

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AT
1 JANUARY - 31 DECEMBER 2022
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

<u>CONTENTS</u>	<u>PAGE</u>
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET).....	1-5
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	6-7
STATEMENTS OF CHANGES IN EQUITY	8
STATEMENTS OF CASH FLOWS	9-11

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

NOTE 1	COMPANY’S ORGANISATION AND NATURE OF OPERATIONS	12
NOTE 2	BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	12-29
NOTE 3	SEGMENT REPORTING.....	30
NOTE 4	CASH AND CASH EQUIVALENTS.....	31
NOTE 5	FINANCIAL LIABILITIES	31-33
NOTE 6	RELATED PARTY DISCLOSURES.....	34-37
NOTE 7	TRADE RECEIVABLES AND PAYABLES	38
NOTE 8	OTHER RECEIVABLES	39
NOTE 9	INVENTORIES.....	39
NOTE 10	PREPAID EXPENSES.....	40
NOTE 11	PROPERTY, PLANT AND EQUIPMENT	41-43
NOTE 12	RIGHT OF USE ASSETS.....	44
NOTE 13	INTANGIBLE ASSETS	45
NOTE 14	GOVERNMENT GRANTS.....	46
NOTE 15	PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	46-48
NOTE 16	COMMITMENTS	48
NOTE 17	EMPLOYEE BENEFITS.....	49-50
NOTE 18	OTHER ASSETS AND LIABILITIES.....	51
NOTE 19	CAPITAL, RESERVES AND OTHER EQUITY ITEMS	51-54
NOTE 20	SALES	54
NOTE 21	EXPENSES BY NATURE	55
NOTE 22	GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES.....	56
NOTE 23	OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES.....	57
NOTE 24	FINANCIAL INCOME AND FINANCIAL EXPENSE	57-58
NOTE 25	TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)	58-60
NOTE 26	EARNINGS PER SHARE.....	61
NOTE 27	DERIVATIVE INSTRUMENTS	61
NOTE 28	FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT.....	62-72
NOTE 29	FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES).....	72-74
NOTE 30	SUBSEQUENT EVENTS	74

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2022

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

	Footnotes	Audited 31 December 2022	Audited 31 December 2021
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	578.775	112.837
Financial Investment		40.097	-
Trade Receivables		8.631.742	5.153.747
Trade Receivables Due From Related Parties	6,7	8.422.256	5.123.913
Trade Receivables Due From Third Parties	7	209.486	29.834
Other Receivables		3.157.662	1.859.666
Other Receivables Due From Related Parties	6,8	2.403.161	1.445.270
Other Receivables Due From Third Parties	8	754.501	414.396
Derivative Financial Instruments		5.745	193.125
Derivative Financial Instruments Held for Trading	27	1.203	3.793
Derivative Financial Instruments Held for Hedging	27	4.542	189.332
Inventories	9	4.420.387	2.649.388
Prepayments		135.801	148.518
Prepayments to Third Parties	10	135.801	148.518
Current Tax Assets	25	47	-
Other Current Assets		38.948	3.344
Other Current Assets Due From Third Parties	18	38.948	3.344
TOTAL CURRENT ASSETS		17.009.204	10.120.625

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2022

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

	Footnotes	Audited 31 December 2022	Audited 31 December 2021
NON-CURRENT ASSETS			
Other Receivables		25.068	17.901
Other Receivables Due From Third Parties	8	25.068	17.901
Property, Plant and Equipments		7.422.854	3.274.859
Land and Premises	11	1.800.350	755.907
Land Improvements	11	95.466	64.057
Buildings	11	2.228.891	1.123.688
Machinery and Equipment	11	1.782.196	1.205.534
Vehicles	11	595	236
Fixtures and Fittings	11	69.512	49.319
Leasehold Improvements	11	26	4.700
Construction in Progress	11	1.445.818	71.418
Right of Use Assets	12	83.917	132.955
Intangible Assets		408.882	271.950
Other Rights	13	138	158
Capitalized Development Costs	13	372.645	249.183
Other Intangible Assets	13	36.099	22.609
Prepayments		325.791	238.345
Prepayments to Third Parties	10	325.791	238.345
Deferred Tax Asset	25	254.646	132.778
TOTAL NON-CURRENT ASSETS		8.521.158	4.068.788
TOTAL ASSETS		25.530.362	14.189.413

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2022

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

	Footnotes	Audited 31 December 2022	Audited 31 December 2021
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		5.459.534	623.480
Current Borrowings from Related Parties		1.582	2.399
Lease Liabilities	5,6	1.582	2.399
Current Borrowings From Third Parties		5.457.952	621.081
Bank Loans	5	5.447.259	597.237
Lease Liabilities	5,6	10.693	23.844
Current Portion of Non-current Borrowings		680.972	311.896
Current Portion of Non-current Borrowings from Third Parties		680.972	311.896
Bank Loans	5	10.072	308.458
Issued Debt Instruments	5	670.900	3.438
Trade Payables		10.627.792	5.842.718
Trade Payables to Related Parties	6,7	628.981	273.646
Trade Payables to Third Parties	7	9.998.811	5.569.072
Employee Benefit Obligations	17	170.013	68.864
Other Payables		744.815	1.431.678
Other Payables to Related Parties	6	744.815	1.431.678
Derivative Financial Liabilities		355.945	233.435
Derivative Financial Liabilities Held for Trading	27	197.961	233.435
Derivative Financial Liabilities Held for Hedging	27	157.984	-
Deferred Income		240.831	-
Deferred Income from Related Parties	8	7.737	-
Deferred Income from Third Parties	8	233.094	-
Current Tax Liabilities, Current	25	-	939
Current Provisions		11.377	9.724
Other Current Provisions	15	11.377	9.724
Other Current Liabilities		137.162	39.302
Other Current Liabilities to Third Parties	18	137.162	39.302
TOTAL CURRENT LIABILITIES		18.428.441	8.562.036

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2022

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

	Footnotes	Audited 31 December 2022	Audited 31 December 2021
NON-CURRENT LIABILITIES			
Long Term Borrowings		77.009	399.464
Long Term Borrowings From Related Parties		68.773	120.472
Lease Liabilities	5,6	68.773	120.472
Long Term Borrowings From Third Parties		8.236	278.992
Bank Loans	5	1.917	9.922
Lease Liabilities	5,6	6.319	4.070
Issued Debt Instruments	5	-	265.000
Trade Payables		182.877	181.003
Trade Payables to Third Parties	7	182.877	181.003
Non-current Provisions		518.760	151.875
Non-current Provisions for Employee Benefits	17	518.760	151.875
Other Non-Current Liabilities		3.859	2.380
Other Non-Current Liabilities to Third Parties		3.859	2.380
TOTAL NON-CURRENT LIABILITIES		782.505	734.722
TOTAL LIABILITIES		19.210.946	9.296.758

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2022

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

	Footnotes	Audited 2022	Audited 2021
EQUITY			
Equity Attributable to Owners of the Company		6.319.416	4.892.655
Issued Capital	19	1.600.000	1.600.000
Inflation Adjustments on Capital	19	9.734	9.734
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		2.302.744	1.400.337
Gains (Losses) on Revaluation and Remeasurement		2.302.744	1.400.337
Increases (Decreases) on Revaluation of Property, Plant and Equipment		2.636.307	1.467.974
Gains (Losses) on Remeasurements of Defined Benefit Plans		(333.563)	(67.637)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		(110.105)	141.999
Gains (Losses) on Hedge		(110.105)	141.999
Gains (Losses) on Cash Flow Hedges		(110.105)	141.999
Restricted Reserves Appropriated From Profits		233.843	98.506
Legal Reserves	19	233.843	98.506
Prior Years' Profits	19	858.734	123.487
Current Period Net Profit Or Loss		1.424.466	1.518.592
TOTAL EQUITY		6.319.416	4.892.655
TOTAL LIABILITIES AND EQUITY		25.530.362	14.189.413

Financial statements for the period 1 January – 31 December 2022 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 17 February 2023. General Assembly and specified regulatory bodies have the right to make amendments to statutory financial statements after issue.

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2022

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

		Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
	Notes		
PROFIT OR LOSS			
Revenue	20	31.386.969	16.178.009
Cost of Sales	20	(26.475.579)	(13.613.315)
GROSS PROFIT FROM COMMERCIAL OPERATIONS		4.911.390	2.564.694
GROSS PROFIT		4.911.390	2.564.694
General Administrative Expenses	22	(305.252)	(150.602)
Marketing Expenses	22	(2.006.634)	(196.323)
Research and Development Expense	22	(210.472)	(114.203)
Other Income from Operating Activities	23	1.625.962	1.912.448
Other Expenses from Operating Activities	23	(2.611.447)	(2.169.236)
PROFIT FROM OPERATING ACTIVITIES		1.403.547	1.846.778
PROFIT BEFORE FINANCING INCOME (EXPENSE)		1.403.547	1.846.778
Finance Income	24	2.628.062	1.528.225
Finance Costs	24	(2.930.547)	(2.158.151)
PROFIT FROM CONTINUING OPERATIONS, BEFORE TAX		1.101.062	1.216.852
Tax (Expense) Income, Continuing Operations		323.404	301.740
Current Period Tax Expense	25	(2.909)	(5.803)
Deferred Tax Income	25	326.313	307.543
PROFIT FROM CONTINUING OPERATIONS		1.424.466	1.518.592
PROFIT FOR THE YEAR		1.424.466	1.518.592
Earnings Per Share with a TL 1 of Par Value	26	0,89	0,95

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2022

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

		Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
	Notes		
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss		952.709	640.852
Gains on Revaluation of Property, Plant and Equipment	11	1.552.587	755.528
Losses on Remeasurements of Defined Benefit Plans	17	(332.407)	(48.904)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss		(267.471)	(65.772)
Taxes Relating to Gains on Revaluation of Property, Plant and Equipment		(333.952)	(75.553)
Taxes Relating to Remeasurements of Defined Benefit Plans		66.481	9.781
Other Comprehensive Income that will be Reclassified to Profit or Loss		(252.104)	171.446
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		(315.130)	226.140
Gains (Losses) on Cash Flow Hedges		(315.130)	226.140
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		63.026	(54.694)
Taxes Relating to Cash Flow Hedges	25	63.026	(54.694)
OTHER COMPREHENSIVE INCOME		700.605	812.298
TOTAL COMPREHENSIVE INCOME		2.125.071	2.330.890

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

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

Issued Capital	Inflation Adjustments on Capital	Share Premiums or Discounts														Equity
			Increases (Decreases) on Revaluation of Property, Plant and Equipment	Gains (Losses) on Remeasurements of Defined Benefit Plans	Gains (Losses) on Revaluations and Remeasurements	Other Accumulated Comprehensive Income that will not be Reclassified in Profit or Loss	Gain/(Loss) From Cash Flow Hedge	Reserve Of Gains or Losses on Hedge	Other Accumulated Comprehensive Income that will be Reclassified to Profit or Loss	Restricted Reserves Appropriated From Profits	Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings			
Previous Period																
1 January -31 December 2021																
Balance at Beginning of Period	190.000	9.734	109.031	800.187	(28.514)	771.673	771.673	(29.447)	(29.447)	(29.447)	187.190	792.276	1.331.308	2.123.584	3.361.765	
Transfers	-	-	-	(12.188)	-	(12.188)	(12.188)	-	-	-	-	1.343.496	(1.331.308)	12.188	-	
Total Comprehensive Income (Loss)	-	-	-	679.975	(39.123)	640.852	640.852	171.446	171.446	171.446	-	-	1.518.592	1.518.592	2.330.890	
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	1.518.592	1.518.592	1.518.592	
Other Comprehensive Income (Loss)	-	-	-	679.975	(39.123)	640.852	640.852	171.446	171.446	171.446	-	-	-	-	812.298	
Capital Increase	1.410.000	-	(37.945)	-	-	-	-	-	-	-	(43.619)	(1.328.436)	-	(1.328.436)	-	
Dividends Paid	-	-	(71.086)	-	-	-	-	-	-	-	(45.065)	(683.849)	-	(683.849)	(800.000)	
Balance at End of Period	1.600.000	9.734	-	1.467.974	(67.637)	1.400.337	1.400.337	141.999	141.999	141.999	98.506	123.487	1.518.592	1.642.079	4.892.655	
Current Period																
1 January -31 December 2022																
Balance at Beginning of Period	1.600.000	9.734	-	1.467.974	(67.637)	1.400.337	1.400.337	141.999	141.999	141.999	98.506	123.487	1.518.592	1.642.079	4.892.655	
Transfers	-	-	-	(50.302)	-	(50.302)	(50.302)	-	-	-	-	1.568.894	(1.518.592)	50.302	-	
Total Comprehensive Income (Loss)	-	-	-	1.218.635	(265.926)	952.709	952.709	(252.104)	(252.104)	(252.104)	-	-	1.424.466	1.424.466	2.125.071	
Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	1.424.466	1.424.466	1.424.466	
Other Comprehensive Income (Loss)	-	-	-	1.218.635	(265.926)	952.709	952.709	(252.104)	(252.104)	(252.104)	-	-	-	-	700.605	
Dividends Paid	-	-	-	-	-	-	-	-	-	-	135.337	(833.647)	-	(833.647)	(698.310)	
Balance at End of Period	1.600.000	9.734	-	2.636.307	(333.563)	2.302.744	2.302.744	(110.105)	(110.105)	(110.105)	233.843	858.734	1.424.466	2.283.200	6.319.416	

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF CASH FLOW FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

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

		Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
	Footnotes		
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		2.040.272	1.560.550
Profit For The Period		1.424.466	1.518.592
Adjustments to Reconcile Profit (Loss)		1.097.168	806.328
Adjustments for Depreciation and Amortisation Expense	11,12,13	511.275	384.518
Adjustments for Impairment Loss		22.585	2.921
Adjustments for Impairment Loss of Inventories	9	22.585	2.921
Adjustments for Provisions		60.030	28.939
Adjustments for Provisions Related with Employee Benefits	17	58.377	28.889
Adjustments for Lawsuit and/or Penalty Provisions	15	1.653	50
Adjustments for Interest (Income) and Expenses		619.177	263.557
Adjustments for Interest Income	24	(223.159)	(73.383)
Adjustments for Interest Expense	24	842.336	336.940
Adjustments for Unrealised Foreign Exchange Translation Differences		218.071	167.180
Adjustments for Fair Value Losses (Gains)		(5.240)	236.441
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(5.240)	236.441
Adjustments for Tax (Income) Expenses	25	(323.404)	(301.740)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(5.326)	(4.341)
Adjustments for Gains Arised From Sale of Tangible Assets		(5.326)	(4.341)
Other Adjustments to Reconcile Profit (Loss)	4	-	28.853

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF CASH FLOW FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

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

	Footnotes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
Changes in Working Capital		(453.568)	(745.422)
Decrease (Increase) in Financial Investments		(40.097)	-
Adjustments for Decrease (Increase) in Trade Accounts Receivable		(3.477.995)	(1.867.752)
Decrease (Increase) in Trade Accounts Receivables from Related Parties	6	(3.298.343)	(1.842.926)
Decrease (Increase) in Trade Accounts Receivables from Third Parties	7	(179.652)	(24.826)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(347.272)	(197.582)
Decrease (Increase) in Other Third Party Receivables Related with Operations	8	(347.272)	(197.582)
Adjustments for Decrease (Increase) in Inventories	9	(1.793.584)	(1.699.757)
Decrease (Increase) in Prepaid Expenses	10	12.717	(95.096)
Adjustments for Increase (Decrease) in Trade Accounts Payable		4.786.948	3.086.993
Increase (Decrease) in Trade Accounts Payables to Related Parties	6	355.335	85.504
Increase (Decrease) in Trade Accounts Payables to Third Parties	7	4.431.613	3.001.489
Increase (Decrease) in Employee Benefit Liabilities	17	101.149	14.698
Increase (Decrease) in Deferred Income		240.831	-
Other Adjustments for Other Increase (Decrease) in Working Capital		63.735	13.074
Decrease (Increase) in Other Assets Related with Operations	18	(35.604)	467
Increase (Decrease) in Other Payables Related with Operations	18	99.339	12.607
Cash Flows from (used in) Operations		2.068.066	1.579.498
Payments Related with Provisions for Employee Benefits	17	(23.899)	(11.652)
Income Taxes Refund (Paid)	25	(3.895)	(7.296)

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF CASH FLOW FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

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

	Footnotes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(4.122.908)	(1.502.381)
Cash Inflows from Sales of Property, Plant, Equipment and Intangible Assets		44.358	31.505
Cash Inflows from Sales of Property, Plant and Equipment and Intangible Assets		44.358	31.505
Cash Outflows Purchase of Property, Plant, Equipment and Intangible Assets		(3.245.979)	(759.262)
Cash Outflows from Purchase of Property, Plant and Equipment	11	(3.015.736)	(634.046)
Cash Outflows of Intangible Assets	13	(230.243)	(125.216)
Cash Advances and Loans Made		(921.287)	(774.624)
Cash Advances and Loans Made to Related Parties		(833.841)	(589.335)
Cash Advances and Loans Made to Third Parties	10	(87.446)	(185.289)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		2.548.574	(132.490)
Proceeds from Borrowings		5.902.811	1.564.022
Proceeds from Loans	5	5.508.811	1.299.022
Cash Proceeds from Issued Bonds	5	394.000	265.000
Repayments of Borrowings		(1.356.569)	(1.865.900)
Loan Repayments	5	(1.314.260)	(1.835.329)
Issued Bonds Repayments	5	(42.309)	(30.571)
Decrease in Other Payables to Related Parties	6	(686.263)	1.225.393
Payments of Lease Liabilities	5	(30.909)	(27.802)
Dividends Paid	6	(698.310)	(800.000)
Interest Paid		(805.345)	(301.586)
Interest Received	24	223.159	73.383
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		465.938	(74.321)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5	465.938	(74.321)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	112.815	187.136
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	578.753	112.815

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 1 – COMPANY’S ORGANISATION AND NATURE OF OPERATIONS

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

The Company started its operations in 1999 and produces refrigerators, room air conditioning units, washing machines, cookers, dishwashers and water heaters. The Company’s production facilities occupy 410 square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 657 square meters.

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

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

As of 31 December 2022, the number of personnel employed was 10.607 (31 December 2021: 9.416).

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

	Shareholding %
Vestel Elektronik Sanayi ve Ticaret A.Ş.	80,66
Other shareholders	19,34
	100,00

As of 31 December 2022, 503.578.534 shares of the Company have been quoted at the Borsa Istanbul (“BİST”)(%31,47 of its share capital; 31 December 2021: % 31,47).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

2.1 Basis of presentation (Cont’d)

2.1.1 Statement of compliance (Cont’d)

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

The financial statements are presented in accordance with the specified format in “TFRS Taxonomy Announcement”, issued on 15 April, 2019 by the Public Oversight Authority (POA), and “the Financial Statements Examples and Guidelines for Use”, published by the CMB of Türkiye.

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

In the announcement made by POA on 20 January 2022, companies that apply TFRS should not adjust financial statements for the year ended 31 December 2021 for TAS 29 - Financial Reporting in Hyperinflationary Economies. Afterwards, no new statement was made by the POA about the TMS 29 application and no adjustment was made to the financial statements as of 31 December 2022 in accordance with TAS 29.

2.2 Comparative information and restatement of prior period financial statements

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

2.3 Restatement and errors in the accounting estimates

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

2.4. Amendments in Turkey Financial Reporting Standards

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

Amendment to TFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021); As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the TASB published an amendment to TFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the TASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16; effective from annual periods beginning on or after 1 January 2022.

- **Amendments to TFRS 3**, ‘Business combinations’ update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to TAS 16**, ‘Property, plant and equipment’ 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.
- **Amendments to TAS 37**, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to TFRS 1, ‘First-time Adoption of TFRS’, TFRS 9, ‘Financial Instruments’, TAS 41, ‘Agriculture’ and the Illustrative Examples accompanying TFRS 16, ‘Leases’.

Standards, amendments, and interpretations that are issued but not effective as of 31 December 2022:

- **Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

(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

- **Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **Amendment to TFRS 16 – Leases on sale and leaseback; effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback** transactions in TFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to TAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

It is expected that these changes will not be material effect on financial situation and performance of the company.

2.5. Summary of significant accounting policies

2.5.1 Revenue

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

(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 (Cont’d)**

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

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

2.5.2 Inventories

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

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)**2.5. Summary of significant accounting policies (Cont’d)****2.5.3 Property, plant and equipment**

Land, land improvements and buildings are stated at fair value, based on valuations performed as at 31 December 2022.

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

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

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

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

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

2.5.3 Property, plant and equipment (Cont’d)

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

	Useful life
Land improvements	5 - 35 years
Buildings	20 - 50 years
Leasehold improvements	5 years
Plant and machinery	3 - 15 years
Motor vehicles	5 years
Furniture and fixtures	5 - 10 years
Leasehold improvements	1-5 years

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

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

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

2.5.3 Property, plant and equipment (Cont’d)

Leases

The Company – as a lessee

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

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

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

The Company rents various buildings, warehouses, forklifts and machinery. The duration of the leasing contracts for machine and equipment is usually 4 years; for building and warehouses is usually fixed from 1 to 20 years.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)**2.5. Summary of significant accounting policies (Cont’d)****2.5.3 Property, plant and equipment (Cont’d)****Lease Liability**

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

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

After initial recognition, the lease liability is measured:

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

The duration of the contracts, which constitute the lease obligation of the company, varies between 1 - 20 years.

The Company – as a lessor

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

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

2.5.3 Property, plant and equipment (Cont’d)

Right of use assets:

Right of use is recognized with cost method at first and includes items below:

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

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

2.5.4 Intangible assets

a) Research and development costs

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

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

(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)

2.5.4 Intangible assets (Cont’d)

b) Rights and other intangible fixed assets

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

Useful lives of intangible assets are as follows:

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

2.5.5 Financial instruments

a) Financial assets

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

Financial assets carried at amortized cost

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)**2.5. Summary of significant accounting policies (Cont’d)****2.5.5 Financial instruments (Cont’d)**Financial assets carried at fair value

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

Impairment of financial assets

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

The Company has preferred to apply “simplified approach” for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 1 year). 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

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

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

2.5.5 Financial instruments (Cont’d)

c) Derivative financial instruments and hedge accounting

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

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

The hedging transactions of the Company that qualify for hedge accounting are accounted in accordance with TFRS 9. TFRS 9 does not create any changes in hedge accounting principles. It is considered TFRS 9 has significant effect on 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.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

(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)****2.5.6 Foreign currency transactions**

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

2.5.7 Provisions, contingent assets and liabilities

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

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

2.5.8 Related parties

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

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

2.5.9 Taxation on income

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

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

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

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

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

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

Transfer pricing

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

(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)

Tax exposures

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

2.5.10 Employee benefits

Employment termination benefits, as required by the Turkish Labor Law, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision for employment termination benefits as of 31 December 2022 is calculated in accordance with the assumptions used by the independent actuarial firm and is recorded in the financial statements at its net present value. Employment termination benefits are considered as being part of defined retirement benefit plan as per TAS 19. All actuarial gains and losses are recognized in statements of income.

2.5.11 Government grants

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

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

2.5.12 Earnings per share

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

(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)

2.5.13 Statement of cash flows

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

2.5.14 Offsetting

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

2.5.15 Events after the balance sheet date

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

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

2.5.16 Going concern

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

2.6. Critical accounting estimates and judgments

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

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

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

i. Revaluation of lands, buildings and land improvements

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 2022 by professional independent valuer firm. (Note 11).

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

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

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 3 - SEGMENT REPORTING

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

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

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

Geographical segments

	1 January - 31 December 2022	1 January - 31 December 2021
Segment revenue		
Turkey	8.291.879	3.568.771
Europe	16.074.733	9.288.037
Other	7.100.397	3.426.420
Gross sales	31.467.009	16.283.228
Discounts (-)	(80.040)	(105.219)
Net sales	31.386.969	16.178.009

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

The amount of export is TL 23.175.730 for the period ended 31 December 2022. (1 January-31 December 2021: TL 12.714.457). Export sales are denominated in EURO, USD and other currencies as 88,1%, 9,8% and 2,1% of total export respectively.

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 4 – CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash	641	449
Bank deposits		
- Demand deposits	426.627	33.434
- Time deposits	151.485	78.932
	578.753	112.815
Blocked deposits	22	22
Cash and cash equivalents	578.775	112.837

The effective interest rates for time deposits are as below:

	31 December 2022	31 December 2021
TL	18,00%	15,50%
EUR	0,01%	0,07%
USD	0,01%	0,23%

NOTE 5 – FINANCIAL LIABILITIES

	31 December 2022	31 December 2021
Short - term financial liabilities		
Short term bank loans	5.447.259	597.237
Short term portion of long term bank loans	10.072	308.458
Lease liabilities	12.275	26.243
Issued debt instruments (*)	670.900	3.438
	6.140.506	935.376
Long - term financial liabilities		
Long term bank loans	1.917	9.922
Lease liabilities	75.092	124.542
Issued debt instruments	-	265.000
	77.009	399.464

(*) The sale of corporate bonds to qualified investors with a maturity of 174 days and variable coupon payments amounting to TL 394.000 was completed on 2 December 2022.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 5 – FINANCIAL LIABILITIES (Cont’d)

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

Currency	31 December 2022			31 December 2021		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- USD	7,76%	72.515	1.358.351	-	-	-
- EUR	-	-	-	3,82%	38.620	567.025
- TL	15,19%	4.088.908	4.088.908	21,50%	30.212	30.212
			5.447.259			597.237

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

Currency	31 December 2022			31 December 2021		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- EUR	-	-	-	2,57%	6.679	98.062
- TL	20,33%	10.072	10.072	20,89%	210.396	210.396
Short term portion			10.072			308.458
- TL	18,17%	1.917	1.917	20,67%	9.922	9.922
Long term portion			1.917			9.922
			11.989			318.380

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 5 – FINANCIAL LIABILITIES (Cont’d)

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

	31 December 2022	31 December 2021
One to two years	1.917	8.300
Two to three years	-	1.622
	1.917	9.922

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

Collaterals and pledges given for the bank loans obtained are disclosed in note 15. As of 31 December 2022, there are no guarantee against for the loans.

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

	31 December 2022	31 December 2021
Net financial debt as of 1 January	1.222.025	1.253.858
Cash inflows from loans	5.508.811	1.299.022
Cash outflows from loan payments	(1.314.260)	(1.835.329)
Payments of lease liabilities	394.000	265.000
Issued debt instruments	(42.309)	(30.571)
Cash inflow/outflow from other financial debts	(30.909)	(27.802)
Unrealized Fx gain/loss	338.931	167.180
Accrued interest	28.411	56.346
Change in cash and cash equivalents	(465.938)	74.321
Net financial debt at the end of the period	5.638.762	1.222.025

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 6 – RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 December 2022	31 December 2021
Vestel Ticaret A.Ş. ⁽¹⁾	8.421.222	5.123.891
Other related parties	1.034	22
	8.422.256	5.123.913

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

b) Short term trade payables to related parties

	31 December 2022	31 December 2021
Vestel Elektronik Sanayi ve Ticaret A.Ş. ⁽²⁾	106.170	196.214
Vestel Ticaret A.Ş. ⁽¹⁾	459.401	10.195
Vestel Holland B.V. ⁽¹⁾	49.349	60.155
Other related parties	15.658	7.822
	630.578	274.386
Unearned interest on payables (-)	(1.597)	(740)
	628.981	273.646

The short term payables to related parties consist of goods and service purchases.

c) Other short term receivables from related parties

	31 December 2022	31 December 2021
Vestel Elektronik Sanayi ve Ticaret A.Ş. ⁽²⁾	2.403.161	1.445.270

As of 31 December 2022 the Company’s interest rate of other receivables in EUR %5 and in USD 7% respectively (As of 31 December 2021 the Company’s interest rate of other receivables in EUR %5 and in USD 7% respectively).

d) Other short term liabilities to related parties

	31 December 2022	31 December 2021
Vestel Elektronik Sanayi ve Ticaret A.Ş. ⁽²⁾	744.815	1.431.678

The Company’s interest rate of other payables in TL is 25% (As of 31 December 2021 the Company’s interest rate of other payables in TL is 20%).

(1) Vestel Elektronik Sanayi ve Ticaret A.Ş. Group Company, (2) Parent

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont’d)

e) Lease liabilities to related parties

	31 December 2022	31 December 2021
Vestel Elektronik Sanayi ve Ticaret A.Ş. ⁽²⁾	70.355	122.871

As of 31 December 2022, short term lease liabilities to related parties is TL 1.582, long term lease liabilities to related parties is TL 68.773 (31 December 2021: short term TL 2.399, long term TL 120.472).

Foreign currency amounts for receivables and payables from related parties are expressed in Note 28.

f) Transactions with related parties

	1 January - 31 December 2022	1 January - 31 December 2021
Sales		
Vestel Ticaret A.Ş. ⁽¹⁾	30.548.606	15.934.695
Vestel Elektronik Sanayi ve Ticaret A.Ş. ⁽²⁾	300.335	194.704
Other related parties	27.733	324
	30.876.674	16.129.723
Purchases and operating expenses		
Vestel Holland B.V. ⁽¹⁾	24.076	510.591
Vestel Ticaret A.Ş. ⁽¹⁾	470.909	-
Vestel Elektronik Sanayi ve Ticaret A.Ş. ⁽²⁾	32.282	873.316
Other related parties	85.789	109.489
	613.056	1.493.396

The sales and purchases and operating transactions to related parties consist of goods and service purchases.

(1) Vestel Elektronik Sanayi ve Ticaret A.Ş. Group Company, (2) Parent

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont’d)

f) Transactions with related parties (Cont’d)

	1 January - 31 December 2022	1 January - 31 December 2021
Other operating income		
Vestel Ticaret A.Ş. ⁽¹⁾	1.266.892	1.509.664
Other related parties	34.076	15.713
	1.300.968	1.525.377
Other operating expense		
Vestel Ticaret A.Ş. ⁽¹⁾	189.568	213.481
Other related parties	22.926	36.521
	212.494	250.002
Dividend paid		
Vestel Elektronik Sanayi ve Ticaret A.Ş. ⁽²⁾	563.257	681.329
Public shares	135.053	118.671
	698.310	800.000
Financial income		
Vestel Elektronik Sanayi ve Ticaret A.Ş. ⁽²⁾	1.151.572	707.739
	1.151.572	707.739
Financial expense		
Vestel Elektronik Sanayi ve Ticaret A.Ş. ⁽²⁾	312.446	181.145
	312.446	181.145

(1) Vestel Elektronik Sanayi ve Ticaret A.Ş. Group Company, (2) Parent

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 6 – RELATED PARTY DISCLOSURES (Cont’d)

f) Transactions with related parties (Cont’d)

Fixed asset purchases from related parties

	31 December 2022	31 December 2021
<u>Vestel Elektronik Sanayi ve Ticaret A.Ş. ⁽²⁾</u>	<u>674.000</u>	<u>-</u>

Building rented from Vestel Elektronik Sanayi ve Ticaret A.Ş. located in Manisa Organized Industrial Zone 3307 land section with the parcel of 34 has been purchased with the building via the board decision taken on 16 December 2022 with the amount of TL 674.000.

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

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

Compensation paid to key management for the twelve months period ended 31 December 2022 is TL 20.003 thousand (1 January -31 December 2021: TL 15.437).

(1) Vestel Elektronik Sanayi ve Ticaret A.Ş. Group Company, (2) Parent

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

	31 December 2022	31 December 2021
Short - term trade receivables		
Trade receivables		
- Related parties (note 6)	8.422.256	5.123.913
- Other parties	210.608	30.677
	8.632.864	5.154.590
Unearned interest expense (-)		
Allowance for doubtful receivables (-)	(1.122)	(843)
Total short - term trade receivables	8.631.742	5.153.747

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

	31 December 2022	31 December 2021
Short term trade payables		
Trade payables		
- Related parties (note 6)	630.578	274.386
- Other parties	10.036.746	5.581.178
	10.667.324	5.855.564
Unearned interest income (-)		
- Related parties (note 6)	(1.597)	(740)
- Other parties	(37.935)	(12.106)
Total short term trade payables	10.627.792	5.842.718
Long term trade payables		
Trade payables		
- Other parties	182.877	181.003
Total long term trade payables	182.877	181.003

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 8 – OTHER RECEIVABLES

	31 December 2022	31 December 2021
Short - term other receivables		
Other receivables from related parties (note 6)	2.403.161	1.445.270
Receivables from government agencies	736.750	403.190
Deposits and guarantees given	13.970	9.222
Other receivables	3.781	1.984
	3.157.662	1.859.666

	31 December 2022	31 December 2021
Long - term other receivables		
Deposits and guarantees given	25.068	17.901
	25.068	17.901

	31 December 2022	31 December 2021
Deferred Income		
- Related parties	7.737	-
-Other parties	233.094	-
	240.831	-

NOTE 9 – INVENTORIES

	31 December 2022	31 December 2021
Raw materials	2.440.442	1.883.450
Work in process	97.859	42.363
Finished goods	1.909.247	728.151
	4.447.548	2.653.964
Provision for impairment on inventories (-)	(27.161)	(4.576)
	4.420.387	2.649.388

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

Cost of the inventory included in the cost of sales for the current period amounts to TL 23.620.286 thousand (1 January – 31 December 2021: TL 12.117.424).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 10 – PREPAID EXPENSES

	31 December 2022	31 December 2021
Prepaid expenses in current assets		
Order advances given	103.693	136.086
Prepaid expenses	32.108	12.432
	135.801	148.518
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases (*)	325.407	237.586
Prepaid expenses	384	759
	325.791	238.345

(*) A significant part of it consists of fixed asset advances regarding the dishwasher investment.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	1 January				Net off Accumulated Depreciation Before		31 December
	2022	Additions	Disposals	Transfer	Revaluation	Fair value increase	2022
Cost or revaluation							
Land	755.907	338.857	-	-	-	705.586	1.800.350
Land improvements	64.057	96	-	-	(6.225)	37.538	95.466
Buildings	1.123.688	357.196	-	6.141	(67.597)	809.463	2.228.891
Leasehold improvements	13.784	2.072	-	(4.867)	-	-	10.989
Plant and machinery	2.647.355	681.171	(18.204)	221.924	-	-	3.532.246
Motor vehicles	834	526	(43)	-	-	-	1.317
Furniture and fixtures	121.975	24.113	(388)	14.107	-	-	159.807
Construction in progress (*)	71.418	1.611.705	-	(237.305)	-	-	1.445.818
	4.799.018	3.015.736	(18.635)	-	(73.822)	1.552.587	9.274.884
Accumulated depreciation							
Land improvements	-	6.225	-	-	(6.225)	-	-
Buildings	-	67.597	-	-	(67.597)	-	-
Leasehold improvements	9.084	1.879	-	-	-	-	10.963
Plant and machinery	1.441.821	325.838	(17.609)	-	-	-	1.750.050
Motor vehicles	598	167	(43)	-	-	-	722
Furniture and fixtures	72.656	18.021	(382)	-	-	-	90.295
	1.524.159	419.727	(18.033)	-	(73.822)	(62.877)	1.862.976
Net book value	3.274.859						7.422.854

(*) A significant part of construction in progress is consists of fixed asset advances regarding the dishwasher investment.

According to the material event disclosure dated 19 December 2022, land and building currently in used by Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. as a tenant, has been purchased from Vestel Elektronik Sanayi ve Ticaret AŞ's, the controlling shareholder of the Company, for 674,000 TL. The transaction price has been determined by two independent professional valuation company by considering current situation and conditions at the date of the first lease. The additional development investments made by the Company while it was a tenant, were not taken into account in the valuation process for the determination of sales price.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

	1 January 2021	Additions	Disposals	Transfer	Net off Accumulated Depreciation Before Revaluation	Fair value increase	31 December 2021
Cost or revaluation							
Land	503.898	-	-	-	-	252.009	755.907
Land improvements	49.957	84	-	(3)	(1.835)	15.854	64.057
Buildings	643.223	9.721	(2)	1.826	(18.745)	487.665	1.123.688
Leasehold improvements	12.014	935	(4)	839	-	-	13.784
Plant and machinery	2.111.681	426.395	(19.535)	128.814	-	-	2.647.355
Motor vehicles	862	-	(28)	-	-	-	834
Furniture and fixtures	96.533	19.503	(724)	6.663	-	-	121.975
Construction in progress	32.149	177.408	-	(138.139)	-	-	71.418
	3.450.317	634.046	(20.293)	-	(20.580)	755.528	4.799.018
Accumulated depreciation							
Land improvements	-	1.835	-	-	(1.835)	-	-
Buildings	-	18.745	-	-	(18.745)	-	-
Leasehold improvements	7.326	1.762	(4)	-	-	-	9.084
Plant and machinery	1.192.071	269.030	(19.280)	-	-	-	1.441.821
Motor vehicles	496	127	(25)	-	-	-	598
Furniture and fixtures	60.120	13.233	(697)	-	-	-	72.656
	1.260.013	304.732	(20.006)	-	(20.580)	-	1.524.159
Net book value	2.190.304						3.274.859

As of 31 December 2022, there are no pledges against the property, plant and equipment. (31 December 2021: None)

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

Allocation of period depreciation and amortization expenses is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Cost of sales	419.128	314.958
Research and development expenses	86.286	52.195
Marketing, selling and distribution expenses	2.028	14.109
General administrative expenses	3.833	3.256
	511.275	384.518

31 December 2022	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	1.800.350	-
Buildings and land improvements	-	2.324.357	-
31 December 2021	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	755.907	-
Buildings and land improvements	-	1.187.745	-

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

31 December 2022	Land	Land improvements and buildings
Cost	490.895	579.071
Accumulated depreciation (-)	-	(64.127)
Net book value	490.895	514.944
31 December 2021	Land	Land improvements and buildings
Cost	152.038	213.761
Accumulated depreciation (-)	-	(51.491)
Net book value	152.038	162.270

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 12 – RIGHT OF USE ASSETS

	1 January 2022	Additions	Disposals (*)	31 December 2022
Cost				
Land and buildings (*)	159.115	61.807	(83.166)	137.756
Machinery	44.035	7.350	(694)	50.691
	203.150	69.157	(83.860)	188.447
Accumulated amortization				
Land and buildings	37.674	26.478	(2.321)	61.831
Machinery	32.521	10.190	(12)	42.699
	70.195	36.668	(2.333)	104.530
Net book value	132.955			83.917

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

(*) The land and building has been used as a lessee has been purchased from Vestel Elektronik Sanayi ve Ticaret A.Ş.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 13 – INTANGIBLE ASSETS

	1 January 2022	Additions	Disposals	31 December 2022
Cost				
Rights	6.568	-	(1)	6.567
Development cost	452.565	212.538	(42.445)	622.658
Other intangible assets	34.816	17.705	-	52.521
	493.949	230.243	(42.446)	681.746
Accumulated amortization				
Rights	6.410	19	-	6.429
Development cost	203.382	50.646	(4.015)	250.013
Other intangible assets	12.207	4.215	-	16.422
	221.999	54.880	(4.015)	272.864
Net book value	271.950			408.882

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

Development costs, incurred by the Company on development projects relating to refrigerators, split air conditioners, washing machines, cookers and dish washers are capitalized as intangible assets since it is highly probable that it will derive economic benefit from these projects and the economic benefits and expenditures made during the development process can be reliably measured.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

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

NOTE 14 – GOVERNMENT GRANTS

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

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

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to TL 247 for the period 1 January - 31 December 2022 (1 January - 31 December 2021: TL 1.656).

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2022	31 December 2021
Short - term provisions		
Provision for lawsuit risks	11.377	9.724
	11.377	9.724

b) Guarantees received by the Company

	31 December 2022	31 December 2021
Guarantee letters	351.382	318.126
Cheques and notes	740	1.714
Collaterals and pledges	26.010.366	16.623.134
	26.362.488	16.942.974

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

c) Collaterals, pledges and mortgages (“CPM’s”) given by the Company are as follows:

CPM's given by the Company	USD (‘000)	EUR (‘000)	TL	TL Equivalent
31 December 2022				
A. CPM's given on behalf of its own legal entity	21.500	2.000	51.414	494.094
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	501.042	-	714.412	10.099.931
i. Total amount of CPM's given on behalf of the parent company	380.820	-	589.049	7.722.569
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	120.222	-	125.363	2.377.362
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	522.542	2.000	765.826	10.594.025

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

CPM's given by the Company	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2021				
A. CPM's given on behalf of its own legal entity	-	2.000	55.557	84.922
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	501.542	-	711.412	7.220.173
i. Total amount of CPM's given on behalf of the parent company	380.820	-	589.049	5.531.141
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	120.722	-	122.363	1.689.033
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	501.542	2.000	766.969	7.305.095

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

Proportion of other CPM's given by the Company to its equity was 160% as of 31 December 2022 (31 December 2021: 148%).

NOTE 16 – COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to USD 1.164.855 (31 December 2021: USD 1.108.914) due to the export and investment incentive certificates obtained.

As of 31 December 2022 the Company has forward foreign currency purchase contract that amounts to TL 1.169.111, EUR 14.668, PLN 14.097 GBP 13.139 and USD 495.366 against forward foreign currency sales contract that amounts to EUR 383.372, USD GBP 4.500 ,PLN 49.806, USD 70.145 and TL 2.123.273 (31 December 2021: TL 1.544.300, EUR 15.499 and USD 472.835 against forward foreign currency sales contract that amounts to EUR 462.472, USD 74.605 , GBP 7.000 and TL 27.332 sales contracts).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 17 – EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2022	31 December 2021
Due to personnel	116.402	47.465
Social security payables	53.611	21.399
	170.013	68.864

Long term provisions for employee benefits:

	31 December 2022	31 December 2021
Provision for employment termination benefits	518.760	151.875

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

The amount payable is the equivalent of one month’s gross salary for each year of service and is limited to a maximum of full TL 15.371,40 TL / year as of 31 December 2022 (31 December 2021: 8.284,51 TL/year).

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

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

NOTE 17 – EMPLOYEE BENEFITS (Cont'd)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as at 31 December 2022 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31 December 2022 provision is calculated based on real discount rate of 9,16% (31 December 2021: annual inflation rate; 15,8%, discount rate; 20,9% and real discount rate; 4,44%) assuming 7,02% annual inflation rate and 2,00% discount rate.

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. The maximum amount of TL 19.982,83 which is effective from 1 January 2023 (1 January 2022: TL 10.848,59) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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

	1 January - 31 December 2022	1 January - 31 December 2021
Balance at 1 January	151.875	85.734
Increase during the year	28.015	17.063
Payments during the year	(23.899)	(11.652)
Actuarial (gain) /loss	332.407	48.904
Interest expense	30.362	11.826
Balance at 31 December	518.760	151.875

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 18 – OTHER ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Other current assets		
VAT carried forward	931	254
Income and discount accruals	38.017	3.090
	38.948	3.344
Other current liabilities		
Taxes and dues payable	134.766	38.369
Other	2.396	933
	137.162	39.302

NOTE 19 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

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

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

	Shareholding		Amount	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Vestel Elektronik Sanayi ve Ticaret A.Ş.	80,66%	82,53%	1.290.560	1.320.552
Shares held by public	19,34%	17,47%	309.440	279.448
	100,00%	100,00%	1.600.000	1.600.000

Vestel Elektronik Sanayi ve Ticaret A.Ş. sold 30.000.000 shares of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. at Borsa Istanbul on 20 September 2022. Following these transactions, Vestel Elektronik Sanayi ve Ticaret A.Ş.'s share in Vestel Beyaz Eşya decreased to 80,66%.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

b) Adjustments to share capital

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

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

c) Restricted reserves (“Legal reserves”)

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

	31 December 2022	31 December 2021
Legal reserves	233.843	98.506

d) Retained earnings

	31 December 2022	31 December 2021
Extraordinary reserves	533.014	1.185
Previous year’s profits	325.720	122.302
	858.734	123.487

e) Dividend distribution

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 19 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont’d)**e) Dividend distribution(Cont’d)**

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

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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

e) Dividend distribution(Cont’d)

The distribution of the Company's net profit for the year 2021 was approved at the Ordinary General Assembly meeting held on 11 May 2022. As of 31 December 2021, the company has been prepared its Financial statements in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards (“TMS/TFRS”) and the formats determined by the CMB, in accordance with the Capital Markets Board's Communiqué No. II.14.1 on “Principles of Financial Reporting in the Capital Markets”. According to the financial statements, The Company has net profit of TL 1.518.592. According to the financial statements prepared within the framework of the relevant provisions of the Turkish Commercial Code No. 6102 (TCC) and the Tax Procedure Law No. 213 (TPL), it has earned a net profit of TL 1.470.124. According to the decision taken, net distributable profit for the period is calculated as 1.396.618 TL, as a result of deducting the general legal reserves amounting to 73.506 TL, which was allocated in accordance with the first paragraph of the 519th article of the Turkish Commercial Code, over the net period profit of 1.470.124 TL for the 2021 accounting period. Net distributable profit for the period is calculated as 1.445.086 TL as a result of deducting the general legal reserves amounting to 73.506 TL from the 1.518.592 TL net profit for the period included in the financial statements prepared in accordance with the Capital Markets Law and the Capital Markets Board regulations. The remaining resource after the general legal reserve has been set aside, has been paid in cash to the shareholders of the Company's shareholders of the dividend amounting to TL 698.310.

The Company has TL 1.424.466 net profit as of 31 December 2022 (2021: 1.518.592). As of 31 December 2022, the net profit in the legal books kept by the Company in accordance with the Tax Procedure Law is TL 860.370 and there is no previous year's profits.

NOTE 20 – SALES

	1 January - 31 December 2022	1 January - 31 December 2021
Domestic sales	8.291.879	3.568.771
Export sales	23.175.130	12.714.457
Gross sales	31.467.009	16.283.228
Less: Sales discounts (-)	(80.040)	(105.219)
Net sales	31.386.969	16.178.009
Cost of sales	(26.475.579)	(13.613.315)
Gross profit	4.911.390	2.564.694

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

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

NOTE 21 – EXPENSES BY NATURE

	1 January - 31 December 2022	1 January - 31 December 2021
Raw materials, supplies and finished goods	24.856.878	12.555.863
Changes in finished goods, work in process and trade goods	(1.236.592)	(438.439)
Personnel expenses	1.878.559	983.411
Depreciation and amortization	511.275	384.518
Repair and maintenance expenses	1.827.876	95.871
Other	1.159.941	493.219
	28.997.937	14.074.443

Fees for Services Received from Independent Audit Firm

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

	1 January - 31 December 2022	1 January - 31 December 2021
Audit fee for the reporting period	925	276
	925	276

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

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

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

a) General administrative expenses:

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	75.447	34.880
Consultancy Expenses	119.394	66.596
Rent and office expenses	8.885	7.140
Travelling expenses	3.592	1.861
Energy expenses	4.503	1.200
Depreciation and amortization	3.833	3.256
Benefits and services provided externally	968	1.113
Other	88.630	34.556
	305.252	150.602

b) Marketing expenses:

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	95.808	48.198
Transportation, distribution and storage expenses	1.787.484	79.937
Taxes and duties	50.093	27.720
Insurance expenses	30.431	5.249
Depreciation and amortization	2.028	14.109
Other	40.790	21.110
	2.006.634	196.323

c) Research and development expenses:

Depreciation and amortization	86.286	52.195
Personnel expenses	78.992	36.489
Other	45.194	25.519
	210.472	114.203

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 23 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other operating income

	1 January - 31 December 2022	1 January - 31 December 2021
Credit finance gains arising from trading activities	71.509	6.117
Foreign exchange gains arising from trading activities	1.475.335	1.882.268
Other income	79.118	24.063
	1.625.962	1.912.448

b) Other operating expense

	1 January - 31 December 2022	1 January - 31 December 2021
Debit finance charges arising from trading activities	88.008	5.073
Foreign exchange expenses arising from trading activities	2.487.045	2.131.416
Other expenses	36.394	32.747
	2.611.447	2.169.236

NOTE 24 – FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains	1.005.759	781.167
Gains on derivative financial instruments	1.399.144	673.675
Interest income	223.159	73.383
	2.628.062	1.528.225

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

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

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

b) Financial expense:

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange losses	563.632	521.185
Losses on derivative financial instruments	1.521.548	1.295.762
Interest and commission expense	842.336	336.940
Other finance expenses	3.031	4.264
	2.930.547	2.158.151

NOTE 25 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2022	31 December 2021
Corporate tax	2.909	5.803
Prepaid taxes	(2.956)	(4.864)
Corporate tax	(47)	939
Deferred tax liabilities	-	-
Deferred tax assets	254.646	132.778
Deferred tax assets	254.646	132.778

In Turkey, advance tax returns are filed on a quarterly basis at the rate of 23%, until the 17th day of the following month and paid until the 17th day. Advance tax returns files within the year are offset against corporate income tax calculated over the annual taxable corporate income.

According to the Corporate Tax Law, 50% of the capital gains arising from the sale of tangible assets and 75% of sale of investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity.

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 25 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont’d)

There is no obligation that taxed to be paid should be confirmed with tax authority. Corporate tax declarations are given to tax authority in following 4th month of 30th day of the period end. Tax authorization may examine accounting transactions for 5 years. In case of detection of a mistake, the tax amount to be paid may change.

Corporate tax rate will be applied as %23 for 2022 profit. This rate will be applied as 20% in 2023.

As of 1 January – 31 December 2022 and 2021 tax expense in the statement of comprehensive income is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Current period tax expense	(2.909)	(5.803)
Deferred tax benefit	326.313	307.543
Total tax income	323.404	301.740

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

	1 January - 31 December 2022	1 January - 31 December 2021
Profit before tax	1.101.062	1.216.852
Local tax rate	23%	25%
Tax income calculated using local tax rate	(253.244)	(304.213)
Non-deductible expenses	(46.796)	(30.477)
Discounts and exemptions	92.589	42.575
Effect of reduced tax rate	536.108	599.945
Effect of legal tax rate change on deferred tax	1.622	(1.226)
Other	(6.875)	(4.864)
	323.404	301.740

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 25 – TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont’d)

Deferred tax assets and liabilities

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

	Cumulative temporary		Deferred tax	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Deferred tax assets				
Employment termination benefits	(518.760)	(151.875)	103.752	30.375
Investment incentive (*)	-	-	532.965	228.430
Net difference between book values and tax bases of tangible and intangible assets	(138.270)	(100.000)	27.654	20.000
Net difference in between booked value of inventories and tax basis	(27.161)	(4.576)	5.432	1.144
Derivative financial instruments	(350.200)	(40.310)	70.040	10.078
Revaluation of tangible fixed assets	3.127.939	1.575.352	(491.632)	(157.680)
Other	(32.175)	(2.155)	6.435	431
			254.646	132.778

(*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of 31 December 2022 the tax advantage of TL 532.965 from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the financial statements. The Company did not recognize deferred tax assets amounting to amounting to TL 2.244.262 arising from investment incentives on the basis of conservative approach of accounting.

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

	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance, 1 January	132.778	(54.299)
Tax expense recognized in income statement	326.313	307.543
Recognized in shareholders' equity	(204.445)	(120.466)
Deferred tax assets/liabilities at the end of the period, net	254.646	132.778

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

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

NOTE 26- EARNINGS PER SHARE

	1 January - 31 December 2022	1 January - 31 December 2021
Net profit attributable to shareholders	1.424.466	1.518.592
Weighted number of ordinary shares with a TL 1 of par value (thousand shares)	1.600.000	1.600.000
	0,89	0,95

NOTE 27 - DERIVATIVE INSTRUMENTS

	31 December 2022		31 December 2021	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
<u>Derivative financial assets:</u>				
Held for trading				
Forward foreign currency transactions	274.636	1.203	96.988	3.793
Cash flow hedge				
Forward foreign currency transactions	2.410.394	4.542	4.797.224	189.332
<u>Derivative financial liabilities:</u>				
Held for trading				
Forward foreign currency transactions	2.232.370	(197.961)	3.013.866	(233.435)
Cash flow hedge				
Forward foreign currency transactions	5.168.108	(157.984)	-	-
	-	(350.200)	-	(40.310)

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital risk management:

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

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

As of 31 December 2022 and 2021 the Company’s net debt / total equity ratios are as follows:

	31 December 2022	31 December 2021
Total financial liabilities (note 5)	6.217.515	1.334.840
Cash and cash equivalents (note 4)	(578.753)	(112.815)
Net debt	5.638.762	1.222.025
Total equity	6.319.416	4.892.655
Capital invested	11.958.178	6.114.680
Net debt/capital invested	0,47	0,20

b) Financial risk factors:

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

b.1) Credit risk:

Credit risk arises from bank deposits, trade receivables and other trade receivables. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of these agreements. The Company sells significant portion of its products to Vestel Ticaret A.Ş. which is a group company. Credit risk is evaluated by considering past experiences and current economic conditions and receivables is presented in the balance sheet after appropriate amount of provision for doubtful receivables is allocated. The company considers that the credit risk is managed effectively. The following statements show the analysis of credit risk as of 31 December 2022 and 31 December 2021:

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

31 December 2022	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
Maximum exposed credit risk as at 31 December 2022 (A+B+C+D+E)	8.422.256	209.486	2.403.161	779.569	578.112	663
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	8.422.256	209.486	2.403.161	779.569	578.112	663
B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired	-	-	-	-	-	-
C.Net book value of overdue but not impaired financial assets	-	93.718	-	-	-	-
- Secured portion by guarantees, etc	-	(93.718)	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Overdue	-	1.122	-	-	-	-
- Impairment	-	(1.122)	-	-	-	-
-Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

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

	31 December 2022	31 December 2021
0 -1 overdue month	53.114	6.393
1 -3 overdue month	36.732	1.887
3 -12 overdue month	3.872	209
Total overdue receivables	93.718	8.489

b.2) Price risk:

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

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

b.3) Liquidity risk:

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

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

The analysis of the Company’s financial liabilities with respect to their maturities as of 31 December 2022:

Contractual Maturities	Book Value	Total contractual cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Bank borrowings and lease liabilities	6.217.515	6.536.437	1.749.278	4.776.154	11.005	-
Trade payables	10.810.669	10.882.223	9.302.853	1.330.036	179.373	69.961
Other payables	744.815	744.815	744.815	-	-	-
	17.772.999	18.163.475	11.796.946	6.106.190	190.378	69.961
Derivative financial instruments						
Derivative cash inflows	-	(10.085.508)	(10.085.508)	-	-	-
Derivative cash outflows	-	8.923.444	8.923.444	-	-	-
	350.200	(1.162.064)	(1.162.064)	-	-	-

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 28– FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

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

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

b.4) Foreign currency risk:

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

31 December 2022	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	29.570	238.673	187.763	5.498.594
2a. Monetary financial assets (including cash and cash equivalents)	-	-	-	-
	9.764	14.193	1.221	466.727
2b. Non-monetary financial assets	-	-	-	-
3. Other	128.489	31	-	2.403.144
4. Current assets (1+2+3)	167.823	252.897	188.984	8.368.465
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	1.504	9.663	-	220.753
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	1.504	9.663	-	220.753
9. Total assets (4+8)	169.327	262.560	188.984	8.589.218
10. Trade payables	230.100	193.495	41.743	8.216.226
11. Financial liabilities	72.515	-	-	1.358.351
12a. Other monetary liabilities	-	11.265	-	224.971
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	302.615	204.760	41.743	9.799.548
14. Trade payables	-	9.157	-	182.873
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	9.157	-	182.873
18. Total liabilities (13+17)	302.615	213.917	41.743	9.982.421
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)	425.221	(368.704)	42.017	642.849
19a. Hedged total assets	495.366	14.668	355.595	9.910.502
19b. Hedged total liabilities	(70.145)	(383.372)	(313.578)	(9.267.653)
20. Net foreign currency asset/ (liability) position (9-18+19)	291.933	(320.061)	189.258	(750.353)
21. Net foreign currency monetary asset/ (liability) position (=1+2a+3+5+6a-10-11-12a-14-15-16a)	(134.792)	38.980	147.241	(1.613.956)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(350.200)
23. Export	145.634	1.242.590	465.822	23.175.130
24. Import	563.708	242.049	19.656	13.404.762

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

As of 31 December 2022 and 31 December 2021, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

	Gain / Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2022				
Appreciation of USD against TL by 10%				
USD net asset / liability	(250.246)	250.246	(250.246)	250.246
Secured portion from USD risk	81.374	(81.374)	490.845	(490.845)
USD net effect	(168.872)	168.872	240.599	(240.599)
Appreciation of EUR against TL by 10%				
EUR net asset / liability	96.201	(96.201)	96.201	(96.201)
Secured portion from EUR risk	(139.565)	139.565	(695.871)	695.871
EUR net effect	(43.364)	43.364	(599.670)	599.670
Appreciation of other currencies against TL by 10%				
Other currencies net asset / liability	14.724	(14.724)	14.724	(14.724)
Secured portion from other currency risk	627	(627)	10.679	(10.679)
Other currency net effect	15.351	(15.351)	25.403	(25.403)
Total	(196.885)	196.885	(333.668)	333.668

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

	Gain / Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2021				
Appreciation of USD against TL by 10%				
USD net asset / liability	(223.801)	223.801	(223.801)	223.801
Secured portion from USD risk	37.208	(37.208)	515.777	(515.777)
USD net effect	(186.593)	186.593	291.976	(291.976)
Appreciation of EUR against TL by 10%				
EUR net asset / liability	166.356	(166.356)	166.356	(166.356)
Secured portion from EUR risk	(172.244)	172.244	(631.879)	631.879
EUR net effect	(5.888)	5.888	(465.523)	465.523
Appreciation of other currencies against TL by 10%				
Other currencies net asset / liability	(133)	133	(133)	133
Secured portion from other currency risk (-)	(12.238)	12.238	(12.238)	12.238
Other currency net effect	(12.371)	12.371	(12.371)	12.371
Total	(204.852)	204.852	(185.918)	185.918

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 28 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

b.5) Interest rate risk:

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

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

	31 December 2022	31 December 2021
Financial instruments with fixed interest rates		
Time deposits	151.485	78.932
Financial liabilities	876.713	475.591
Financial instruments with variable interest rates		
Financial liabilities	5.340.802	859.249
Other liabilities	-	-

On 31 December 2022, if interest rates of all currency denominated financial assets and liabilities with variable interest rates has strengthened / weakened by 100 basis points with all other variables held constant, income before taxes would have been TL 16.979 (2021: TL 1.351) lower / higher as a result of interest expenses.

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Categories of financial instruments and fair values

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Cont’d)

Fair value of financial instruments

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

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

Monetary assets

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

Monetary liabilities

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

Fair value hierarchy

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

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

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

Level 3: Valuation techniques do not contain observable market inputs

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

**NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)
(Cont’d)**

Fair value hierarchy tables as of 31 December 2022 and 31 December 2021 are as follows:

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets / (liabilities)				
Derivative financial assets / (liabilities)	-	(350.200)	-	(350.200)

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

31 December 2022	Level 1	Level 2	Level 3	Total
Tangible Assets				
Lands	-	1.800.350	-	1.800.350
Land improvements	-	95.446	-	95.446
Buildings	-	2.228.891	-	2.228.891

31 December 2021	Level 1	Level 2	Level 3	Total
Tangible Assets				
Lands	-	755.907	-	755.907
Land improvements	-	64.057	-	64.057
Buildings	-	1.123.688	-	1.123.688

NOTE 30– SUBSEQUENT EVENTS

None.