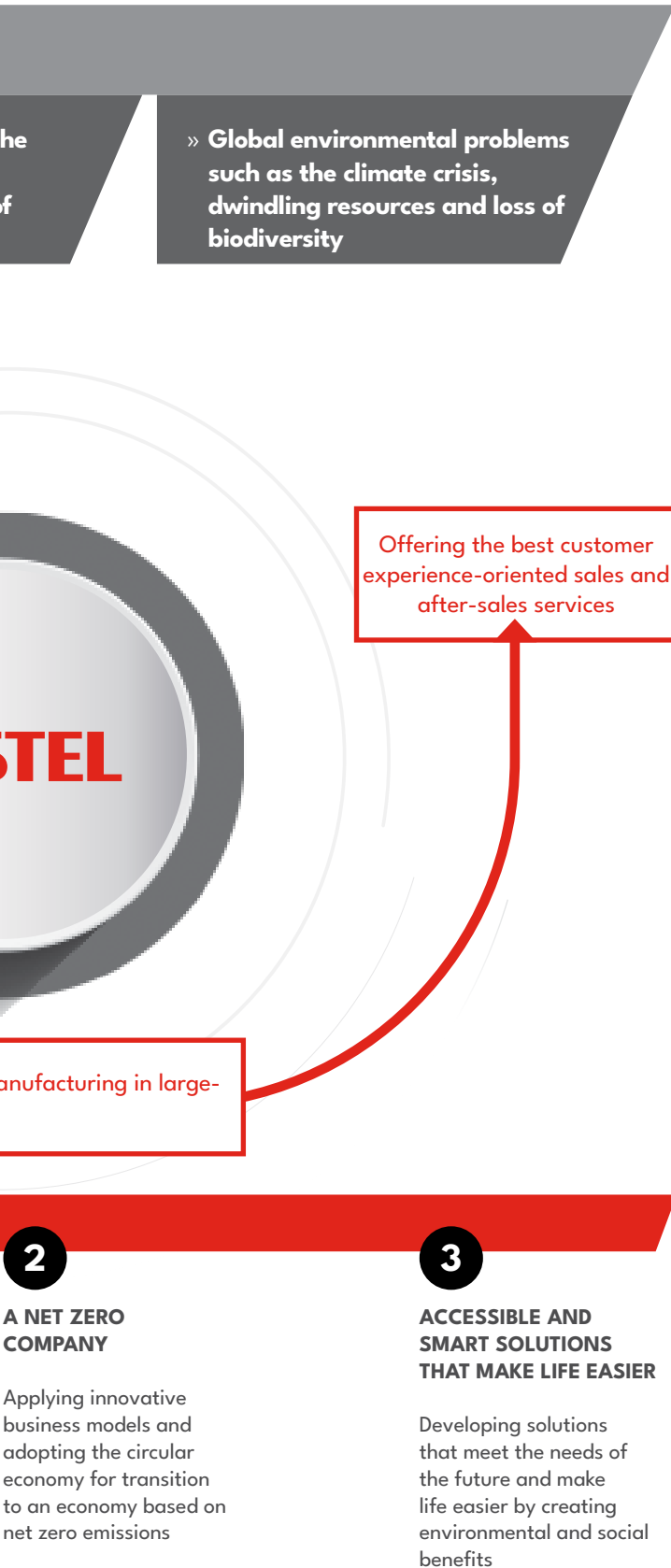
STRATEGIC APPROACH

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



OUTPUTS

Products

TV Sets
Visual Solutions
Set-Top Boxes
Mobile Products
Electric Vehicle Chargers
Automotive Electronics
LED Lighting
Battery Solutions
Electronic Cards
Refrigerators
Freezers
Dishwashers
Washing Machines
Tumble Dryers
Cooking Appliances
Air-conditioners
Water Heaters
Vaccine Storage Cabinets
Small Domestic Appliances

Services

Smart and digital solutions
Customer services
Hygiene solutions

Waste and Emissions

142,228 tonnes of scope 1&2 carbon emissions
66,531 tonnes of waste

OUTCOMES

Financial Capital

- » A market value of TL 8.4 billion as of December 31, 2021
- » A net profit of TL 2.2 billion
- » A turnover of TL 32.5 billion with an increase of 51% year-on-year
- » An EBITDA of TL 5.5 billion with an increase of 52% year-on-year
- » Savings of TL 205 million through innovation efforts regarding processes
- » International sales of TL 25.9 billion
- » A gross dividend payment of TL 2,361 million
- » A net financial debt-to-EBITDA ratio of 1.8x

Human Capital

- » Share of female employees at 34%
- » A high-performing employee turnover rate of 2%
- » A lost-time injury frequency rate of 52.21
- » A 4% increase in employment of people with disabilities
- » 17 hours of training per employee per year
- » An 8% increase in employee satisfaction and a 9% increase in employee engagement scores

Intellectual Capital

- » 8 awards in R&D, digitalization and technology
- » 205 patent applications
- » 102 registered patents
- » TL 50 million of revenues from patents
- » 258 actively engaged R&D projects

Social and Relationship Capital

- » A domestic customer satisfaction score of 88, a 4% increase year-on-year
- » A domestic customer loyalty score of 90, a 5% increase year-on-year
- » A Net Promoter Score of 82.5 for domestic after-sales services, a 3% increase year-on-year
- » Vestel is Turkey's 11th most valuable brand with a 44% increase in brand value
- » A philanthropic contribution of TL 17.4 million
- » 1,017 hours of volunteer work
- » Collaboration with 20 universities regarding open innovation
- » 6,168 hours of training offered to suppliers

Natural Capital

- » A 6% reduction in greenhouse gas intensity compared to 2019
- » A reduction of 3,811 tonnes of carbon emissions by saving 6,600 MWh of energy
- » A 4% reduction in the amount of energy consumed per unit product compared to 2019
- » 76 MWh of renewable energy use
- » An 18% reduction in the amount of water consumed per unit product compared to 2019
- » Waste recycling rate of 93%
- » 72,500 products refurbished as part of the circular economy
- » A reduction of 5,337.5 tonnes in virgin plastics use
- » Prevention of 336,441 trees from being cut down by using 19,791 tonnes of recycled cardboard

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 through the power of technology</p> <ul style="list-style-type: none"> • Spreading the 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
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 across 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)	<div>5 GENDER EQUALITY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div>	<div>6 CLEAN WATER AND SANITATION</div> <div>7 AFFORDABLE AND CLEAN ENERGY</div>	<div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div>
	<div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>10 REDUCED INEQUALITIES</div>	<div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>13 CLIMATE ACTION</div>	<div>17 PARTNERSHIPS FOR THE GOALS</div>

*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 will 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 private sectors. 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

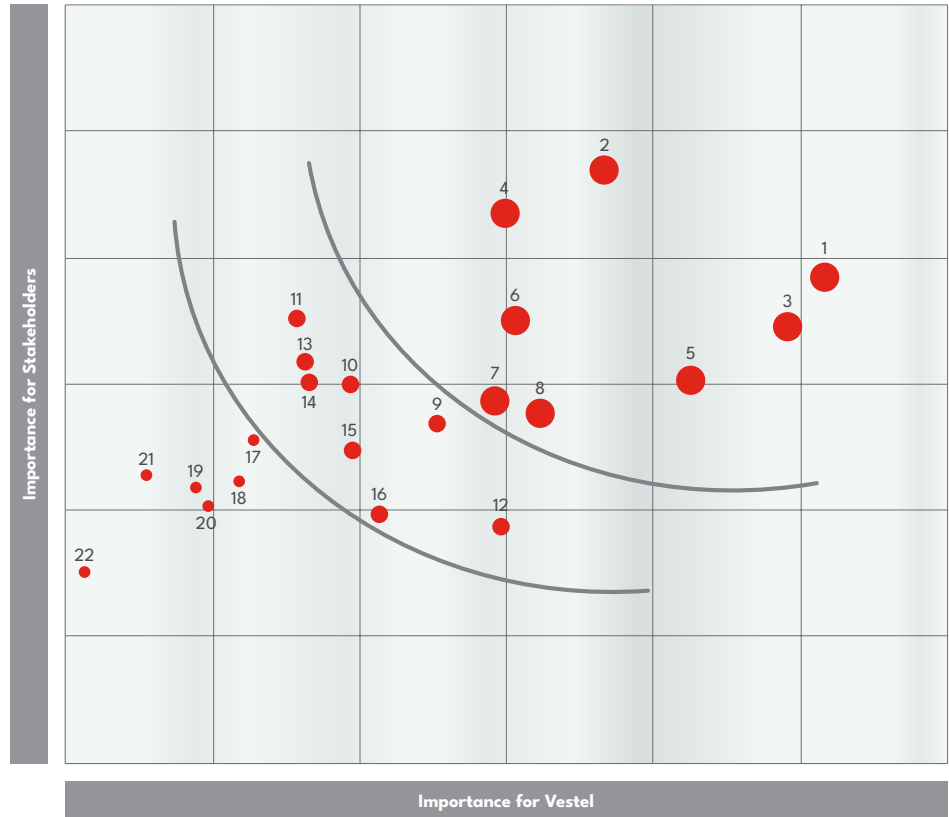
MATERIALITY ANALYSIS

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 roadmaps and they aim to accelerate their activities in 2022. In addition, the Company contributes to Zorlu Holding's sustainability efforts along with all Zorlu 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. Vestel Elektronik and Vestel Beyaz Eşya have been listed in the Borsa İstanbul Sustainability Index since 2015 and 2016, respectively. As Vestel Elektronik, we have started responding to the S&P Global Corporate Sustainability Assessment (CSA) as of 2021 while Vestel Elektronik, Vestel Beyaz Eşya and Vestel Komünikasyon respond to the EcoVadis sustainability assessment.

WORKING GROUPS AND THEIR FIELDS OF ACTIVITY

ENVIRONMENT <ul style="list-style-type: none"> Climate Crisis and Zero Carbon Economy Circular Economy and Waste Products Creating Environmental Benefits Water and Wastewater Biodiversity 	SOCIAL <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 	GOVERNANCE <ul style="list-style-type: none"> Corporate Governance Integrated Risk Management Ethics, Compliance and Transparency Stakeholder Engagement and Collaborations
TECHNOLOGY <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 	SUPPLY CHAIN <ul style="list-style-type: none"> Responsible Supply Chain Responsible Raw Material Management and Conflict Affected and High-Risk Area Minerals 	CUSTOMER EXPERIENCE <ul style="list-style-type: none"> Customer Satisfaction and Communication Customer Experience



ETHICAL PRINCIPLES



At Vestel, 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.

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

At Vestel, 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.

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**. 

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) or 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, three notifications for cases regarding the Ethical Principles were received by Vestel and all the three cases were investigated and resolved. As a result of these cases containing allegations of corruption, a decision was made to not continue working with two personnel. There were no legal cases on environmental issues in 2021. There were nine finalized legal cases on social issues; and two corruption legal cases which were filed by Vestel on governance issues under Vestel Elektronik Sanayi ve Ticaret AŞ.

As a Zorlu Group company, we offer Ethical Principles e-training through Zorlu Academy's 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, 875 employees received one-hour of Ethical Principles training.

GLOBAL TRENDS, RISKS AND OPPORTUNITIES

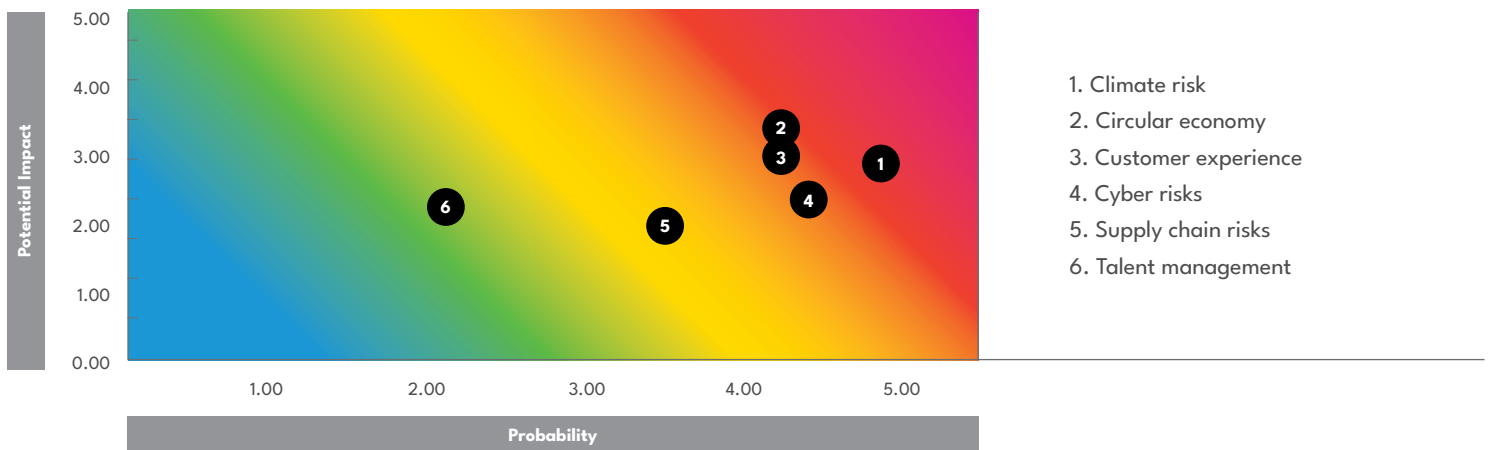
While engaging in our business, we are affected by various global trends and risks. We follow different external factors such as changing dynamics with the pandemic, environmental problems and evolving demands of customers, and strive to seize opportunities by responding to these risks and trends. At Vestel, 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 (page 117) section.

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
Transition Risks <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	Medium
Physical Risks <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	
Transition Risks <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	Long
Physical Risks <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	
Opportunities <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	
Risk Mitigation Strategies <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• “Emeraency 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 due to the higher cost of recycled plastic raw materials Insufficient use of recycled plastics in products due to the inability to find non-flammable recycled plastics in the local market and the quotas applied in imports 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. According to a survey by Ellen MacArthur Foundation, these costs can be reduced 🌐 by 50% for phones 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 the opportunity 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 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'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 experiences with the establishment of the Data Science Department Investments in data analysis and the renewed Evin Akli (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 94).

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	
<ul style="list-style-type: none"> • Improving reputation with strong cybersecurity • Opening new business areas by developing products against cyber risks 	
Risk Mitigation Strategies	
<ul style="list-style-type: none"> • 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)	
<ul style="list-style-type: none"> • 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)	
<ul style="list-style-type: none"> • 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 (Page 65) section.

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 and failure to place sufficient number of products on the market due to disruptions in the supply chain • Quality of Vestel 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'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'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'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 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'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 (Page 71) section.



EVALUATION OF PRODUCT GROUPS 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 continued with strong growth thanks to our wide and diversified supplier network and our agile and proactive management.



Household Appliances and Television Sales

Despite the problems experienced in the global supply chain and logistics and the impacts such as the semiconductor crisis in 2021, we have continued with strong growth thanks to our wide and diversified supplier network and our agile and proactive management and we have achieved a well-above the industry growth in our household appliances sales in the European market thanks to strong growth with both A brand customers and distributors/retail chains. Under our strategy to diversify our markets abroad 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 acquisitions 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 vaccination. This trend is expected to continue in 2022.

In 2021, the Turkish MDA market (based on wholesale shipments), which consists of six main products, grew by 9%. Retail MDA sales, on the other hand, decreased by 3% due to the strong base in 2020. Parallel to developments in the European market, the demand in the Turkish household appliances 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.

After a strong performance in 2020, the Turkish TV market shrank by 17% and the European TV market (for EU25) by 13% in 2021. The problems experienced in the supply of TV panels and components throughout the year, increasing vaccination rates and the reopening of economies, consumers spending more time outside, the reflection of the increasing panel prices to product prices, and the strong demand pull-in in 2020 adversely affected TV sales in 2021. Of the five major European countries, which account for the majority of our TV exports, Italy was the only market to show positive growth fueled by the rebates offered for new television purchases ahead of the planned DVB-T2 switch-off. Vestel was also affected by these developments in the Turkish and European TV markets.

Gaining 85 new customers from 59 countries in 2021, we continued to be one of the top five manufacturers of the household appliances market and the top three of the TV market in Europe.

In 2021, products with hygiene features attracted more demand due to high-end technology products and 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 expanded the Smart Home Concept to our entire household appliances product family and launched our wireless-connected household appliances product range. Additionally, we added various products to our IoT product family, such as smart sleep lights, smart watches, and smart sleeping pads. We aim to further concentrate on these categories, which 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 persist in 2022. We anticipate that 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 the household appliances segment 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 to engage in production and sales activities in a total of 49 countries including EU countries and Turkey for 10 years in 2021**
- 4- Reinforcing our collaboration with kitchen manufacturers to increase our presence in the built-in product channel**

EVALUATION OF PRODUCT GROUPS FOR 2021

Through our focus on North America, Africa and Asia regions, 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 receive 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 household appliances in order to achieve the growth targeted in our existing and potential markets. Through our new investments, we aim to increase our total production capacity in household appliances to 19 million units per year in a couple of years.

In our television product group, we aim to create a product range in which all technologies are accessible. In addition to the Smart and Android product families, we also launched the OLED and QLED TV series. We continue to grow with our licensed brands in TVs, which will be our focus in the years to come. We also aim to increase our market share in Europe by increasing our sales in the ODM segment.

Visual Solutions Market

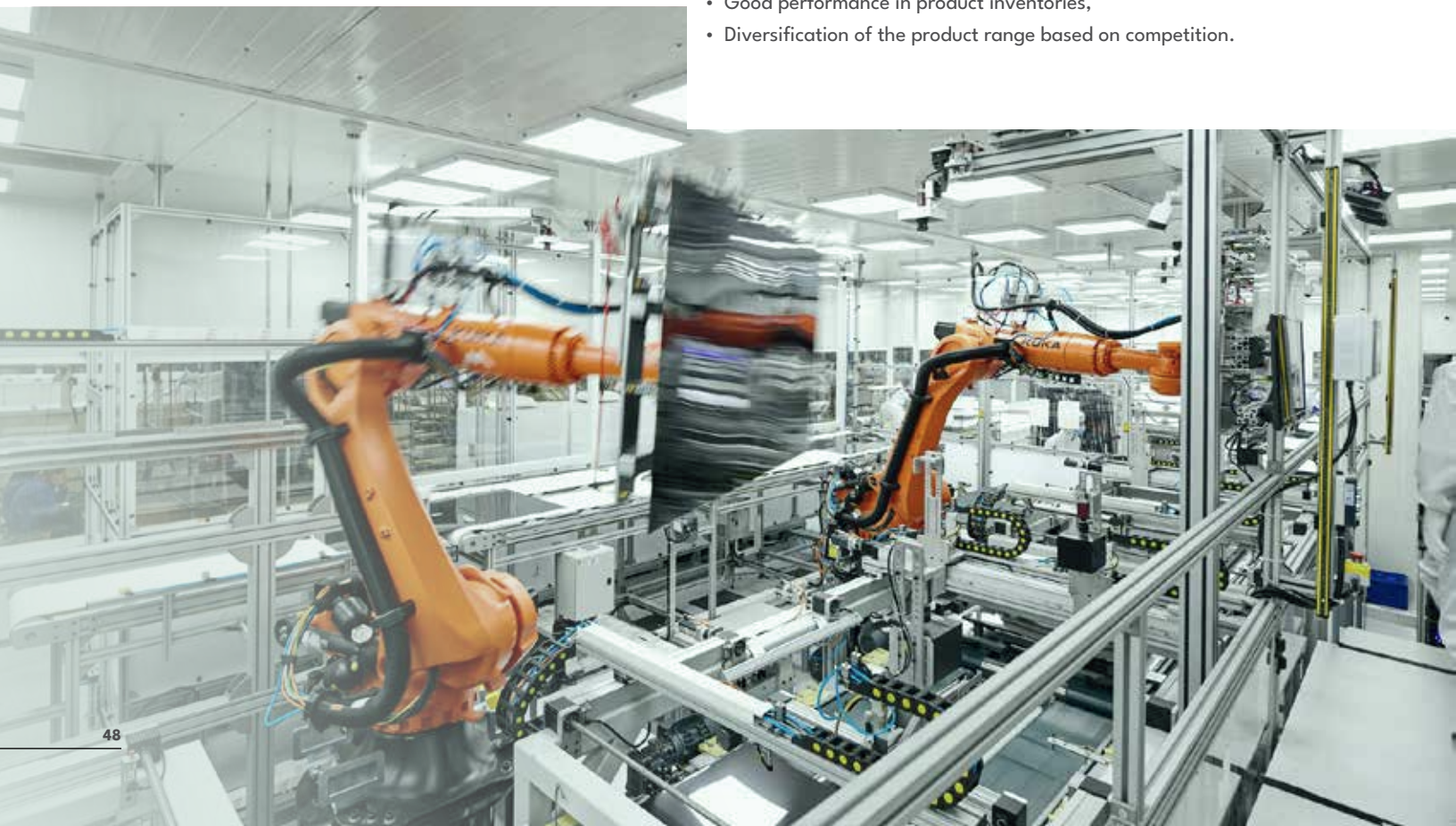
The visual solutions market has been significantly affected by the pandemic conditions. The restrictions imposed due to the pandemic led to a reduction in investments in businesses such as restaurants, shops, cinemas and hotels and a decrease in sales to these sectors.

On the other hand, the demand for control screens integrated with thermal imaging cameras, information screens managed without human touch, and screens where distance education technologies and teleconferencing applications are integrated has increased.

The increasing trend in the need for large screens continued to prevail in 2021, as well. While these needs were previously met with the VideoWall product, they have started to be met with LED Wall products in recent years. The reason for this transition from VideoWall to LED Wall is primarily the drastic reduction in LED Wall costs. Constraints in the supply chain of the VideoWall panel and the ease of on-site installation of the LED Wall are also important factors supporting this trend.

Despite the shrinkage in the market due to the pandemic, Vestel achieved a record turnover in sales of digital display products in 2021. This growth is expected to continue incrementally in 2022 and 2023. The following factors played an important role in this successful performance:

- Being active in the Indian market,
- Collaborations initiated with new brands,
- Good performance in product inventories,
- Diversification of the product range based on competition.



Automotive Market

In 2020, the automotive market shrank significantly due to the pandemic. While a recovery was expected in the market in 2021, significant production losses were experienced in the automotive sector due to the global semiconductor crisis, as well as the effects of the ongoing pandemic. It is estimated that around 9.3 million vehicles were lost in production globally due to the semiconductor supply problems of automotive manufacturers. It is predicted that the market will start to recover by 2022 and global automotive sales will increase by 9% to reach 82 million units.

Electric vehicles, connectivity and autonomous driving solutions are among the most important trends shaping the entire industry. At this point, collaborations are being established between battery manufacturers and automotive manufacturers, and various partnerships are being developed between technology companies and large key industries in terms of connectivity.

We closely follow both electronic and digital transformation in the automotive world. Despite the production losses in Turkey and the global market due to the semiconductor crisis, we continued to make investments in this emerging market in 2021. We were entitled to receive an IATF 16949 Certificate, which is the most important certificate required to be an automotive supplier. We developed the first domestic domain control unit and the first domestic connectivity device. While increasing our effectiveness in the domestic market, we also took an important step for global markets thanks to our geographical proximity to automotive OEMs in Europe.

We aim to start working with two European automotive manufacturers that we have identified under our strategic plans for 2022. We are now holding cooperation negotiations with various automotive companies.

Electric Vehicle Charging Solutions

In addition to the cooperation we launched with the Spanish energy company Iberdrola in 2020, we reached an agreement with Germany-based E.ON, one of the most important electric utility companies in Europe, for the production of electric vehicle chargers in 2021.

We continued to gain new customers from various parts of the world, and we continue to negotiate with many potential customers. Accordingly, we aim to grow electric vehicle charger sales by more than 100% in 2022. We believe that our product, which has a critical role in helping countries achieve their net zero targets, will boost its strategic importance.

Battery Solutions

Prevailing pandemic conditions have positively affected the electric bicycle industry. Used as a short-distance means of transport prior to 2020, bicycles are now preferred as a short and medium-distance means of transport with the development of electric bicycle technology, and in the wake of the pandemic, the sales of electric bicycles increased well above expectations and the sales targets previously set for 2024-2025 were already achieved in 2020. One out of every five bicycles sold in Europe in 2020 was an electric bicycle, with 4.5 million e-bikes being sold overall.

As Vestel Battery Solutions, we engage in project-based and long-term business development efforts regarding e-bike batteries, which is among our new business areas. We are developing long-term and sustainable business models for projects during the design phase of the future models of major bicycle manufacturers.

Reliable and Customized Design

The most important requirement of e-bike batteries falling under the dangerous product category is safety. Designed and developed in accordance with the ever-changing and developing battery technology and automotive industry requirements and in accordance with EN50604 standard, our products are “future proof”.

In addition to safety, customized design needs must also be met in the industry. Big players of the industry prefer battery products that are suitable for the design of their own bicycle models and look aesthetically pleasing, and “design-in” projects that incorporate their own engineering teams. Customized and project-based product and business development processes and competencies of the Vestel Battery Solutions team also accelerate the project activities performed with global players.

Projects with Leading Bicycle Manufacturers

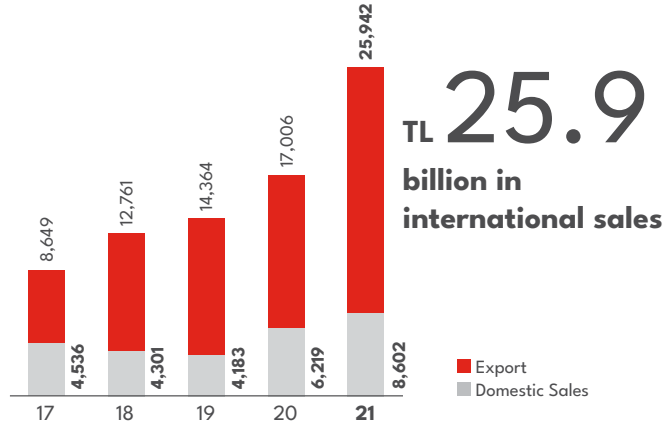
Our first project was accepted by one of the biggest players in the industry under the strategy of “developing design-in business with major well-known bicycle manufacturers”. As part of a large ecosystem, we aim to increase the number of new projects in the upcoming years in the light of this achievement.

Vestel's Advantages

We have identified Europe as our target market for e-bike batteries due to the European Union's anti-dumping duty practice for electric bicycles, Turkey's exemption from the customs duty and logistics cost advantage.

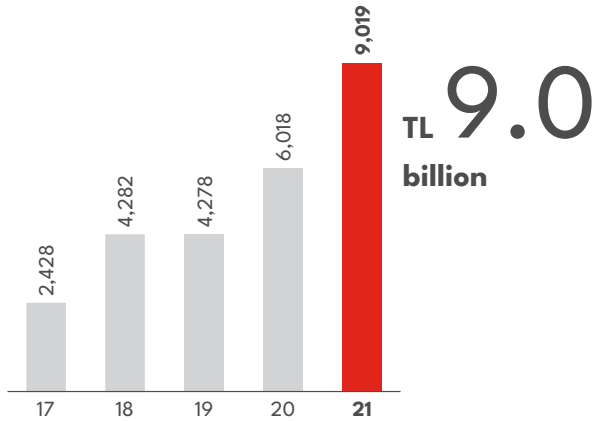
FINANCIAL PERFORMANCE

Gross Sales Revenues (TL million)

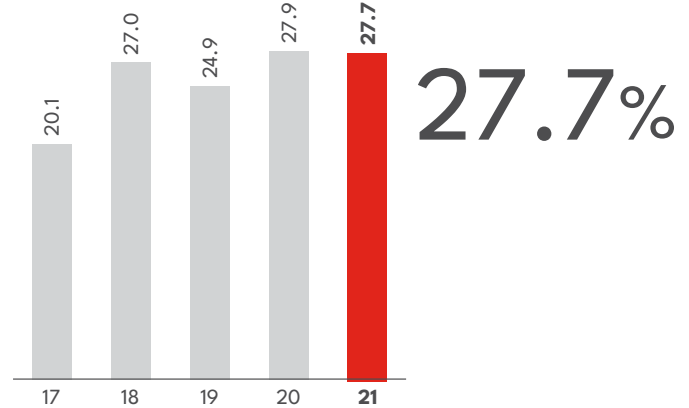


- Gross sales reached TL 34.5 billion in 2021 of which TL 25.9 billion (75%) consisted of international sales. Of the total sales, 65% was made to European countries 11% to other countries while 25% was realized in the domestic market. Net sales (TL 32.5 billion) grew by 51% in TL terms year-on-year, while unit sales increased by 10%.
- Despite increases in raw material and material prices and logistics costs in 2021, gross profit margin contracted by a minor 20 basis points year-on-year while EBITDA increased by 52% compared to 2020 and reached TL 5.5 billion thanks to the strong growth in revenues.
- In the last 5 years, EBITDA grew by a CAGR of 59%.

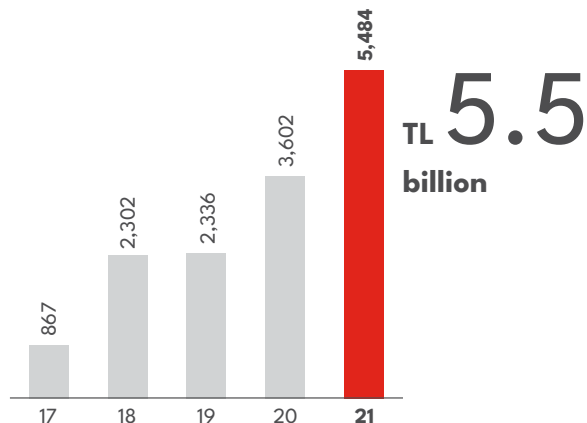
Gross Profit (TL million)



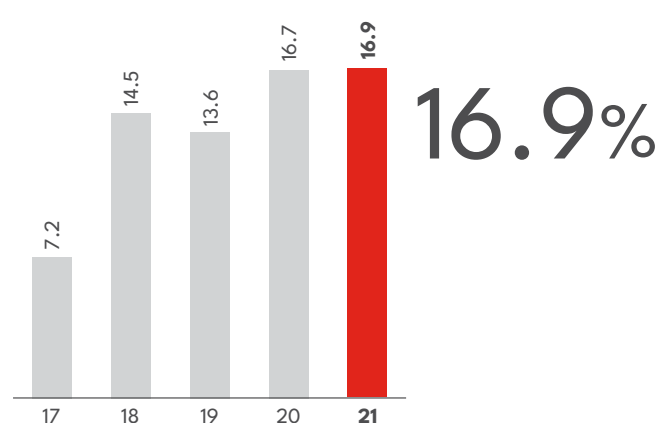
Gross Profit Margin (%)



EBITDA (TL million)*

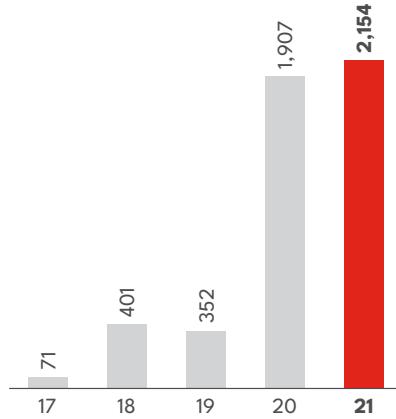


EBITDA Margin* (%)



*Excluding other operating income and expense

Net Profit* (TL million)

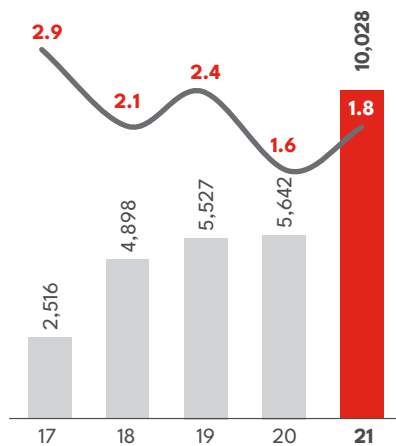


*After minority shares

TL 2.2 billion

Net profit stood at TL 2.2 billion in 2021.

Net Debt (TL million) and Debt/ EBITDA* (%)

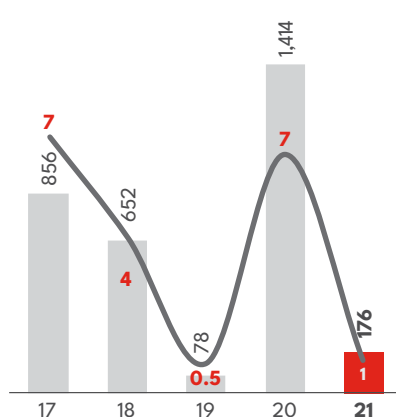


*Excluding other operating income and expense

1.8x

Net Debt/EBITDA ratio stood at 1.8x in 2021.

Net Working Capital (TL million) and Net Working Capital/Sales (%)



1%

Vestel has managed to keep its net working capital/sales ratio at single-digit levels over the years. By the end of 2021, this rate was around 1%.

Key Points

1. Strong Financial Structure

Thanks to its strong free cash flow and profitability, the net leverage ratio was reduced from approximately 2.9x to 1.8x between 2017-2021.

2. Export-Driven Growth

International sales account for 75-80% of total sales revenues. While the majority of sales are directed to Western Europe, Vestel continues to grow in the Middle Eastern, African, Asian and American markets, especially in household appliances.

3. Hedging

High share of FX denominated revenues and an active hedging strategy encompassing balance sheet, cash flow and strategic hedging protect the Company against fluctuations in foreign exchange rates.

4. Sustainable Investment for Capacity Increase in Household Appliances

New investments in household appliances aimed at manufacturing products that have above the European average energy classes.

5. Solar Panel Installation on Plant Rooftops

As part of new investment projects, solar panels with a total installed power of 31,500 kWp are planned to be installed on the rooftops of Vestel Beyaz Eşya's production plants in order to generate electricity from renewable energy sources and reduce 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.

Working Capital and Cash Management

Management of working capital is extremely important in order to expand business volume, manage risks effectively and continue to engage in operations in a profitable and efficient manner. Vestel strives to ensure the continuity of operations in capital management on one hand and boost profitability by leveraging the balance between liabilities and equity in the most efficient way on the other.

Vestel 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 the realization of deferred demand following the first half of 2020, when the initial effects of the pandemic were felt most strongly, there was a surge in demand in international markets. Strong demand continued to prevail during the first half of 2021, and this coupled with supply problems in the supply chain triggered significant increases in raw material prices in 2021.

FINANCIAL PERFORMANCE

Vestel has managed to keep its net working capital-to-net sales ratio at single-digit levels over the years. By the end of 2021, this ratio was around 1%.

Uncertainty in the economies as well as increases in raw material and freight costs caused an upward pressure on inventory levels while the double-digit increase in the production of household appliances increased the working capital requirement of the Company. Owing to its robust financial management, Vestel 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 implements supplier financing programs that provide companies with flexible financial methods and immediate cash flow through various banks.

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 has managed to keep its net working capital-to-net sales ratio at single-digit levels over the years. By the end of 2021, this ratio was around 1%.

The new financing agreements planned to be concluded in 2022 aim to reduce the costs of working capital financing.

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 market 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 provides 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 of the end of 2021, the total amount of the Company's issued bonds was TL 880.4 million. Financing negotiations are ongoing with foreign financial institutions to raise financing for the planned EUR 160 million capacity expansion investment in household appliances.
- In addition, efforts are being made to extend the Company's short-term loans to long term.

Vestel Elektronik Shares

Dividend Distribution

Vestel Elektronik has adopted the Dividend Distribution Policy of distributing at least 25% of its distributable profit in cash and/or as bonus shares.

In 2021, the Company decided to distribute its extraordinary reserves and special funds in addition to the net distributable profit for the year 2020, and paid out a gross cash dividend of TL 7.04 per share with gross dividend yield of 24%. The dividend was paid in three equal installments.

Vestel Elektronik Shares

The shares of Vestel Elektronik Sanayi ve Ticaret AŞ have been trading on the Borsa İstanbul ("BIST") under the VESTL ticker since 1990. Vestel Global Depository Certificates, which have been traded on the London Stock Exchange since 2000, started to be traded on

the London Over the Counter Market (OTC market) from January 3, 2011. The shares of Vestel Elektronik's subsidiary, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ("Vestel Beyaz Eşya") have also been trading on the BIST under the VESBE ticker since 2006.

As of the end of 2021, Vestel Elektronik, which is traded on the Stars Market, was included in the BIST 30, BIST 50, BIST 100, BIST All, BIST Star, BIST Corporate Governance, BIST Metal Goods, Machinery, BIST Industry and BIST Sustainability indices.

Vestel Elektronik has been listed in the Borsa İstanbul (BIST) Sustainability Index since 2015, which consists of the shares of companies traded on Borsa İstanbul with a high corporate sustainability performance. The market capitalization of the Company was TL 8,400 million as of December 31, 2021.

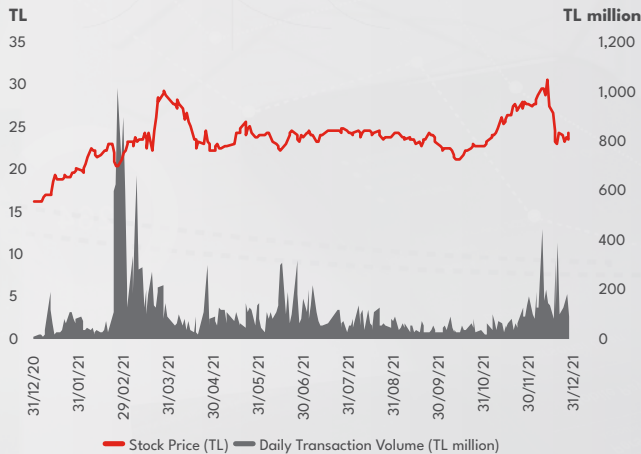
In line with the Company's strong operational and financial performance, Vestel Elektronik shares rose by 51% in 2021, despite the prevailing effects of the pandemic, outperforming the BIST-100 index by 20%. The BIST-100 index rose by 26% in the same period.

Summary Price Information for 2021

Number of Shares	33,545,627,500
Number of Publicly Traded Shares*	12,175,975,726
Yearly High (TL)	31.40
Yearly Low (TL)	16.44
Year-End Closing Price (TL)	25.04
Market Capitalization (TL Million)	8,400

*As of December 31, 2021

Vestel Elektronik – Stock Performance



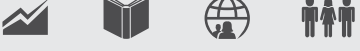
Vestel Elektronik – Relative Performance



Our Tax Principles

Vestel pays the utmost attention to complying with local and/or international tax and other financial regulations in force in its different regions of operation. In this context, the Vestel Group of Companies adheres to the arm's length principle in setting the price to be applied in the procurement and sales of goods and services between related parties within the Vestel Group of Companies, submits this commitment to the information of tax authorities in its countries of operation through various reports and does not evaluate places considered as "tax havens" in its commercial and investment decisions. A very important part of the income generated by the Company consists of active income, and practices contrary to economic, commercial and technical requirements in terms of taxation are avoided in the execution of activities.

TECHNOLOGY AND HUMAN-ORIENTED TRANSFORMATION



Savings

2021

TL **205** million

As a result of process innovation studies, we achieved a savings of TL 205 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, talent gap and evolving consumer behaviors. As Vestel, 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 transformation culture, we increase our global market share and strengthen our competitiveness.

PRODUCTION AND INNOVATION POWER

In 2021, the ratio of the Company's R&D spending to sales revenues stood at 1.7%.

Production and Innovation Power

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 today's technologies such as artificial intelligence (AI), the internet of things (IoT) and autonomous systems to our production facilities.

We have been carrying out R&D studies for over 30 years. We provide our R&D team of approximately 1,600 people with the training they need to adapt to the requirements of the era and develop their competences. In 2021, the ratio of R&D spending made by the Company to sales revenues stood at 1.7%. As a result of the process innovation activities, a total cost reduction of TL 205 million was achieved in 2021, amounting to 1% of COGS. In terms of product innovations, more than 50% of TV revenues comes from newly commercialized products and significantly improved products.

INDUSTRY 4.0

Production methods are changing daily due to emerging technologies. Industry 4.0 transformation is among the most important to gain competitiveness and advantage in local and global markets as well as ensuring profitability and continuity in the sector. Thanks to R&D studies and investments and the intellectual capital on which they are based, we have implemented Industry 4.0 practices within Vestel and aim to contribute to the transformation of the consumer electronics and household appliances sectors in Turkey.

We strive to lead our sector in Industry 4.0 and digitalization practices. Through the digital transformation teams we have formed in this direction, we are working on artificial intelligence software for horizontal-vertical value chain integration, Internet of Things (IoT) technologies, smart automation, Automated Guided Vehicles (AGV) and Autonomous Mobile Robots (AMR). We also focus on Total Productive Maintenance (TPM) studies to achieve operational excellence in production.



PRODUCTION AND INNOVATION POWER

We strive to lead our sector in Industry 4.0 and digitalization practices.

At the Excellence Awards presented by the Japan Institute of Plant Maintenance (JIPM) every year to companies implementing Total Productive Maintenance (TPM) studies in the best way across the world, we, as Vestel Elektronik, were deemed worthy of the “Award for TPM Excellence” in 2012 and the “Award for Excellence in Consistent TPM Commitment” in 2014 thanks to the activities launched in 2010. In addition to these, in 2016 we became the first TV manufacturer to be awarded the “Special Award for TPM Achievement” in television production by successfully undergoing assessments for the Special Award for TPM category. Uninterruptedly continuing to work under this title, we were also entitled to receive the “Advanced Special Award for TPM Achievement” in 2018. As a result of this process, Vestel Elektronik received the TPM WCM (World Class Manufacturing) Award, the top prize under the TPM Program, in 2020. We are

the first and only company in the world to receive this prestigious award in the consumer electronics sector through our activities simultaneously performed at our 6 separate plants. In addition, we have become one of the only 13 brands worldwide to receive this distinction in the 55-year history of this organization. On the other hand, Vestel Beyaz Eşya became the first and only company to receive the Special Award for TPM simultaneously with its seven different product families (refrigerators, washing machines, tumble dryers, dishwashers, cooking appliances, air-conditioners, water heaters) at seven different plants in 2019. Vestel Beyaz Eşya had won the Award for TPM Excellence in 2014 and the Award for Excellence in Consistent TPM Commitment in 2017. 🏆

	2019	2020	2021
Number of full-time employees in R&D departments	1,427	1,559	1,575
Total R&D spending (TL thousand)	311,731	382,398	538,898
R&D spending as % of sales revenue	1.8%	1.8%	1.7%



INDUSTRY 4.0 ACTIVITIES IN ELECTRONICS PLANTS



Vestel Electronics Production System (VEPS)

At Vestel Elektronik, we aim for excellence in operational processes through lean production principles. We continue working without slowing down with the aim of producing top quality products in the safest and most efficient plants from a continuous improvement perspective. We pioneer Industry 4.0 and digital transformation practices and introduce innovative practices so as to be the first company to complete this transformation. The digital transformation teams formed by expert engineers within the company strive to implement digital transformation in all processes from our suppliers to our customers. As a Company that plays a leading role in these processes, we have implemented the Sustainable Production System, which we call VEPS, by integrating digital transformation and lean production structures into the goal of operational excellence. We created future roadmaps for each plant by creating the “VEPS maturity level” metric and identifying the current status of all our plants. Under VEPS, we have implemented many projects to bring production operations to perfection.

Our VEPS vision is to be the most competitive smart production base with a common sense and transparent management mentality in our sector by manufacturing products of quality as demanded by the global markets in a safe working environment that we have created in the light of human-oriented and sustainability principles with the help of our competent employees and innovative production technologies.

Manufacturing Execution System (MES)

MES is a production management system that enables instant monitoring of the entire production process in the digital environment, starting from the production planning stage. Vestel is the first company in Turkey to commission the ME (Manufacturing Execution) module integration under SAP's MES structure. Thanks to the Manufacturing Execution module covering a total of 91 machines in our two plants under Vestel Elektronik, we significantly improved decision-making processes.

In addition to production monitoring, we developed the Model Change Parameter Management System, through which Big Data and Analytics methods are used, and started recording the parameters and variables at every stage of production in the database. We increase efficiency every day by developing an accurate, fast, error-free, loss-free and lean production system that reduces human intervention through optimization, automatic installation and error estimation with MES.

Manufacturing Operations Management (MOM)

MOM is a production management system that offers real-time monitoring and tracking of production data by connecting machines in plants to each other with its Machine to Machine Connectivity (M2M) feature. As Vestel Elektronik, we launched the smart plant transformation with MOM system integration, enabling data to be obtained from a total of 510 machines in our five plants.

MOM allows for collecting a large amount of data with the aim of performing performance analysis, quality, material and order tracking on production lines. We have taken an important step in our digitalization journey with the analysis of the collected data and the web-based instant tracking and reporting. In addition, we started preventing material losses to a large extent by integrating production planning and material consumption data into the MOM system. In addition to a systematic production management system that reduces costs and increases product quality and efficiency, we have also added machine learning and artificial intelligence algorithms to the MOM system to develop estimation and recommendation practices.

Traceability Systems

At Vestel Elektronik, we use Traceability Systems in order to monitor all details of the process from design to production of our products and to maximize the satisfaction of our customers. Under the traceability system, a separate code is created for each part produced, and these codes are used during assembly to ensure that the right parts are used correctly and at the right time.

In addition to increasing product quality thanks to the traceability system, we significantly reduced production-related errors, repetitive work and the number of scraps, thereby reducing costs and waste.



PRODUCTION AND INNOVATION POWER

Game Plan Project

At Vestel Elektronik, we serve 900 customers with a product range that can reach up to 850 different models of televisions per month, and with a high capacity. We developed the Game Plan Project in order to manage the complexity caused by this diversity in the television product family in the most efficient way.

Developed by Vestel and running over a mathematical model, this program ensures that the tasks that must be fulfilled in the television production process are assigned to employees in a balanced and efficient manner. Within this dynamic work structure, our employees can follow the tasks assigned to them with the Game Plan on the screens in front of them together with respective visuals. Thus, we increase our flexible production capacity in TV product groups by facilitating the integration of lean production and digitalization practices into production lines.

Smart Maintenance

Smart maintenance encompasses practices that enable maintenance activities to be carried out correctly and adequately without interrupting the production line. As part of these practices, we evaluate large quantities of data obtained from the machinery used in our manufacturing processes, including operating values, production details, maintenance information and operating conditions of machinery, through machine learning and data analytics methods.

Through Vestel Smart Maintenance practices, we reduce the costs of maintenance operations, digitalize planned maintenance processes, and carry out predictive maintenance practices with the help of artificial intelligence, ensuring that our machinery operates at high efficiency in all our plants.

VEPS Academy

VEPS Academy is a training program in which our blue-collar employees are primarily involved, with the aim of increasing efficiency in production lines and minimizing losses. We support the development of our employees, who directly contribute to our digital transformation vision in the production areas, by organizing planned trainings in three main categories: basic, professional and personal training.

VEPS HSE (Health - Safety - Environment)

We implement VEPS HSE (Health - Safety - Environment) practices in order to maximize employee health and safety and to minimize environmental impacts regarding production activities in our plants. Via these practices, through which we aim to go beyond legal obligations, we raise awareness of our employees by organizing trainings and conferences in order to achieve zero occupational diseases, zero accidents and zero environmental pollution conditions. We also encourage our employees to be aware of the risks in production areas and provide feedback.



At Vestel Elektronik, we achieved a robot density value that is well above the global average of 126, with 808 robots per 10,000 production employees.

Technology and Automation Transformation

Digital transformation relies upon the principle of incorporating every single process in the value chain into automation systems. Transformation of all these systems into an integrated structure based on intelligent and self-managed machine-to-machine interactions through real-time communication is defined as the smart plant. Vestel Elektronik's Industry 4.0 practices continue to evolve with the physical presence of smart plants and robots in addition to digital components.

We are working under the Automation Group to introduce projects and practices related to automation systems within Vestel Elektronik. We aim to develop automation system designs, software and projects as well as digital transformation and advanced automation, quality and human-oriented production technologies at Vestel plants. As of 2021, the Automation Group team consists of 12 engineers specialized in system design and software and 25 technicians specialized in manufacturing, installation and service. 2D/3D design, 3D simulation/ analytics, online/offline robot and PLC programming and online service support are the fields of activity of the Automation Group. With the help of the automation systems we have launched, we are reducing our costs and stocks by developing error-free, high-quality and efficient production methods with sensitive and challenging tolerance values, and creating ergonomic working environments for our employees.

As part of the work of the Automation Group, we installed 83 automation systems in total including 45 articulated robots able to move on 6 axes, 24 machines, 9 Cartesian systems and 5 camera automation systems in 2021.



INDUSTRY 4.0 ACTIVITIES IN HOUSEHOLD APPLIANCES PLANTS



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.

At Vestel Beyaz Eşya, 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 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.

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 ion 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.

PRODUCTION AND INNOVATION POWER

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



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 built and brought into operation in 2018 using 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.

R&D STUDIES

At Vestel, we continue to be inspired by our over 30 years of experience in the consumer electronics industry, with the aim of spreading technology and human-oriented transformation throughout the company. In order to develop our production and R&D strategy under the guidance of global trends, we combine innovative perspectives in different sub-sectors and fields with our existing experience.

Best R&D Center

We derive our strength in production from our R&D vision, our eight R&D centers in different parts of the world, and our R&D team of approximately 1,600 people working in these centers. We allocate approximately 2% of our revenues to R&D activities every year. As of 2021, we are one of the 10 companies in Turkey with the highest R&D spending. We were awarded with the Best R&D Center Award in our sector this year at the Technology Development Zones and R&D Centers Awards presented by the Ministry of Industry and Technology of the Republic of Turkey.



Innovative Technologies Group

In order to strengthen our research-oriented activities in addition to the basic R&D groups at Vestel Elektronik, we established the Research Group consisting of researchers with doctoral degrees working on advanced research subjects in 2016. In 2020, we changed the name of the Research Group with five years of research experience to the Innovative Technologies Group (InTech) in order to expand its field of activity and transform research results independent from production into Proof of Concept (PoC) products and the Group started working under the Deputy General Manager in Charge of IoT. As of 2021, the Innovative Technologies Group continues to work on research projects and hardware prototypes, primarily software-based projects, with a team of 10 people, including five software engineers, two researchers, two part-time researchers and a manager.

The scope of the work of the Innovative Technologies Group was expanded to support rapid prototyping and PoC studies as well as project-based work. As of 2020, we rendered Vestel Elektronik's PoC work one of the main businesses of the group.

One of the other fields of activity of the group is the R&D&D (Research, Develop and Design) Laboratory, a rapid prototyping and hardware acceleration laboratory established by Vestel with Manisa Celal Bayar University Technology Development Zone and supported by the Zafer Development Agency. Thanks to this laboratory, we aim to create prototypes of any product with very quick turnaround times while significantly reducing Vestel's prototype costs. All of the prototyping activities of Vestel Ventures companies are also handled quickly and economically thanks to this laboratory.

Patent Activities

The source of our strength and innovation in R&D is based on our work on patents and intellectual property. In 2021, we, as Vestel Elektronik, submitted a total of 70 patent applications including 22 to the European Patent Office (EPO), 17 to the World Intellectual Property Organization (WIPO) and 31 to the Turkish Patent and Trademark Office (TURKPATENT) for 40 inventions fulfilling the respective criteria and 51 of our patents (all of them being European patents) were registered. As Vestel Beyaz Eşya, we submitted 135 patent applications in 2021 and 51 of our patents (9 of them being European patents) were registered. Thus, the number of patents we have obtained commercial income from as the Vestel Group of Companies has reached 57, and we generated TL 50 million in revenue from these patents in 2021.

In addition, we conduct commercial evaluation activities to identify the value of our current patent portfolio and to ensure that our patent pool consists of valuable patents. We make decisions by meeting with managers specialized in the technical field to which the patent applications are related. We conduct more detailed infringement assessments for patent applications that are deemed valuable as a result of the commercial evaluation. We research the products equipped with the technology of the relevant patent and draft reports on whether or not the patents are violated under this activity.

Standard Essential Patent (SEP) Activities

We attend meetings held on next generation wireless communication technologies and continue to work on candidate studies to be integrated into the creation of IEEE802.11 WLAN under collaborations between Vestel-İstanbul Medipol University and Vestel-Koç University. We actively participated in the general meetings held on this standard with our active working group of 15 people formed as a result of collaborations with universities. During these meetings, we delivered presentations on behalf of Vestel Elektronik and applied for patents. We plan to contribute to the development of next generation communication technologies for smart home technologies with our members attending on behalf of Vestel Elektronik in the meetings regarding standards in the coming periods.

R&D Collaborations and Open Innovation at Vestel Elektronik

Under the work of our Vestel R&D units, we have established strong collaborations with several national and international institutions and organizations, especially with universities.

PRODUCTION AND INNOVATION POWER

University-Industry Collaboration: We continue to work for supporting and encouraging research through university-industry cooperation projects. We create added value for our country as the patents obtained as a result of successful activities are integrated into our country's patent pool.

We support highly-qualified Vestel R&D employees, graduates of Turkey's leading universities, to establish project-based collaborations with academics from Turkey's most distinguished universities. In addition, joint academic publications and career days organized with universities and support of student clubs and projects are among the important collaborations we consider as opportunities for development.

As Vestel R&D Center, we make a significant contribution to the university-industry synergy via the joint projects we implement with universities. In 2021, we cooperated in seven R&D projects by receiving academic consultancy from approximately 11 universities under university-industry cooperation activities. The knowledge generated at universities is transformed into technology by expert teams in Vestel R&D units. We use this knowledge in new designs through developed software and hardware. We mainly cover hot topics such as cyber security, automotive electronics, Industry 4.0

and IoT as well as Radio Frequency (RF), TV and set top box designs during the workshops held on the problems encountered in the industry and priority areas.

At Vestel, we also support universities' Industry-Oriented Dissertation studies. We cooperate with successful Technology Transfer Offices in the Aegean Region as well as Technology Transfer Offices throughout Turkey and make academic studies and emerging technologies developed in universities available to industry in order to respond to the needs of the industry and add value to the national development of our country.

Under project-based cooperation activities, we also established collaborations on Medical Technologies, Battery Technologies and Automotive Electronics. In 2021, we actively continued to work on long-standing TÜBİTAK (Scientific and Technological Research Council of Turkey) projects (such as 1004, 1003, 1505, 1509, and 1511). As Vestel Elektronik, we continue to work on three of our projects with Özyeğin University and Koç University under 2244, TÜBİTAK's Industrial Doctorate Program. We consider this program valuable for our Company, as the experience to be gained for the needs of the industry meets the qualified workforce.

Associations and Initiatives: As Vestel, we contribute to non-governmental organizations such as the Turkish Industry and Business Association (TUSIAD), Telecommunication Satellite and Broadcasting Business People Association (TUYAD), Technology Development Foundation of Turkey (TTGV), Electronic Device Manufacturers Association (ECID), Turkish Electronics Industrialists' Association



Through Vestel Ventures, established to support entrepreneurs engaged in R&D activities, we continue to contribute to activities related to innovative devices, advanced materials, smart cities, smart homes and smart plants.



(TESID), White Goods Manufacturers' Association of Turkey (TURKBESD), Automotive Suppliers Association of Turkey (TAYSAD) and R&D Centers Platforms at different levels to improve the global competitiveness of the IT, electronics and household appliances sectors in Turkey and to mobilize their innovation potentials.

We also act as the president of the Manisa R&D and Design Collaboration Platform (MATIP). In addition, we express our opinions on the legislation and standardization activities regarding our fields of activity in the sector assemblies of the Union of Chambers and Commodity Exchanges of Turkey (TOBB), and closely follow these processes and developments.

International Technology Platforms: As Europe's largest Original Design Manufacturer (ODM) in TV product groups, we work with international partners under R&D projects executed via European Technology Platforms such as Horizon 2020, ECSEL (Electronic Components and Systems for European Leadership), EUREKA, ITEA (International Test and Evaluation Association), Celtic and Catrene. We have been involved in more than 70 projects with European partners since 2006, and we are actively attending international activities through eight EU Framework Programs, one Erasmus+ and two Eureka projects that we applied in 2021.

In 2020, we were entitled to receive funding from Horizon 2020, the most comprehensive R&D and innovation program of the European Union, with the KYKLOS 4.0 project which encompasses smart and flexible production efforts for personalized consumer needs. In 2021, we started generating solutions to improve user experience and data security by developing Distributed Artificial Intelligence Systems (DAIS) with 49 project partners from 11 countries under the project from which we received funds. Aside from this, we were also funded for two more projects involving battery technologies and electric vehicle charging stations.

Industrial Partners: As Vestel, we establish professional collaborations with companies in different parts of the world in our technological areas of operation. We are establishing an important cooperation network with over 70 industrial business partners, including companies such as Google, Amazon, Roku, Broadcom, Qualcomm, Netflix, Digiturk, Viaccess, Mediatek, Irdeto, Novatek and Nagra.

R&D Support Under Vestel Ventures: Through Vestel Ventures, which we established to support entrepreneurs engaged in R&D activities in order to introduce emerging technologies within Vestel, we continue to contribute to activities related to innovative devices, advanced materials, smart cities, smart homes and smart plants.

In this context, we make Vestel's know-how and plants available to entrepreneurs at all stages of product development, such as product design, industrial design, multi-screen interface design, prototyping, testing, certification and production.

Collaborations with Zorlu Group: As Vestel, we also cooperate with Zorlu Group companies operating in the textile, energy and real estate sectors within the Group.

With the mainstreaming of wearable technology, sensors that can be integrated into textiles and information technologies stand out as our prominent fields of activity.

We carry out joint activities with Zorlu Enerji in areas such as energy storage systems, solar panels, and energy-oriented international projects.

PRODUCTION AND INNOVATION POWER

We believe that we will carry our experience, knowledge and vision further by collaborating with the stakeholders in our ecosystem.

R&D Collaborations and Open Innovation at Vestel Beyaz Eşya

As Vestel, we performed the following activities in the household appliances segment in 2021 under R&D collaborations and open innovation:

- We collaborated with nine universities through academic consultancy within our R&D center projects.
- We had 12 ongoing and completed TÜBİTAK projects in 2021. We continue to collaborate with universities, undergraduate and graduate students under 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.

We believe that we will 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.

Intrapreneurship: Parlak Bi’Fikir (A Bright Idea)

As Vestel, 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, members of the three teams entitled to receive the investment were all Vestel employees.

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 planned two-phase investment, TL 500,000 was invested in each team.

We 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 Vestel.

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

We 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 Vestel. We strive to adopt and introduce modern and agile methods in all of Vestel'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 Customer Experience

We provide our customers with services such as planning installation and troubleshooting requests, transferring all product-related processes to online channels, offering mobile assistants for after-sales operations, and remote sales support with augmented reality through E-appointments, Çözümüvar, Mobilasistan and Online Promoter applications, as well as digitalizing the customer experience.

IoT After-Sales Proactive Service: As our customers with wireless communication technology products can easily manage their products using the "Evin Akli" (smart home) application, we, as customer services inform our customers of all signals received from the product so that they can use their products longer and more efficiently, and we stand by them whenever necessary. When there is a problem with the product, we immediately notify the customer. For a more flexible and agile structure created by differentiating from traditional service solutions, we create automatic records for our authorized service providers, without the customer even being aware of the problem, thanks to automatic systems based on data received from IoT products. Authorized service providers offer a quick solution to the problem by meeting with customers. In addition, we continue to develop special measures for protecting products, usage tips and maintenance notification mechanisms for our users by predicting user habits thanks to the data obtained from the product.



PRODUCTION AND INNOVATION POWER

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, we implement store traffic monitoring using devices located at the entrances of our stores. We analyze this data 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 insights into consumer behaviors as per the rules of the Personal Data Protection Law (PDPL). As of 2021, we completed the installation of this system in 85 stores in total. We are constantly improving the scope of the project 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, which we started to pilot 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 our customers. The activity also contributes to the omni-channel transformation by providing the opportunity to update the prices at physical and online stores simultaneously.

Veslink: By using the software installation devices we call Veslink, 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, which were 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): We are conducting feasibility studies for Voice Bot and Video Remote Assistance applications, and we aim to start using them in the upcoming period. Thus, we will have the ability to resolve customer demands with voice bot technology 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. Thanks to this application, which will help solve the problems of customers remotely in call centers and service providers, we aim to provide a fast and reliable solution with video call support and to offer customers a better experience.



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.

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: We have digitalized sales management, retailing process management, business partner finance/collection processes, management of corporate channels and media investment processes. 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 the Supply Chain Center of Excellence, we started managing our work more effectively. Thanks to the follow-up of emerging technological developments regarding supply chain processes and the implementation of sustainable digital solutions, we were able to respond effectively to customer needs in 2021 without interrupting production continuity, despite the global supply chain problems arising from the pandemic.

In 2021, we developed a total of 60 digitalization projects under the management of 34 employees in line with the Sustainable Supply Chain solutions within Vestel Elektronik's supply chain. We launched projects in areas such as decision support systems boosting the ability to make decisions in an environment of uncertainty, optimization models developed to use constraints in the most accurate way, smart systems that increase the ability to predict, digitalization and visualization of data, process and performance traceability.

Autonomous Retail Project: Under this project, we aim to supply products sold through distribution channels via a fully-digitalized and artificial intelligence-supported supply chain system. In addition, we are restructuring our current distribution network according to our customers and redesigning the logistics network 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.

In 2021, we developed a total of 60 digitalization projects under the management of 34 employees in line with the Sustainable Supply Chain solutions within Vestel Elektronik's supply chain.

Supplier Lifecycle Management (SLC): In order to establish a sustainable business relationship with our suppliers, we aim to manage supplier relations and logistics activities from a single point. In line with this goal, we introduced the "Supplier Lifecycle Management (SLC)" project in 2015 and gathered candidate supplier application evaluations, master data management, candidate supplier approvals, and performance and risk management processes in a single digital platform. As Vestel, we have managed the lifecycles of 9,129 suppliers through the Supplier Lifecycle Management and achieved many benefits in the last six years, such as the reduction of our carbon footprint and increased efficiency.

E-Indirect Project: The E-Indirect Project encompasses all processes from the conversion of a purchase request to a purchase order. Under the project, we created a transparent system where the offers of suppliers are collected from the system, integrated into the process and reported.

PRODUCTION AND INNOVATION POWER



E-Logistics Project: Under the E-Logistics project, we aim to electronically carry out all processes covering all of our import, export and domestic distribution processes. We plan to reduce logistics costs by gathering the activities of the Vestel Group of companies and all Zorlu Holding companies under a single structure within the E-Logistics project.

Three-way Matching: We digitalized the entire process from supplier selection to invoice control processes in the supply lifecycle, which begins with the creation of a purchase request, and maximized strategic and operational performance. By integrating budgetary and financial processes into digitalized purchasing processes, we implemented “three-way matching” to cover all purchasing operations. We aimed to provide Vestel Elektronik’s central purchasing processes with a structure that can monitor financial risks, has strong supplier relations, is open to audit and is transparent.

Material Management Processes: We added end-to-end and transparent traceability to the entire process of order management with suppliers from the ordering of materials to stockpiling at the plant through the SAP Supplier Network Collaboration (SNC) solution and the SAP Transport Management (TM) solution where all logistics processes are managed. We started measuring and reporting this traceable process with SAP Business Intelligence (BI) and Microsoft Power BI solutions. We achieved advantages such as rapid access from a single point, rapid decision-making, increased integration between departments, and shortened report preparation times.

In addition, within Vestel Beyaz Eşya, we launched the Supplier Network Collaboration (SNC) project maximizing 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.

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.

Robotic Process Automation (RPA): As Vestel Elektronik Supply Chain, we participated in RPA activities launched within Zorlu Holding and started comparing supplier invoices with the SAP system information through the reading of the supplier invoices by robots through this project. By preparing the conceptual design document for the project, we completed the feasibility study of the project and moved on to the development phase. Within this project, which we expect will make a great contribution to the digitalization of time-consuming, repetitive and non-value-added tasks with robot automation in supply chain processes, we will start designing the dissemination phases in 2022.

SAP-ZAYS Module: Within Vestel Komünikasyon, we developed the SAP-ZAYS module allowing for automation in data exchange from the Free Zones Computerized Implementation Program (SBBUP) used in Free Zones for the digitalization of data exchange in import, export and production processes depending on production and capacity increases in electric vehicle charging station, battery module, set top box and LED lighting product groups and achieved an 80% reduction in operational processes by eliminating human errors thanks to the automation in data flow.

We ensure the data privacy and security of our systems under the ISO 27001 Information Security Management System.



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 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. In 2021, we provided a total of 317 hours of information security training to 634 employees. 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, the 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.

PRODUCTION AND INNOVATION POWER

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.

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.

Measures taken against cyber risks in products: We continuously perform risk and threat analyses against security risks for each end-to-end component regarding the devices that can connect to the Internet and IoT solutions built on these devices. We design technical measures and solutions for the risks identified according to these analyses. These solutions ensure compliance with personal data protection laws (PDPL, GDPR) and cyber security regulations (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 have been added to the software of the devices.

Especially recently, security breaches 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 the 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.

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.

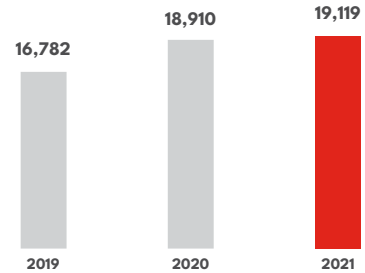
We continue to create and develop the most ideal working environment for the health, safety, rights and personal development of our employees. We develop human resources policies that facilitate the adaptation processes of employees, encourage their professional success and development, respond to their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

GENDER EQUALITY, HUMAN RIGHTS AND INCLUSION

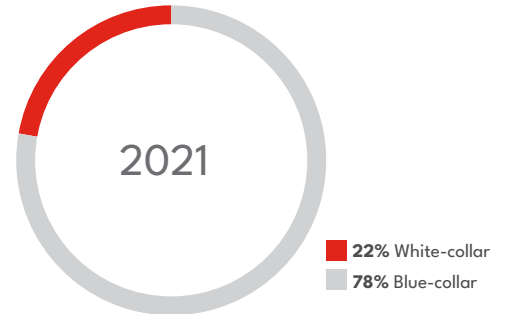
Active participation of women in corporate life has positive impacts on the productivity and financial performance of companies. In this respect, we encourage efforts to ensure gender equality throughout the Company, including recruitment practices. Under the guidance of Zorlu Holding's **Eşit Bi'Hayat (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 electronics and household appliances industries, and among the employees of the Vestel Group of Companies at all levels.

We aim to increase our female employee ratio to 40% by 2030.

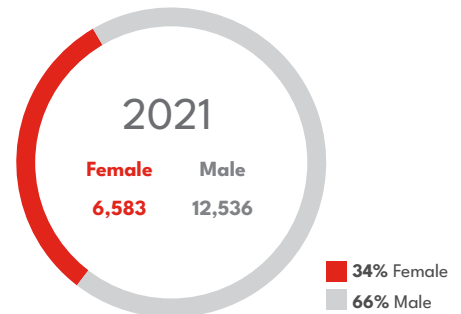
Total Number of Employees



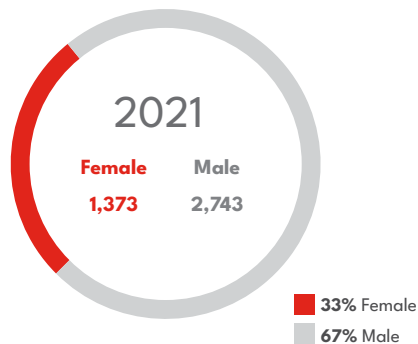
Share of Employees by Category



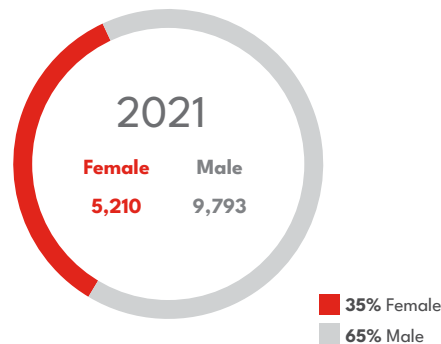
Total Number of Employees by Gender



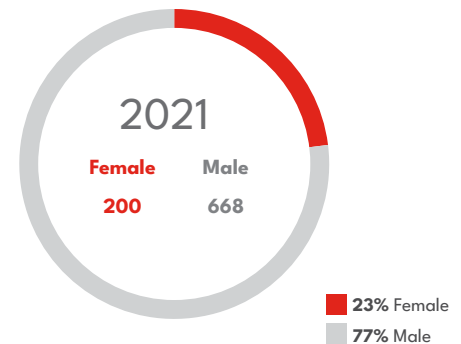
White-collar Employees by Gender



Blue-collar Employees by Gender



Share of Managers by Gender



EMPLOYEES



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 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 and 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 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**.

257 female and 501 male employees benefited from maternity and parental leave in 2021. 63% of female employees who used maternity and parental leave in 2021 re-entered work life.

There are breastfeeding rooms which all our female employees can access at our production facilities in Manisa.

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. 🏆

Employee Salaries by Level and Gender	Ratio (Average Women Salary/Average Men Salary)*
Executive level (Base salary only)	1.03
Executive level (Base salary + other cash incentives)	1.05
Management level (Base salary only)	0.92
Management level (Base salary + other cash incentives)	0.90
Non-management level (Base salary only)	0.91

*At Vestel, the policy of equal pay for equal work is meticulously implemented without gender discrimination. The difference in ratios arises from additional variables such as seniority/performance. Our foreign companies are not included in the analysis.



Integration of Employees with Disabilities

Through the Equal Chance Project, we aim to remove the barriers that prevent persons with disabilities from participating in work life. We offer training to deaf and employees with speech-impairment and support their active participation in work life. Under the project launched in 2015, we cooperated with 17 special vocational high schools for deaf in Turkey and employed 215 persons with hearing impairments within Vestel Elektronik. We appointed sign language interpreters in all our electronics plants to respond to the needs of our deaf employees under this project.

We have employed a total of 18 people with mental disabilities including nine at Vestel Elektronik and nine at Vestel Beyaz Eşya since 2019 in order to integrate people with mental disabilities at the Sheltered Workplace for People With Mental Disabilities (Z.E.K.İ. Life Center), the first of which was established in Manisa Organized Industrial Zone in Turkey, and to offer social support to their families. In this context, we created sheltered and ergonomic working areas within the production areas of plants.

In 2021, there was a 4% increase in the employment of persons with disabilities year-on-year.

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

Human Rights

At Vestel, 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 regard, 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.

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 disciplinary sanctions. We share our policy on this issue under the Ethical Principles. There were no incidents of discrimination detected at Vestel 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 existing talents, and to enable them to connect with Vestel.

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, 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,



EMPLOYEES

At Vestel, we care about maintaining our long-term cooperation with our employees by supporting their career planning with vertical and horizontal promotions.

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 reached 3,340 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 intranet, 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.

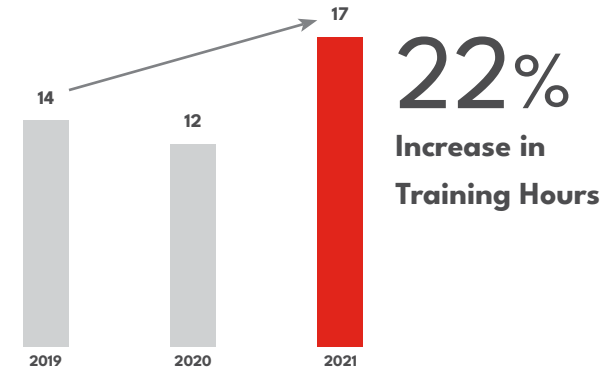
Rotation Practices

At Vestel, 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 89 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, 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

Average Hours of Training per Employee per Year



In 2021, we offered an average of 17 hours of training and allocated a training budget of TL 366 per employee.

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 by age group, gender, management level and type of training.

In 2021, we offered an average of 17 hours of training per employee and spent TL 366 per employee on training.

Leadership and Coaching Trainings

In 2021, 638 of our employees attended leadership and coaching trainings and received 3,635 total hours of training. Additionally, we launched Vestel Leadership Power Program for the deputy general managers of the Company in cooperation with Koç University; and Vestel Management Power and Vestel Technical Management Power Programs for promising and top-performing managers in cooperation with Boğaziçi University in 2021. 36 of our managers benefited from Vestel Leadership Power Program, 67 from Vestel Management Power Program, and 21 from Vestel Technical Management Power Program. Vestel Management Power Program will also be organized in 2022 with the participation of new managers. Under manager development projects, we aim to develop the leadership competences of mid-level managers at Vestel.

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, it is a long-term employee training and development program aiming 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 contribute to their intellectual development.</p>	<p>Vestel Retail Academy is an employee development program we have 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. Through this program, we implement training programs 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 between the Vestel Group of Companies and Özyeğin University, Vestel Technology Academy is a long-term employee training and development program aiming at enabling 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.

186 Vestel employees, who received 24,309 hours of training within Vestel Technology Academy in 2021, continued their graduate education in Computer, Electrical-Electronics, Industrial and Mechanical Engineering, and a total of 331 employees have graduated so far. In addition, 40 academic studies were transformed into industrial practices and 28 studies became a part of 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. 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 we have 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, we implement training programs 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, we opened 210 classrooms with VRA, including the Head Office, Zorlu Holding and non-Group companies, and organized training programs on 107 different topics for 7,989 participants, offering a total of 23,064 person x hours of training.

Through VRA, we encouraged dealer business partners 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, we diversified the training portfolio in the program and included the social learning group “V-Circle Project”, which enables head office employees to share their innovation experiences with each other. In 2021, we came together with a single group and implemented the V-Circle Project, allowing participants to learn by sharing experiences. Within this project, which is based on the community of practice model, we enable participants to share their success and failure stories with each other in a closed group, raise issues and learn together by seeking solutions.

EMPLOYEES

In 2021, 1,911 hours of training were offered to 4,997 people through the Zorlu Academy Online Training Platform.

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 38,500 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 the 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 for 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 Zorlu Group companies, including Vestel. Starting in 2021, various online personal development and technical training content has been offered to employees of the Vestel Group of Companies. In 2021, 1,911 hours of training were offered to 4,997 people through 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 312 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

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

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.

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 Vestel, personal development training and practical internship phases. Through this program, we aim to prepare young trainees to understand the corporate culture and to 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. All of these 19 young trainees are now working at Vestel.

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 due to COVID-19 measures in place.

University - Industry Cooperation Projects

We aim to develop projects within 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 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 Vestel career opportunities. Through these technical visits, we enabled approximately 780 students to see and experience Vestel 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”.



EMPLOYEES

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.

Employee Engagement and Satisfaction

We believe that employee engagement will enable Vestel 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.

At Vestel, 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 that we organize 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 8% and our employee engagement score by 9%.

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" launched at Vestel Beyaz Eşya. 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

One of Vestel's important goals under its sustainability approach is to increase corporate volunteer efforts.

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. In addition, part-time working option is applied in our foreign companies as per the laws of the respective countries.

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 "Kıvılcımlar (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, 346 of our employees voluntarily participated in these activities for a total of 910 hours.

Some examples of the volunteer activities carried out in 2021 with the participation of Vestel Kıvılcımları (Sparks) 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 Kıvılcımlar (Sparks) were shared with children staying in hospital for treatment. 110 Kıvılcım (Sparks) read out 400 different tales for 220 volunteer hours.

As Vestel, we are conscious of Occupational Health and Safety (OHS) policies and practices in order to provide a safe and healthy working environment.

OCCUPATIONAL HEALTH AND SAFETY

At Vestel, 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, solution partners and other employees in working areas. Our goals include 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. Vestel's Occupational Health and Safety Policy is available [here](#) 🌐.

All managers at all levels are responsible for OHS risks and issues. The Safety and Administrative Affairs Director oversees the implementation of OHS issues and OHS targets are included in the performance evaluation of the Safety and Administrative Affairs Department. OHS issues are handled at the OHS Board, which convenes regularly (at most every two months) or immediately after emergencies, under the management of the Representative of the Employer, who represents the Company's Senior Management. Department managers of plants assigned by the Employer or the Representative of the Employer, OHS experts, workplace physicians, human resources experts, administrative affairs experts and employee representatives attend OHS Board meetings as per the Regulation on Occupational Health and Safety Boards. Occupational accidents, near misses, employee notifications, and identified occupational safety risks are shared with all participants during OHS Board meetings, and any resolutions issued during the meeting are announced to all managers, including the General Manager. Action processes are systematically implemented and monitored via the Occupational Health and Safety Management System (ISIGYS) software, which we designed and was accepted within the integration work of the Ministry of Labor and Social Security of the Republic of Turkey.

EMPLOYEES

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.



Our employee representatives play an important role in the increase in participation in activities related to occupational health and safety in our plants and in follow-ups of these activities. We have a total of 287 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 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 cases of non-compliance. We conduct periodic health check ups for all our employees. We approve the entry of chemical substances into the plant 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, we continued to organize OHS trainings for all employees in line with social distancing rules, legally-regulated capacities, limited attendance and ensured that the training rooms were disinfected before and after each training throughout the COVID-19 period. A total of 142,109 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 our new health center planned in Vestel City and carried out renovation work in the infirmary located in our Central Plant.
- In cooperation with the Manisa Yunus Emre District Health Directorate, we launched a vaccination campaign in the plant, informed the employees about the vaccination and accelerated vaccination efforts.
- Workplace nurses were involved in vaccination activities following training provided 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, 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.

CORPORATE CITIZENSHIP

OHS Performance Indicators²

Employees	2019	2020	2021
Number of Fatalities	0	0	0
Lost-Time Injury Frequency Rate ³	45.49	35.66	52.21
Lost-Time Injury Severity Rate ⁴	0.21	0.15	0.21
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

² These indicators represent the consolidated data of Vestel Elektronik, Vestel Beyaz Eşya, Vestel Komünikasyon and Vestel Ticaret companies.

³ **Lost-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

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



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, we contributed a total of TL 17.4 million to corporate citizenship/philanthropic activities, including social sponsorships as the Vestel Group of Companies.

Total Value of Philanthropic Contributions in 2021

Type of Contribution	Total amount
Cash contributions* (TL)	16,627,478
Time: employee volunteering during paid working hours (hrs)	1,017
In-kind giving (TL)	751,967
Management overheads (TL)	38,285

*Social sponsorships and cash donations

Type of Philanthropic Activities in 2021

Category	Percentage of Total Costs
Charitable Donations	6%
Community Investments	52%
Commercial Initiatives	41%

COVID-19 and Community Support

Throughout the pandemic period, we continued to contribute to society and take our initiatives related to public health to the next level.

By standing with health institutions and healthcare professionals, we provided 24/7 free service 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.

CORPORATE CITIZENSHIP

We 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.



Sponsorships

We 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” campaign that we launched in 2021.

The Trabzonspor Football Team and Kastamonu Municipality Youth and Sports Club Women’s Handball Team were among our ongoing sponsorships in 2021. 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.

We also included sailing among our social investment areas; and support our national athletes Beste Kaynakçı and Okyanus Arıkan through sponsorship as they competed in the 470 Sailing World Championships.

We sponsored the Design Competition for a Circular Economy: Design the Repair Workshop in 2021.

In addition, as part of our support for the arts, and as a way to bring society closer to culture and the arts, we sponsored the documentary movie Nusrat: Iron and Blood. Our 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 of 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 four women and one guesthouse in 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.



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. 🏆

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 University, "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, we continued to organize various philanthropy projects such as the Tema Foundation's sapling donation, disaster area aid, food donation to stray animals, and Red Crescent blood donation. Through the Waste Plastic Cap Collection campaign launched in 2011, we collected 12,260 kg of waste plastics in total in 2021 and donated six battery-powered and three 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 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. We strive to mitigate risks such as cost increases and production disruptions in the supply chain. We strive to ensure diversity in suppliers and create an efficient supply chain. At Vestel, 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. We are working with our suppliers for the production of imported materials in Turkey. In 2021, 75% of our suppliers were local. 27% of the payments made to suppliers were made to local suppliers. We established a new liaison office in Vietnam in 2021 to both mitigate supply chain risks and seize cost opportunities with new suppliers as well as make use of the overall potential in the consumer electronics and MDA markets in the Association of Southeast Asian Nations (ASEAN) throughout the COVID-19 process and thereafter.

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 and Kraljic Matrix, and suppliers offering materials, services and processes for automotive manufacturing. As of 2021, we have 257 critical suppliers within the Vestel Group of Companies.

Percentage of Payment for Local Suppliers

2019	2020	2021
35%	34%	27%

Number of Suppliers Subjected to Quality and Social Audit

2019	2020	2021
345	225	414

Evaluation and Audit in the Supply Chain

At Vestel, we consider the compliance of our suppliers with internationally-accepted environmental, social and ethical standards and principles among our main responsibilities in order to integrate a sustainable supply chain into our entire value chain. We expect our suppliers and all of our business partners to adopt the same approach and comply with our Supplier Code of Conduct and legal obligations. We expect our suppliers to accept the Supplier Code of Conduct that is disclosed on Vestel's Supplier Portal ("satinalma.vestel.com.tr"), and ask them to register in our supplier management system: Supplier Lifecycle Management (SLC). We also include the Supplier Code of Conduct in the contracts we sign with suppliers. Our Supplier Code of Conduct is available [here](#) .

We follow our Supplier Selection and Evaluation Procedure for the selection of suppliers. We consider different criteria such as the supplier's management systems, technological level, financial strength, supplier relations, compliance with corporate social responsibility policies and principles, and environmental practices. We expect full compliance with issues such as compliance with human rights, compliance with the law, not employing child labor, equality and discrimination.

All of our new critical suppliers go through quality audits. In 2021, the rate of new suppliers evaluated according to social audit criteria (including child labor and forced labor) at Vestel Elektronik was 89%; while 37 critical suppliers were audited. In 2021, we did not have any suppliers with which relations were terminated due to any social incompliance. Activities required for improving the scope of ESG audits for all critical suppliers are followed by our Supply Chain Working Group.

We continue to offer trainings to our suppliers. In 2021, 2,045 suppliers received 6,168 hours of training. The annual average training hours per supplier employee was 3 hours.

**Total Hours of Training Offered to Suppliers**

2019	2020	2021
2,666	6,208	6,168

Supplier Scorecard

Since 2020, we have prepared 184 supplier scorecards for our automotive suppliers and shared the areas of progress with our suppliers. We plan to expand the Supplier Scorecard Project online to include our other suppliers and contribute to their development. We prepare Supplier Scorecards as a result of different criteria and audits of our Quality, Supply Chain and Purchasing Departments.

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 put forth our restricted materials list as well as the legal obligations regarding conflict minerals and the framework of responsibilities we expect our suppliers to comply with in the contracts concluded with them. At Vestel Elektronik, we identify raw materials by material groups and expect the suppliers of materials containing conflict minerals to fill out the Conflict Minerals Reporting Template (CMRT) of the Responsible Minerals Initiative (RMI) and upload it over our online system. At Vestel Beyaz Eşya, we examine raw materials within supplied products and identify those containing conflict minerals during the testing of hazardous chemicals. By contacting the suppliers using these minerals, we ask them to fill out the Conflict Minerals Reporting Template (CMRT) of the Responsible Minerals Initiative (RMI). We expect suppliers to fill out this template each year. In 2021, we received commitments from a total of 76 suppliers that they do not use any conflict materials including 47 from Vestel Elektronik and Vestel Komünikasyon and 29 from Vestel Beyaz Eşya.

A NET-ZERO COMPANY



Renewable Energy Installation

2021

230 MWh

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.

We believe that resource scarcity and climate crisis action should be on everyone's agenda including both the public and private sector. The investments we 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 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.

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

To increase renewable energy generation, we installed a 142 kWp solar panel at the rooftop of 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 (under 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.



Green financing plays an important role in the fight against the climate crisis. In this respect, we issued **the first TL-denominated green bond** approved by an international rating agency in Turkey in 2020. We obtained funds amounting to TL 100 million from this green bond issuance. We use these funds in R&D, entrepreneurship and innovation activities and green technology investments contributing to areas such as the conservation of water resources, the reduction of carbon emissions, energy efficiency, the reduction of waste and the development of eco-friendly products.

THE JOURNEY TO NET ZERO

We have been transparently sharing our performance with Vestel Beyaz Eşya and Vestel Elektronik reporting to the Carbon Disclosure Project (CDP) since 2012 and 2013, respectively. In 2020, the Climate Change and Water Program scores of Vestel Elektronik and Vestel Beyaz Eşya were C. Our direct and indirect emissions within the boundaries of the organization are verified by independent third parties according to the ISO 14064 standard.

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. Packaging optimization efforts help minimize space loss in container, truck and intermodal transfers for shipments from the Far East and Europe. In 2021, Vestel Beyaz Eşya included more domestic alternative sources, enabling us to downscale the 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.

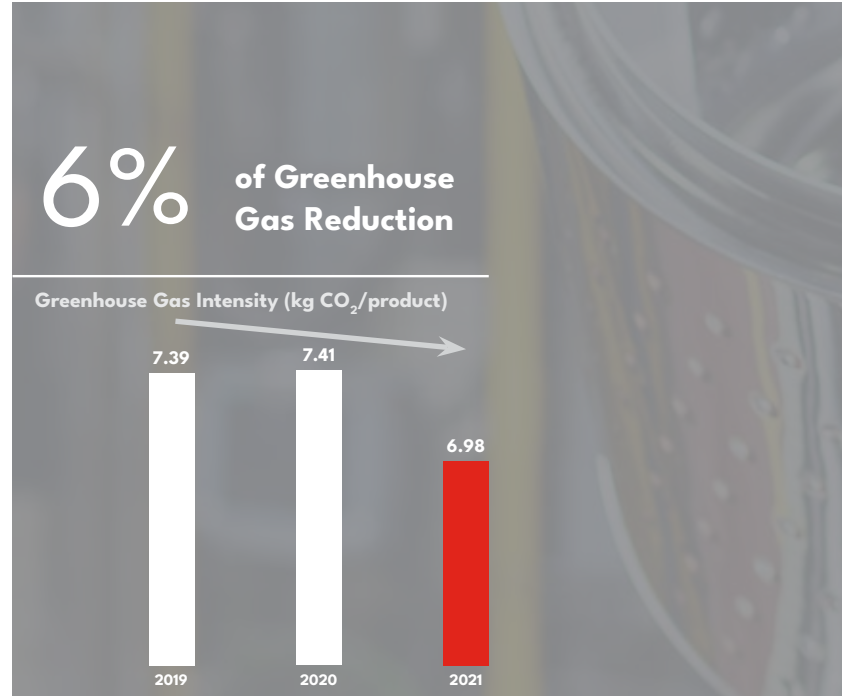
In terms of after-sales services, our call center responded to and resolved 307,900 calls without technician support in 2021, preventing 1,354,760 km of vehicle movement and 162 tonnes of carbon emissions. In 2021, we kicked off a pilot project for TV and freezer product groups which supports customers in installing their own products. This enabled us to transfer 20 different service items to customers, preventing authorized service vehicle movement. In 2022, we plan to have our customers deliver 25,000 services, eliminating the need for authorized service delivery.

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.

Additionally, we have distributed 1,000 books on climate change in order to raise our employees' awareness.

Energy Efficiency

In 2021, we launched a total of 23 main energy efficiency projects, saving 6,600 MWh of energy and TL 4.6 million. This corresponds to the electricity consumption of 1,779 people in Turkey. In our electronics plants, we reduced total electricity consumption per unit product by 4%, total steam consumption per unit product by 10% and total hot water consumption per unit product by 7% year-on-year. In our



household appliances plants, 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 these projects, we prevented 3,811 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.

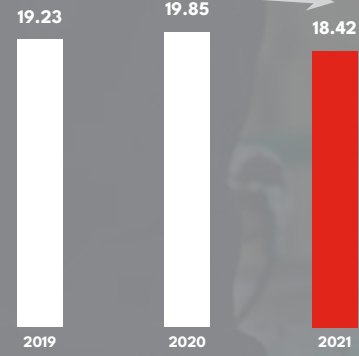
In terms of energy efficiency in products, we achieved 21% improvement in visual solutions sold in Turkey, 7% in tumble dryers and 0.3% in air-conditioners year-on-year in 2021⁵.

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



4% of Energy Consumption Reduction

Energy Consumption Per Unit Product (kWh/product)



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.

Circular Economy Solutions at Vestel

At Vestel, 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 products 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 supports the repair and recovery of products and engages in activities on this subject.

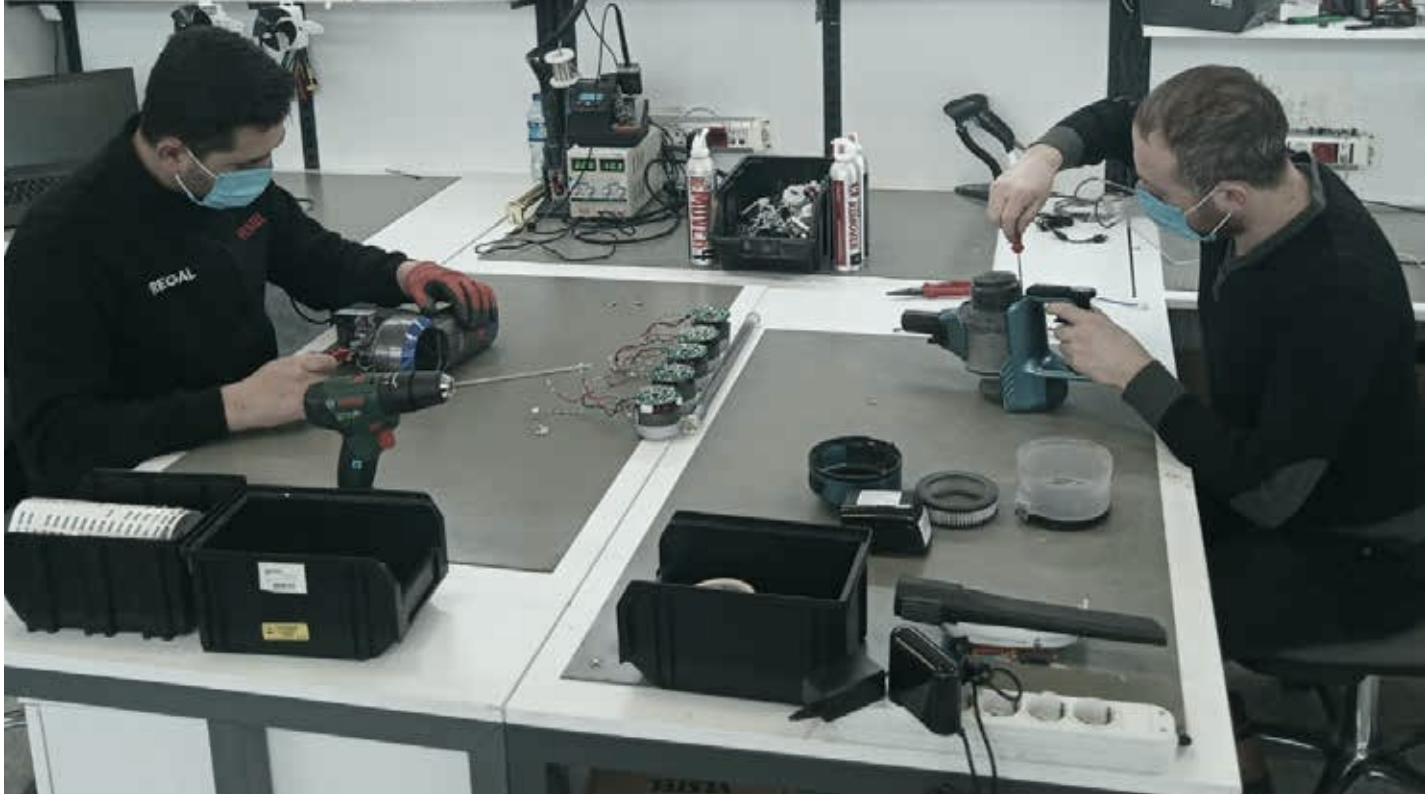
Product Recovery and Repair

Under the Material Inspection and Recovery Project, we 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. We recovered 30,101 spare parts in 2021. Thanks to these efforts, we saved TL 4.5 million.



Products replaced under warranty are delivered to the Returned Products Evaluation Center (DÜDEM), those available for repair are refurbished at our Refurbishing Centers, Central Repair and Recovery Centers and Small Domestic Appliances Recovery Center (KEAÜSSÜ) and sold at Vestel Outlet stores and some dealers. In 2021, we refurbished a total of 72,500 products and returned them to the economy, and we donated 604 of the refurbished products as part of our corporate citizenship projects. Non-refurbishable products are recycled through a licensed recycling company.

CIRCULAR ECONOMY



In order to identify the recyclability rate of Vestel products, we had a specialized recycling company measure the sample products selected from 11 product categories.

Vestel Product Category	Recyclability Rate (%)
TVs	79
Set Top Boxes	97
Electric Vehicle Chargers	95
LED Lighting	100
Refrigerators	85
Dishwashers	68
Washing Machines	63
Tumble Dryers	93-100
Ovens	82-98
Air-conditioners	98
Water Heaters	89

Vestel 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.

Used Phone Refurbishing

As per the Regulation on Refurbished Products issued by the Ministry of Trade of the Republic of Turkey, Vestel Customer Services has been authorized to refurbish and sell smart phones and tablets in a certified way.

Under the same regulation, the Central Repair and Recovery unit affiliated to Vestel Customer Services was granted the Refurbishing Authorization Certificate by the Ministry following the Service Competency Certificate issued by the Turkish Standards Institution (TSE). We are authorized by this certificate to refurbish and sell smart phones and tablets of all brands in a certified way.

We will sell all refurbished products on our website www.yineyenicep.com launched for the sale of refurbished products. We also aim to prevent the generation of e-waste while achieving financial gain through this practice launched as a new business model.

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.

Zero Waste

Under our zero waste approach, we recycle or recover 93% of production-related waste. As per the Zero Waste Regulation, we ensure that the waste from our offices is sorted in an appropriate way, and we train our employees on waste management. In 2021, we digitalized the environment and zero waste trainings 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. We also make use of our food scraps 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. We also donated 54 tonnes of food scraps for stray animals.

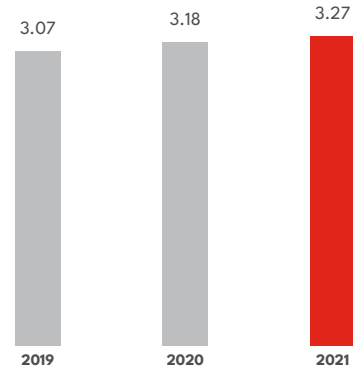


Use of Recycled Plastics and Reduction of Plastics

We are working on reducing plastic raw material consumption and plastic waste generated in production processes and offices. Under the Business World Plastics Initiative, of which we are a signatory, we have made a commitment to reduce the use of plastics and reuse them by recycling.

By recycling production and engineering scraps and residuals generated throughout all processes under the cooperation of Production, R&D and Quality Control teams and reusing them in our products and product components at Vestel Elektronik we aim to use a total of 1,887 tonnes of recycled plastics within the next three years: 629 tonnes by the end of 2021, 629 by the end of 2022 and 629 by the end of 2023. In addition, we will improve TV product and packaging designs without compromising on quality and durability and reduce the use of plastics by 831 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. At Vestel Beyaz Eşya, 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

Waste Amount Per Unit Product (kg/product)



We went well beyond our commitments of 2021 and prevented the use of 5,337.5 tonnes of virgin plastics including 1,608 tonnes at Vestel Elektronik and 3,729.5 tonnes at Vestel Beyaz Eşya.



production processes, we aim 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 by the end of 2022, and 2,737 by the end of 2023. As well, 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 the activities to be performed under the cooperation of our R&D and Production units. In 2021, we reduced 4 tonnes of plastics in packaging materials and 72 tonnes of plastics in products and used 1,532 tonnes of recycled plastics at Vestel Elektronik. At Vestel Beyaz Eşya, 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 went well beyond our commitments of 2021 and prevented the use of 5,337.5 tonnes of virgin plastics including 1,608 tonnes at Vestel Elektronik and 3,729.5 tonnes at Vestel Beyaz Eşya.

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.

CIRCULAR ECONOMY

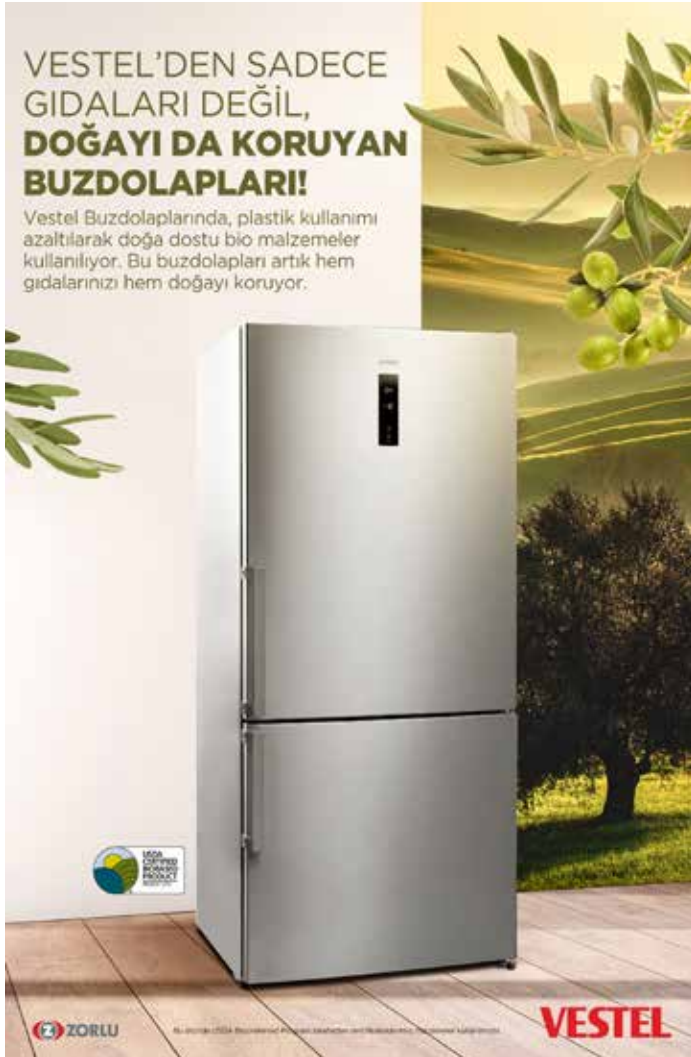
In order to reduce plastic pollution, we use materials produced from olive pit waste instead of plastic raw materials in our refrigerator and tumble dryer parts.

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. We aim to perform similar activities regarding our TV sets in 2022. In 2021, we prevented 336,441 trees from being cut by using a total of 19,791 tonnes of recycled cardboard as the Vestel Group of Companies. We prefer internationally-certified paper-based resources for the sustainable consumption of such resources.

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

Collection of Packaging Waste project aims to direct the waste generated after the installation of products towards recycling, generate revenues and create social benefits through such revenues. In addition to packaging waste, the waste from authorized service providers suitable for recycling was also included in the project. In 2021, 25 tonnes of waste were collected under the pilot study carried out for nine months, and an income of TL 52.000 was achieved out of such waste for donation to NGOs.



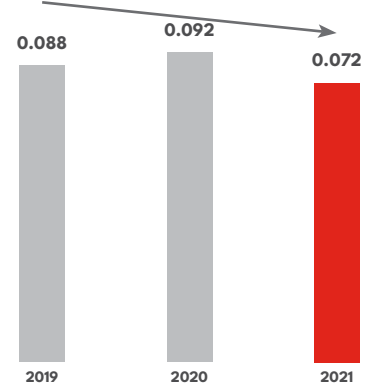
WATER STEWARDSHIP

At Vestel, we supply the water used in manufacturing processes from the municipal water and well water (groundwater) of the Manisa Organized Industrial Zone (Aegean Free Zone for our Vestel Komünikasyon plant). 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 report all processes related to water stewardship to the CDP. We have our water footprint verified by independent third parties under the ISO 14046 Water Footprint Standard. We also discharge our wastewater to the treatment plant of Manisa Organized Industrial Zone (Aegean Free Zone for our Vestel Komünikasyon plant).

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.

18% Reduction of Water Consumption

Water Consumption Per Unit Product (m³/product)



We have our water footprint verified by independent third parties under the ISO 14046 Water Footprint Standard.



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 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 electronics and household appliances industry, where we are positioned as a technology company that attaches importance to innovation.

PRODUCTS AND SOLUTIONS 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 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.

ELECTRONIC PRODUCTS

In line with the rapid developments in display technologies, especially TV products, we continued to develop innovative products in 2021 as well. We have expanded the product family of information screens and special driving circuits, image processing techniques and scalable display designs that we developed for common platforms with TV through LED chip technology for commercial use are now among our new products. In addition, we brought together television designs integrated with platforms such as YouTube, Netflix, Google and Amazon under the “Smart Home” concept.

Visual Solutions

We also continued to work on screen technologies in 2021 and engaged in R&D activities in various areas such as OLED TVs, 8K TVs, LED screen technology, backlight units, wide color gamut, high dynamic range, quantum point technology, high brightness, resolution, contrast and safety and motion stabilization technology. Using the know-how gained from television production in different screen technologies, we expanded the Visual Solutions product family in 2021 and developed products on common platforms with TVs.

Vestel Visual Solutions operates in a wide range of sectors, including primarily the education, healthcare and tourism sectors, as well as the retail, food, transport and finance sectors. In line with sectoral needs, we offer high-tech solutions to customers with products such as interactive LED smart boards, VideoWalls, information screens, LED Walls, Totems and smart boards.



We continue to respond to the needs of corporate clients in various sectors, first with the information screens developed through consideration of corporate needs, and then with the VideoWall we developed. Offering capabilities such as management from a single center and publishing documents in various formats, these screens can perform advertisement, promotion and information activities anywhere thanks to the variety of their models and sizes.

LED Lighting Products

We offer LED lighting products with high energy efficiency in industrial, road/street/garden, sports and area lighting categories. These products save up to 40% energy, do not harm the environment and human health with their mercury-free composition, and reduce waste generation as they can be used for more than 200 thousand hours.

Through our LED fixtures sales in 2021, we contributed to consumer energy savings of approximately 1,500 MWh in total. With these savings, we prevented approximately 866 tonnes of greenhouse gas emissions. In addition, the lighting can be controlled digitally, and energy saving is achieved thanks to the back-end software. Through LED fixtures conversion, we also contribute to boosting traffic and pedestrian safety by achieving required light distribution and luminous flux level along the roads by 90%.

We are closely following Türkiye Elektrik Dağıtım AŞ (TEDAŞ) and the Ministry of Energy and Natural Resources of the Republic of Turkey's project on the transformation of traditional street luminaires used in street and avenue lighting in Turkey to LED. Vestel is among the companies whose products were initially approved for this project. The project aims to convert at least 21 thousand street luminaires to LED in 2022, with a total of 6.5 million luminaires in the upcoming years.

PRODUCTS AND SOLUTIONS THAT CREATE BENEFITS

Approximately 24% of global greenhouse gas emissions originate from the fossil fuels used by transportation vehicles. Therefore, the widespread use of electric vehicles plays a critical role in the fight against the climate crisis.

Electric Vehicle Chargers

Approximately 24% of global greenhouse gas emissions originate from fossil fuels used by transportation vehicles⁶. Therefore, the widespread use of electric vehicles plays a critical role in the fight against the climate crisis. Playing an important role in the transition to a net zero economy and becoming increasingly widespread, electric vehicles increase the need for charging stations in public and private areas. Widespread use of charging stations in public spaces not only meets the needs of existing consumers, but also encourages the increased use of electric vehicles. In this context, we as Vestel Elektronik have positioned ourselves as the solution partner of corporate clients with our electric vehicle chargers and will strive to respond to the needs and expectations of consumers in the best way possible. Thanks to the electric vehicle chargers we sold in 2021 (compared to the use of vehicles with gasoline internal combustion engines), we avoided emissions and allowed to reduce the carbon footprint by approximately 81,000 tonnes.

⁶International Energy Agency, Transport: Improving the sustainability of passenger and freight transport 

In addition to the electric vehicle chargers we have on the market, we completed R&D activities for DC charging units with a fast charging function and began developing management software for vehicle charging points. Thanks to our software, customers can see the traffic of charging stations, potential malfunctions and various parameters through the cloud application. In the upcoming period, we aim to increase the effectiveness of the DC products that we offer to the market.

Battery Technologies

We design and manufacture Li-ion batteries for customer needs through the Battery Management System (BMS) hardware and software that we have developed as a result of our R&D studies. In this respect, we designed and manufactured the first domestic electric bicycle battery. The battery successfully passed testing and was granted EN 62133 and EN 50604 industry standards. Designed for outdoor use, the batteries also offer users a Bluetooth option. In addition to electric bicycles, we are also developing Li-ion batteries for the wireless battery-powered vacuum cleaner product line, which is becoming increasingly popular, as well as for ventilators.

We contribute to the transition to a net zero economy with our EV chargers.



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

We also design Li-ion batteries for base stations regarding the needs of the telecom industry. Solutions can be developed for energy storage systems via these batteries capable of storing approximately 5 kW of energy.

By adapting our technologies to various sectors, we aim to respond to the needs of customers by developing batteries in various areas such as marine, forklift and moped.

Automotive Electronics

We engage in activities regarding infotainment systems and digital dashboards in automotive electronics. Our work launched in 2019 with regard to machine vision and autonomous driving still continues. We organize projects on the design and production of circuit boards such as motherboards, control cards, LCD screens and power boards for the automotive industry.

Motherboard Production

We manufacture motherboards for product groups such as household appliances, TVs, smart boards, LED lighting, electric vehicle chargers, automotive lighting, information systems, batteries and set top boxes. In addition to Vestel products, we also offer services to external clients through our motherboards. Thus, we have expanded our customer portfolio and boosted customer satisfaction. Under various collaborations, we have been manufacturing vacuum cleaner electronic cards since 2019 and cooker hood electronic cards since 2020 for our clients. In 2021, we started the production of pump electronic cards and motor electronic cards under new collaborations. We launched sample studies and initial production in 2021 to manufacture freezer electronic cards, and we aim to start mass production in 2022.

Small Domestic Appliances

The small domestic appliances product group covers irons, vacuum cleaners, electric kitchen appliances and electronic hair care products. We aim to enable consumers to have the best experience in every area we interact with them, including sales and after-sales services, and we offer more than 100 products in the small domestic appliances product group, serving various consumer needs.

HOUSEHOLD APPLIANCES

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.



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

Water-Efficient Products

As Vestel, 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.

PRODUCTS AND SOLUTIONS THAT CREATE BENEFITS

Products Reducing Plastic 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 system 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 refrigerator 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.
- 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.

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



- 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 of 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 going on 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 marketable through amendments to the legislation.



In 2021, our A energy class washing machines and B energy class dishwashers were ready for mass production.

Equipped with maximum freshness technology in addition to 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.

We quickly identify the needs of evolving consumer habits and respond with our technological infrastructure. One example of how we responded to the increasing demand for home-made healthy food as a result of the change in food consumption habits during the pandemic and quarantine period is the next generation MAYA refrigerator, which we developed for consumers who want to prepare healthy fermented food at home. 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 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.

PRODUCTS AND SOLUTIONS THAT CREATE BENEFITS

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.

We signed new agreements as a result of cooperation with digital service providers. Thanks to our years of R&D studies on big data, we launched internet-based TV products such as Android and Amazon Fire TV.

We completed adaptation of the following technologies that can create new sources of income and the contribution thereof to the revenue stream:

- Target-oriented advertisement broadcasting on smart TVs,
- Enabling the dissemination of voice recognition technologies through Vestel products,
- Analyzing and making available data kept on the cloud,
- Offering additional services to consumers through subscription.

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 products 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 applications 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.

Through the smart watches, smart scales, and smart sleep light products available in the Vestel VFit® product group and the Vestel VFit+ mobile application to which these devices are connected, we can provide users with data such as movement, water consumption, sleep quality and body mass index necessary for a healthier and fitter life.

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.

In addition to these, subtitles and audio description information from streaming services are processed as a standard feature in all our TV products. We also offer solutions for color blindness with high resolution features and for shortsightedness with the magnification feature.

Accessible Authorized Service Providers: We opened Turkey's first Accessible Authorized Service Provider in İstanbul, Avcılar in 2018, and we strive 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 the 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.

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 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](#) .



Vestel Sharp

Sharp, a licensed brand of Vestel, stands out in the innovative and sustainable product category. 2K20 series washing machines, tumble dryers, dishwashers, refrigerators, ovens and induction hobs are products that are easy to use, stylish and offer a high level of water and energy efficiency. The 2K20 series washing machine, which is produced with thermojet technology, allows for 60% energy savings and 25% water savings and can be remotely controlled via wireless communication. The tumble dryer of the series, which can also be controlled by wireless communication, helps to remove odors in 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 this new series provides the opportunity to cook on five trays at the same time by distributing the 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.

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

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

Vestel is awarded by international organizations for its innovative products.

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

- Vestel returned with 20 awards from Good Design 2021, one of the most well-established and prestigious design competitions in the world with a history of over 70 years, organized by the Chicago Athenaeum Architecture and Design Museum.
- Deemed worthy of 16 awards at the USA-based IDA Awards (International Design Awards), Vestel became the 11th most awarded brand out of 3,300 brands attending the competition.
- At the Plus X Awards, considered to be one of the world's most prestigious design and innovation awards, Vestel outperformed its global giant rivals and achieved a historic success of 65 awards.
- Vestel was deemed worthy of one “Outstanding Design” and two “Good Design” awards at the Design Turkey 2022 Industrial Design Competition, organized in cooperation with the Ministry of Trade of the Republic of Turkey, the Turkish Exporters Assembly and the Industrial Designers Society of Turkey.
- With its standout design, the T80 washing machine equipped with Hydroboost technology and remote control capability through wireless communication was rewarded at the Red Dot Design Awards 2021.
- Vestel won awards with its DUO Slim Led Touch built-in oven, T40 tumble dryer and Intellicare washing machine products in the European Product Design Awards 2021, in which it participated for the first time.
- Vestel was deemed worthy of an award with its oven equipped with SousVide Technology and AIO dishwasher at the iF Design Awards 2021. It also won its first award in the User Interface Design Category.

QUALITY AND PRODUCT SAFETY

In terms of product quality, we perform quality control for products according to internationally-accepted control criteria by using necessary testing equipment in the plant.

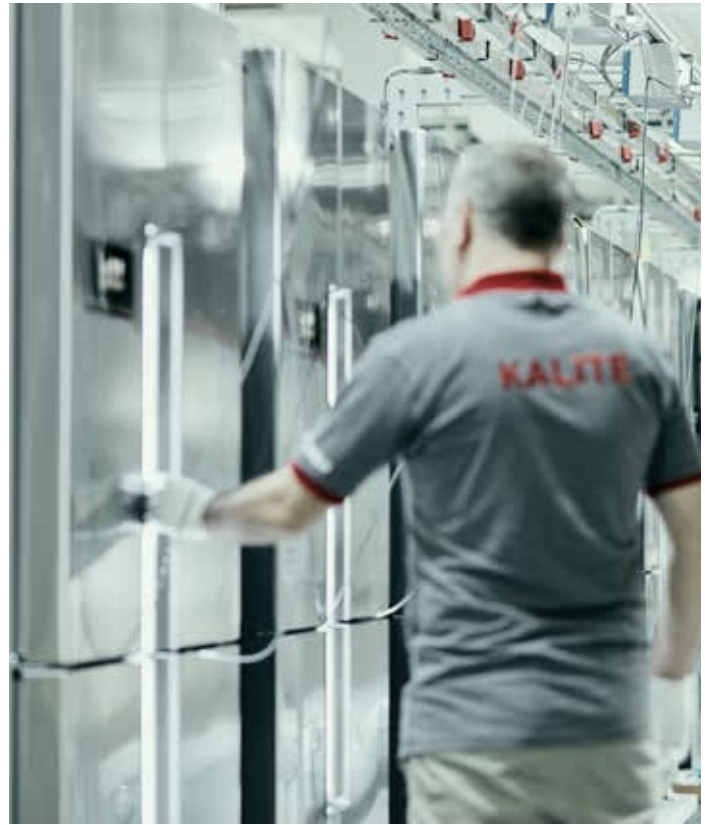
In terms of product quality, we perform quality control for products according to internationally-accepted control criteria by using the necessary testing equipment in the plant. Products developed during the design phase are transferred to mass production only after receiving approval from safety, electromagnetics compatibility, durability-reliability and quality assurance (safety and performance) tests. We inspect mass production by performing electrical safety tests of products on 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 use of 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 a 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), have battery testing reports issued by accredited institutions and hold a 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 17,622 person x hours of quality and product safety training to employees.

Product Safety Tests

All product groups manufactured by Vestel or sold through outsourcing can be tested at Vestel's Product Safety Laboratory. Through laboratory studies here, 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 the 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 from various product groups such as TVs, satellite receivers, household appliances, 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. Additionally, suppliers are required to receive a Safety Approval Certificate from institutions that are open to international traceability (UL, VDE, etc.) for safety components. Detailed information about all our laboratories is available [here](#) .

CUSTOMER EXPERIENCE



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. Awards 2021, which recognizes brands with the highest customer satisfaction. 🏆

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 more than 1.1 million individual customers in Turkey and more than 1,500 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 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 (NPS) at 82.5. 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 52% year-on-year. Our goal is to resolve all complaints within seven days.

Our Vestel customer satisfaction policy is available [here](#) 🌐.

International Sales Channels, Dealer and Distributor Network

Vestel has an extensive dealer and distributor network in Turkey, including 1,336 Vestel and Regal dealers and 12 Finlux distributors. Across Europe, Vestel sells six global brands in electronics, nine brands in household appliances, and more than 500 ODM brands in total with over more than 900 distribution channels through subsidiaries, dealers or chain stores. Outside Europe, Vestel has 32 dealers selling electronics and household appliances under the Vestel, Regal and Finlux brands, and 167 sales channels for ODM.

Under the local management budget intended to accelerate the retail sales of dealers, support is offered to dealers in three areas: store focal products, store turnover targets 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 employees at dealers on effective communication, sales techniques and smart products under the Development Program for Dealer Sales Representatives and 88 dealers and distributors received training for 1,195 hours in total. Aside from this, 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.

Customer satisfaction is measured among a group of customers who receive repair and installation services from Vestel and is reported quarterly.

	2019	2020	2021
Customer satisfaction	85	85	88
Customer loyalty	86	86	90
Number of customers responding to the satisfaction and loyalty survey	2,246	2,167	3,174
Net promoter score (NPS) for after-sales services	82.05	80.18	82.50

CUSTOMER EXPERIENCE

We were awarded with 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. 🏆

Store Experience

Keeping the customer experience at a high level 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, we can effectively identify consumer preferences and habits, and shape campaigns depending on the results of these tests.

Next Generation Retailing Approach: Vestel Ekspres

In 2020, we launched the small-footprint Vestel Ekspres store concept offering a digital display feature through which we can offer practices such as shopping experience and fast delivery to customers, 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 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. We aim to develop special digital applications suitable for next generation retailing in Ekspres stores and make them available to consumers. As of the end of 2021, there are 72 Vestel Ekspres stores.

A Brand New Store Concept: Cafe Vesto

We brought the Cafe Vesto concept to life by combining the cafe and store concepts to improve the store experience of customers. In this context, we designed Vestel stores in Beşiktaş, Zorlu Center and Bahçeşehir in İstanbul, Elvankent in Ankara, and Karşıyaka and Alsancak in İzmir 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".

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 LED Lighting, 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.

Ethical Marketing and Advertising Practices

In our marketing communication activities, we provide accurate, transparent and balanced information about all our products and services, do not publish misleading and deceptive advertisements, and comply with the relevant rules and laws. We reject exaggerated claims about the social and environmental impacts of our business. We do not use any communication that will harm children. We act in accordance with competition law, and we abstain from disinforming customers on rivals' or competitors' work/product; and do not make statements that will damage their reputations. Detailed information on this subject is available in our **Ethical Principles** 🌐.



E-commerce

In the wake of the COVID-19 pandemic, changes in consumer behaviors and the acceleration of digital transformation 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, we aim to improve the customer experience by renewing our e-commerce platform. We are progressing in line with the target of increasing our online turnover rate in Turkey to 25% by 2030.

We grant the title “**Vestel Authorized Online Dealer**” to dealers fulfilling the criteria we have set. Thus, we maintain Vestel standards 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 the delivery and installation of orders placed through online channels within **24 hours by referring** consumers to the closest and most appropriate store thanks to our Vestel smart order algorithm and our wide network of dealers and service providers. Called “Delivery in 24 Hours”, this practice enables us to deliver products to consumers in a fast and safe way.

By commissioning **VMH Logistics**, we aim to deliver spare parts and products that our authorized service providers demand for serving our customers within 24 hours at the latest through fast delivery. We aim to reach 80% of Turkey by the end of 2022 and expand our 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 malfunction notifications or installation requests and benefit from services such as additional warranty or spare parts without the need for a call center representative. In 2021, we defined the **TV Software Download** service as a new feature for the Çözümüvar portal⁴. Under the TV software download section, our customers can easily update their TV software without the need for a technician and smoothly use their devices. In 2021, 4,600 remote TV software downloads were completed, thus preventing 59 tonnes of carbon emissions by preventing 20,240 km of authorized service provider movement. As of 2021, we started selling spare parts directly to the end consumer. Thus, our customers can easily repair their products themselves and extend the life of their products. Moreover, carbon footprint is reduced as the vehicles of authorized service providers are not used.

You can access other digitalization projects in customer experience under the Digital Transformation (Page 65) section.

VESTEL VENTURES

Vestel Ventures Ar-Ge AŞ (Vestel Ventures) is an investment company founded by Vestel Elektronik in 2015 to support new ventures and add new areas of business to Zorlu Holding. In addition to investing in 25 startups, Vestel Ventures has established various programs and organizations to develop the entrepreneurial ecosystem, developed various programs within Zorlu Holding to render innovation a way of doing business, and offered training to countless employees on this subject.



OTHER COMPANIES AFFILIATED TO VESTEL


Believing that startups liberate life, increase social impact and efficiency, and make a difference with innovative styles in their respective areas of operations and ways of doing business, Vestel Ventures offers entrepreneurs Vestel's know-how and facilities at all stages of productization such as product design, industrial design, multi-screen interface design, prototyping, testing, certification and production. Vestel Ventures supports startups with experts in various areas they need help, such as marketing, accounting, human resources, patents, and law. Various corporate firms also consult Vestel Ventures on the establishment and management of their investment arms as well as the execution of their innovation activities. Vestel Ventures also helps these external companies to develop an ecosystem through these activities.

By bringing the start-ups supported by Vestel Ventures together with Zorlu Group companies, we ensure the establishment of new business lines with the speed and agility of startups. Thus, we are stepping into new fields of activity. The experience gained in various sectors facilitates the expansion of our experience pool, the improvement of competencies and transition to new areas.

Vestel Ventures also plays an intermediary role in bringing entrepreneurs together with companies under Zorlu Holding, making them the customers of startups and collaborating with them. The outputs achieved as a result of these collaborations contribute to Vestel's intellectual property rights and lay the groundwork for ideas that will improve the patent pool.

Apart from the ventures in which it invests, Vestel Ventures also organizes many different support programs such as the Z-port Program for other domestic and foreign startups with strong innovative features in the ecosystem, mentoring entrepreneurs and facilitating meetings with Zorlu Holding companies. The creative and entrepreneurial human capital of these ventures, developed thanks to the leverage of Vestel, finds the opportunity to work together with Vestel employees in this process, and cultural interaction develops between entrepreneurs and the employees of Zorlu Group thanks to this synergy.

As a strategic partner, Vestel Ventures offers Vestel's R&D and design power, production, marketing, distribution, sales channels, legal, human resources, business network resources and management experience to entrepreneurs. In addition, Vestel's experience in government-supported grant funds in Turkey and its network of venture capital funds in Europe and the United States help entrepreneurs access these funds. Entrepreneurs are guided on domestic and international intellectual property rights and support is offered for research and application. Supporting successful startups to go beyond the borders of Turkey, Vestel also offers know-how for problems faced by entrepreneurs through its own resources as well as the best academics in their respective fields, industrial experts and international consultants from all over the world.

Detailed information about Vestel Ventures and the projects they support is available [here](#) .



META NİKEL KOBALT MADENCİLİK

Established as Turkey's first nickel-cobalt mining enterprise in the Gördes district of Manisa, Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ (META) is a modern next-generation mining company which processes extracted ores and operates in a closed circuit system as the pioneer of nickel mining in Turkey. Zorlu Group acquired all shares of META in 2016. 50% of META shares were acquired by Vestel Elektronik from Zorlu Group in 2018. META is consolidated using the equity method in Vestel Elektronik's consolidated financial statements.

META continues its mineral exploration, operation, export, R&D and investment activities. In addition to the nickel-cobalt mining operation in Manisa-Gördes, the company also has nickel reserves in Eskişehir and Uşak. META is also carrying out geological surveys in Uşak and nickel and cobalt mineral exploration surveys across various regions of Turkey.

In addition to the stainless steel industry, nickel is also used to manufacture corrosion-resistant alloys, armor plating, and in the defense industry. The batteries used in electric vehicles and energy storage systems contain nickel and cobalt. Studies intended to extend battery life suggest that this can be extended in parallel with increasing the rate of nickel in the battery composition. In the near future, the demand for nickel is expected to increase rapidly due to this increased use of nickel in battery and energy storage systems.

In 2021, META received ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System certificates in line with the targets previously set.



Making use of R&D and innovation activities, META aims to transform concentrated nickel and cobalt into various forms of metal and increase added value, establish combined facilities that can produce their own inputs through new utilities facilities and maximize energy efficiency by recovering inert thermal energy as well as contribute to the reduction of Turkey's foreign dependence and, accordingly, current account deficit in the medium term.

The following activities are planned under prospective investments and R&D projects:

- Production of high purity nickel and cobalt compounds (metal/sulphate) used as the main raw materials (metal/sulphate) in lithium ion batteries from intermediate product (MHP - Mixed Hydroxide Precipitate),
- Production of domestic cathode materials for Li-ion batteries from intermediate product (MHP),
- Production of metallic nickel and cobalt from intermediate product (MHP) and pilot plant establishment activities,
- Activities for mineral enrichment through magnetic separation and investment activities,
- Establishment of a sulfuric acid production facility with a capacity of 550,000 tonnes/year in order to reduce the cost of sulfuric acid and to foster environmental sustainability, to test various methods in ore enrichment and gold recovery activities.

Production of by-products such as scandium, magnesium, manganese and iron. Assembly works for a magnetic separation project were launched in 2020. Trials and testing work is expected to start in 2022 after the assembly is complete.

Detailed information about META is available [here](#) .

VESTEL SAVUNMA

Vestel Savunma Sanayi AŞ (Vestel Savunma) offers a wide range of products and services, from design and development to production, in the fields of Unmanned Aerial Vehicles, System Integration and Hydrogen and Fuel Cell Technologies. In line with the increasing local and global demands for advanced technologies and services, Vestel Savunma continues its R&D investments and product development efforts at an accelerated pace.

Completely developed by Turkish engineers from their structural and aerodynamic design to the design of the avionics including the auto-pilot system, central control computer and ground control station, from the development of the entire software to the production of the system, UAVs (Unmanned Aerial Vehicles) contribute to the development of the Turkish defense and aerospace industry. Studies are also conducted on fuel cells at Vestel Savunma R&D Center. Vestel Savunma is consolidated using the equity method in Vestel Elektronik's consolidated financial statements. Since the company has a net liability position, it is carried at zero value on the consolidated balance sheet.

Detailed information about Vestel Savunma is available [here](#) .

AYESAŞ

As one of the leading system suppliers of the Turkish industry, Aydın Yazılım Elektronik ve Sanayi AŞ (AYESAŞ) develops advanced solutions for the production and supply of command-control systems, avionics systems as well as electronic and electro-mechanical systems in the defense and aerospace industry. The company offers a wide range of products and services, from design and development to manufacturing, systems engineering and integration and safety-critical embedded software development. AYESAŞ develops next generation Command Control and Platform Control Consoles and Cabinets, Helicopter Obstacle Detection Systems as well as Digital Moving Map and Mission Planning Systems for aerial platforms. AYESAŞ is consolidated using the equity method in Vestel Elektronik's consolidated financial statements. Since the company has a net liability position, it is carried at zero value on the consolidated balance sheet.

Detailed information about AYESAŞ is available [here](#) .

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 Elektronik Sanayi ve Ticaret AŞ
Trade Registry Information:	Istanbul Trade Registry Office, No: 193621
Registered Capital Ceiling:	TL 2,000,000,000
Paid-in/Issued Capital:	TL 335,456,275
Contact Information for the Head Office and Branches:	Head Office: Levent 199 Büyükdere Cad. No: 199 34394 Şişli - ISTANBUL / TURKEY Phone: +90 (212) 456 22 00
	Branch 1: Manisa Branch Organized Industrial Zone, 45030, MANISA / TURKEY Phone: +90 (236) 233 01 31
	Branch 2: Muradiye Mahallesi, Celal Bayar Üniversitesi Küme Evleri No: 22 Yunusemre - MANISA / TURKEY Phone: +90 (236) 233 01 31
Company Website:	www.vestel.com.tr
Investor Relations Website:	www.vestelinvestorrelations.com

Shareholding Structure and Capital Distribution

As of 31.12.2021, the Company's paid-in capital is TL 335,456,275 and the shareholding structure is as follows:

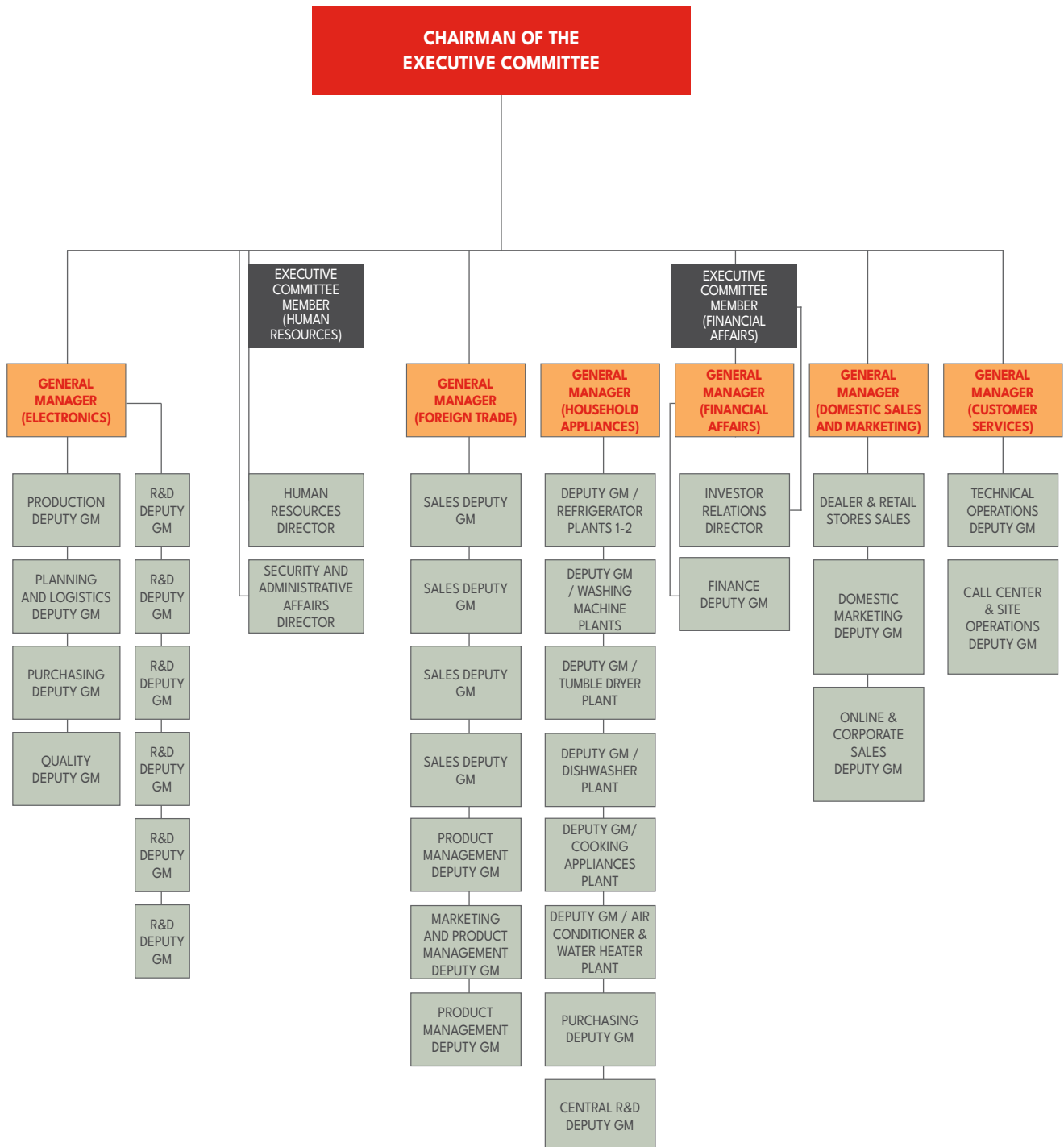
Shareholders	Nominal Value of Shares (TL)	Share in Capital (%)
Zorlu Holding AŞ	213,696,518	63.70
Other (Free Float)	121,759,757	36.30
Total	335,456,275	100.0

Zorlu Holding AŞ's stake in the Company fell from 66.51% to 63.70% due to share sale transactions executed on Borsa Istanbul in 2021.

Privileged Shares and Voting Rights of Shares

There are no privileged shares in the Company.

ORGANIZATIONAL CHART OF VESTEL ELEKTRONİK



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 Beyaz Eşya Sanayi ve Ticaret AŞ, Zorlu Enerji Enerji Üretim AŞ
Bekir Ağirdir	Vice Chairman	June 30, 2020	June 30, 2023	Vice Chairman at Zorlu Enerji Elektrik Üretim AŞ and Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ	General Manager and Board Member at KONDA Araştırma ve Danışmanlık Limited Şirketi	Independent	Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Zorlu Enerji Enerji Üretim AŞ
Selen Zorlu Melik	Board Member	June 30, 2020	June 30, 2023	Board Member at Zorlu Group Companies	-	Non-executive	Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Zorlu Enerji Enerji Üretim AŞ
Mehmet Emre Zorlu	Board Member	June 30, 2020	June 30, 2023	Board Member at Zorlu Group Companies	-	Non-executive	Zorlu Enerji Enerji Üretim AŞ
Olgun Zorlu	Board Member	June 30, 2020	June 30, 2023	Board Member at Zorlu Group Companies	-	Non-executive	Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Zorlu Enerji Enerji Üretim AŞ
Elmas Melih Araz	Board Member	June 30, 2020	June 30, 2023	Vice Chairman at Vestel Beyaz Eşya 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 Beyaz Eşya Sanayi ve Ticaret AŞ, Ata Gayrimenkul Yatırım Ortaklığı
Ayşegül İldeniz	Board Member	June 30, 2020	June 30, 2023	Board Member at Vestel Beyaz Eşya 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 Beyaz Eşya Sanayi ve Ticaret AŞ Zorlu Enerji, Enerji Üretim AŞ, Doğan Şirketler Grubu Holding AŞ

Changes in the Board of Directors during the year

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

The 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 85%.

Senior Management

Name Surname	Job Title
Enis Turan Erdoğan	Chairman of the Executive Committee
Bekir Cem Köksal	Executive Committee Member
Necmi Kavuştur	Executive Committee Member
Alp Dayı	Chief Financial Officer of the Vestel Group of Companies
İsmail Murat Sarpel	General Manager of Vestel Elektronik Sanayi ve Ticaret AŞ
Erdal Haspolat	General Manager of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ
Seda Kaya	General Manager responsible for International Sales at Vestel Ticaret AŞ
Ergün Güler	General Manager responsible for Domestic Sales and Marketing at Vestel Ticaret AŞ
Ali Tarkan Tekcan	General Manager responsible for Customer Services at Vestel Ticaret AŞ

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 Elektronik has 19,119 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, Collective Bargaining Practices and 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 "The Company's Share Capital and Kind of Share Certificates" has been amended due to the increase in the Company's registered capital ceiling from TL 1 billion to TL 2 billion and the extension in the validity period of the registered capital ceiling.

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

COMPENSATION AND MONETARY BENEFITS PROVIDED TO BOARD MEMBERS AND SENIOR EXECUTIVES

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 members 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 66,081 ths. in total.

ACTIVITIES OF THE COMPANY AND IMPORTANT DEVELOPMENTS REGARDING THE ACTIVITIES

Capacity and Production

Unit	Plant Enclosed Area (m ²)
TV	306,713
Household Appliances	405,864
Digital Products	50,680
TOTAL	763,257

Production

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

Sales

Vestel Elektronik recorded TL 34,543,900 ths. of gross revenues in 2021, of which TL 25,942,328 ths. comprised of export revenues. 65% of total revenues were generated from sales to European countries, 25% from domestic market and 11% from sales to other countries.

In 2021, domestic revenues increased by 38% while export revenues grew by 53% yoy.

Net revenues grew by 51% in Turkish Lira terms while unit sales increased by 10% in 2021.

Investments and Investment Incentives

The Company's total capital expenditures amounted to USD 196 million in 2021. The investment expenditures consisted of machinery and equipment investments (38%), research and development activities (38%), mold investments (8%) and other investments (16%).

Information on Direct and Indirect Subsidiaries and Ownership Interests

As of 31 December 2021, the Company's major subsidiaries are as follows:

Consolidated Subsidiaries	31.12.2021		31.12.2020	
	Voting Rights (%)	Effective Ownership (%)	Voting Rights (%)	Effective Ownership (%)
Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ⁽¹⁾	82.53	82.53	89.90	89.90
Vestel Komünikasyon Sanayi ve Ticaret AŞ	100	100	100	100
Vestel Ticaret AŞ	100	100	100	100
Vestel CIS Ltd.	100	100	100	100
Vestel Iberia SL	100	100	100	100
Vestel France SA	100	100	100	100
Vestel Holland BV ⁽²⁾	100	100	100	100
Vestel Germany GmbH	100	100	100	100
Cabot Communications Ltd.	90.80	90.80	90.80	90.80
Vestel Benelux B.V. ⁽³⁾	-	-	100	100
Vestel UK Ltd. ⁽⁴⁾	100	100	100	100
Vestek Elektronik Araştırma Geliştirme AŞ	100	100	100	100
Vestel Trade Ltd.	100	100	100	100
Intertechnika LLC	99.90	99.90	99.90	99.90
Vestel Central Asia LLP	100	100	100	100
Vestel Poland sp. z.o.o. ⁽⁵⁾	100	100	100	100
Vestel Polska Technology Center sp. Z.o.o ⁽⁶⁾	-	-	100	100
Vestel Electronics Gulf DMC ⁽⁷⁾	100	100	100	100
Vestel Electronics Shanghai Trading Co. Ltd. ⁽⁸⁾	100	100	100	100
Vestel Electronica SRL ⁽⁹⁾	100	100	100	100

⁽¹⁾ Vestel Elektronik Sanayi ve Ticaret AŞ sold 5,000,000 Vestel Beyaz Eşya Sanayi ve Ticaret AŞ shares on 19 February 2021, 4,000,000 shares on 12 April 2021 and 5,000,000 shares on 2 September 2021 via block sales on Borsa İstanbul. Following the transactions, Vestel Elektronik's share in Vestel Beyaz Eşya declined to 82.53%.

⁽²⁾ Vestel Benelux and Vestel Holland BV are merged under Vestel Holland BV as of 31 December 2020.

⁽³⁾ Vestel UK Limited, which is based in the UK and wholly-owned by Vestel Ticaret AŞ (Vestel Ticaret), transferred all its assets, liabilities and operations to Vestel Holland B.V. UK Branch Office, which is established in the UK by Vestel Holland B.V., another wholly-owned subsidiary of Vestel Ticaret. The transfer took place as of October 1, 2021.

⁽⁴⁾ Vestel Poland sp. z.o.o. and Vestel Polska Technology Center sp. z.o.o. were merged under Vestel Poland sp. z.o.o. as of November 2, 2021.

⁽⁵⁾ Included in consolidated financial statements as of 31 December 2020.

Since Vestel Savunma and Aydın Yazılım have a net liability position, the carrying value of these investments in associates, which are accounted for by the equity method, is taken as zero in the consolidated balance sheet as of 31 December 2021 and 31 December 2020.

As of 31 December 2021, Vestel Elektronik Sanayi ve Ticaret AŞ's voting rights and effective ownership interests in Vestel Savunma Sanayi AŞ, Aydın Yazılım Elektronik ve Sanayi AŞ, Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ and Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret AŞ, which are accounted for by the equity method, were 35%, 21%, 50% and 23%, respectively (31 December 2020: 35%, 21%, 50%, 19%).

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

The total sum of donations and aids made in 2021 in line with the Company's Donation and Charity Policy amounted to TL 10,218,358.

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, Vestel Elektronik was an affiliated company of Zorlu Holding AŞ during the fiscal year 2021. Pursuant to the Article 199 of the Turkish Commercial Code, Vestel Elektronik'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 the Article 376 of the Turkish Commercial Code.

Information on Capital Market Instruments Issued

Vestel Elektronik issued the following debt instruments 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
TRSVSTL72227	09.07.2020	728	07.07.2022	50,380,000	Floating Rate	Benchmark Bond + 2.75%	Quarterly	At maturity
TRSVSTL32213	19.02.2021	383	09.03.2022	400,000,000	Floating Rate	TLREF* + 2.50%	Quarterly	At maturity
TRSVSTL82218	30.07.2021	367	01.08.2022	165,000,000	Floating Rate	TLREF* + 2.50%	Quarterly	At maturity

*TLREF: Turkish Lira Overnight Reference Rate

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

Corporate Credit Rating

JCR Eurasia Rating	BB/Stable
--------------------	-----------

On 30 November 2021, JCR Eurasia Rating evaluated “Vestel Elektronik Sanayi ve Ticaret AŞ” in investment grade category in its periodic annual review and affirmed the Company’s ratings on Long-Term and Short-Term National Scales as ‘A (Trk)’ and ‘A-1 (Trk)’, respectively along with ‘Stable’ outlook. On the other hand, the Company’s Long Term International Foreign Currency and Local Currency Ratings have been determined as ‘BB/Stable’, in line with the sovereign ratings of Turkey.

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 Elektronik 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 30.07.2021, 30.09.2021 and 30.11.2021, respectively and all installments have been paid.

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 transactions with related parties are provided in the footnotes of the financial statements dated December 31, 2021.

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 Elektronik Sanayi ve Ticaret AŞ ("Vestel Elektronik" 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 Elektronik'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.

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

RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

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 Elektronik 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:

- Establishing a multi-faceted, consistent and continuous communication with all stakeholders,
- Protecting the brand value and credibility; ensuring integrated management of all communication processes in accordance with the strategic business targets and in this regard representing Zorlu Holding Corporate Communications Department at the General Directorate level.

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.

- 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

Corporate governance activities were initiated at Vestel Elektronik Sanayi ve Ticaret AŞ (“Company” or “Vestel Elektronik”), which takes utmost care to comply with the “Corporate Governance Principles” of the Capital Markets Board (“CMB”) in late 2004. In order to have an independent evaluation of the Company’s corporate governance practices and share the results with the public, the Company has been obtaining corporate governance rating services for the past fourteen years. Vestel Elektronik’s Corporate Governance Rating has been improving steadily since its inclusion in the BIST Corporate Governance Index in 2007. Based on the corporate governance rating study conducted by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri AŞ (SAHA Corporate Governance and Credit Rating Services Inc.), which has been certified by the Capital Markets Board to perform corporate governance rating assessment in accordance with the Corporate Governance Principles in Turkey, Vestel Elektronik’s corporate governance rating was revised up to 9.63 (96.34%) out of a scale of 10 as of 19 February 2021. This high score yet again confirms the importance, which Vestel Elektronik attaches to corporate governance and its commitment to achieve further progress in this area.

The breakdown of the Company’s Corporate Governance Rating by sub-categories is as follows:

Sub-categories	Weight	Rating in 2021(%)
Shareholders	0.25	94.93
Public Disclosure and Transparency	0.25	98.44
Stakeholders	0.15	99.48
Board of Directors	0.35	94.48
Total	1.00	96.34

The Company’s Corporate Governance Rating Reports can be accessed on the Company’s website at www.vestelinvestorrelations.com.

Vestel Elektronik 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 Elektronik 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 21, the compliance with the Corporate Governance Principles that are appended to the Communiqué on Corporate Governance 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 the 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

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 with the participation of new managers.
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 their elected representatives at the factories of any decisions that may affect them. There is no labor union at Vestel Elektronik.
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.						

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 and union at Vestel Elektronik.
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					
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. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
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, two female members, one of whom is an independent, serve on the Board of Directors, with the ratio of female members standing at 29%, 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 to the Board 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 70 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.
---	--

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/en/Bildirim/919337
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/en/Bildirim/928190
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/216237
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	63.7%

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.	75.8691%	0.0094%	75.8598%	Corporate Governance / General Meetings of Shareholders	Corporate Governance / General Meetings of Shareholders	None.	None.	https://www.kap.org.tr/en/Bildirim/928646

2. DISCLOSURE AND TRANSPARENCY**3. STAKEHOLDERS**

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	9
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; etik@vestel.com.tr 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, Meal Satisfaction and Menu Selection Committee and committees established within the scope of TPM (Total Productive Maintenance) activities

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 objectively 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	-
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: Bekir Ağırdir. All members of the Board of Directors have been given first degree signature authority. With the Board resolution dated 30.06.2020 and numbered 2020/32, 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	3
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/en/Bildirim/944014
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: 2 Ratio: 29%

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	14.09.1995	-	-	-	-
Bekir Ağırdir	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/en/Bildirim/919337	Considered	No	Yes
Selen Zorlu Melik	Non-executive	Not independent director	19.06.2012	-	-	-	-
Mehmet Emre Zorlu	Non-executive	Not independent director	27.05.2009	-	-	-	-
Olgun Zorlu	Non-executive	Not independent director	27.05.2009	-	-	-	-
Ayşegül İldeniz	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/en/Bildirim/919337	Considered	No	-
Elmas Melih Araz	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/en/Bildirim/919337	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	84.5%
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 the Article 16 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/220052 https://www.kap.org.tr/tr/Bildirim/267337 https://www.kap.org.tr/tr/Bildirim/348328 https://www.kap.org.tr/tr/Bildirim/348330 https://www.kap.org.tr/tr/Bildirim/348331

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 Ağırdir	No	Board member
Corporate Governance Committee	-	Bekir Ağırdir	Yes	Board member
Corporate Governance Committee	-	Mehmet Emre 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	-	Selen Zorlu Melik	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 the Message from the CEO, Financial Performance and Evaluation of Product Groups 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 Elektronik 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 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 with the absolute majority of the total number of members and resolves with the majority of those present. Regulations imposed by the Corporate Governance Principles of the Capital Markets Board also apply.

Vestel Elektronik's Board of Directors consists of a total of 7 members, three (43%) 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.

2 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 29%.

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 10.3 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 Director. The Chairman of the Committee is Mr. Bekir Ağırdir, 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 Ağırdir	Chairman of the Committee	Independent Board Member
Mehmet Emre 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 line with the detailed and written working principles, are presented below:
 - Making proposals to the Board of Directors to improve corporate governance practices within the scope of compliance with the Capital Markets Board's Communiqué on Corporate Governance no. II-17.1 and engaging in and overseeing activities required for compliance with the legislation within the Company,
 - Overseeing the activities of the Investor Relations Department,
 - Carrying out the activities related with the Corporate Governance Rating,
 - 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 Ms. Selen Zorlu Melik.
- Early Detection of Risk Committee submits a report to the Board of Directors every two months.

BOARD COMMITTEES

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
Selen Zorlu Melik	Member of the Committee	Non-executive Board Member

- The Early Detection of Risk Committee convenes at least 3 times a year, but as often as necessary for the effectiveness of its activities and as explained in its working principles. The Committee held six meetings in 2021 and presented 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 the risks were generally concentrated 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. Mehmet Emre 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 Ms. Selen Zorlu Melik, 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 (www.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 that 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 Elektronik 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.

Unless otherwise stated, the information and data in this report cover data for Vestel Elektronik Sanayi ve Ticaret AŞ and its subsidiaries for the period of January 1- December 31, 2021.

Environmental performance indicators cover the production facilities and internal warehouses of Vestel Elektronik, Vestel Komünikasyon and Vestel Beyaz Eşya. Vestel Elektronik's six plants (electronic card, EPS, plastic, sub-assembly, High-End, and digital plant) are located in the Manisa Organized Industrial Zone. Vestel Komünikasyon's plant, which produces electric vehicle chargers, set top boxes, LED lighting and batteries, is located in the Aegean Free Zone. Vestel Beyaz Eşya has seven production facilities in Vestel City (Refrigerator I-II Plants, Washing Machine Plant, Tumble Dryer Plant, Dishwasher Plant, Cooking Appliances Plant, Air-Conditioner Plant and Water Heater Plant).

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 158).

As Vestel Elektronik, 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 159) table in Appendix 8.

In its 2022 integrated annual report, Vestel 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 participate in multi-stakeholder initiatives, take part in associations and initiatives, and contribute to the development of public policies. We have been playing an active role in the TUSIAD Environment and Climate Change Working Group since 2019. In addition to the main working group, we also joined the newly-established Circular Economy Subworking Group in 2020. In 2021, we took part in the subworking groups of Circular Economy and Waste Management, Climate Change and the Paris Agreement, and the EU and International R&D Support Programs.

At Vestel, we closely follow developments of the European Union (EU) Green Deal. We contribute to policy development processes by taking part in activities of the TUSIAD EU Green Deal Task Force.

Through Vestel Beyaz Eşya, we took over the TOBB DTM Environmental Commission Presidency in 2020. In this context, we actively followed harmonization efforts of the Republic of Turkey Ministry of Environment, Urbanization and Climate Change on environmental legislation, especially the Recycling Participation Fee (GEKAP), and took part in policy-making processes. We play an active role in the working groups of various organizations, especially TURKBESD Waste Management Working Group. 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	
	Principles of Industrial Excellence	
Sectoral Organizations and Associations, NGOs, International Organizations	Membership in professional associations	Monthly
	Chairmanship of the board of directors in professional and sectoral/trade associations	
	Integrated reports	
	Research reports	
	Participation in seminars and summits	

APPENDICES

Stakeholder Group	Communication Channels	Frequency of Communication
Suppliers	Supplier Code of Conduct	Weekly
	Trainings	
	Audits and counts	
	Periodic review meetings	
	Announcements	
	Integrated reports	
Investors, Shareholders and Analysts	Disclosures on the Public Disclosure Platform	Weekly
	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	
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	
	Website	
	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	
	Website	
	Customer services	
	Integrated reports	
Local Community	Regular visits	Quarterly
	Integrated reports	
	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
- APPLiA
- United Brands Association of Turkey
- Electrical and Electronics Recycling and Waste Management Association (ELDAY)
- Association for the Protection of Intellectual Property
- Air-Conditioning and Refrigeration Manufacturers' Association (İSKİD)
- İstanbul Chamber of Industry (İSO)
- İstanbul Chamber of Commerce (İTO)
- İzmir Chamber of Commerce (İZTO)
- Manisa Chamber of Industry and Commerce
- Muradiye Organized Industrial Zone (MUOSB)
- White Goods Manufacturers' Association of Turkey (TURKBESD)
- Quality Association of Turkey (KalDer)
- Turkish Investor Relations Society (TÜYİD)
- Authorized Economic Operator Association
- Foreign Trade Association of Turkey (TURKTRADE)
- Electronic Device Manufacturers Association (ECID)
- CDP Worldwide
- CHAdeMO Association
- Charging Interface Initiative
- DVD Copy Control Association
- ECOVADIS
- HDR10+
- Interaction Design Foundation
- MOSB Industrialists Association
- Open Charge Alliance
- People Management Association of Turkey (PERYON)
- S&P Global
- SAFE EV
- Capitals Market
- Society for Information Display
- Telecommunication Satellite and Broadcasting Businesspeople Association (TUYAD)
- Informatics Industry Association (TÜBİSAD)
- UHD Alliance
- University-Industry Cooperation
- WIFI Alliance
- World Design Organization

Contributions	2019	2020	2021
Amount spent for membership fees to trade associations (TL)	962,297	1,012,514	1,623,104

APPENDICES

APPENDIX 4: INTEGRATED MANAGEMENT SYSTEMS AND ENVIRONMENTAL

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. In addition, Vestel Elektronik holds an IATF 16949 Automotive Quality Management System Certificate.

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

Certification	Coverage of group-wide production sites ⁷ (%)
ISO 9001	100
ISO 14001	100
ISO 14046	100
ISO 14064	100
ISO 27001	29
ISO 45001	100
ISO 50001	93
IATF 16949	7

⁷ Vestel Group of Companies' plants and internal warehouses are included in the calculation for the coverage ratio of production sites holding the certificate.

Along with the Environment Working Group at Vestel Elektronik and Vestel Komünikasyon, the Management Systems team affiliated to the Quality Group Department is responsible for environmental management as the Vestel Elektronik Environmental Officer and Environmental Management Representative. Vestel Beyaz Eşya's Environmental Coordination Group ensures that environmental issues are handled within a broader structure along with the Environment Working Group. As the environmental manager, the Management Systems and Customer Relations Manager also acts 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 the 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. We calculate and report our carbon footprint in the electronics and household appliances plants according to the ISO 14064 standard and our water footprint according to the ISO 14046 standard and have these verified by independent third parties.

As of 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 2,480 people online.

In 2021, we spent a total of TL 10.8 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.

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) and the Aegean Free Zone (ESBAŞ), where Vestel's production facilities are located. All production facilities were assessed in accordance with the Environmental Impact Assessment Regulation (EIA) during the establishment phase and in cases of any process change and/or capacity increase. In addition, negative environmental impacts that could have arisen from construction and operation activities were assessed. 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 areas.

Since our production facilities are established in the Organized Industrial Zone and Free Zone, our operating areas are industrial areas, and there are only industrial areas within a 2 km radius of our operating areas, thus no flora-fauna studies are carried out in these regions. As Vestel, 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. According to the air emission measurements carried out in 2020, all parameters (CO, NO_x, SO_x, VOC, Dust/PM) are below the limit values.

Annual total air emissions ⁸ (tonnes)	2020
NO _x	36.5
SO _x	3.4
Persistent organic pollutants (POP)	-
Volatile organic compounds (VOC)	62.5
Dust (PM)	8.1

⁸ Under legal compliance, these values are measured every two years and the next measurement will be in 2022. Data covers 93% of production sites (Vestel Komünikasyon plant is not included). There is no perfluorocarbon emissions.

APPENDICES

Appendix 5: AWARDS

Digitalization-Technology Awards

The Leading Company Manufacturing the Best Electronic Products Award

ESAS EXPO 2021, the R&D Innovation Industry and Technology Trade Show organized by the Aegean Development Association with the support of the Turkish Ministry of Industry and Technology, was held in İzmir. As a result of research conducted with the participation of the business world, academics and university students as part of the trade show, Vestel Elektronik received the “The Leading Company Manufacturing the Best Electronic Products” Award.

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

The Evin Akıllı (smart home) Cloud Architecture developed by Vestel, and 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

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

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 Asır Newspaper.

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.

Mobility Technology Service Award

The Charging Network Management Center “ŞAYM” Project, jointly developed by Vestel Elektronik, Vestel Savunma and AYESAŞ, received an award from the Ministry of Transport and Infrastructure of the Republic of Turkey.

Award to Vestel Savunma from the Aegean Development Association

Vestel Savunma, one of the leading manufacturers of the Turkish defense industry, was selected as the company generating the most value in the sector and won an award at ESAS EXPO 2021 organized by the Aegean Development Association.

R&D Award

Best R&D Center

Vestel Elektronik was rewarded with the Top Prize for the second time among large-scale companies employing 250+ R&D employees at the Technology Development Zones and R&D Centers Awards presented by the Ministry of Industry and Technology of the Republic of Turkey.

Design Awards

International Design Awards

Vestel won a total of 17 awards at the International Design Awards, an international design competition based in the USA.

Good Design Awards

Vestel was recognized with 11 awards at the Good Design Awards, the oldest and most prestigious design awards of the world with a history of 70 years, which reinforced its place as one of the most highly-decorated brands in these awards.

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.

Vestel Elektronik won its first award in the User Interface Design Category. IONIA, which provides access to battery features and maintenance services for electric bikes, and Vestel Evin Akıllı (smart home) mobile applications, which enable remote management of home appliances, both received awards.

Plus X Award

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

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.

Red Dot Design Award

Standing out with its design, the T80 washing machine equipped with Hydroboost technology and remote control capability through wireless communication was rewarded at the Red Dot Design Award 2021.

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 around 600,000 readers.

APPENDICES

Most Innovative Project and Best Design Project Awards

Vestel Beyaz Eşya won 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).

Export Award

Vestel Elektronik maintained its title as the export champion in the "Electrical-Electronic and Service" industry for the 23rd consecutive year in the "2020 Turkey's Top Exporters Ranking by the Turkish Exporters Assembly", which was announced in 2021.

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 Çözümvar portal.

Communication and Marketing 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 is 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 and was selected as the Second Most Successful Project throughout the Country.

APPENDICES

APPENDIX 6: PERFORMANCE INDICATORS

SOCIAL PERFORMANCE INDICATORS

The following data is the consolidated data of Vestel Group of Companies and covers 100% of business operations unless indicated otherwise.

Employees by Gender	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of Employees	5,612	11,170	6,389	12,521	6,583	12,536
Total	16,782		18,910		19,119	

Employees by Category	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
White-collar	1,114	2,395	1,212	2,615	1,373	2,743
Blue-collar	4,498	8,775	5,177	9,906	5,210	9,793

Employees by Working Duration	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Employed for 0-5 Years	3,597	6,259	4,099	7,075	3,979	6,446
Employed for 5-10 Years	1,561	2,686	1,768	2,962	1,883	3,022
Employed for 10 Years or More	454	2,225	522	2,484	721	3,068

Employees by Gender and Age	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
>50 years old	68	366	96	416	117	459
30-50 years old	3,099	6,409	3,439	7,160	3,594	7,369
<30 years old	2,445	4,395	2,854	4,945	2,872	4,708

Managers by Gender and Age	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
>50 years old	8	55	9	60	12	68
30-50 years old	136	503	150	545	177	579
<30 years old	11	20	16	17	11	21
Total	733		797		868	

Managers by Categories	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of Employees in Junior Management Positions	88	251	98	257	118	276
Number of Employees in Middle Management Positions	57	262	68	296	73	324
Number of Employees in Top Management Positions	10	65	9	69	9	68
Number of Managerial Employees in Revenue-Generating Functions	45	158	48	172	55	175
Share of Women in Junior Management Positions	26%		28%		30%	
Share of Women in Middle Management Positions	18%		19%		18%	
Share of Women in Top Management Positions	13%		12%		12%	
Share of Women in Management Positions in Revenue-Generating Functions	22%		22%		24%	
	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of Employees in Science, Technology, Engineering and Math (STEM)-related Positions	399	1,303	452	1,383	523	1,459
Share of Women in STEM-related Positions	23%		25%		26%	
New Employee Hires by Gender and Age ⁹	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
>50 years old	1	38	2	26	13	51
30-50 years old	348	873	745	1,253	580	1,106
<30 years old	845	2,893	1,727	3,333	1,554	2,850
Total	4,998		7,086		6,154	
Employee Turnover Rates ⁹	2019		2020		2021	
Total Employee Turnover Rate	24%		25%		26%	
Voluntary Employee Turnover Rate	12%		14%		13%	
Open Positions Filled by Internal Candidates (Internal Hires)	16%		22%		22%	

⁹ Our international companies are not included.

APPENDICES

Parental Leave⁹	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of Employees Who Took Parental Leave	292	526	281	504	257	501
Number of Employees Who Returned from the Parental Leave	203	526	162	504	163	501

Performance Appraisal⁹	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Total Number of Employees Subjected to a Regular Performance and Career Development Evaluation	826	1,899	925	2,086	1,060	2,280

Contractor Employees by Gender⁹	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of Contractor Employees	300	714	321	667	350	574
Total	1,014		988		924	

Trainings for Contractor Employees⁹	2019		2020		2021	
Training Hours for Contractor Employees	430		2,042		3,773	

OHS Trainings⁹	2019		2020		2021	
OHS Training Hours for Employees	54,440		100,394		142,109	
OHS Training Hours for Contractor Employees	1,672		1,543		1,693	
	1,672		1,543		1,693	

⁹ Our international companies are not included.

ENVIRONMENTAL PERFORMANCE INDICATORS

The following data covers 100% of all production facilities and internal warehouses of the Vestel Group of Companies, including Vestel Elektronik (six plants), Vestel Komünikasyon (one plant) and Vestel Beyaz Eşya (seven plants).

Energy Consumption (MWh)	2019	2020	2021
Natural gas	78,292	81,055	90,753
Diesel	4,275	4,017	3,638
Electricity (non-renewable energy)	175,598	189,354	203,879
Electricity (renewable energy - solar)	0	0	76
Steam	69,638	62,594	56,733
Hot water	18,523	20,318	20,231
Total non-renewable energy	346,325	357,337	375,233
Total renewable energy	0	0	76
Total	346,325	357,337	375,309

Greenhouse Gas Emissions (tCO₂e)¹⁰	2019	2020	2021
---	-------------	-------------	-------------

¹⁰Vestel calculated its carbon footprint in accordance with the GHG Protocol standard and reported it in accordance with the requirements in the "Article 9.3 Content of the greenhouse gas report" in the TS EN ISO 14064-1 standard. The 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.

¹¹Scope 1: Direct emissions such as consumed natural gas, fuels used in processes and facilities, refrigerants

¹²Scope 2: Electricity, steam and hot water energy purchased by Vestel Elektronik; electricity and hot water energy purchased by Vestel Komünikasyon and Vestel Beyaz Eşya

¹³Scope 3: Scope 3 includes indirect greenhouse gas emissions associated with the use and end-of-life of products.

Scope 1 ¹¹	17,557	17,222	19,477
Scope 2 ¹²	115,574	116,166	122,751
Total (Scope 1 and Scope 2)	133,131	133,389	142,228
Scope 3 ¹³	15,975,957	15,975,957	12,614,646

Our direct and indirect emissions within the boundaries of the organization are verified by independent third parties according to the ISO 14064 standard.

Water Consumption (m³)	2019	2020	2021
Municipal Water Withdrawal	880,651	946,947	790,982
Groundwater Withdrawal	704,158	713,930	677,700
Total Water Withdrawal	1,584,809	1,660,877	1,468,682
Amount of Recycled Water	0	0	465
Amount of Wastewater Discharged	1,426,328	1,494,789	1,321,814
Total Net Water Consumption ¹⁴	158,481	166,088	146,868

¹⁴ Total Net Water Consumption = Total Water Withdrawal - Water Discharged

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

Our water footprint is verified by independent third parties according to the ISO 14046 standard.

Amount of Waste¹⁵ (tonnes)	2019	2020	2021
Total Hazardous Waste	1,937	1,865	2,347
Hazardous Waste Incinerated with Energy Recovery	698	687	899
Hazardous Waste Recovered	1,149	1,112	1,364
Hazardous Waste Landfilled	91	65	84
Total Non-Hazardous Waste	53,419	55,408	64,184
Non-Hazardous Waste Incinerated with Energy Recovery	2,864	3,172	3,508
Non-Hazardous Waste Recycled	50,555	52,236	60,675
Total Waste	55,356	57,273	66,531
Total Waste Recycled	51,704	53,349	62,040
Total Waste Disposed	3,652	3,924	4,491
Total Waste Landfilled	91	65	84
Total Waste Incinerated with Energy Recovery	3,561	3,859	4,407
Total Waste Incinerated without Energy Recovery	0	0	0
Recycling Rate of Waste (%)	93%	93%	93%

Raw Material Consumption¹⁶ (tonnes)	2019	2020	2021
Steel	202,927	223,236	256,265
Plastics	147,855	155,618	179,119
Glass	36,788	39,481	46,535
Paper - Cardboard	25,982	26,495	28,897
Aluminum	2,917	3,262	4,036
Paint	2,384	2,797	3,046
Wood	1,722	1,792	1,993
Copper	1,015	1,100	1,405
Other	9,663	10,247	13,658

¹⁵Waste is recycled or disposed of off-site.

¹⁶Raw materials of the ready-made components were not included in the analysis.

APPENDICES

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 does not have any personnel employed under Collective Bargaining Agreement and trade unions. All employee rights and benefits are protected and enshrined under Labor Law No. 4857. We have a total of 287 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	
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.	Global Trends, Risks and Opportunities Risks and the Evaluation of the Board of Directors
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.	Strategic Approach
A2. Implementation/Monitoring	
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.	Sustainability Management
Implementation and action plans are created in line with the short and long term goals set and disclosed to the public.	Strategic Approach
ESG Key Performance Indicators (KPIs) are set and disclosed comparatively on a yearly basis. KPIs are presented with sectoral comparisons at local and international levels if verifiable data is available.	They are shared throughout the report. Appendix 6: Performance Indicators
Innovation activities intended for improving sustainability performance with regard to business processes or products and services are disclosed.	Production and Innovation Power A Net Zero Company Accessible and Smart Products That Make Life Easier
A3. Reporting	
Sustainability performance, goals and actions are reported and disclosed at least once a year. Information on sustainability activities is disclosed within the annual report.	Under the integrated report, the approach, performance, goals and actions on material issues are shared transparently with the stakeholders.
Essential information that is important for stakeholders in terms of understanding the position, performance and development of the company are shared in a direct and concise manner. Detailed information and data can also be disclosed on the corporate website, and separate reports that directly respond to the needs of various stakeholders can be prepared.	
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.	
Information on which of the United Nations (UN) 2030 Sustainable Development Goals its activities are related to is provided.	The report states to which targets the projects launched contribute under each Sustainable Development Goal.
Statements regarding any lawsuits filed and/or concluded against the company with regard to environmental, social and corporate governance issues are issued.	Ethical Principles
A4. Verification	
Sustainability performance measures if verified by independent third parties (independent sustainability assurance providers) are disclosed and efforts are made to boost such verifications.	Environmental Performance Indicators Carbon and Water Footprint are verified by independent third parties.

APPENDICES

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 are complied with and disclosed.	
The boundaries, reporting periods, reporting date, 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 the environment and climate change, the relevant committees and their duties are disclosed.	Sustainability Management Appendix 4: Integrated Management Systems and Environmental Management
The incentives offered for the management of environmental issues, including the achievement of objectives, are disclosed.	The Journey to Net Zero
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.	Sustainability Management Appendix 4: Integrated Management Systems and Environmental Management
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, are disclosed.	Supply Chain
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.	A Net Zero Company Appendix 2: Stakeholder Relations Appendix 3: Association Memberships and Supported Initiatives
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).	A Net Zero Company Appendix 4: Integrated Management Systems and Environmental Management Environmental Performance Indicators
The details of the standards, protocols, methodologies, and base years used to collect and calculate data are disclosed.	Appendix 4: Integrated Management Systems and Environmental Management Environmental Performance Indicators

Short- and long-term goals to mitigate environmental impacts are set and disclosed. It is recommended that these goals be set based on scientific data, as suggested by the United Nations Conference of the Parties on Climate Change. If there is progress concerning the previously set goals throughout the reporting year, information is provided on the subject.	The Journey to Net Zero Environmental Performance Indicators
The strategy and actions to combat the climate crisis are disclosed.	
Programs or procedures intended for preventing or minimizing the potential adverse impacts of products and/or services are disclosed in addition to the actions towards reducing the greenhouse gas emissions of third parties.	Products and Solutions Creating Benefits Energy Efficiency
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.	A Net Zero Company
The total energy consumption data (excluding raw materials) is reported and energy consumption values are reported as Scope-1 and Scope-2. Information is provided on electricity, heat, steam and cooling generated and consumed in the reporting year.	Environmental Performance Indicators
The increases in the use of renewable energy and the transition to zero or low carbon electricity are discussed and activities disclosed.	The Journey to Net Zero
Data on the generation and use of renewable energy is disclosed.	The Journey to Net Zero Environmental Performance Indicators
Energy efficiency projects are conducted and the amount of energy consumption and emission reduction achieved thanks to these activities are disclosed.	Energy Efficiency
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.	Environmental Performance Indicators
Whether any operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax) is disclosed.	Vestel is not included in the carbon pricing system.
Information on the carbon credit accumulated or purchased during the reporting period is disclosed.	There is no carbon credit purchased.
If carbon pricing is applied in partnership with certain institutions, details are disclosed.	Carbon pricing does not apply.
All mandatory and voluntary platforms where environmental information is presented is disclosed.	A Net Zero Company Appendix 4: Integrated Management Systems and Environmental Management

APPENDICES

C. Social Principles	Description and Reference
C1. Human Rights and Employee Rights	
<p>A Corporate Human Rights and Employee Rights Policy, 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 is created. The policy in question and the roles and responsibilities associated with its implementation are disclosed.</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.) its policies.</p>	Gender Equality, Human Rights and Inclusion
<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>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>	Gender Equality, Human Rights and Inclusion Supply Chain
<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 are created and dispute resolution processes are identified. Activities carried out to ensure employee satisfaction are regularly disclosed.</p>	Employees
<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>	Occupational Health and Safety Social Performance Indicators
<p>Personal data protection and data security policies are created and disclosed.</p>	Data Security and Cybersecurity
<p>The ethical policy (including business, work ethics, compliance processes, advertising and marketing ethics, public disclosure, etc.) is created and disclosed.</p>	Ethical Principles
<p>Work on community investment, social responsibility, financial inclusion and access to financing is disclosed.</p>	Employee Volunteerism and Contribution to the Society Corporate Citizenship Working Capital and Cash Management
<p>Information meetings and training programs for employees on ESG policies and practices are organized.</p>	Sustainability Management Ethical Principles Employees Appendix 4: Integrated Management Systems and Environmental Management

C2. Stakeholders, International Standards and Initiatives	
Sustainability activities are carried out 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.).	Materiality Analysis Appendix 2: Stakeholder Relations
A customer satisfaction policy is created for the management and resolution of customer complaints and is disclosed.	Customer Experience
Stakeholder communication is conducted in a continuous and transparent manner; which stakeholders, for what purpose, on what subject and how often communication is established as well as the developments recorded in sustainability activities are disclosed.	Appendix 2: Stakeholder Relations
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.	About the Report The Journey to Net Zero
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.) as well as the international principles adopted thereby (such as International Capital Market Association (ICMA) Green/Sustainable Bond Principles) are disclosed.	Appendix 3: Association Memberships and Supported Initiatives
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.	Sustainability Management
D. Corporate Governance Principles	Description and Reference
Sustainability, the environmental impacts of activities and the relevant principles are considered while drawing up the corporate governance strategy.	Vestel Integrated Business Model Strategic Approach
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.	Materiality Analysis Appendix 2: Stakeholder Relations
Efforts are made to raise awareness about sustainability and its importance through social responsibility projects, awareness-raising events and trainings.	Ethical Principles Employees Corporate Citizenship
Efforts are made to become member to international standards and initiatives on sustainability and to contribute to the relevant activities.	Appendix 2: Stakeholder Relations Appendix 3: Association Memberships and Supported Initiatives
Policies and programs to combat bribery and corruption and the principle of integrity in terms of taxation are disclosed.	Ethical Principles

GRI CONTENT INDEX

GRI Standard	Disclosures	References
GRI 101: Foundation 2016		
General Disclosures		
GRI 102: General Disclosures 2016	Organizational Profile	
	102-1	10
	102-2	10-11
	102-3	260
	102-4	16-17
	102-5	14
	102-6	16-17
	102-7	10, 11, 154
	102-8	154-155
	102-9	84-85
	102-10	112
	102-11	117
	102-12	147
	102-13	147
	Strategy	
	102-14	22-23
	102-15	39-44
	Ethics and Integrity	
	102-16	37
	102-17	37
	Governance	
	102-18	112-113
	102-19	34
	102-20	34
	Stakeholders Analysis	
	102-40	145-146
	102-41	There is not any employee working under Collective Bargaining Agreement. All employee rights and benefits are protected and enshrined under Labor Law No. 4857. There are a total of 287 employee representatives from each department who are selected by election. Employees are informed by their managers about decisions that may affect them.
	102-42	32
	102-43	32
	102-44	33
	Report Profile	
	102-45	189
	102-46	33
	102-47	33
	102-48	33
	102-49	144
	102-50	144
	102-51	144
	102-52	144
	102-53	260
	102-54	144
	102-55	164-166
	102-56	172

GRI Standard	Disclosures	References
GRI 200: Economic Standard Series		
Procurement Practices		
GRI 103: Management Approach 2016	103-1	84-85
	103-2	84-85
	103-3	84-85
GRI 204: Procurement Practices 2016	204-1	84-85
GRI 300: Environmental Standard Series		
Materials		
GRI 103: Management Approach 2016	103-1	30, 89
	103-2	89
	103-3	89
GRI 302: Materials 2016	301-1	89-92, 157
Energy		
GRI 103: Management Approach 2016	103-1	86
	103-2	86
	103-3	86
GRI 302: Energy 2016	302-1	86-89, 156
	302-3	87, 88, 156
	302-4	88, 89
	302-5	88
Water and Effluents		
GRI 303: Water and Effluents 2018	303-1	93
	303-2	93
	303-3	157
	303-4	157
Emissions		
GRI 103: Management Approach 2016	103-1	30, 33, 87
	103-2	87
	103-3	87
GRI 305: Emissions 2016	305-1	156
	305-2	156
	305-3	156
	305-4	88, 156
	305-5	88, 89
	305-7	149
Waste		
GRI 103: Management Approach 2016	103-1	30, 91
	103-2	91
	103-3	91
GRI 306: Waste 2020	306-1	91, 92, 157
	306-2	157
	306-3	157

GRI CONTENT INDEX

GRI Standard	Disclosures	References
Environmental Compliance		
GRI 103: Management Approach 2016	103-1	148
	103-2	148
	103-3	148
GRI 307: Environmental Compliance 2016	307-1	148, 149
Supplier Environmental Assessment		
GRI 103: Management Approach 2016	103-1	30, 84, 85
	103-2	84, 85
	103-3	84, 85
GRI 308: Supplier Environmental Assessment 2016	307-1	85
GRI 400: Social Standard Series		
Employment		
GRI 401: Employment 2016	401-1	155
	401-3	72, 156
Occupational Health and Safety		
GRI 403: Occupational Health and Safety 2018	403-1	79, 80
	403-2	79, 80
	403-4	79, 80
	403-5	80, 156
	403-6	79, 80
	403-7	79, 80
	403-8	79-81, 154-156
	403-9	79-81
	403-10	79-81
Training and Education		
GRI 103: Management Approach 2016	103-1	33, 73, 74
	103-2	73-78
	103-3	73-78
GRI 404: Training and Education 2016	404-1	74, 156
	404-2	74-78
	404-3	74, 156
Diversity and Equal Opportunity		
GRI 405: Diversity and Equal Opportunity 2016	405-1	71, 154-156
	405-2	72
Supplier Social Assessment		
GRI 103: Management Approach 2016	103-1	33, 84, 85
	103-2	84, 85
	103-3	84, 85
GRI 414: Supplier Social Assessment 2016	414-1	84, 85

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: 11.03.2022

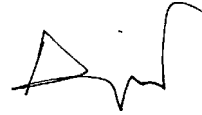
RESOLUTION NUMBER: 2022/13

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 and of those included in the scope of consolidation 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 Ağır



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 Elektronik Sanayi ve Ticaret Anonim Şirketi

Opinion

We have audited the annual report of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi (the "Company") and its subsidiaries (together will be referred as "the Group") for the period between 1 January 2021 and 31 December 2021, since we have audited the complete set consolidated financial statements for this period.

In our opinion, the consolidated 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 Group are consistent, in all material respects, with the audited complete set of consolidated 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 Group in accordance with the Code of Ethics for Auditors issued by POA (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 Consolidated Financial Statements

We have expressed an unqualified opinion on the complete set of consolidated financial statements of the Group for the period between 1 January 2021 and 31 December 2021 on 12 March 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 Group's management is responsible for the following regarding the annual report:

- a) The Group'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 Group's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated financial position of the Group accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Group's consolidated financial statements. The annual report shall also clearly indicates the details about the Group'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 Group after the reporting period,
 - The Group'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 consolidated 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 Group are consistent with the audited consolidated financial statements of the Group 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 consolidated 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 Group are consistent with the consolidated financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



İsmail Önder Ünal, SMMM
Partner
12 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: 11.03.2022

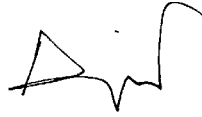
RESOLUTION NUMBER: 2022/14

We hereby declare that the consolidated 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 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 consolidated 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 consolidated financial statements prepared in accordance with the Communiqué present fairly the assets, liabilities, financial position and the results of operations of the Company together with the companies included in the scope of consolidation and we are responsible for the announcement made.



Chairman of the Audit Committee
Elmas Melih Araz



Member of the Audit Committee
Bekir Ağır



Financial Affairs Coordinator
Alp Dayı

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED 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.
Adalet Mah. Manas Bulvarı, No:39
Folkart Towers, B Kule, Kat: 35
Bayraklı 35530 İzmir
Tel +90 232 464 2045
Fax +90 232 464 2145
www.kpmg.com.tr

CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the Shareholders of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Trade Receivables from Third Parties

Refer to Note 2 and Note 9 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for recoverability of trade receivables from third parties.

The key audit matter

Trade receivables from third parties, amounting to TL 6.660.149 thousands as of 31 December 2021, constitute a significant portion of the consolidated financial statements of the Group.

The assessment of the recoverability of these receivables made by the Group management includes considerations of the amount of guarantees/collateral received from the customers, past collection performance, analysis of aging of receivables and litigations or disputes regarding receivables. As a result of all of these assessments, determination of doubtful receivables and setting of impairment provision for these receivables include also management judgements and estimations.

Therefore, we have determined recoverability of trade receivables to be a key audit matter.

How the matter was addressed in our audit

Audit procedures that are applied in this matter involves below:

- The evaluation and assessment of the Group's credit risk management and policies to monitor receivables credit limits,
- Testing of trade receivable balances from third parties by sending confirmation letters on a sample basis,
- Testing the selected invoices for the aging analysis of receivables from third parties on a sample basis,
- Investigating whether there is any dispute or litigation related to the collection of trade receivables from third parties and obtaining formal assessment of legal counsels on outstanding litigations and disputes.
- Testing received collections after the reporting period on a sampling basis,
- Assessment of the appropriateness and adequacy of the disclosures in the notes to the consolidated financial statements related to recoverability of trade receivables from third parties in accordance with the related financial reporting standards.

Fair Value Measurement of Tangible Assets

Refer to Note 2 and Note 14 to the consolidated 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 Group has applied the accounting policy to measure its land, buildings and land improvements at fair value in its consolidated financial statements in accordance with TAS 16, "Property, Plant and Equipment". As a result of the revaluation in 2021, the Group recognized TL 1.877.468 thousand fair value increase on tangible assets.

Fair values of the Group'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 consolidated financial statements as of 31 December 2021 is material to the consolidated financial statements of the Group 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,
- 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,
- Assessment of the appropriateness and adequacy of the consolidated financial statement disclosures, including the explanations of the key estimates and assumptions regarding the fair value measurement of tangible assets, in accordance with TFRS.

Impairment of Investments Accounted for Using the Equity Method

Refer to Note 2 and Note 13 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for impairment of investments accounted for using the equity method.

INDEPENDENT AUDITOR'S REPORT

The key audit matter

As of 31 December 2021, the carrying value of Group's equity accounted investee, Meta Nikel Kobalt Madencilik Sanayi ve Ticaret A.Ş. ("Meta"), amounted to TL 740.287 thousands.

In accordance with Turkish Accounting Standard 36 ("TAS 36"), Impairment of Assets, the Group shall assess at the end of each reporting period whether there is any indicator that assets may be impaired and perform impairment test accordingly.

Impairment test is carried out by evaluating cash flow projections prepared according to business models based on significant management estimates and assumptions for future periods.

The impairment testing of Meta is considered to be a key audit matter since the carrying value of Meta is material in the assets of the Group and due to the significant management estimates and assumptions sensitive to market and operational conditions such as discount rate, metal prices, mineral resource amount, facility capacity and efficiency in cash flows used in the projection.

How the matter was addressed in our audit

Audit procedures that are applied in this matter involves below:

- The evaluation and assessment of the approval mechanisms for the impairment test and controls developed by the Group,
- Evaluation of the appropriateness of the approach used in cash flow projections in accordance with TAS 36 "Impairment of Assets" standard,
- Evaluation of the significant estimates and assumptions used in projections taking into account of below issues by considering inquiries with Group management, analysis, future plans and explanations of Group management in light of macroeconomic data with the involvement of internal and external experts,
- Evaluating the significant estimates and assumptions such as valuation technique used by the Group management, the mathematical accuracy of the discounted cash flow model and the discount rate used in the cash flows together with internal specialist and checking the calculation of this discount rate,
- Comparing the Group management's estimates about future metal prices with those of the forecasts in analysis reports published by independent institutions and similar products,
- Evaluation of the competence, adequacy and independence of the independent expert appointed by the Group management for determination of mine resource,
- Comparison of the amount of economically feasible mineral resources at the facility with the amount determined in the resource report issued by the independent expert appointed by the Group management, evaluation of the estimates used in the model such as facility production capacity and efficiency and production costs with the involvement of external experts by taking into account the investment budgets of the Group management,
- Evaluation of tax advantages originating from investment incentive documents related with the completed investments to the applicable tax regulations by involving tax specialists,
- Assessment of the appropriateness and adequacy of the disclosures in the notes to the consolidated financial statements related to impairment of investments accounted for using the equity method in accordance with the related financial reporting standards.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR’S REPORT

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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 12 March 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 consolidated 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 except annual report in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



İsmail Önder Ünal, SMMM
Partner
12 March 2022
İzmir, Türkiye

CONTENTS

	Page
CONSOLIDATED STATEMENT OF FINANCIAL POSITION(BALANCE SHEETS)	178
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	182
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	184
CONSOLIDATED STATEMENTS OF CASH FLOWS	186
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021	189-259
NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS	189
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	190
NOTE 3 INTERESTS IN OTHER ENTITIES	209
NOTE 4 SEGMENT REPORTING	211
NOTE 5 CASH AND CASH EQUIVALENTS	213
NOTE 6 FINANCIAL ASSETS	214
NOTE 7 FINANCIAL LIABILITIES	214
NOTE 8 RELATED PARTY DISCLOSURES	217
NOTE 9 TRADE RECEIVABLES AND PAYABLES	220
NOTE 10 OTHER RECEIVABLES	222
NOTE 11 INVENTORIES	222
NOTE 12 PREPAID EXPENSES	223
NOTE 13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	224
NOTE 14 PROPERTY, PLANT AND EQUIPMENT	227
NOTE 15 RIGHT OF USE ASSETS	231
NOTE 16 INTANGIBLE ASSETS	232
NOTE 17 GOODWILL	233
NOTE 18 GOVERNMENT GRANTS	233
NOTE 19 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	234
NOTE 20 COMMITMENTS	236
NOTE 21 EMPLOYEE BENEFITS	236
NOTE 22 OTHER ASSETS AND LIABILITIES	237
NOTE 23 CAPITAL, RESERVES AND OTHER EQUITY ITEMS	238
NOTE 24 SALES	240
NOTE 25 EXPENSES BY NATURE	241
NOTE 26 GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES	242
NOTE 27 OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES	243
NOTE 28 FINANCIAL INCOME AND FINANCIAL EXPENSE	243
NOTE 29 ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS	244
NOTE 30 TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)	245
NOTE 31 EARNINGS/(LOSS) PER SHARE	249
NOTE 32 DERIVATIVE INSTRUMENTS	249
NOTE 33 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	250
NOTE 34 FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)	258
NOTE 35 SUBSEQUENT EVENTS	259
NOTE 36 NOTES ON STATEMENT OF CASH FLOWS	259
NOTE 37 NOTES ON STATEMENT OF CHANGES IN EQUITY	259

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2021 AND 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	5	2,089,143	3,201,571
Financial Investments		1,710	-
Time Deposits		1,710	-
Trade Receivables		6,674,282	5,412,504
Trade Receivables Due from Related Parties	8	14,133	15,473
Trade Receivables Due from Third Parties	9	6,660,149	5,397,031
Other Receivables		1,461,021	637,914
Other Receivables Due from Related Parties	8	848,275	278,551
Other Receivables Due from Third Parties	10	612,746	359,363
Derivative Financial Assets		288,768	111,789
Derivative Financial Assets Held for Trading	32	14,151	105,345
Derivative Financial Assets Held for Hedging	32	274,617	6,444
Inventories	11	9,528,703	4,061,469
Prepaid Expenses		611,717	230,086
Prepayments to Third Parties	12	611,717	230,086
Current Tax Assets	30	7,987	2,197
Other Current Assets		215,323	119,997
Other Current Assets Due from Third Parties	22	215,323	119,997
TOTAL CURRENT ASSETS		20,878,654	13,777,527

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2021 AND 2020**

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

	Footnotes	Audited 31 December 2021	Audited 31 December 2020
NON-CURRENT ASSETS			
Financial Investments	6	73,085	79,502
Investments in subsidiaries, joint ventures and associates	13	1,406,812	923,330
Trade Receivables		468	2,307
Trade Receivables Due From Related Parties		-	768
Trade Receivables Due from Third Parties	9	468	1,539
Other Receivables		10,843,955	5,968,570
Other Receivables Due from Related Parties	8	10,717,782	5,961,187
Other Receivables Due from Third Parties	10	126,173	7,383
Property, Plant and Equipments		7,426,989	4,815,797
Land	14	1,724,691	1,145,890
Land Improvement	14	203,884	135,762
Building	14	3,241,874	2,113,319
Machinery and Equipment	14	2,092,530	1,284,840
Vehicle	14	6,936	1,074
Fixtures and Fittings	14	70,832	88,842
Leasehold Improvement	14	4,110	8,006
Construction in Progress	14	82,132	38,064
Right of Use Assets	15	179,618	199,761
Intangible Assets and Goodwill		1,107,011	907,508
Goodwill	17	196,568	196,568
Other Rights	16	24,901	29,044
Capitalized Development Costs	16	789,738	609,948
Other Intangible Assets	16	95,804	71,948
Prepaid Expenses	12	371,314	73,380
Deferred Tax Asset	30	795,193	321,146
Other Non-current Assets	22	9,590	9,590
TOTAL NON-CURRENT ASSETS		22,214,035	13,300,891
TOTAL ASSETS		43,092,689	27,078,418

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2021 AND 2020**

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

	Footnotes	Audited 31 December 2021	Audited 31 December 2020
LIABILITIES			
CURRENT LIABILITIES			
Short Term Borrowings	7	5,057,567	3,047,824
Short Term Borrowings from Related Parties		11,423	12,644
Lease Liabilities	8	11,423	12,644
Short Term Borrowings from Third Parties		5,046,144	3,035,180
Bank Loans	7	4,344,893	2,887,146
Lease Liabilities	7	63,434	94,589
Issued debt instruments	7	637,817	53,445
Current Portion of Long Term Borrowings	7	6,014,337	3,933,163
Current Portion of Long Term Borrowings from Third Parties		6,014,337	3,933,163
Bank Loans	7	6,014,337	3,933,163
Trade Payables		16,026,589	8,060,078
Trade Payables to Related Parties	8	66,009	29,601
Trade Payables to Third Parties	9	15,960,580	8,030,477
Payables Related to Employee Benefits	21	279,503	245,568
Other Payables		10,752	71,923
Other Payables to Related Parties	8	-	69,442
Other Payables to Third Parties		10,752	2,481
Derivative Financial Liabilities	32	531,887	303,178
Derivative Financial Liabilities Held for Trading		490,901	135,768
Derivative Financial Liabilities Held for Hedging		40,986	167,410
Current Tax Liabilities	30	-	10,554
Current Provisions	19	1,240,635	745,810
Other Current Liabilities	22	1,448,827	706,190
TOTAL CURRENT LIABILITIES		30,610,097	17,124,288

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2021 AND 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	7	1,045,222	1,833,675
Long Term Borrowings from Related Parties		10,676	20,333
Lease Liabilities	8	10,676	20,333
Long Term Borrowings from Third Parties		1,034,546	1,813,342
Bank Loans	7	628,475	1,657,777
Lease Liabilities	7	141,071	105,185
Issued debt instruments	7	265,000	50,380
Trade Payables		181,003	61,787
Trade Payables to Third Parties	9	181,003	61,787
Non-current Provisions		480,671	298,808
Non-current Provisions for Employee Benefits	21	387,222	226,307
Other Non-current Provisions	19	93,449	72,501
Deferred Tax Liabilities	30	461,600	333,362
Other Non-current Liabilities		2,435	964
Other Non-current Liabilities to Third Parties		2,435	964
TOTAL NON-CURRENT LIABILITIES		2,170,931	2,528,596
TOTAL LIABILITIES		32,781,028	19,652,884

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2021 AND 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 Parent		9,441,862	7,071,747
Issued Capital	23	335,456	335,456
Inflation Adjustments on Capital		688,315	688,315
Share Premium (Discount)		-	98,019
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		3,825,581	2,449,676
Gains (Losses) on Revaluation and Remeasurement		3,825,581	2,449,676
Increases (Decreases) on Revaluation of Property, Plant and Equipment	29	3,985,651	2,514,867
Gains (Losses) on Remeasurements of Defined Benefit Plans	29	(160,070)	(65,191)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		1,299,238	580,551
Exchange Differences on Translation		1,159,315	612,892
Gains (Losses) on Hedge	29	132,935	(43,776)
Gains (Losses) on Cash Flow Hedges		132,935	(43,776)
Gains (Losses) on Revaluation and Reclassification		6,988	11,435
Gains (Losses) on Remeasuring Financial Assets Measured of Fair Value through Other Comprehensive Income	23	6,988	11,435
Restricted Reserves Appropriated from Profits		265,489	67,091
Legal Reserves	23	265,489	67,091
Prior Years' Profits or Losses	23	1,132,296	1,080,040
Current Period Net Profit Or Loss		1,895,487	1,772,599
Non-controlling Interests		869,799	353,787
TOTAL EQUITY		10,311,661	7,425,534
TOTAL LIABILITIES AND EQUITY		43,092,689	27,078,418

Consolidated financial statements for the period 1 January - 31 December 2021, were approved by the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. on 11 March 2022. General Assembly and specified regulatory bodies have the right to make amendments to statutory financial statements after issue.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED 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.)

	Footnotes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
PROFIT OR LOSS			
Revenue	24	32,505,835	21,546,180
Cost of Sales	24	(23,487,021)	(15,527,830)
GROSS PROFIT (LOSS)		9,018,814	6,018,350
General Administrative Expenses	26	(651,035)	(505,628)
Marketing Expenses	26	(3,404,978)	(2,328,754)
Research and Development Expense	26	(405,695)	(335,131)
Other Income from Operating Activities	27	3,164,201	1,565,719
Other Expenses from Operating Activities	27	(6,556,200)	(2,468,334)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		1,165,107	1,946,222
Share of Profit (Loss) from Investments Accounted for Using Equity Method	13	(66,461)	(224,902)
PROFIT (LOSS) BEFORE FINANCING INCOME		1,098,646	1,721,320
Finance Income	28	8,056,620	3,309,067
Finance Costs	28	(7,456,497)	(3,091,106)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		1,698,769	1,939,281
Tax (Expense) Income, Continuing Operations		455,184	(32,044)
Current Period Tax (Expense) Income	30	(10,293)	(51,208)
Deferred Tax (Expense) Income	30	465,477	19,164
PROFIT (LOSS) FROM CONTINUING OPERATIONS		2,153,953	1,907,237
PROFIT (LOSS) FOR THE PERIOD		2,153,953	1,907,237
Profit (loss), attributable to			
Non-controlling Interests		258,466	134,638
Owners of Parent		1,895,487	1,772,599
Earnings per 100 share with a Kr 1 of Par Value (TL)	31	5.65	5.28
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss		1,658,805	1,271,401
Gains (Losses) on Revaluation of Property, Plant and Equipment		1,877,468	1,389,947
Gains (Losses) on Remeasurements of Defined Benefit Plans		(124,274)	(40,449)
Gains (Losses) on Revaluation of Property, Plant and Equipment from Investment in Associate		68,503	-
Gains (Losses) on Revaluation of Property, Plant and Equipment		68,503	-
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss		(162,892)	(78,097)
Taxes Relating to Gains (Losses) on Revaluation of Property, Plant and Equipment		(187,747)	(86,187)
Taxes Relating to Remeasurements of Defined Benefit Plans		24,855	8,090
Other Comprehensive Income that will be Reclassified to Profit or Loss		718,687	173,855
Exchange Differences on Translation		526,751	205,960
Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets		(5,559)	8,761
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		235,615	(48,893)
Gains (Losses) on Cash Flow Hedges		235,615	(48,893)
Exchange Differences on Translation of Investment in Associate		19,672	-
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss		(57,792)	8,027
Taxes Relating to Gains (Losses) on Revaluation of Property, Plant and Equipment		1,112	(1,752)
Taxes Relating to Cash Flow Hedges		(58,904)	9,779
OTHER COMPREHENSIVE INCOME (LOSS)		2,377,492	1,445,256
TOTAL COMPREHENSIVE INCOME (LOSS)		4,531,445	3,352,493
Non-controlling Interests		400,053	90,266
Owners of Parent		4,131,392	3,262,227

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2021 AND 2020

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

	Issued Capital	Inflation Adjust-ments on Capital	Share Premium or Discounts					Exchange Differences on Translation		
				Increases (Decreases) on Revaluation of Property, Plant and Equipment	Gains (Losses) on Remeasure-ments of Defined Benefit Plans	Gains (Losses) Revaluations and Remeasure-ments	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss			Cash Flow Hedges
Previous Period										
1 January - 31 December 2020										
Beginning of Period	335,456	688,315	103,776	1,310,274	(34,999)	1,275,275	1,275,275	406,932	(4,662)	
Transfers	-	-	-	(37,466)	-	(37,466)	(37,466)	-	-	
Total Comprehensive Income										
(Loss)	-	-	-	1,303,760	(32,359)	1,271,401	1,271,401	205,960	(39,114)	
Profit (Loss)	-	-	-	-	-	-	-	-	-	
Other Comprehensive Income										
(Loss)	-	-	-	1,303,760	(32,359)	1,271,401	1,271,401	205,960	(39,114)	
Dividends Paid(8)	-	-	-	-	-	-	-	-	-	
Transactions with non-controlling shareholders	-	-	(5,757)	(61,701)	2,167	(59,534)	(59,534)	-		
End of Period	335,456	688,315	98,019	2,514,867	(65,191)	2,449,676	2,449,676	612,892	(43,776)	
Current Period										
1 January - 31 December 2021										
Opening Balance	335,456	688,315	98,019	2,514,867	(65,191)	2,449,676	2,449,676	612,892	(43,776)	
Transfers	-	-	-	(109,674)		(109,674)	(109,674)	-	-	
Total Comprehensive Income										
(Loss)	-	-	-	1,758,224	(99,419)	1,658,805	1,658,805	546,423	176,711	
Profit (Loss)	-	-	-	-	-	-	-	-	-	
Other Comprehensive Income										
(Loss)	-	-	-	1,758,224	(99,419)	1,658,805	1,658,805	546,423	176,711	
Dividends Paid	-	-	(89,983)	-	-	-	-	-	-	
Transactions with noncontrolling interests	-	-	(8,036)	(177,766)	4,540	(173,226)	(173,226)	-	-	
Closing Balance	335,456	688,315		3,985,651	(160,070)	3,825,581	3,825,581	1,159,315	132,935	

	Reserve Of Gains or Losses on Hedge	Gains (Losses) on Remeasur- ing and/ or Reclassi- fication of Financial Assets Measured of Fair Value through Other Compressive Income	Gains (Losses) on Revaluation and Reclassi- fication	Other Accumulated Compre- hensive Income That Will Be Reclassified In Profit Or Loss	Restricted Reserves Appro- priated From Profits	Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings	Equity attribut- able to owners of parent	Non- controll- ing interests	Equity
	(4,662)	4,321	4,321	406,591	67,179	490,017	324,047	814,064	3,690,656	89,255	3,779,911
	-	-	-	-	(88)	361,601	(324,047)	37,554	-	-	-
	(39,114)	7,009	7,009	173,855	-	-	1,772,599	1,772,599	3,217,855	90,266	3,308,121
	-	-	-	-	-	-	1,772,599	1,772,599	1,772,599	134,638	1,907,237
	(39,114)	7,009	7,009	173,855	-	-	-	-	1,445,256	(44,372)	1,400,884
	-	-	-	-	-	-	-	-	-	(9,601)	(9,601)
	-	105	105	105	-	228,422	-	228,422	163,236	183,867	347,103
	(43,776)	11,435	11,435	580,551	67,091	1,080,040	1,772,599	2,852,639	7,071,747	353,787	7,425,534
	(43,776)	11,435	11,435	580,551	67,091	1,080,040	1,772,599	2,852,639	7,071,747	353,787	7,425,534
	-	-	-	-	-	1,882,273	(1,772,599)	109,674	-	-	-
	176,711	(4,447)	(4,447)	718,687	-	-	1,895,487	1,895,487	4,272,979	400,053	4,673,032
	-	-	-	-	-	-	1,895,487	1,895,487	1,895,487	258,466	2,153,953
	176,711	(4,447)	(4,447)	718,687	-	-	-	-	2,377,492	141,587	2,519,079
	-	-	-	-	195,218	(2,465,969)	-	(2,465,969)	(2,360,734)	(118,671)	(2,479,405)
	-	-	-	-	3,180	635,952	-	635,952	457,870	234,630	692,500
	132,935	6,988	6,988	1,299,238	265,489	1,132,296	1,895,487	3,027,783	9,441,862	869,799	10,311,661

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED 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		1,704,425	2,261,556
Profit		2,153,953	1,907,237
Profit (Loss) from Continuing Operations		2,153,953	1,907,237
Adjustments to Reconcile Profit		(1,376,723)	1,607,653
Adjustments for Depreciation and Amortisation Expense	14	926,858	753,032
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(16,754)	24,398
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Receivables	9	(29,133)	33,473
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	11	12,379	(9,075)
Adjustments for Provisions		575,871	239,332
Adjustments for (Reversal of) Provisions Related with Employee Benefits	21	60,098	48,939
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	19	17,879	4,286
Adjustments for (Reversal of) Warranty Provisions	19	182,655	78,894
Adjustments for (Reversal of) Other Provisions	19	315,239	107,213
Adjustments for Interest (Income) Expenses		470,509	353,416
Adjustments for Interest Income	28	(838,238)	(543,927)
Adjustments for Interest Expense	28	1,308,747	897,343
Adjustments for Unrealised Foreign Exchange Losses (Gains)		(3,239,008)	(180,498)
Adjustments for Fair Value Losses (Gains)		287,345	135,391
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		287,345	135,391
Adjustments for Losses From Investments Accounted for Using Equity Method		66,461	224,902
Adjustments for Tax (Income) Expenses	30	(455,184)	32,044
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(21,674)	(56,783)
Adjustments for Losses (Gains) Arised from Sale of Tangible Assets		(21,674)	(56,783)
Other Adjustments to Reconcile Profit (Loss)	5	28,853	82,419

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED 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		989,268	(1,206,687)
Decrease (Increase) in Financial Investments		8,127	(9,561)
Adjustments for Decrease (Increase) in Trade Accounts Receivable		(1,230,806)	(2,007,857)
Decrease (Increase) in Trade Accounts Receivables from Related Parties		2,108	40,337
Decrease (Increase) in Trade Accounts Receivables from Third Parties		(1,232,914)	(2,048,194)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(372,173)	(111,238)
Decrease (Increase) in Other Third Party Receivables Related with Operations		(372,173)	(111,238)
Adjustments for Decrease (Increase) in Inventories		(5,507,240)	(1,229,892)
Decrease (Increase) in Prepaid Expenses	12	(679,565)	(140,296)
Adjustments for Increase (Decrease) in Trade Accounts Payable		8,085,727	1,987,409
Increase (Decrease) in Trade Accounts Payables to Related Parties		36,408	21,771
Increase (Decrease) in Trade Accounts Payables to Third Parties		8,049,319	1,965,638
Increase (Decrease) in Employee Benefit Liabilities	21	33,935	45,513
Adjustments for Increase (Decrease) in Other Operating Payables		8,271	1,877
Increase (Decrease) in Other Operating Payables to Third Parties		8,271	1,877
Other Adjustments for Other Increase (Decrease) in Working Capital		642,992	257,358
Decrease (Increase) in Other Assets Related with Operations		(101,116)	(49,104)
Increase (Decrease) in Other Payables Related with Operations		744,108	306,462
Cash Flows from (used in) Operations		1,766,498	2,308,203
Payments Related with Provisions for Employee Benefits	21	(23,457)	(19,197)
Income Taxes Refund (Paid)	30	(38,616)	(27,450)

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED 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		(1,389,904)	(2,170,053)
Proceeds from sales of Shares Without Change in Control of Subsidiaries or Other Businesses		689,917	279,926
Cash Outflows Arising from Purchase of Shares or Capital Increase of Associates and/or Joint Ventures		(91,342)	(95,116)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		78,599	280,603
Proceeds from Sales of Property, Plant and Equipment		78,599	280,603
Purchase of Property, Plant, Equipment and Intangible Assets		(1,741,387)	(927,156)
Purchase of Property, Plant and Equipment	14	(1,319,126)	(654,366)
Purchase of Intangible Assets	16	(422,261)	(272,790)
Cash Advances and Loans Made to Other Parties		(325,691)	(1,708,310)
Cash Advances and Loans Made to Related Parties	8	(325,691)	(1,708,310)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		(1,585,005)	493,333
Proceeds from Borrowings		12,422,231	10,986,459
Proceeds from Loans	7	11,592,231	10,886,459
Proceeds from issued bonds	7	830,000	100,000
Repayments of Borrowings		(10,906,481)	(10,042,972)
Loan Repayments	7	(10,856,415)	(10,042,972)
Issued bonds repayments		(50,066)	-
Increase in Other Payables to Related Parties		(69,442)	13,247
Payments of Lease Liabilities		(150,744)	(116,773)
Dividends Paid		(2,479,405)	(9,601)
Interest Paid		(1,239,402)	(880,954)
Interest Received		838,238	543,927
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(1,270,484)	584,836
Effect of Exchange Rate Changes on Cash and Cash Equivalents	7	186,909	304,820
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,083,575)	889,656
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	3,172,696	2,283,040
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	2,089,121	3,172,696

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021**

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi ("Vestel Elektronik" or "the Company") and its subsidiaries (together "the Group"), mainly produce and sell a range of brown goods and white goods. The Company's head office is located at Levent 199, Büyükdere Caddesi No: 199, 34394 Şişli/İstanbul. The Group's production facilities are located in Manisa Organized Industrial Zone, İzmir Aegean Free Zone, and Russia.

The ultimate controller of the Company is Zorlu Family.

Vestel Elektronik is registered to Capital Market Board ("CMB") and its shares have been quoted to Borsa İstanbul ("BİST") since 1990. As of 31 December 2021, 36,3% of the Group's shares are publicly traded (2020: 35,59%).

As of 31 December 2021 the number of personnel employed at Group is 19.119 (31 December 2020: 18.864).

The Company's subsidiaries and associates are as follows:

Subsidiaries	Country	Nature of operations
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	Turkey	Production
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	Turkey	Production
Vestel Ticaret A.Ş.	Turkey	Sales
Vestel CIS Ltd.	Russia	Sales
Vestel Electronica SRL	Romania	Sales
Vestel Iberia SL	Spain	Sales
Vestel France SA	France	Sales
Vestel Holland BV	Holland	Sales
Vestel Germany GmbH	Germany	Sales
Cabot Communications Ltd.	UK	Software
Vestel UK Ltd.	UK	Sales
Vestek Elektronik Araştırma Geliştirme A.Ş.	Turkey	Software
Vestel Trade Ltd.	Russia	Sales
Vestel Electronics Shanghai Trading Co. Ltd	China	Service
Intertechnika LLC	Russia	Service
Vestel Central Asia LLP	Kazakhstan	Sales
Vestel Ventures Ar-ge A.Ş.	Turkey	Service
Vestel Poland sp. z.o.o.	Poland	Sales
Vestel Electronics Gulf DMC	UAE	Sales
Investments accounted for using equity method	Country	Nature of operations
Vestel Savunma Sanayi A.Ş.	Turkey	Production/Sales
Aydın Yazılım Elektronik ve Sanayi A.Ş.	Turkey	Software
Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş.	Turkey	Mining
Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş.	Turkey	Automotive

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS**2.1 Basis of presentation****2.1.1 Statement of compliance**

The accompanying consolidated 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, consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") Turkish Accounting Standards Board.

The Group and its subsidiaries operating in Turkey 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 consolidated 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.

Consolidated subsidiaries operating in foreign countries have prepared their financial statements in accordance with the laws and regulations of the countries in which they operate with the required adjustments and reclassifications reflected in accordance with CMB Financial Reporting Standards. These financial statements are based on the statutory records which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TFRS.

With the decision 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.

2.1.2 Currency usedi) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are prepared and presented in Turkish Lira ("TL"), which is the functional currency of the parent company.

ii) Transactions and balances

Transactions in foreign currencies have been translated into functional currency at the exchange rates prevailing at the date of the transaction. Exchange gains or losses arising from the settlement and translation of monetary assets and liabilities denominated in foreign currency at the exchange rates prevailing at the balance sheet dates are included in consolidated comprehensive income, except for the effective portion of foreign currency hedge of cash flow and net investment which are included under shareholders' equity.

iii) Translation of financial statements of subsidiaries operating in foreign countries

Assets and liabilities of subsidiaries operating in foreign countries are translated into TL at the exchange rates prevailing at the balance sheet dates. Comprehensive income items of those subsidiaries are translated into TL using average exchange rates for the period (if the average exchange rates for the period do not reasonably reflect the exchange rate fluctuations, transactions are translated using the exchange rates prevailing at the date of the transaction).

Exchange differences arising from using average and balance sheet date rates are included in "currency translation differences" under the shareholders' equity.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

2.1 Basis of presentation (Cont'd)

2.1.2 Currency used (Cont'd)

The balance sheet date rates and average rates used for translation of income statement items for the related periods are as follows:

Period End:	31 December 2021	31 December 2020
Turkish Lira/EUR	0.0681	0.111
Turkish Lira/GBP	0.0573	0.1006
Turkish Lira/RUB	5.7793	10.1585
Turkish Lira/PLN	0.3126	0.5025
Turkish Lira/USD	0.0771	0.1362
Turkish Lira/KZT	33.6587	57.3723
Turkish Lira/AED	0.2846	0.5000
Turkish Lira/RMB	0.4938	0.8943
Turkish Lira/RON	0.3390	0.5443
Average:	1 January - 31 December 2021	1 January - 31 December 2020
Turkish Lira/EUR	0.0957	0.1247
Turkish Lira/GBP	0.0823	0.1112
Turkish Lira/RUB	8.3453	10.3717
Turkish Lira/PLN	0.4366	0.5537
Turkish Lira/USD	0.1127	0.1427
Turkish Lira/KZT	48.0560	59.0899
Turkish Lira/AED	0.4137	0.5241
Turkish Lira/CNY	0.7304	0.9878
Turkish Lira/RON	0.4736	0.6069

2.1.3 Basis of consolidation

The consolidated financial statements include the accounts of the parent and its subsidiaries from the date on which the control is transferred to the Group until the date that the control ceases. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards by applying uniform accounting policies and presentation.

a) Subsidiaries

The Group has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the entity's returns. On the other hand, the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In order to be consistent with accounting policies accepted by the Group, accounting policies of the subsidiaries are modified where necessary.

The balance sheet and statement of income of the subsidiaries are consolidated on a line-by-line basis and all material intercompany payable/receivable balances and sales/purchase transactions are eliminated. The carrying value of the investment held by Vestel Elektronik and its subsidiaries is eliminated against the related shareholders' equity.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**2.1 Basis of presentation (Cont'd)****2.1.3 Basis of consolidation (Cont'd)****a) Subsidiaries (Cont'd)**

The non-controlling share in the net assets and results of subsidiaries for the period are separately classified as "non-controlling interest" in the consolidated statements of comprehensive income and the consolidated statements of changes in shareholders' equity.

As of the balance sheet date, consolidated companies and the proportion of ownership interest of Vestel Elektronik in these subsidiaries are disclosed in note 3.

Financial assets in which the Group has direct or indirect voting rights equal to or above 50% which are immaterial to the Group financial results or over which a significant influence is not exercised by the Group are carried at cost less any provisions for impairment.

b) Investments in associates

Investments in associates are accounted for by the equity method and are initially recognized at cost. These are entities in which the Group has an interest which is more than 20% and less than 50% of the voting rights or over which a significant influence is exercised. Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates, whereas unrealized losses are eliminated unless they do not address any impairment of the asset transferred. Net increase or decrease in the net asset of associates is included in the consolidated statements of comprehensive income in regards with the Group's share.

The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. After the Group's interest in the associates becomes nil, additional losses are provided for, and a liability recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes including its share of those profits only after its share of the profits equals the share of net losses not recognized.

Since Vestel Savunma and Aydın Yazılım has net liability position as of 31 December 2021 and 31 December 2020, carrying value of such investment accounted for by equity method is reduced to zero in the consolidated balance sheets.

The Group's voting rights and effective ownership rates in Vestel Savunma and Aydın Yazılım are

35% and 21%, respectively (31 December 2020: 35%, 21%).

The carrying amounts of the investments accounted for using the equity method are reviewed whether there is any indication of impairment at each reporting date. If such an indicator exists, the recoverable amount of the asset is estimated.

The recoverable amount of the investments accounted for using the equity method refers to the higher of value-in-use or fair value less cost to sell. Value-in-use is the present value of future cash flows expected to be generated from an asset or cash generating unit.

If the carrying amount of the investments accounted for using the equity method exceeds the recoverable amount, the impairment is accounted for. Impairments are recognized in profit and loss accounts.

Impairments are recorded in the statement of profit or loss and other comprehensive income. In investments accounted for using the equity method, impairments allocated in previous periods are re-evaluated in each reporting period in the event that impairment decreases or there are indicators that impairment is not valid. Impairment is reversed in case of changes in the estimates used when determining recoverable amount. The increase in the carrying amount of the investments due to the reversal of the impairment loss is accounted in such a way that it does not exceed the carrying amount determined if the impairment loss has not been included in the consolidated financial statements in the previous years.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**2.2 Comparatives**

Consolidated financial statements of the Group 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 consolidated 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 the changes in accounting estimates only apply to one period, then they are applied in the current period in which the change occurred; if the changes also apply to future periods, they are applied in both the period of change and in the 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 Group has not early adopted are as follows.

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

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

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

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

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

Reference to the Conceptual Framework (Amendments to TFRS 3)

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

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

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED 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)****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 Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

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

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

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

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

The Group 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.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED 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)

The amendments include:

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

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

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

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

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

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

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

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

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

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED 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)****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 Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 8).

Disclosure of Accounting Policies (Amendments to TAS 1)

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

The key amendments to TAS 1 include:

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

The amendments are effective from 1 January 2023, but companies can apply it earlier. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 1)

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED 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)

Annual Improvements to TFRS Standards 2018-2020

Improvements to TFRSs

POA issued Annual Improvements to TFRSs - 2018-2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

TFRS 1 First-time Adoption of Turkish Financial Reporting Standards

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

TFRS 9 Financial Instruments

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

Amendments effective on 1 January 2021

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

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

2.5 Summary of significant accounting policies

2.5.1 Revenue recognition

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

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED 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)****2.5.1 Revenue recognition (Cont'd)**

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

- 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,
- Group can identify each party's rights regarding the goods or services to be transferred,
- Group can identify the payment terms for the goods or services to be transferred,
- The contract has commercial substance,
- It is probable that Group 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.

Revenue from sale of goods

Group recognizes revenue based on the production and sale of white goods, consumer electronics, air conditioners and home appliance. Revenue is recognized when the control of the goods is transferred to the customer. In addition, Group provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 1-3 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold. Therefore, they are not treated as a separate good or service apart from the sale of good.

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. Group uses moving weighted average method for costing.

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

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

2.5.3 Property, plant and equipment

Land, land improvements and buildings are stated at fair value less accumulated depreciation, based on valuations performed at 31 December 2021 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount is the revalued amount of the asset.

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

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

2.5 Summary of significant accounting policies (Cont'd)

2.5.3 Property, plant and equipment (Cont'd)

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

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

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

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

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

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

Leases

The Group - as a lessee

At inception of a contract, the Group 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 Group 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 Group 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 Group has the right to direct use of the asset, The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
 - i. The Group 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 Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED 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 CONSOLIDATED 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)***The Group - as a lessee (Cont'd)*

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

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

Lease Liability

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

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

After initial recognition, the lease liability is measured:

- 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 - 10 years.

The Group - as a lessor

The Group'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 Group

To apply the cost model, the Group 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 Group applies the depreciation requirements in TAS16 Property, Plant and Equipment in depreciating the right-of-use asset.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**2.5 Summary of significant accounting policies (Cont'd)****2.5.4 Intangible assets****a) Research and development costs**

Research costs are recognized as expense in the period in which they are incurred. Intangible assets arising from development (or from the development phase of an internal project) are recognized as intangible assets when the following criteria are met;

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

In other cases, development costs are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. In cases where it is difficult to separate the research phase from the development phase in a project, the entire project is treated as research and expensed immediately.

b) Rights and other intangible assets

Rights and other intangible assets consist of 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 fifteen years.

c) Goodwill

Goodwill arising on acquisition is the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities recognized. Within the scope of TFRS 3 "Business Combinations", beginning from 1 January 2005 the Group has stopped amortizing goodwill. Goodwill recognized on acquisitions before 31 December 2004 was being amortized until 31 December 2004 on a straight line basis over their useful lives not to exceed twenty years.

Goodwill is tested for impairment annually or more frequently when there is an indication of impairment. Goodwill arising on acquisitions measured at cost less any impairment losses.

Impairment losses calculated on goodwill cannot be reversed in the statement of income even if the impairment ceases to exist in the following periods. Goodwill is linked to cash generating units during the impairment test.

In case the consideration transferred in a business combination includes any contingent considerations, the Group recognizes the acquisition date fair value of the contingent consideration as part of the consideration transferred. During the measurement period, contingent considerations recognized at the acquisition date fair value are retrospectively adjusted when necessary. The measurement period is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognized for a business combination. This period shall not exceed one year from the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**2.5 Summary of significant accounting policies (Cont'd)****2.5.5 Financial instruments****a) Financial assets**

The Group classifies its financial assets into the following specified categories: financial assets as at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets carried at amortized cost

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

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

Group 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, Group 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 Group and its expectations for the future indications.

Financial assets carried at fair value

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

b) Financial liabilities

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

c) Derivative financial instruments and hedge accounting

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

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

2.5 Summary of significant accounting policies (Cont'd)

2.5.5 Financial instruments (Cont'd)

c) Derivative financial instruments and hedge accounting (Cont'd)

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

Cash flow hedges:

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

- (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. 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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period. Exchange differences arising are recognized in other comprehensive income and in equity.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED 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 CONSOLIDATED 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 Group has a present obligation as a result of a past event, and it is probable that the Group 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 Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

2.5.8 Warranty and assembly expenses provision

Warranty expenses include repair and maintenance expenses of products sold and labor and material costs of authorized services for products under the scope of warranty terms without any charge to the customers. Based on estimations using past statistical information, warranty expense provision is recognized for the products sold with warranty terms in the period, for possible repair and maintenance expenses to be incurred during the warranty period.

Based on estimations using past statistical information, assembly expenses provision is recognized for products sold during the period but not yet installed in the sites of the end customers, against the cost of free of charge installments.

2.5.9 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 Group companies are considered and referred to as related parties.

2.5.10 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 Group'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 Group will benefit from the related incentive.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

2.5 Summary of significant accounting policies (Cont'd)

2.5.11 Employee benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Group 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. 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 consolidated statements of income.

The effects of the significant forecasts used in employment termination benefits provision calculations have been recognized as actuarial gains and losses and they have been explained in the relevant note.

2.5.12. Government grants

Government grants, including non-monetary grants at fair value, are recognized in consolidated 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 consolidated financial statements when they are authorized by the related institutions.

2.5.13 Earnings per share

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

2.5.14 Statement of cash flows

In the consolidated 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 Group'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 Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**2.5 Summary of significant accounting policies (Cont'd)****2.5.15 Segment reporting**

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

The Group management evaluates the operational results at industrial and geographical level. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses.

Group's operations are reported under three industrial segments:

- Television and electronic devices
- White goods
- Other

Group's operations are reported under three geographical segments:

- Turkey
- Europe
- Other

2.5.16 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.

2.5.17 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 occur subsequent to the balance sheet date, the Group 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.

2.5.18 Going Concern

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

2.5.19 Trade payables

Trade payables are recognized at their fair values.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

2.5 Summary of significant accounting policies (Cont'd)

2.5.20 Borrowings and borrowing costs

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income as finance cost over the period of the borrowings. Borrowing costs are expensed as incurred. If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which (at least a period of one year) are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2.6. Critical accounting estimates and judgments

Preparation of consolidated 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 Group management's best knowledge about current events and transactions, actual outcomes may differ from those estimates and assumptions. Significant estimates of the Group management are as follows:

i. Revaluation of land, buildings and land improvements:

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. (Note 14).

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**2.6. Critical accounting estimates and judgments (Cont'd)**i. Revaluation of land, buildings and land improvements: (Cont'd)

As there were no recent similar buying/selling transactions nearby, revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements 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 land, building and land improvements are consistent to the highest and best use approach.
- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m² sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

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

As of initial recognition and as of balance sheet date, the Group performs impairment assessment for buildings and land improvements of which valuations are based on cost approach, accordance with the TAS36 "Impairment of Assets", and no impairment indicator is identified.

ii. Impairment tests of investments accounted for using the equity method

As stated in the accounting policies in Note 2.1.3.b, if there is an indicator of impairment related to the carrying amount of investments accounted for using the equity method, such investments are subjected to impairment tests.

The impairment test is performed by comparing the carrying amounts of the calculated cash flows with the recoverable amount calculated with the value-in-use of the investment. Significant estimates and assumptions used in determining the cash flows and their sensitivity analysis are presented in Note 13. As of 31 December 2021, no impairment was identified as a result of the impairment tests performed (Note 13).

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 3 - INTERESTS IN OTHER ENTITIES

Subsidiaries:

As of 31 December 2021 and 31 December 2020 the Group's major subsidiaries are as follows:

Consolidated subsidiaries	31 December 2021		31 December 2020	
	Voting rights	Effective ownership	Voting rights	Effective ownership
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. ⁽¹⁾	82.5	82.5	89.9	89.9
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	100	100	100	100
Vestel Ticaret A.Ş.	100	100	100	100
Vestel CIS Ltd.	100	100	100	100
Deksar Multimedya ve Telekomünikasyon A.Ş. ⁽¹⁾	-	-	-	-
Vestel Iberia SL	100	100	100	100
Vestel France SA	100	100	100	100
Vestel Holland BV ⁽²⁾	100	100	100	100
Vestel Germany GmbH	100	100	100	100
Cabot Communications Ltd.	90.8	90.8	90.8	90.8
Vestel UK Ltd. ^(****)	100	100	100	100
Vestek Elektronik Araştırma Geliştirme A.Ş.	100	100	100	100
Vestel Trade Ltd.	100	100	100	100
OY Vestel Scandinavia AB	100	100	100	100
Intertechnika LLC	99.9	99.9	99.9	99.9
Vestel Central Asia LLP	100	100	100	100
Vestel Poland sp. z.o.o. ^(*****)	100	100	100	100
Vestel Electronics Gulf DMC ^(***)	100	100	100	100
Vestel Electronics Shanghai Trading Co. Ltd ^(***)	100	100	100	100
Vestel Electronica SRL ^(***)	100	100	100	100
Vestel Electronica SRL ^(***)	100	100	100	100

⁽¹⁾ Vestel Elektronik Sanayi ve Ticaret A.Ş. sold 5,000,000 Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. shares on 19 February 2021, 4,000,000 on 12 April 2021 and 5,000,000 on 2 September, 2021 on Borsa İstanbul. Following the transaction, amounting to TL 279.926 TL proceeded, Vestel Elektronik Sanayi ve Ticaret A.Ş.'s share in Vestel Beyaz Eşya declined to 82.53%.

⁽²⁾ Vestel Benelux BV and Holland BV are merged under "Vestel Holland BV" as of 31 December, 2020.

^(***) Included in consolidated financial statements as of 31 December 2020.

^(****) Vestel UK Limited, which is based in the UK and wholly-owned by Vestel Ticaret AŞ, transferred all its assets, liabilities and operations to Vestel Holland B.V. UK Branch Office, which is established in the UK by Vestel Holland B.V., another wholly-owned subsidiary of Vestel Ticaret. The transfer took place as of 1 October 2021.

^(*****) Vestel Poland sp. z.o.o. and Vestel Polska Technology Center sp. z o.o. are merged under "Vestel Poland sp. z.o.o." as of 2 November 2021.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021**

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

NOTE 3 - INTERESTS IN OTHER ENTITIES (Cont'd)**Subsidiaries (Cont'd):**

Financial information of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. which is not wholly owned by the Group and has significant non-controlling interests is as follows.

	31 December 2021	31 December 2020
Accumulated non-controlling interests	874,958	358,946
Comprehensive income attributable to non-controlling interests	400,053	90,266

The financial statements of the subsidiary is adjusted to include the effects of revaluation of land, buildings and land improvements in accordance with the Group's accounting policies applied in preparation of the consolidated financial statements.

Condensed balance sheet:

	31 December 2021	31 December 2020
Current assets	10,120,625	5,616,772
Non-current assets	4,068,788	2,613,219
Current liabilities	(8,562,036)	(4,458,675)
Non-current liabilities	(734,722)	(409,551)
Net assets	4,892,655	3,361,765

Condensed statement of comprehensive income:

	1 January - 31 December 2021	1 January - 31 December 2020
Net sales	16,178,009	9,409,285
Income/(loss) before tax	1,216,852	1,331,932
Tax benefit/(expense)	301,740	(624)
Net income/(loss) for the period	1,518,592	1,331,308
Total comprehensive income	2,330,890	1,684,303

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 3 - INTERESTS IN OTHER ENTITIES (Cont'd)

Subsidiaries (Cont'd):

Condensed statement of cash flows:	2021	2020
Operating activities:		
Changes in working capital	(930,710)	(1,114,925)
Net cash provided by operating activities	1,375,262	574,223
Investing activities:		
Net cash used in investing activities	(727,757)	(958,714)
Financing activities:		
Proceeds from bank borrowings	1,564,022	2,006,706
Repayment of bank borrowings	(1,835,329)	(1,461,014)
Other payables to related parties	(800,000)	(128,766)
Net cash (used in)/provided by financing activities	(721,825)	489,340
Cash and cash equivalents at the beginning of the period	187,136	82,287
Cash and cash equivalents at the end of the period	122,816	187,136

The financial information of Group's 50% associate META which is accounted for using the equity method, is disclosed in note 13.

Other financial information of Company's subsidiaries are not presented on the grounds of materiality.

NOTE 4 - SEGMENT REPORTING

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

Considering the fact that the Group's risks and rate of returns are dissimilar between product types and between geographical areas, The Group management uses industrial segments as primary reporting format and geographical segments as secondary reporting format.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 4 - SEGMENT REPORTING (Cont'd)

Industrial segments

	Television and electronic devices	White goods	Total
1 January -31 December 2021			
Revenue	13,061,150	19,444,685	32,505,835
Cost of sales	(10,152,213)	(13,334,808)	(23,487,021)
Gross profit	2,908,937	6,109,877	9,018,814
Depreciation and amortization	420,666	506,192	926,858
1 January -31 December 2020			
Revenue	9,457,185	12,088,995	21,546,180
Cost of sales	(7,454,733)	(8,073,097)	(15,527,830)
Gross profit	2,002,452	4,015,898	6,018,350
Depreciation and amortization	397,878	355,154	753,032

Capital expenditure

	Television and electronic devices	White goods	Total
1 January -31 December 2021	960,390	780,997	1,741,387
1 January -31 December 2020	327,248	599,908	927,156

Geographical segments:

Segment revenue	1 January - 31 December 2021	1 January - 31 December 2020
Turkey	8,601,572	6,219,178
Europe	22,292,037	15,179,270
Other	3,650,291	1,826,947
Gross segment sales	34,543,900	23,225,395
Discounts (-)	(2,038,065)	(1,679,215)
Net sales	32,505,835	21,546,180

The amount of export for the period 1 January - 31 December 2021 is TL 25.942.328 thousand (1 January - 31 December 2020: TL 17.006.217 thousand). Export sales are denominated in EUR, USD and other currencies as 63,3%, 28%, and 8,7% of total exports respectively. (1 January - 31 December 2020: 61,5% EUR, 28,6% USD, 9,8% other)

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash	2,188	1,278
Bank deposits		
- Demand deposits	1,410,170	2,943,625
- Time deposits	550,795	156,839
Cheques and notes	39,794	9,223
Other	86,174	61,731
	2,089,121	3,172,696
Blocked deposits	22	28,875
Cash and cash equivalents	2,089,143	3,201,571

Effective interest rates

	31 December 2021	31 December 2020
EUR	0.07%	0.21%
TL	21.13%	18.00%
USD	0.23%	1.00%
KZT	7.00%	8.50%
RUB	6.35%	2.50%

The Group has time deposits amounting to USD 1.000 thousand, TL 460.718 thousand, EUR 5.167 thousand, KZT 500 thousand and RUB 16.000 (31 December 2020: USD 7.500 thousand, EUR 5.100 thousand, KZT 107.000 thousand, RUB 3.800 TL and TL 53.650 thousand)

As of 31 December 2021 and 31 December 2020 the Group's time deposits have an average maturity of less than 3 months.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 6 - FINANCIAL ASSETS

	Country	Ownership		Amount	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Financial assets measured at fair value through other comprehensive income:					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	< 1%	< 1%	16,601	22,160
İzmir Teknoloji Geliştirme A.Ş.	Turkey	5%	5%	11	11
Diğer	Turkey	-	1%	200	200
				16,812	22,371
Non-consolidated subsidiaries on the grounds of materiality:	Country	Ownership		Amount	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Vestel Ventures Ar-ge A.Ş.	Turkey	100%	100%	56,273	57,081
Vest Batarya Sistemleri A.Ş.	Turkey	100%	100%	-	50
				56,273	57,131

(*)Merged with Vestel Komünikasyon Sanayi ve Ticaret A.Ş. on June 30, 2021.

NOTE 7 - FINANCIAL LIABILITIES

	31 December 2021	31 December 2020
Short term financial liabilities		
Short term bank loans	4,344,893	2,887,146
Short term portion of long term bank loans	6,014,337	3,933,163
Short term portion of long term lease liabilities	74,857	107,233
Issued debt instruments ^(*)	637,817	53,445
	11,071,904	6,980,987
Long term financial liabilities		
Long term bank loans	628,475	1,657,777
Long term lease liabilities	151,747	125,518
Issued debt instruments ^(*)	265,000	50,380
	1,045,222	1,833,675

(*) Vestel Elektronik A.Ş. completed the sale of TL 50.066 thousand corporate green bond with floating coupon payments with a maturity of 372 days to domestic qualified investors on July 9, 2020, TL 400.000 thousand corporate bond with floating coupon payments with a maturity of 383 days on February 19, 2021 and TL 165.000 thousand corporate bond with floating coupon payments with a maturity of 367 days on July 30, 2021. Corporate bond which was sold to qualified investors on July 9, 2020 was redeemed as of July 16, 2021 with the completion of the principal payment of TL 50.066 thousand.

(*) Vestel Elektronik A.Ş. completed the sale of TL 50.380 thousand corporate green bond with floating coupon payments with a maturity of 728 days to domestic qualified investors on July 9, 2020. Vestel Beyaz Eşya completed the sale of TL 265.000 thousand corporate bond with floating coupon payments with a maturity of 728 days to domestic qualified investors on June 9, 2021.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 7 - FINANCIAL LIABILITIES (Cont'd)

Details of the Group'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	3.71%	130,232	1,690,085	3.52%	206,611	1,516,630
- EUR	3.74%	16,636	244,259	2.65%	92,928	837,082
- TL	24.97%	2,410,549	2,410,549	21.21%	533,434	533,434
			4,344,893			2,887,146

Details of the Group'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	3.54%	257,296	3,339,065	5.22%	103,139	757,091
- EUR	4.36%	38,620	567,025	4.13%	16,955	152,730
- TL	16.12%	2,108,247	2,108,247	11.84%	3,023,342	3,023,342
Short term portion			6,014,337			3,933,163
- USD	5.97%	23,342	302,916	3.97%	60,368	443,128
- EUR	3.00%	19,455	285,645	3.97%	15,402	138,738
- TL	12.31%	39,914	39,914	12.29%	1,075,911	1,075,911
Long term portion			628,475			1,657,777
			6,642,812			5,590,940

Total amount of Group's floating bank loans is amounting to TL 8.733.735 thousand (31 December 2020: TL 4.728.647 thousand).

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 7 - FINANCIAL LIABILITIES (Cont'd)

The maturity schedule of Group's long term bank loans is given below:

	31 December 2021	31 December 2020
One to two years	384,289	1,628,858
Two to three years	244,186	16,500
Three to four years	-	12,419
	628,475	1,657,777

The analysis of Group's bank loans in terms of periods remaining to contractual re-pricing dates is as follows:

	31 December 2021	31 December 2020
6 months or less	3,548,704	2,160,025
	3,548,704	2,160,025

Guarantees given for the bank loans obtained are presented in note 19.

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

As of 31 December 2021 and 31 December 2020, the Group's net financial debt reconciliation is shown below:

	31 December 2021	31 December 2020
Net financial debt as of 1 January	5,527,237	5,527,237
Cash inflows from loans	12,422,231	10,986,459
Cash outflows from loan payments	(10,856,415)	(10,042,972)
Payments of lease liabilities	(12,789)	(71,702)
Unrealized Fx gain/loss	1,761,620	124,323
Accrued interest	(12,183)	8,277
Change in cash and cash equivalents	1,083,575	(889,656)
Net financial debt at the end of the period	10,028,005	5,641,966

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 8 - RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 December 2021	31 December 2020
Zorluteks Tekstil Sanayi ve Ticaret A.Ş. ⁽¹⁾	1	5,601
Korteks Mensucat Sanayi ve Ticaret A.Ş. ⁽¹⁾	5,907	4,820
Linens Pazarlama A.Ş.	4,130	-
Diğer ilişkili kuruluşlar	4,095	5,052
	14,133	15,473

b) Short term trade payables to related parties

	31 December 2021	31 December 2020
ABH Turizm Temsilcilik ve Ticaret A.Ş. ⁽¹⁾	525	1,789
Vestel Savunma Sanayi A.Ş.	62,383	-
Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş.	308	24,688
Zorlu Air Havacılık A.Ş. ⁽¹⁾	1,287	-
Other related parties	1,511	3,236
	66,014	29,713
Unearned interest on payables (-)	(5)	(112)
	66,009	29,601

c) Other short term receivables from related parties

	31 December 2021	31 December 2020
Zorlu Holding A.Ş. ⁽²⁾	-	86,740
Vestel Ventures A.Ş. ⁽³⁾	390,294	191,366
Vestel Savunma Sanayi A.Ş.	457,981	-
Other related parties	-	445
	848,275	278,551

⁽¹⁾ Zorlu Holding Group Company, ⁽²⁾ Parent ⁽³⁾ Subsidiary

As of 31 December 2021, the annual average effective interest rate of other receivables in TL is 20%. and in USD is 7%. (31 December 2020: USD 7%, TL 20%).

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)

d) Other long term receivables from related parties

	31 December 2021	31 December 2020
Zorlu Holding A.Ş. ⁽²⁾	4,418,094	2,424,465
Vestel Savunma Sanayi A.Ş. ⁽³⁾	4,020,204	2,244,748
Meta Nikel Kobalt Madencilik Sanayi Ve Ticaret A. Ş. ⁽³⁾	2,279,484	1,291,974
	10,717,782	5,961,187

As of 31 December 2021, the annual average effective interest rate of other receivables in TL is 20%. and in USD is 7%. (31 December 2020: USD 7%, TL 20%).

f) Other payables to related parties

	31 December 2021	31 December 2020
Zorlu Ailesi ⁽²⁾	-	69,442

g) Lease liabilities to related parties

	31 December 2021	31 December 2020
Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş. ⁽¹⁾	19,555	29,181
Zorlu Yapı Yatırım A.Ş. ⁽¹⁾	2,544	3,796
	22,099	32,977

h) Transactions with related parties

	1 January - 31 December 2021	1 January - 31 December 2020
Operating expenses		
ABH Turizm Temsilcilik ve Ticaret A.Ş. ⁽¹⁾	9,764	7,477
Zorlu Holding A.Ş. ⁽²⁾	88,434	63,841
Zorlu Gayrimenkul Gel. ve Yat. A.Ş. ⁽¹⁾	13,925	12,521
Zorlu Air Havacılık A.Ş. ⁽¹⁾	7,017	4,792
Diğer ilişkili kuruluşlar	27,727	14,737
	146,867	103,368
Other income from operating activities		
Other related parties	10,629	4,726
Other expense from operating activities		
Other related parties	56,615	292

⁽¹⁾ Zorlu Holding Group Company, ⁽²⁾ Parent ⁽³⁾ Subsidiary

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)

h) Transactions with related parties (Cont'd)

	1 January - 31 December 2021	1 January - 31 December 2020
Financial income		
Zorlu Holding A.Ş. ⁽²⁾	2,548,296	702,921
Vestel Savunma Sanayi A.Ş. ⁽³⁾	1,361,665	397,476
Other related parties	1,090,667	332,142
	5,000,628	1,432,539
Financial expense		
Zorlu Holding A.Ş. ⁽²⁾	-	44,701
Other related parties	6,470	176
	6,470	44,877
	1 January - 31 December 2021	1 January - 31 December 2020
Dividend paid	118,671	9,601

⁽¹⁾ Zorlu Holding Group Company, ⁽²⁾ Parent ⁽³⁾ Subsidiary

Guarantees received from and given to related parties are disclosed in note 19.

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

Compensation paid to key management for the year ended 31 December 2021 is TL 66.081 thousand (1 January - 31 December 2020: 33.505 thousand TL).

Financial income from related parties result from interest income from financial liabilities.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	31 December 2021	31 December 2020
Short term trade receivables		
Trade receivables		
- <i>Related parties (note 8)</i>	14,133	15,473
- <i>Other parties</i>	6,261,868	5,175,695
Cheques and notes receivables	419,144	263,751
Other	182,635	192,746
	6,877,780	5,647,665
Unearned interest expense (-)		
- <i>Other parties</i>	(29,351)	(35,215)
Allowance for doubtful receivables (-)	(174,147)	(199,946)
Total short term trade receivables	6,674,282	5,412,504
Long term trade receivables		
Trade receivables	-	768
- <i>Related parties (note 8)</i>	-	768
Cheques and notes receivables	589	1,658
Unearned interest expense (-)	(121)	(119)
Total long term trade receivables	468	2,307

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Cont'd)

	1 January - 31 December 2021	1 January - 31 December 2021
Opening balance, 1 January	199,946	164,923
Current year additions	22,843	58,940
Provisions no longer required	(3,830)	(139)
Doubtful receivables written-off	(51,976)	(25,467)
Currency translation differences	7,164	1,689
Balance at 31 December	174,147	199,946
	31 December 2021	31 December 2020
Short term trade payables		
Trade payables		
- Related parties (note 8)	66,014	29,713
- Other parties	15,980,631	8,031,657
Other	4,209	5,181
	16,050,854	8,066,551
Unearned interest income (-)		
- Related parties (note 8)	(5)	(112)
- Other parties	(24,260)	(6,361)
Total short term trade payables	16,026,589	8,060,078
Long term trade payables		
Trade payables		
- Other parties	181,003	61,787
Total long term trade payables	181,003	61,787

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 10 - OTHER RECEIVABLES

	31 December 2021	31 December 2020
Short term other receivables		
Receivables from official institutions	497,333	267,203
Receivables from related parties (note 8)	848,275	278,551
Deposits and guarantees given	109,241	88,093
Other	95,842	93,758
	1,550,691	727,605
Allowance for doubtful receivables (-)	(89,670)	(89,691)
	1,461,021	637,914
Long term other receivables		
Deposits and guarantees given	24,281	7,323
Receivables from related parties (note 8)	10,717,782	5,961,187
Other	110,170	8,338
	10,852,233	5,976,848
Allowance for doubtful receivables (-)	(8,278)	(8,278)
	10,843,955	5,968,570

The Group provides allowance for doubtful receivables.

NOTE 11 - INVENTORIES

	31 December 2021	31 December 2020
Raw materials	4,590,704	2,055,425
Work in process	226,636	151,867
Finished goods	4,507,882	1,835,398
Merchandise	294,319	72,205
Other	8,575	5,981
	9,628,116	4,120,876
Provision for impairment on inventories (-)	(99,413)	(59,407)
	9,528,703	4,061,469

Cost of the inventory included in the consolidated statement of comprehensive income in the period 1 January - 31 December 2021 is 20.632.944 thousand TL (2020: 13.280.997 thousand TL).

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 11 - INVENTORIES (Cont'd)

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

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

	31 December 2021	31 December 2020
Raw materials	42,101	17,579
Finished goods and merchandise	57,312	41,828
	99,413	59,407

Movement of provision for impairment on inventories is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance, 1 January	59,407	57,869
Current year additions	25,679	4,626
Realised due to sale of inventory	(13,300)	(13,701)
Currency translation differences	27,627	10,613
Balance at 31 December	99,413	59,407

NOTE 12 - PREPAID EXPENSES

	31 December 2021	31 December 2020
Prepaid expenses in current assets		
Order advances given	461,085	105,667
Prepaid expenses	146,616	119,237
Business advances given	4,016	5,182
	611,717	230,086
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	261,847	58,930
Prepaid expenses	109,467	14,450
	371,314	73,380

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2021		31 December 2020	
	%	Amount	%	Amount
Investment in associates				
Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş.	50%	740,287	50%	808,203
Türkiyenin Otomobil Girişim Grubu Sanayi ve Ticaret A.Ş.	23%	666,525	19%	115,127
		1,406,812		923,330

Pursuant to the Group's goal to diversify its lines of business and achieve profitable growth by investing in new-generation technologies, in order to secure the supply of nickel sulphate and cobalt sulphate compounds, which are critical raw materials for the production of EV batteries, of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret A.Ş. ("META"), which is a Zorlu Holding A.Ş. subsidiary and is involved in nickel-cobalt mining. The Group has purchased 916.335.000 shares (each with a nominal value of TL 1 and representing 50% of the Group's share capital) from Ahmet Nazif Zorlu, Olgun Zorlu, Mehmet Emre Zorlu, Selen Zorlu Melik, Meta Madencilik Enerji Turizm Danışmanlık Sanayi ve Ticaret A.Ş. and Zorlu Holding AŞ, for a total consideration of US\$250 mn. The acquisition value is in accordance with the valuation range of US\$447,2 million and US\$572 million stated in June 29, 2018 the independent appraisal report prepared by Ernst & Young Advisory Services, which is licensed by the Capital Markets Board.

META was founded in 2000 to undertake nickel mining in Turkey, has been operating under Zorlu Group since 2007. The Group's nickel cobalt mining facility in Gördes, Manisa was commissioned at the end of 2014. The facility has a production capacity of 10.000 tons of nickel content and 550 tons of cobalt content per annum. Besides Gördes, META also has a licensed field in Eskişehir and undertakes surveying activities in various regions of Turkey. Currently, META produces nickel-cobalt hydroxide (MHP), which is an intermediate product, and plans to undertake an investment for the production of nickel sulfate and cobalt carbonate compounds, which are critical for Li-ion battery production in the upcoming period.

Within the framework of Turkey's Automobile Project, following the work undertaken by the Joint Initiative Group, to which Group's controlling shareholder, Zorlu Holding AŞ was a party, Vestel Elektronik Sanayi ve Ticaret AŞ decided has participated with 19% share in "Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş.", which is planned to be established to produce mainly electric passenger cars and carry out supporting activities. In this respect, the Shareholders Agreement and Articles of Association have been signed on 31 May 2018. Establishment of the new Group is completed on 28 June 2018.

Within the scope of the decision taken at the Annual General Meeting of TOGG which was held on 31 May 2021, the Group's stake in TOGG has reached 23%.

The Group's voting rights and effective ownership rates in Vestel Savunma and Aydın Yazılım are 35% and 21% respectively (31 December 2020: 35%, 21%).

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)

The movements of META, which is an investment accounted for using the equity method during the period 1 January - 31 December 2021 and 2020 is as follows:

	1 January - 31 December 2021	1 January - 31 December 2021
Balance at 1 January	808,203	961,272
Shares from profit/loss	(156,091)	(209,309)
Shares from other comprehensive income/expense	88,175	56,240
Balance at 31 December	740,287	808,203

Summary financial statement information of META is as follows:

	31 December 2021	31 December 2020
Total Assets	7,704,020	4,248,886
Total Liabilities	(7,558,781)	(3,967,817)
Net assets	145,239	281,069

	1 January - 31 December 2021	1 January - 31 December 2020
Net sales	884,604	402,000
Income/(loss) before tax	(124,623)	(323,950)
Tax benefit/(expense)	(187,558)	(94,668)
Net income/(loss) for the period	(312,181)	(418,618)
Total comprehensive loss	(135,831)	(306,139)

Impairment test of investments accounted for using the equity method:

As stated in the accounting policies in Note 2.1.3.b, on the grounds of materiality, the Group has subjected META to impairment testing in accordance with the provisions of TAS 36 "Impairment of Assets", which is accounted for using the equity method. The recoverable amount was determined based on discounted cash flow analysis prepared on the basis of the mine resources of META in licensed mine areas in Gördes and the future investments.

As a result of impairment tests, no impairment was identified related to META as of 31 December 2021. (2020: None).

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)

Sensitivity analysis:

The sensitivity analysis performed for the estimates and assumptions used in determining the cash flows is as follows:

Sensitivity scenarios are analyzed by comparing base scenario to the scenarios where significant assumptions used in impairment tests show negative deviations in defined percentages. In the related sensitivity analyzes performed as of 31 December 2021, the deviations of the recoverable amount compared to the carrying amount including goodwill are summarized in the table below:

	Percentage of META's carrying amount in financials
Sensitivity analysis	
1% increase in discount rate	117%
10% decrease in nickel prices	56%
10% decrease in cobalt carbonat prices	125%
10% decrease in metal equivalent mine resource amount	121%

In accordance with the loan agreement of Meta Nikel as amended on 23 August 2020:

- Pursuant to the Commercial Enterprise Pledge Agreement, a first degree pledge amounting to TL 1.670.000 thousand is placed on behalf of creditors Meta Nikel's assets indefinitely and the pledge will be valid until Meta Nikel is canceled the pledge after the payment of the mentioned loans.
- In accordance with the Mining License Mortgage Agreement a top limit mining license first degree mortgage amounting to USD 420,000 thousand is established.
- Pursuant to the share pledge agreement, first degree pledge was established on all shares representing 100% of Meta Nikel's share capital, including all shares to be issued by Meta Nikel.
- In accordance with the Transfer of Receivables Agreement, Vestel Elektronik is the Successor Creditor in the collection of receivables from Meta Nikel in order to establish a permanent guarantee of the performance of the debts of Meta Nikel resulting from the loan agreement subject to collateral.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Additions	Disposals	Currency translation differences	Transfers	Fair value increase	31 December 2021
Cost or revaluation							
Land	1,145,890	-	-	17,267	-	561,534	1,724,691
Land improvements	135,762	-	-	12,537	17	58,153	206,469
Buildings	2,115,662	-	(2,184)	30,232	9,475	1,257,781	3,410,966
Leasehold improvements	168,269	17,530	(4)	4,750	1,177	-	191,722
Plant and machinery	3,646,372	1,038,933	(82,342)	117,491	132,291	-	4,852,745
Motor vehicles	7,950	1,077	(26)	602	(62)	-	9,541
Furniture and fixtures	477,480	65,833	(3,325)	17,869	8,784	-	566,641
Other tangible assets	849	-	-	-	-	-	849
Construction in progress	38,064	195,753	(3)	-	(151,682)	-	82,132
	7,736,298	1,319,126	(87,884)	200,748	-	1,877,468	11,045,756
Accumulated depreciation							
Land improvements	-	2,280	-	305	-	-	2,585
Buildings	2,343	109,973	(429)	57,205	-	-	169,092
Leasehold improvements	160,263	24,494	(4)	2,859	-	-	187,612
Plant and machinery	2,361,532	407,897	(81,506)	72,292	-	-	2,760,215
Motor vehicles	6,876	1,452	(26)	(5,698)	-	-	2,604
Furniture and fixtures	388,638	95,025	(2,750)	14,896	-	-	495,809
Other tangible assets	849	-	-	-	-	-	849
	2,920,501	641,121	-84,715	141,859	-	-	3,618,766
Net book value	4,815,797						7,426,990

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	1 January 2020	Additions	Disposals	Currency translation differences	Transfers	Fair value increase	31 December 2020
Cost or revaluation							
Land	635,564	-	(46,972)	5,370	-	551,928	1,145,890
Land improvements	132,438	1,445	(5,110)	(1,060)	(15,183)	23,232	135,762
Buildings	1,489,078	12,857	(163,501)	33,364	(70,923)	814,787	2,115,662
Leasehold improvements	156,981	9,490	(7)	1,625	180	-	168,269
Plant and machinery	3,168,798	523,531	(113,367)	16,687	50,723	-	3,646,372
Motor vehicles	7,546	1,119	(1,253)	538	-	-	7,950
Furniture and fixtures	427,429	40,382	(7,240)	6,972	9,937	-	477,480
Other tangible assets	849	-	-	-	-	-	849
Construction in progress	54,295	65,542	(46)	10	(81,737)	-	38,064
	6,072,978	654,366	(337,496)	63,506	(107,003)	1,389,947	7,736,298
Accumulated depreciation							
Land improvements	6,932	8,598	(552)	271	(15,249)	-	-
Buildings	60,895	52,060	(29,410)	13,150	(94,352)	-	2,343
Leasehold improvements	144,705	14,550	(5)	1,013	-	-	160,263
Plant and machinery	2,053,707	404,649	(112,729)	15,905	-	-	2,361,532
Motor vehicles	4,841	1,197	(1,253)	537	1,554	-	6,876
Furniture and fixtures	348,721	40,716	(6,475)	5,676	-	-	388,638
Other tangible assets	849	-	-	-	-	-	849
	2,620,650	521,770	(150,424)	36,552	(108,047)	-	2,920,501
Net book value	3,452,328						4,815,797

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

31 December 2021	Lands	Buildings and land improvements
Cost	180,642	586,324
Accumulated depreciation (-)	-	(306,019)
Net book value	180,642	280,305

31 December 2020	Lands	Buildings and land improvements
Cost	180,642	588,508
Accumulated depreciation (-)	-	(194,195)
Net book value	180,642	394,313

Additions to property, plant and equipment in the period 1 January - 31 December 2021 mainly consist of machinery and equipment investments made to television and electronic devices factory, first and second refrigerator, cooker, dishwasher, washing machine and tumbler drier factories.

As of 31 December 2021 the Group does not have property, plant and equipment pledged (2020: None)

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

	Useful life
Land improvements	5 - 35 yıl
Buildings	10-46 yıl
Leasehold improvements	3 - 10 yıl
Plant and machinery	2 - 30 yıl
Motor vehicles	5 - 10 yıl
Furniture and fixtures	5 - 14 yıl

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Allocation of current year depreciation and amortization expenses is as follows:

		1 January - 31 December 2021	1 January - 31 December 2020
Cost of sales		597,467	450,402
Research and development expenses		201,261	164,814
Marketing, selling and distribution expenses		93,079	102,863
General administrative expenses		30,587	30,619
Other operating expense (idle capacity depreciation expense)		4,464	4,334
		926,858	753,032
31 December 2021	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	1,724,691	-
Buildings and land improvements	-	3,445,758	-
31 December 2020	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	1,145,890	-
Buildings and land improvements	-	2,249,081	-

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 15 - RIGHT OF USE ASSETS

	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Land and buildings	251,366	67,300	(3,380)	315,286
Machinery	65,404	3,483	(1,827)	67,060
Motor vehicles	30,627	27,920	(2,098)	56,449
	347,397	98,703	(7,305)	438,795
Accumulated amortization				
Land and buildings	96,608	84,025	(1,926)	178,707
Machinery	34,207	19,882	(356)	53,733
Motor vehicles	16,821	11,107	(1,191)	26,737
	147,636	115,014	(3,473)	259,177
Net book value	199,761	(16,311)	(3,832)	179,618
	1 January 2020	Additions	Disposals	31 December 2020
Cost				
Land and buildings	141,468	109,898	-	251,366
Machinery	66,316	5,020	(5,932)	65,404
Motor vehicles	15,271	15,356	-	30,627
	223,055	130,274	(5,932)	347,397
Accumulated amortization				
Land and buildings	37,068	59,540	-	96,608
Machinery	15,765	18,442	-	34,207
Motor vehicles	6,446	10,375	-	16,821
	59,279	88,357	-	147,636
Net book value	163,776	41,917	(5,932)	199,761

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 16 - INTANGIBLE ASSETS

	1 January 2021	Additions	Disposals	Currency translation differences	Transfers	31 December 2021
Cost						
Rights	84,977	-	(134)	4,687	-	89,530
Development cost	1,383,379	394,730	(60,266)	-	-	1,717,843
Other intangible assets	175,417	27,531	(281)	9,718	-	212,385
	1,643,773	422,261	(60,681)	14,405	-	2,019,758
Accumulated amortization						
Rights	55,933	4,504	(125)	4,317	-	64,629
Development cost	773,431	155,534	(860)	-	-	928,105
Other intangible assets	103,469	10,685	(5,940)	8,367	-	116,581
	932,833	170,723	(6,925)	12,684	-	1,109,315
Net book value	710,940					910,443

	1 January 2020	Additions	Disposals	Currency translation differences	Transfers	31 December 2020
Cost						
Rights	70,878	15,151	-	1,829	(2,881)	84,977
Development cost	1,169,884	248,201	(36,120)	-	1,414	1,383,379
Other intangible assets	180,684	9,438	(26,009)	12,436	(1,132)	175,417
	1,421,446	272,790	(62,129)	14,265	(2,599)	1,643,773
Accumulated amortization						
Rights	55,099	619	-	1,770	(1,555)	55,933
Development cost	641,642	131,789	-	-	-	773,431
Other intangible assets	106,977	10,497	(25,381)	11,376	-	103,469
	803,718	142,905	(25,381)	13,146	(1,555)	932,833
Net book value	617,728					710,940

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 16 - INTANGIBLE ASSETS (Cont'd)

Useful lives of intangible assets are as follows:

	Useful life
Rights	2 - 15 years
Development cost	2 - 10 years
Other	2 - 15 years

NOTE 17 - GOODWILL

Goodwill is distributed on cash generating unit which are based on segmental reporting. Summary table of goodwill based on segmental reporting is given below:

	31 December 2021	31 December 2020
White goods	168,543	168,543
Television and electronic devices	25,773	25,773
Software	2,252	2,252
	196,568	196,568

Impairment of the goodwill amount relating to the listed subsidiary of the Group is tested through the evaluation of the fair value determined on the average transaction amounts effective as of the balance sheet date as recoverable amount.

NOTE 18 - GOVERNMENT GRANTS

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

- Exemption from customs duty on machinery and equipment to be imported,
- VAT exemption with respect to purchases of investment goods both from domestic and export markets,
- Incentives under the jurisdiction of the research and development law,(Note 30)
- Inward processing permission certificates,
- Cash refund from Tübitak - Teydeb for research and development expenses,
- Discounted corporate tax incentive,
- Insurance premium employer share incentive
- Brand support incentive (Turquality) given by Republic of Turkey Ministry of Economy.

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to TL 10.344 thousand for the period 1 January - 31 December 2021. (1 January -31 December 2020: TL 3.656 thousand).

Brand support incentive Turquality obtained from Republic of Turkey Ministry of Economy amounts to TL 4.022 thousand in year 2021. (2020: TL 2.039 thousand).

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 19 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2021	31 December 2020
Short term provisions		
Warranty and assembly provision	477,020	315,313
Other provisions	716,541	401,302
Provision for lawsuit risks	47,074	29,195
	1,240,635	745,810
Long term provisions		
Warranty and assembly provision	93,449	72,501
	93,449	72,501

There are various cases filed and continuing against the Group domestically and in foreign countries. With reference to Group management's and legal advisors' assessments, no provision is provided for those cases amounting to EUR 17.975 thousand and TL 8.775 thousand (2020: EUR 18.506 thousand and TL 11.778), that are expected to be finalized in favor of the Group. As of 31 December 2021, the amount of provision provided for the cases for which the probability of losing the case is assessed to be high by the Group management and legal advisors is TL 47.074 thousand (2020: TL 29.195 thousand).

As of 31 December 2021 and 2020 movements of warranty and assembly provisions are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance, 1 January	387,814	308,920
Current year additions	583,038	459,098
Provisions no longer required	(400,383)	(380,204)
Balance at 31 December	570,469	387,814

b) Guarantees received by the Group

Guarantee letters, collaterals, cheques and notes received

	31 Aralık 2021	31 Aralık 2020
Guarantee letters	1,393,114	645,077
Cheques and notes	1,275,077	1,053,010
Collaterals and pledges	1,535,346	1,425,038
	4,203,537	3,123,125

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. and Vestel Ticaret A.Ş. has given collaterals to various banks on behalf of the Company for its forward contracts and loans utilized.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 19 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

c) Collaterals, pledges and mortgages ("CPM's") given by the Group

CPM's given by the Group	USD (‘000)	EUR (‘000)	GBP (‘000)	TL	Toplam TL değeri
31 December 2021					
A. CPM's given on behalf of its own legal entity	8,879	22,206	450	120,160	569,276
B. CPM's given on behalf of fully consolidated subsidiaries ⁽¹⁾	2,205,303	64,201	81	4,278,812	33,842,164
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-	-
D. Total amount of other CPM's given	43,137	-	-	21,169	580,979
i. Total amount of CPM's given on behalf of the parent company	-	-	-	-	-
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	43,137	-	-	21,169	580,979
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-	-
Total	2,257,319	86,407	531	4,420,141	34,992,419
31 December 2020					
A. CPM's given on behalf of its own legal entity		5,239	27,743	111,587	399,950
B. CPM's given on behalf of fully consolidated subsidiaries		1,963,193	169,418	2,741,621	18,678,540
C. CPM's given on behalf of third parties for ordinary course of business		-	-	-	-
D. Total amount of other CPM's given		36,437	-	22,001	289,467
i. Total amount of CPM's given on behalf of the parent company		-	-	-	-
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.		36,437	-	22,001	289,467
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.		-	-	-	-
Total		2,004,869	197,161	2,875,209	19,367,957

⁽¹⁾Fully consolidated subsidiaries have given collaterals to various financial institutions on behalf of each other for their forward contracts and for the total amount of loans utilized. As of 31 December 2021, proportion of other CPM's given by the Group to its equity is 6%.(31 December 2020: 4%)

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021**

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

NOTE 20 - COMMITMENTS

As of the balance sheet date the Group has committed to realize exports amounting to 5.198.333 thousand USD (31 December 2020: 1.025.633 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2021 the Group has forward foreign currency purchase contract that amounts to USD 889.644 thousand, EUR 182.045 thousand, GBP 94.967 thousand, PLN 26.510 thousand, RON 10.508 thousand, TL 2.083.288 thousand against forward foreign currency sales contract that amounts to USD 430.365 thousand, EUR 638.255 thousand, GBP 106.292 thousand, RUB 993.900 thousand, RON 18.031 thousand, PLN 65.490 thousand, SEK 9.447 thousand and TL 1.008.312 thousand. (31 December 2020: USD 937.197 thousand, EUR 171.944 thousand, GBP 44.323 thousand, PLN 20.279 thousand, TL 3.051.872 thousand against forward foreign currency sales contract that amounts to USD 545.704 thousand, EUR 490.860 thousand, GBP 78.192 thousand, RUB 1.185.200 thousand, RON 5.747 thousand, PLN 48.817 thousand, SEK 9.447 thousand, CHF 250.139 thousand and TL 619.549 thousand against forward foreign currency sales contract).

NOTE 21 - EMPLOYEE BENEFITS**Liabilities for employee benefits:**

	31 December 2021	31 December 2020
Due to personnel	131,134	113,466
Social security payables	148,369	132,102
	279,503	245,568

Long-Term provisions for employee benefits:

	31 December 2021	31 December 2020
Provision for employment termination benefits	387,222	226,307

Under Turkish law, the Group 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 Group 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 salary for each year of service and is limited to a maximum of 8.284,51 TL/year as of 31 December 2021 (31 December 2020: 7.117,17 TL/year).

Provision for employment termination benefits is not subject to any funding.

The provision is calculated by estimating the present value of the future obligation of the Group arising from retirement of employees. TAS 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 are 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 of 31 December 2021, the provision is calculated by estimating the present value of the future obligation of the Group arising from retirement of employees. As of 31 December 2021 provision is calculated based on real discount rate of 4,44% (31 December 2020: 4,44%) assuming 15,8% annual inflation rate and 20,9% discount rate.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 21 - EMPLOYEE BENEFITS (Cont'd)

The movement in the provision for employment termination benefit is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Balance at 1 January	226,307	156,116
Increase during the year	9,811	30,875
Payments during the year	(23,457)	(19,197)
Actuarial (gain)/loss	124,274	40,449
Interest expense	50,287	18,064
Balance at 31 December	387,222	226,307

As of 31 December 2021, an increase in annual discount rate by 0,25% would lead to decrease in employee benefit liability by 3,1%; a decrease in annual discount rate by 0,25%, would lead to an increase in employee benefit liability by 3,2%. (31 December 2020: 3,6% decrease and 3,7% 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 4,42%. (31 December 2020: 3,9% increase and 3,7% decrease).

NOTE 22 - OTHER ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
Other current assets		
VAT carried forward	25,455	53,422
Rebates from suppliers and incentives income accruals	76,037	26,961
Other	113,831	39,614
	215,323	119,997
Other non - current assets		
Assets held for sale	9,590	9,590
	9,590	9,590
	31 December 2021	31 December 2020
Other current liabilities		
Advances received	413,993	164,431
Tax payables	232,645	154,594
Other	802,189	387,165
	1,448,827	706,190

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 23 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	31 December 2021	31 December 2020
Shares of par value Kr 1 each		
limit on registered share capital	1,000,000	1,000,000
Issued share capital	335,456	335,456

As of 31 December 2021 and 31 December 2020 the shareholding structures are as follows:

	Shareholding		Amount	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Zorlu Holding A.Ş.	63.70%	64.41%	213,696	216,067
Shares held by public				
Other shareholders	36.30%	33.49%	121,760	112,344
Zorlu Holding A.Ş.	-	2.10%	-	7,045
	100%	100%	335,456	335,456

Zorlu Holding A.Ş. sold Vestel Elektronik Sanayi ve Ticaret A.Ş. shares with a nominal amount of TL 1.000.000 on 31 March 2021, TL 302.500 on 10 June 2021, TL 647.500 on 15 June 2021, TL 1.600.000 on 10 August 2021 and TL 5.850.000 on 4 October 2021. Following the transaction, Zorlu Holding A.Ş.'s share in Vestel Elektronik Sanayi ve Ticaret A.Ş. declined to 63.70%.

b) Adjustment to share capital

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

c) Share premium

Share premium account refers the difference between par value of the Company's shares and the amount 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.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 23 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

d) 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
Restricted reserves ("Legal reserves")	265,489	67,091

e) Revaluation reserve

Fair value gains on financial assets	6,988	11,435
Revaluation of property, plant and equipment	3,985,651	2,514,867
	3,992,639	2,526,302

f) Retained Earnings (Accumulated Losses)

Extraordinary reserves	512,541	512,541
Previous year's loss	500,037	447,781
Other inflation adjustment of share capital	119,718	119,718
	1,132,296	1,080,040

g) Dividend distribution

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

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and in conformity with relevant legislations. The communiqué does not state a minimum dividend rate. Companies distribute dividends in accordance with the method defined in their dividend policy or articles of association. Additionally, dividend can be distributed in fixed or variable installments and dividend advances can be paid over the profit on interim financial statements. Unless the general reserves that has to be appropriated in accordance with TCC or the dividend to shareholders as determined in the articles of association or dividend policy are set aside; no decision can be taken to set aside other reserves, to transfer reserves to the subsequent year or to distribute dividends to holders of usufruct right certificates, to board of directors members or to employees; and no dividend can be distributed to those unless the determined dividend to shareholders is paid in cash.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 23 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

g) Dividend distribution (Cont'd)

On the other hand, in accordance with the Articles of Association of the Company, the net period income is allocated after deducting the accumulated losses from the previous years, if any, as follows:

- As per Article 519 of the Turkish Commercial Code, 5% is allocated to a general legal reserve.
- A dividend is allocated from the remaining amount, at the rate determined by the General Assembly over an amount to be found after the addition of a donation, which is made in line with the Turkish Commercial Code and Capital Market Legislation.
- After the deductions above, the General Assembly has the right to decide how to allocate the dividend to members of the board of directors and officers, employees and workers, foundations established with various purposes, and similar persons and corporations.
- After the amounts stated in paragraph (a), (b) and (c) are deducted from the net period profit, the General Assembly is authorized to allocate the remaining amount as a second dividend or to allocate the remaining amount to its own reserve as per Article 521 of the Turkish Commercial Code.
- One tenth of the amount obtained after a dividend of 5% of the paid in capital and other legal reserve are deducted from the amount that is agreed to be allocated to the shareholders and other persons participating to the profit is added to the general legal reserve as per paragraph (c) of the second clause of article 519 of the Turkish Commercial Code.

Vestel Elektronik Sanayi ve Ticaret A.Ş. resolved to propose the distribution of TL 2,360,734 thousand of gross cash dividends in its 2020 statutory financial statements prepared in accordance with the Turkish Commercial Code and Tax Procedure Law, which corresponds to a gross cash dividend of TL 7.0373 (net cash dividend of TL 5.9818) per share to be distributed in 3 equal installments. TL 1.337.506 thousand dividend was paid as of 31 December 2021.

In accordance with the provisions of the Turkish Commercial Code and Tax Procedure Law, Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. decided to distribute dividends related to 2020 financial period amounting to TL 800,000 thousand in three equal installments. (4,2105 TL gross, 3,5789 TL net for each 1.00 TL nominal value per share) As of December 31, 2021, dividends paid amounted to TL 118.671 thousand.

NOTE 24 - SALES

	1 January - 31 December 2021	1 January - 31 December 2020
Domestic sales	8,601,572	6,219,178
Overseas sales	25,942,328	17,006,217
Gross sales	34,543,900	23,225,395
Sales discounts (-)	(2,038,065)	(1,679,215)
Net sales	32,505,835	21,546,180
Cost of sales	(23,487,021)	(15,527,830)
Gross profit	9,018,814	6,018,350

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 25 - EXPENSES BY NATURE

	1 January - 31 December 2021	1 January - 31 December 2020
Raw materials, supplies and finished goods	23,602,311	13,570,360
Changes in finished goods, work in process, trade goods	(2,969,367)	(289,363)
Personnel expenses	2,393,286	1,693,857
Depreciation and amortization	922,394	748,698
Export, transportation, warehouse expenses	1,436,976	879,691
Warranty and assembly expenses	583,038	459,098
Advertising expenses	330,386	219,044
Other	1,649,705	1,415,958
	27,948,729	18,697,343

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

	1 January - 31 December 2021	1 January - 31 December 2020
Independent audit fee for the reporting period	6,909	3,629
Tax consultancy	118	114
Fees for services other than independent audit	32	47
	7,059	3,790

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 26 - 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	248,783	169,313
Depreciation and amortization	30,587	30,619
Consultancy expenses	89,434	65,777
Information technology expenses	60,931	49,306
Rent and office expenses	44,511	35,317
Tax and duties	17,570	19,811
Insurance expenses	23,657	14,058
Travelling expenses	7,974	5,836
Benefits and services provided externally	4,740	3,557
Other	122,848	112,034
	651,035	505,628

b) Marketing expenses:

Export, transportation, warehouse expenses	1,349,663	823,637
Warranty and assembly expenses	583,038	459,098
Personnel expenses	601,013	409,766
Advertising expenses	293,400	192,457
Depreciation and amortization	93,079	102,863
Other	484,785	340,933
	3,404,978	2,328,754

c) Research and development expenses:

Depreciation and amortization	201,261	164,814
Personnel expenses	101,019	74,769
Travel expense	1,543	2,781
Other	101,872	92,767
	405,695	335,131

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 27 - OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January - 31 December 2021	1 January - 31 December 2020
Credit finance gains arising from trading activities	28,588	31,168
Foreign exchange gains arising from trading activities	2,847,836	1,306,895
Reversals of provisions	13,638	4,762
Other income	274,139	222,894
	3,164,201	1,565,719

b) Other expense from operating activities:

Debit finance charges arising from trading activities	246,456	127,069
Foreign exchange expenses arising from trading activities	6,054,711	2,178,573
Provision expenses	31,755	33,125
Other expenses	223,278	129,567
	6,556,200	2,468,334

NOTE 28 - FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gains	5,304,728	1,776,585
Gains on derivative financial instruments	1,913,654	988,555
Interest income	838,238	543,927
	8,056,620	3,309,067

b) Financial expense:

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange losses	3,217,176	1,016,223
Losses on derivative financial instruments	2,922,413	1,173,752
Interest and commission expense	1,308,747	897,343
Other finance expenses	8,161	3,788
	7,456,497	3,091,106

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 29 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

a) Fixed assets revaluation fund:

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance, 1 January	2,514,867	1,310,274
Depreciation transfer upon revaluation reserves - net	(109,673)	(36,784)
Net depreciation transfer upon revaluation reserves attributable to non-controlling interests	-	(682)
Increase in reserves arising from revaluation of land, buildings and land improvements	1,877,468	1,389,947
Deferred tax income calculated over increase in revaluation reserves	(187,747)	(86,187)
Increase in revaluation reserves attributable to non-controlling interests	(131,991)	(40,542)
Deferred tax income calculated over increase in revaluation reserves attributable to non-controlling interest	13,199	530
Revaluation fund increase resulting from equity method investments	68,503	-
Transactions with non-controlling interests	(58,974)	(21,689)
Balance at 31 December	3,985,652	2,514,867

b) Cash flow hedge fund:

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance, 1 January	(43,776)	(4,662)
Profit/(loss) from cash flow hedges	272,653	(52,611)
Deferred tax calculated over cash flow hedge fund	(66,312)	10,523
(Profit)/loss from cash flow hedges attributable to non-controlling interests	(37,038)	3,718
Deferred tax calculated over profit/(loss) from cash flow hedges attributable to non-controlling interests	7,408	(744)
Balance at 31 December	132,935	(43,776)

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 29 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS (Cont'd)

c) Actuarial gain/loss arising from defined benefit plans:

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance, 1 January	(65,191)	(34,999)
Actuarial gain/loss arising from defined benefit plans	(124,274)	(40,449)
Deferred tax calculated over actuarial gain/loss arising from defined benefit plans	24,855	8,090
Actuarial gain/loss arising from defined benefit plans attributable to non-controlling interests	8,544	1,733
Deferred tax calculated over actuarial gain/loss arising from defined benefit plans attributable to non-controlling interests	(1,709)	(347)
Transactions with non-controlling interests	(2,295)	781
Balance at 31 December	(160,070)	(65,191)

NOTE 30 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2021	31 December 2020
Corporation and income taxes	14,285	43,066
Prepaid taxes (-)	(22,272)	(34,709)
Current income tax liabilities - net	(7,987)	8,357
Deferred tax liabilities	(461,600)	(333,362)
Deferred tax assets	795,193	321,146
Deferred tax liabilities - net	333,593	(12,216)

Turkish Tax Legislation does not permit a parent company its subsidiaries and investments in associates to file a consolidated tax return. Therefore, tax liabilities as reflected in these consolidated financial statements have been calculated on a separate entity basis for the fully consolidated subsidiaries.

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

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

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

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 30 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

In accordance with the regulation numbered 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 20% for those which will be realized after 2022 December and onwards.

Russian Federation

In Russia, corporate tax rate applicable is 20% (2020: 20%). Under the Russian Federation taxation system, tax losses can be carried forward to be offset against future taxable income for up to ten years. There are no restrictions on the amounts subject to net off. On the other hand, tax, currency and customs legislations are subject to various interpretations and changes which can occurs frequently in Russian Federation. Management's interpretation for such legislation, which is applied to the Group's operations and activities, can be interpreted by regional and federal authorities in different ways.

The events of the recent past in Russian Federation, shows that risk could be possible on approval of operations and activities, which approved in the past may not be approved in the future as a result of reviews by the tax authorities on legislation. According to a review by the tax inspection authorities, without exceptional circumstances, tax inspection covers three years prior to the final inspection. Under certain circumstances, such views may cover longer periods.

The tax results of Company's subsidiaries in other countries are not material to consolidated financial statements.

As of 1 January - 31 December 2021 and 2020 tax benefit in the consolidated statement of income is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Current period tax expense	(10,293)	(51,208)
Deferred tax benefit	465,477	19,164
Total tax (expense)/benefit	455,184	(32,044)

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 30 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Russian Federation (Cont'd)

	1 January - 31 December 2021	1 January - 31 December 2020
Profit before tax	1,698,769	1,939,281
Local tax rate	25%	22%
Tax income calculated using local tax rate	(424,692)	(426,642)
Carry forward tax losses utilized	-	103,528
Non-deductible expenses	(101,864)	(38,356)
Loss from equity accounted investment	(12,418)	(22,897)
Adjustments with no tax effects	(16,615)	(27,574)
Deduction and exemptions	277,930	115,207
Reduced taxation	599,945	267,121
Deferred tax effect of change in legal tax rate	132,898	(2,431)
Total tax (expense)/benefit	455,184	(32,044)

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

Deferred tax assets and liabilities

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

As of 31 December 2021 and 2020, the Group has not recognized deferred tax assets arising from its investment incentive certificate, in accordance with conservatism principle of accounting.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 30 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Deferred tax assets and liabilities (Cont'd)

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

	Cumulative temporary differences		Deferred tax	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deferred tax assets				
	(387,222)	(226,307)	77,444	45,261
Employment termination benefits	-	-	228,430	-
Investment incentives	(56,812)	(89,295)	14,203	17,859
Warranty provision	(174,147)	(199,946)	43,537	39,989
Provision for doubtful receivables	-	-		
Net difference between book values and tax bases of property, plant and equipment and intangible asset	(100,000)	(38,085)	20,000	7,617
Provision for impairment on inventories	(99,413)	(59,407)	24,853	11,882
Derivative financial instruments	(531,862)	(303,178)	132,965	60,636
Carryforward tax losses and R&D incentives	(415,763)	(317,745)	103,941	63,549
Other	(599,280)	-	149,820	74,353
			795,193	321,146
	Cumulative temporary differences		Deferred tax	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deferred tax liabilities				
Derivative financial instruments	288,768	111,789	72,192	(22,358)
Revaluation of tangible fixed assets	5,305,380	2,806,830	(530,538)	(280,683)
Other	13,016	151,605	(3,254)	(30,321)
			(461,600)	(333,362)
Deferred tax assets/(liabilities) - net			333,593	(12,216)
			31 December 2021	31 December 2020
Subsidiaries with net deferred tax liabilities			(461,600)	(333,362)
Subsidiaries with net deferred assets			795,193	321,146

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 30 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Deferred tax assets and liabilities (Cont'd)

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

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance, 1 January	(12,216)	(3,091)
Tax benefit recognized in income statement	465,477	19,164
Recognized in shareholders' equity	(220,684)	(70,070)
Currency translation differences	101,016	41,781
Deferred tax (liabilities)/assets at the end of the period, net	333,593	(12,216)

NOTE 31 - EARNINGS/(LOSS) PER SHARE

	1 January - 31 December 2021	1 January - 31 December 2020
Net income/(loss) attributable to equity holders of the parent	1,895,487	1,772,599
Weighted number of ordinary shares with a Kr 1 of par value (hundred shares)	33,545,600	33,545,600
Earnings per share	5.65	5.28

NOTE 32 - 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	1,610,694	14,151	4,762,883	105,345
Cash flow hedge				
Forward foreign currency transactions	7,794,738	274,617	479,576	6,444
Derivative financial liabilities:				
Held for trading				
Forward foreign currency transactions	5,999,754	(490,901)	2,960,271	(135,768)
Cash flow hedge				
Forward foreign currency transactions	1,374,424	(40,986)	4,039,615	(167,410)
	16,779,610	(243,119)	12,242,345	(191,389)

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital risk management:

The Group 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 Group's 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.

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

	31 December 2021	31 December 2020
Total financial liabilities (note 7)	12,117,126	8,814,662
Cash and cash equivalents (note 5)	(2,089,143)	(3,201,571)
Net debt	10,027,983	5,613,091
Total shareholders equity	10,311,661	7,425,534
Total capital invested	20,339,644	13,038,625
Net debt/capital invested	49%	43%

Financial risk factors:

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

b.1) Credit risk:

The Group is exposed to credit risk arising from receivables from credit finance sales and deposits with banks. Credit risk of receivables from third parties is managed by securing receivables with highest possible coverage. Methods used are:

- Bank guarantees (guarantee letters, etc.)
- Credit insurance
- Mortgages
- Cheque-notes

For customers receivables from which are not secured with collaterals, the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors and individual risk limits are determined and monitored regularly.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2021	Receivables				Bank deposits	Other
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party		
Maximum exposed credit risk as of 31 December 2021 (A+B+C+D)	14,133	6,660,617	11,566,057	738,919	1,960,965	128,178
- Secured portion of the maximum credit risk by guarantees, etc.	-	(3,894,116)	-	-	-	-
A. Net book value of financial assets either are not due or not impaired	14,111	5,080,189	11,566,057	738,919	1,960,965	128,178
- Secured portion by guarantees etc.	-	(3,454,300)	-	-	-	-
B. Financial assets with renegotiated conditions	-	-	-	-	-	-
C. Net book value of the overdue but not impaired financial assets	22	1,580,242	-	-	-	-
- Secured portion by guarantees etc.	-	(613,963)	-	-	-	-
D. Net book value of the impaired financial assets	-	186	-	-	-	-
- Over due (gross book value)	-	-	-	97,948	-	-
- Impairment (-)	-	(174,147)	-	(97,948)	-	-
- Secured portion of the net value by guarantees etc.	-	174,147	-	-	-	-

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2020	Receivables				Bank deposits	Other
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party		
Maximum exposed credit risk as of 31 December 2019 (A+B+C+D)	15,473	5,398,570	6,239,738	366,746	3,100,464	101,107
- Secured portion of the maximum credit risk by guarantees, etc.	-	(4,143,163)	-	-	-	-
A. Net book value of financial assets either are not due or not impaired	15,473	4,874,958	6,239,738	366,746	3,100,464	101,107
- Secured portion by guarantees etc.	-	(3,751,130)	-	-	-	-
B. Financial assets with renegotiated conditions	-	-	-	-	-	-
C. Net book value of the overdue but not impaired financial assets	-	403,154	-	-	-	-
- Secured portion by guarantees etc.	-	(271,575)	-	-	-	-
D. Net book value of the impaired financial assets	-	120,458	-	-	-	-
- Over due (gross book value)	-	320,404	-	97,969	-	-
- Impairment (-)	-	(199,946)	-	(97,969)	-	-
- Secured portion of the net value by guarantees etc.	-	(120,458)	-	-	-	-

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

	31 December 2021	31 December 2020
Overdue 1 - 30 days	807,845	260,006
Overdue 1 - 3 months	470,512	18,865
Overdue 3 - 12 months	243,774	93,961
Overdue 1 - 5 years	58,111	30,322
Total	1,580,242	403,154

There is no additional guarantee for receivables from related parties. The main shareholder declares that such receivables will be paid in case of need.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

b.2) Liquidity risk:

The Group 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 following tables detail the Group'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 Group 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 Group has classified letters of credit that used for the purchases of goods within the scope of its ordinary activities under trade payables. The amount of such letters of credit is 6.222.464 TL as of 31 December 2021.

The Group has classified its letters of credit for the purchases of goods within the scope of its ordinary activities under trade payables.. The amount of the letters of credit is TL 6.222.464 as of 31 December 2021.(31 December 2020: TL 3.588.528).

As of 31 December 2021 maturity analysis of the Group's financial liabilities is as follows:

Contractual maturities	Carrying value	Contractual cash flows	Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Financial liabilities and leasing liabilities	12,117,126	13,105,969	5,683,749	6,300,266	932,867	189,087
Trade payables	16,207,592	16,669,337	6,404,221	10,265,063	53	-
Other payables	10,752	10,752	10,752		-	-
	28,335,470	29,786,058	12,098,722	16,565,329	932,920	189,087
Derivative financial instruments						
Derivative cash inflows		16,779,610	12,650,129	4,129,481	-	-
Derivative cash outflows		(16,400,765)	(12,412,857)	(3,987,908)	-	-
	243,119	378,845	237,272	141,573	-	-

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2020 maturity analysis of the Group's financial liabilities is as follows:

Contractual maturities	Carrying value	Contractual cash flows	Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Financial liabilities	8,814,662	9,103,232	1,349,117	5,885,533	1,867,784	798
Trade payables	8,121,865	8,212,026	4,612,760	3,193,311	405,955	-
Other payables and liabilities	71,923	71,923	-	71,923	-	-
	17,008,450	17,387,181	5,961,877	9,150,767	2,273,739	798
Derivative financial instruments						
Derivative cash inflows		12,242,345	8,913,521	3,328,824	-	-
Derivative cash outflows		(12,129,433)	(8,655,619)	(3,473,814)	-	-
	191,389	112,912	257,902	(144,990)	-	-

b.3) Foreign currency risk:

The Group 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 Group mainly prefers using foreign exchange forward contracts.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2021	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	123,693	259,585	536,015	5,952,546
2a. Monetary financial assets (including cash and cash equivalents)	32,874	15,189	1,480,246	2,129,878
2b. Non-monetary financial assets	-	-	-	-
3. Other	28,598	781	-	382,597
4. Current assets (1+2+3)	185,165	275,555	2,016,261	8,465,021
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	5,876	8,483	-	200,806
7. Other	746,115	51	-	9,683,456
8. Non-current assets (5+6+7)	751,991	8,534	-	9,884,262
9. Total assets (4+8)	937,156	284,089	2,016,261	18,349,283
10. Trade payables	930,274	159,275	48,129	14,459,283
11. Financial liabilities	387,528	55,256	-	5,840,434
12a. Other monetary liabilities	6,306	1,395	-	102,318
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	1,324,108	215,926	48,129	20,402,035
14. Trade payables	-	12,328	-	181,003
15. Financial liabilities	23,342	19,455	-	588,561
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	23,342	31,783	-	769,564
18. Total liabilities (13+17)	1,347,450	247,709	48,129	21,171,599
19. Off-balance sheet derivative instruments net asset/(liability) position (19a+19b)	459,279	(456,210)	(529,994)	(1,267,913)
19a. Hedged total assets	889,644	182,045	1,773,263	15,991,457
19b. Hedged total liabilities	(430,365)	(638,255)	(2,303,257)	(17,259,370)
20. Net foreign currency asset/(liability) position (9-18+19)	48,985	(419,830)	1,438,138	(4,090,229)
21. Net foreign currency monetary asset/(liability) position (=1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(416,170)	27,897	1,968,132	(3,023,122)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(243,119)
23. Export	750,685	1,444,050	2,060,349	25,942,328
24. Import	1,580,568	253,795	9,959	15,716,719

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2020	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	175,092	249,226	389,606	3,919,872
2a. Monetary financial assets (including cash and cash equivalents)	54,363	32,248	2,074,641	2,764,179
2b. Non-monetary financial assets	-	-	-	-
3. Other	37,723	-	-	276,906
4. Current assets (1+2+3)	267,178	281,474	2,464,247	6,960,957
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	742	2,698	-	29,750
7. Other	622,148	51	-	4,567,337
8. Non-current assets (5+6+7)	622,890	2,749	-	4,597,087
9. Total assets (4+8)	890,068	284,223	2,464,247	11,558,044
10. Trade payables	757,706	125,697	10,840	6,705,047
11. Financial liabilities	309,750	31,883	-	2,560,917
12a. Other monetary liabilities	17,156	1,949	5,468	148,958
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	1,084,612	159,529	16,308	9,414,922
14. Trade payables	-	6,833	-	61,551
15. Financial liabilities	60,368	15,402	-	581,866
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	60,368	22,235	-	643,417
18. Total liabilities (13+17)	1,144,980	181,763	16,308	10,058,339
19. Off-balance sheet derivative instruments net asset/(liability) position (19a+19b)	391,494	(318,917)	(2,601,428)	(2,600,439)
19a. Hedged total assets	937,198	171,943	481,097	8,909,444
19b. Hedged total liabilities	(545,704)	(490,860)	(3,082,525)	(11,509,883)
20. Net foreign currency asset/(liability) position (9-18+19)	136,582	(216,457)	(153,489)	(1,100,734)
21. Net foreign currency monetary asset/(liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(255,654)	99,762	2,447,939	1,469,955
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(191,389)
23. Export	615,064	1,168,897	1,516,127	17,006,217
24. Import	1,110,140	162,600	6,747	9,217,737

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2021 and 31 December 2020 sensitivity analysis of foreign exchange rates is presented in below tables. Secured portions include impact of off-balance sheet derivative instruments.

	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2021				
+/- 10% fluctuation of USD rate:				
USD net asset/liability	(612,131)	612,131	(612,131)	612,131
Secured portion from USD risk (-)	(154,729)	154,729	(71,556)	71,556
USD net effect	(766,860)	766,860	(683,687)	683,687
+/- 10% fluctuation of EUR rate:				
EUR net asset/liability	40,959	(40,959)	40,959	(40,959)
Secured portion from EUR risk (-)	(125,042)	125,042	(387,274)	387,274
EUR net effect	(84,083)	84,083	(346,315)	346,315
+/- 10% fluctuation of other currency rates:				
Other currencies net asset/liability	196,813	(196,813)	196,813	(196,813)
Secured portion from other currency risk (-)	169,037	(169,037)	329,651	(329,651)
Other currency net effect	365,850	(365,850)	526,464	(526,464)
	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2020				
+/- 10% fluctuation of USD rate:				
USD net asset/liability	(187,662)	187,662	(187,662)	187,662
Secured portion from USD risk (-)	26,841	(26,841)	268,713	(268,713)
USD net effect	(160,821)	160,821	81,051	(81,051)
+/- 10% fluctuation of EUR rate:				
EUR net asset/liability	89,864	(89,864)	89,864	(89,864)
Secured portion from EUR risk (-)	(63,098)	63,098	(268,145)	268,145
EUR net effect	26,766	(26,766)	(178,281)	178,281
+/- 10% fluctuation of other currency rates:				
Other currencies net asset/liability	244,794	(244,794)	244,794	(244,794)
Secured portion from other currency risk (-)	(252,790)	252,790	(260,502)	260,502
Other currency net effect	(7,996)	7,996	(15,708)	15,708

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

b.4) Interest rate risk:

The Group is exposed to interest rate risk as the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group 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 Group which are sensitive to interest rate changes is as follows

	31 December 2021	31 December 2020
Financial instruments with fixed interest rates		
Bank deposits	550,795	156,839
Financial liabilities	3,383,391	2,618,430
Financial instruments with floating interest rates		
Financial liabilities	8,733,735	6,196,232

On 31 December 2021, if interest rates of all currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes would have been 16.451 thousand TL (2020: 1.857 thousand TL) lower/higher as a result of interest expenses.

NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Categories of financial instruments and fair values

Among Group's financial assets, cash and cash equivalents (note 5), trade receivables (notes 8 and 9) and other receivables (notes 10), are classified as amortized cost, financial assets (note 6) as fair value through other comprehensive income, derivative instruments (note 31) as fair value through profit or loss.

Group's financial liabilities consist of financial liabilities (note 7), trade payables (note 8 and 9) and other payables (note 10) and are measured at amortized cost using the effective interest method, derivative instruments (note 31) are classified as fair value through profit or loss.

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 Group, using available market information and appropriate valuation methodologies. However, judgement is necessarily required interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group 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 Group 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 does not contains observable market inputs

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

NOTE 34 - 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				
Derivative financial assets	-	288,768	-	288,768
Financial investments	16,601	-	-	16,601
Financial liabilities				
Derivative financial liabilities	-	(531,887)	-	(531,887)
31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	111,789	-	111,789
Financial investments	22,160	-	-	22,160
Financial liabilities				
Derivative financial liabilities	-	(303,178)	-	(303,178)

An independent valuation of the Group's land, land improvements and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2021. The fair value of land, land improvements and buildings was determined using the inputs other than quoted prices (Level 2). As of 31 December 2021, land, land improvement and buildings are measured at fair value less accumulated depreciation. (Note 2.6.i).

NOTE 35 - SUBSEQUENT EVENTS

Based on the decisions taken by TOGG's board of directors, a capital advance payment of TL 124.000 thousand was made by the Group in the following period.

With the Law No. 7352 Amending the Tax Procedure Law and the Corporate Tax Law published in the Official Gazette dated 29 January 2022 and numbered 31734, and the temporary article 14 was added to the Corporate Tax Law No. 5520, and the foreign currencies and gold items included in the balance sheets of 31 December 2021 were added. For taxpayers who convert their accounts into Turkish Lira and use the Turkish lira assets thus obtained in Turkish lira deposit and participation accounts with a maturity of at least three months opened in this context, the exchange gains they have obtained in the period between October 1, 2021 and December 31, 2021. Corporate tax exemption has been introduced for the 2021 accounting period, within the scope of the principles specified in the regulation, for the interest, dividends and other earnings obtained at the end of maturity. With this law amendment, the Group's corporate tax exemption is not expected to be a significant amount.

After the Russian Federation troops launched a military operation in Ukraine and occupied Ukraine on February 24, 2022, many countries announced their sanctions against the Russian Federation and Belarusian administration, their companies, financial institutions and some natural persons who are citizens of these countries. As a result, uncertainties have emerged regarding the Group's operations in Russia and the region. Considering the size of the Group's operations in these countries within the Group's activities, this situation is not expected to have a significant impact on the consolidated financial statements. Since the course of the crisis is uncertain as of the report date, the effects of possible global developments on the Group's operations cannot be reasonably estimated.

NOTE 36 - NOTES ON STATEMENT OF CASH FLOWS

As at 31 December 2021, cash flows from operating activities is amounting to thousand TL 1.704.425 (31 December 2020: 2.261.556 thousand TL), cash flows from investing activities is amounting to thousand TL (1.389.904) (31 December 2020: 2.170.053 thousand TL), cash flows from financing activities is amounting to thousand TL (1.585.005) (31 December 2020: TL 493.333 thousand).

NOTE 37 - NOTES ON STATEMENT OF CHANGES IN EQUITY

As at 31 December 2021, equity attributable to owners of parent is amounting thousand TL 9.441.862 (31 December 2020: 7.071.747 thousand TL).

INVESTOR INFORMATION

General Information

Reporting Period: 01.01.2021 - 31.12.2021

Trade Name: Vestel Elektronik Sanayi ve Ticaret AŞ

Trade Registration No: Istanbul Trade Registry, No: 193621

Registered Capital Ceiling: TL 2,000,000,000

Paid-in/Issued Capital: TL 335,456,275

Contact Details for Headquarters/Branches

Headquarters: Levent 199 Büyükdere Caddesi No: 199 34394 Şişli - ISTANBUL / TURKEY

Phone: +90 (212) 456 22 00

Branch 1: Manisa Branch

Organize Sanayi Bölgesi, 45030 - MANISA / TURKEY

Phone: +90 (236) 233 01 31

Branch 2: Muradiye Mahallesi Celal Bayar Üniversitesi Kampüsü

Küme Evleri No: 22 Yunusemre - MANISA / TURKEY

Phone: +90 (236) 233 01 31

Independent Auditor

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

Adalet Mahallesi Manas Bulvarı No: 39 Folkart Towers, B Kule, Kat: 35 35530 Bayraklı - IZMIR / TURKEY

Phone: +90 (232) 464 20 45

Fax: +90 (232) 464 21 45

Financial Data and Company Announcements

Consolidated financial statements, auditor reports, annual reports and material event disclosures of Vestel Elektronik Sanayi ve Ticaret AŞ are available on the Company's website at www.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.

Investor Relations

Serap Mutlu

Investor Relations Director

Levent 199 Büyükdere Cad. No: 199 34394 Şişli - ISTANBUL / TURKEY

Phone: +90 (212) 456 34 56

E-mail: yatirimci@vestel.com.tr

Sustainability

For information on sustainability issues:

Sera Türkoğlu

Sustainability Manager

Phone: +90 (236) 233 01 31

E-mail: surdurulebilirlik@vestel.com.tr

Produced by Tayburn
Tel: (90 212) 227 04 36
www.tayburnkurumsal.com

Content Consultancy:
S360
www.s360.com.tr

www.vestel.com.tr