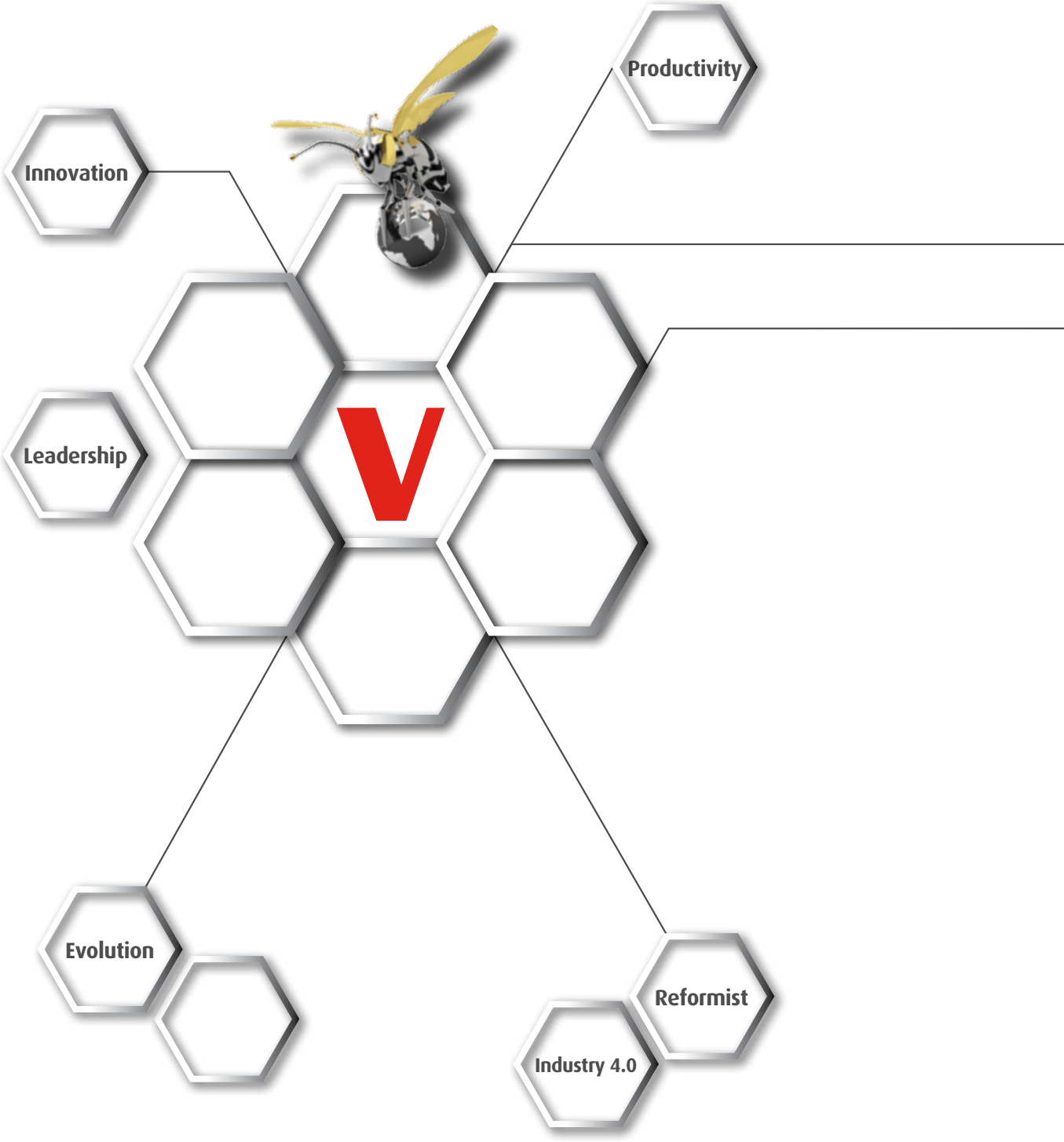
VESTEL BEYAZ EŞYA
2018 ANNUAL REPORT

STEPS FOR THE FUTURE...



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VESTEL

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VESTEL SERVING THE WHOLE WORLD...

STRONG AND FIRM STEPS FOR THE FUTURE

As one of the largest manufacturers of household appliances both in Turkey and Europe, Vestel Beyaz Eşya leads the market with its long term strategies and vision. The Company unwaveringly maintains its efforts with the aim of completing the Industry 4.0 transformation and transitioning to fully-automated smart factories.

LEADERSHIP

AS ONE OF THE TOP FIVE PRODUCERS IN THE EUROPEAN WHITE GOODS MARKET, WE ARE STRENGTHENING OUR PLACE IN THE GLOBAL LEAGUE THROUGH THE INVESTMENTS WE CARRY OUT TO REINFORCE OUR MANUFACTURING POWER. WITH OUR "SMART LIFE 2030" SUSTAINABILITY VISION, WE AIM TO BUILD A SMARTER FUTURE.

TOTAL REVENUES TL 5.7 billion

EXPORTS Euro 791 million

Vestel Beyaz Eşya achieved a strong sales performance in 2018 led by international sales.

The Company increased its export revenues strongly by placing more weight on export markets starting from the second half of the year and increased its turnover by 48% YoY to TL 5.7 billion.

SUCCESSFUL RESULTS WITH RECORD PROFITABILITY

Vestel Beyaz Eşya generated 78% of its sales revenues from international markets in 2018. Executing its strategy with a determined approach, the Company closed the year 2018 with a record profit of TL 623 million.

SUMMARY FINANCIAL AND OPERATIONAL INDICATORS

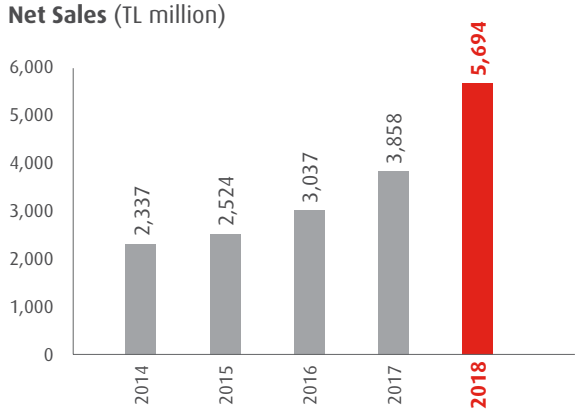
Condensed Income Statement (Euro million)	2014	2015	2016	2017	2018
Net Sales	804	837	909	937	**1,006**
Exports/Sales	75%	77%	75%	73%	**78%**
Gross Profit	103	123	147	120	**161**
Gross Profit Margin	12.9%	14.8%	16.1%	12.8%	**16.0%**
Operating Profit*	67	86	109	86	**129**
Operating Profit Margin*	8.3%	10.3%	12.0%	9.2%	**12.8%**
EBITDA*	96	114	136	113	**158**
EBITDA Margin*	11.9%	13.7%	15.0%	12.1%	**15.7%**
Net Profit	45	54	97	72	**110**
Net Profit Margin	5.6%	6.5%	10.7%	7.7%	**10.9%**

*Excluding other operating income and expense

Condensed Balance Sheet (Euro million)	2014	2015	2016	2017	2018
Cash and Cash Equivalents	58	28	3	16	**20**
Trade Receivables	233	259	321	232	**246**
Inventories	81	82	66	111	**96**
Current Assets	406	415	492	507	**508**
Property, Plant and Equipment	117	99	89	123	**238**
Total Assets	549	542	619	671	**777**
Short-Term Liabilities	230	241	271	378	**456**
Long-Term Liabilities	84	76	99	69	**21**
Shareholders' Equity	235	225	249	224	**301**
Net Financial Debt	35	42	115	137	**110**

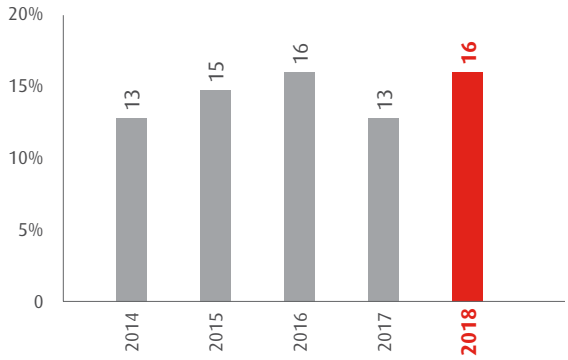
Condensed Cash Flow Statement (Euro million)	2014	2015	2016	2017	2018
Cash Flows from Operating Activities	109	59	74	159	**191**
Net Cash Flows from Investing Activities	(32)	(29)	(112)	(148)	**(135)**
Net Cash Flows from Financing Activities	(26)	(55)	16	2	**(49)**

Net Sales (TL million)



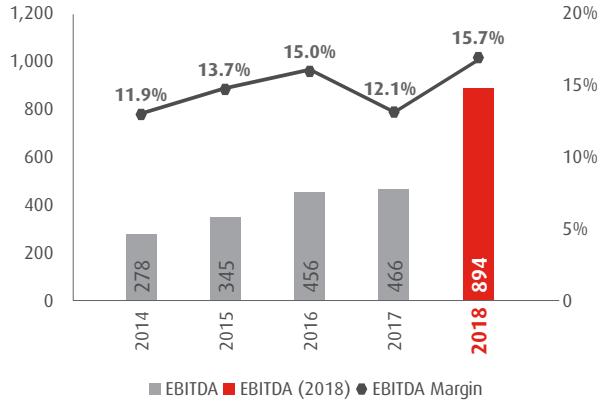
Vestel Beyaz Eşya's sales revenues increased by 48% YoY to reach TL 5,694 million in 2018, driven by the strong growth in export revenues.

Gross Profit Margin (%)



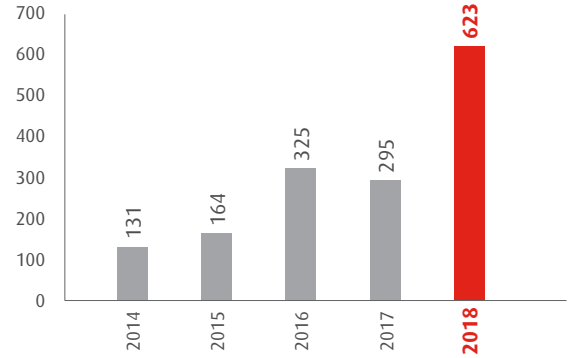
The gross profit margin increased from 12.8% to 16.0% on the back of the growth and increasing profitability in international sales.

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



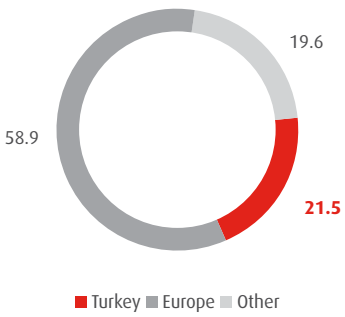
EBITDA surged by 92% YoY to TL 894 million, with the EBITDA margin rising to 15.7%, representing its highest value since 2010.

Net Profit (TL million)



Net profit more than doubled YoY to TL 623 million with a net profit margin of 10.9%.

Geographical Distribution of Sales (%) - 2018



SHAREHOLDING STRUCTURE AND VESTEL BEYAZ EŞYA SHARES

SHAREHOLDING STRUCTURE

Shareholders	Nominal Value of Shares (TL)	Share in Capital (%)
Vestel Elektronik Sanayi ve Ticaret AŞ*	180,833,943	95.18
Other (Free Float)	9,166,057	4.82
Total	**190,000,000**	**100.0**

* "Vestel Elektronik" or "Vestel"

The share capital of Vestel Beyaz Eşya is TL 190,000,000, which is divided into 190,000,000 bearer shares, each with a nominal value of TL 1.00.

Vestel Beyaz Eşya does not have any privileged shares.

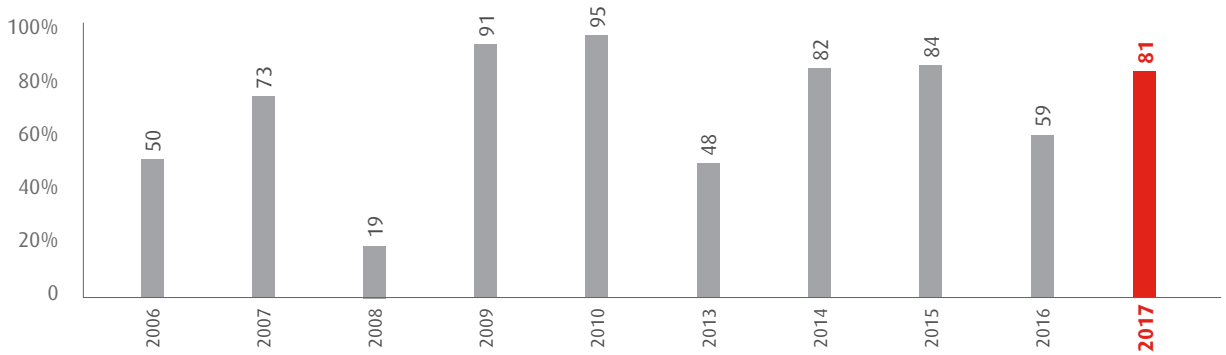
DIVIDEND DISTRIBUTION

Vestel Beyaz Eşya has adopted the Dividend Distribution Policy of distributing at least 25% of its distributable profit in cash and/or in the form of bonus shares to its shareholders.

Year*	2006	2007	2008	2009	2010	2013	2014	2015	2016	2017
Issued Capital (TL)	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000
Net Distributable Profit (TL)	61,472,535	70,736,410	30,816,495	111,964,111	23,693,899	51,302,674	127,442,215	156,367,884	307,447,389	295,234,000
Cash Dividends (TL)	30,736,267	51,500,861	5,798,470	102,403,737	22,403,545	24,809,266	104,824,701	130,877,465	180,000,000	240,000,000
Dividend Payout Ratio	50.0%	72.8%	18.8%	91.5%	94.6%	48.4%	82.3%	83.7%	58.5%	81.3%
Gross Dividend per Share with a Nominal Value of TL 1 (TL)	0.1618	0.2711	0.0305	0.5390	0.1179	0.1306	0.5517	0.6888	0.9474	1.2632

*The corresponding year for the realization of the distributable profit

Dividend Payout Ratio (%)



VESTEL BEYAZ EŞYA SHARES

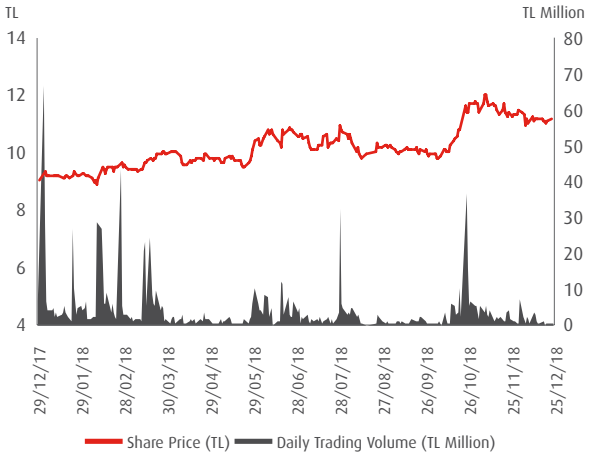
Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ("Vestel Beyaz Eşya" or "The Company") shares have been trading on Borsa Istanbul ("BIST") under the symbol VESBE since 2006.

As of the end of 2018, Vestel Beyaz Eşya, which is traded on the BIST STAR Market, is included in the BIST INDUSTRIAL, BIST METAL PRODUCTS, MACHINERY, BIST DIVIDEND, BIST ALL, BIST STAR, BIST ALL-100 and BIST SUSTAINABILITY indices.

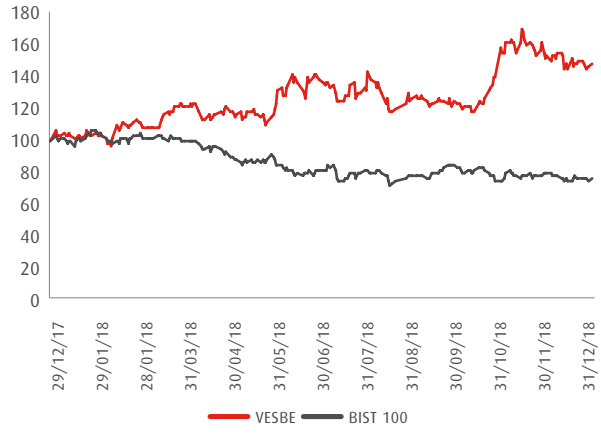
Vestel Beyaz Eşya was included in the BIST Sustainability Index, which comprises the shares of listed companies on Borsa Istanbul with a high corporate sustainability performance, on a voluntary basis in November 2016. Having been included in the index for two periods and maintained its compliance with the index criteria in 2018, Vestel Beyaz Eşya will also voluntarily participate in the BIST Sustainability Index in the November 2018 - October 2019 period.

In line with the Company's strong financial performance, Vestel Beyaz Eşya shares increased by 42% in 2018 and outperformed the BIST-100 Index by 79%. In the same period, the BIST-100 Index fell by 21%.

Vestel Beyaz Eşya - Share Price Performance



Vestel Beyaz Eşya - Relative Performance



Summary Share Price Information for 2018	
Number of Shares	190,000,000
Shares in Free Float*	9,166,057
Yearly High (TL)	13.50
Yearly Low (TL)	8.21
Year-End Closing Price (TL)	12.02
Market Capitalization* (TL Million)	2,284

*As of 31.12.2018

As of 31 December 2018, the Company's market value stood at TL 2,284 million.

IN 2018

PERFORMANCE

BY PLACING R&D AND INNOVATION AT THE CENTRE OF OUR ACTIVITIES, WE CONTINUED TO SUCCESSFULLY COMPETE WITH THE WORLD GIANTS IN GLOBAL MARKETS IN 2018.

DESIGN

11 Design Awards

VACUUM AND FERMENTSTORE TECHNOLOGIES

CES Innovation Award

Vestel Beyaz Eşya further advanced its power and reputation in the global arena in 2018 with its technologies and products, the experiences it brought to consumers in many parts of the world, the interest it received in the trade fairs and the collaborations it has established.

THE TECHNOLOGY SHOW AT THE IFA

At the IFA, Vestel Beyaz Eşya displayed a number of its products, which stand out with their innovative technologies and were developed to bring ease to the lives of consumers. All the smart products developed by Vestel Beyaz Eşya exhibited at the fair are now integrated with all of the ecosystems consisting of smart home platforms. These ecosystems, evolving with voice commands, will ensure that the internet of things and artificial intelligence applications become an indispensable part of everyday life in the coming years.

HIGHLIGHTS OF 2018 AT VESTEL BEYAZ EŞYA

The washing machine and tumble dryer plant, the foundations of which were laid in 2017 at Vestel City, was completed in the second quarter of 2018.

NEW WASHING MACHINE AND TUMBLE DRYER PLANT ENTERS PRODUCTION.

The washing machine and tumble dryer plant, the foundations of which were laid in 2017 at Vestel City - Vestel's manufacturing base - was completed in the second quarter of 2018. The plant began production of tumble dryers in May and washing machines by the end of June.

The new plant, which has a production capacity of 750,000 washing machines and 750,000 tumble dryers per year, was designed in accordance with the Industry 4.0 standards.

With this investment, Vestel Beyaz Eşya has added tumble dryers to its product portfolio and completed its product range in the 6 major household appliances group. The Company started exports of tumble dryers in May.

The new tumble dryer product family manufactured at Vestel Beyaz Eşya's new plant is offered in load capacities of 7, 8 or 9 kg with condensers and heat pumps. The Company's tumble dryers save time and energy by providing users with an efficient tumble drying experience in the shortest time possible. Designed specially with a simple user interface, the products offer advanced programs and options for various product and fabric types such as blankets, jeans, synthetics, cotton, woolens and delicates. They outclass competing products with the variety of their programs.

CONTINUING TO DEVELOP INNOVATIVE PRODUCTS

Vestel Beyaz Eşya developed and introduced the following products to the market in 2018:

- The refrigerator with the VacuumBag technology, which allows vacuum packing of delicatessen products in food bags, keeping them fresh for up to 8 times longer,
- The 84 cm double door Bottom Freezer refrigerator with an automatic door opening system using the Voice Control technology,
- The 84 cm double door Top Freezer and Bottom Freezer refrigerators with the new generation No-Frost Multi Cooling system and Pro Drive technology,
- The 70 cm and 76 cm double door Bottom Freezer refrigerators with the new generation No-Frost Multi Cooling system,
- The 54 cm double door Bottom Freezer refrigerator product family with the Less Frost Cooling system Less Frost cooling system,
- The 60x185 cm deep freezer with No-Frost Cooling technology,
- Dishwashers that consume up to 25% less water for entry-level products, thanks to Aquazone, a water saving technology developed by Vestel Beyaz Eşya,
- Dishwashers with the Natural ION Tech technology, which prevents odors emanating from waiting dirty dishes,
- The BrilliART smart dishwasher, offering user-friendly applications with 13 different sensors,
- Dishwashers that consume 20% less energy than A+++ appliances in the built-in product range,
- Record holding washing machines which produce just 38 dBA (decibel) of sound,
- The TwinJet® washing machine with a load capacity of 12 kg,
- The TimeSaver washing machine that can wash an 8 kg laundry in 90 minutes at an A rated energy efficiency with Pyrojet® technology,
- Built-in ovens with homogeneous cooking which offer multi-tray (up to 5 trays) or baking independent of rack position, using the brand-new HeatWrap cooking technology,
- The induction cooker offering the highest energy efficiency that can be used safely in kitchens with electrical infrastructure appropriate for appliances using gas,

HIGHLIGHTS OF 2018 AT VESTEL BEYAZ EŞYA

- The gas cooker consuming up to 20% less gas with high efficiency hobs,
- New generation indoor unit platform aesthetic air conditioning units,
- Record holding air conditioning units, which generate just 51 dBA of sound,
- R32 Terra Inverter series air conditioning units.

Vestel Beyaz Eşya also developed the following products during the year, which will be introduced to the market in 2019:

- The 4-door puzzle refrigerator with FermentStore technology providing ideal fermentation and subsequent storage conditions,
- Refrigerators using the latest UV-A and Photocatalytic Filter (Ultra Pure Tech) technology, inspired by the cleansing effect of the sun's rays,
- The 60x185 cm, 7-drawer single-door refrigerator with the No-Frost cooling system and Dual Control technology (Cool or Freeze)
- The 70 cm and 84 cm double-door Top Freezer refrigerators with the Convert Zone technology and new generation No-Frost Multi Cooling system,
- The HydroBoost® washing machine, which protects and washes laundry in record time by spraying the water and detergent mixture from 14 different points into the laundry,
- The HydroCharge® washing machine, which reduces the need for detergents with its unique technology based on electrolysis,
- The T series washing machine product family, which stands out with its stylish and user friendly features, which was renewed entirely,
- Easy Bill air conditioner,
- Voice activated air conditioner,
- Air conditioning units using new generation ionizer technology,
- Air conditioning units with a microbial gel filter,
- The Multi Inverter air conditioners,
- Bottom-controlled water heaters.

CERTIFICATE OF APPROVAL FROM THE VDE FOR RECORD HOLDING VESTEL PRODUCTS

Vestel Beyaz Eşya's products, which use less energy, water and detergents and at the same time offer record-breaking program times thanks to their innovative technologies, were certified by the VDE (Verband Deutscher Elektrotechniker), one of the most prominent independent testing and certification institutes in Germany.

The Company obtained the VDE Certification for its 4 products, namely the washing machine with the HydroBoost technology, which sprays the water and detergent mixture from 14 different points into the laundry, the washing machine with the Pyrojet technology, which boasts the lowest annual energy and water consumption values on the market, the washing machine with the HydroCharge technology, which offers an A rated energy performance by using 50% less detergent, and the TimeSaver washing machine. Certification was granted after the machines completed the VDE tests.

VESTEL BEYAZ EŞYA HAD ITS WATER FOOTPRINT APPROVED IN ACCORDANCE WITH THE "ISO 14046 WATER FOOTPRINT" STANDARD, WHICH REPRESENTS THE FIRST SUCH APPROVAL IN TURKEY'S WHITE GOODS SECTOR.

Recognizing that using the right amount of water is crucial for a sustainable future, Vestel Beyaz Eşya calculated its water footprint for 2017 on an institutional basis in accordance with the ISO 14046 Water Footprint Standard. This was approved by Rina, an accredited organization, and thus, the Company was deemed eligible for the ISO 14046 Water Footprint Approval Certificate. In 2017, Vestel Beyaz Eşya succeeded in reducing its water consumption per unit product by 7% and continued to lead the sector with its ISO 14046 Water Footprint verification.

The Water Footprint is calculated by measuring the volume of water used in unit time (including evaporation) or the amount of water which is polluted. The concept of a footprint in water is an important tool in determining the amount of water consumed from the production of goods and services to their consumption.

VESTEL BEYAZ EŞYA CROWNED LOW CARBON HERO FOR A SECOND TIME

Vestel Beyaz Eşya also received the "Low Carbon Hero Award" from the Sustainable Production and Consumption Association (SÜT-D) in the 5th Istanbul Carbon Summit. Vestel Beyaz Eşya was handed the award for a second time in a row in recognition of its efforts with regard to energy efficiency and carbon management in the Low Carbon Hero Awards, where organizations are awarded for their fight against climate change by reducing their carbon emissions.

Vestel Beyaz Eşya broke its own record by preventing 1,765,529 kg of carbon emissions with its "Carbon Management through Energy Efficiency at the Auxiliary Facilities" Project.

VESTEL BEYAZ EŞYA WINS 11 AWARDS IN NATIONAL AND INTERNATIONAL DESIGN COMPETITIONS

Vestel Beyaz Eşya continued to further advance its strength in design and proved its success in this area once again with the awards it won in national and international design competitions in 2018.

Winning a total of 11 awards in the national and international design competitions in 2018, the Company has increased the total number of its design awards to 194.

Vestel Beyaz Eşya won an award with six of its products (listed below) in the Good Design Award 2018, which is one of the most prestigious international design competitions, held by The Chicago Athenaeum Museum of Architecture and Design and Metropolitan Arts.

- Refrigerator with VacuumBag Technology
- A Series Dishwasher
- Slim Led Touch Built-in Oven with Hot Air Shield Technology
- BrilliART (Magic Touch Technology) Dishwasher
- Intellicare (Smart Jet) Washing Machine
- T20 Washing Machine with Pyrojet® technology

In addition, Vestel Beyaz Eşya won five awards, including two "Superior Design" awards and three "Good Design" awards, in the category of Electrical Home Appliances in the Design Turkey 2018 Industrial Design Award Ceremony, which was held in cooperation with the Republic of Turkey Ministry of Commerce, TIM (Turkish Exporters Assembly) and the Industrial Designers Society of Turkey.

Superior Design Awards

- Refrigerator with VacuumBag Technology
- Flush Handle 84 cm Combi Refrigerator with Pure Air Fresh Technology (Daylight Technology)

Good Design Awards

- Intellicare (Smart Jet) Washing Machine
- BrilliART (Magic Touch Technology) Dishwasher
- Slim Led Touch Built-in Oven with Hot Air Shield Technology

GOOD DESIGN AWARD 2018

DESIGN TURKEY
Tasarım Ödülleri

HIGHLIGHTS OF 2018 AT VESTEL BEYAZ EŞYA

TWO AWARDS FOR VESTEL BEYAZ EŞYA IN THE GREEN DOT INDUSTRY AWARDS

The ÇEVKO Foundation is the usage rights representative of the "Green Dot" brand, valid in 31 countries and used by more than 150,000 organizations, in Turkey. The following Vestel Beyaz Eşya projects were awarded the Green Dot Industry Award in the Green Dot Industry Awards held by the ÇEVKO Foundation for the fourth time in 2018.

- The "Waste Management System" Project in the "Waste Management System and Applications" category,
- The "Styrofoam Weight and Density Reduction" Project in the "Prevention Applications by Reducing Resources in the Packaging Design" category.

VESTEL BEYAZ EŞYA RECEIVES ENVIRONMENT AWARD FROM ISTANBUL CHAMBER OF COMMERCE

Vestel Beyaz Eşya was awarded 2nd prize in the category of "Large-Scale Enterprise - Innovative Eco-Friendly Product" with the "Environmentally Friendly R32 Refrigerant, 0 Standby, A +++ Smart Inverter Air Conditioner" Project in the 2018 Environment Awards hosted by the Istanbul Chamber of Industry.

VESTEL BEYAZ EŞYA WINS THE INNOVATION AWARD IN CES

Vestel Beyaz Eşya received the Innovation Award at CES, the world's largest consumer electronics fair, with its refrigerators which feature VacuumBag and FermentStore technologies. The CES Unveiled Awards, in which technologies belonging to hundreds of brands compete in 28 categories, were handed out in New York on 8 November 2018. Vestel's award-winning products were also exhibited at the CES 2019 Fair in Las Vegas between 8 and 11 January 2019.

VESTEL BEYAZ EŞYA AWARDED IN THE EFFICIENCY PROJECT AWARDS

Vestel Beyaz Eşya won First Prize in the category of the "Large-Scale Enterprise R&D" for its "Refrigerator Cooling Technology Change Process" at the Efficiency Project Awards organized by the General Directorate of Efficiency of the Republic of Turkey Ministry of Industry and Technology.

> Vestel Beyaz Eşya won First Prize in the category of the "Large-Scale Enterprise R&D" for its "Refrigerator Cooling Technology Change Process" at the Efficiency Project Awards.

Vestel makes Turkey proud for a 28th time in Berlin.

HIGHLIGHTS OF 2018 AT VESTEL BEYAZ EŞYA

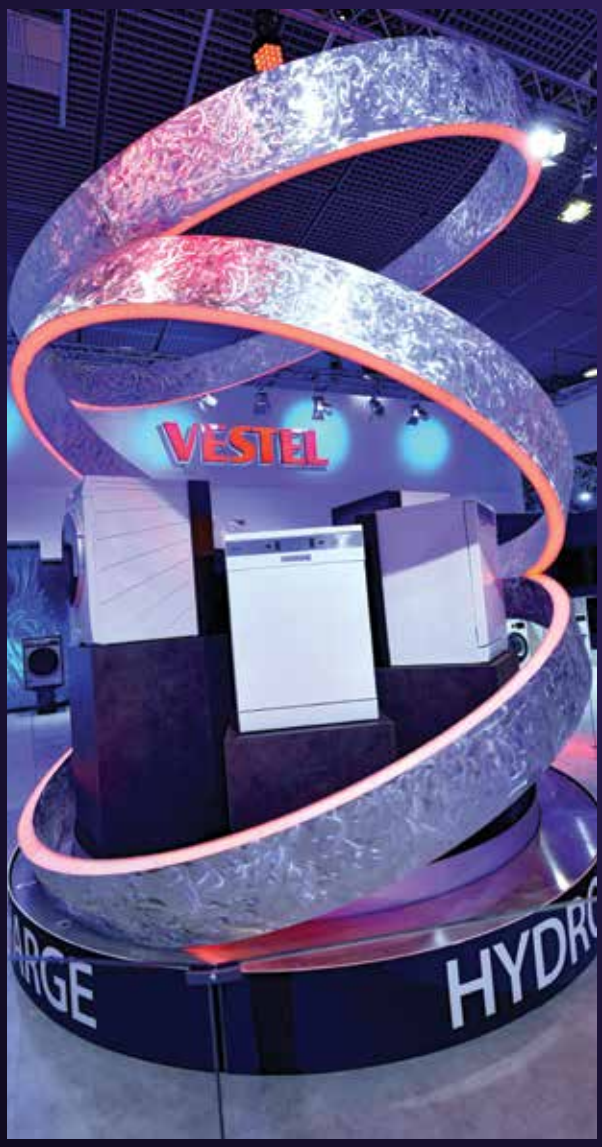
TECHNOLOGY SHOW AT IFA 2018

Vestel Beyaz Eşya participated in the IFA, Europe's largest consumer electronics fair, which was held in Berlin in September 2018, where it won acclaim with its smart technologies.

The Company exhibited a number of its products in the IFA fair, which were developed to facilitate the lives of consumers and offer innovative solutions, including the ovens with the Heat Wrap feature; the gas cooker with high efficiency hobs providing a 20% increase in efficiency; the 4-door refrigerator with FermentStore technology, providing ideal fermentation and storage conditions; refrigerators featuring vacuum packing and compartment vacuuming, allowing food to be stored for longer; the refrigerator with Convert Zone technology, whose freezer compartment can also be used as a refrigerator by turning off the freezer; and the white goods product family, featuring the voice activation system which does not require an internet connection.

The HydroBoost® washing machine, which was developed by Vestel Beyaz Eşya to achieve improved penetration of the water and detergent mixture into the laundry by spraying it into the load from 14 different points, and thus, washing the laundry in record time, was first launched at the IFA 2018. In addition to the product's speed-wash feature, the integrated water softening technology, which protects and extends the life of clothes and the machine, attracted the attention of visitors.

The Vestel HydroCharge® washing machine, which reduces the consumption of detergent with its electrolysis-based technology, was one of the products which stood out at the fair. The machine helps with the family budget by reducing the consumption of detergent, while also lowering the amount of waste detergent and thus contributing to the protection of the environment. This technology is also aimed at protecting people whose skin is sensitive to detergents.



The Vestel A.I. (Artificial Intelligence) washing machine, which boasted one of the most comprehensive artificial intelligence technology to be exhibited at the fair, and has the feature of learning the habits of its user and change its programs according to these habits, while offering suggestions depending on the user's preferences, stood out with its unique features.

Vestel's BrilliART dishwasher, which offers the most state-of-the-art technology in its segment, including the highest sensing capacity with the help of 13 sensors, also attracted attention with its wide array of features such as adjusting washing cycles depending on how dirty the load is, protecting from fluctuations in voltage and compensating for waterline fluctuations.

Another product introduced at the fair was the dishwasher with the EdgeWash technology. EdgeWash technology, which works with an unusual spray arm design developed for Vestel dishwashers, offers 20% more washing space in the lower basket with its flexible spray arms. This technology leaves no corner of the load untouched by water.

At IFA this year, Vestel Beyaz Eşya also attracted wide acclaim with its collaboration with the German VDE Institute, one of the most prestigious independent testing and certification institutes. The Vestel HydroBoost® washing machine, the Vestel HydroCharge® washing machine, the record holder Pyrojet® washing machine and the TimeSaver washing machine were tested by the VDE and found eligible for the VDE certification with their record levels of energy and water consumption, short program durations and A-class washing performances. The certificates were handed to the Company in a ceremony attended by the senior management of Vestel Beyaz Eşya and the VDE.

Vestel demonstrated its strength of domestic production at the IFA, the largest consumer electronics fair in Europe, held between 31 August and 5 September in Berlin. Having attracted attention with its technologies, designs and record-breaking products at its 3,800 m^2 exhibit at the IFA, where it participated for the 28th time, Vestel set itself apart with the 730 products which it exhibited.

STRATEGY

THE MAIN OBJECTIVES OF OUR STRATEGY ARE TO GROW IN REGIONS OTHER THAN EUROPE, WHICH IS OUR MAIN EXPORT MARKET, TO INCREASE THE SHARE OF A-BRANDED CLIENTS IN OUR CUSTOMER PORTFOLIO, AND TO FURTHER STRENGTHEN OUR POSITION IN THE DOMESTIC MARKET.

GLOBAL MARKET

Exports to 155 countries

TURKEY

Strong market position

Vestel Beyaz Eşya continued its determined journey towards its strategic objectives in 2018 and further strengthened its power and reputation in the global arena.

A REPUTABLE PLAYER OF THE GLOBAL MARKET

As one of the top five manufacturers of household appliances in Europe, Vestel Beyaz Eşya takes its position in the world league further with new investments. Having brought its new washing machine and tumble dryer plant online in 2018, Vestel Beyaz Eşya competes successfully against the world giants with its focus on R&D and innovation.

CHAIRMAN'S MESSAGE

A YEAR OF CONTINUED MODERATE GLOBAL GROWTH

Although growth in the USA and the EU remained positive throughout 2018, risks to global economy increased, especially in the second half of the year.

Geopolitical developments in the Middle East, the global migration problem, trade-restrictive protectionist policies, uncertainty in the Brexit process, the deterioration in the economic outlook of some developing countries and the depreciation in their currencies, tightening monetary and fiscal policies and increasing financing costs stand out as the major risks facing the global markets.

The US administration, which had raised the prospect of protectionist measures in foreign trade, took concrete steps in 2018 and introduced additional duties on several products imported from China. This was met by the imposition of retaliatory duties by China. A continuation of such tensions in international trade into 2019 could take a toll on global growth.

The US Federal Reserve (Fed), which is in the process of reducing its balance sheet, raised its policy rate to the 2.25-2.5% range in 2018, having raised interest rates four times during the year. These rate hikes brought interest rates to their highest levels in the last 10 years, while the Fed signaled that it would pursue a more moderate interest rate policy in 2019.

The Chinese economy slowed down in the second half of 2018 amid fears of a trade war and the increasing indebtedness among companies and households. As a result, China grew below expectations and recorded its lowest economic growth rate for the last 28 years in 2018.

In the Eurozone, Italy's government budget and the Brexit negotiations were the most prominent developments during the year, while the region's macroeconomic data pointed to a slowdown in economic activity.

The IMF expects the global economy, which is estimated to have grown by 3.7% in 2018, to grow by 3.5% in 2019 with a slight loss of momentum. Trade wars are expected to slow growth in the USA, while fragilities will continue to affect the Chinese economy and the growth rate in Eurozone is set to decelerate as the European Central Bank ends its monetary support. In fact, the European Commission reduced its Eurozone growth forecast from 1.9% to 1.3% for 2019.

TURKEY'S ECONOMY STARTED TO SLOW DOWN

Turkish economy demonstrated a strong performance in the first two quarters of 2018, with a growth rate of 7.2% in the 1st quarter and 5.3% in the 2nd quarter. Turkey continued to positively decouple from other developing countries with this performance. In the second half of the year, however, the economic outlook took a sharp turn for the worse.

Volatilities experienced in the global markets in August precipitated serious falls in the currencies of some developing countries, including Turkey. While this situation put significant pressure on companies' balance sheets and cash flows, the tightening in financial conditions and increase in interest rates also put a squeeze on economic activity and domestic demand.

> Our new washing machine and tumble dryer plant, the foundation of which was laid in 2017, began production this year. Our new plant, built in accordance with the Industry 4.0 standards, undertakes production for markets all around the world.
>
> **Ahmet Nazif Zorlu**
> Chairman of the Board of Directors

As a result of these developments, growth in the Turkish economy lost momentum in the third quarter and demonstrated a limited 1.6% growth. In the same period, while the contribution from net exports to the economy increased with the support of more a competitive currency, the balancing in the economy started to become apparent. The current account deficit entered a marked downward trend from August thanks to improvement in foreign trade balance and growth in net tourism revenues, which had a positive impact on exchange rates.

Consumer inflation, which has been on the rise since the second quarter of the year with the increase in cost-oriented inflationary pressures and the deterioration in pricing behavior, remained high throughout the year.

The government set out its New Economic Program which is built on the main headings of Balancing, Discipline and Change in September and announced its macroeconomic objectives and policies for the 2019-2021 period. Following this, the Program to Fight Inflation Together was announced. The program envisaged private sector companies to support the government's efforts to tackle inflation on a voluntary basis.

In the last quarter of 2018, there was some recovery in domestic demand thanks to the measures taken, especially the provisional tax cuts, and the proactive policies implemented. On the other hand, as a result of the tight monetary policy implemented by the Central Bank, there was a limited recovery in the value of the currency and some decline in interest rates.

The policies to be followed by the central banks of the developed countries in 2019 and global liquidity conditions will remain important for Turkey and other developing countries. As for Turkey, the success of the implementation of the New Economic Program and the timely introduction of structural measures will be decisive for the period ahead.

WE HAVE BECOME STRONGER IN 2018

In 2018, Vestel Beyaz Eşya further advanced its clout and reputation in the global arena with its products and the technologies it has developed, the experiences it has brought to consumers in a wide geographical area of the world, the interest it has attracted in the trade fairs and the collaborations it has established.

Placing R&D and innovation at the heart of its focus, as a company which leads the transformation rather than follows it, Vestel Beyaz Eşya continued to compete successfully with the world giants in global markets in 2018.

As one of the top five manufacturers of household appliances in Europe, the investments we carry out to strengthen our production power further reinforce our position on the world stage. Our new washing machine and tumble dryer plant, the foundation of which was in 2017, entered operation this year. The plant, built in accordance with the Industry 4.0 standards, undertakes production for markets throughout the world. In 2018, we also doubled our production capacity in dishwashers with new line and machinery investments. We thus strengthened our hand in new market ventures while

CHAIRMAN'S MESSAGE

reaching higher production capacities which will help us meet the increasing demand in foreign markets.

We continue our efforts unwaveringly with the aim of making Vestel City the first facility to complete the Industry 4.0 transformation in Turkey. By integrating Industry 4.0 standards into the production cycle from end-to-end, we expect to achieve lower costs, higher speed and flexibility in production and improvement in product quality while human resources will also become more qualified.

Having achieved significant progress in the Industry 4.0 transformation with its investments over the last 4 years, Vestel Beyaz Eşya carries out its production activities by using state-of-the-art technologies thanks to its production and mechanical lines and paint shops, which were established with the Industry 4.0 infrastructure.

Thanks to its investments in production technology, Vestel Beyaz Eşya has transformed itself into a company that can now design and manufacture the production lines and machines that it previously procured externally, and apply for patents for the machines it develops.

With our approach to sustainability and our focus on the environment, we manufacture products that consume less energy and water, save time and work more quietly while working to develop new technologies which will make life easier and evolve according to changing living conditions. While most of the household appliances that we produce by using the Internet of Things technology and artificial intelligence are included in the smart home ecosystem, our products with their state-of-the-art-technology have become voice-activated or remotely controlled by a smartphone.

The awards we win both nationally and internationally every year stand as a testament to how the concepts of innovation and sustainability are reflected to our technology and products.

At the IFA, which is Europe's largest consumer electronics fair, four of our record holding products were certified by the Verband Deutscher Elektrotechniker (VDE), a German independent testing and certification institute operating worldwide and testing approximately 100,000 products each year. These products surpassed their competitors in terms of both energy and water savings. These certificates stand as a reflection of both our technology and our sensitivity to the environment. As a manufacturer exporting to all parts of the world, the fact that the high performance of our products and their environmental credentials were verified by an independent institution bears special importance for our company.

In addition, our refrigerators with their Vacuum packing and FermentStore technology drew acclaim, winning the Innovation Award at the CES - the world's largest consumer electronics fair. The award is a tremendous source of pride for us.

WE WILL PREPARE THE FUTURE TOGETHER.

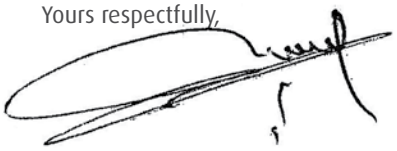
We aim to build a smarter future by combining profitability with elements such as people, society and the environment with our "Smart Life 2030" sustainability vision, which we started to implement throughout the Zorlu Group this year, and which we have shaped in line with the 2030 Sustainable Development Goals.

The execution of the "Smart Life 2030" strategy will be made possible by the participation of the entire Vestel family, especially our employees, in this project.

Therefore, I would like to take this opportunity to invite you all to work together to realize the dream of a better future and transformation to a smart life.

I offer my most sincere thanks to all of our stakeholders who believe in the future of Turkey, and who will stand by us in our new achievements.

Yours respectfully,



Ahmet Nazif Zorlu
Chairman of the Board of Directors

Vestel Beyaz Eşya won a total of five awards, including two "Superior Design" awards and three "Good Design" awards in the Electrical Home Appliances category at the Design Turkey 2018 Industrial Design award ceremony, which was held in cooperation with the Republic of Turkey Ministry of Commerce, the Turkish Exporters Assembly and the Industrial Designers Society of Turkey.

BOARD OF DIRECTORS

Ahmet Nazif Zorlu
Chairman

(1944 - Denizli) Ahmet Nazif Zorlu began his professional career in a family owned textiles business in Denizli, Babadağ. In 1970, Mr. Zorlu moved the company's headquarters to Istanbul and laid the foundations of Zorlu Holding together with his brother, Zeki Zorlu. Ahmet Zorlu set up his first company, Korteks, in 1976 and gathered all of the companies under the roof of Zorlu Holding in 1990. Acquiring Vestel in 1994, Ahmet Zorlu opened the door to new lines of business for Zorlu Holding. Ahmet Zorlu's entrepreneurial spirit, which began in the textile industry, went on to manifest itself in more companies operating in a wide range of industries, such as consumer electronics, household appliances, energy, property development, metallurgy and defence. Ahmet Zorlu serves as the Chairman or Deputy Chairman of the Board in numerous Zorlu Group companies operating in different industries, including Vestel Beyaz Eşya and Vestel Elektronik. With a keen interest in non-governmental organizations, Ahmet Zorlu sits on the Boards of DEIK (Foreign Economic Relations Board), TUSIAD (Turkish Industry and Business Association), DENSIR (Education and Culture Foundation of People of Denizli), BASIAD (Babadağ Industry and Business Association) and TETSIAD (Turkish Home Textile Industrialists' Association).

Elmas Melih Araz
Vice Chairman

(1948 - Istanbul) Melih Araz completed his high school education at Robert College and graduated from the Faculty of Political Science at Ankara University in 1972. He completed his MBA (Master in Business Administration) at Kelley School of Business, Indiana University in 1975 under the USAID/ TEV scholarship. He also attended an "Executive Management Program" at Harvard Business School in 1988. Starting his career in finance and banking at Citibank N.A.'s Turkey office in 1977, Mr. Araz held various senior positions at the bank's Istanbul, Bahrain, Athens and New York offices and assumed key responsibilities in the establishment and expansion phases of the Citibank's Turkey organization. He later served as the CEO/General Manager at Interbank AŞ, a Çukurova Holding affiliate, for eight years where he played a key role in elevating Interbank to a respectable and leading position in corporate and investment banking in Turkey. After leaving Interbank, Mr. Araz worked as a consultant in various major projects and served as a Board Member in a number of companies including Zorlu Enerji Elektrik Üretim AŞ (2008-2013) and Enka İnşaat ve Sanayi AŞ (2012-2018). He currently serves in senior positions at Ata Group. Melih Araz, who was appointed as the Vice Chairman of the Board at Vestel Beyaz Eşya's 2017 Annual General Meeting held on 9 May 2018, is also a Board Member at Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ, which are other Zorlu Group companies. In addition, Mr. Araz serves as a Board Member at Ata Yatırım Menkul Kıymetler AŞ, Ata Gayrimenkul Yatırım Ortaklığı AŞ, TFI Gıda Yatırımları AŞ, Burger King China JV Ltd., İzmir Enternasyonel Otelcilik AŞ and Entegre Harç Sanayi ve Ticaret AŞ.

Olgun Zorlu
Board Member

(1965 - Trabzon) After graduating from university in the United Kingdom with degrees in Textiles and Business Administration, Olgun Zorlu began his professional career in 1986. He started to serve in managerial positions at various Zorlu Group companies in 1988, where he managed their foreign market research and business development operations. Mr. Zorlu started serving as a Board Member at Zorlu Holding in 1998. In addition to his Board membership at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Mr. Zorlu also serves as a Board Member at Zorlu Holding and other Zorlu Group companies.

Şule Cümbüş
Board Member

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

İzzet Güvenir
Board Member

(1955 - Izmir) İzzet Güvenir graduated with a Bachelor's degree in Aeronautical Engineering from Istanbul Technical University in 1980. After serving in various positions in the white goods industry, he joined Vestel in 1998 to serve as the Manager for the Air Conditioner Plant. Mr. Güvenir became the General Manager of Vestel Beyaz Eşya in 2000. He stepped down from his position as the Executive Committee Member responsible for White Goods and Vestel CIS on 1 July 2011. He currently continues to serve as a Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ.

Bekir Ağırdır
Board Member

(1956 - Denizli) Bekir Ağırdır graduated from the Department of Business Administration, Faculty of Economics and Administrative Sciences, at Middle East Technical University in 1979, before working as a Sales Manager and then Deputy General Manager at Bilsan Bilgisayar Malzemeleri AŞ between 1980 and 1984. He served as the Sales Coordinator at Meteksam Ltd. between 1984 and 1986 and as General Manager at Pirintaş Bilgisayar Malzemeleri ve Basım Sanayi AŞ between 1986 and 1996. He then served as the Deputy General Manager at Atılım Kağıt ve Defter Sanayi AŞ between 1996 and 1999 and as General Manager and Board Member at PMB Akıllı Kart ve Bilgi Teknolojileri AŞ between 1999 and 2003. Between 2003 and 2005, he worked at Tarih Vakfı (History Foundation of Turkey) as a Coordinator and then as General Manager. Mr. Ağırdır has been the General Manager and Board Member at KONDA Araştırma ve Danışmanlık Ltd. Co. since 2005. Appointed as a member of the Board of Directors at Vestel Beyaz Eşya's 2017 Annual General Meeting held on 9 May 2018, Bekir Ağırdır also serves as a Board Member at Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ, which are other Zorlu Group companies.

Ayşegül İldeniz
Board Member

(1969 - Izmir) Ayşegül İldeniz has a bachelor's degree in Business Administration from Boğaziçi University and a master's degree in Electronic Communications Arts from San Francisco State University. Ms. İldeniz joined Intel Corporation, the leading global microprocessor company, in 1998, where she served as the General Manager for Intel Turkey, as Regional Director for Middle East, Turkey and Africa region, covering 67 countries and as Board Member for Europe before being appointed to the position of Global Vice President of the New Devices Group at Intel Headquarters in Silicon Valley in 2013. In 2016, Ayşegül İldeniz became the COO (Chief Operating Officer) at Silver Spring Networks Company, which is listed on the New York Stock Exchange and has cornered half of the US smart energy market with 26 million users. Ms. İldeniz is a pioneer in the fields of innovation, technology and future vision, both in Silicon Valley and in Istanbul. She was selected as the "IT Female of the Year" in 2004 and "Female Executive of the Year" in 2006 by Dünya Newspaper and as one of the "Top 100 Most Creative Persons in Business" by the San Francisco-based Fast Company Magazine and the "Third Most Influential Turkish-American Woman" by the Turks of America (TOA) Magazine in 2015. Ayşegül İldeniz is currently the President of TUSIAD Silicon Valley Network and a Board Member of the American-Turkish Society and Turkish Philanthropy Funds. Ayşegül İldeniz was appointed as a Member of the Board of Directors at Vestel Beyaz Eşya's 2017 Annual General Meeting held on 9 May 2018. Ms. İldeniz also serves on the Boards of two other Zorlu Group companies - Vestel Elektronik and Zorlu Enerji - and is also a Board Member at Eczacıbaşı Holding AŞ.

INTERVIEW WITH THE CEO

2018 WAS A YEAR WHEN TURKEY'S ECONOMIC GROWTH CAME UNDER PRESSURE FROM THE VOLATILITY IN GLOBAL MARKETS AND MOVEMENTS IN EXCHANGE RATES. COULD YOU SHARE WITH US AN ASSESSMENT OF THESE DEVELOPMENTS AND HOW THEY IMPACTED YOUR SECTOR?

The main developments, which affected all sectors in Turkey in 2018, were the slowdown in industrial production and the general economic growth in the second half of the year, due to the fall in the value of the Turkish Lira against foreign currencies, the increase in interest rates and the rise in inflation, which were caused by the volatility in financial markets in August and exerted pressure on domestic consumption and economic activity.

Domestic white goods market, which has been contracting owing to the high base of 2017, deteriorated further from August due to the rapid increase in exchange rates and interest rates. While the SCT (Special Consumption Tax) exemption, introduced in the last two months of the year, had a positive impact on retail sales together with the support of the campaigns carried out, its effect on wholesales was more limited. As a result, the Turkish white goods market contracted by 17% in 2018. Against contracting sales in the domestic market, white goods exports grew by 7% as the increase in foreign exchange rates during the year offered Turkish white goods producers more competitive clout in international markets. Accordingly, in 2018, white goods production remained at similar levels with the previous year.

As white goods demand in the Western European market - our main export market - declined by nearly 1% in 2018, exports were mainly driven by the strong growth in the Eastern European market and the increasing competitiveness of Turkish producers, which was supported by the depreciation of the Turkish Lira against the Euro.

In the light of the current macroeconomic outlook, we expect domestic demand to remain relatively subdued in 2019. However, if the SCT incentive, which will be effective until the end of March 2019, is extended for the whole year, we may see a smaller than expected contraction in the sector with a likely recovery in the second half of the year. As for exports, despite expectations of a slowdown for the European market, we believe that we may see another year of strong growth in exports in 2019 driven by the new orders in existing markets, entry into potential new markets and the continued competitiveness of Turkish white goods producers.

HOW WOULD YOU ASSESS VESTEL BEYAZ EŞYA'S OPERATIONAL AND FINANCIAL PERFORMANCE IN 2018?

We had a very successful year in 2018, both operationally and financially.

On the whole, we achieved a strong sales performance in 2018 led by international sales, and increased our sales revenues by 48% to TL 5.7 billion. We offset the pressure on domestic white goods demand, caused by the sharp movement in exchange rates in the second half of the year, by placing more weight on export markets, and generated 78% of our revenues from international markets. Thanks to our position as an exporter, we were positively affected by the movement in exchange rates

> We achieved a strong sales performance in 2018, driven by international sales, and increased our turnover by 48% to TL 5.7 billion. International sales accounted for 78% of our total revenues.
>
> **Enis Turan Erdoğan**
> Chief Executive Officer

and increased our export revenues and profitability from international sales. As a result, we closed the year 2018 with a record profit of TL 623 million. Our robust financial structure has also offered us some protection from the volatility experienced in financial markets.

Our exports to Europe grew at a double-digit rate supported by the new ODM projects and the growth in our customer portfolio. As for non-European markets, which have a relatively low weight in our exports, we have been negatively affected by the economic and geopolitical issues and increases in customs duties in some countries, especially in the Middle East and North Africa region. Nevertheless, we have succeeded in increasing our exports at double digit rates, exceeding the overall growth in the sector.

At the same time, we continued to strengthen our presence as one of the leading manufacturers of household appliances in the domestic market. In this process, while we have been less affected by the contraction in the domestic market compared to the sector as a whole, we have also succeeded in increasing our market share.

On the production side, a number of positive developments took place in 2018. In the second quarter of 2018, we completed and commissioned our new washing machine and tumble dryer plant, the foundation of which we had laid in 2017. We started to produce tumble dryers in our new plant as of May 2018 and washing machines as of the end of June. We realized our first tumble dryer exports in May. Our new plant, which has the capacity to produce 750,000 washing machines and 750,000 tumble dryers per year, was built with the Industry 4.0 infrastructure.

With this investment, Vestel Beyaz Eşya added tumble dryers to its product portfolio and completed its product range in the six major household appliances.

In 2019, we will see the positive impact of our new tumble dryer products on our exports more visibly, which we expect to bring us new customers in Europe and also support our washing machine sales.

In order to meet the strong growth in our dishwasher sales in international markets, we doubled our dishwasher production capacity in 2018 with new capacity investments gradually commissioned during the year. With these investments, we increased our total annual production capacity to 12 million units by the end of 2018. We believe these new capacities will provide strong support to our exports in the coming period.

WHAT WOULD YOU LIKE TO SAY ABOUT THE INDUSTRY 4.0 APPLICATIONS AND THE POINT YOU HAVE REACHED IN THIS AREA AT YOUR PLANTS IN VESTEL CITY?

A digital transformation is taking place with the Industry 4.0. I would like to emphasize that this transformation is not just about integrating more robots into the production process or increasing the level of automation at the plant. With Industry 4.0 applications, an end-to-end smart and traceable value chain is formed starting from the receipt of order to the delivery of the product to end-user. By integrating smart, self-learning and self-developing artificial intelligence technologies into this cycle, we monitor all data from end-to-end and accordingly, further develop and improve our processes. Vestel Group has

INTERVIEW WITH THE CEO

As in 2016 and 2017, Vestel Beyaz Eşya became the company to commission the highest number of robotic cells in a year, both in the white goods sector and across all sectors.

fully taken the digital transformation process on board as a corporate culture in all processes from production and sales to after-sales services and customer services.

One of the most important tools of Industry 4.0 is the autonomous robots, which can be placed at several points along the production line. As in 2016 and 2017, Vestel Beyaz Eşya was the company that commissioned the largest number of robotic cells within a year on the basis of both the white goods sector and all sectors.

Vestel Beyaz Eşya expands its robot-machine-human triangle and increases the level of automation at its plants day by day. Many different applications such as lights-out production, robot-human and robot-robot collaborations are being implemented at our facilities.

The concept of Industry 4.0 and the mobility and connectivity technologies constitute an important part of our R&D activities. Integrating IoT (Internet of Things), artificial intelligence and big data technologies into work processes stand out as our other important development points. Our goal is to make all systems communicate with each other with our technological competencies, and to enable these systems and machines to manage and direct themselves. On the other hand, we use Vestel Technology Academy actively in order to prepare our human resources for this transformation, and we determine the content of the training programs in a way that contributes to our Industry 4.0 transformation. In order to accelerate our personnel training, we have enhanced our training areas with augmented and virtual reality applications.

We think Vestel City is about half way through the Industry 4.0 transformation. As one of the first companies in Turkey, which started to invest in digital transformation, we are maintaining our pioneering position in this field. The point we want to reach with our determination and assertion to be the first facility to complete the Industry 4.0 transformation in Turkey, is flexible and flawless production with high efficiency and high quality.

While digital transformation brings about smart factories on the production side, it also offers consumers a more efficient, easier and more comfortable life with applications such as smart life and smart city. Although the very few integrated smart cities have yet to be established in the world, highly successful results have been achieved in energy and water management, traffic solutions, street lighting, health services and home technologies thanks to smart systems. We continue our investments in R&D and innovation in order to offer our global consumers a smarter and more comfortable life with our record holding smart products that work with artificial intelligence. We are expanding the smart life ecosystem with the technologies we have developed and the collaborations we have established. Vestel has put its “signature” on the “smart” world of the future, and we are proud of it.

> While digital transformation paves the way for smart factories on the production side, it offers people a more efficient, easier and more comfortable life with applications such as smart life and smart city on the consumption side.

YOU HAVE A TECHNOLOGICAL EXHIBIT IN INTERNATIONAL FAIRS. WHICH PRODUCTS STOOD OUT IN THIS YEAR'S FAIRS?

Our world record holding products as well as our products in the smart life-smart home ecosystem have attracted a great deal of interest in the fairs we participated in during the year. In 2018, we displayed our technology once again with a strong and ambitious show with very impressive and interesting exhibits, especially in the IFA Berlin.

All the smart products developed by Vestel Beyaz Eşya exhibited at the fair are now integrated with all of the ecosystems consisting of smart home platforms. These ecosystems, evolving with voice commands, will ensure that the internet of things and artificial intelligence applications become an indispensable part of everyday life in the coming years.

At the IFA, a number of our products, which were developed to bring ease to the lives of consumers and stand out with their innovative technologies, gained particular interest and acclaim from visitors. These included the 4-door refrigerator with FermentStore technology, providing ideal fermentation and storage conditions, refrigerators that allow food to be kept for up to 8 times longer by vacuum packing the food with the VacuumBag technology, the Vestel A.I. (Artificial Intelligence) washing machine equipped with the most comprehensive artificial intelligence technology at the fair, the Vestel BrilliART dishwasher with the most state-of-the-art technology in its segment which is able to adjust the washing cycle according to how soiled the laundry is, and the white goods product family, which can be voice activated without requiring an internet connection.

At the IFA, we also had the opportunity to announce the certificates we obtained from the VDE, one of the most important independent testing and certification institutes in Germany, for our washing machine products that consume less energy, water and detergent with record breaking program durations thanks to the use of innovative technologies. The washing machine with the HydroBoost technology, developed by our Company, which sprays the water-detergent mixture from 14 different points into the load, the washing machine with the Pyrojet technology, which has the lowest annual energy and water consumption values on the market, the washing machine with the HydroCharge technology, which washes with 50% less detergent, and the TimeSaver washing machine incorporating the Pyrojet technology passed the VDE tests successfully and were certified.

HOW IS YOUR SUSTAINABILITY APPROACH REFLECTED TO YOUR PROCESS AND APPLICATIONS WITH AN ENVIRONMENTALLY-ORIENTED FOCUS?

As a Group aware of its responsibility to future generations, we word towards a sustainable world and a better future. We use technology with an innovative perspective in all of our work processes and focus on increasing the value we add to social and economic life while minimizing our impact on the environment.

Zorlu Group's Smart Life 2030 manifest, which we are a member of, guides us in positioning sustainability as a vision of the future, and make it tangible at every stage of our operations.

INTERVIEW WITH THE CEO

Vestel Beyaz Eşya won First Prize in the category of Large-Scale Enterprise R&D with its "Refrigerator Cooling Technology Change Process" study, in the Efficiency Project Awards held by the General Directorate of Efficiency of the Republic of Turkey Ministry of Industry and Technology.

In addition to technological development, we undertake environmentally-oriented activities as part of our sustainability vision. The fact that the products we produce are environmentally-friendly does not mean that they only consume less energy and less water. In our production processes, we carry out our innovative studies with an environmentally-friendly perspective and develop innovative production technologies. As a result of these efforts, we are able to certify our achievements with awards and certificates on national and international platforms.

Breaking its own record by preventing 1,765,529 kg of carbon emissions thanks to its "Carbon Management with Energy Efficiency at the Auxiliary Facilities" Project, Vestel Beyaz Eşya won the Low Carbon Hero Award, handed out by the Sustainable Production and Consumption Association (SÜT-D) at the 5th Istanbul Carbon Summit, for the second time in 2018. In addition, Vestel Beyaz Eşya calculated its water footprint for the year 2017 according to the ISO 14046 Water Footprint Standard and obtained the ISO 14046 Water Footprint Verification Certificate by having its calculations approved by Rina, an accredited organization.

As a result of the effective operation of the waste management system and the R&D studies carried out, Vestel Beyaz Eşya has reduced its volume of hazardous waste per unit product by 95% in the last 5 years and the amount of non-hazardous waste per unit product by 15% in the last year.

Vestel Beyaz Eşya's "Waste Management System" Project won recognition in the category of Waste Management System and Applications at the Green Dot Industry Awards organized by ÇEVKO (Environmental Protection and Recovery of Packaging Waste) Foundation in 2018. The "Styrofoam Weight and Density Reduction" Project, which was developed following R&D studies carried out to reduce wastes at their source, was awarded in the category of Prevention Applications by Reducing Resources in Packaging Design.

Vestel Beyaz Eşya won First Prize in the category of the Large-Scale Enterprise R&D with the "Refrigerator Cooling Technology Change Process" study in the Efficiency Project Awards held by the General Directorate of Efficiency of the Republic of Turkey Ministry of Industry and Technology.

When it comes to the environmental focus of our sustainability approach, we attach as much importance to contributing to flora and fauna as we do to not harming them. In this context, the walking frame project for animals, which we developed both to make use of recycled materials and to improve the lives of our disabled four-legged friends, serves as a notable reflection of our environmental approach.

Within the scope of the project, parts removed from products which have reached the end of their service life and brought to the Vestel Beyaz Eşya Renewal Center were used to make walking frames for disabled animals. Disabled animals in the Manisa Animal Shelter were thus given the gift of mobility. The aim is to expand the project, which was carried out with the Manisa Metropolitan Municipality in the first phase, in a manner to include disabled animals in the official shelters under all municipalities across the country.

Vestel Beyaz Eşya has also registered its high performance in sustainability with its voluntary participation in the BIST Sustainability Index for the last three years in a row.

COULD YOU DISCUSS YOUR EXPECTATIONS FOR THE COMING PERIOD?

2019 is likely to be a year of increasing protectionism in the world and slowing growth in the global economy. With this foresight, we carefully review our sales strategies in both domestic and international markets.

We believe that our innovative and constantly developing products will provide us with an edge in overcoming the expected slowdown in demand in the domestic market in 2019, while we will seek new markets and cooperation with new partners in export markets.

Vestel Beyaz Eşya will maintain its export-oriented growth in 2019 with its broad product range that reflects innovative technologies and with its increased production capacity.

The global tightening in financial conditions and declining access to finance will serve to further highlight the importance of liquidity and working capital management in 2019. The fact that we completed our large capacity investments in 2018 provides us with an important advantage in this respect.

Vestel Beyaz Eşya will take strong steps towards the future and further strengthen its position in global markets through the new heights it has reached in terms of Industry 4.0, its competencies in R&D, innovation and design and its sustainable product range and processes.

Vestel Beyaz Eşya will maintain its export-oriented growth in 2019 with its broad product range that reflects innovative technologies and with its increased production capacity.

SENIOR MANAGEMENT

Enis Turan Erdoğan
Chairman of the Executive Committee

(1955 - Mersin) Enis Turan Erdoğan obtained his bachelor's degree in mechanical engineering from Istanbul Technical University in 1976 and his MBA degree from Brunel University in the UK in 1979. Following his return to Turkey, he served in managerial positions in various companies in the private sector before joining Vestel in 1988. Having held several managerial positions at Vestel since 1988, Mr. Erdoğan served as the Chairman of Vestel Foreign Trade and as an Executive Committee Member at Vestel Elektronik until 2013. Since 1 January 2013, Mr. Erdoğan has been serving as the CEO of Vestel Group of Companies. Mr. Erdoğan served as the President of TURKTRADE (Turkish Foreign Trade Association) for two periods between 2002 and 2006. He also served as a Board Member of Europe's largest ICT Confederation, DIGITALEUROPE, between 2010 and 2014 as the first Turkish citizen to be elected.

Bekir Cem Köksal
Executive Committee Member

(1967 - Ankara) Cem Köksal graduated from the Department of Mechanical Engineering at Boğaziçi University in 1988 and obtained a Master's degree at Bilkent University in 1990. Having worked in the banking industry between 1990 and 2001, Mr. Köksal was appointed as Deputy General Manager at Denizbank in 1997. Mr. Köksal joined Vestel as Chief Financial Officer in 2002. He currently serves as an Executive Committee Member at Vestel Group of Companies and as the Head of Financial Affairs Group at Zorlu Holding.

Necmi Kavuşturan
Executive Committee Member

(1956 - Gaziantep) Necmi Kavuşturan graduated from the Faculty of Political Science at Ankara University in 1979. He began his banking career at Işbank in 1979. He has held various managerial positions at Interbank between 1985 and 1997. Mr. Kavuşturan joined Denizbank in 1997 as Deputy General Manager in charge of Management Services. He was appointed as the Head of Human Resources Group at Zorlu Holding in 2003 and has been serving as the Executive Committee Member in charge of Human Resources at Vestel Group of Companies since 2005.

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

(1970 - Bitlis) Erdal Haspolat graduated from the Department of Mechanical Engineering at Middle East Technical University in 1992. He started his career as a Systems Design Engineer in the Rocket Industry Group of Ankara Makina ve Kimya Endüstrisi Kurumu in 1992. Mr. Haspolat began to work in the R&D Department of Vestel Beyaz Eşya's Refrigerator Plant in 1998. Between 1998 and 2002, he worked as an R&D Engineer and R&D Laboratory Officer at the Refrigerator Plant. During this period, Erdal Haspolat also took part in projects aimed at the localization of the imported components used in the production of air conditioning units. Between 2002 and 2005, he served as the Quality Assurance Manager and R&D Manager in Vestel Beyaz Eşya's new Washing Machine Plant project. In 2005, he assumed the management of the dishwasher project, which was launched for the addition of dishwashers to Vestel Beyaz Eşya's product range. He took part in the production, quality, product design and related processes of the plant, and carried out all the investment and design processes of the project together with the project team. He served as the Manager of the Dishwasher Plant until 2013 when he was appointed as the Manager of the Refrigerator Plants. In April 2015, Mr. Haspolat was named the General Manager of Vestel Beyaz Eşya, and has been carrying out this duty since then.

Alp Dayı
Chief Financial Officer of the Vestel Group of Companies

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

Osman Alkın
Deputy General Manager in Charge of the Refrigerator Plants

(1975 - Sakarya) Osman Alkın graduated from the Department of Mechanical Engineering at Istanbul Technical University in 2000. He started to work as an R&D Engineer at Federal Elektrik Company located in Sakarya in 2002. Osman Alkın joined Vestel Beyaz Eşya in January 2003, where he served as an R&D Engineer at the Washing Machine Plant between 2003 and 2005, as R&D Specialist at the Dishwasher Plant between 2005 and 2008 and as R&D Manager at the Dishwasher Plant between 2008 and 2015. Mr. Alkın has been serving as the Deputy General Manager responsible for the Refrigerator Plants since April 2015.

Özgür Yılmaz
Deputy General Manager in Charge of the Washing Machine and Tumble Dryer Plants

(1976 - Izmir) Özgür Yılmaz graduated from the Department of Mechanical Engineering at Middle East Technical University in 1998. Between 1998 and 2001, he worked on attack helicopters at the Turkish Armed Forces. In 2002, Mr. Yılmaz began to work at Vestel Beyaz Eşya as a Washing Machine Design Engineer and later held the positions of R&D Mechanical Design Chief Engineer and R&D Manager. In 2012, Özgür Yılmaz was appointed as the Deputy General Manager in charge of the Washing Machine Plant and he is also responsible for the new Washing Machine and Tumble Dryer Plant, which was commissioned in 2018.

Serhat Tolga Sönmez
Deputy General Manager in Charge of the Dishwasher Plant

(1972 - Erzurum) Serhat Tolga Sönmez graduated from the Department of Electrical and Electronics Engineering at Dokuz Eylül University in 1994. After holding various positions in the white goods sector, he joined Vestel Beyaz Eşya in 1998. He was involved in the establishment of the Refrigerator Plant, where he assumed duties in a number of different departments before being appointed as the Plant Manager in 2006. In 2013, Mr. Sönmez was appointed as the Deputy General Manager in charge of the Dishwasher Plant.

Mehmet Yavuz
Deputy General Manager in Charge of the Cooking Appliances Plant

(1978 - Diyarbakır) Mehmet Yavuz graduated from the Department of Industrial Engineering at Istanbul Technical University in 2002. He worked as the Quality Assurance Officer at Aykim Metal Sanayi ve Ticaret AŞ during 2002-2004. In 2004, Mr. Yavuz joined Vestel Beyaz Eşya and assumed various positions at the Washing Machine Plant, the Dishwasher Plant and the Refrigerator Plants. In October 2017, Mr. Yavuz was appointed as the Deputy General Manager in charge of the Cooking Appliances Plant by proxy. Since February 2018, he has been serving as the Deputy General Manager in charge of the Cooking Appliances Plant.

Hakan Akıncı
Deputy General Manager in Charge of the Air Conditioner and Water Heater Plant

(1971 - Eskişehir) Hakan Akıncı graduated from the Department of Mechanical Engineering at Istanbul Technical University in 1992 and obtained a Master's degree at Dokuz Eylül University in 1996. Hakan Akıncı worked as a Research Assistant at Dokuz Eylül University between 1995 and 1999 and joined Vestel Beyaz Eşya in 1999. He currenty serves as the Deputy General Manager in charge of the Air Conditioner and Water Heater Plant.

Kemal Özgür
Deputy General Manager in Charge of the Purchasing Department

(1970 - Yunak) Kemal Özgür graduated from the Industrial Engineering Department of Istanbul University in 1992. He began his professional career at PEG-Profilo AŞ as an investment and project engineer in 1994. Having participated in the establishment of Vestel Beyaz Eşya's Refrigerator Production Plant as an investment and project engineer, he served as the Manager of the Washing Machine Production Plant between 2004-2012. Mr. Özgür was named the Deputy General Manager Responsible for the Purchasing Department of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ in 2012 and has been serving in this position since then.

INNOVATION

WE ARE FURTHER STRENGTHENING OUR COMPETENCIES IN INDUSTRIAL DESIGN, INNOVATIVE PRODUCT DEVELOPMENT AND SOFTWARE THROUGH THE STUDIES AND INVESTMENTS WE CARRY OUT WITHIN THE SCOPE OF THE INDUSTRY.4.0.

PRODUCTION 7 Manufacturing Plants

TECHNOLOGY The Highest Number of Robotic Cells

Vestel Beyaz Eşya expands its robot-machine-human triangle and increases the level of its automation day by day with new investments. The concept of Industry 4.0 and the mobility and connectivity technologies constitute an important part of the Company's R&D activities.

TOWARDS A SMART LIFE

Continuing its investments in R&D and innovation, Vestel Beyaz Eşya is expanding its smart life ecosystem with the new technologies it develops and the collaborations it establishes. As one of the first companies to invest in digital transformation, Vestel Beyaz Eşya continues its investments with the objective of becoming the first facility in Turkey to complete the Industry 4.0 transformation.

VESTEL BEYAZ EŞYA IN BRIEF

Vestel Beyaz Eşya unwaveringly continues its efforts to complete the Industry 4.0 transformation and the transition to fully automated smart factories.

Maintaining its steady growth since its establishment in 1997, Vestel Beyaz Eşya is today one of the largest manufacturers of household appliances in Turkey and Europe and leads the market with its long-term strategies and vision.

Vestel Beyaz Eşya deploys the state-of-the-art technology at its 7 manufacturing plants located in Vestel City in Manisa, which is one of the largest single site industrial complexes in Europe with a total area of 1.1 million m^2. Vestel Beyaz Eşya manufactures refrigerators, freezers, washing machines, tumble dyers, cooking appliances, dishwashers, air conditioners and water heaters in its production facilities with an enclosed area of 394,000 m^2 at Vestel City.

Vestel Beyaz Eşya unwaveringly continues its efforts to complete the Industry 4.0 transformation and the transition to fully automated smart factories.

In 2016, the Company initiated an investment to increase its production capacity in washing machines and to add tumble dryers to its product range. The Company purchased a plot of land in Manisa Organized Industrial Zone to build a new manufacturing plant for the production of washing machines and tumble dryers. The new plant, for which the foundations were laid in Vestel City in 2017, entered operation in the second quarter of 2018. Established on an enclosed area of 66,000 m^2, the new facility was built in accordance with the Industry 4.0 standards and has a capacity to produce 750,000 washing machines and 750,000 tumble dryers per year.

In 2018, the production capacity of the dishwasher plant was also doubled with new production line and machinery investments made during the year. Thus, Vestel Beyaz Eşya's total annual production capacity has reached 12 million units as of the end of 2018.

Closely following technological trends and reflecting these to its products, Vestel Beyaz Eşya is one of the leading original design manufacturers (ODM) in Europe. It currently ranks among the five largest white goods producers in Europe and is also one of the top three players in the Turkish white goods sector. Vestel Beyaz Eşya single-handedly realizes 30% of Turkey's white goods exports.

Operating mainly as an ODM provider in the European market, Vestel Beyaz Eşya also undertakes branded product sales with the well-known regional brands owned and the global brands held under the brand licensing agreements by the Vestel Group.

With its strong resources in R&D and competency in technology development, Vestel Beyaz Eşya continuously develops and enriches its environmentally-friendly product range that appeals to a wide range of consumers globally and strives to bring more comfort to millions of homes.

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

* Vestel Beyaz Eşya's sales and marketing activities in the domestic and international markets are carried out by Vestel Ticaret AŞ ("Vestel Ticaret"), a wholly owned subsidiary of Vestel Elektronik Sanayi ve Ticaret AŞ.

VESTEL BEYAZ EŞYA'S COMPETITIVE ADVANTAGES

- Low Cost Advantage
- Flexibility in Production
- Strengths in R&D, Innovation and Design
- Proximity to Key Markets
- An Extensive Sales and After-Sales Service Network in Turkey
- Outstanding After-Sales Customer Services
- The Industry 4.0 Transformation

VESTEL'S PRODUCTION POWER: VESTEL CITY

Established over an area of 1.1 million m², Vestel's manufacturing base, the Vestel City, is one of the largest production facilities in Europe operating in a single location.

Vestel City, which was officially opened in 2003, is one of the largest production facilities in Europe established at a single location, with an area of 1.1 million m².

Vestel's mega factory - Vestel City - was featured in the "Mega Factories" documentary series on the world famous National Geographic Channel. Vestel was the first electronics and household appliances company in the world and the first brand and industrial facility in Turkey to appear in the documentary series, which features some of the world's most well-known brands.

EXCELLENCE AWARDS AND FACILITIES WITH HIGH ENERGY EFFICIENCY

Vestel Beyaz Eşya won the following accolades within the scope of the Excellence Awards, which are given by the Japan Institute of Plant Maintenance (JIPM) to companies which best implement the Total Productive Maintenance (TPM) practices in the world each year.

In 2017, Vestel Beyaz Eşya won the "Award for Excellence in Consistent TPM Commitment", after having won the "TPM Excellence Award" in 2014. The award represented a global success as Vestel Beyaz Eşya is the first and only household appliances company in the world to receive this award for its six production facilities in six different product groups (refrigerator, washing machine, cooking appliances, dishwasher, air conditioner and water heater) simultaneously.

Vestel Beyaz Eşya won the Turkey championship and afterwards, the European championship at the Industrial Excellence Award competitions held in 2016. Vestel Beyaz Eşya was the first Turkish company, and the only company in the white goods sector in the world to have won this award.

As a manufacturer which cares for the environment and the future, Vestel Beyaz Eşya is the holder of the ISO 14001 Environmental Management System, ISO 50001 Energy Management System, the ISO 14064 Greenhouse Gas Management System and ISO 14046 Water Footprint Approval Certificates.

In addition to manufacturing products with high energy and water efficiency, Vestel Beyaz Eşya also attaches tremendous importance to the efficient use of energy and water in its production processes.

Compared to an 80% increase in its production volume over the last 10 years, Vestel Beyaz Eşya has managed to cut its water consumption per unit product by 57%.

VESTEL BEYAZ EŞYA'S MAIN STRENGTHS

With innovation encoded into its DNA, technology and innovation have been an integral part of the Company's culture since its establishment.

INNOVATION

- Making innovation fast and accessible to everyone by combining its R&D strength and industrial design solutions with its production capabilities.

ECONOMIES OF SCALE, FLEXIBILITY IN PRODUCTION AND PRODUCT CUSTOMIZATION

- Product development and diversification in accordance with the varying needs of customers with different socio-cultural characteristics in different geographical regions,
- Thanks to flexible production capability, the ability to develop products in numerous different models for different customers.

CUSTOMER COMMITMENT

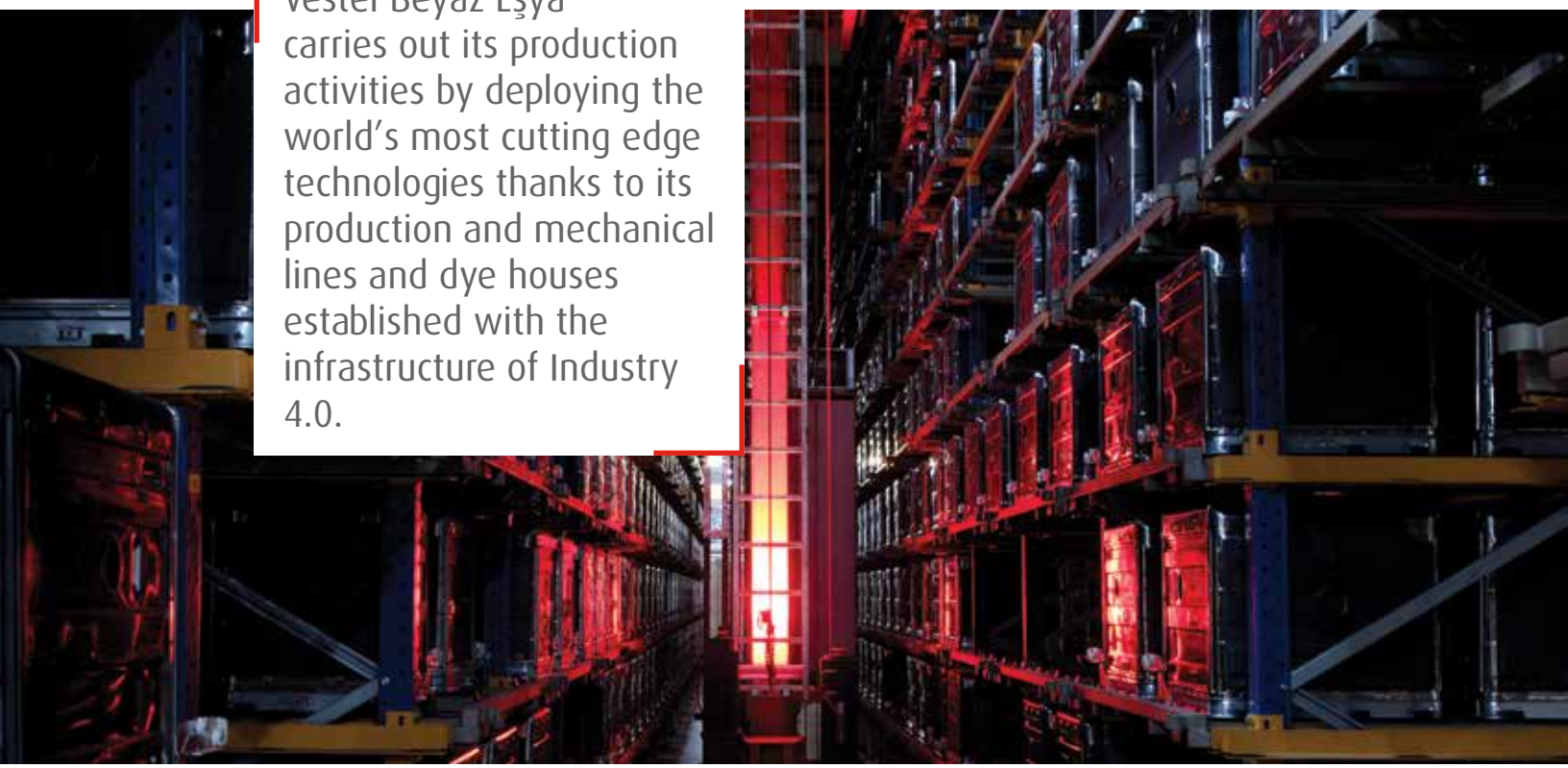
- Providing a seamless ODM service at all stages from original design and production to point delivery,
- Not directly competing with the customers' brands in Europe,
- Offering prompt production and delivery with the ability to handle small batch orders.

COST ADVANTAGES

- Benefiting from economies of scale in procurements, especially in the purchase of components, which represents the most important cost factor, with its strong position as a large-scale manufacturer,
- The efficiency, effectiveness and cost advantages brought about by manufacturing under a single roof at Vestel City, one of the largest production complexes in Europe established in a single location,
- Logistical advantages in exports compared to Far Eastern competitors thanks to proximity of production facilities to the European market,
- The existence of a well-developed supplier base in Manisa and the cost advantages in terms of distribution and logistics, facilitated by Vestel City's proximity to Izmir port and the Company's suppliers,
- Lower unit labor costs compared to European manufacturers,
- Newer and more modern production facilities than European manufacturers,
- The import tax advantage in exporting to countries with which Turkey has a Free Trade Agreement over the manufacturers of countries which do not have such an agreement.

VESTEL BEYAZ EŞYA'S MAIN STRENGTHS

Vestel Beyaz Eşya carries out its production activities by deploying the world's most cutting edge technologies thanks to its production and mechanical lines and dye houses established with the infrastructure of Industry 4.0.



BEING A PIONEER IN DIGITAL TRANSFORMATION

- With innovation ingrained in its DNA, the Company has adopted innovation and technology as part of its culture since the day it was founded,
- Broad technological capability and vision,
- Continued gains in efficiency and product quality with the support of the digital transformation realized in all processes, from procurement to the end-user,
- A pioneer in Turkey's digital transformation like it has been a pioneer of Turkey's technological transformation,
- Being at the center of digital transformation with its solutions, innovations and products as a Company that exports technology to the world.

INDUSTRY 4.0 WORK AT VESTEL BEYAZ EŞYA

Vestel Beyaz Eşya is able to manage all automation and Industry 4.0 activities singlehandedly with a special unit created within its body. The Company follows the state-of-the-art technologies closely and performs all activities for software, design and electrical hardware design through this unit.

All mechanical designs, process analysis, part manufacturing, PLC (Programmable Logic Controller) and robot software and simulation analyses can be undertaken, from their inception to the final stages, within the Company. As such, projects can be carried out quickly and at low cost. In addition to the products it manufactures, Vestel Beyaz Eşya also invests in production technology. With its competent engineers and technicians, Vestel Beyaz Eşya has transformed into a company which can design and manufacture the production lines and machinery, which had been previously procured externally and even apply for patents for the machinery it has developed.

Vestel Beyaz Eşya carries out its production activities by deploying the world's most cutting edge technologies thanks to its production and mechanical lines and dye houses established with the infrastructure of Industry 4.0.

One of the most important tools in Industry 4.0 and a key step in terms of production flexibility, is the autonomous robots which can be positioned at various points along the production line. Vestel Beyaz Eşya has maintained its leading position as the company to have commissioned the most robotic cells, both in the white goods sector and across all sectors in 2018, as in 2016 and 2017. With each passing day, the Company expands its trinity of robot-machine-human and carries out its production activities with impeccable production techniques.

To achieve unmanned and remotely controlled in-plant transportation, Vestel Beyaz Eşya is switching from the methods of line, metal or magnetic tracking on the ground to systems that can be entirely managed by mobile communication and special navigation systems. All automatically guided vehicles used at Vestel Beyaz Eşya's seven production plants can be controlled simultaneously by a single piece of traffic software in what is the first development of its kind in Turkey, both in the white goods sector and indeed in any sector, in terms of number and function.

In doing so, additional precautions are taken to protect human health and safety and gel type batteries are used in vehicles, despite their shorter service life. Thus, all in-plant transportation operations are carried out more rapidly, more safely and in a manner that eliminates the risk of human error. As a next step, the aim is to carry out all production activities with unmanned vehicles, unlike the modular and standard production lines.

While Vestel Beyaz Eşya increases the number of its automated warehouses with the advantage of bringing unmanned vehicles and industrial robots into operations, it enables these systems to communicate with each other in order to keep up with the rapid changes taking place in the industry and is thus able to establish smart systems within its own structure. In addition to reducing storage and transportation costs with the automated warehouse systems, the Company also achieves online controlled consumption and minimizes the incidence of human error that may occur in the production flow.

Vestel Beyaz Eşya also provides fast and easy training to operators by utilizing virtual reality and augmented reality, which is a component of Industry 4.0, thus increasing production quality.

While the Company aims to meet technical and financial targets at once via virtual reality programs and special simulations carried out before all investment decisions (robot-machine-equipment-automated warehouse, etc.), the technical measurements conducted at the beginning of the projects ensure the flawless operation of systems.

Thanks to these programs, large project costs can be analyzed accurately, enabling saving of additional costs that may arise in the future. The use of augmented reality programs, which became popular with the Industry 4.0, in personnel training will make a significant contribution to the quality of production and education. The aim is to eliminate human errors that may occur and improve the quality further with proper training.

As part of the Industry 4.0 applications, additive manufacturing (3D Printing) is used extensively at Vestel Beyaz Eşya. Robot arm holders, machine parts and trial production for mould making are carried out with 3D printers. Thus, all trials, commissioning and any production stoppages that may occur due to breakdown or failure can be concluded rapidly and the mould-machine investments undertaken may be executed flawlessly and quickly.

VESTEL BEYAZ EŞYA'S MAIN STRENGTHS

Concrete steps have been taken for online monitoring of machine generated data and tracking of data stored in the cloud on special screens and through mobile devices, and progress has been achieved in studies on development of systems to be directed by artificial intelligence. Various applications are created in order to manage all the machinery in different plants. Vestel Beyaz Eşya aims to complete its horizontal and vertical integration within the next few years by establishing an infrastructure where machines and robots communicate with each other, and then to integrate the whole internal ecosystem with its suppliers.

Vestel Beyaz Eşya, which incorporates Industry 4.0 based applications at its plants, is closely following the journey of the Industry 4.0 transformation. The Company has recently realized various automation projects including laser technologies, cutting, winding, labeling, packaging and 7 axis robot applications. In addition to being pioneering and unique in their fields, these projects greatly increase the flexibility and efficiency of the systems. Vestel Beyaz Eşya, which supports its personnel with training programs and assigns them to the Industry 4.0 projects, takes the company identity one step further and facilitates process adaptation.

The newly established washing machine and tumble dryer plant was built directly with the Industry 4.0 infrastructure. While production lines, machines, transportation vehicles and automation projects in the plant can communicate with each other, the aim is for production to be tracked in real time. With the transfer of this information flow, these technologies can be seen in every area of the plant, from the smart warehouse system to the installations where the automation is integrated. Vestel Beyaz Eşya will be able to offer cutting edge technology to its customers, with higher quality and more rapidly, through its smart plant structure, which targets flawless and flexible production untouched by human hands.

Vestel Beyaz Eşya will be able to offer cutting edge technology to its customers, with higher quality and more rapidly, through its smart plant structure, which targets flawless and flexible production untouched by human hands.

VESTEL SERVING THE WHOLE WORLD...

Vestel reaches a large consumer base in the domestic market through its "multi-brand and multi-channel strategy" and boasts one of the most extensive sales and after-sales service networks in Turkey.

VESTEL IN TURKEY

Within the scope of its multi-channel strategy, Vestel reaches consumers through household stores, hypermarkets, technology retailers, and e-commerce websites, in addition to its exclusive dealer network. This strategy enables the Company to reach a wider customer base and increase its effectiveness and market share in Turkey.

Domestic Sales Network

1,133 Vestel stores
9 Vs Outlet stores
1,028 Regal stores (299 of which are Exclusive Regal Dealers)
emagaza.vestel.com.tr
vsoutlet.com.tr
regal-tr.com

After-Sales Services

Call Center
360 Authorized Service Providers
4 Central Services
6 güVENUSsü (Trust Base) Centers

155

Number of Vestel's Export Markets

Vestel Beyaz Eşya recorded TL 4.5 billion (Euro 791 million) of international revenues in 2018.

10

10 Foreign Trade Companies in Europe

In Europe, Vestel carries out its sales activities through the foreign trade companies operating in 10 countries.

2,750

Number of Stores and Sales Points Abroad

1,133

Vestel Stores in Domestic Market

VESTEL'S GLOBAL OPERATION NETWORK

Vestel's international sales and marketing organization comprises the local sales offices of 11 foreign trade companies, of which 10 are located in Europe and the direct sales points in surrounding regions.

Countries Where Vestel's Foreign Trade Companies Operate
The United Kingdom, France, Germany, Spain, the Netherlands, Poland, Finland, Russia, Kazakhstan, Romania, United Arab Emirates

Vestel City Manisa

V Vestel's Export Markets

Vestel's Foreign Trade Companies

The United Kingdom
France
Germany
Spain
The Netherlands
Finland
Russia
Kazakhstan
Romania
Poland
United Arab Emirates

VESTEL BEYAZ EŞYA'S STRATEGY AND REALIZATIONS IN 2018

STRATEGIES	REALIZATIONS
Increasing Market Diversity	
To grow in regions other than Europe – which is the main export market	Export map extending over a total of 155 countries
To evaluate different investment alternatives such as acquisitions, partnerships, greenfield investments and contract manufacturing for entry to these markets	Entry into new markets in these regions in line with the objective of increasing sales in the Middle East, Africa and Asia regions
	Growth in sales to Eastern Europe and Sub-Saharan regions
Increasing Customer And Product Diversity	
To increase the share of A branded customers in the portfolio, for which ODM service is provided	Gaining new A-brand customers in line with the increasing competitive clout in the European market
To capture a higher share of the outsourcing trend, which is rising particularly among the A-brand manufacturers	Addition of tumble dryers to white goods product range with the completion of the new plant investment and completion of the product range in six major household appliances
To increase market share by developing product diversity • To shift sales mix towards more profitable mid- and upper-segment products • To broaden and enrich existing product range and increase the sales of built-in products by capturing new customers in the kitchen manufacturers channel in the European market • To maximize customer satisfaction through continuous improvements in energy efficiency, water saving and Internet of Things applications and meeting market expectations in the best possible way with the existing products	New generation products in white goods: Developing products that break records with their energy efficiency, quietness and low water consumption • The record holding dishwasher which produces just 36 dBA (decibels) of sound with the extra silent option, • The energy record holder (A ++) dishwasher in the 45 cm entry level, • The built-in dishwasher product range which consumes 20% less energy than A +++ products, • The refrigerator with the VacuumBag technology, which allows vacuum packing of delicatessen products in food bags, where food stays fresh up to 8 times longer, • The 84 cm double door Bottom Freezer refrigerator with automatic door opening system with Voice Activated technology, • The 84 cm double door Top Freezer and Bottom Freezer refrigerators with the new generation No-Frost Multi Cooling system and Pro Drive technology, • The 70 cm and 76 cm double door Bottom Freezer refrigerators with the new generation No-Frost Multi Cooling system, • The 54 cm double door Bottom Freezer refrigerator product family which uses the Less Frost Cooling system, • The 60x185 cm Deep Freezer with No-Frost cooling technology, • Record holding washing machines producing just 39 dBA of sound, • The HydroBoost® washing machine, which allows detergent to penetrate effectively into the laundry by spraying the laundry with the water and detergent mixture from 14 different points, • The HydroCharge® washing machine, which significantly reduces the consumption of detergent, • The washing machine with artificial intelligence, • The TwinJet® washing machine with a load capacity of 12 kg, • The Silent washing machine family which produces just 44 dBA of sound, • The smart washing machine that can automatically order detergent/softener, which was produced in collaboration with Amazon, • Built-in ovens with homogeneous cooking capability with multi-tray (up to 5 trays) or independent of rack position with the brand-new cooking HeatWrap technology, • The induction cooker with the highest energy efficiency that can be used safely in kitchens with electrical infrastructure suitable for gas products, • The gas cooker, which provides up to 20% of energy savings with its highly efficient hobs, • Doors with the Soft Close/Soft Open feature in built-in ovens, • Super-silent air conditioner.

STRATEGIES	REALIZATIONS
Branded Growth	
To increase market share in Turkey by strengthening the brand image, distribution and sales network and by improving the quality of after-sales services	Building on the successful sales and marketing initiative launched with the "Turkey is Vestelized" campaign with the "Proudly Domestic" campaign; continuing efforts to strengthen the dealer network and customer and after-sales services and continually carrying forward the promise of providing a customer experience that goes beyond standard services in customer and after-sales services
To strengthen position and increase branded product sales in the European market through the well-known regional brands in Vestel's portfolio and the global brands licensed by Vestel Group	Continued strong growth in Sharp branded household appliances sales in Europe realized under the brand licensing agreement signed with the Sharp Corporation in 2014 as part of the strategy to increase branded product sales abroad
To increase market share in surrounding markets by developing operations in those countries	

ZORLU GROUP

With its leading companies in different sectors, Zorlu Group creates ever greater added value for Turkey.

TEXTILE

Korteks

Zorluteks

- Turkey's largest integrated manufacturer and exporter of polyester yarn
- Europe's leading home textile company

ENERGY

Zorlu Energy Group

- 739 MW of installed capacity in Turkey
- 56.4 MW of installed capacity in Pakistan, 290 MW of installed capacity in Israel (25% stake in the 840 MW Dorad Natural Gas Cycle Power Plant, 42.15% stakes in the 64.54 MW Ashdod and 126.4 MW Ramat Negev Natural Gas Cogeneration Power Plants)
- Competence in offering integrated services that encompass generation and sales of electricity and steam, electricity distribution and trading, turnkey construction, operation, maintenance and repair of power plants, natural gas distribution and trading, sale and distribution of PV solar panels

CONSUMER ELECTRONICS, HOUSEHOLD APPLIANCES AND DIGITAL PRODUCTS

Vestel

- One of the leading ODM providers of TVs, household appliances and digital products for the European market
- The second largest manufacturer of TVs and one of the top five producers of household appliances in Europe
- The leader of the Turkish TV market and one of the top three producers of household appliances in Turkey

REAL ESTATE

Zorlu Real Estate Development and Investment

Established in 2006 to develop, sell, lease and/or operate high quality housing, office space, business centers, shopping malls, hospitals, hotels or mixed-use real estate projects on valuable plots both in Turkey and abroad.

Standing out as Turkey's first mixed-use project with five functions, Zorlu Center is home to a Performing Arts Center, a shopping mall, a hotel (Raffles Istanbul Zorlu Center), offices and residential space. Zorlu Center commenced full operation in all of its functions in 2014.

Located on the Büyükdere Avenue, Levent 199 was opened to service as an A+ office building in the third quarter of 2014. The building has a gross leasable area of 40,000 m^2.

MINING - METALLURGY

Meta Nickel Cobalt Mining (META)

- Specialization in the development of nickel and cobalt resources,
- Aims to become a regional supplier of nickel and cobalt,
- Additional investments in the Gördes Nickel Cobalt Plant, planned nickel-cobalt reserve development and investment projects in Eskişehir and Uşak under existing permits

Gördes Nickel Cobalt Plant

- 300,000 tonnes of proven reserves with nickel metal content,
- The first phase of the project is a hydro-metallurgy plant with an annual production capacity of 10,000 tons of nickel metal content, which was realized with a USD 400 million of investment.
- The plant, which commenced trial production in 2015 and realized its first exports in 2016, produced 5,001 tonnes of nickel metal equivalent and 259 tonnes of cobalt metal equivalent and exported a total of 25,114 tonnes of concentrate products in 2018. By using advanced technologies, META aims to transition its production from mineral into metal form and then move to the production of end-products with high added value, and rare earth elements, and become a global supplier of nickel and cobalt in the coming period.

R&D AT VESTEL BEYAZ EŞYA

The creation of new and pioneering technologies and development of designs and products that meet the needs and tastes of global consumers are the result of the competencies and efforts of Vestel Beyaz Eşya's strong R&D team.

R&D is one of Vestel Beyaz Eşya's primary competitive advantages and one of the factors that sets it apart.

The creation of new and pioneering technologies and development of designs and products that meet the needs and tastes of global consumers are the result of the competencies and efforts of Vestel Beyaz Eşya's strong R&D team.

Within the framework of Law No. 5746 on Supporting Research and Development Activities, Vestel Beyaz Eşya obtained the R&D Center Certificate on 17 October 2008.

Vestel Beyaz Eşya's R&D expenditures amounted to 1.2% of its sales revenues in 2018.

Vestel Beyaz Eşya's R&D Department carries out separate R&D activities based on the area of production. In addition to the internal R&D units which carry out specific R&D activities for each plant, there are also central R&D units that undertake studies on industrial design, intellectual property rights, innovation and Industry 4.0 for all products manufactured. The central R&D units, which operate under the General Directorate and conduct joint studies with the R&D units of the production plants, consist of the Technology Development Department, the Design Department and the Automation and Project Development Department. Studies for industrial design and intellectual property right for all products are carried out by the Design Department and innovation studies by the Technology Development Department. The Automation and Project Development Department undertakes studies on Industry 4.0 applications, automation, process analysis and the implementation of the necessary investment activities for these studies with the Company's own resources.

As of the end of 2018, Vestel Beyaz Eşya has an R&D staff of 525 people.

Vestel Beyaz Eşya's R&D axis consists of developing technologies and products that are environmentally friendly, use resources efficiently by maximizing energy and water savings, have functional and aesthetic designs, prolong the life and freshness of food, provide extra hygiene, deliver maximum performance thanks to use of smart sensors and can be remotely controlled via an internet connection.

The R&D strategy adopted in this vein is as follows:

- Develop new platforms that will adapt to changing product trends in the market, and offer products that will provide user comfort,
- Establish strong relationships based on continuous cooperation with the national and international institutions and organizations,
- Contribute directly to the development of technologies, in addition to closely monitoring technological developments,
- Protect the intellectual property rights of the Company in the designs developed, and gain a competitive advantage over competitors,
- Develop products which cater to the preferences and habits of different markets,
- Reflect the design trends developing on the axes of functionality and ease of use to its products.

The teams within the R&D Department conduct studies in the following areas:

- Development or implementation of new technologies,
- New product designs,
- Environmentally-friendly production,
- Product development,
- Efficiency improvement and cost reduction.

R&D AT VESTEL BEYAZ EŞYA

Vestel Beyaz Eşya's R&D units work with the aim of increasing the Company's competitiveness in international markets by helping the Company develop its own products and achieve customer satisfaction. In this context, the fields of expertise of the R&D staff are listed below.

- Structural Design
- Structural Analysis
- Electronic Control
- Electronic Design
- Fluid Mechanics
- Fluid Analysis
- Mould Design
- Intellectual Property Rights
- Materials
- Performance Tests
- Thermodynamics
- Acoustics
- Mechatronics
- Robotics
- Automation
- User Interface Design
- Industrial Design

Thanks to these competencies, the R&D units are specialized in solving technical problems related to the products and the production methods.

> The number of registered inventions patented by Vestel Beyaz Eşya had reached 221 by the end of 2018.

The R&D units and the Technology Development and Industrial Design Centers perform the following tasks.

- Keep close track of the innovations and developments in the sector by following technical, academic and industrial publications related to white goods products,
- Apply the results, obtained by carrying out basic research in laboratories as innovative features to products,
- Make customer visits and attend trade fairs to closely monitor the needs and requests of customers, design products based on these findings and carry out studies to improve existing products,
- Design products with more functional features through studies carried out to improve the production parameters,
- Perform pre-production qualification of newly designed products or improved products by conducting trial productions.

The number of registered inventions patented by Vestel Beyaz Eşya had reached 221 as of the end of 2018. Technological trends are analyzed through patent research studies and new projects are initiated. The new technologies developed are protected by patents to prevent their imitation. As such, the Company has made around 371 inventions available to the sector. In addition, the patent portfolio is periodically reviewed and patents attached to obsolete technologies in areas which have been replaced by new technologies are abandoned.

Vestel Beyaz Eşya successfully deploys its competent technical infrastructure in the process of transforming information into technology, and technology into products. With its competent and innovation-oriented engineers in the R&D Department and employment of the state-of-the-art technological devices and systems, exemplary investments are realized towards sustainable development in collaboration with the universities and national and international project partners.

R&D COLLABORATION OF VESTEL BEYAZ EŞYA

In 2018, a total of 21 TUBITAK TEYDEB (Technology and Innovation Grant Programs Directorate) projects were submitted by Vestel Beyaz Eşya's R&D Center. Four of the TUBITAK projects were concluded positively while work on eight projects is continuing. Many of the projects carried out were realized in cooperation with the universities. The most intensive collaborations were established with Izmir Dokuz Eylül University, Ege University, Sabancı University, Middle East Technical University, Yeditepe University, Istanbul Technical University, Izmir High Technology University and Katip Çelebi University.

As for international collaboration, active work is carried out with testing and certification institutions, such as the VDE (Verband der Elektrotechnik Electronic Informationstechnik e.V.), Intertek and TÜV (Technischer Überwachungs Verein).

With its membership of APPLiA (Home Appliance Europe), Vestel Beyaz Eşya is part of a group that directs the household appliances sector and shapes the technology of the future with its R&D and innovation capability.

> In 2018, a total of 21 TUBITAK TEYDEB projects were submitted by Vestel Beyaz Eşya's R&D Center.

R&D AT VESTEL BEYAZ EŞYA

PRODUCT GROUPS AND INNOVATIONS

Product Group	Products	Specifications/Description
Refrigerators	Voice Control Technology	A special mechanism design for the opening of the refrigerator door by voice command, applied for the first time in Turkey and the world. Vestel Beyaz Eşya initially offered the version of its new 84 cm combi product with the voice command feature in the domestic market.
	VacuumBag Technology	VacuumBag technology, which allows vacuum packing of delicatessen products in food bags, keeping them fresh for up to 8 times longer, is used in Turkey for the first time in Vestel refrigerators. In the atmospheric environment, the oxidization process and emergence of aerobic microorganisms cause food to spoil. Vacuum packing technology ensures a longer shelf life by cutting the exposure of food with the air.
	FermentStore Technology	Fermented products are defined as products produced by the addition of natural or initiating cultures from plant and animal products. Fermented foods and beverages are produced by microorganisms and enzymes such as bacteria, yeast and fungi. About 5-40% of our total food intake, or approximately 50-400 grams per person per day, consists of fermented foods and beverages. As making fermented food at home becomes more popular, products such as yogurt making machines have started to appear in the market. This feature is offered in Vestel Beyaz Eşya's 4-door puzzle refrigerator, which includes a fermentation compartment which has the ability to ferment 7 different foods. The product also offers a number of distinctive accessories, such as lighting and display designs specific to this compartment.
	UV-A and Photocatalytic Filter (Ultra Pure Tech) Technology	When food is stored in the refrigerator, bad odor molecules, volatile organic compounds (Ethylene etc.) are formed and the prevalence of microorganisms increases, reducing air quality and polluting the air inside the refrigerator. With a design inspired by the cleansing effect of sunlight, the state-of-the-art special photocatalytic filter cleans the air inside the refrigerator. The special titanium dioxide (TiO2) coating filter is activated by UV-A light to form hydroxy radicals on the filter surface. With these hydroxy radicals, bacteria, viruses and malodor molecules are broken down into harmless molecules such as water and carbon dioxide. This feature, the R&D studies for which were completed in 2018, is planned to be offered to consumers in the 60 cm, 70 cm, 76 cm and 84 cm Bottom Freezer refrigerators.
	Dual Control Technology	The new generation refrigerator which can be used either as a freezer or a cooler in line with the needs of consumers. This feature, for which R&D studies were completed in 2018, is planned to be offered to consumers in the 60 cm single door refrigerator with the new generation No Frost Multi Cooling system.
	Convert Zone Technology	This technology allows the freezer to be used as a cooler to increase the refrigerator volume in line with the needs of consumers, and to be completely shut down when there is no need for a refrigerator or a freezer. This feature, the R&D studies for which were completed in 2018, is planned to be offered to consumers in the 70 cm and 84 cm double-door Top Freezer refrigerators with the new generation No Frost Multi Cooling system.
	76 cm Wide Top Freezer Refrigerator with the New Generation No-Frost Multi Cooling System	The 76 cm wide refrigerator whose freezer is at the top (Top Freezer). The new generation No Frost Multi Cooling system creates two independent air cycles in the freezer and cooler compartments to prevent odors from mixing. At the same time, it allows food to be stored for longer. The product with the A++ energy rating provides users convenience with its features such as LED lighting with diffuser, door shelf with elevator, chiller, moisture control in vegetable compartment and zero overflow system. The applications such as Glass Illuminated Design, Maximum Freshness Filter and Active Ion Technology in the cooler compartment are offered as an option in this product, which represents the continuation of Vestel Beyaz Eşya's new generation design line.
	54/60 cm wide Top Freezer Refrigerators with the New Generation No-Frost Multi Cooling System	The 54 and 60 cm wide refrigerators, whose freezer is at the top (Top Freezer). The new generation No Frost Multi Cooling system creates two independent air cycles in the freezer and cooler compartments to prevent odors from mixing. At the same time, it allows food to be stored for longer. The A++ efficiency rated product provides convenience to users with features such as LED lighting with diffuser, door shelf with elevator, chiller, moisture control in the vegetable compartment and zero overflow system.

PRODUCT GROUPS AND INNOVATIONS

Product Group	Products	Specifications/Description
Washing Machines	HydroBoost Washing Machine	The washing machine, which can wash a 10 kg load of laundry with an A rating energy efficiency in a record 159 minutes by spraying the water and detergent mixture from 14 different points to the laundry. The product's integrated water softening system protects and lengthens the life of the laundry and the machine. The product's record wash time and performance have been certified by the German VDE Institute.
	HydroCharge Washing Machine	The HydroCharge® washing machine reduces detergent consumption significantly with its unique electrolysis-based technology, which protects health and the environment from negative impacts caused by the detergent while reducing the cost of detergent, which is the most significant cost item in laundry. The product's record detergent saving has been certified by the German VDE Institute.
	The T Series Product Family	The T series washing machine product family, which stands out with its stylish and user friendly features, was renewed entirely and exhibited at the IFA 2018 for the first time. The T series product family has a wide range of products, which includes 4-12 kg capacity washing machines and the 7 kg/5 kg - 10 kg/6 kg range washer-dryers with different interface alternatives.
	Washing Machine with the A.I. (Artificial Intelligence) Feature	The Vestel A.I. washing machine with artificial intelligence, which learns the habits of users and constantly updates its programs in response to these habits, senses the area where the user is located and offers suggestions according to the user's location.
	38 dBA Silent Washing Machine	Using silent inverter engine technology, the washing machine produces just 38 dBA of sound, setting a new world record for washing machines, with the use of specially designed silent washing algorithm and sound insulation systems with advanced technology. This represents a level even quieter than the 40 dBA ambient sound of a library.
	Vestel Sterilizone® Washing Machine with UV-C Technology	The Vestel Sterilizone washing machine provides high level of hygiene with its unique technologies. It reduces the occurrence of bacteria by 99.99999% through the special UV-C lamps that are integrated into the door and the specially designed washing program. This feature was approved by the independent German VDE Testing and Certification Institute.
	TwinJet® 12 kg Capacity Washing Machine	Following detailed design and analysis studies, the highest capacity in the existing product platform was increased from 11 kg to 12 kg. This machine, which can fit 76 T-shirts in one load, is especially ideal for large families.
	Washing Machine with Steam Technology	Thanks to steam technology, clothes are cleaned more deeply and hygienically, and wrinkles in the clothes are effectively reduced and bad odors on them are removed without getting the laundry wet.
	The Smartest Washing Machine - Vestel Intellicare	With its intelligent sensors, Vestel Intellicare automatically detects the type and the amount of laundry and selects the appropriate programs and settings. In addition, it automatically determines which detergent and softener are to be used in the washing process according to the determined values. The user only needs to place the laundry in the machine and press the button.
Tumble Dryers	Anti-Wrinkle Tumble Dryer	Thanks to the specially designed components and advanced algorithms used in all capacities of the heat pump and condenser tumble dryers, wrinkle improvements were observed, leaving competing machines behind. As a result, clothes are ready to wear as soon as they come out of the machine.
	Fast Drying Programs	All models are equipped with two quick drying programs and are designed in accordance with Vestel's washing machines with the fast wash feature. Thus, users can wash and dry their laundry in less than half an hour.
	Hygienic Tumble Dryer	A special design was developed to purify the laundry from allergens through special algorithm studies. In addition, a fully hygienic tumble dryer was attained by producing the parts, with which the user interacts, with antibacterial materials.
	Tumble Dryer with Natural Ion Technology	This feature, offered in models with heat pumps, can expel unwanted odors such as cigarette smoke in clothes in just 10 minutes.

R&D AT VESTEL BEYAZ EŞYA

PRODUCT GROUPS AND INNOVATIONS

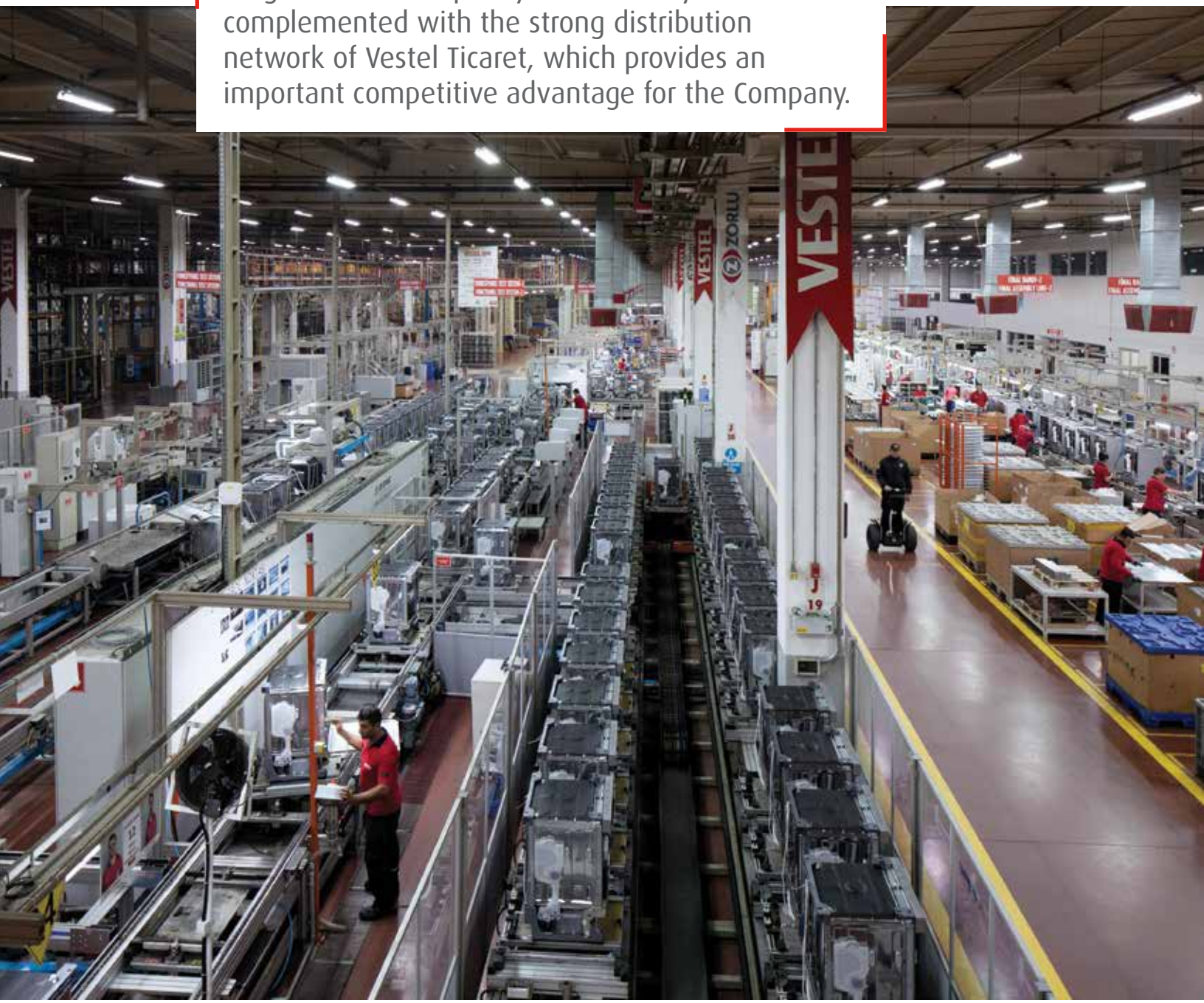
Product Group	Products	Specifications/Description
Cooking Appliances	Built-in Oven with HeatWrap Cooking Technology	Thanks to the system developed by Vestel Beyaz Eşya with the double fan, double heaters and special air flow channels operated by an algorithm, the oven can cook 5 trays simultaneously by distributing the heat inside the oven homogeneously. In addition, performance in single-tray cooking is uniform regardless of which shelf the tray is placed on.
	Built-in Oven with the Door Glass Featuring Clean Plus	The glass doors are one of the most problematic areas when it comes to cleaning an oven. Thanks to glass with the Clean Plus feature, the inner glasses of the oven door retain less dirt and are much easier to clean.
	Gas Cooker with High Efficiency Burner	High efficiency hobs provide up to 20% improvement in efficiency by structurally allowing the flame to rise at a 45-degree angle towards pans, in contrast with the standard hobs that burn to the side. Besides providing energy efficiency, this structure can be thinner and offers an aesthetically more elegant design.
	16 Amper Plug-in Operate Induction Hob	For domestic type hobs, the hobs with induction technology stand out with their features of being the most efficient. Amid a rising awareness of energy efficiency in the world, the use of induction hobs is becoming increasingly widespread. However, current electricity infrastructure presents an obstacle to the adoption of induction hobs due to the widespread use of gas for cooking in homes. Thanks to the plug-in and operate feature, the 16A induction hobs can be installed in homes without making any changes to the electrical infrastructure and without causing a safety risk.
	3D Cooking Feature in Ovens	In order to improve cooking performance in ovens, during the studies conducted to create new functions outside the standard functions, the 3D cooking function was developed to increase the homogeneous heat dissipation by operating the lower + upper + turbo + fan features together by just adjusting the operating combinations from a switch without changing anything on the oven. This brought an additional cooking feature to the product without an additional cost.
Dishwashers	36 dBA Silent Dishwasher	Thanks to its high-tech sound insulation materials, improved special washing algorithms and silent inverter engine technologies, the 36 dBA sound level, which is a world record holder, was achieved with the extra silent option.
	Direct & Triple Wash Technologies	Direct Wash washing technology provides high quality washing, especially in the difficult-to-reach parts of deep cups and inner sections of narrow mouth baby bottles, while offering easy selection that can be activated at the press of a single button. Triple Wash washing technology provides the highest quality washing of the most stubborn stains on pots and pans with high pressure jets.
	45 cm Entry Level Record Holding (A++ Rating) Dishwasher	With their efficient washing technology, these record holding dishwashers, which save water and energy and boast an A ++ energy rating, were developed starting from the entry-level in the 45 cm product range.
	Dishwasher with Color TFT Display	The Smart dishwasher with a color TFT display can be remotely controlled from a smartphone or a tablet through the remote connectivity feature. Thanks to its Eco time feature, the machine provides consumers with the information to operate their machines at times of the day, when they can take advantage of lower electricity tariffs. Users may create their own favorite programs and select a program of their choice with the touch of a button.
	Aquazone Washing Technology	This technology, developed by Vestel's engineers, reduces water consumption even in entry level products. Thanks to this technology, the upper and lower baskets can be washed separately with the use of water pressure, enabling water savings of up to 25%.
	ION Tech Technology	The dishwashers were developed which prevent bad odors from waiting dishes.
	BrilliART Dishwasher	A smart dishwasher that offers user-friendly washing with its 13 different sensors. It is also possible to open the door of the machine with a single finger movement.

PRODUCT GROUPS AND INNOVATIONS

Product Group	Products	Specifications/Description
Air Conditioners & Water Heaters	New Generation Inside Unit Platform Aesthetic Air Conditioner	Mechanical designs of the new generation internal unit images were completed. The air conditioners will be offered to consumers in 2019.
	Easy Bill Air Conditioner	The Easy Bill Inverter Air Conditioner warns users of their quota. With this system, which can be integrated with Vestel's mind of the house application, consumers are informed of approximately how much electrical energy they have consumed in TL terms.
	Voice Activated Air Conditioner	The Vestel air conditioning units with voice activated functions offer consumers ease of use with maximum comfort. This project is also a social responsibility project for the visually impaired.
	Air Conditioning Units with New Generation Ionizer Technology	Developed with the aim of improving air quality, this system has the ability to emit positive and negative ions without consuming electricity.
	Air Conditioning Units with Microbial Gel Filter	The "Filtron F5" gel air filter system provides microbial purifying with the world's highest performance. It eliminates odors in the environment, filters out particles and improves hygiene. It is environmentally friendly and does not contain any harmful chemicals.
	Record Quiet Air Conditioning Units with Only 51 dBA of Sound	The 18,000 BTU Flora Inverter Air Conditioner boasts Turkey's quietest internal unit, as assessed by market surveys.
	Multi Inverter Air Conditioning Units	The Multi Inverter Air Conditioner product family was developed with the 27,000 BTU model, which has 3 internal units, and the 18,000 BTU model with two internal units.
	Bottom Controlled Water Heaters	In line with the goal of maximizing energy efficiency and product diversity in domestic and international markets, the bottom-adjustable water heater, which will include smart applications, will be added to the product range.

THE VESTEL APPROACH TO PERFECTION IN CUSTOMER EXPERIENCE

The superiority of Vestel Beyaz Eşya's product range in terms of quality and diversity is complemented with the strong distribution network of Vestel Ticaret, which provides an important competitive advantage for the Company.



Vestel Beyaz Eşya offers its products to millions of consumers through Vestel Group's strong sales and distribution organization in domestic and foreign markets, which is managed by proactive strategies.

Vestel Beyaz Eşya's sales and marketing activities in the domestic and international markets are carried out by Vestel Ticaret AŞ ("Vestel Ticaret"), a wholly-owned subsidiary of Vestel Elektronik.

INTERNATIONAL SALES

Vestel Beyaz Eşya has structured its sales strategy in international markets on two different axes:

- Sales to A-branded manufacturers, distributors and retail chains as an ODM provider,
- Branded product sales under the regional brands owned and under the global brands licensed by the Vestel Group.

In addition to expanding its customer portfolio, for which ODM service is provided, Vestel Beyaz Eşya also aims to enhance its brand penetration and market share in international markets through product sales under the well-known regional brands acquired and via the global brands licensed by Vestel Ticaret. In line with its profitable growth strategy, Vestel Beyaz Eşya is increasing the share of middle and upper segment products in its sales mix.

Vestel Beyaz Eşya carries out its sales and marketing activities in the European market through the local sales and distribution network of 10 foreign trade companies under Vestel Ticaret. The European sales and distribution network consists of the foreign trade companies located in France, the UK, Germany, Spain, the Netherlands, Poland, Finland, Russia, Kazakhstan and Romania. The sales and marketing activities in the Middle East, the Gulf and Africa regions are carried out by Vestel Electronics Gulf DMCC, which Vestel Ticaret established in Dubai in August 2017. The sales and marketing activities in other foreign markets are carried out directly by Vestel Ticaret.

Vestel Ticaret acquired the rights for the development, production, sales and marketing of Sharp branded white goods for the European market under the brand licensing agreement signed in September 2014. As of 1 January 2015, Vestel Ticaret has become the exclusive distributor of the Sharp branded white goods products in Europe, which are manufactured at Vestel Beyaz Eşya's plants and at the Sharp Corporation's plants in Asia. Vestel

In line with its profitable growth strategy, Vestel Beyaz Eşya is increasing the share of middle and upper segment products in its sales mix.

Beyaz Eşya expanded the range of Sharp's products for the European market with washing machines, dishwashers and cooking appliances developed specifically for the Sharp brand. While Vestel Beyaz Eşya has strengthened its presence in the European market with this agreement, it is also progressing in line with its goal of increasing its branded and upper segment product sales in this market.

DOMESTIC SALES

The superiority of Vestel Beyaz Eşya's product range in terms of quality and diversity is complemented with the strong distribution network of Vestel Ticaret, which provides an important competitive advantage for the Company.

Vestel Beyaz Eşya reaches a wide range of customers in the domestic market through Vestel Ticaret's domestic sales organization, which comprises 1,133 exclusive Vestel dealer stores, 1,028 Regal sales points (of which 299 are exclusive Regal stores), 9 Vs Outlets and online stores (emagaza.vestel.com.tr, vsoutlet.com.tr and regal-tr.com) as well as through household stores, technology retailers, hypermarkets and e-commerce sites.

In addition to the physical distribution network, Vestel, as the first consumer durables brand to sell products over the internet, also reaches consumers via its e-store, emagaza.vestel.com.tr. The website, where all Vestel products are offered for sale in a virtual environment, attracts attention with its user-friendly design.

Periodical campaigns and promotions are held regularly for consumers at the e-store. In the virtual environment, products are also sold over vsoutlet.com.tr and regal-tr.com, where Regal branded products are offered for sale.

THE VESTEL APPROACH TO PERFECTION IN CUSTOMER EXPERIENCE

As of the end of 2018, www.vestel.com.tr and www.vsoutlet.com.tr had 354,535 and 14,887 members, respectively while www.regal-tr.com had 11,369 members.

RENEWED VESTEL STORES REFLECT THE BRAND'S CLOSE STANCE TO THE CUSTOMER.

Within the framework of the new store concept, Vestel renewed the exterior and interior of the majority of the 1,133 dealer stores. The Company applies the integrated approach, which it pursues at all points where it touches the consumer, at every point from display arrangements to in-store activities. In the stores, a convenient environment is provided for consumers to personally experience the products and to make comparisons in all product groups.

All the steps of the customer journey, from the first moment when he/she meets Vestel on the exterior of a store to making payment and then to after-sales services are designed and improved with the aim of offering the most memorable customer experience.

CAFE VESTO: THE CONCEPT THAT BRINGS CAFE AND STORE TOGETHER

With the vision of directing the consumer electronics and white goods sectors and achieving firsts in Turkey, Vestel brought cafe and store together in the concept of "Café Vesto". The Company has been one of the few such examples in the world and the first brand of its sector in Turkey, who implemented this concept.

The new Vestel stores serving in Beşiktaş, Kavacık and Zorlu Center in Istanbul, Elvankent in Ankara and Karşıyaka, Atakent and Alsancak in Izmir are designed with the cafe concept. In addition, in 2018, the Café Vesto also started to serve at Levent 199 in Istanbul, which is the headquarters of the Company. Vestel opened the doors of a new experience in retailing with its café concept that was developed in order to provide its customers with a better, richer and distinct service and to allow the customers to experience Vestel products as they wish, while they have a pleasant time.

The Café Vesto, where Vestel's "Proudly Domestic" theme is reinforced, offers mainly food with local zest and serves visitors with a rich menu.

Vestel aims to spread the retailing approach with the cafe concept, which is implemented at eight sales points for now, to Turkey's four corners soon, particularly to bazaars. Thus, it aims to bring a new breath to the sector.

Vestel brought cafe and store together in the concept of "Café Vesto," one of the few such examples in the world and Turkey.

VESTEL RETAIL ACADEMY - THE BASIS OF STRENGTHENING IN RETAIL

In 2018, Vestel Retail Academy (VPA) continued its training activities for the Head Office and dealer channel. During the year, it held 148 classes and provided 25,566 man-hours training to 2,085 people. In the Corporate Academies Summit organized by the Training and Development Platform Association of Turkey (TEGEP), the "Compass of Excellence" Program, which was designed by Vestel for its corporate stores, was awarded the Silver Award in the "Best Sales Development Program" category. With this award VPA maintained its success in the same category in 2018, after its success in 2017. Abroad, VPA won the following awards under the Stevie Awards, the world's only international business award program.

- Gold Award in the "Best Start at Work, Orientation Program" category with the "Sales Camp Program", a 5-day training program for newly recruited store employees,
- Bronze Award in the "Executive Development Program" category with the "Excellence in Retailing" Program, consisting of 4 modules for store managers,
- Bronze Award in the "Sales Training" category with the "Sales Consultants Development Program", which aims to professionalize sales consultants in stores in the sales processes.

CONTINUOUSLY RAISING VESTEL'S CUSTOMER PROMISE IN AFTER-SALES SERVICES

Vestel's after-sales activities are carried out by the Vestel Customer Services General Directorate (Vestel Customer Services). With the call center located in Vestel City, 360 authorized service points providing services nationwide, the Central Services located at four locations in three provinces, six güVENUSsü (trust-VENUS-base) centers located in Izmir, Istanbul, Ankara and Trabzon that provide services for the Venus smartphones and Vestel tablets, and the technical and training units and field operations managed through the four Regional Directorates, Vestel Customer Services promises a unique customer experience with the mission of providing services that transform expectations into satisfaction and satisfaction into appreciation and trust.

Vestel Customer Services continues to make a difference in the sector with its pioneering projects in after-sales services.

Having proven its success with top prizes in the world and held up as an example in its sector in Turkey, Vestel Call Center works towards the goal of getting "A THANK YOU" (Bİ TEŞEKKÜR) by leaving a good impression on each customer with its approach of sincere communication which touches the hearts of its customers. In addition to phone calls, the Call Center voice response system, the Vivacious (Capcanlı) support chat channel, the mobile assistant application, the Vestel website, the WhatsApp channel, the social media and the Venus support line are also available for customers, so that they can access customer services from the channel of their choice, whenever they wish. On the one hand, technological developments related to infrastructure are closely followed and digitalization is rapidly implemented through pioneering projects that set the company apart. On the other hand, efforts are made to not to robotize the communication process. In May 2018, the Vestel Call Centre obtained the EN 15838: 2009 Customer Relationship Management System Certificate, thus registering the quality of its services at EU standards.

The technical teams working in coordination with the production plants take measures towards product development and improvement in line with the feedback received from the customers and stakeholders.

The Spare Parts Planning Team and Spare Parts Warehouse located at Vestel City work on the spare parts planning and procurements in line with the goal of providing customers with the fastest service.

Vestel Customer Services has established four Central Services in three different provinces to serve as a role model for the authorized service centers which provide services to customers. The Central Services support the field organization in training, inspection and rapid supply of spare parts. Central Services also take part in new product tests in coordination with the central technical units.

THE VESTEL APPROACH TO PERFECTION IN CUSTOMER EXPERIENCE

In order to ensure a better coordination between the authorized service centers, production plants and dealers, four Regional Offices were set up in the field where service operation specialists work.

THE PROJECTS THAT SET VESTEL CUSTOMER SERVICES APART

Vira: The "Vira" project, which is the European champion in the technology innovation category, is a mobile application project, where authorized service technicians can perform all operations in the field over a smartphone. With this project, the service processes of the technicians were evaluated from the beginning and it was made possible for the technicians to enter the services they perform to the system online or offline in the fastest and easiest way.

Mobile Signature: With this project, which was initiated with an awareness of Vestel's responsibilities to the environment, a major step was taken for keeping up with the technology in the rapidly digitalizing world. With this project, customer signatures started to be taken from mobile platforms, minimizing the use of paper and eliminating the need for archiving.

"There is a Solution" (Çözümü Var): The solution portal, "There is a Solution for Everything Here" (Burada Her Şeyin Bi Çözümü Var) is a website project that includes all the information and solutions to be offered to customers.

Through this website, customers will be able to resolve the problems they face in their products by themselves, access information and solution videos and product manuals, flag incidents of breakdowns and request installations at any time and communicate with the call center through written channels. The project, which offers customers self-service and ease of use, will be expanded to include informative content for the field staff and Vestel Customer Services.

VESTEL SERVICE ACADEMY

In order to provide a flawless experience in after-sales services, the Vestel Service Academy has been operating since 2012 within the Vestel Customer Services for regular and continuous training and development of all service teams such as authorized service technicians, customer representatives and service center managers. The Academy provides 18,000 person-days of training per year in a wide array of educational modules through various training methods, including digital and live broadcasting. Vestel Service Academy, which has won awards on many national and international platforms, achieved a first in Turkey when it was awarded the ISO 29990 Certificate, proving the quality of its education programs which meets international standards.

MANAGEMENT QUALITY AND SYSTEMS

Vestel Customer Services continues to hold the ISO 9000 (Quality Management System Certificate) and ISO 10002 (Customer Satisfaction Management Certificate) certification. Vestel Customer Services has adopted the EFQM (European Foundation for Quality Management) Excellence Model, which is a strategic management model, and carries out all of its operations within the framework of this model. By taking into account the expectations of all stakeholders, stakeholder (customer, employee, dealer, authorized service provider, supplier and community) perception surveys have been conducted for the past 5 years as part of the management model that aims to constantly achieve improvement in business results, and continuous improvement activities are carried out based on the results of the survey. Every two years, the strategies are reviewed and performance is monitored through regular systematic activities in accordance with the philosophy of management by objectives. Vestel Customer Services crowned these efforts with the "Aegean Region EFQM Excellence Grand Award" in 2018.

Vestel Customer Services continued to distinguish itself by winning numerous awards in the national and international arena in 2018.

CUSTOMER FRIENDLY ORGANIZATION/CUSTOMER FRIENDLY BRAND CERTIFICATION

In a first in the sector, Vestel Customer Services was awarded the Customer Friendly Organization/Customer Friendly Brand Certificate by the TSE (Turkish Standards Institution) in 2017, in recognition of its 120 authorized service providers.

In order to achieve quality standards in service provision, especially in customer satisfaction management, 120 authorized service providers across Turkey were audited individually and certified as a "Customer Friendly Organization". Vestel continues to hold the certification.

VESTEL CUSTOMER SERVICES CONTINUED TO DISTINGUISH ITSELF BY WINNING NUMEROUS AWARDS IN THE NATIONAL AND INTERNATIONAL ARENA IN 2018.

The A.C.E. (Achievement in Customer Excellence) Awards

Vestel won three awards at the A.C.E. Awards for Excellence in Customer Experience, a competition that measures customer satisfaction in Turkey. Having won 1st prize in the white goods and television categories for a fifth year, Vestel was declared "Best Brand Managing Customer Experience" in the categories of white goods, television and mobile phones.

Contact Center World Awards - EMEA

Vestel Customer Services won first prize in the Technology Innovation category in the EMEA (Europe, the Middle East and Africa) semi-finals with its "VIRA" project. The awards were held in Berlin and hosted by the Contact Center World Awards, one of the most prestigious awards in the call center sector.

Contact Center World Awards - WORLD

Vestel Customer Services won first prize with the "VIRA" project in the Technology Innovation category in the world finals, which was held in Prague by the Contact Center World Awards, one of the most prestigious awards in the call center sector.

The EFQM Excellence Award

The EFQM Excellence Model is a quality management model created by the European Foundation for Quality Management, which was unveiled to the world by the Foundation. The model is a corporate assessment tool that can be used by all organizations. The EFQM Excellence Model establishes a basic structure for the management system in Vestel Customer Services' pursuit of quality. Vestel Customer Services, which applies the EFQM Excellence Model in all of its processes for a sustainable success, declared 2018 as the Year of Excellence and applied for the Excellence Award. It achieved first ranking and was awarded the Aegean Region EFQM Excellence Grand Award.

KalDer (Turkey Quality Association) Successful Team of the Year Award

Vestel Customer Services won the Special Jury Award in the awards ceremony of the "KalDer Successful Teams of the Year", with the sesiMiras (its voice is Heritage) project.

The 5 Star Certificate of Competency in Excellence

Vestel Customer Services crowned its success in its journey of quality, in which it signed the National Quality Movement Goodwill Declaration with KalDer in November

2018 A.C.E. Awards	First Prize in the Household Appliances Category First Prize in the Television Category First Prize in the Smartphone Category
2018 KalDer Excellence in Team Awards	Successful Team of the Year Special Jury Award
2018 EFQM	Aegean Region EFQM Excellence Grand Award
2018 Contact Center World Awards - EMEA	First Prize in Europe in the Best Technology Innovation Category
2018 Contact Center World Awards - WORLD	First Prize in the World in the Best Technology Innovation Category
KalDer (Turkey Quality Association)	5-Star Certificate of Competency in Excellence

THE VESTEL APPROACH TO PERFECTION IN CUSTOMER EXPERIENCE

The concept of "Turkey is Vestelized" and "Proudly Domestic" form the basis of the communication strategy that sets out the goals, vision and mission of the Vestel world.

2017 and won the Aegean Region EFQM Excellence Grand Award in May 2018, with the "5 Star Certificate of Competency in Excellence" which it received at the Quality Congress Award Ceremony held for the 27th time this year.

VESTEL'S CORPORATE BRAND AND COMMUNICATION STRATEGY

The concept of "Turkey is Vestelized" and "Proudly Domestic" form the basis of the communication strategy that sets out the goals, vision and mission of the Vestel world.

As a local brand in Turkey, which produces high technology to global standards, this concept rests upon Vestel's wish to facilitate and improve the lives of people with its products and in this vein, to have at least one Vestel product in every home.

The concept of "Turkey is Vestelized" lies at the heart of the creative strategy. This approach is reinforced by the motto of "Proudly Domestic". From product strategy to the communication approach and from sales campaigns to digital projects, all processes are fed by these two concepts. The greatest pillar of support behind this structure is Vestel City, the company's manufacturing complex - where Vestel proudly produces domestic technologies in Turkey.

The objective of the communication campaign is to bring state-of-the-art technology to all four corners of Turkey by achieving firsts and to become one of Turkey's inspiring brands.

Great success has been achieved with the "Turkey is Vestelized" and the "Proudly Domestic" platform, which was launched 5 years ago. While the product categories that were already good were strengthened further, the success of the communication campaign was reinforced with the effect of holistic communication.

With an awareness of the tremendous role that women play in the cycle of production, sales and after-sales services and in achieving high customer satisfaction, in 2017, Vestel brought women, who are a cornerstone of the company's success, to the heart of its communication, and thus expressed its gratitude to them.

The sponsorship of the Presidential Cycling Tour, which marks an important sporting event in Turkey in the international arena, and the sponsorship of the Women's Volleyball League, which is Turkey's most successful team sporting branch in the international arena, are important projects sponsored by Vestel and which it communicates to add value to the brand.

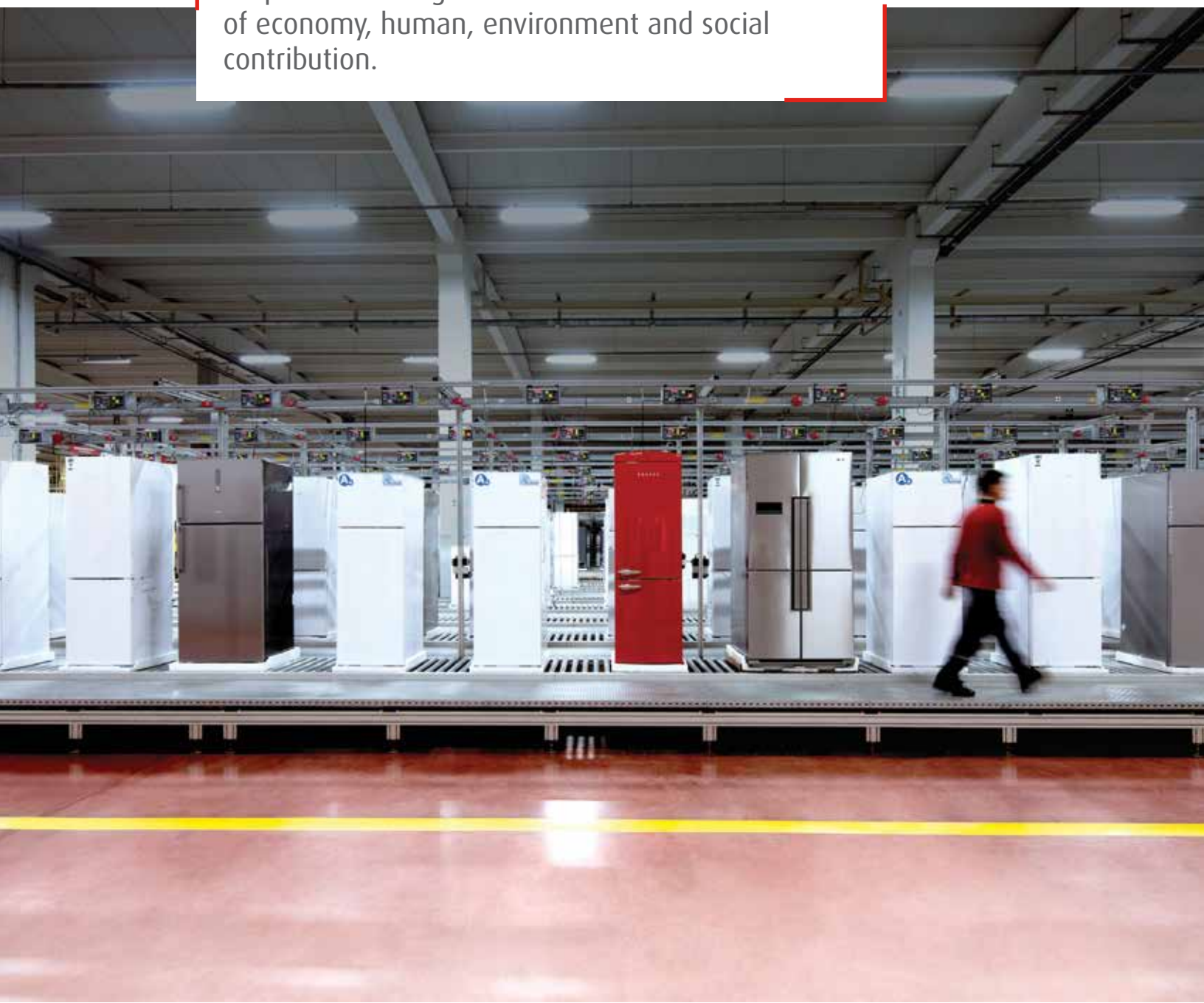
Vestel, which has been investing in brand and communication activities for the last five years, had won 25 awards in communication just in 2018.

In 2019, Vestel will continue to set itself apart and maintain its momentum in communication and advertising. The Company will continue its communication regarding household appliances and women in 2019, the foundations of which it laid in 2017 and 2018, and will continue to place technology as the main message in its communication activities. In addition, it aims to maintain its record of winning awards in the fields of communication and design for the past 6 years in 2019 as well.

Vestel A.I. (Artificial Intelligence) washing machine stands out with its unique features.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

Vestel Beyaz Eşya's sustainability approach is shaped with the goal of a better future in terms of economy, human, environment and social contribution.



VESTEL BEYAZ EŞYA VOLUNTARILY PARTICIPATED IN THE BIST SUSTAINABILITY INDEX FOR THE THIRD TIME IN A ROW.

Vestel Beyaz Eşya's sustainability approach is shaped by its goal of a better future based on the foundations of its economic, people-based, environmental and social contribution, in line with the sustainability approach of the Vestel Group of Companies, of which it is a member.

Each year, Vestel Beyaz Eşya increases the number of products holding world records in terms of energy and water savings in its product range, and minimizes the environmental impact of its activities with its environment-people oriented production processes.

At the end of 2015, Vestel Beyaz Eşya applied voluntarily to be included in the BIST Sustainability Index, which consists of the listed companies on Borsa Istanbul with a high corporate sustainability performance. The Company fulfilled the criteria of Borsa Istanbul's Sustainability Index and was qualified for inclusion in the index for the November 2016 - October 2017 period. Having been included in the index for two periods and maintained its compliance with the index criteria in 2018, Vestel Beyaz Eşya will also voluntarily participate in the BIST Sustainability Index in the November 2018 - October 2019 period.

HUMAN RESOURCES AT VESTEL BEYAZ EŞYA

Vestel Beyaz Eşya's human resources activities are carried out by the Vestel Human Resources Directorate, which is affiliated to the Zorlu Holding Human Resources Group. The Directorate is structured under 4 main organizations including the Industrial Relations Directorate, the Recruitment and Talent Management Directorate, the Training and Development Directorate and the Administrative Affairs Directorate. The head of Zorlu Holding Human Resources Group also sits on the Executive Board of the Vestel Group of Companies. As such, continuity is ensured in providing information to the management on all kinds of issues related to the employees.

Vestel Beyaz Eşya established its Human Resources Policy in writing, which covers the recruitment, promotion and horizontal progress, termination, compensation, career planning, performance appraisal system, reflection of performance results to remuneration and training policies. Employees are informed of the job definitions and distribution of tasks, and the performance criteria and rewarding scheme through the Human Resources Policy.

One of the most important goals of the Human Resources Policy at Vestel Beyaz Eşya is to become a company which talented individuals dream to work at and will provide their commitment to the organization, by offering them a career path in accordance with their talents. For this purpose, projects are developed, not only to provide easier access to such talent, but also to retain employees and ensure their loyalty to the Company.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

The Vestel Group of Companies, of which Vestel Beyaz Eşya is a member, sets out its strategies of change and development based on the premise of "being where the talent is".

One of these projects, the Onboarding Project, was launched as part of the recruitment process in 2017. Globally conducted studies show that employee commitment is significantly linked to the initial recruitment process. By considering the expectations of generation Y and by realizing the need for a bridge application to create corporate loyalty, the process of Onboarding was designed. The Onboarding program is aimed at facilitating the process which the candidate will go through during and after the job offer, making it more friendly and allowing the candidate to learn about the culture at Vestel before he/she starts work. The Onboarding program is designed to cover the first 3 months, given that the first 3 month period is critical for long term success. This program consists of a series of enjoyable tasks ranging from an entertaining video including information which the new recruit may need during his/her adaptation period to Vestel, the National Geographic Mega Factories documentary, the Vestel jargon game and office exercises.

In 2018, a rotation application was introduced for employees in order to increase efficiency and employee motivation. Once a year, employees' requests for rotation are collected online. After the necessary evaluations and approvals, the rotation is realized according to the department and staff availability.

At Vestel Beyaz Eşya, for employees;

- the adaptation process to work is facilitated,
- employees' needs are taken into account so they can achieve successful business results,
- employees' expectations are balanced with the Company's expectations, thus ensuring fairness and equality of opportunity,
- employees receive support through continuous training and development,
- the performance of employees is monitored, evaluated and their success is encouraged and rewarded,
- career planning is carried out with promotions and horizontal progress, while maintaining long-term cooperation with the employees.

INNOVATIVE, DYNAMIC AND TEAM-SPIRIT HUMAN RESOURCES

Vestel Beyaz Eşya works with the awareness that it is not the giant factories or the state-of-the-art computers and electronic devices which are behind its sustainable success, but rather it is the highly motivated and happy employees who have the skills to manage and use these for a common purpose. Vestel Beyaz Eşya continuously reinforces its existing workforce by investing in qualified human resources and contributes significantly to the country's employment.

The Vestel Group of Companies, of which Vestel Beyaz Eşya is a member, sets out its strategies of change and

development based on the premise of "being where the talent is". Since 2013, Vestel has been on a journey of becoming a preferred employer with the "Campuses are Vestelized" project, which aims to attract the young talents the company needs to support its rapid growth. Vestel's objective in this project is to generate new resources outside the existing tools to reach qualified candidates, and to discover new talents on campuses before they graduate. Based on the importance that Vestel places on the employment of new graduates and young talented individuals, university students are identified as potential candidates. In order to raise its perception as an "Attractive Employer", Vestel carries out intensive activities on university campuses. These activities include university career events, engineering competitions, graduation projects, sponsorships, workshops and case studies, which require the establishment of close relationships with university career offices and student clubs, as well as projects that support the collaboration between industry and academia.

Vestel attaches importance to the opinions of young people and feeds on their ideas. For this purpose, the V-Inception Project has been carried out since 2015 in order to determine the Employer Branding Strategy to be followed by Vestel Human Resources at the beginning of each academic year and to reach young talented individuals in the way they desire. With this project, student club representatives of different universities come to Vestel City to experience Vestel and create projects in line with the mission given to them. These young people build a "Vestel Dream" and integrate the strengths of Vestel into this dream as part of their project. Carrying the dreams students create to campuses and "Vestelize" the campuses as the students wish are part of the Employer Branding activities.

Another project implemented to attract talent to the Company is the VesTELLer Project. Under the project, selected students carry out activities to help Vestel become a well-known, popular and preferred employer in the campuses of Turkey's leading universities. Since 2015, 28 students have served as a VesTELLer, who is a brand representative of Vestel at campuses.

With this project, Vestel won the Bronze Award in the "Best Brand Ambassador Programme" category in the Employer Brand Management Awards (EBMA) in 2018.

Tangible successes were achieved through the activities implemented to attract talent to Vestel under the "Campuses are Vestelized" project. According to the "Attractive Employers Surveys" conducted with 1.8 million young people in 61 countries by Universum, a research company conducting surveys of young talent, Vestel climbed more than 7 places in 2017 from 42nd to 35th in the Turkey section of the survey. In 2018, Vestel climbed another three places, from 35th to 32nd ranking.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

At Vestel Beyaz Eşya, a total of 11,060 employees received training in 2018 with an average of 10 hours of training per person.

CONTINUITY IN TRAINING ACTIVITIES

At Vestel Beyaz Eşya, where every employee is considered a source of value, a regular training model has been adopted in order to improve the existing skills of employees and to further facilitate their adaptation to innovation and change. In this context, quality and sustainable training activities are carried out to promote the continuity of inquisitive, reflective, creative, entrepreneurial and productive human resources.
At Vestel Beyaz Eşya, a total of 11,060 employees received training in 2018 with an average of 10 hours of training per person.

Compulsory Education and Certifications

Within the scope of the Vocational Qualifications Authority Law, two employees were certified as CNC Programmers, 10 personnel were certified as Machine Maintenance Workers, 24 personnel were certified as Metal Plate Processing Workbench Workers and 38 personnel were certified as Metal Plate Workbench Operators in 2018. With operator training, 184 personnel became eligible for operator licenses for the use of Forklift trucks, 36 personnel obtained operator license for the use of Manlifts and 61 personnel obtained operator license for the use of Roof Cranes. As of October 2017, an SRC Driver License is required for all drivers transporting freight, passengers or goods in commercial vehicles. In this vein, 95 employees were eligible to receive the SRC 2 driver's license, 98 employees were eligible to receive the SRC 4 driver's license and one employee was entitled to receive the SRC 5 driver's license.

With the first aid training carried out within the framework of legal requirements, 457 employees completed the Basic First Aid Training and received their certificates in 2018.

Vestel Technology Academy

Vestel Technology Academy is designed to maximize the motivation and efficiency of employees through the trainings offered.

The Technology Academy, which operates under the collaboration of Vestel Group of Companies and Özyeğin University, provides lifelong learning opportunities and aims to expand the technical knowledge and experience of engineers in their fields.

The program provides the following.

- Allows employees who have been educated in different fields of engineering to address their weaknesses in areas required by Vestel,
- Offers opportunities for employees to obtain master's or doctoral degrees in the fields in which they have completed their undergraduate degrees,
- Works towards providing applicability of the thesis or projects which emerge as a result of the program, at Vestel in line with the employees' line of work.

In the first Vestel Technology and Innovation Workshop held at the beginning of the first semester of the 2017-2018 academic year, the thesis and projects produced as part of the program were shared with the managers and employees with the "Vestel's Innovatives" theme. During the workshop, in which 53 thesis/project applications competed, each academic study was submitted to the jury and the projects which ranked highly in the evaluation were awarded. All of the studies presented are to be considered for future patents/publication and incentives.

The purpose of "bringing the university campus to the company", which was the aim of the project when it was initiated, was realized completely. In 2018, 243 students received education at Vestel Technology Academy while a total of 190 students had graduated.

Vestel Technology Academy won the Golden Award in the category of "Best Training and Development Program", awarded by TEGEP in its awards ceremony, which is one of Turkey's most prestigious awards in the field of education. In the international arena, the Academy won Bronze Award in the category of "Human Resources Team of the Year" at the Stevie International Business Awards and reached the finals in the HR Excellence competition in the "Best Learning and Development Strategy" category.

Vestel Management Trainee Program

The 9th Vestel Management Trainee Program (the MT Program), which is carried out with the academic support of Turkey's leading universities to train young, talented individuals who have recently graduated from university as future managers, was realized in cooperation with Koç University at the Vestel Training Center in Manisa in 2018.

These young talented individuals, who undergo various evaluation phases to qualify for the MT Program, are given the opportunity to develop themselves in many areas over a period of 4 months from the day they enter the program. Within the scope of the program, management trainees, who expand their theoretical knowledge during the trainings provided both at the university and within the Company, also receive personal development support which includes guidance for work life.

The most important feature that sets the MT Program apart is the practical internship period that the trainees go through across the entire Vestel Group of Companies, which has an important place in learning the company culture in addition to the training they receive. In this process, management trainees gain the opportunity to meet people at various levels of management within the Company, as well as being able to benefit from the knowledge and experience of the managers and to learn the duties, responsibilities and the relations of the departments directly. Thus, they complete the program with the most up-to-date and accurate information about the functioning of the Company.

This program is aimed at giving the young management candidates, who will join the Vestel family, the best understanding of Vestel and the sector, in which the Company operates, and giving them the information they will need and showing them how to use this information effectively in work life. It is hoped that the management candidates who successfully complete the program will develop new projects and provide added value to Vestel.

Vestel Retail Academy

In 2018, Vestel Retail Academy (VPA) continued to carry out its training activities for the head office personnel and dealer network. During the year, it opened 148 classes and provided 25,566 person-hours of training to 2,085 people.

In the Corporate Academies Summit organized by TEGEP, the "Compass of Excellence" Program, which was designed by Vestel for its corporate stores, was awarded the Silver Award in the "Best Sales Development Program" category. With this award, VPA maintained its success in the same category for another year in 2018.

Abroad, VPA won 3 awards at the Stevie Awards - the world's only international business award program - in 2018, as in 2017. The Gold Award in the "Best Start at Work, Orientation Program" category with the "Sales Camp Program", which is a 5-day training program covering a wide range of topics including communication, persuasion, negotiation, market metrics and trends for the newly recruited store employees. It won the Bronze Award in the "Executive Development Program" category with the "Excellence in Retailing" Program of 4 modules prepared for store managers, and the Bronze Award in the "Sales Training" category with the "Sales Consultants Development Program", which aims to professionalize the sales consultants in stores in the sales processes.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

Key HR Indicators for Vestel Beyaz Eşya – (As of the end of 2018)		
Personnel	**Number**	%
Total	**7,401**	**100%**
Female	2,347	32%
Male	5,054	68%
Average seniority	4 years	

Distribution of Senior Management by Gender	**Female**	**Male**
General Manager		1
Coordinator		1
Deputy General Manager		7
Middle Level Manager	5	43
Total	**5**	**52**

Distribution of Personnel by Educational Status	**Female**	**Male**
Master's Degree	33	63
University Graduate	220	498
Vocational School Graduate	249	464
High School Graduate	1,845	4,029
Total	**2,347**	**5,054**

Number of Personnel By Status	
Senior Managers	**Other Personnel (Excluding Administrative Staff)**
57	7,344

OCCUPATIONAL HEALTH AND SAFETY

Vestel Beyaz Eşya displays the greatest sensitivity to occupational health and safety as it strives to maintain a safe and healthy working environment. Vestel Beyaz Eşya attaches importance to assessing and managing the potential impacts of risks in the workplace on employees, subcontractors, visitors, solution partners and other personnel in the workplace. Vestel Beyaz Eşya continuously educates its employees to ensure that they gain the right habits of behavior in terms of quality, environmental awareness, energy efficiency, information security and potential health and safety risks.

The framework of Vestel Beyaz Eşya's Occupational Health and Safety Policies consists of the following:

- To create and ensure adoption of "Safety Culture" at every point of the Company,
- To protect from dangerous, health-hazardous conditions that may occur during activities and to create a healthier environment by carrying out up-to date risk analyses with the "prevent before it happens" policy,
- To establish occupational health and safety together with the employees by asking for their opinions through continuous training and employee participation platforms,
- To recognize that occupational health and safety is an indispensable priority of all employees and an integral part of their work,
- To create a safe workplace environment by completely preventing or minimizing occupational accidents and fire risks in operations,
- To eliminate or minimize unsafe situations and unsafe acts in the workplace by conducting risk analyses and by implementing preventive plans by adopting the principle of suitable work for the employee and suitable employee for the work.

Vestel Beyaz Eşya's entire product range consists of environmentally-friendly products with A, A+, A++ or higher ratings, which are accepted as the high energy efficiency category.

VESTEL BEYAZ EŞYA SETS ITSELF APART WITH ITS ENVIRONMENTAL APPROACH AND PRACTICES.

Vestel Beyaz Eşya has adopted an organizational culture in accordance with the philosophy of Total Quality Management. Together with its employees, the Company has adopted the general purpose of protecting and improving the quality of the environment by conducting environmental review activities for all of its operations, production lines and products.

Vestel Beyaz Eşya's main objectives in this context are as follows:

- To use energy efficient and environmentally-friendly technologies by continuously improving its energy performance,
- To continuously improve its energy performance by comparing it with the best examples in the world,
- To use renewable energy resources,
- To conduct activities for the reduction, reuse, recycling and recovery of waste,
- To promote the culture of participation and innovation among stakeholders to save energy,
- To identify areas requiring improvement in terms of energy efficiency and to conduct studies on internal and external energy efficiency on a regular basis,
- To raise awareness on energy efficiency through training, seminars and visual posters to ensure that all employees take part in efforts to reduce energy consumption,
- To undertake equipment and process modifications in order to optimize energy consumption,
- To support creative ideas to promote and improve the use of new technology,
- To carry out Industry 4.0 activities on the basis of environmental awareness.

MAXIMUM ENERGY AND WATER SAVINGS IN ALL PRODUCTS

Continuously revising its energy efficiency targets, Vestel Beyaz Eşya's entire product range consists of environmentally-friendly products with A, A+, A++ or higher ratings, which are accepted as the high energy efficiency category. Vestel Beyaz Eşya strives to develop highly energy efficient and environmentally-friendly products, which have a minimum impact on the environment, by unwaveringly conducting R&D and innovation studies. Vestel Beyaz Eşya allocates half of its R&D budget to the development of environmentally-

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

friendly products. In case of new environment friendly projects, the Company provides additional funding and implements such projects without delay.

The Vestel Pyrojet washing machine product family was expanded with the 7 kg and 10 kg models, following the introduction of the 8 kg and 9 kg models. The Vestel Pyrojet washing machine family is the world record holder, using 70% less energy than A+++ rated products in the 8 kg and 9 kg range, and 60% less energy than A+++ rated products in the 7 kg and 10 kg range. In addition, all models have reached record levels for water saving.

- The Vestel Ekomaks dishwasher consumes 20% less energy than the A+++ energy class models, and is a world record holder in this field.
- Pyrojet and Ekomaks obtained approval from the German Electrical, Electronic and Information Technologies Association (VDE) in recognition of their energy efficiency.
- The Vestel built-in oven with A++ energy efficiency is the most efficient product in its class.
- The Eco Time mode incorporated in Vestel's new generation washing machines and dishwashers allow program start times to be set, enabling machines to operate outside peak times to take advantage of lower electricity tariffs.
- The Vestel French Door refrigerator with A+++ energy efficiency is the most efficient product in its class.
- The Vestel 70 cm combi refrigerator consumes 35% less energy than the products in the A+++ energy class.
- Dishwashers with a capacity for 14 place settings, which can complete a wash using just 5.4 liters of water, and washing machines which consume 4.4 liters of water per kilogram are the most eco-friendly products in their segments offering the least amount of water consumption.
- Vestel Beyaz Eşya produces air conditioning units boasting A +++ energy efficiency.
- Vestel Beyaz Eşya's mechanically-controlled built-in and free standing ovens with A + energy rating allow consumers to buy products with a higher energy class in the mid-segment, being the first of its kind in the world.

The Vestel Pyrojet washing machine product family was expanded with the 7 kg and 10 kg models, following the introduction of the 8 kg and 9 kg models.

ENVIRONMENTAL POLICY

Under its Environmental Policy Vestel Beyaz Eşya is committed to the following:

- To carry out work to reduce, reuse, recycle and recover waste,
- To ensure savings in the use of energy, water and natural resources by increasing efficiency and by encouraging the use of new technology,
- To reduce the consumption of natural resources by using recyclable materials,
- To reduce environmental pollution to the lowest possible level by raising environmental awareness among all employees through training programs,
- To investigate and implement methods to reduce greenhouse gas emissions,
- To develop projects which will reduce water consumption, providing water savings,
- To ensure continuous improvement in terms of environmental protection, to prevent pollution and to comply with the related environmental legislation and administrative regulations in effect,
- To take consideration of environmental factors in the evaluation of new products, projects and operations, to reduce the use of hazardous substances in product design and production processes in accordance with the relevant European Union Directives (RoHS, Reach etc.) and domestic legislation, and to research the use of less polluting substances and, consequently, to limit the use of six heavy metals such as lead, mercury, cadmium, chromium+6, PBB and PBDE in its products, which present a threat to life and the environment,
- To comply with the requirements of the TS EN ISO 14001 Environmental Management System standards, to effectively implement these standards by continuously reviewing them and to integrate them with other management systems and to allocate adequate and appropriate resources in this way,
- To continuously develop its Environmental Policy in line with the new objectives and targets determined each year.

Vestel Beyaz Eşya has not used solder, which contains lead, in the electronic cards or the electrical components of its products for many years. The Company ensures that the gases used in its refrigerators are ozone friendly.

> Vestel Beyaz Eşya aims to reduce the ratio of its carbon emissions to turnover by 15% by 2022.

In addition, the Company manufactures all of its products in accordance with the Restriction of Hazardous Substances Directive (RoHSDirect), which limits the use of six heavy metals that present a threat to life and environment.

Moreover, when procuring raw materials, Vestel Beyaz Eşya pursues the principle of "reuse" for the use of nylon and separators in addition to the use of smart box, thereby reducing its packaging waste and minimizing the environmental impact of packaging.

These activities are carried out by the HSE (Health, Safety and Environment) Committee established within the Company. The Management Systems and Customer Relations Manager undertakes the task of the Committee Chairman as Vestel Beyaz Eşya's Environmental Management Representative.

Vestel Beyaz Eşya is committed to reducing its negative impacts on the environment in every area.

In this context, the Company aims to reduce the ratio of its carbon emissions to its turnover by 15% by 2022.

CONSERVATION OF BIODIVERSITY

Vestel Beyaz Eşya's production facilities are located within the borders of the Manisa Organized Industrial Zone (MOIZ) in Manisa. Organized Industrial Zones are special regions established by clustering industrial facilities together in order to ensure industrial effectiveness and organized settlement in the city.

As Vestel Beyaz Eşya is operating in an OIZ, and its impact area, comprising the 2 km space surrounding its operational area, consists of entirely industrial areas; no flora-fauna studies have been conducted. The Company commits to comply with the Environmental Law No. 2872 on measures to be taken for flora and fauna and the regulations issued in accordance with this law.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

The Gediz River, which is the second largest river in the Aegean region, Nif Creek and the Karaçay Stream pass through the area affected by Vestel Beyaz Eşya. The three watercourses are sufficiently distant from the Company's facilities and there are no lakes within the Company's area of impact. There is a water collection basin in Muradiye, which located 15 km from Vestel Beyaz Eşya's activity area.

There are no living species, which bear importance for scientific research and/or are endangered or at risk of being endangered, habitats of species only native to our country, biosphere reserves, biotopes, biogenetic reserve areas or geological and geomorphological formations with unique features in Vestel Beyaz Eşya's activity area.

As a result of previous studies conducted in accordance with the "Bern Convention", it was determined that there are no protected species and no endangered species of flora in the activity area of the Company.

Vestel Beyaz Eşya has adopted an effective Energy and Climate Change Policy to tackle climate change.

COMBATING CLIMATE CHANGE

Climate change is one of the greatest threats facing our planet. Vestel Beyaz Eşya has adopted an effective Energy and Climate Change Policy to tackle climate change. Based on a combination of low-carbon technologies and energy resources and progressing with clear steps towards being a climate friendly company, Vestel Beyaz Eşya goes to great lengths to participate in activities related to climate change in order to emphasize its commitment on this issue and set an example to its stakeholders.

Vestel Beyaz Eşya participated in the "Climate Change CEO Perception Survey: Response of the Turkish Business Leaders to Climate Change Project" which was conducted by the Regional Environmental Center (REC) Turkey and supported by the German Embassy. Vestel Beyaz Eşya participated in the meeting, which was held on 6 December 2016 to share the general assessments of the United Nations Conference of the Parties on Climate Change (COP 22) and the results of the project with the public. The meeting took place with the participation of about 150 people representing public institutions and organizations, local governments, international companies, NGOs, academia and the media.

In its" Statement on Combating Climate Change" submitted to the survey, Vestel Beyaz Eşya commits to:

- Make environmental protection a priority at all levels of the Company by deploying technologies which will ensure less pollution during production, and
- Manufacture environmentally-friendly products, which are highly energy efficient, consume less water and have lower carbon emissions and comply with the legal requirements in the process of combating climate change.

In 2017, Vestel Beyaz Eşya received a B rating from the CDP Water and CDP Carbon Programs. In 2018, when an overall decrease was observed in the ratings, the Company's carbon rating stood at C, and the water rating at B-. Vestel Beyaz Eşya is one of the top 20 companies among the 125 companies which are included in the rating ranking.

Vestel Beyaz Eşya reduced its total carbon footprint by 3% thanks to the projects realized in 2017, while the ratio of its carbon footprint to turnover (kg of CO_2 /TL turnover) decreased by 23%.

CARBON FOOTPRINT

Greenhouse gases are gases which absorb energy in infrared wavelengths and trap heat in the atmosphere. Greenhouse gases prevent energy in infrared wavelengths from returning to the atmosphere, which causes an increase in atmospheric temperature, resulting in global warming and thus, climate change.

The Carbon Footprint is a measure of the environmental impact of human activities in terms of the amount of greenhouse gases produced, measured in units of carbon dioxide.

Vestel Beyaz Eşya's Carbon Footprint Report was prepared in accordance with the GHG (Greenhouse Gas) Protocol Standard and the ISO 16064-1 Standard. Carbon footprint study limits are determined within the scope of the "Control Approach" methodology. Sources of greenhouse gas emissions were calculated in detail within the defined system limits in terms of Scope 1 Direct Emissions, Scope 2 Indirect Emissions and Scope 3 Other Indirect Emissions.

According to the calculations carried out, 20% of the Company's total carbon footprint consists of direct emissions included in Scope 1, 2% consists of other indirect emissions included in Scope 3, which result from business trips, transportation and vehicle use, and the remaining 78% is derived from indirect emissions included in Scope 2, which result from the use of electricity and heating.

As in 2016, Vestel Beyaz Eşya calculated its carbon footprint for 2017 on an institutional basis in accordance with the ISO 14064-1: 2006 Standard. Upon approval of this calculation by Rina, an accredited organization, the Company successfully completed the "ISO 14064-1 GHG Emissions Verification and Validation" process. Based on the measurements conducted in 2018, Vestel Beyaz Eşya was found to have reduced its total carbon footprint by 3% thanks to the projects realized in 2017, while the ratio of its carbon footprint to turnover (kg of CO_2 /TL turnover) decreased by 23%.

Vestel Beyaz Eşya is committed to ensuring the continuity of its greenhouse gas monitoring and environmental approach through the improvement efforts it will carry out each year.

VESTEL BEYAZ EŞYA BECOMES A LOW CARBON HERO.

Vestel Beyaz Eşya broke its own record in the sector by preventing 1,765,529 kg of carbon emissions through the "Carbon Management through Energy Efficiency at the Auxiliary Facilities" project realized in 2017. With this project, it won the Low Carbon Hero Award in the 2018 Low Carbon Hero Awards, which is handed out by the Sustainable Production and Consumption Association (SÜT-D). Vestel Beyaz Eşya continues its efforts to ensure the sustainability of its projects on carbon management.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

INTEGRATED WASTE MANAGEMENT

The Integrated Waste Management System established by Vestel Beyaz Eşya is aimed at minimizing the environmental and economic impacts of the waste generated during its disposal. The most straightforward way of achieving this goal is to increase the efficiency of resource utilization and ensure a reduction in the amount of waste. Integrated Waste Management can be defined as the selection and application of appropriate methods, technologies and management programs to achieve a specific waste management objective. The Integrated Waste Management System also covers the fulfillment of the provisions stipulated by the relevant legislation. Vestel Beyaz Eşya categorizes the waste it produces and sends the waste to licensed recycling and disposal facilities, separating the waste at source in accordance with legal regulations.

As a result of the waste management system implemented and the R&D studies conducted, Vestel Beyaz Eşya achieved a 95% reduction in the generation of hazardous wastes per unit product in the last 5 years and a 15% reduction in non-hazardous wastes per unit product in the last year. As a result of the recycling policy, waste paper was recovered, effectively saving 62,851 trees from being felled in the last year.

Vestel Beyaz Eşya's "Waste Management System" Project was awarded in the "Waste Management System and Applications" category at the Green Dot Industry Awards held by the ÇEVKO (Environmental Protection and Reuse of Packaging Waste) Foundation in 2018. The "Styrofoam Weight and Density Reduction" Project, representing the culmination of R&D studies carried out to reduce waste at the source, was awarded in the category of "Prevention Applications by Reducing Resources in Packaging Design".

THE FIRST TURKISH COMPANY TO BE AWARDED THE ISO 50001 ENERGY MANAGEMENT SYSTEM CERTIFICATE

Vestel Beyaz Eşya became the first Turkish company to obtain the ISO 50001 Energy Management System Certificate in the sector as a result of its efforts to protect the environment, reduce greenhouse gas emissions, use resources effectively and reduce energy costs. In order to manage energy consumption under a systematic approach, Vestel Beyaz Eşya integrated its business processes with other management systems, particularly the Environmental Management System, and was thereby deemed eligible for the award of the certificate by the Turkish Standards Institute (TSE).

THE ENVIRONMENT AND ENERGY MANAGEMENT

Vestel Beyaz Eşya realizes its production activities in all its plants by taking into consideration the environmental impact at every step from the first stage of the production to the delivery of products to consumers. Vestel Beyaz Eşya has held the ISO 14001 Environmental Management System Certificate since 2010, which is an international standard that defines the process of monitoring and improving environmental performance. The Company was also deemed eligible for the TSE- ISO- EN 14001:2015 Certificate.

With energy becoming increasingly important in today's world, the Company's Energy Policy targets the effective use of resources and reduction of greenhouse gas emissions. Having established the necessary processes and systems to improve energy efficiency, Vestel Beyaz Eşya realizes the implementation and sustainability of these processes and systems for all energy types in an integrated manner with the ISO 50001 Energy Management System Standard, which has been implemented since 2012.

ENERGY EFFICIENCY

Within the scope of the projects for the implementation of the "Efficiency Increasing Projects in Industrial Enterprises" supported by the Republic of Turkey Ministry of Energy and NaturalResources, Vestel Beyaz Eşya signed a support contract with the Ministry for the Efficiency in Lighting, Increasing Energy Efficiency in Compressors and Using Electric Air Guns instead of Compressed Air Guns projects, and also applied for three new projects.

The Efficiency in Lighting Project covers the replacement of 1,110 low efficiency fixtures with more efficient LED fixtures in the Refrigerator Plant. It is estimated that the project will achieve electrical energy savings amounting to a total of 447,550.272 kWh per year. The project was successfully completed in 2018.

The Project for Increasing Efficiency in Vacuum Pumps is aimed at replacing vacuum pumps in the thermoforming machines in the Refrigerator Plant with high efficiency vacuum pumps with inverters by centralizing them. The project is expected to save 393,569.28 kWh of electrical energy annually. Work on the project has been initiated and the project is planned to be completed in the first months of 2019.

The Project for Increasing Efficiency in Asynchronous Engines involves the replacement of a total of 29 low efficiency asynchronous engines in the relevant areas of the Refrigerator, Washing Machine, Cooking Appliances and Air Conditioner Plants with the IE3 engine, which has the same power but offers higher efficiency. It is estimated that the project will pave the way for total annual savings of 114,208.44 kWh of electricity. The project was successfully completed in 2018.

WATER USE

Vestel Beyaz Eşya is aware that water is an indispensable source of life for living beings. Even though a large part of the world is surrounded by water resources, only 3% of these resources are drinkable or usable. In order to meet the rapidly growing requirement for water at a time when water resources are declining, efforts are carried out to develop and spread water saving models, and to utilize water through recycling.

Vestel Beyaz Eşya obtains the water it requires for its production processes from the Manisa OIZ's mains water and well water.

Despite increasing its production volume by 80% over the last 10 years, Vestel Beyaz Eşya has managed to reduce its water consumption per unit product by 57%.

Activities carried out by Vestel Beyaz Eşya to save water in 2017 achieved the following:

- Water losses of 18,250 m³/year were prevented thanks to the improvement work carried at the auxiliary facilities 2 - cooling towers chemical dosing system.
- Water losses of 105,000 m³/year were prevented as a result of the surface treatment raw water reduction process improvement study performed in the refrigerator paint shop.

Despite increasing its production volume by 80% over the last 10 years, Vestel Beyaz Eşya has managed to reduce its water consumption per unit product by 57%.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

VESTEL BEYAZ EŞYA HAD ITS WATER FOOTPRINT VALIDATED IN LINE WITH THE ISO 14046 WATER FOOT PRINT STANDARD, IN THE FIRST SUCH UNDERTAKING IN TURKEY'S WHITE GOODS SECTOR.

The Water Footprint is measured by the amount of water used in unit time (including evaporation) or the amount of water polluted. The concept of a footprint in water is an important tool for determining the amount of water consumed during the process from the production of each good and service up until their consumption.

Aware of the importance of using the right amount of water for a sustainable future, Vestel Beyaz Eşya calculated its water footprint for 2017 on an institutional basis in accordance with the ISO 14046 Water Footprint Standard. It was approved by Rina, an accredited organization, and thus the Company became eligible to obtain the ISO 14046 Water Footprint Verification Certificate.

In 2017, Vestel Beyaz Eşya succeeded in reducing its water consumption per unit product by 7% and continued to lead the sector with the ISO 14046 Water Footprint verification.

Thus, the Company successfully completed the "ISO 14046 Water Footprint" verification process, having already completed the "ISO 14064: 3 Greenhouse Gas Emissions Verification and Validation" process.

TOTAL PRODUCTIVE MAINTENANCE (TPM)

Vestel Beyaz Eşya has been successfully implementing the Total Productive Maintenance (TPM) Management System since 2011, thus progressing towards its improvement targets each year. The TPM offers an approach which targets zero losses in all production and support processes, requires the involvement of all employees, supports a proactive approach and strives to maximize equipment effectiveness. By adopting this approach, continuous improvement activities are carried out in all areas of the Company. Moreover, environmental work is also reinforced by the TPM activities. The Company's achievements under the TPM System approach can be listed as follows:

- Maintaining an orderly organization through 5S methodology, tackling pollution and sources of pollution,
- Improvement activities carried out in all processes and reduction of losses through the Kaizen approach,
- Saving energy and raw materials and reducing the incidence of breakdowns and scatter through the autonomous maintenance approach,
- Reduction of scrap and rework, thus reducing waste,
- Continuous improvement activities to increase efficiency and quality.

Vestel Beyaz Eşya, which won the "TPM Excellence Award" in 2014 in recognition of the successful TPM work carried out in its refrigerator, washing machine, dishwasher, air conditioner-water heater and cooking appliances plants, was awarded the "Award for Excellence in Consistent TPM Commitment" in 2017 after achieving

Vestel Beyaz Eşya has been successfully implementing the Total Productive Maintenance (TPM) Management System, thus progressing towards its improvement targets each year.

further improvement in all of its processes. With this success, Vestel Beyaz Eşya has become the first and only company in the white goods sector in the world to obtain this award with 6 different product families in 6 different plants at the same time.

SOCIAL CONTRIBUTION ACTIVITIES AT VESTEL BEYAZ EŞYA

Viewing its duty to act with an awareness of social responsibility in all of its activities as one of the fundamental and unchangeable elements of its management approach, Vestel Beyaz Eşya carries out social activities and develops projects which benefit the community.

A wide array of projects are implemented at Vestel Group with sensitivity shown especially to disabled citizens at every opportunity. In this context,

- Within the scope of the Equal Opportunity Project, which has been carried out since 2015, the number of disabled people working at the Vestel Group of Companies has reached 411 with the employment of 41 disabled individuals at Vestel in 2018, 23 of which were in Vestel Beyaz Eşya.
- Within the scope of social responsibility and waste management efforts, 14 manual and 5 battery-powered wheelchairs were delivered to those who needed them in 2018, funded through the plastic lid collection campaign carried out within the Company.
- Vestel Beyaz Eşya employed 10 mentally handicapped staff in 2017 within the scope of the ZEKI Project (Mentally Handicapped Protected Workplace) implemented by the Manisa OIZ, and this number was also maintained in 2018.
- With the "Accessibility Project" initiated by Vestel to improve accessibility for the disabled individuals in every area, from its products and factories to its customer services and stores, Vestel aims to undertake the transformation which will make life easier for people from all walks of life. The Accessibility Project, which is carried out as a 360-degree project, aims to ensure that all products manufactured by Vestel, all working environments including the plants and all the communication channels of the company can be accessed easily by the disabled individuals. Within the scope of the project, household appliances manufactured by Vestel Beyaz Eşya became easily usable by the visually impaired thanks to the service kits prepared with the Braille alphabet placed on the control panels of the products. Under the "Accessibility Project", user manuals in audio form and promotional videos described by voice were prepared and a visual call center for the hearing impaired was established.

Vestel Beyaz Eşya additionally carried out a number of social responsibility activities in different areas in 2018.

Cancer Screening

A total of 2 weeks of screening work was carried out for female employees to mark Cancer Week between 1-7 April. Approximately 240 female employees applied to undergo screening and 144 female employees received the HPV screening.

Walking Frame Project for Disabled Animals

Parts separated from products whose service life had ended and were brought to the Vestel Beyaz Eşya Renewal Center were used to make support frames for disabled animals, instead of sending them for scrap. Thus, the disabled animals in the Manisa Animal Shelter had the chance to move around.

The project, carried out with the Manisa Metropolitan Municipality, is aimed at making walking frames for disabled animals in Manisa Region in the first 6 months while in the following period, target is to make walking frames for approximately 250 disabled animals in the official shelters under all municipalities across the country.

Mobile Library Application

As in 2017, the mobile library of the Manisa Provincial Public Library continued to conduct visits to Vestel Beyaz Eşya at 15-day intervals throughout 2018 and provide services for borrowed books. The mobile library, which includes over 1,000 books, allows employees of Vestel Beyaz Eşya to borrow books for themselves and their children. Thanks to this facility, both Company employees and their families can access the books they want easily, free of charge.

Traditional Kaizen Days at Vestel Beyaz Eşya

During Kaizen Days, which have now become a regular event at Vestel Beyaz Eşya, the best kaizens carried out at the Company are presented by team members. The team members receive appreciation and awards from the General Manager and the plant and department managers. Held for the 13th time with great enthusiasm in 2018, the event attracting wide participation is carried out every four months, where team spirit and leadership is developed, in turn increasing awareness and synergy for improvement activities.

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

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

GENERAL INFORMATION

Reporting Period:	01.01.2018 - 31.12.2018
Legal Name:	Vestel Beyaz Eşya Sanayi ve Ticaret AŞ
Trade Registry Information:	Istanbul Trade Registry Office, No: 380814
Registered Capital Ceiling:	-
Paid-in/Issued Capital:	TL 190,000,000
Contact Information for the Headquarters and Branches:	**Head Office:** Levent 199 Büyükdere Cad. No:199 34394 Şişli/ISTANBUL Phone: (0212) 456 22 00 **Branch 1:** Organized Industrial Zone, 45030, MANISA Tel: (0236) 233 01 31 **Branch 2**: Keçiliköy OSB Mah. 5639 Sok. No:17/2/12 Yunusemre/MANISA Phone: (0236) 226 30 00
Company Website:	www.vestel.com.tr
Investor Relations Website:	http://vesbe.vestelyatirimciiliskileri.com

Shareholding Structure and Capital Distribution

As of 31.12.2018, the Company's shareholding structure is as follows:

Shareholders	Nominal Value of Shares (TL)	Share in Capital (%)
Vestel Elektronik Sanayi ve Ticaret AŞ	180,833,943	95.18
Other (Free Float)	9,166,057	4.82
Total	**190,000,000**	**100.0**

As of 31.12.2018, the Company has 59,800,000 of shares (31.5% of the share capital) that can be traded on Borsa Istanbul.

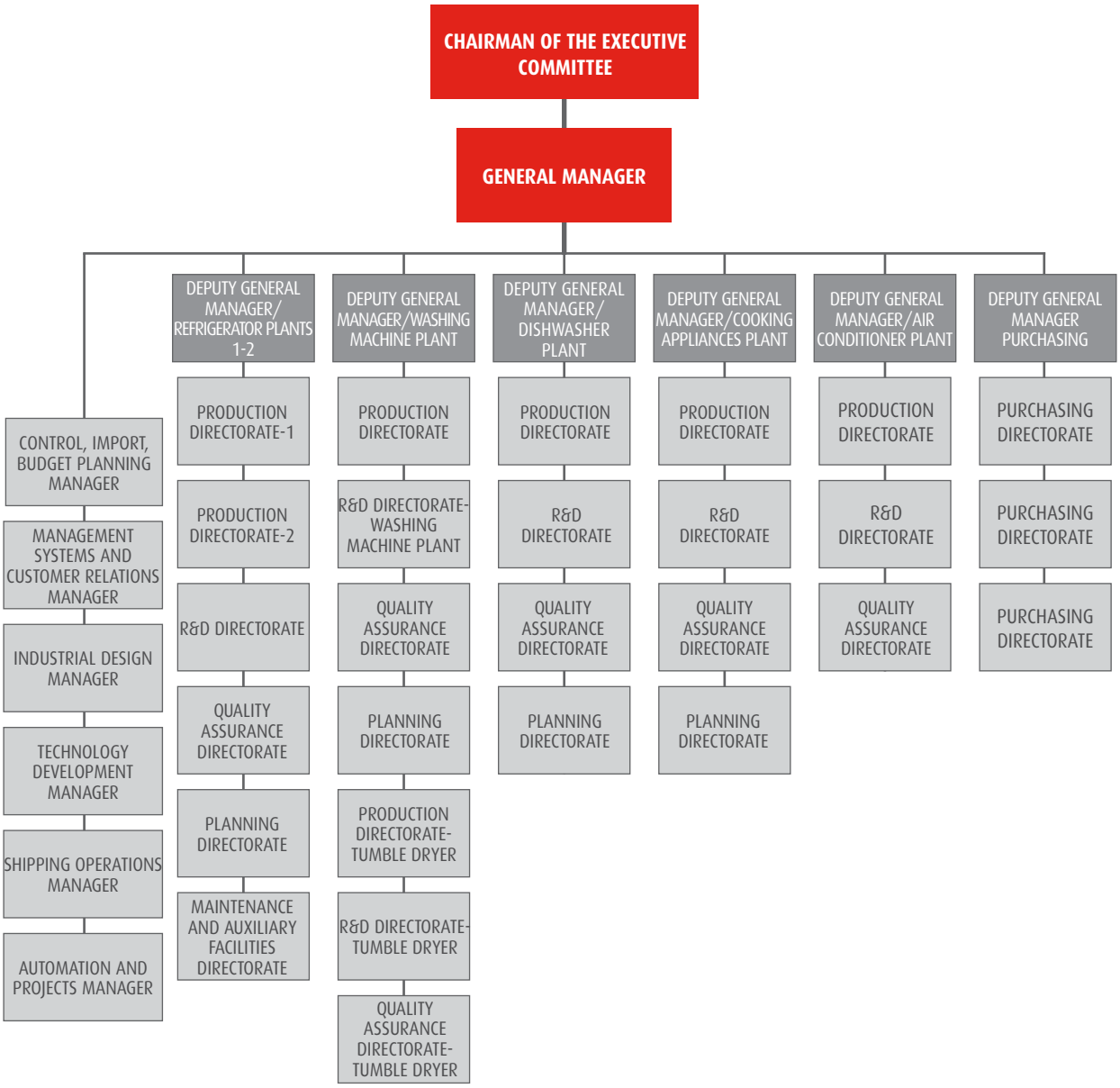
Vestel Elektronik Sanayi ve Ticaret AŞ increased its share in the Company from 94.62% to 95.18% via share purchases carried out on Borsa Istanbul in 2018.

Privileged Shares and Voting Rights of Shares

There are no privileged shares in the Company.

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

Organization Chart of Vestel Beyaz Eşya



During 2018, the Executive Committee member in charge of the White Goods operations of the Vestel Group of Companies, resigned from his post due to retirement. Within the scope of the re-organization efforts aimed at reducing the hierarchical levels in management, the position was eliminated and no new appointment was made for the afore-mentioned vacancy.

The Quality Assurance Directorate was established during the year for the new tumble dryer product group, which the Company started to produce for the first time in 2018.

The Board of Directors

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

The Board members elected at the 2017 Annual General Meeting held on 9 May 2018 and who have executed their duty during the period, and their tenure are listed in the table below.

Member	Duty	Term of Office		Other Positions Held Within Zorlu Group	Positions Held Outside the Zorlu Group	Status
		Beginning Date	Ending Date			
Ahmet Nazif Zorlu	Chairman	May 9, 2018	Until 2018 Ordinary General Assembly Meeting	Chairman and Vice Chairman at Zorlu Group Companies	-	Non-executive
Elmas Melih Araz	Vice Chairman	May 9, 2018	Until 2018 Ordinary General Assembly Meeting	Board Member at Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ	Board Member at Ata Yatırım Menkul Kıymetler AŞ, Ata Gayrimenkul Yatırım Ortaklığı AŞ, TFI Tab Gıda Yatırımları AŞ, Burger King China JV Ltd. Izmir Enternasyonel Otelcilik AŞ and Entegre Harç Sanayi ve Ticaret AŞ	Independent
Olgun Zorlu	Board Member	May 9, 2018	Until 2018 Ordinary General Assembly Meeting	Board Member at Zorlu Group Companies	-	Non-executive
Şule Cümbüş	Board Member	May 9, 2018	Until 2018 Ordinary General Assembly Meeting	-	Chairperson at Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ	Non-executive
İzzet Güvenir	Board Member	May 9, 2018	Until 2018 Ordinary General Assembly Meeting	-	-	Non-executive
Bekir Ağırdır	Board Member	May 9, 2018	Until 2018 Ordinary General Assembly Meeting	Vice Chairman at Vestel Elektronik Sanayi ve Ticaret AŞ and Board Member at Zorlu Enerji Elektrik Üretim AŞ	General Manager and Board Member at KONDA Araştırma ve Danışmanlık Limited Şirketi	Independent
Ayşegül İldeniz	Board Member	May 9, 2018	Until 2018 Ordinary General Assembly Meeting	Board Member at Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ	COO at Silver Spring Networks and Board Member at Eczacıbaşı Holding AŞ	Independent

Changes made to the Board of Directors in the Reporting Period

At the 2017 Annual General Meeting held on 9 May 2018, Elmas Melih Araz, Ayşegül İldeniz and Bekir Ağırdır were elected to replace the former Independent Board Members, Ali Akın Tarı and Hacı Ahmet Kılıçoğlu, whose term of office has ended.

Duties and Authorities of the Members of the Board of Directors

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

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

Board of Directors convened 29 times in 2018. The members of the Board of Directors attended the meetings to a large extent regularly and the attendance rate to the meetings stood at 89.14%.

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

Senior Management

Name Surname	Job Title
Enis Turan Erdoğan	Chairman of the Executive Committee
Bekir Cem Köksal	Executive Committee Member
Necmi Kavuşturan	Executive Committee Member
Erdal Haspolat	General Manager
Alp Dayı	Chief Financial Officer of the Vestel Group of Companies
Osman Alkın	Deputy General Manager in Charge of the Refrigerator Plants
Özgür Yılmaz	Deputy General Manager in Charge of the Washing Machine and Tumble Dryer Plants
Serhat Tolga Sönmez	Deputy General Manager in Charge of the Dishwasher Plant
Mehmet Yavuz	Deputy General Manager in Charge of the Cooking Appliances Plant
Hakan Akıncı	Deputy General Manager in Charge of the Air Conditioner and Water Heater Plant
Kemal Özgür	Deputy General Manager in Charge of the Purchasing Department

Changes made to the Senior Management during the year
İhsaner Alkım, Ahmet Süha Erol and Nedim Sezer, who were members of the Executive Committee of the Vestel Group of Companies, which comprised 6 members in total, resigned from their posts due to retirement with effect from 1 January 2018 and no new appointments were made for the vacant positions.

Number of Employees
As of 31.12.2018, Vestel Beyaz Eşya has 7,401 employees.

Transactions of Board Members conducted with the Company on behalf of themselves or of a third party and their activities under the Prohibition of Competition
In the Annual General Meeting held on 9 May 2018, the members of the Board of Directors were given permission for the year 2018 to carry out transactions in accordance with the Articles 395 and 396 of the Turkish Commercial Code. The Board members did not take any action under this scope during the year.

Personnel and Labor Movements and Collective Bargaining Practices and the Rights and Benefits provided to Employees
The Company does not employ any personnel working under the Collective Bargaining Agreement. All employee rights and interests are protected and overseen under the Labor Law No. 4857.

Amendments to the Articles of Association
No changes were made to the Company's Articles of Association during the reporting period.

COMPENSATION AND MONETARY BENEFITS PROVIDED TO BOARD MEMBERS AND SENIOR MANAGERS

At the Company's 2017 Annual General Meeting held on 9 May 2018, the decision was taken to pay an annual gross salary of TL 135,000 to each Board member for the year 2018.

In the twelve-month period ending on 31.12.2018, the total compensation and monetary benefits provided to the members of the Board of Directors and senior managers amounted to TL 6,067,000 in total.

ACTIVITIES OF THE COMPANY AND IMPORTANT DEVELOPMENTS REGARDING THE ACTIVITIES

Capacity and Production

Unit	Plant Enclosed Area (m^2)
Refrigerator	148,916
Washing Machine	42,327
Air Conditioner	15,000
Cooking Appliances	33,500
Dishwasher	22,680
Washing Machine and Tumble Dryer	66,061
Warehouse	74,496
Total	**402,980**

Vestel Beyaz Eşya's total capacity utilization rate (CUR) was 80% in 2018 (CUR in 2017: 84%).

The Company's new manufacturing plant in the Manisa OIZ (Organized Industrial Zone), which has an annual production capacity of 750,000 washing machines and 750,000 tumble dryers, was completed in the second quarter of 2018. The plant began producing tumble dryers from May and washing machines from the end of June.

In 2018, the production capacity of the dishwasher plant was doubled from 900,000 units per year to 1,800,000 units per year with the new production line and machinery investments made during the year.

Production

The Company's production volume increased by 7% YoY in 2018.

Sales

Vestel Beyaz Eşya recorded TL 5,704 million of gross revenues in 2018, of which TL 4,478 million comprised of export revenues. 59% of total revenues were generated from sales to European countries, 22% from domestic market and 20% from sales to other countries.

Net sales grew by 48% in TL terms while unit sales increased by 10% compared to the previous year.

Investments and Investment Incentives

The Company's total capital expenditures reached USD 119.6 million in 2018. Machinery and equipment investments accounted for the highest portion with a 45% share, while mold investments had a 33% share and research and development activities, an 8% share in total capital expenditures.

The investment for the new washing machine and tumble dryer plant, which was announced to the public with the material event disclosures dated 29.11.2016 and 27.12.2016, was completed in the second quarter of 2018 and the plant began operations as of May.

As per the "Council of Ministers' Decree on State Aids in Investments" No. 2012/3305, Vestel Beyaz Eşya benefits from a number of investment incentives such as customs duty exemption, VAT exemption, tax deduction and insurance premium support in relation to the afore-mentioned investment.

Information on Direct and Indirect Subsidiaries and Ownership Interests

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

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

Information on the Company's acquisition of its own shares
During the 2018 fiscal period, the Company did not acquire its own shares.

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

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ was selected as the independent auditor for auditing the Company's accounts and transactions for the fiscal year 2018 in accordance with the Capital Market Law, the Turkish Commercial Code and the related legislation, in the Annual General Meeting held on 9 May 2018.

Information on Legal Action taken against the Company which could affect the Company's Financial Status and Activities and the Possible Consequences of such Legal Action
No material lawsuit, which could affect the financial status and activities of the Company, was filed against the Company in 2018.

Administrative or Judicial Sanctions imposed against the Company or the Board Members due to Practices Violating the Legislation
There are no administrative or judicial sanctions applied against the Company or the members of the Board of Directors.

General Assembly Meetings
The Company achieved the targets set in the previous periods. The decisions taken in the Company's Annual General Meeting held on 9 May 2018 were implemented.

No Extraordinary General Assembly Meeting was held during the year.

Donations and Social Responsibility Projects
In 2018, the total donations made in line with the Company's Donation and Charity Policy amounted to TL 7,028,000.

Conclusion Section of the Affiliation Report Prepared Pursuant to the Article 199 of the Turkish Commercial Code
In accordance with the provisions of the Turkish Commercial Code (TCC), Vestel Beyaz Eşya was an affiliated company of Zorlu Holding AŞ during the fiscal year 2018. Pursuant to the Article 199 of the Turkish Commercial Code, the Company's Board of Directors issued the following declaration in its affiliation report, which was prepared regarding the Company's relationship with the controlling company or an affiliated company of the controlling company:

"During 2018, our Company did not enter into any legal transaction on behalf of Zorlu Holding AŞ or its affiliates or did not take or avoid any measures to benefit Zorlu Holding AŞ or its affiliates under the direction of Zorlu Holding AŞ".

Information on Transactions
There were no transactions within this scope.

FINANCIAL POSITION

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

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

Information on Capital Market Instruments Issued

No new capital market instrument was issued by the Company in 2018.

Dividend Distribution Policy

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

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

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

OTHER MATTERS

Information on Conflicts of Interest between the Company and the Institutions from which the Company obtains investment consultancy, rating and similar services, and the measures taken to prevent such conflicts of interest

None.

Information on Legislative Changes that could have a significant impact on the Company's activities

There were no legislative changes in 2018 that could significantly affect the Company's activities.

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

None.

Required Information on Related Party Transactions and Balances

The required information concerning the Company's related party transactions are provided in the footnotes of the 2018 financial statements.

CORPORATE GOVERNANCE

Risk Management

Founded in 2012, Zorlu Holding's Enterprise Risk Management Department is responsible for the early detection of risks which could jeopardize the existence, development and continuity of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ("Vestel Beyaz Eşya" or "the Company"), implementation of necessary measures against detected risks and the management of risks in a centralized structure. In this regard, the Zorlu Holding Risk Policy and Procedure and Enterprise Risk Management Framework were established to govern all Zorlu Group companies.

Zorlu Holding Enterprise Risk Management Policy is summarized below:

Goal Setting	• Embedding risk management principles into strategic planning and goal setting processes • Aligning the strategy and goals set with the Company's risk appetite
Risk Definition	• Identifying the risks and opportunities which may affect the Company's goals with the participation of the entire organization in a coordinated manner and within the framework of a shared perception
Risk Assessment and Inherent Risk	• Assessing the probability of risks and their impact on the Company in case of their occurrence • Determining the value of risk before the actions taken and control activities, i.e. inherent risk
Determining Actions	• Addressing the risks in the most appropriate way (Accepting the Risk, Transferring the Risk, Mitigating the Risk, Avoiding the Risk) by taking into consideration the risk appetite and cost/benefit factors • Determining actions in line with the responses identified and managing the risks proactively
Residual Risk and Action Plan Follow-up	• Determining the value of risk after the actions taken, i.e. residual risk • Monitoring the completion process of the activities specified in action plans
Reporting and Communication of Risks	• Prioritizing the revealed risks and tracking them using the Key Risk Indicators • Measuring and reporting the key risk indicators which give warnings and all other risks taking into consideration the control points • Sharing all activities transparently and ensuring that risk management process is integrated into the decision-making mechanisms with the establishment of a culture of risk awareness across the entire organization

CONTINUOUS MONITORING

CORPORATE GOVERNANCE

Vestel Beyaz Eşya's Early Detection of Risk Committee, which was established on 15 March 2013 pursuant to the Article 378 of the Turkish Commercial Code, undertakes studies for the early detection of risks which could jeopardize the existence, development and continuity of the Company, implementation of the necessary actions and remedies and managing the risks in a coordinated manner. During 2018, Enterprise Risk Management Department submitted 6 risk reports to the Early Detection of Risk Committee to support the Committee in the effective supervision of the enterprise risk management processes, and the reports were presented to the Board of Directors following the review of the Committee. The headings of the risk reports submitted to the Committee and the Board of Directors are listed below:

- Forecasts and Expectations for 2018
- General Economic Outlook in Light of Financial Data
- Global Trade Wars
- Financial and Economic Indicators with a Negative Trajectory
- Risk Factors in the Economic Crisis Period
- Risks in the White Goods and Consumer Electronics Sectors in 2018

Prepared as an output of the risk report named "The Risks in the White Goods and Consumer Electronics Sectors in 2018", the White Goods and Consumer Electronics Sector Risks Survey (2018), in which the impacts/probabilities of risks are evaluated, was shared initially with the senior management in order to manage risks under a common approach.

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

Strategic Risks

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

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

The following actions are taken against these risks:

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

Sector Related Risks

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

- Vestel Beyaz Eşya uses its best efforts to mitigate the negative impact of such risks by diversifying its areas of operation.

Financial Risks

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

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

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

The following actions are taken against these risks:

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

CORPORATE GOVERNANCE

Operational Risks

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

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

The following actions are taken against these risks:

- Supervision of all operational activities by the Internal Audit, Financial Audit and Tax Audit Departments set up under the Holding organization,
- Oversight by Zorlu Holding Enterprise Risk Management Department of the operational risks deemed significant via key risk indicators through the IT system and informing the related business units on risk levels, when necessary,
- Measuring, reporting and monitoring of customer satisfaction in relation to products and service network,
- Regularly providing compulsory training programs on occupational health and safety to all Zorlu Holding employees in accordance with the related regulations,
- Centralized follow-up of recommendations proposed by the insurance companies to Group companies subsequent to risk inspections,
- Following-up the policies and procedures for compliance with the legally defined standards in relation to environmental health, stakeholder safety and stakeholder health,
- Monitoring and keeping records of repair and maintenance of plant and machinery,
- Making commitments in relation to compliance with various principles such as human rights, environment, society, ethics, anti-corruption, etc. through the United Nations Global Compact.

Reputation Risk

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

The following actions are taken against these risks:

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

External Risks

External risks refer to the presence of external factors which may affect the continuity of the Company's business model and the core values which drive the overall targets and strategies.

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

The following actions are taken against these risks:

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

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

List of Primary Insurances Purchased

1. Fire, Machinery Breakdown and Loss of Profit
2. Employer's Liability
3. Directors and Officers (D&O) Liability
4. Professional Indemnity
5. Third Party Liability
6. Product Liability
7. Credit Insurance
8. Marine/Cargo
9. Fidelity Guarantee, Cash in Transit and Cash in Safe
10. Hazardous Materials
11. Personal Accident
12. Construction/Installation

CORPORATE GOVERNANCE

INTERNAL AUDIT ACTIVITIES AND INTERNAL CONTROL SYSTEM

The General Directorate of Internal Audit and Its Activities

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

In addition to the Internal Audit Department, Financial Audit and Tax Audit Departments were established in 2011 in order to perform financial audits across all Group companies, which commenced their activities in 2012. In the last quarter of 2013, the Internal Audit and Financial and Tax Audit Departments were gathered under the umbrella of Zorlu Holding General Directorate of Audit and Internal Control. In accordance with the changing needs of Zorlu Group, the Tax Audit Department was restructured as Tax Audit Directorate as of 1 December 2015 while the Internal Audit Department was restructured into two distinct Directorates, namely, the Internal Audit Process Oversight and Internal Audit Inspection Oversight as of 1 January 2016. Following the completion of the organizational restructuring process in the General Directorate of Audit and Internal Control for the execution of internal control activities separately in 2017, the General Directorate of Internal Control has started to carry out its activities as an independent department as of 1 January 2018.

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

Internal Audit Activities

Process audit activities are carried out in line with a board-approved, risk-based annual audit program to evaluate the effective and efficient use of resources, adherence to written rules (laws, regulations, internal policies and directives), and the accuracy, security and reliability of information. Prior to each audit, internal auditors meet with senior management for risk assessment where the risks which could jeopardize the Company's targets are positioned on a risk matrix based on their potential impact and probability of occurrence. During audit field work, tests are carried out to evaluate the effectiveness of internal controls which monitor risks with high impact and high probability of occurrence. The results of the observations are shared with the company management in the form of a draft report, and then a final report, including the feedback of the management, is sent to the senior management. As a result, the department provides consultancy services with reasonable assurance while offering best practices drawing from synergy within the Group. One month after the issue of the final report, actions taken in line with the 4T approach (Treat, Terminate, Transfer, Tolerate) are reported to the Board of Directors.

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

Zorlu Group supports and promotes Zorlu Group Internal Audit Team, which consists of 10 people, in receiving additional training to improve and enhance their existing knowledge, skills and other qualities, becoming a member of the related associations (e.g. The Institute of Internal Auditors, Turkey – TIA) and obtaining international certificates. The Internal Audit team includes 2 CIAs (Certified Internal Auditor), 2 CFEs (Certified Fraud Examiner), 1 CISA (Certified Information Systems Auditor), 2 CRMAs (Certification in Risk Management Assurance), 1 CMAAAL (CMB Level 3 License), 1 CGRL (CMB Corporate Governance Rating License), 1 DIL (CMB Derivatives License) and 1 CMB Real Estate Appraisal License.

Financial Audit and Tax Audit Activities

The Financial Audit and Tax Audit Departments have been carrying out their activities at Zorlu Group Companies since 2012. Currently, these departments have 9 and 5 employees, respectively.

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

Audit findings are reported to the Company executives and senior management. When deemed necessary, the Tax Audit Department also provides advisory services with reasonable assurance to Group companies against potential tax risks.

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

The Financial Audit Team includes 1 Certified Public Oversight Authority Licensed Auditor, 7 CPAs (Certified Public Accountant) and 1 CMAALL (CMB Level 2 License), while the Tax Audit Team includes 4 Certified Public Oversight Authority Licensed Auditors.

The General Directorate of Internal Control and its Activities

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

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

The mission of the Internal Control Department is to coordinate the development and sustainability of an internal control system at Group companies, which will function in a consistent and integrated manner towards the objectives, enable the risk management to be carried out effectively and efficiently and share and propagate the "best practices" within the Group and apply these by rolling them out in Group companies.

The Internal Control Department helps managers and employees identify the areas where processes and the internal control system need development, the steps to be taken in this regard, the implementation of the agreed actions and the monitoring of the status of the actions on a regular basis. It also guides managers and process owners on these issues. The Department also ensures that all relevant managers and employees of the Company contribute to the establishment, operation, monitoring and evaluation of the internal control system and take the necessary measures.

The Internal Control Department conducts its work with a systematic, continuous and disciplined approach by preparing a risk based internal control work plan on an annual basis. Risk-based assessments carried out by the Internal Control Department, requests from the Board of Directors and the management, findings regarding the internal control that are determined by the Internal Audit Department during audits and corporate risk maps play an important role in the formation of the internal control work plan. The annual internal control work plan is submitted to the CEO and the Board of Directors for approval and information.

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

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

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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

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

Aware of the positive contributions that adoption of the Corporate Governance Principles brings to the Company, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ continues its efforts to further improve its compliance with the Corporate Governance Principles and to comply with the non-mandatory principles that are not yet implemented. In this context, in order to further improve the Company's compliance with the non-mandatory Corporate Governance Principles, the following actions were taken in 2018:

- A Code of Ethics Hotline was established for use by the employees to inform the Company in case of any conduct or practice that is suspicious or contrary to rules.
- In the 2017 Ordinary General Assembly meeting held on 9 May 2018, two female members, one being an independent director, were elected to the Board of Directors, which is composed of seven members in total. As a result, the ratio of female directors in the Board (29%) has increased over the 25% rate stipulated in the principle no. 4.3.9 of the Corporate Governance Principles.

For the period ended on 31 December 2018, the compliance with the Corporate Governance Principles that are appended to the Corporate Governance Communiqué and the explanations with regard to the principles that have not yet been complied with are included in the Corporate Governance Compliance Report, the Corporate Governance Information Form and in other relevant sections of the annual report.

In case of a change in the Corporate Governance Compliance Report or the Corporate Governance Information Form during the reporting period, a material event disclosure will be made and the changes will also be included in the interim activity reports.

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	There were no transactions in this scope in 2018.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				A separate item on donations was included in the agenda of the General Assembly Meeting. Information on the amount of donations made and the beneficiaries is provided to shareholders at the General Assembly.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					There is no restriction on the participation of the media in the Company's General Assembly.
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	The Company has no cross-shareholding relationship which would bring a controlling relationship.
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			The scope of minority rights was not expanded in the Articles of Association. Within the framework of the CMB legislation, minority rights are granted to those who own one-twentieth of the share capital.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	The Company distributed cash dividends in 2018.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.					X	There are no individual shareholders in the Company's direct shareholding structure who are subject to the reporting obligation. Information on individual shareholders who own capital indirectly is disclosed in the Corporate Governance / Ownership Structure section of the Company website.
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				Apart from the interim activity reports, all information that may affect the investment decisions of foreign investors is available in English on the Company's Investor Relations website.
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.		X				The rights of stakeholders are regulated by the Zorlu Holding Code of Ethics which is available on the Company's website. Efforts are continuing to prepare a specific policy on stakeholder rights.
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.		X				Although there is no provision in the Articles of Association, employees are encouraged to participate in company management through internal practices. Employees may submit their suggestions, requests and opinions directly to the Human Resources Department via the "Vestel Suggestion, Complaint and Improvement System" on the Company's corporate portal, or to their managers and to those responsible for the evaluation of suggestions through the "Suggestion Module" which is available to all employees. The suggestions received from the employees are evaluated, and those suggestions deemed appropriate are turned into a project and implemented. Employees are rewarded for their contribution.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.		X				In the recruitment practices, equal opportunity is provided to all individuals and a fair and unbiased evaluation is taken as a basis. The recruitment policy for the General Manager and higher level managers is determined by Zorlu Holding AŞ, the indirect controlling shareholder of the Company. In line with the sustainability objectives for 2022 set out by Zorlu Holding AŞ, which covers all the Zorlu Group companies, projects are initiated for providing equal opportunities to employees in recruitment, promotion and backup practices.
3.3.2 - Recruitment criteria are documented.	X					

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.					X	Employees are informed by their managers of any decisions that may affect them. There is no labor union at Vestel Beyaz Eşya.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.					X	There is no collective bargaining agreement at Vestel Beyaz Eşya.
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.		X				It is stated in the annual report that the duties and authorities of the members of the Board of Directors are regulated in the Turkish Commercial Code, however, no detailed description is given in the report.
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					The Company's indirect controlling shareholder, Zorlu Holding AŞ, has acquired Directors & Officers Liability Insurance to cover the losses that may be suffered due to the misconduct of Board members in the execution of their duties. The Policy covers all the Zorlu Group companies including Vestel Beyaz Eşya. The annual insurance limit of the policy exceeds 25% of Vestel Beyaz Eşya's share capital.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			There is no policy or target for the election of female directors to the Board. However, as of 2018, the ratio of female members in the Board of Directors had reached 29% and the minimum target rate for female directors stipulated in the corporate governance principles had been achieved.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	The Board members who did not attend the Board meetings did not submit a written declaration.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.		X				There are no working principles of the Board of Directors in writing. However, the manner in which the Board of Directors operates is partly regulated in the Article 10 of the Company's Articles of Association titled the "Board Meetings and Distribution of Duties".
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				There is no restriction for the Board members to assume other duties outside the Company. The duties assumed by the members of the Board of Directors outside the Company are presented for the information of shareholders in the annual report.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Two independent members of the Board of Directors serve on more than one committee due to the number of the Board members and the committee formation requirements.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	The committees did not obtain any external consultancy services in 2018.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			There is no performance evaluation practice for the Board of Directors.
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			The remuneration of the Board members and senior managers is disclosed in the annual report collectively, while no disclosure is made on an individual basis.

CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	During the year, a total of 9 meetings were held with the investors either face to face or by phone.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	No requests were made for the appointment of a special auditor in the reporting period.
The number of special audit requests that were accepted at the General Shareholders' Meeting	None.
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/676164
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	It is presented.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no such transaction.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	There is no such transaction.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	https://www.kap.org.tr/tr/Bildirim/676574
The name of the section on the corporate website that demonstrates the donation policy of the company	Corporate Governance / Donation and Charity Policy
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/216168
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	None.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Only shareholders and employees participated in the 2017 Annual General Meeting. However, there is no restriction on the participation of stakeholders in the general assembly meetings.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	None.
The percentage of ownership of the largest shareholder	95.18%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	None.
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Stock Information / Dividend Distribution Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	-
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	-

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE INFORMATION FORM

GENERAL ASSEMBLY MEETINGS

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
09.05.2018	None.	94.6792%	0.0111%	94.6681%	Corporate Governance / General Meetings of Shareholders	Corporate Governance / General Meetings of Shareholders	None.	None.	https://www.kap.org.tr/tr/Bildirim/682295

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	The information requested in the corporate governance principle numbered 2.1.1. is available on the Company's Investor Relations website under the sections "About Us, News, Corporate Governance, Financials, Stock Information and Frequently Asked Questions".
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Corporate Governance / Ownership Structure
List of languages for which the website is available	Turkish & English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	

CORPORATE GOVERNANCE INFORMATION FORM

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

3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Corporate Governance / Employee Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	2
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Chief Audit Executive of Zorlu Holding AŞ
The contact detail of the company alert mechanism	Billur Demet Atan, billur.atan@zorlu.com, etik@zorlu.com, 0 212 456 23 23 /0 850 226 23 23 (Code of Ethics Hotline)
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	The Complaint/Wish/Request Evaluation System, which was created in order to evaluate the complaints, wishes and requests of employees and to increase employee motivation and satisfaction as well as efficiency, is available on the corporate portal which is only open to the Company employees.
Corporate bodies where employees are actually represented	Occupational Health and Safety Committee, Happy Employee Committee, Meal Satisfaction and Menu Selection Committee
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The Board of Directors of Zorlu Holding AŞ, the Company's indirect controlling shareholder, initiated efforts to establish a succession plan for the key management positions at Zorlu Group companies.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE INFORMATION FORM

3. STAKEHOLDERS	
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	The Vestel Group of Companies' Recruitment and Placement Regulation, which includes the criteria for equal opportunities and recruitment of personnel, is available on the Company's corporate portal. The Regulation sets out the general rules regarding the employment of individuals, who are compatible with the vision, mission, work requirements and values of the Vestel Group of Companies, by offering them an equal opportunity and by evaluating them fairly and impartially to meet the human resource needs of the Group companies. The Human Resources Policy is available in the Corporate Governance section on the corporate website.
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership program.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	The Human Resources Policy is available in the Corporate Governance / Human Resources Policy section. It is specifically mentioned in all regulations: "No discrimination is permitted in applications on the basis of gender, age, religion, race, sect, social status, physical appearance, ethnic origin, nationality, sexual orientation or any other personal characteristics."
The number of definitive convictions the company is subject to in relation to health and safety measures	None.
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Corporate Governance / Code of Ethics
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	It is presented in the Sustainability section under the Social Awareness / Our Values and Ecological Awareness / Environmental Practices headings of the corporate website.
Any measures combating any kind of corruption including embezzlement and bribery	These measures are included in the Code of Ethics of Zorlu Holding AŞ, which is available under the heading of the Code of Ethics in the Corporate Governance section on the Company's corporate website.

4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	-
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Chairman: Ahmet Nazif Zorlu, Vice Chairman: Elmas Melih Araz. All members of the Board of Directors have been given first degree signature authority. With the Board resolution dated 10.05.2018 and numbered 2018/18, any member of the Board of Directors who has first degree signature authority is authorized to represent and bind the Company without any monetary limitation in any matter with a joint signature together with Ahmet Nazif Zorlu.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	1
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	It is presented in the Corporate Governance section of the annual report.
Name of the Chairman	Ahmet Nazif Zorlu
Name of the CEO	Enis Turan Erdoğan
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	They are different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	No PDP disclosure was made on the subject.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	There is no such policy.
The number and ratio of female directors within the Board of Directors	Number: 2 Ratio: 29%

COMPOSITION OF BOARD OF DIRECTORS

Name, Surname of Board Member	Whether Executive Director or Not	Whether Independent Director or Not	The First Election Date to Board	Link to PDP Notification that includes the Independency Declaration	Whether the Independent Director considered by the Nomination Committee	Whether She/He is the Director who ceased to satisfy the Independence or Not	Whether the Director has at least 5 years of experience on Audit, Accounting and/or Finance or Not
Ahmet Nazif Zorlu	Non-executive	Not independent director	10.11.1997	-	-	-	-
Elmas Melih Araz	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/676164	Considered	No	Yes
Olgun Zorlu	Non-executive	Not independent director	10.11.1997		-	-	-
Şule Cümbüş	Non-executive	Not independent director	23.05.2003		-	-	-
İzzet Güvenir	Non-executive	Not independent director	19.06.2012		-	-	-
Ayşegül İldeniz	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/676164	Considered	No	-
Bekir Ağırdır	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/676164	Considered	No	Yes

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	29
Director average attendance rate at board meetings	89.14%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	1 week before the meeting
The name of the section on the corporate website that demonstrates information about the board charter	It is specified in Article 10 of the Articles of Association which is available in the Corporate Governance section of the website.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None.

CORPORATE GOVERNANCE

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

COMPOSITION OF BOARD COMMITTEES-I

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

4. BOARD OF DIRECTORS-III	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is presented in the Corporate Governance section of the annual report.
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is presented in the Corporate Governance section of the annual report.
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is presented in the Corporate Governance section of the annual report.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is presented in the Corporate Governance section of the annual report.
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is presented in the Corporate Governance section of the annual report.
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	It is presented in the Management / Interview with the CEO section of the annual report.
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Corporate Governance / Remuneration Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	It is presented in the Additional Disclosures As Per the Legislation section of the annual report.

COMPOSITION OF BOARD COMMITTEES-II

Names of the Board Committees	Name of Committees defined as "Other" in the first column	The Percentage of Non-executive Directors	The Percentage of Independent Directors in the Committee	The Number of Meetings Held in Person	The Number of Reports on its Activities Submitted to the Board
Audit Committee	-	100%	100%	6	5
Corporate Governance Committee	-	67%	33%	4	3
Committee of Early Detection of Risk	-	100%	50%	6	6

CORPORATE GOVERNANCE

BOARD COMMITTEES

- In order to help the Board of Directors to perform its duties and responsibilities more effectively, a Corporate Governance Committee, an Early Detection of Risk Committee and an Audit Committee have been set up, all of which report directly to the Board. Owing to the nature of the Board structure, the Company has not set up a separate "Remuneration Committee" or a "Nomination Committee", the duties of which are performed by the Corporate Governance Committee.
- As per the Corporate Governance Principle No. 4.5.3, all members of the Audit Committee and the chairs of the other committees are elected from among the independent members of the Board.
- The independent board members, Mr. Bekir Ağırdır and Mr. Elmas Melih Araz serve on more than one committee due to the number of the Board Members and the committee formation requirements in accordance with the CMB's Corporate Governance Principles.
- Committees convene at intervals stipulated by the legislation and the related Committee's working principles or upon a request from a member. The Committees' activities and meeting minutes are presented to the Board of Directors.
- All kinds of resources and support are provided by the Board of Directors to the committees to enable them to perform their duties. Committees can invite individuals who are deemed to be necessary to their meetings in order to obtain their views.
- Duties, working principles and the members of the Committees are determined by the Board of Directors and are publicly disclosed on the Public Disclosure Platform and the Company website.

Audit Committee

- The Audit Committee was set up for the effective oversight of the Company's financial and operational activities pursuant to the Article 3 of the CMB's Communiqué Serial X, No. 19. The Committee is responsible for the supervision of the Company's accounting system, public disclosure of financial information, independent audit and the operation and efficiency of the Company's internal control and internal audit system.
- Pursuant to the CMB's Communiqué on Corporate Governance No. II-17.1, the "Working Principles of the Audit Committee" were revised and approved at the Board of Directors' meeting dated 27 March 2014. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the Company website.
- The Audit Committee is structured in accordance with the Capital Markets Board's Corporate Governance Principles and comprises two members.
- The Chairman of the Committee was elected from among the independent members of the Board and certain criteria were taken into account in the election process. The Chairman of the Audit Committee is ensured to have served in a similar position previously, have the knowledge and experience needed to analyze financial statements and be versed in accounting standards.
- Both Audit Committee members were elected from among the independent Directors. The Chairman of the Committee is Mr. Bekir Ağırdır, and the other member is Mr. Elmas Melih Araz.

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 10 May 2018:

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

- In principle, the Audit Committee shall convene at least four times a year, being once in each quarter. The Committee convened 6 times in 2018.
- The Committee carries out its activities in line with the working principles put into writing in detail.
- In 2018, the Audit Committee performed the following functions:
  - Oversight of the Company's financial and operational activities,
  - Supervision and approval of the accuracy and conformity of the annual and interim financial statements, which will be disclosed to the public, with the accounting principles employed by the Company,
  - Selection of the independent audit firm, preparation of the independent audit contract and initiation of the independent audit process,
  - Monitoring of the functioning and effectiveness of the internal control and internal audit system,
  - Monitoring of the effectiveness and performance of the independent audit activity,
  - Evaluation of the findings of the internal control activities with regard to the internal control system and reporting of the findings to the Board of Directors,
  - Review of the internal control and internal audit reports.

Corporate Governance Committee

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

CORPORATE GOVERNANCE

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 10 May 2018:

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

- In principle, the Committee convenes at least twice a year in order to ensure the effective performance of its duties. Corporate Governance Committee convened 4 times in 2018.
- The activities carried out by the Corporate Governance Committee in 2018, in accordance with its working principles put into writing in detail, are presented below:
  - Proposing improvements in corporate governance practices to the Board of Directors to enhance compliance with the CMB's Communiqué on Corporate Governance No. II-17.1; conducting and supervising the necessary works for alignment with the legislation,
  - Overseeing the activities of the Investor Relations Department,
  - Preparing the evaluation reports on the independence of the independent Board member candidates for submission to the Board of Directors,
  - Within the scope of the Remuneration Committee duties, submission to the Board of its recommendation for the remuneration of the members of the Board of Directors and executives with administrative responsibility for 2018, which takes into account their progress in meeting the remuneration criteria.

Early Detection of Risk Committee

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

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 10 May 2018:

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

- The Early Detection of Risk Committee convenes as frequently as necessitated for the efficiency of its activities and in principle at least three times a year. The Committee held 6 meetings in 2018 and presented 6 risk reports to the Board of Directors.
- The activities carried out by the Committee in 2018, in line with the working principles put into writing in detail, are presented below:
  - High risk evaluation was carried out and risk inventory was prepared including strategic, financial and operational risks which are critically important for the Company.
  - Risks were evaluated in two different ways, namely, with (residual risk) and without (inherent risk) taking into account the efficiency performance of the existing control and precaution measures.
  - Inherent and residual risks contained in the risk reports were evaluated based on the 4-tier scale (Acceptable, Acceptable with Control, Undesired, Unacceptable).
  - Sector and company based risks contained in the risk reports were grouped under 9 main risk headings (External Environment, Operational, Authorization, Information Technology and Technology, Honesty/Integrity, Financial, Process/Operational, Reporting and Strategic) according to COSO (The Committee of Sponsoring Organizations of the Treadway Commission) risk taxonomy.
  - As a result of these assessments, it was seen that risks were generally gathered under the main headings of External Environment, Operational, Financial and Strategic Risks.
  - As a result of the risk inventory and risk management analyses, risk reports were prepared and submitted to the Committee in order to ensure early detection of risks which may jeopardize the Company's existence, development and continuity and adoption of the necessary measures against these risks and management of risk.

  These reports were as follows:
    - Forecasts and Expectations for 2018
    - General Economic Outlook in Light of Financial Data
    - Global Trade Wars
    - Financial and Economic Indicators with a Negative Trajectory
    - Risk Factors in the Economic Crisis Period
    - Risks in the White Goods and Consumer Electronics Sectors in 2018

  - Prepared as an output of the risk report named "The Risks in the White Goods and Consumer Electronics Sectors in 2018", the White Goods and Consumer Electronics Sector Risks Survey (2018), in which the impacts/probabilities of risks are evaluated, was shared initially with the senior management in order to manage risks under a common approach.

CORPORATE GOVERNANCE

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

The Board Committees were established to support the Board of Directors in fulfilling its duties and responsibilities more effectively. In line with the Corporate Governance Principles of the Capital Markets Board, at its meeting on 10 May 2018, the Board of Directors resolved to:

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

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

The Working Principles of the Board Committees were revised in accordance with the CMB's Communiqué on Corporate Governance No. II-17.1 and approved at the Board meeting held on 27 March 2014. The revised Working Principles were announced to the public via the Public Disclosure Platform and the Company website (http://vesbe.vestelinvestorrelations.com).

In 2018, the Board Committees performed their duties and responsibilities effectively as required in the Corporate Governance Principles and their own Working Principles.

In compliance with the way required for the effectiveness of their functions, their Working Principles and annual meeting schedules, in 2018:

- The Corporate Governance Committee convened twice,
- The Corporate Governance Committee convened once to fulfill the duties of the Nomination Committee,
- The Corporate Governance Committee convened once to fulfill the duties of the Remuneration Committee,
- The Audit Committee convened 6 times,
- The Early Detection of Risk Committee convened 6 times.

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

- The "Corporate Governance Committee", which was established in line with the Capital Markets Board's Communiqué on Corporate Governance in order to monitor the Company's compliance with the Corporate Governance Principles, carry out studies for improvement, and submit proposals to the Board of Directors, monitored the Company's compliance with the Corporate Governance Principles, made recommendations to the Board to improve compliance with the non-mandatory principles and oversaw the activities of the Investor Relations Department. Within the scope of the Company's application for voluntary participation in the BIST Sustainability Index for the period of November 2018- October 2019, the Corporate Governance Committee also carried out the necessary activities for meeting the index criteria.
- The Corporate Governance Committee also fulfills the duties of the Nomination Committee. Within the scope of its duties as the Nomination Committee, the Corporate Governance Committee evaluated the applications for independent board membership by assessing the independence status of the board member candidates according to the independence criteria. The Committee prepared a report on its evaluations and submitted it to the Board of Directors for approval.
- The Corporate Governance Committee also fulfills the duties of the Remuneration Committee. Within the scope of its duties as the Remuneration Committee, the Corporate Governance Committee submitted to the Board of Directors its proposal for the remuneration of Board members and executives with administrative responsibility for 2018, by taking into account the extent of the fulfillment of the remuneration criteria.
- The "Audit Committee", which was established for the supervision of the Company's accounting system, the independent audit, public disclosure of financial information, and functioning and efficiency of the Company's internal control and internal audit system, presented its views and recommendations in the areas of its responsibility to the Board of Directors.
- The "Early Detection of Risk Committee", which was established for the early detection of risks which could threaten the Company's existence, development and continuity, implementation of necessary measures against these risks and management of risks, made a high-level risk assessment during the year, prepared a risk inventory pertaining to the critical risks in strategic, financial and operational areas and prepared and submitted six Risk Reports to the Board within the scope of its duties set forth in its Working Principles.

STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

11.04.2018

Statement of Independence

I hereby declare that I am a candidate for assuming the role of an "Independent Member" on the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ within the scope of the criteria stipulated in the legislation, the Company's Articles of Association, and the Capital Markets Board's Communiqué on Corporate Governance no. II-17.1, and in that regard;

a) Within the last five years, no employment relationship has been established between me, my spouse and my relatives by blood or marriage up to second degree and the Company, the affiliated companies which the Company controls the management of or has material influence over, shareholders who control the management of or have material influence over the Company and legal entities which these shareholders control the management of, in an executive position with important duties and responsibilities, nor have I/we individually or jointly held more than 5% of the capital or voting rights or privileged shares in or established a material business relationship with the same,

b) Within the last five years, I have not been a shareholder (5% and more), or held an executive position with significant duties and responsibilities, or served as a Board member in any company from or to which the Company purchases or sells a significant quantity of products or services based on the agreements made during the periods these products or services were sold or purchased including particularly those companies which provide auditing (including tax audit, legal audit and internal audit), rating and consultancy services to the Company,

c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent Board member,

d) I will not be working as a full time employee at any public institution or organization after being elected as a Board member with the exception of working as a faculty member at a university provided that this is in compliance with the relevant legislation,

e) I am deemed to be a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193,

f) I have strong ethical standards, professional reputation and experience which will allow me to make positive contributions to the operations of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,

g) I will be able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the Company activities and to duly perform the duties I shall assume,

h) I have not served as a Board member at the Company's Board of Directors for more than 6 years within the last ten years,

i) I am not serving as an independent board member at more than three companies whose management is controlled by the shareholders controlling the Company and Company management and at more than five companies which are traded on the stock exchange,

j) I am not registered and declared on behalf of the legal entity which is elected as a board member.

Ayşegül Ildeniz

CORPORATE GOVERNANCE

STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

11.04.2018

Statement of Independence

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a) Within the last five years, no employment relationship has been established between me, my spouse and my relatives by blood or marriage up to second degree and the Company, the affiliated companies which the Company controls the management of or has material influence over, shareholders who control the management of or have material influence over the Company and legal entities which these shareholders control the management of, in an executive position with important duties and responsibilities, nor have I/we individually or jointly held more than 5% of the capital or voting rights or privileged shares in or established a material business relationship with the same,

b) Within the last five years, I have not been a shareholder (5% and more), or held an executive position with significant duties and responsibilities, or served as a Board member in any company from or to which the Company purchases or sells a significant quantity of products or services based on the agreements made during the periods these products or services were sold or purchased including particularly those companies which provide auditing (including tax audit, legal audit and internal audit), rating and consultancy services to the Company,

c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent Board member,

d) I will not be working as a full time employee at any public institution or organization after being elected as a Board member with the exception of working as a faculty member at a university provided that this is in compliance with the relevant legislation,

e) I am deemed to be a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193,

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i) I am not serving as an independent board member at more than three companies whose management is controlled by the shareholders controlling the Company and Company management and at more than five companies which are traded on the stock exchange,

j) I am not registered and declared on behalf of the legal entity which is elected as a board member.

Bekir Ağırdır

STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

11.04.2018

Statement of Independence

I hereby declare that I am a candidate for assuming the role of an "Independent Member" on the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ within the scope of the criteria stipulated in the legislation, the Company's Articles of Association, and the Capital Markets Board's Communiqué on Corporate Governance no. II-17.1, and in that regard;

a) Within the last five years, no employment relationship has been established between me, my spouse and my relatives by blood or marriage up to second degree and the Company, the affiliated companies which the Company controls the management of or has material influence over, shareholders who control the management of or have material influence over the Company and legal entities which these shareholders control the management of, in an executive position with important duties and responsibilities, nor have I/we individually or jointly held more than 5% of the capital or voting rights or privileged shares in or established a material business relationship with the same,

b) Within the last five years, I have not been a shareholder (5% and more), or held an executive position with significant duties and responsibilities, or served as a Board member in any company from or to which the Company purchases or sells a significant quantity of products or services based on the agreements made during the periods these products or services were sold or purchased including particularly those companies which provide auditing (including tax audit, legal audit and internal audit), rating and consultancy services to the Company,

c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent Board member,

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f) I have strong ethical standards, professional reputation and experience which will allow me to make positive contributions to the operations of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,

g) I will be able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the Company activities and to duly perform the duties I shall assume,

h) I have not served as a Board member at the Company's Board of Directors for more than 6 years within the last ten years,

i) I am not serving as an independent board member at more than three companies whose management is controlled by the shareholders controlling the Company and Company management and at more than five companies which are traded on the stock exchange,

j) I am not registered and declared on behalf of the legal entity which is elected as a board member.

Elmas Melih Araz

FINANCIAL INFORMATION

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL REPORT

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

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

RESOLUTION DATE: 01.03.2019

RESOLUTION NUMBER: 2019/6

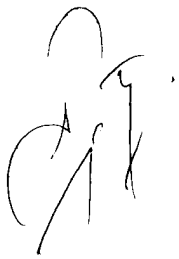
We hereby declare, in line with the Capital Markets Board regulations, that the Annual Report for the fiscal year 2018 prepared by the Company in accordance with the Turkish Commercial Code and the Capital Markets Board's Communiqué on the "Principles of Financial Reporting in Capital Markets" No. II-14.1 and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

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

Sincerely,

Bekir Ağırdır
Chairman of the Audit Committee

Elmas Melih Araz
Member of the Audit Committee



Alp Dayı
Financial Affairs Coordinator

INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT

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

To the General Assembly of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

1. Opinion

We have audited the annual report of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi (the "Company") for the 1 January - 31 December 2018 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Company's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Financial Statements

We expressed an unqualified opinion in the auditor's report dated 20 February 2019 on the full set financial statements for the 1 January - 31 December 2018 period.

4. Board of Director's Responsibility for the Annual Report

Company management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Company's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Company may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Company after the operating year,
- the Company's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements of the Company and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Murat Sancar, SMMM
Partner

Istanbul, 1 March 2019

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS

RESOLUTION DATE: 20.02.2019

RESOLUTION NUMBER: 2019/3

We hereby declare, in line with the Capital Markets Board regulations, that the financial statements for the fiscal year 2018 prepared by the Company in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards and the formats determined by the Capital Markets Board pursuant to the Turkish Commercial Code and the Capital Markets Board's Communiqué on the "Principles of Financial Reporting in Capital Markets" No. II-14.1 and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

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

Sincerely,

Elmas Melih Araz
Vice Chairman

Bekir Ağırdır
Member of the Board

Alp Dayı
Financial Affairs Coordinator

INDEPENDENT AUDITOR'S REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

To the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company"), which comprise the statement of financial position (balance sheet) as at 31 December 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In the prior year, measurement and accounting of derivative financial instruments designated as cash flow hedges were reported as key audit matter however, it is not reported as a key audit matter this year due to the relatively simplified models used for measurement.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the key audit matter
Fair value determination of land, buildings and land improvements (Refer to Notes 2.6.i and 11)	
The Company measured land, buildings and land improvements in the financial statements at their fair value in accordance with the related provisions of TAS 16 "Property, Plant and Equipment". As a result of the revaluation performed by the independent professional valuation company as of 31 December 2018, increase in the value of the assets is amounting to TL 502.688 thousands. Increase arising from the revaluation of such land, land, buildings and improvements is credited to the revaluation of property, plant and equipment as deducting deferred tax effect in the financial position as other comprehensive income under equity. We considered the fair value determination of land, buildings and land improvements as a key audit matter since the amount of those assets has a significant share in the company's assets as of 31 December 2018 and the valuation techniques applied includes significant assumptions and judgements which are subjective.	We have performed following procedures regarding to the fair value determination of the land, building and land improvements during our audit work: • We evaluated the competence, capabilities, and objectivity of the independent professional valuation company appointed by the Company management in accordance with the relevant audit standards. • We tested completeness of the data used by the independent professional valuation company appointed by the Company management such as m^2, location of the property, zoning conditions by reconciliation work with the Company's records on a sample basis. • In order to evaluate the assumptions and methods used by the Company management and the independent professional valuation company appointed by the Company management, we involved our valuation specialist to examine a sample of valuation reports in accordance with the provisions of the relevant audit standard. • We assessed the appropriateness and adequacy of disclosures in the notes to the financial statements related to fair value determination of the land, building and land improvements in accordance with the related accounting standards.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

5. Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

5. Auditor's Responsibilities for the Audit of the Financial Statements (Continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 20 February 2019.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Murat Sancar, SMMM
Partner

İstanbul, 20 February 2019

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Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

BALANCE SHEETS AS OF 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	120.847	73.679
Trade Receivables		1.480.213	1.045.883
Trade Receivables Due From Related Parties	6	1.476.111	1.038.802
Trade Receivables Due From Unrelated Parties	7	4.102	7.081
Other Receivables		867.676	645.195
Other Receivables Due From Related Parties	6	703.884	511.898
Other Receivables Due From Unrelated Parties	8	163.792	133.297
Derivative Financial Assets		2.028	4.009
Derivative Financial Assets Held for Trading	27	2.028	1.759
Derivative Financial Assets Held for Hedging	27	-	2.250
Inventories	9	579.054	500.180
Prepayments		12.623	13.803
Prepayments to Unrelated Parties	10	12.623	13.803
Current Tax Assets	25	-	1.250
Other Current Assets		830	5.941
Other Current Assets Due From Unrelated Parties	17	830	5.941
TOTAL CURRENT ASSETS		**3.063.271**	**2.289.940**

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

BALANCE SHEETS AS OF 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
NON-CURRENT ASSETS			
Property, Plant and Equipments		1.435.364	553.202
Land and Premises	11	192.824	39.063
Land Improvements	11	40.833	844
Buildings	11	438.634	40.838
Machinery and Equipments	11	692.549	367.398
Vehicles	11	221	249
Fixtures and Fittings	11	27.102	17.689
Leasehold Improvements	11	5.713	4.070
Construction in Progress	11	37.488	83.051
Intangible Assets and Goodwill		146.867	118.214
Other Rights	12	69	19
Capitalized Development Costs	12	137.167	109.806
Other Intangible Assets	12	9.631	8.389
Prepayments		39.590	62.952
Prepayments to Unrelated Parties	10	39.590	62.952
Deferred Tax Asset	25	-	5.681
TOTAL NON-CURRENT ASSETS		**1.621.821**	**740.049**
TOTAL ASSETS		**4.685.092**	**3.029.989**

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

BALANCE SHEETS AS OF 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		366.515	281.926
Current Borrowings From Unrelated Parties		366.515	281.926
Bank Loans	5	365.864	281.476
Leasing Debts	5	651	450
Current Portion of Non-current Borrowings		287.078	70.051
Current Portion of Non-current Borrowings from Unrelated Parties		287.078	70.051
Bank Loans	5	287.078	70.051
Trade Payables		1.901.077	1.242.281
Trade Payables to Related Parties	6	50.250	40.744
Trade Payables to Unrelated Parties	7	1.850.827	1.201.537
Employee Benefit Obligations	16	31.196	26.671
Other Payables		130.423	64.507
Other Payables to Related Parties	6	130.423	64.507
Derivative Financial Liabilities		20.129	9.977
Derivative Financial Liabilities Held for Trading	27	19.314	5.993
Derivative Financial Liabilities Held for Hedging	27	815	3.984
Current Tax Liabilities, Current	25	716	-
Current Provisions		3.190	2.197
Other Current Provisions	14	3.190	2.197
Other Current Liabilities		6.802	8.697
Other Current Liabilities to Unrelated Parties	17	6.802	8.697
TOTAL CURRENT LIABILITIES		**2.747.126**	**1.706.307**

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

BALANCE SHEETS AS OF 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
NON-CURRENT LIABILITIES			
Long Term Borrowings		111	179.514
Long Term Borrowings From Unrelated Parties		111	179.514
Bank Loans	5	-	178.968
Leasing Debts	5	111	546
Trade Payables		14.531	1.959
Trade Payables to Unrelated Parties	7	14.531	1.959
Other Payables		-	98.323
Other Payables to Related Parties	6	-	98.323
Non-current Provisions		38.713	31.749
Non-current Provisions for Employee Benefits	16	38.713	31.749
Deferred Tax Liabilities	25	73.036	-
TOTAL NON-CURRENT LIABILITIES		**126.391**	**311.545**
TOTAL LIABILITIES		**2.873.517**	**2.017.852**

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

BALANCE SHEETS AS OF 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
EQUITY			
Equity Attributable to Owners of Parent		**1.811.575**	**1.012.137**
Issued Capital	18	190.000	190.000
Inflation Adjustments on Capital	18	9.734	9.734
Share Premium (Discount)	18	109.031	109.031
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		409.958	(6.203)
Gains (Losses) on Revaluation and Remeasurement		409.958	(6.203)
Increases (Decreases) on Revaluation of Property, Plant and Equipment		417.527	-
Gains (Losses) on Remeasurements of Defined Benefit Plans	24	(7.569)	(6.203)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		(636)	(1.352)
Gains (Losses) on Hedge		(636)	(1.352)
Gains (Losses) on Cash Flow Hedges	24	(636)	(1.352)
Restricted Reserves Appropriated From Profits		118.206	111.627
Legal Reserves	18	118.206	111.627
Prior Years' Profits or Losses	18	352.721	304.066
Current Period Net Profit Or Loss		622.561	295.234
TOTAL EQUITY		**1.811.575**	**1.012.137**
TOTAL LIABILITIES AND EQUITY		**4.685.092**	**3.029.989**

Financial statements for the period 1 January - 31 December 2018 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 20 February 2019. 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 Sanayi ve Ticaret Anonim Şirketi

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

	Footnotes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
PROFIT OR LOSS			
Revenue	19	5.693.973	3.857.756
Cost of Sales	19	(4.781.608)	(3.363.747)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		**912.365**	**494.009**
GROSS PROFIT (LOSS)		**912.365**	**494.009**
General Administrative Expenses	21	(59.337)	(48.918)
Marketing Expenses	21	(79.761)	(53.931)
Research and Development Expense	21	(45.490)	(36.959)
Other Income from Operating Activities	22	487.908	325.713
Other Expenses from Operating Activities	22	(622.385)	(195.302)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		**593.300**	**484.612**
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		**593.300**	**484.612**
Finance Income	23	607.599	128.567
Finance Costs	23	(579.132)	(312.605)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		**621.767**	**300.574**
Tax (Expense) Income, Continuing Operations		794	(5.340)
Current Period Tax (Expense) Income	25	(5.512)	(3.164)
Deferred Tax (Expense) Income	25	6.306	(2.176)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**622.561**	**295.234**
PROFIT (LOSS)		**622.561**	**295.234**
Earnings Per Share with a TL 1 of Par Value	26	**3,28**	**1,55**
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss	24	416.161	(2.890)
Gains (Losses) on Revaluation of Property, Plant and Equipment		502.688	-
Gains (Losses) on Remeasurements of Defined Benefit Plans		(1.707)	(3.613)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss		(84.820)	723
Taxes Relating to Gains (Losses) on Revaluation of Property, Plant and Equipment		(85.161)	-
Taxes Relating to Remeasurements of Defined Benefit Plans		341	723
Other Comprehensive Income that will be Reclassified to Profit or Loss	24	716	(20.138)
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		918	(25.216)
Gains (Losses) on Cash Flow Hedges		918	(25.216)
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		(202)	5.078
Taxes Relating to Cash Flow Hedges		(202)	5.078
OTHER COMPREHENSIVE INCOME (LOSS)		**416.877**	**(23.028)**
TOTAL COMPREHENSIVE INCOME (LOSS)		**1.039.438**	**272.206**

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

				Increases (Decreases) on Revaluation of Property, Plant and Equipment	Gains (Losses) on Remeasure-ments of Defined Benefit Plans	Gains (Losses) on Revaluations and Remeasurements	
	Issued Capital	Inflation Adjustments on Capital	Share Premiums or Discounts				
Previous Period							
1 January -31 December 2017							
Equity at Beginning of Period	**190.000**	**9.734**	**109.031**	**-**	**(3.313)**	**(3.313)**	
Transfers	-	-	-	-	-	-	
Total Comprehensive Income (Loss)	-	-	-	-	(2.890)	(2.890)	
Profit (Loss)	-	-	-	-	-	-	
Other Comprehensive Income (Loss)	-	-	-	-	(2.890)	(2.890)	
Dividends Paid	-	-	-	-	-	-	
Equity at End of Period	**190.000**	**9.734**	**109.031**	**-**	**(6.203)**	**(6.203)**	
Current Period							
1 January -31 December 2018							
Equity at Beginning of Period	**190.000**	**9.734**	**109.031**	**-**	**(6.203)**	**(6.203)**	
Transfers	-	-	-	-	-	-	
Total Comprehensive Income (Loss)	-	-	-	417.527	(1.366)	416.161	
Profit (Loss)	-	-	-	-	-	-	
Other Comprehensive Income (Loss)	-	-	-	417.527	(1.366)	416.161	
Dividends Paid	-	-	-	-	-	-	
Equity at End of Period	**190.000**	**9.734**	**109.031**	**417.527**	**(7.569)**	**409.958**	

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

	Other Accumulated Comprehensive Income that will not be Reclassified in Profit or Loss	Cash Flow Hedges	Reserve Of Gains or Losses on Hedge	Other Accumulated Comprehensive Income that will be Reclassified in Profit or Loss	Restricted Reserves Appropriated From Profits	Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings	Equity attributable to owners of parent	Equity
	(3.313)	**18.786**	**18.786**	**18.786**	**77.019**	**193.669**	**325.005**	**518.674**	**919.931**	**919.931**
	-	-	-	-	34.608	290.397	(325.005)	(34.608)	-	-
	(2.890)	(20.138)	(20.138)	(20.138)	-	-	295.234	295.234	272.206	272.206
	-	-	-	-	-	-	295.234	295.234	295.234	295.234
	(2.890)	(20.138)	(20.138)	(20.138)	-	-	-	-	(23.028)	(23.028)
	-	-	-	-	-	(180.000)	-	(180.000)	(180.000)	(180.000)
	(6.203)	**(1.352)**	**(1.352)**	**(1.352)**	**111.627**	**304.066**	**295.234**	**599.300**	**1.012.137**	**1.012.137**
	(6.203)	**(1.352)**	**(1.352)**	**(1.352)**	**111.627**	**304.066**	**295.234**	**599.300**	**1.012.137**	**1.012.137**
	-	-	-	-	6.579	288.655	(295.234)	(6.579)	-	-
	416.161	716	716	716	-	-	622.561	622.561	1.039.438	1.039.438
	-	-	-	-	-	-	622.561	622.561	622.561	622.561
	416.161	716	716	716	-	-	-	-	416.877	416.877
	-	-	-	-	-	(240.000)	-	(240.000)	(240.000)	(240.000)
	409.958	**(636)**	**(636)**	**(636)**	**118.206**	**352.721**	**622.561**	**975.282**	**1.811.575**	**1.811.575**

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

STATEMENTS OF CASH FLOWS
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

	Footnotes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**1.082.870**	**655.672**
Profit (Loss)		622.561	295.234
Profit (Loss) from Continuing Operations		622.561	295.234
Adjustments to Reconcile Profit (Loss)		**310.192**	**170.287**
Adjustments for Depreciation and Amortisation Expense	11	166.404	111.746
Adjustments for Impairment Loss (Reversal of Impairment Loss)		1.019	907
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	1.019	907
Adjustments for Provisions		11.520	11.270
Adjustments for (Reversal of) Provisions Related with Employee Benefits	16	10.527	10.693
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	14	993	577
Adjustments for Interest (Income) Expenses		(88.094)	26.259
Adjustments for Interest Income	23	(139.876)	(21.605)
Adjustments for Interest Expense	23	51.782	47.864
Adjustments for Unrealised Foreign Exchange Losses (Gains)		217.166	43.440
Adjustments for Fair Value Losses (Gains)		13.051	(20.697)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		13.051	(20.697)
Adjustments for Tax (Income) Expenses		(794)	5.340
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(1.005)	(478)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(1.005)	(478)
Other Adjustments to Reconcile Profit (Loss)	4	(9.075)	(7.500)

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

STATEMENTS OF CASH FLOWS
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

	Footnotes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
Changes in Working Capital		**158.933**	**204.766**
Adjustments for Decrease (Increase) in Trade Accounts Receivable		(434.330)	140.161
Decrease (Increase) in Trade Accounts Receivables from Related Parties	6	(437.309)	144.005
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties	7	2.979	(3.844)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(30.495)	(55.199)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations	8	(30.495)	(55.199)
Adjustments for Decrease (Increase) in Inventories	9	(79.893)	(256.641)
Decrease (Increase) in Prepaid Expenses	10	24.542	(23.948)
Adjustments for Increase (Decrease) in Trade Accounts Payable		671.368	403.766
Increase (Decrease) in Trade Accounts Payables to Related Parties	6	9.506	17.296
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties	7	661.862	386.470
Increase (Decrease) in Employee Benefit Liabilities	16	4.525	2.908
Other Adjustments for Other Increase (Decrease) in Working Capital		3.216	(6.281)
Decrease (Increase) in Other Assets Related with Operations	17	5.111	(4.729)
Increase (Decrease) in Other Payables Related with Operations	17	(1.895)	(1.552)
Cash Flows from (used in) Operations		**1.091.686**	**670.287**
Payments Related with Provisions for Employee Benefits	16	(5.270)	(7.016)
Income Taxes refund (Paid)	25	(3.546)	(7.599)

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

STATEMENTS OF CASH FLOWS
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

	Footnotes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(765.512)**	**(610.975)**
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		1.299	3.280
Proceeds from Sales of Property, Plant and Equipment		1.299	3.280
Purchase of Property, Plant, Equipment and Intangible Assets		(574.825)	(360.969)
Purchase of Property, Plant and Equipment	11	(524.893)	(318.614)
Purchase of Intangible Assets	12	(49.932)	(42.355)
Cash Advances and Loans Made to Other Parties		(191.986)	(253.286)
Cash Advances and Loans Made to Related Parties	6	(191.986)	(253.286)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**(279.265)**	**8.653**
Proceeds from Borrowings		893.840	653.271
Proceeds from Loans		894.074	652.275
Proceeds from Other Financial Borrowings		(234)	996
Repayments of Borrowings		(969.226)	(392.977)
Loan Repayments		(969.226)	(392.977)
Decrease in Other Payables to Related Parties		(64.818)	(50.987)
Dividends Paid	6	(240.000)	(180.000)
Interest Paid		(38.937)	(42.259)
Interest Received		139.876	21.605
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**38.093**	**53.350**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**38.093**	**53.350**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	65.190	11.840
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**103.283**	**65.190**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

(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 412.000 square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 483.000 square meters.

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

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

As of 31 December 2018, the number of personnel employed was 7.401 (31 December 2017: 6.406).

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.	95,18
Other shareholders	4,82
	100,00

As of 31 December 2018, 59.800.000 shares of the Company have been quoted at the Borsa Istanbul ("BİST") (31,5% of its share capital; 31 December 2017: 31,5%).

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 Accounting Standards / Turkish Financial Reporting Standards ("TAS" / "TFRS") and its addendum and interpretations ("IFRIC") issued by the Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Board.

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

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

2.2 Comparative information and restatement of prior period financial statements

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

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

Transition to TFRS 15 "Revenue from contracts with customers":

The Company has applied TFRS 15 " Revenue from contracts with customers", which has replaced TMS 18, by using the cumulative effect method on the transition date. In accordance with this method, The Company has not needed to restate the prior years' financial statements. Therefore, prior year financial statements are not restated and these financial statements are presented in accordance with TMS 18. The Company does not have any cumulative effect of the first time adoption that has to be recognized in retained earnings as of 1 January 2018.

Transition to TFRS 9 "Financial instruments":

The Company has applied TFRS 9 "Financial instruments" standard with the amendments including the classification, measurement, and the expected credit risk model as of 1 January 2018. The Company has accounted the effect of transition based on the simplified approach, therefore, prior year financial statements are not restated and these financial statements are presented in accordance with TMS 39. The Company does not have any cumulative effect of the first time adoption that has to be recognized in retained earnings as of 1 January 2018.

Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

Financial Assets	**Prior classification under TAS 39**	**New classification under TFRS 9**
Cash and cash euqivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Other receivables	Loans and receivables	Amortised cost
Financial Liabilities	**Prior classification under TAS 39**	**New classification under TFRS 9**
Borrowings	Amortised cost	Amortised cost
Finance leases	Amortised cost	Amortised cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Trade payables	Amortised cost	Amortised cost

Disclosures related to impacts of IFRS 9 and IFRS 15 adoption:

Changes in IFRS 9 and IFRS 15 do not have any material impact on financial statements as of 31 December 2017. Impact of changes in IFRS 9 and IFRS 15 on financial statements as of 31 December 2018 as follows:

Impact on financial statements as of 31 December 2018

	Amounts before the adoption	**Impact of the adoption (*)**	**Amounts after the adoption**
Balance Sheet			
Inventories	565.612	13.442	579.054
Prepayments	26.065	(13.442)	12.623
Profit or Loss and Other Comprehensive Income			
Sales	5.629.953	64.020	5.693.973
Cost of Sales	(4.699.620)	(81.988)	(4.781.608)
Other Incomes from Operating Activities	551.928	(64.020)	487.908
Other Expenses from Operating Activities	(704.373)	81.988	(622.385)

(*) Impact of adjustments on forward purchases and sales

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

2.3 Restatement and errors in the accounting estimates

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

2.4. Amendments in Turkey Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective for the financial year beginning 31 December 2018:

- **IFRS 9 'Financial instruments'** effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- **IFRS 15 'Revenue from contracts with customers',** effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- **Amendments to IFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- **Annual improvements 2014-2016,** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
  - IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10.
  - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.
- **IFRIC 22, 'Foreign currency transactions and advance consideration',** effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2018:

- **Amendment to IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
- **IFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts.
- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

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

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- **Annual improvements 2015-2017,** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
  - IFRS 3, 'Business combinations', the Company remeasures it's previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', the Company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes' the Company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs' the Company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- **Amendments to IAS 19, 'Employee benefits'** on plan amendment, curtailment or settlement', effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.
- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:
  i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
  ii) clarify the explanation of the definition of material; and
  iii) incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

The Company, will assess the impact of amendments disclosed above and apply as of effective date.

2.5. Summary of significant accounting policies

2.5.1 Revenue

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

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

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

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

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,

(b) Company can identify each party's rights regarding the goods or services to be transferred,

(c) Company can identify the payment terms for the goods or services to be transferred,

(d) The contract has commercial substance,

(e) It is probable that Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

2.5.2 Inventories

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

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

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

2.5.3 Property, plant and equipment

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 2018 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.

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

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

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

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

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

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

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.

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.

b) Rights and other intangible fixed assets

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

2.5.5. Financial instruments

a) Financial assets

The Company classifies its financial assets into the following specified categories: financial assets as at fair value through profit or loss, loans and receivables and available for sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets carried at amortized cost

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (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.

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

b) Financial liabilities

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

c) Derivative financial instruments and hedge accounting

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

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

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

Cash flow hedges:

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

(a) the separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):
  (i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and
  (ii) the cumulative change in fair value (present value) of the hedged item (i.e. the present value of the cumulative change in the hedged expected future cash flows) from inception of

the hedge.

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

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

2.5.6 Foreign currency transactions

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

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

2.5.7 Provisions, contingent assets and liabilities

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

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

2.5.8 Related parties

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

2.5.9 Taxation on income

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

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

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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.

2.5.10 Employee benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the 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 2018 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.

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

2.5.12 Earnings per share

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

2.5.13 Statement of cash flows

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

2.5.14 Offsetting

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

2.5.15 Events after the balance sheet date

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

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

2.5.16 Going concern

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

2.6. Critical accounting estimates and judgments

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

i. Revaluation of lands, buildings and land improvements

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 2018 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. (Note 11).

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

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.

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

- 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 m^2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

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

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

NOTE 3 - SEGMENT REPORTING

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

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

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

Geographical segments

Segment revenue	1 January - 31 December 2018	1 January - 31 December 2017
Turkey	1.226.997	1.029.225
Europe	3.361.699	1.974.695
Other	1.116.240	866.821
Gross sales	5.704.936	3.870.741
Discounts (-)	(10.963)	(12.985)
Net sales	**5.693.973**	**3.857.756**

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

The amount of export is 4.477.939 thousand TL for the period ended 31 December 2018. (1 January-31 December 2017: 2.841.516 thousand TL). Export sales are denominated in EURO, and USD as 91,9%, and 8,1% of total export respectively (1 January-31 December 2017: 96,3% EUR, 3,7% USD).

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash	300	178
Bank deposits		
- Demand deposits	102.983	65.012
Blocked deposits	17.564	8.489
Cash and cash equivalents	**120.847**	**73.679**

NOTE 5 - FINANCIAL LIABILITIES

	31 December 2018	31 December 2017
Short - term financial liabilities		
Short term bank loans	365.864	281.476
Short term portion of long term bank loans	287.078	70.051
Leasing debts	651	450
	653.593	**351.977**
Long - term financial liabilities		
Long term bank loans	-	178.968
Leasing debts	111	546
	111	**179.514**

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

	31 December 2018			31 December 2017		
Currency	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	1,38%	49.572	298.823	1,59%	49.693	224.389
- TL	24,86%	67.041	67.041	16,69%	57.087	57.087
			365.864			**281.476**

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

NOTE 5 - FINANCIAL LIABILITIES (Cont'd)

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

	31 December 2018			31 December 2017		
Currency	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	3,80%	38.737	233.508	4,21%	5.262	23.759
- TL	18,10%	53.570	53.570	14,18%	46.292	46.292
Short term portion			**287.078**			**70.051**
- EUR	-	-	-	3,80%	37.319	168.514
- TL	-	-	-	16,06%	10.454	10.454
Long term portion			**-**			**178.968**
			287.078			**249.019**

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

	31 December 2018	31 December 2017
One to two years	-	178.968
	-	**178.968**

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

Guarantees given for the bank loans obtained are disclosed in note 14.

NOTE 5 - FINANCIAL LIABILITIES (Cont'd)

As of 31 December 2018 and 31 December 2017, reconciliation of net financial debt is as below:

	31 December 2018	31 December 2017
Net financial debt as of 1 January	466.301	236.869
Cash inflows from loans	894.074	652.275
Cash outflows from loan payments	(969.226)	(392.977)
Cash inflow/outflow from other financial debts	(234)	996
Unrealized Fx gain/loss	184.754	16.883
Accrued interest	12.845	5.605
Change in cash and cash equivalents	(38.093)	(53.350)
Net financial debt at the end of the period	**550.421**	**466.301**

NOTE 6 - RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 December 2018	31 December 2017
Vestel Ticaret A.Ş.	1.481.423	1.046.054
	1.481.423	1.046.054
Unearned interest on receivables (-)	(5.312)	(7.252)
	1.476.111	**1.038.802**

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 2018	31 December 2017
Vestel Elektronik Sanayi ve Ticaret A.Ş.	44.299	32.239
Vestel Ticaret A.Ş.	3.667	6.355
Vestel Holland B.V.	2.738	1.534
Other related parties	420	1.044
	51.124	41.172
Unearned interest on payables (-)	(874)	(428)
	50.250	**40.744**

c) Other short term receivables from related parties

	31 December 2018	31 December 2017
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**703.884**	**511.898**

The Company's interest rate of other receivables in TL is 36% (31 December 2017: 18%).

NOTE 6 - RELATED PARTY DISCLOSURES (Cont'd)

d) Other short term liabilities to related parties

	31 December 2018	31 December 2017
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**130.423**	**64.507**

e) Other long term liabilities to related parties

	31 December 2018	31 December 2017
Vestel Elektronik Sanayi ve Ticaret A.Ş.	**-**	**98.323**

The Company's interest rate of other payables in EUR is Euribor +3,20 (31 December 2017: Euribor +3,20).

f) Transactions with related parties

	1 January - 31 December 2018	1 January - 31 December 2017
Sales		
Vestel Ticaret A.Ş.	5.721.813	3.854.559
Vestel Elektronik Sanayi ve Ticaret A.Ş.	26.319	14.859
Other related parties	235	11
	5.748.367	**3.869.429**
Purchases and operating expenses		
Vestel Holland B.V.	48.735	29.099
Vestel Elektronik Sanayi ve Ticaret A.Ş.	250.488	168.059
Other related parties	21.449	17.119
	320.672	**214.277**
Other operating income		
Vestel Ticaret A.Ş.	449.170	295.932
Other related parties	4.308	1.217
	453.478	**297.149**
Other operating expense		
Vestel Ticaret A.Ş.	182.957	55.575
Other related parties	4.813	2.174
	187.770	**57.749**

NOTE 6 - RELATED PARTY DISCLOSURES (Cont'd)

f) Transactions with related parties (cont'd)

	1 January - 31 December 2018	1 January - 31 December 2017
Dividend paid		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	227.091	170.539
Public shares	12.909	9.461
	240.000	**180.000**
Financial income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	133.487	21.542
	133.487	**21.542**
Financial expense		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	56.890	53.333
	56.890	**53.333**

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

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

Compensation paid to key management for the twelve months period ended 31 December 2018 is 6.067 thousand TL (1 January -31 December 2017: 7.524 thousand TL).

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2018	31 December 2017
Short - term trade receivables		
Trade receivables		
- Related parties (note 6)	1.481.423	1.046.054
- Other parties	4.517	5.349
Cheques and notes receivables	-	2.131
	1.485.940	1.053.534
Unearned interest expense (-)		
- Related parties (note 6)	(5.312)	(7.252)
- Other parties	(139)	(161)
Allowance for doubtful receivables (-)	(276)	(238)
Total short - term trade receivables	**1.480.213**	**1.045.883**

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Cont'd)

	31 December 2018	31 December 2017
Short term trade payables		
Trade payables		
- Related parties (note 6)	51.124	41.172
- Other parties	1.857.966	1.205.514
	1.909.090	1.246.686
Unearned interest income (-)		
- Related parties (note 6)	(874)	(428)
- Other parties	(7.139)	(3.977)
Total short term trade payables	**1.901.077**	**1.242.281**
Long term trade payables		
Trade payables		
- Other parties	14.531	1.959
Total long term trade payables	**14.531**	**1.959**

NOTE 8 - OTHER RECEIVABLES

	31 December 2018	31 December 2017
Short - term other receivables		
Other receivables from related parties (note 6)	703.884	511.898
VAT receivable	155.464	128.421
Deposits and guarantees given	6.849	3.474
Other receivables	1.479	1.402
	867.676	**645.195**

NOTE 9 - INVENTORIES

	31 December 2018	31 December 2017
Raw materials	362.841	312.136
Work in process	10.344	7.820
Finished goods	208.063	181.399
	581.248	501.355
Provision for impairment on inventories (-)	(2.194)	(1.175)
	579.054	**500.180**

As of 31 December 2018 the Company does not have inventories pledged as security for liabilities (31 December 2017: None).

Cost of the inventory included in the cost of sales for the current period amounts to 4.181.421 thousand TL (1 January - 31 December 2017: 2.928.539 thousand TL).

NOTE 9 - INVENTORIES (Cont'd)

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

	31 December 2018	31 December 2017
Finished goods and merchandise	2.194	1.175
	2.194	**1.175**

Movement of inventory impairment on inventories is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	**1.175**	**268**
Current year additions	2.194	1.175
Realised due to sale of inventory	(1.175)	(268)
Balance at 31 December	**2.194**	**1.175**

NOTE 10 - PREPAID EXPENSES

	31 December 2018	31 December 2017
Prepaid expenses in current assets		
Order advances given	6.815	4.274
Prepaid expenses	5.701	9.453
Business advances given	107	76
	12.623	**13.803**
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	38.694	62.612
Prepaid expenses	896	340
	39.590	**62.952**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Disposals	Transfer	Fair value increase	31 December 2018
Cost or revaluation						
Land	39.063	-	-	-	153.761	192.824
Land improvements	3.275	75	-	(2.400)	39.883	40.833
Buildings	71.623	10.044	-	47.923	309.044	438.634
Leasehold improvements	7.514	1.347	(8)	1.247	-	10.100
Plant and machinery	1.056.638	217.251	(17.544)	242.809	-	1.499.154
Motor vehicles	589	70	(59)	-	-	600
Furniture and fixtures	54.285	10.054	(381)	5.555	-	69.513
Construction in progress	83.051	286.052	-	(331.615)	-	37.488
	1.316.038	**524.893**	**(17.992)**	**(36.481)**	**502.688**	**2.289.146**
Accumulated depreciation						
Land improvements	2.431	62	-	(2.493)	-	-
Buildings	30.785	3.203	-	(33.988)	-	-
Leasehold improvements	3.444	947	(4)	-	-	4.387
Plant and machinery	689.240	134.692	(17.327)	-	-	806.605
Motor vehicles	340	93	(54)	-	-	379
Furniture and fixtures	36.596	6.138	(323)	-	-	42.411
	762.836	**145.135**	**(17.708)**	**(36.481)**	**-**	**853.782**
Net book value	**553.202**					**1.435.364**

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

	1 January 2017	Additions	Disposals	Transfers	31 December 2017
Cost					
Land	6.547	32.516	-	-	39.063
Land improvements	3.248	6	-	21	3.275
Buildings	69.608	1.346	(8)	677	71.623
Leasehold improvements	5.983	765	(9)	775	7.514
Plant and machinery	861.200	167.889	(3.514)	31.063	1.056.638
Motor vehicles	516	118	(45)	-	589
Furniture and fixtures	47.137	4.603	(182)	2.727	54.285
Construction in progress	6.943	111.371	-	(35.263)	83.051
	1.001.182	**318.614**	**(3.758)**	**-**	**1.316.038**
Accumulated depreciation					
Land improvements	2.373	58	-	-	2.431
Buildings	29.361	1.427	(3)	-	30.785
Leasehold improvements	2.839	609	(4)	-	3.444
Plant and machinery	606.234	85.980	(2.974)	-	689.240
Motor vehicles	301	75	(36)	-	340
Furniture and fixtures	32.109	4.667	(180)	-	36.596
	673.217	**92.816**	**(3.197)**	**-**	**762.836**
Net book value	**327.965**				**553.202**

Additions to property, plant and equipment in the period 1 January - 31 December 2018 and 2017 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker, dishwasher and air conditioner factories.

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

	Useful life
Land improvements	8 - 35 years
Buildings	25 - 50 years
Leasehold improvements	5 years
Plant and machinery	5 - 20 years
Motor vehicles	5 years
Furniture and fixtures	5 - 10 years

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

Allocation of period depreciation and amortization expenses is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Cost of sales	141.234	90.667
Research and development expenses	23.399	19.809
Marketing, selling and distribution expenses	531	359
General administrative expenses	1.240	911
	166.404	**111.746**

31 December 2018	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	192.824	-
Buildings and land improvements	-	479.467	-

NOTE 12 - INTANGIBLE ASSETS

	1 January 2018	Additions	Disposals	31 December 2018
Cost				
Rights	6.376	53	-	6.429
Development cost	197.197	47.514	(10)	244.701
Other intangible assets	13.762	2.365	-	16.127
	217.335	**49.932**	**(10)**	**267.257**
Accumulated amortization				
Rights	6.357	3	-	6.360
Development cost	87.391	20.143	-	107.534
Other intangible assets	5.373	1.123	-	6.496
	99.121	**21.269**	**-**	**120.390**
Net book value	**118.214**			**146.867**

NOTE 12 - INTANGIBLE ASSETS (Cont'd)

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Rights	6.376	-	-	6.376
Development cost	159.355	40.083	(2.241)	197.197
Other intangible assets	11.490	2.272	-	13.762
	177.221	**42.355**	**(2.241)**	**217.335**
Accumulated amortization				
Rights	6.354	3	-	6.357
Development cost	69.424	17.967	-	87.391
Other intangible assets	4.413	960	-	5.373
	80.191	**18.930**	**-**	**99.121**
Net book value	**97.030**			**118.214**

Development costs, incurred by the Company on development projects relating to refrigerators, split air conditioners, washing machines, cookers and dish washers are capitalized as intangible assets when it is probable that costs will be recovered through future commercial activity and only if the cost can be measured reliably.

Useful lives of intangible assets are as follows:

	Useful life
Rights	3 - 15 years
Development cost	2 - 10 years
Other intangible assets	2 - 15 years

NOTE 13 - GOVERMENT 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 548 thousand TL for the period 1 January - 31 December 2018 (1 January - 31 December 2017: 533 thousand TL).

Brand support incentive Turquality obtained from Republic of Turkey Prime Ministry Undersecretary of Treasury amounts to 9 thousand TL in year 2018 (2017: 19 thousand TL).

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2018	31 December 2017
Short - term provisions		
Provision for lawsuit risks	3.190	2.197
	3.190	**2.197**

The movements in the provision for lawsuits are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	**2.197**	**1.620**
Current year additions	1.037	581
Payments/ Disposals	(44)	(4)
Balance at 31 December	**3.190**	**2.197**

b) Guarantees received by the Company

	31 December 2018	31 December 2017
Guarantee letters	27.062	55.750
Cheques and notes	6.879	4.277
Collaterals and pledges	5.269.273	3.689.650
	5.303.214	**3.749.677**

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

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

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2018				
A. CPM's given on behalf of its own legal entity	-	7.420	41.916	86.642
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.008.140	44.487	907.894	6.479.785
i. Total amount of CPM's given on behalf of the parent company	722.288	-	667.835	4.467.720
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	285.852	44.487	240.059	2.012.065
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**1.008.140**	**51.907**	**949.810**	**6.566.427**

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2017				
A. CPM's given on behalf of its own legal entity	-	2.307	21.032	31.449
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.008.140	44.487	907.894	4.911.378
i. Total amount of CPM's given on behalf of the parent company	722.288	-	667.835	3.392.233
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	285.852	44.487	240.059	1.519.145
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**1.008.140**	**46.794**	**928.926**	**4.942.827**

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 358% as of 31 December 2018 (31 December 2017: 485%).

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NOTE 15 - COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to 615.687 thousand USD (31 December 2017: 448.212 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2018 the Company has forward foreign currency purchase contract that amounts to 347.064 thousand TL, 41.714 thousand EUR and 158.639 thousand USD against forward foreign currency sales contract that amounts to 109.555 thousand EUR, 23.681 thousand USD and 669.358 thousand TL (31 December 2017: 92.509 thousand TL, 55.072 thousand EUR and 279.575 thousand USD against forward foreign currency sales contract that amounts to 242.091 thousand EUR, 17.745 thousand USD and 237.451 thousand TL sales contracts).

NOTE 16 - EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2018	31 December 2017
Due to personnel	23.224	19.779
Social security payables	7.972	6.892
	31.196	**26.671**

Long term provisions for employee benefits:

	31 December 2018	31 December 2017
Provision for employment termination benefits	**38.713**	**31.749**

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

The amount payable is the equivalent of one month's gross salary for each year of service and is limited to a maximum of TL 5.434,42 TL / year as of 31 December 2018 (31 December 2017: 4.732,48 TL/year).

The provision for employee termination benefits is not funded.

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as at 31 December 2018 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 2018 provision is calculated based on real discount rate of 5,45% (31 December 2017: 4,67%) assuming 10% annual inflation rate and 15,99% discount rate.

NOTE 16 - EMPLOYEE BENEFITS (Cont'd)

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

	1 January - 31 December 2018	1 January - 31 December 2017
Balance at 1 January	**31.749**	**24.459**
Increase during the year	7.104	7.677
Payments during the year	(5.270)	(7.016)
Actuarial (gain) /loss	1.707	3.613
Interest expense	3.423	3.016
Balance at 31 December	**38.713**	**31.749**

As of 31 December 2018, an increase in annual discount rate by 0,25% would lead to a decrease in employee benefit liability by 3,8% ; a decrease in annual discount rate by 0,25% would lead to an increase in employee benefit liability by 4% (31 December 2017: 4,1% decrease and 4,3% increase).

As of 31 December 2018, an increase in salary escalation by 0,25% would lead to an increase in employee benefit liability by 4,2%; a decrease in salary escalation by 0,25% would lead to a decrease in employee benefit liability by 4% (31 December 2016: 4,5% increase and 4,3% decrease).

NOTE 17 - OTHER ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Other current assets		
VAT carried forward	221	266
Other	609	5.675
	830	**5.941**
Other current liabilities		
Taxes and dues payable	6.280	8.355
Advances received	108	-
Other	414	342
	6.802	**8.697**

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NOTE 18 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	31 December 2018	31 December 2017
Shares of par value TL 1 each		
Issued share capital	190.000	190.000

As of 31 December 2018 and 31 December 2017 the shareholding structure is as follows:

	Shareholding		Amount	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Vestel Elektronik Sanayi ve Ticaret A.Ş. (with Board of Directors Members)	95,18%	94,62%	180.834	179.780
Shares held by public	4,82%	5,38%	9.166	10.220
	100%	**100%**	**190.000**	**190.000**

b) Adjustments to share capital

Adjustment to share capital (restated to 31 December 2004 purchasing power of money) is the difference between restated share capital and historical share capital.

	31 December 2018	31 December 2017
Adjustment to share capital	**9.734**	**9.734**

c) Share Premium

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

	31 December 2018	31 December 2017
Share premium	**109.031**	**109.031**

d) Restricted reserves ("Legal reserves")

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

	31 December 2018	31 December 2017
Legal reserves	**118.206**	**111.627**

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

e) Retained earnings

	31 December 2018	31 December 2017
Extraordinary reserves	282.356	258.976
Previous year's loss	70.365	45.090
	352.721	**304.066**

f) Dividend distribution

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

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

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

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

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

NOTE 19 - SALES

	1 January - 31 December 2018	1 January - 31 December 2017
Domestic sales	1.226.997	1.029.225
Overseas sales	4.477.939	2.841.516
Gross sales	**5.704.936**	**3.870.741**
Less: Sales discounts (-)	(10.963)	(12.985)
Net sales	**5.693.973**	**3.857.756**
Cost of sales	(4.781.608)	(3.363.747)
Gross profit	**912.365**	**494.009**

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NOTE 20 - EXPENSES BY NATURE

	1 January - 31 December 2018	1 January - 31 December 2017
Raw materials, supplies and finishd goods	4.210.609	3.038.847
Changes in finished goods, work in process and trade goods	(29.188)	(110.308)
Personnel expenses	360.495	290.817
Depreciation and amortization	166.404	111.746
Other	257.876	172.453
	4.966.196	**3.503.555**

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

a) General administrative expenses:

	1 January - 31 December 2018	1 January - 31 December 2017
Personnel expenses	12.279	13.649
Consultancy and IT expenses	19.391	13.758
Rent and office expenses	5.216	4.317
Travelling expense	1.379	1.648
Energy expenses	830	550
Depreciation and amortization	1.240	911
External benefits and services	373	490
Other	18.629	13.595
	59.337	**48.918**

b) Marketing expenses:

Personnel expenses	16.271	12.833
Transportation expenses	43.128	28.520
Tax and duties	9.343	5.305
Insurance expenses	1.812	1.413
Depreciation and amortization	531	359
Other	8.676	5.501
	79.761	**53.931**

c) Research and development expenses:

Depreciation and amortization	23.399	19.809
Personnel expenses	9.208	8.427
Other	12.883	8.723
	45.490	**36.959**

NOTE 22 - OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

	1 January - 31 December 2018	1 January - 31 December 2017
a) Other operating income:		
Credit finance gains arising from trading activities	6.896	49.591
Foreign exchange gains arising from trading activities	471.622	267.752
Other income	9.390	8.370
	487.908	**325.713**
b) Other operating expenses:		
Debit finance charges arising from trading activities	11.031	43.377
Foreign exchange expenses arising from trading activities	599.067	145.048
Other expenses	12.287	6.877
	622.385	**195.302**

NOTE 23 - FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gains	52.973	20.794
Gains on derivative financial instruments	414.750	86.168
Interest income	139.876	21.605
	607.599	**128.567**

b) Financial expense:

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange losses	215.339	103.286
Losses on derivative financial instruments	311.867	161.348
Interest expense	51.782	47.864
Other finance expenses	144	107
	579.132	**312.605**

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NOTE 24 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

a) Cash flow hedge fund:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	(1.352)	18.786
Gains (losses) on cash flow hedges	918	(25.216)
Taxes relating to cash flow hedges	(202)	5.078
Balance at 31 December	**(636)**	**(1.352)**

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

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	(6.203)	(3.313)
Gains (losses) on remeasurements of defined benefit plans	(1.707)	(3.613)
Taxes relating to remeasurements of defined benefit plans	341	723
Balance at 31 December	**(7.569)**	**(6.203)**

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

	31 December 2018	31 December 2017
Corporation and income taxes	5.512	3.164
Prepaid taxes (-)	(4.796)	(4.414)
Current income tax liabilities - net	**716**	**(1.250)**

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses and by deducting other exempt income. In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed at the rate of 15%, except for companies receiving dividends who are resident companies in Turkey. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

In Turkey, advance tax returns are filed on a quarterly basis at the rate of %20, until the 14th day of the following month and paid until the 17th day. Advance tax returns files within the year are offset against corporate income tax calculated over the annual taxable corporate income.

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

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

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

NOTE 25 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

As of 1 January - 31 December 2018 and 2017 tax expense in the statement of income is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Current period tax expense	(5.512)	(3.164)
Deferred tax benefit / (expense)	6.306	(2.176)
Total tax expense	**794**	**(5.340)**

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

	1 January - 31 December 2018	1 January - 31 December 2017
Profit before tax	**621.767**	**300.574**
Local tax rate	22%	22%
Tax income calculated using local tax rate	(136.789)	(66.126)
Non-deductible expenses	(2.968)	(1.583)
Discounts and exemptions	18.247	12.976
Discounted corporate tax advantage	122.129	48.359
Effect of legal tax rate change on deferred tax	(175)	1.034
Other	350	-
	794	**(5.340)**

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

Deferred tax assets and liabilities

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Communiqué II, No. 14.1 and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

NOTE 25 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

	Cumulative temporary differences		Deferred tax	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Deferred tax assets				
Employment termination benefits	(38.713)	(31.749)	7.743	6.350
Provision for impairment on inventories	(2.194)	(1.175)	483	258
Derivative financial instruments	(20.129)	(5.968)	4.428	1.313
Other	(13.114)	(14.436)	2.885	3.176
			15.539	**11.097**

	Cumulative temporary differences		Deferred tax	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Deferred tax liabilites				
Useful life and valuation differences on property, plant and equipment and intangible assets	8.480	25.180	(1.696)	(5.036)
Revaluation of tangible fixed assets	502.688	-	(85.161)	-
Derivative financial instruments	2.028	-	(446)	-
Other	6.360	1.900	(1.272)	(380)
			(88.575)	**(5.416)**
Deferred tax assets - net			**(73.036)**	**5.681**

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

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	**5.681**	**2.056**
Tax expense recognized in income statement	6.306	(2.176)
Recognized in shareholders' equity	(85.022)	5.801
Deferred tax liabilities at the end of the period, net	**(73.035)**	**5.681**

NOTE 26- EARNINGS PER SHARE

	1 January - 31 December 2018	1 January - 31 December 2017
Net (loss) / income attributable to equity holders of the parent	622.561	295.234
Weighted number of ordinary shares with a TL 1 of par value (thousand shares)	190.000	190.000
	3,28	**1,55**

NOTE 27 - DERIVATIVE INSTRUMENTS

	31 December 2018		31 December 2017	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
Derivative financial assets:				
Held for trading				
Forward foreign currency transactions	287.560	2.028	211.078	1.759
Cash flow hedge				
Forward foreign currency transactions	-	-	486.575	2.250
Derivative financial liabilities:				
Held for trading				
Forward foreign currency transactions	1.000.866	(19.314)	415.169	(5.993)
Cash flow hedge				
Forward foreign currency transactions	144.675	(815)	282.893	(3.984)
	1.433.101	**(18.101)**	**1.395.715**	**(5.968)**

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

(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 2018 and 2017 the Company's net debt / total equity ratios are as follows:

	31 December 2018	31 December 2017
Total financial liabilities (note 5)	653.704	531.491
Cash and cash equivalents (note 4)	(120.847)	(73.679)
Net debt	**532.857**	**457.812**
Total equity	1.811.575	1.012.137
Capital invested	**2.344.432**	**1.469.949**
Net debt/capital invested	**0,23**	**0,31**

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 2018 and 31 December 2017:

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2018	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**	**Other**
Maximum exposed credit risk as at 31 December 2018 (A+B+C+D)	**1.476.111**	**4.102**	**703.884**	**163.792**	**102.983**	**17.864**
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	1.476.111	4.102	703.884	163.792	102.983	17.864
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	-	-	-	-	-	-
- Secured portion by guarantees, etc	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Overdue	-	276	-	-	-	-
- Impairment	-	(276)	-	-	-	-
- Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

(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			
31 December 2017	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits	Other
Maximum exposed credit risk as at 31 December 2017 (A+B+C+D)	**1.038.802**	**7.081**	**511.898**	**133.297**	**65.012**	**8.667**
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	1.038.802	7.081	511.898	133.297	65.012	8.667
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	-	-	-	-	-	-
- Secured portion by guarantees, etc	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Overdue	-	238	-	-	-	-
- Impairment	-	(238)	-	-	-	-
- Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

b.2) Price risk:

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

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

b.3) Liquidity risk:

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

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

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

The analysis of the Company's financial liabilities with respect to their maturities as of 31 December 2018:

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 Barrowings	653.704	660.046	444.430	215.616	-	-
Trade Payables	1.915.608	1.923.196	1.502.710	405.955	14.531	-
Other Payables	130.423	133.370	45.135	88.235	-	-
	2.699.735	**2.716.612**	**1.992.275**	**709.806**	**14.531**	**-**
Derivative financial instruments						
Derivative cash inflows	-	(1.433.101)	(1.433.101)	-	-	-
Derivative cash outflows	-	1.454.335	1.454.335	-	-	-
	18.101	**21.234**	**21.234**	**-**	**-**	**-**

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 2017:

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 Barrowings	531.491	543.535	90.101	265.039	188.395	-
Trade Payables	1.244.240	1.248.658	942.757	305.901	-	-
Other Payables	162.830	169.118	34.848	34.364	99.906	-
	1.938.561	**1.961.311**	**1.067.706**	**605.304**	**288.301**	**-**
Derivative financial instruments						
Derivative cash inflows	-	(1.395.715)	(909.140)	(486.575)	-	-
Derivative cash outflows	-	1.397.546	917.508	480.038	-	-
	5.968	**1.831**	**8.368**	**(6.537)**	**-**	**-**

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.

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2018	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	13.135	195.171	-	1.245.593
2a. Monetary financial assets (including cash and cash equivalents)	183	12.657	80	77.339
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	**13.318**	**207.828**	**80**	**1.322.932**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	160	2.783	-	17.618
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**160**	**2.783**	**-**	**17.618**
9. Total assets (4+8)	**13.478**	**210.611**	**80**	**1.340.550**
10. Trade payables	185.034	83.146	519	1.475.168
11. Financial liabilities	-	88.309	-	532.325
12a. Other monetary liabilities	-	21.636	-	130.422
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**185.034**	**193.091**	**519**	**2.137.915**
14. Trade payables	-	2.261	-	13.629
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**2.261**	**-**	**13.629**
18. Total liabilities (13+17)	**185.034**	**195.352**	**519**	**2.151.544**
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)	**134.958**	**(67.841)**	-	**301.055**
19a. Hedged total assets	158.639	41.714	-	1.086.036
19b. Hedged total liabilities	(23.681)	(109.555)	-	(784.981)
20. Net foreign currency asset/ (liability) position (9-18+19)	**(36.598)**	**(52.582)**	**(439)**	**(509.939)**
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(171.716)**	**12.476**	**(439)**	**(828.612)**
22. Fair value of financial instruments used in foreign currency hedging	**-**	**-**	-	**(18.101)**
23. Export	74.243	711.036	-	4.477.939
24. Import	305.596	197.115	1.878	2.545.901

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2017	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	12.776	148.303	163	718.015
2a. Monetary financial assets (including cash and cash equivalents)	350	15.540	19	71.510
2b. Non-monetary financial assets	-	-	-	-
3. Other	36.720	-	-	138.504
4. Current assets (1+2+3)	**49.846**	**163.843**	**182**	**928.029**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	1.605	7.140	-	38.295
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**1.605**	**7.140**	-	**38.295**
9. Total assets (4+8)	**51.451**	**170.983**	**182**	**966.324**
10. Trade payables	180.221	56.166	46	933.439
11. Financial liabilities	-	54.955	-	248.148
12a. Other monetary liabilities	-	14.286	-	64.508
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**180.221**	**125.407**	**46**	**1.246.095**
14. Trade payables	-	-	-	-
15. Financial liabilities	-	37.319	-	168.514
16a. Other monetary liabilities	-	21.775	-	98.325
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**59.094**	**-**	**266.839**
18. Total liabilities (13+17)	**180.221**	**184.501**	**46**	**1.512.934**
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a+19b)	**261.830**	**(187.019)**	**-**	**143.112**
19a. Hedged total assets	279.575	55.072	-	1.303.207
19b. Hedged total liabilities	(17.745)	(242.091)	-	(1.160.094)
20. Net foreign currency asset/ (liability) position (9-18+19)	**133.060**	**(200.537)**	**136**	**(403.498)**
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(167.095)**	**(20.658)**	**136**	**(723.409)**
22. Fair value of financial instruments used in foreign currency hedging	**-**	**-**	**-**	**(5.968)**
23. Export	29.144	671.923	-	2.841.516
24. Import	261.603	200.443	1.408	1.776.031

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2018 and 31 December 2017, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

	Gain / Loss		Equity	
31 December 2018	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(90.338)	90.338	(90.338)	90.338
Secured portion from USD risk (-)	56.569	(56.569)	70.977	(70.977)
USD net effect	**(33.769)**	**33.769**	**(19.361)**	**19.361**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	7.520	(7.520)	7.520	(7.520)
Secured portion from EUR risk (-)	(26.755)	26.755	(41.244)	41.244
EUR net effect	**(19.235)**	**19.235**	**(33.724)**	**33.724**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	(44)	44	(44)	44
Secured portion from other currency risk (-)	-	-	-	-
Other currency net effect	**(44)**	**44**	**(44)**	**44**

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	Gain / Loss		Equity	
31 December 2017	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(63.027)	63.027	(63.027)	63.027
Secured portion from USD risk (-)	21.788	(21.788)	98.314	(98.314)
USD net effect	**(41.239)**	**41.239**	**35.287**	**(35.287)**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	(9.328)	9.328	(9.328)	9.328
Secured portion from EUR risk (-)	(7.971)	7.971	(84.670)	84.670
EUR net effect	**(17.299)**	**17.299**	**(93.998)**	**93.998**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	14	(14)	14	(14)
Secured portion from other currency risk (-)	-	-	-	-
Other currency net effect	**14**	**(14)**	**14**	**(14)**

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 2018	31 December 2017
Financial instruments with fixed interest rates		
Time deposits	-	-
Financial liabilities	653.704	531.491
Financial instruments with variable interest rates		
Financial liabilities	-	-
Other liabilities	130.423	162.830

On 31 December 2018, if interest rates of all currency denominated financial assets and liabilities with variable interest rates has strengthened / weakened by 100 base point with all other variables held constant, income before taxes would have been 1.270 thousand TL (2017: 1.540 thousand TL) 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 has classified its financial assets and liabilities as at fair value through profit or loss, available for sale financial assets and loans and receivables. Among Company's financial assets, cash and cash equivalents (note 4), trade receivables (notes 6 and 7) and other receivables (notes 6 and 8), are classified as loans and receivables and are measured at amortized cost using the effective interest method.

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

Fair value of financial instruments

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

The estimated fair values of financial instruments have been determined by the Company, using available market information and appropriate valuation methodologies. However, judgement is necessarily required 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.

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

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 does not contains observable market inputs

Fair value hierarchy tables as of 31 December 2018 and 31 December 2017 are as follows:

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets / (liabilities)				
Derivative financial assets / (liabilities)	-	(18.101)	-	(18.101)

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets / (liabilities)				
Derivative financial assets / (liabilities)	-	(5.968)	-	(5.968)

INVESTOR INFORMATION

General Information

Reporting Period: 01.01.2018 - 31.12.2018
Legal Name: Vestel Beyaz Eşya Sanayi ve Ticaret AŞ
Trade Register No: Istanbul Trade Registry Office, No: 380814
Registered Capital Ceiling: None
Paid-in/Issued Capital: TL 190,000,000

Contact Details for Headquarters/Branches

Headquarters: Levent 199 Büyükdere Cad. No: 199 34394 Şişli - Istanbul
Phone: +90 (212) 456 22 00
Fax: +90 (212) 422 02 03

Branch 1: Organize Sanayi Bölgesi, 45030 - Manisa
Phone: +90 (236) 233 01 31
Fax: +90 (236) 233 01 20

Branch 2: Keçiliköy OSB Mah. 5639 Sok. No:17/2/12 Yunusemre - Manisa
Phone: +90 (236) 226 30 00
Fax: +90 (236) 233 01 20

Independent Auditor

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ
Süleyman Seba Cad. BJK Plaza No: 48 B Blok Kat: 9 34357 Akaretler Beşiktaş - Istanbul
Phone: +90 (212) 326 60 60
Fax: +90 (212) 326 60 50

Financial Data and Company Announcements

Financial statements, auditor reports, material event disclosures and annual reports of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ are available on the Company's website at http://vesbe.vestelyatirimciiliskileri.com/.

Additionally, requests for information can be submitted to the Investor Relations Directorate of Vestel Group of Companies via phone and e-mail.

Investor Relations

Serap Mutlu
Investor Relations Director
Levent 199 Büyükdere Cad. No: 199 34394 Şişli - Istanbul - Turkey
Phone: +90 (212) 456 34 56
E-mail: yatirimci@vestel.com.tr

Emine Özcan
Investor Relations Officer
Organize Sanayi Bölgesi, 45030 - Manisa - Turkey
E-mail: yatirimci@vestel.com.tr

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Tel: (90 212) 227 04 36
www.tayburnkurumsal.com

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