

TOWARDS NEW HORIZONS

VESTEL BEYAZ EŞYA
2019 ANNUAL REPORT



TOWARDS NEW HORIZONS

As Vestel Beyaz Eşya, we rely on our technology and our know how in this field. With the vision of being a company that leads rather than merely keeps up with the transformation, we maintain our investments in R&D and innovation within the framework of Zorlu Holding's vision of the Smart Life 2030. With our sustainable and environmental approach, we manufacture products which are quieter and consume less energy and water, while also offering consumers more comfortable lives with our smart, record-breaking products, which will radically change their lifestyles and habits and which reflect the new technologies we develop. We are advancing towards new horizons by expanding our smart living ecosystem...



For the pdf copy of Vestel Beyaz Eşya 2019 Annual Report, you can send the QR code to your browser.



<http://vesbe.vestelinvestorrelations.com/en/financials/annual-reports.aspx>

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While offering consumers more comfortable lives with smart products, we continue to expand our smart living ecosystem.

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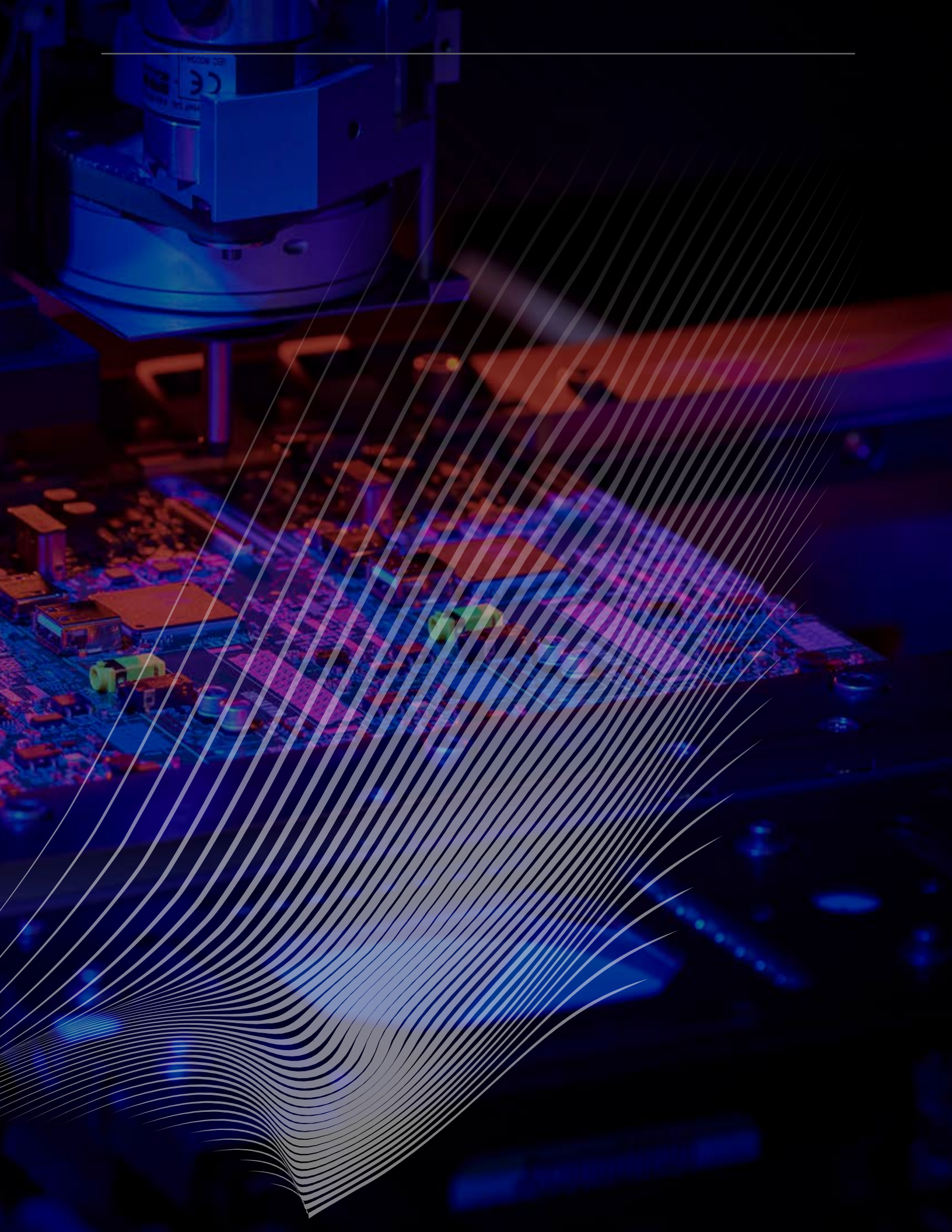
WITH OUR CAREFULLY DEFINED **STRATEGY**





**WITH OUR R&D
AND TECHNOLOGY
WHICH DESIGN THE
FUTURE**





WITH OUR PRODUCTS THAT TOUCH PEOPLE'S LIVES

VESTEL

WITH OUR VISION FOCUSING ON THE FUTURE



SUMMARY FINANCIAL AND OPERATIONAL INDICATORS

Condensed Income Statement (Euro million)

	2015	2016	2017	2018	2019
Net Sales	837	909	937	1,006	1,098
Exports/Sales	77%	75%	73%	78%	82%
Gross Profit	123	147	120	161	139
Gross Profit Margin	14.8%	16.1%	12.8%	16.0%	12.7%
Operating Profit*	86	109	86	129	105
Operating Profit Margin*	10.3%	12.0%	9.2%	12.8%	9.5%
EBITDA*	114	136	113	158	145
EBITDA Margin*	13.7%	15.0%	12.1%	15.7%	13.2%
Net Profit	54	97	72	110	89
Net Profit Margin	6.5%	10.7%	7.7%	10.9%	8.2%

*Excluding other operating income and expense

Condensed Balance Sheet (Euro million)

	2015	2016	2017	2018	2019
Cash and Cash Equivalents	28	3	16	20	18
Trade Receivables	259	321	232	246	263
Inventories	82	66	111	96	97
Current Assets	415	492	507	508	476
Property, Plant and Equipment	99	89	123	238	228
Total Assets	542	619	671	777	749
Short-Term Liabilities	241	271	378	456	450
Long-Term Liabilities	76	99	69	21	28
Shareholders' Equity	225	249	224	301	272
Net Financial Debt*	42	114	139	113	116

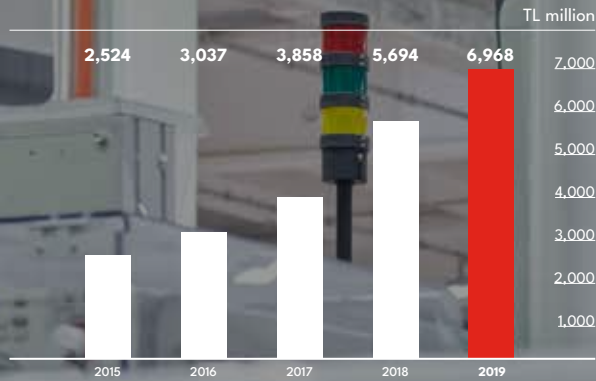
*Including the EBRD loan used through Vestel Elektronik. Blocked deposits are not included in the calculation.

Condensed Cash Flow Statement (Euro million)

	2015	2016	2017	2018	2019
Cash Flows from Operating Activities	59	74	159	191	97
Net Cash Flows from Investing Activities	(29)	(112)	(148)	(135)	(21)
Net Cash Flows from Financing Activities	(55)	16	2	(49)	(79)

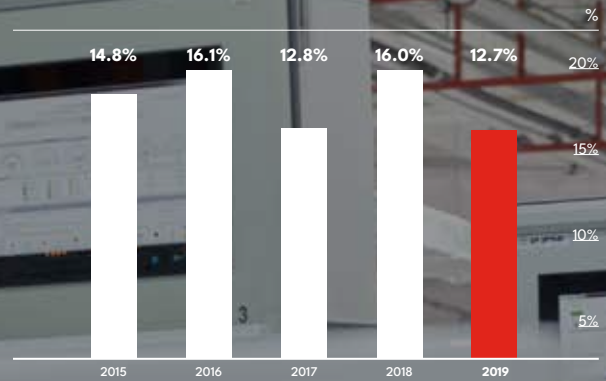
01

Net Sales



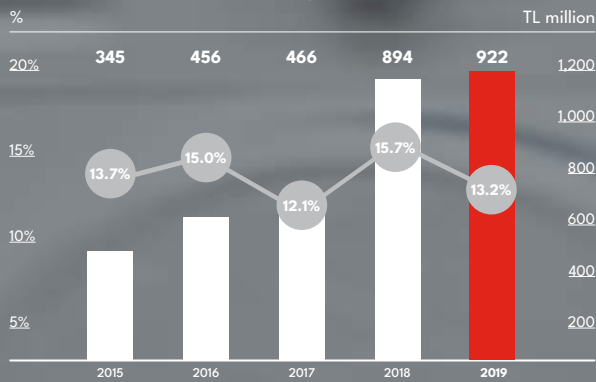
Vestel Beyaz Eşya, which increased its focus on exports in 2019, grew its turnover by 22% yoy to TL 6,968 million, driven by the strong growth in its international revenues.

Gross Profit Margin



Due to relative stabilization in exchange rate and increased competition in export markets, the Company's gross profit margin declined from 16.0% to 12.7% in 2019.

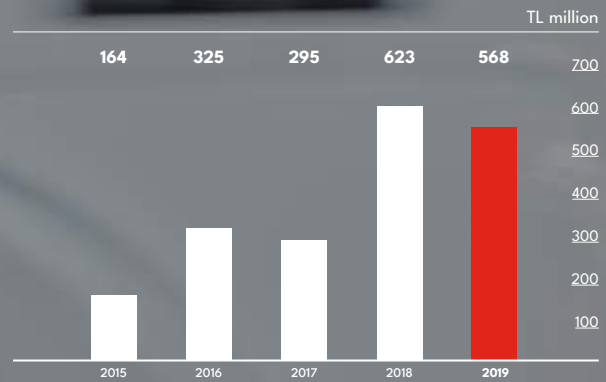
EBITDA and EBITDA Margin



EBITDA, which increased by a CAGR of 28% in the last 5 years, amounted to TL 922 million in 2019, with an EBITDA margin of 13.2%.

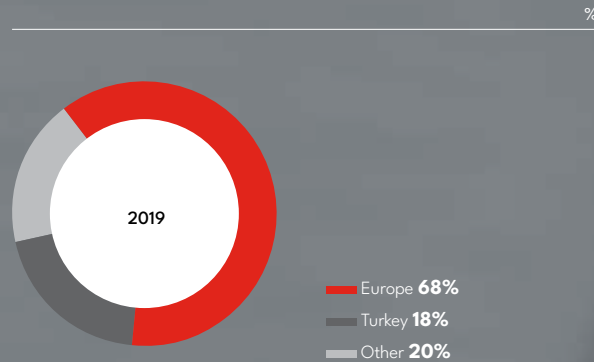
■ EBITDA 2019
■ EBITDA
■ EBITDA MARGIN

Net Profit



Net profit was realized as TL 568 million, while net profit margin stood at 8.2%.

Geographical Distribution of Revenues



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.

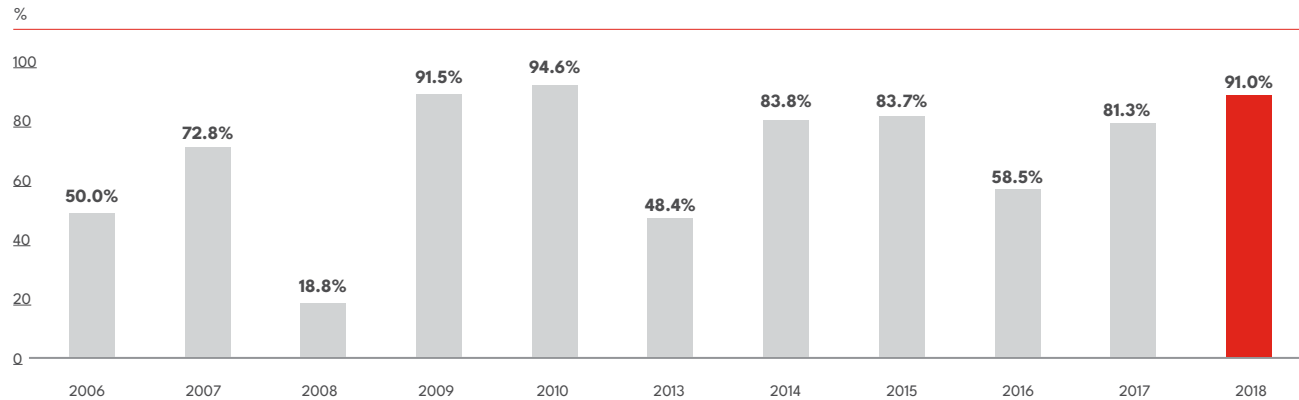
Dividend Distribution

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	2018
Issued Capital (TL)	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000
Net Distributable Profit (TL)	61,472,535	70,736,410	30,816,495	111,964,111	23,693,899	51,302,674	125,158,202	156,367,884	307,447,389	295,234,000	622,561,000
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	566,828,182
Dividend Payout Ratio	50.0%	72.8%	18.8%	91.5%	94.6%	48.4%	83.8%	83.7%	58.5%	81.3%	91.0%
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	2.9833

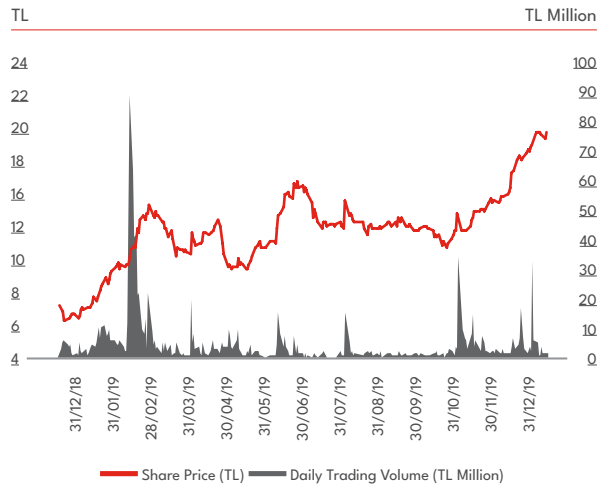
*The corresponding year for the realization of the distributable profit

Dividend Payout Ratio

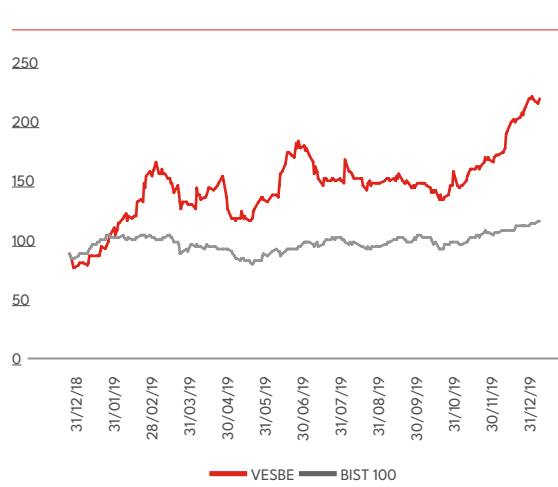


IN LINE WITH THE COMPANY'S SUSTAINABLE BUSINESS MODEL AND STRONG OPERATIONAL PERFORMANCE, THE SHARE PRICE OF VESTEL BEYAZ EŞYA INCREASED BY 121% IN 2019 AND OUTPERFORMED THE BIST-100 INDEX BY 76%. IN THE SAME PERIOD THE BIST-100 INDEX ROSE BY 26%.

Vestel Beyaz Eşya - Share Price Performance



Vestel Beyaz Eşya - Relative Performance



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

At the end of 2019, Vestel Beyaz Eşya, which is traded on the BIST MAIN MARKET - GROUP 1, was included in the BIST MAIN, BIST INDUSTRIAL, BIST METAL PRODUCTS, MACHINERY, BIST DIVIDEND, 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 İstanbul with a high corporate sustainability performance, on a voluntary basis for the first time in November 2016. Having been included in the index for three periods, Vestel Beyaz Eşya was also entitled for voluntary inclusion in the index in the November 2019 - October 2020 period as a result of the evaluations made by Borsa İstanbul AŞ.

AS OF 31 DECEMBER, 2019, THE COMPANY'S MARKET VALUE STOOD AT TL 4,104 MILLION.

Summary Share Price Information for 2019

Number of Shares	190,000,000
Shares in Free Float*	9,166,057
Yearly High (TL)	21.66
Yearly Low (TL)	8.69
Year-End Closing Price (TL)	21.60
Market Capitalization* (TL Million)	4,104

*As of 31.12.2019

HIGHLIGHTS OF 2019 AT VESTEL BEYAZ EŞYA

Vestel Beyaz Eşya developed and introduced the following products to the market in 2019.

Smart and green products from Vestel Beyaz Eşya

- 54 cm wide top freezer refrigerator with NF MultiCooling cooling technology,
- 76 cm wide top freezer refrigerator with NF MultiCooling cooling technology,
- 70 cm wide combi refrigerator with NF MultiCooling cooling technology,
- 50 cm wide new table top refrigerator,
- The new products of the 54 cm wide series, the Fridge and Larder model table top refrigerators,
- The CrystaLight technology combi refrigerator with a photocatalytic filter which maximizes the quality of smell and hygiene in the product, through the use of UV rays,
- The fully renewed T series washing machine product family, which stands out with its stylish and user-friendly features,
- Washing machines with 44 dBA (decibel) of sound level,
- Washing machines with 1600 spin speed and 8 kg load capacity,
- Washing machines with 1400 spin speed and 11 kg load capacity,
- Washing machines with economic BLDC engine technology and 7 kg, 8 kg and 9 kg load capacities,
- Economy washing machines with reduced product depth and 7 kg load capacity,
- Washing machines with 10 kg load capacity and steam washing technology,
- 86 cm high tall tub dishwashers developed for the US market,
- CrystaLight dishwashers offering more hygienic washing with the use of UV technology, in addition to ION technology which prevents bad odours on waiting dishes,
- The IntelliTouch smart dishwasher, which offers user-friendly applications with 13 different sensors,
- Silent dishwashers with a 36 dBA sound level thanks to their extra quiet feature in the built-in product range,
- Dishwashers with innovative Comfort Tray 3rd basket design, consisting of 3 movable parts, with mobile trays allowing larger dishes to be placed in the upper basket,
- Dishwashers with the new Multi Holder tray holder design, ensuring that larger items such as wide-surface baking trays can be washed effectively,
- Dishwashers with the Triple Stage Tray top basket design, providing wider washing areas in the lower and upper baskets thanks to the three-stage height adjustment mechanism,
- The Sliding Door dishwasher from a full built-in product family with a sliding door which is unaffected by the broom length,
- The Infoled 2.1 dishwasher, a fully built-in product, which informs users of the stage of the program with red and green LED lighting,
- Built-in ovens with a 3D cooking function, providing a 20% reduction in cooking time and 25% reduction in pre-heating time, allowing more leavening in pastries,



02

VESTEL ALSO PLAYS A LEADING ROLE IN THE SMART CITY AND SMART HOME PLATFORMS WITH ITS COMPETENCIES IN ARTIFICIAL INTELLIGENCE SOFTWARE AND THE IOT (INTERNET OF THINGS).

CONNECTED HOME

HIGHLIGHTS OF 2019 AT VESTEL BEYAZ EŞYA

- The built-in oven with an easy-to-use slim LED Touch control unit, allowing functions and cooking modes to be selected from one button with its Direct Select control structure,
- LED illuminated built-in ovens, providing a clearer view of the food in the oven,
- The 45 cm compact built-in oven product range, which offers convection cooking, steam-assisted cooking and pyrolysis cleaning features in 50 lt volume,
- Double ovens of 78 cm and 90 cm heights, offering two different cooking volumes independent of each other (Built-in/Built-Under Double Oven),
- Induction cookers with Power Management suitable for home-type plugs, which do not require an extra power connection,
- The 60 cm BrigdeZone induction cooker, which can offer a wider cooking area thanks to bridge function,
- The 90 cm induction cookers with slider-control, which allows each burner to be checked separately,
- The built-in oven product range with Hot Air Shield® technology which prevents the hot air and steam that disturbs the user by creating vertical airflow when the oven door is opened,
- The Precision Flame Adjusted gas cooker, which allows easy adjustment of the flame level needed in cooking with the use of nine-stage hob,
- Ovens with Vestfry apparatus, which are able to bake potatoes, chicken, chestnuts, meat and vegetables in a healthy way with a minimum amount of oil (just two teaspoons),
- The Down-Air induction cooker, offering users an induction cooker with a stove hood in a single product,
- The R32 eco-friendly Inverter air conditioner product family,
- The Multi Inverter air conditioners,
- The On-Off series air conditioners, which are produced for the Egyptian market,
- The new generation Heat Pump tumble dryer product family which uses the R290 cooling gas, that is up to 500 times greener than its peers,



- The tumble dryer product family with 7-8-9 kg capacities,
- The tumble dryer with condenser drying technology, offering the fastest drying program in just 12 minutes,
- The Allergy UK certified hygienic tumble dryer with condenser drying technology.



02



- T-series washing machines with remote access control,
- ElectroWash washing machine, which saves 100% on detergent,
- HydroBoost® washing machine, washing a full load in record 60 minutes at a temperature of 60°C, which can also wash 2 kg of laundry in as little as 10 minutes,
- Washer-dryer with odour removal feature using ION technology,
- Easy Bill air conditioner,
- Voice-activated air conditioner,
- Air conditioners with next generation Ionizer technology,
- Air conditioners with Microbial Gel Filter,
- 7000 BTU Inverter and On-Off outdoor units,
- Multi-inverter air conditioners,
- Water heaters controlled from the bottom,
- The new square water heater project,
- Air conditioners which work under extreme conditions,
- The most hygienic Heat Pump tumble dryer with the ION+Ozone technology.

During the year, Vestel Beyaz Eşya also developed the following products to be brought to the market in 2020.

- The 60 cm and 78 cm V-Flex induction ovens, which provide independent control in each area of the oven (8 different areas),
- Built-in ovens with new remote controls in new trend slim designs,
- The 50 cm and 60 cm wide freestanding double ovens with a stylish and modern design,
- The 100x60 Range Cooker, which includes three different cooking chambers, one drawer and 7 different burners,
- Built-in oven product range, offering the best cooking experience at a professional level and guaranteeing great cooking results, providing the user with control of all cooking preparation and cooking processes with the integration of the Innit smart kitchen application,
- 24-inch built-in ovens, suitable for the US market,
- Built-in oven product range with the extended remote access feature,
- The T4 washing machine, a member of the T-series product family, with new buttonless user interface, which is fully touch operated,



HIGHLIGHTS OF 2019 AT VESTEL BEYAZ EŞYA



VDE's Certificate of Approval for Record-Breaking Vestel products

The Vestel CrystaLight washing machine, which provides record-breaking hygiene at a 99.9999% rate, the dishwasher boasting HydroCharge technology, which provides an A-class washing performance without the need for detergent, and the dishwasher that consumes the lowest level of energy annually, with 30% less energy consumption than the A+++ class, were awarded the VDE Certificate, having completed the tests conducted by VDE, one of Germany's leading independent testing and certification institutes.

Vestel Beyaz Eşya and Hacettepe University join forces for the Technologies of Future

Vestel Beyaz Eşya and Hacettepe University signed a cooperation protocol to step up the professional development of students and to create platforms for new product and technology development.

By working jointly with the Artificial Intelligence Engineering Department opened at Hacettepe University this year, in the first example of its kind in Turkey, the Company aims to develop projects with an artificial intelligence infrastructure based on Smart Home Appliances and New Generation Manufacturing Technologies, to produce environmentally friendly R&D projects which will reduce energy and water consumption and to conduct studies on development of alternative coating, insulation materials and raw materials with improved attributes. In addition, students will be provided with the opportunity of internship, and seminars and workshops will be held.

Full ratings from Germany for Sharp branded Washing Machines and Tumble Dryers produced by Vestel Beyaz Eşya

The Sharp-branded washing machines and tumble dryers designed and produced by Vestel Beyaz Eşya were awarded a high score in an assessment conducted by Haus & Garten Test, a widely trusted and well-known publication which is influential on the consumer's purchasing decision, and received positive reviews.

Following a round of extensive tests involving rigorous criteria for performance, safety, ease of use and energy/water consumption, the Sharp washing machine with the Digital Drive (BLDC) Engine and Boomerang Body technologies was certified with the 'Sehr Gut/Very Good' Certificate with 1.3 points.

Another model tested, the washer-dryer with Power Dry technology, offering an 8 kg washing and 6 kg drying capacity, was awarded a 'Gut/Good' rating in the assessment with 2.4 points. This model also ranked 4th among the 126 washer dryers tested on the website of 'testberichte.de' in Germany. The products were successful in the assessment thanks to their very quiet operation, effective removal of stains, low energy consumption, rapid washing, excellent drying and stylish design.

In addition, two different tumble dryers using R290 Cooling System Technology, which are 500 times more environmentally friendly and innovative than their competitors, also received the 'Sehr Gut/Very Good' Certificate with 1.4 points. One of these models ranked the 2nd among 669 tumble dryers tested on the 'testberichte.de' website in Germany with this score. The models performed well in the tests thanks to their smart and precise damp sensor technology, high energy efficiency, quiet operation, delicate/sensitive drying, stylish design, ease of use and additional options, special program variety and easy maintenance/cleaning features.



VESTEL BEYAZ EŞYA CONTINUED TO CARRY FORWARD ITS STRENGTH IN DESIGN IN 2019 AND ONCE AGAIN REGISTERED ITS SUCCESS IN THIS FIELD WITH THE AWARDS IT WON IN THE INTERNATIONAL COMPETITIONS DURING THE YEAR.

Expansion in Brand Licensing Agreement with Sharp

The scope of the brand licensing agreement signed with the Sharp Corporation, which is valid until the end of 2024, was expanded to include the development of a smart product family for six household appliance groups (refrigerators, washing machines, dishwashers, electric ovens, tumble dryers and wall type split air conditioners) for the European market.

Vestel Beyaz Eşya wins the High Technology Award

Vestel Beyaz Eşya was handed the “High Technology Award” which recognises innovation among industrial organizations operating in the field of high technology, based on 33 criteria under the headings of research capacity, research quality, interaction and collaboration by the Izmir Institute of Technology, which was selected by YÖK (the Council of Higher Education) as one of the five universities with the highest performance in Turkey, for the extensive R&D activities it carried out in 2018.

Vestel Beyaz Eşya wins 50 awards in national and international design competitions

Vestel Beyaz Eşya continued to carry forward its strength in design in 2019 and once again registered its success in this field with the awards it won in the international competitions throughout the year.

In 2019, the Company received a total of 50 awards in national and international design competitions, increasing the total number of awards it has received in the field of design to 250.

Vestel Beyaz Eşya won awards with a total of eight products at the IF Design Award and the Plus X Award, which are prestigious international design competitions, in 2019. In addition, four products received the “Best Product of the Year” award by Plus X Award, and Vestel Beyaz Eşya received the “Most Innovative Company” Award in its field.

HIGHLIGHTS OF 2019 AT VESTEL BEYAZ EŞYA



The Plus X Design Award - Best Product Design Awards of the Year

- Refrigerator with VacuumBag Technology
- Dishwasher with Magic Touch Technology
- Built-in Oven with Hot Air Shield Technology
- The T40 Washing Machine with HydroBoost® Technology

Plus X Design Award - Design Awards

- Refrigerator with VacuumBag Technology
- Dishwasher with Magic Touch Technology
- Built-in Oven with Hot Air Shield Technology
- The T40 Washing Machine with HydroBoost® Technology
- The T Series Tumble Dryer
- Refrigerator with Voice Activated Control
- Washing Machine with Smart Jet (IntelliCare) Technology
- A Series Dishwasher

The IF Design Award - Design Awards

- Refrigerator with VacuumBag Technology
- Washing Machine with Smart Jet (IntelliCare) Technology
- Built-in Oven with Hot Air Shield Technology



Good Design Award - Design Awards

Vestel Beyaz Eşya received awards for six of its products at the Good Design Awards.

The “Kitchenware” Category Design Awards

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

Design Turkey - Design Awards

Vestel Beyaz Eşya was awarded with 3 Product Design and 1 Conceptual Design Awards at the Design Turkey Design Competition.



GOOD
DESIGN
AWARD
2018



Tasarım Ödülleri





Product Design Category

- The FermentStore Wardrobe Type Refrigerator
- The Built-in Oven with the Layer by Layer Cooking (Metal Print) Technology
- The T30 Tumble Dryer with the Pearl Odour and 3D Rack Technology

Conceptual Design Category

- The Concept Washing Machine with the Flexbar (Active Screen) Technology



Social Responsibility Awards for Vestel Beyaz Eşya's Walking Frame Project

In addition to providing benefit to people's lives with the technologies it produces, Vestel Beyaz Eşya also demonstrates its responsibility to nature and living things through different projects within the framework of its sustainability vision. The Walking Frame Project, which the Company developed using parts from white goods, which have been dismantled for recycling, to build walking frames for disabled street animals for them to live without obstacles, is a good example of the work it has done in the field of social responsibility.

With the Walking Frame Project, Vestel Beyaz Eşya was awarded in the "Best Social Responsibility Project" category at the ACE of M.I.C.E. Awards Ceremony held for the 7th time this year. It also won the Bronze Award at the International CSR Excellence Awards, which is the most prestigious social responsibility award organization in the UK held by The Green Organisation.

In addition, The Green Organisation, which evaluates corporate social responsibility and environmental sustainability efforts worldwide, handed Vestel Beyaz Eşya the "World Leader (CSR World Leader) Order" due to the Walking Frame Project, which bonds disabled animals to life.

HIGHLIGHTS OF 2019 AT VESTEL BEYAZ EŞYA

The Technology Show at the IFA 2019

Vestel Beyaz Eşya attracted attention with its smart technologies at the IFA, Europe's largest consumer electronics fair held in Berlin in September 2019.

In the field of refrigerator technologies, the following were offered to the acclaim of visitors.

- Smart refrigerators that can healthily defrost foods placed in two special compartments with temperature control in the freezer with the ThawTech technology,
- Refrigerators which allow the air in the jar to be removed with the VacuumJar technology and which extend the shelf life of food,
- Refrigerators which increase the Ph value of water in the water dispenser through the electrolysis method, using H+ Water Dispenser technology, and which can obtain alkaline water at different strengths in line with the user's choice, and which can add antioxidant properties to water,
- Refrigerators which protect the freshness of fruit and vegetables for up to 30 days thanks to the isolated vegetable compartment and humidity filter brought by the SmartFresh technology,
- Refrigerators which provide easier access to food positioned at the back of the upper shelves thanks to the tray with the Turning Shelf mechanism, which can rotate 360 degrees,
- Refrigerators with the ProDrive (Variable-Capacity High Efficiency Compressor) technology certified by TÜV Rheinland,

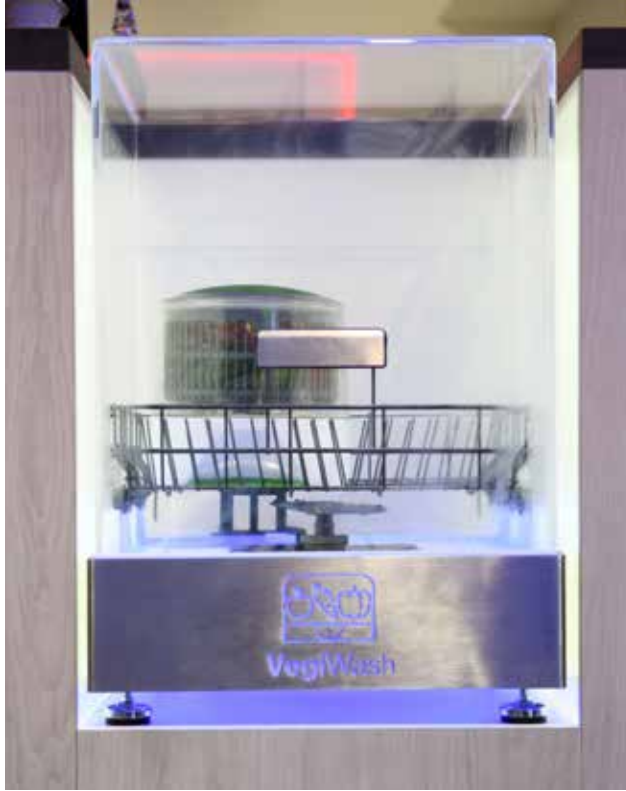


which consumes 35% less energy than standard A+++ products, and with the special inverter technology developed by Vestel Beyaz Eşya.

In cooking technologies, the following attracted attention.

- Smart ovens using Innit, a smart kitchen application offering the best cooking experience at a professional level in the kitchen, which can be controlled by voice over a phone application and automatically adjust the right temperature, program and duration for the recipe,
- Ovens with CarbonHeatTech technology, which shortens cooking time by up to 50% without the need for pre-heating thanks to carbon fibre heaters which provide a quick reaction compared to conventional tube heaters, and which achieve energy savings of up to 30%,





VESTEL BEYAZ EŞYA ATTRACTED ATTENTION WITH ITS SMART TECHNOLOGIES AT THE IFA, EUROPE'S LARGEST CONSUMER ELECTRONICS FAIR HELD IN BERLIN IN SEPTEMBER 2019.

- Ovens with odour filtering technology, which remove up to 99% of odours such as fish odours occurring during cooking,
- IonTech ovens, which prevent the formation of bacteria caused by the food scraps occurring in the oven after cooking and remove any odours caused by these bacteria, thanks to negative ion technology,
- The SousVide built-in ovens with integrated bag vacuuming system, which can homogeneously cook food bagged under the vacuum in low-temperature water with precise temperature control and special algorithms.



Developed by Vestel Beyaz Eşya, the HydroBoost® washing machine was also launched at the IFA 2019. The washing machine can wash a full load at 60°C in a record time of 60 minutes, and can also wash a 2 kg load of laundry in as little as 10 minutes and allows water and detergent mixture to better penetrate into the laundry by spraying the mixture from 20 different points.

The HydroCharge washing machines and dishwashers, which provide an A-class washing performance without the need for detergent, attracted attention among the products showcased during the fair. These machines, which use electrolysis-based technology, contribute to the family budget by saving on detergent, in addition to helping to protect the environment by reducing the amount of waste detergent. The rollout of this technology in washing machines is also aimed at protecting the skin of people who may be sensitive to detergent.

Equipped with the most comprehensive Artificial Intelligence technology at the fair, the AI washing machines and dishwashers are able to learn the habits of their users and change programs according to these habits and offer appropriate suggestions to the user.

HIGHLIGHTS OF 2019 AT VESTEL BEYAZ EŞYA

THE VESTEL A.I. (ARTIFICIAL INTELLIGENCE) WASHING MACHINES AND DISHWASHERS OFFER APPROPRIATE SUGGESTIONS BY LEARNING THE HABITS OF THEIR USERS.



One of the products which attracted the most attention at the fair was the user-friendly T4 washing machine, a member of the T-series product family. The washing machine offers a new buttonless user interface and is fully touch operated.

While tumble dryers produced by using R290 cooling gas stood out with their credentials of being 500 times greener than their peers, tumble dryers which include a fragrance capsule compartment and infuse loads with users' favourite fragrances to stay on the garments for a long time thanks to pearl fragrance technology, also attracted interest at the fair.



Exceeding expectations, the dishwashers using VegiWash technology, which can wash fruit and vegetables hygienically by using 100% pure water with lower energy and water consumption in a very short space of time, became a central attraction at the fair.

One of the products that stood out was the IntelliTouch dishwasher, which offers the most advanced technology in its segment, boasting the highest level of detection capacity with the use of 13 sensors, the feature of adjusting the washing cycle depending on how dirty the plates are, offering protection from changes in voltage and compensating for water line fluctuations.

Another product promoted at the fair was the dishwasher with EdgeWash technology. Developed for Vestel dishwashers, the EdgeWash technology comes with a unique spray handle design, providing 20% more washing space in the lower basket with flexible spray handles. This technology ensures that no single point is missed by the water.

With 30% less energy consumption than A+++ class products, the dishwasher with the lowest annual energy consumption won acclaim as the most efficient dishwasher of the fair.

Dishwashers with a large washing area, with up to 11 place settings, and an alternative to the classic 45 cm, 10-persons dishwashers, were also presented to customers.

The CrystaLight washing machine, which provides a record 99.9999% hygiene rate, the dishwasher with HydroCharge technology offering an A-class washing performance without the need for detergent and the dishwasher with the lowest annual energy consumption with a 30% less energy consumption than A+++ class products, were all tested by Germany's VDE Institute, which is one of the most prestigious independent testing and certification institutes, and were all awarded a Certificate of Approval. The certificates were delivered in a ceremony attended by the members of the senior management of Vestel Beyaz Eşya and the VDE.

THE CRYSTALIGHT WASHING MACHINE WHICH PROVIDES RECORD HYGIENE, THE HYDROCHARGE TECHNOLOGY DISHWASHER PROVIDING AN A-CLASS WASHING PERFORMANCE WITHOUT THE NEED FOR DETERGENT AND DISHWASHERS CONSUMING 30% LESS ENERGY THAN A+++ CLASS PRODUCTS RECEIVED CERTIFICATES FROM GERMANY'S VDE INSTITUTE.



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



VESTEL BEYAZ EŞYA WAS ONCE AGAIN ONE OF THE BIGGEST FORCES IN TURKEY'S EXPORTS IN 2019. I BELIEVE WE WILL CARRY OUR STRONG PERFORMANCE IN EXPORT MARKETS EVEN FURTHER.

Ahmet Nazif ZORLU
Chairman

We have left behind another difficult year in the global economy.

2019 was a year marked by concerns over global growth under a shadow of protectionist policies, Brexit and the ongoing geopolitical challenges in many parts of the world.

Amid concerns over trade wars and a slowdown in global growth, leading central banks such as the US Federal Reserve (Fed) and the European Central Bank (ECB) had to return to expansionist monetary policies to support the economy. The Fed reduced its policy rate to 1.50-1.75% range with three interest rate cuts realized during the year while the ECB prepared a support package and initiated a new asset purchase program of EUR 20 billion per month, while also cutting interest rates. With the interest rate cuts, a relative recovery was observed in the capital flows to emerging markets.

While the US economy basked in one of its longest runs of growth, the Eurozone experienced weaker growth than the previous year. In addition to the fallout of the Brexit process during the year, political uncertainties occurring in Italy and Spain negatively affected the growth trend in the region. Meanwhile, economic growth in Japan remained short of expectations and the loss of momentum in Asian economies continued, while the growth performance of the Chinese economy fell to its lowest level in 30 years.

According to estimates, economic growth in 2019 was the weakest since the 2008 financial crisis. In its January 2020 report, the IMF revised down its global growth projections once again, reducing its estimates for global growth from 3% to 2.9% for 2019 and from 3.4% to 3.3% for 2020. The report highlighted that negative developments affecting economic activity in several developing countries required the re-evaluation of growth expectations. The relative recovery anticipated for 2020 is expected to come from emerging economies other than China.

In the first two months of 2020, a consensus is expected to be reached on the first-phase trade agreement in the trade war between China and the USA, which has been ongoing for the last two years, while the approval of the Brexit bill will have a positive effect on easing uncertainty in the markets and increasing risk appetite.

Turkey's economy achieves success in its stabilization process.

The Turkish economy rounded off a year under the influence of turbulent political relations with the United States as well as cyclical developments, and the geopolitical risks stemming from the Middle East which have been ongoing for some time.

The Turkish economy entered a troubled period following the sharp movement in the exchange rate in August 2018. The contraction in the Turkish economy, which started in the last quarter of 2018, continued through the first half of 2019 with the economy experiencing a 2.3% contraction in the first quarter and 1.6% in the second quarter.

The authorities' determination throughout the year along with the swift measures taken by the government, the process of balancing conducted with the harmonious cooperation of the private sector have borne significant results. The Turkish economy, which exceeded expectations to grow by 1% in the third quarter of the year, increased its momentum in the fourth quarter to grow by 6%. This brought the growth rate for the full-year 2019 to 0.9%, exceeding the target of 0.5% growth set out in the New Economy Programme (NEP).

The improvement in the real exchange rate and moderate course of domestic demand supported the overall improvement in inflation dynamics in 2019. The CPI inflation, which had stood at 20.35% in January 2019, ended the year at 11.84%.

In response to the recovery in the inflation outlook, the Central Bank of Turkey gradually lowered its policy rate from July, when it stood at 24%, to 12% by the end of the year. This provided some relief to companies' cash flows by lowering the financing costs in the second half of the year.

In 2019, exports reached a record level while the current account deficit, which had already declined to its lowest level of the last 9 years, improved further to post a surplus. The government, which has taken a decisive stance towards maintaining the success achieved in the balance of payments, sometimes described as Turkey's Achilles heel, targets a current account deficit/GDP ratio of 1.2% for 2020.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

The fact that the economic indicators in 2019 were realized close to the targets set out in the New Economic Programme has increased the confidence in the framework drawn out for 2020 under the program.

A challenging but successful year for Vestel Beyaz Eşya

In 2019, when we felt the pain of global conditions and the balancing process together as a country throughout the year, we continued to strive with every ounce of our strength to make sure Vestel Beyaz Eşya would reach a brighter future with our export-oriented strategy, innovation capabilities and competence in value-added production.

Vestel Beyaz Eşya, which gave more weight to export markets from the third quarter of 2018, continued to implement this strategy in 2019 as well and has continued to be one of the biggest forces in Turkey's exports. I believe that we will carry our strong performance in export markets even further.

The global brands, for which we manufacture products, have demonstrated their faith and trust in our quality and our competencies in R&D, design and innovation by further expanding the scope of their existing collaborations with us. The best example of this is the expansion in the scope of our brand licensing agreement with Sharp, which is valid until the end of 2024, to include smart products.

Vestel Beyaz Eşya, a domestic technology and manufacturing company, exporting more than 80% of its production to 156 countries around the world, particularly in Western Europe, has to be a company which not only follows technological developments closely but directs these developments in order to maintain its competitive clout and pioneering power in the world. In this vein, since 2015, we started to develop all of the infrastructure and systems necessary for both Industry 4.0 and digital transformation at Vestel Beyaz Eşya. We have already implemented many Industry 4.0 projects at our factories and

our work in this area continues rapidly. We continue to maintain our claim that Vestel City will be the first facility in Turkey to complete the Industrial 4.0 transformation.

On the product side of digital transformation, we continue to rapidly increase the number of smart products in our product range. The televisions, white goods and smartphones we currently produce at Vestel within the framework of the smart home ecosystem can connect, communicate and transfer data with each other. Today, we have products in our product range which can learn user habits and evolve themselves. For example, we have washing machines which are able to order detergent when the detergent runs out, which we introduced to the market in Europe. We have become the center of attraction at international fairs with our products which use Artificial Intelligence and are self-learning, taking their cue from user habits. We have been awarded dozens of awards in design competitions. Vestel Beyaz Eşya, which won 32 awards at the Plus X Awards alone, was once again the winner of the Most Innovative Brand Award, the most prestigious award, this year after having won the award in 2018.

We approach sustainability with a broad perspective.

In line with Zorlu Holding's Vision of Smart Life 2030, we focus on producing sustainable solutions in all of our activities which take the future welfare of people, society and the world as a basis. We work under a 360 degree sustainability approach which extends from our products and services, production facilities and human resources to our way of doing business. Acting in line with this vision, our products, which are the world's most efficient in electricity and water consumption, which wash without detergent, have the lowest noise levels and which prolong the life of food, have attracted wide acclaim from consumers.

On the other hand, we attach great importance to producing with an awareness of our responsibilities to our country and our people, and contributing to the development of Turkish industry as well as supporting employment goals. With our social awareness, we strive to carve out a bigger place for our disabled citizens and for women in business life. With our Accessibility Project, we undertake designs and arrangements to ensure that our products are easy to use for individuals with disabilities.

As an organization that has adopted sustainability at its heart, the Walking Frame Project, which we developed for our four legged friends has won wide acclaim in the international arena, winning the Best Social Responsibility Project Award at the ACE of M.I.C.E. Awards, and the Bronze Award at the International CSR Excellence Awards, which is the most prestigious social responsibility award event held in the UK. In addition, the Green Organisation awarded Vestel Beyaz Eşya the “World Leader (CSR World Leader) Order” in recognition of its Walking Frame Project.

After all, we believe in a better future.

The year 2020 will be one where conditions in the world and in our country will not have fully recovered, where we will have to manage many risks, with factors such as the US Presidential election, the fallout of Brexit and recession in EU economies continuing to cast uncertainty over the global economy. In Turkey, on the other hand, the economic recovery is expected to gain momentum with a revival in consumer demand.

I SINCERELY BELIEVE THAT 2020 WILL BE A YEAR WHEN WE WILL TAKE FIRM STEPS TOWARDS SUSTAINABILITY IN LINE WITH OUR VISION OF SMART LIFE 2030.

I believe that in 2020, with the correct soundings and our entrepreneurial spirit, we will further strengthen the drivers of our power such as our innovation, technology, design, value-added production and exports. I sincerely believe that 2020 will be a year when we will take firm steps forward for sustainability in line with our vision of Smart Life 2030.

We will continue to generate increasing value for our country by working hard in all areas that are needed for Turkey’s strong future.

I would like to extend my sincerest thanks to all of the stakeholders with whom we have faced the challenges and succeeded together.

Yours faithfully,



Ahmet Nazif ZORLU

The Chairman

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 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 DEİK (Foreign Economic Relations Board), TUSIAD (Turkish Industry and Business Association), DENSİR (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 an 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 the 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 the field of corporate and investment banking in Turkey. After leaving Interbank, Mr. Araz worked as a consultant in a number of major projects and served as a Board Member at various companies including Zorlu Enerji Elektrik Üretim AŞ (2008-2013) and Enka İnşaat ve Sanayi AŞ (2012-2018). He currently serves in senior positions within Ata Group. In addition to his position as Vice Chairman of the Board at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Melih Araz 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. 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 Enternasyonal 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 - İstanbul) 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 the Silberman College/FDU in New Jersey for the following two years. She worked at Zorlu USA Textile, Zorlu Holding's US subsidiary for about six months before returning to Turkey in 1999 to take on the role as a Management Trainee at Denizbank, where she went on to serve in various departments within the bank for two years. She became an Executive Member of the Board at Anadolu Kredi Kartları AŞ, which was acquired in early 2002. In 2003, she assumed the position of the General Manager at Linens Pazarlama. In addition to being a Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Ms. Cümbüş continues to serve as the Chairman of the Board at Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ.



Selen Zorlu Melik
Board Member

(1975 - Trabzon) Selen Zorlu Melik graduated from the Department of Business Administration at Uludağ University. She began her professional career at Denizbank in 1998. Following her internship at Denizbank's Bursa branch, she joined the Management Trainee Program of the bank in 1999. After working in a number of positions at the Denizbank head office, Mrs. Zorlu Melik attended a Marketing Certificate Program at the University of California, Berkeley, USA in 2001. She subsequently started to work at the Korteks Yarn Plant in 2002 and became a Board Member of the same company in 2004. Elected as a Board Member at Vestel Beyaz Eşya's 2018 Annual General Meeting held on 8 May 2019, Selen Zorlu Melik currently serves as a Board Member in numerous companies within Zorlu Group.



Bekir Ağırđır
Board Member

(1956 - Denizli) Bekir Ağırđır graduated from the Department of Business Administration at Middle East Technical University in 1979. He served respectively, as Sales Manager and then Assistant General Manager at Bilsan Bilgisayar Malzemeleri AŞ (1980-1984), Sales Coordinator at Meteksam Ltd. (1984-1986), General Manager at Pirintaş Bilgisayar Malzemeleri ve Basım Sanayi AŞ (1986-1996), Deputy General Manager at Atılım Kağıt ve Defter Sanayi AŞ (1996-1999) and as General Manager and Board Member at PMB Akıllı Kart ve Bilgi Teknolojileri AŞ (1999-2003). During 2003-2005, Mr. Ağırđır worked as a Coordinator and then as General Manager at Tarih Vakfı (History Foundation of Turkey). Bekir Ağırđır has been the General Manager and Board Member of KONDA Araştırma ve Danışmanlık Limited Şirketi (KONDA Research and Consultancy) since 2005. In addition to being a Board Member at Vestel Beyaz Eşya, Mr. Ağırđır also serves on the Boards of two other Zorlu Group companies – Vestel Elektronik and Zorlu Enerji.



Ayşegül İldeniz
Board Member

(1969 - İzmir) Ayşegül İldeniz holds a Bachelor's degree in Business Administration from Boğaziçi University and a Master's degree in Digital Communications from the San Francisco State University. She went on to assume senior management roles at the Intel Corporation, the leading global microprocessor giant, from 1998, where she served as the General Manager for Intel Turkey, as the Regional Director for the Turkey, Middle East and Africa region covering 67 countries, and as a Board Member for Europe. She was appointed to the position of Global Vice President of the New Devices Group at the Intel Headquarters in the Silicon Valley in 2013. In 2016, Ayşegül İldeniz became the COO (Chief Operating Officer) of the Silver Spring Networks, a company listed on the New York Stock Exchange, which controls half of the US smart energy market with 26 million users. 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 the Dünya Newspaper and as one of the "Top 100 Most Creative Persons in the World" by the San Francisco-based the 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 the TUSIAD Silicon Valley Network and a Board Member of the American-Turkish Society and the Turkish Philanthropy Funds. In addition to her position on the Board of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Ayşegül İldeniz 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. She is also a Board Member at Eczacıbaşı Holding AŞ.

INTERVIEW WITH THE CEO

IN 2019, VESTEL BEYAZ EŞYA
CONTINUED TO IMPLEMENT THE
EMERGENCY MANAGEMENT
STRATEGY WHICH IT STARTED IN
THE THIRD QUARTER OF 2018.

Enis Turan Erdoğan
CEO



2019 was a year marked by weak global growth, declining trade volumes and, yet, a return to a growth path in our country. How would you evaluate the developments experienced in your sector in this environment?

In 2019, the main agenda item for international markets was the ongoing trade war between the United States and China. Due to the uncertainties created by Brexit, geopolitical risks and a global weakening in manufacturing industry data, there was a deterioration in the macroeconomic outlook. In addition to the negative reflections of these developments on our country, inflationary pressures and growth pains were felt in the first half of the year.

The weak course in consumer confidence and decline in purchasing power negatively affected the white goods sector and domestic white goods sales contracted in 2019 as in 2018. However, a series of interest rate cuts implemented in the second half of the year and stabilization in the exchange rate stimulated deferred demand and there was a recovery in the sector from September onwards, also supported by the low base impact from the last quarter of 2018. Accordingly, following a 10% contraction in the first 9 months of the year, domestic white goods sales grew by 12% in the last quarter and closed the year with a 6% decline.

Demand for white goods in Europe, our largest market abroad, grew by 3% in 2019 according to retail data covering five major EU countries. During this period, Turkey's white goods exports contracted by 1%* with a relatively flat performance.

In 2020, we expect some revival in domestic sales on the back of a moderate growth expected in domestic demand and slowdown in inflation. We believe the fall in mortgage rates will reflect positively to the white goods sector by stimulating new housing sales. On the other hand, after the reduction in VAT from 18% to 8% in the furniture sector, there have been mounting calls for the complete abolition of the Special Consumption Tax in the white goods sector. In an environment of declining interest rates, we believe such a measure, which would directly affect final product prices, could significantly support domestic white goods sales.

As far as exports are concerned, we expect a tougher year in 2020, in line with the increased competition due to trade wars and a slowdown in the EU market.

How would you evaluate 2019 in terms of Vestel Beyaz Eşya's financial and operational results?

The contraction in the domestic market has been reflected to Vestel Beyaz Eşya's sales.

Compensating for the decline in its domestic sales with growing focus on export markets, Vestel Beyaz Eşya outperformed the sector and achieved double-digit growth in its international sales in 2019, supported by the capacity increases made last year, new ODM projects, growing business volumes with A-brand clients and strong sales growth under the Sharp brand. Vestel Beyaz Eşya, which began to shift some its production capacity from domestic market to export markets starting from the 4th quarter of 2018, maintained this strategy in the first 9 months of 2019, when the domestic market contracted.

Vestel Beyaz Eşya maintained the emergency management measures, which it implemented from the 3rd quarter of 2018, during 2019. The Company was thus able to maintain its working capital requirement at minimum levels thanks to effective management of inventories and receivables.

As a result of our strong and agile management in the face of the negative situations in the global and local economy, we completed such a difficult period with successful results.

*Export volumes increase by 5%, when the sales of the company, which left TURKBESD membership in 2019, are excluded from the export figures of 2018.

INTERVIEW WITH THE CEO

In 2019, we increased our turnover by 22% to approximately TL 7 billion. As domestic sales revenues remained stagnant due to the contraction in the Turkish market, revenue growth was mainly driven by international sales. Compared to 2018, the positive exchange rate effect on export revenues diminished as the currency remained relatively stable in 2019. In 2019, raw material costs followed a more positive course, although some of this positive effect was offset by the increase in the TL based costs and stiffer price competition in export markets. As a result, our profit margins declined in 2019 after hitting record levels in 2018, returning to more sustainable levels. The EBITDA margin fell from 15.7% to 13.2% in 2019, while EBITDA was realized as TL 922 million with limited growth. Net profit amounted to TL 568 million, remaining slightly below the 2018 performance, which was a record year in terms of profitability.

In 2019, the positive impact of our global collaborations continued to be increasingly reflected to our results. The strong sales growth achieved with the Sharp brand, will continue in the coming period thanks to the expansion of our existing collaboration in December 2019.

We have successfully achieved our goals in our harmonious cooperation with the Sharp Corporation, which has now entered its fifth year. By setting our roadmap until the end of 2024, we have expanded our existing brand licensing agreement to include smart products. This will further increase our market share in Europe in the coming period.

The “new eco design” and “new energy label” regulation, which will enter force in the European Union in 2021, will require white goods in the market to be replaced by more energy efficient products in 3 to 4 years. The process of adaptation to the regulation brings an additional R&D burden to the household appliances industry along with the requirement of additional investment. Vestel Beyaz Eşya continues its R&D and design studies and investments in accordance with this calendar to ensure its existing product range complies with the new regulation.

IN 2019, THE POSITIVE EFFECTS OF OUR GLOBAL COLLABORATIONS CONTINUED TO BE INCREASINGLY REFLECTED TO OUR RESULTS.

How would you evaluate the point you have achieved in terms of the digital transformation and Industry 4.0?

I can say that we are at a very advanced level compared to other industrial facilities in our country in terms of the work on Industry 4.0, which we started in our factories in 2015 and which continues to develop.

In our facilities, where we can monitor all processes digitally from end to end, all processes from the entry of raw materials, storage and transfer of raw materials to production lines, to the production and packaging and shipment of products are realized through the smart recognition system.

Our new washing machine and tumble dryer plant, which started production in 2018, was built directly with the Industry 4.0 infrastructure, while the Industry 4.0 transformation of our existing factories has been continuing apace. The production lines, machinery, transport vehicles and automation projects are able to communicate with each other at our new plant, while the aim is to achieve real-time monitoring of production. With the transfer of this information flow, it is possible to see digital technologies in all areas of the factory, from the smart warehouse system to the installations where automation is integrated. Thus, with the smart factory structure aimed at flawless and flexible production, we are able to offer our products which reflect the latest technology to our customers, both more quickly and with better quality.

When we look at the product side of the digital transformation, Vestel artificial intelligence is being created thanks to the new cloud structure, the investments being made in data analysis and the renewed ecosystem of the Mind of the Home.

With this Artificial Intelligence, user-friendly designs and products will be developed, problems in products will be resolved by anticipating them before they happen, the life of products will be extended with smart recommendations offered to the user and service solutions will be faster and more effective.

In the ecosystem of the Mind of the Home, care is taken to ensure that the designs and user interfaces of all Vestel products and mobile applications work in a common brand language and are user-friendly. In addition, Vestel is also carrying forward its work on voice control by adopting the “voice interface” technology which the world is rapidly adapting to. In this context, the mode of refrigerators and air conditioners, the cooking functions and the temperature of ovens and the program of dishwashers can be controlled by voice commands through Amazon Alexa, the voice assistant integrated into Vestel TVs.

Apart from these features, the following products open the door to a different world for consumers with their unique technologies under our Smart Home concept.

- With the ThawTech technology, which we developed, our smart refrigerators can defrost frozen food in the freezer healthily by remote control,
- Our A.I. (Artificial Intelligence) washing machines and dishwashers equipped with artificial intelligence technology, can change their programs by learning the habits of their users and offer user-appropriate recommendations,
- Our IntelliTouch dishwasher offering the most advanced technology in its segment, can adjust the washing cycle according to the dirtiness level of the load,
- Our washing machines, offered for sale in Europe, which offer the Amazon Dash Replenishment service, can automatically order detergent and softener via Amazon when levels are running low,

IN THE ECOSYSTEM OF THE MIND OF THE HOME, CARE IS TAKEN TO ENSURE THAT THE DESIGNS AND USER INTERFACES OF ALL VESTEL PRODUCTS AND MOBILE APPLICATIONS WORK IN A COMMON BRAND LANGUAGE AND ARE USER-FRIENDLY.

- Our smart ovens, which we developed together with Innit, can adjust all settings according to user’s demand by voice control through Innit’s phone app, and bring different recipes to consumers according to their dining style.

With all these technological revolutions taking place, our human resources need to be integrated with the processes. In this respect, we are working to improve our human resources as well as our infrastructure in R&D and production. Vestel Beyaz Eşya designs its human resources projects, initiatives and organizations in order to expand the talent pool to ensure its sustainability, and to create the teams that will realize this change and transformation.

What would you like to say about your sustainability approach and vision?

With dwindling natural resources in the world and the threats to our future posed by environmental problems such as climate change, it is clear that providing economic sustainability as a profitable company cannot be considered separate from our environmental and social sustainability. The only way in which we can maintain our presence is to create value for our company, society and environment under an integrated approach. We should not only consider the present, but also the future, and shape all of our work on the axis of leaving a more livable world for future generations.

INTERVIEW WITH THE CEO

WE ARE A COMPANY WHICH PROTECTS THE ENVIRONMENT, CARRIES OUT SERIOUS WORK TO REDUCE OUR CARBON FOOTPRINT AND CREATES A CORPORATE CULTURE IN THIS DIRECTION.

Sustainable production has become an indispensable component of company policies, especially for industrial companies like us, which export and have to comply with global standards, in our country as in all around the world. We are a company which protects the environment, carries out serious work to reduce our carbon footprint and creates a corporate culture in this direction.

In line with Zorlu Holding's vision of Smart Life 2030, we focus on creating sustainable solutions based on the future welfare of people, society and the world. We care about ensuring that the products we produce within the framework of this approach are high tech as well as environmentally friendly. We offer products which set records with their electricity and water savings, wash without detergent, and prevent waste by extending food life. Furthermore, we are working to reflect the environmental approaches which will reduce our carbon footprint on our operations through environmental management systems and production processes, and we always strive to carry this approach forward. Issues such as reducing chemicals and waste in production, the use of recyclable materials, producing less waste in products and making use of the waste produced are also on our main agenda.

As a company which focuses on sustainable life, we have stepped up work on our projects for social development. While contributing to people with our philosophy of "life without obstacles", we are not also forgetting our four legged friends, making walking frames, kennels and shelters for disabled animals from recycled materials, and using technology to bring benefit.

We have set the Sustainable Development Goals determined by the United Nations as a common goal. We aim to create common value in line with Zorlu Holding's vision of Smart Life 2030, obtain gains with these goals and contribute towards these goals. We are going to the greatest lengths to achieve our interim goals set for 2022 in order to get as close to our goals as possible by 2030.

This year, you emphasized the phenomenon of sustainability at the IFA Fair, which you participate in every year. Could you tell us about the environmental technology and your products which stood out at the fair?

At IFA, which we participated in for the 29th time this year, we showcased our newest and greenest products which boast the latest state-of-the-art technologies.



WE SHOWCASED OUR GREENEST PRODUCTS OFFERING THE LATEST STATE-OF-THE-ART TECHNOLOGY AT THE IFA, WHICH WE PARTICIPATED IN FOR THE 29TH TIME.

The brand new environmental technologies which we have developed are revolutionary and reveal our ambition to make a difference in sustainability.

Our VegiWash dishwasher, which we developed to increase water saving, has the ability to hygienically wash vegetables and fruits placed in its special modular chamber, while also saving significant amounts of water and time.

The SteriliZone technology which we have deployed in our washing machines provides a high level of hygiene of up to 99% in laundry without the need for additional chemical disinfectants. This technology reduces the amount of chemicals released to the environment by reducing detergent use.

The HydroBoost® washing machine can wash a full load of laundry at 60°C in a record time of 60 minutes, while also offering the option to wash a 2 kg load in as little as 10 minutes.

Our new oven using CarbonHeatTech fast cooking technology, the first of its kind in the world, uses the power of carbon fibre heaters and provides about 50% faster cooking time in the grill function, achieving energy savings of up to 30%.

Our refrigerator using vacuum technology practically vacuums left-over products to prolong their life. With the vacuum compartment which we have added to our refrigerators using vacuum technology, air in the jar is removed, thus ensuring that food maintains its nutritional value. Our fridges with isolated vegetable compartment, brought by the SmartFresh Plus technology and offering the Humidity Filter feature, keep fruit and vegetables fresh for up to 30 days. Our premium refrigerators are equipped with UltraPureTech, an advanced air purification technology which eliminates unwanted odours and reduces airborne bacteria, thereby keeping food fresh for longer. With these products, we are able to go a long way towards preventing food waste. Our refrigerators using ProDrive and special inverter technology, certified by TÜVRheinland, consume 35% less energy than standard A+++ products.



INTERVIEW WITH THE CEO

Our tumble dryers produced by using R290 cooling gas, a new generation green gas, stand out from their competitors by being 500 times greener.

The Approval Certificates for our CrystaLight washing machine, which provides a record 99.9999% hygiene rate, our dishwasher with the HydroCharge technology, offering an A-class washing performance without the need for detergent, and our energy efficient dishwasher with the lowest annual energy consumption, saving 30% energy compared to A+++ class, which were tested by the VDE Institute of Germany, were also awarded during the IFA Fair.

What are your areas of development for the future?

I would like to state that the new generation business models brought by digital technology and transformation will play an important role in the development and future of Vestel Beyaz Eşya.

To maintain our Company's presence by increasing its productivity, we will focus on developing smart devices and establishing revenue sharing-based business models and/or new business collaborations around smart homes and smart cities in the coming period.

Our collaborations with technology companies such as Amazon, Google and Innit will help bring smart products, which work with voice commands and offer suggestions or programs depending on user habits, to consumers. All the collaborations which we have realized under this approach have paved the way for us to become a global company. We will maintain these collaborations in the coming period.

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What is your view for the coming period?

We emerged from the endurance test in 2019 by once again realizing the importance of sustainability. With our prediction that the coming period will be difficult in terms of global conjuncture and growth trends, we have already prepared ourselves to work harder in light of our experience in sustainability and with our integrated approach to thinking.

At Vestel Beyaz Eşya, we rely on our technology and our knowledge in this field. We move forward with the vision of being a company that leads the transformation, rather than one that keeps up with it. Within the framework of Zorlu Holding's Smart Life 2030 vision, which we are part of, we strive towards the development of smart devices, smart homes and smart cities. At the same time, with our sustainable and environmentally friendly approach, we continue to manufacture products which consume less energy and water, and work more quietly. We integrate all kinds of technology which will enhance the comfort of consumers into our products. In the coming years, we will see the Internet of Things and Artificial Intelligence become an indispensable part of everyday life. As new technologies which radically change our lifestyles and habits rapidly enter our lives, we continue to invest in R&D and innovation in order to offer consumers a smarter and more comfortable life with our record-breaking smart products which work with Artificial Intelligence, and we expand our smart life ecosystem with the technologies we develop and the collaborations we establish.

WITH OUR PREDICTION THAT THE COMING PERIOD WILL BE DIFFICULT IN TERMS OF GLOBAL CONJUNCTURE AND GROWTH TRENDS, WE HAVE ALREADY PREPARED OURSELVES TO WORK HARDER IN LIGHT OF OUR EXPERIENCE IN SUSTAINABILITY AND WITH OUR INTEGRATED APPROACH TO THINKING.

Our primary goal for 2020 is to further advance our position in both domestic and international markets. We will continue to manufacture state-of-the-art products and make our plants smarter. We compete in the same league as the global companies that drive the future; we possess all the competencies to compete with them, and we will continue to demonstrate this ambition with our achievements and awards.

As one of the leading players in Turkey's industrial sector, we will continue to set ourselves apart with our vision, robust financial structure, ability to internalize change, our strength in R&D and innovation, and our professional human resources. We will continue to consolidate our position as a powerful manufacturing and technology company by creating new trends with new technologies.

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 January 1, 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. Mr. Köksal also serves as the Chairman of the Sustainability Committee 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 İşbank 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 at Vestel Beyaz Eşya's new Washing Machine Factory project. In 2005, he assumed the management of the dishwasher production 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 Dishwasher 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.



Hasan Uğur

Deputy General Manager in Charge of the Refrigerator Plants

(1981 - Mersin) Hasan Uğur graduated from the Department of Mechanical Engineering at Middle East Technical University in 2004. He started his career as a Design Engineer at the R&D Department of Vestel Beyaz Eşya in 2005. Mr. Uğur went on to serve as an R&D Mechanical Hydraulic System Design Engineer and then as a Senior Design Architect. Mr. Uğur was appointed as the R&D Manager at the Refrigerator Plants in 2013, and was appointed as the Deputy General Manager in Charge of the Refrigerator Plants in February 2019.

Özgür Yılmaz*

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

(1976 - İzmir) 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 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 Acting Deputy General Manager in charge of the Cooking Appliances Plant and in February 2018 he became 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 before completing 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 served as the Deputy General Manager in charge of the Air Conditioner and Water Heater Plant until 31 December 2019.

Kemal Özgür

Deputy General Manager in Charge of Purchasing

(1970 - Yunak) Kemal Özgür graduated from the Department of Industrial Engineering at Istanbul University in 1992. He began his career at PEG-Profilo AŞ as an Investment and Project Engineer in 1994. Having participated in the establishment of Vestel Beyaz Eşya's Refrigerator Plant as an Investment and Project Engineer in 1997, Mr. Özgür served as the Manager of the Washing Machine Plant between 2004 and 2012. Mr. Özgür was appointed to the position of Deputy General Manager in charge of Purchasing at Vestel Beyaz Eşya in 2012, and continued to serve in this position until 31 December 2019.

*Özgür Yılmaz was appointed as the Deputy General Manager in Charge of Purchasing on 1 January, 2020.

VESTEL BEYAZ EŞYA HAS A TOTAL ANNUAL PRODUCTION CAPACITY OF 12 MILLION UNITS AS OF THE END OF 2019.



04

VESTEL BEYAZ EŞYA IN BRIEF

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

Vestel Beyaz Eşya deploys state-of-the-art technology at its 7 manufacturing plants located at Vestel City in Manisa, which is one of the largest single site industrial complexes in Europe with a total area of 1.1 million square metres and a total enclosed area of 403,000 square metres. Vestel Beyaz Eşya manufactures refrigerators, freezers, washing machines, tumble dryers, cooking appliances, dishwashers, air conditioners and water heaters using the latest state-of-the-art technology at its production facilities in Vestel City.

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

Vestel Beyaz Eşya's new washing machine and tumble dryer plant entered operation in the second quarter of 2018. The new plant, which was established on a 66,000 square metres enclosed area within Vestel City was built with Industry 4.0 infrastructure and has an annual production capacity of 750,000 washing machines and 750,000 tumble dryers. With the commissioning of the new plant, Vestel Beyaz Eşya has completed its product range in the six major domestic appliances (MDA) product family. Vestel Beyaz Eşya has a total annual production capacity of 12 million units as of the end of 2019.

Vestel Beyaz Eşya is one of Europe's leading original design manufacturers (ODM). It currently ranks as one of the five largest white goods producers in Europe and is also one of the three top players in the Turkish white goods sector with the products which it develops by closely following technological trends. Vestel Beyaz Eşya realizes 30% of Turkey's white goods exports.

Vestel Beyaz Eşya, which mainly carries out its sales in the European market on an ODM basis, also carries out branded product sales with the local brands owned by and the global brands held under the brand licensing agreements by the Vestel Group.

VESTEL BEYAZ EŞYA UNWAVERINGLY MAINTAINS ITS EFFORTS TO COMPLETE THE INDUSTRY 4.0 TRANSFORMATION AND ITS TRANSITION TO FULLY AUTOMATED SMART FACTORIES.

With its strong R&D organization and competence in technological development, Vestel Beyaz Eşya continuously develops and expands its environmentally friendly product range which 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. The after-sales services for Vestel Beyaz Eşya's products are carried out by the authorized service providers which provide services throughout the country as well as by the Central Services and the call center under the Vestel Customer Services General Directorate.

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 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'S PRODUCTION POWER: VESTEL CITY

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 sqm.

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) each year to companies which best implement the Total Productive Maintenance (TPM) practices in the world.

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.

Having completed its preparatory work for the "TPM Special Award" in 2019, Vestel Beyaz Eşya won the "Special Award for TPM Achievement" in February 2020. It thus became the first and only company to be given this award for 7 different product groups at 7 different factories (refrigerators, washing

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 SQM.

machines, dishwashers, cooking appliances, air conditioners, water heaters and tumble dryers) at the same time, and thereby raised the bar of its success even higher.

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, 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 focuses on the efficient use of energy and water in its production processes.

Compared to a 55% increase in its production (in units) over the last 5 years, Vestel Beyaz Eşya has managed to cut its water consumption per unit product by 36% in the same period.



04

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 various 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,
- Advantages in exports in terms of logistics and delivery time with the proximity of production facilities to the European market compared to Far Eastern competitors,
- 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 labour costs compared to European manufacturers,
- Newer and more modern production facilities than European manufacturers,



WITH INNOVATION ENCODED INTO ITS DNA, TECHNOLOGY AND INNOVATION HAVE BEEN AN INTEGRAL PART OF THE COMPANY'S CULTURE SINCE ITS ESTABLISHMENT.

- 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.

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.

VESTEL BEYAZ EŞYA'S MAIN STRENGTHS

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 completion, 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 build the production lines and machinery, which had been previously procured externally and even apply for patents for the machinery it has designed.

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 an important element in manufacturing flexibility, are the autonomous robots positioned at many points on the production lines. Vestel Beyaz Eşya commissioned the most robot cells of any company during 2019, both in the white goods sector and for all sectors, as it had in 2017 and 2018. The Company expands the trinity of robot-machine-human more and more with each passing day, working with impeccable production techniques. Vestel Beyaz Eşya stands at the forefront among all sectors in the world with its 160 articulated robots per 10,000 employees. These robots, which are able to move on 6 or more axes, demonstrate that Vestel Beyaz Eşya has once again managed to reflect the features in its DNA of keeping up with digital transformation in manufacturing technologies in its sector.

To achieve unmanned and remotely controlled in-factory 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. With automated guided vehicle use, in-field transport costs and forklift requirements are reduced, removing the risk of damage occurring during the transportation of products and components and increasing production efficiency. Work has also got underway to map the remotely controllable software of the auto-guided transport vehicles with production programs. As such, the Company aims to ensure that production planning also becomes autonomous.

Extra measures are taken to protect human health and safety in the transportation operations inside the factory and gel type batteries are used in vehicles for this purpose, despite their shorter life. Thus, all in-factory transportation operations are carried out more quickly, safely and without human error. As a powerful technology company, Vestel Beyaz Eşya has taken the task of the experimentation, use and production of rapidly changing technologies in addition to the production of white goods and directs its work accordingly. The goal is to create a greener,



safer and longer-lasting ecosystem. The next step is to carry out all production with unmanned tools, in contrast with modular and standard production lines.

Vestel Beyaz Eşya is increasing the number of its automated warehouses by bringing automated guided vehicles and industrial robots into use. It ensures that these systems 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 organization.

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 the quality of its production. While the Company aims to meet

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.

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 and systems, large project costs can be analyzed accurately, thereby preventing additional costs from being incurred in the future.

Nowadays, when the classical ways of doing business are changing or undergoing transformation, preparations are being made for the creation of the necessary infrastructure for training to be given by information transfer methods which are independent of human intervention. By systematically recording small or large machine usage information, it will be possible to transfer accurate information to newly recruited employees through augmented and/or virtual reality. In summary, new employees will quickly become fully equipped with simple software by using glasses, tablet or mobile devices. The aim is to eliminate human errors that may occur and improve the quality further with proper training.

VESTEL BEYAZ EŞYA'S MAIN STRENGTHS

VESTEL BEYAZ EŞYA, WHICH INCORPORATES INDUSTRY 4.0 BASED APPLICATIONS AT ITS FACTORIES, IS CLOSELY FOLLOWING THE JOURNEY OF THE INDUSTRY 4.0 TRANSFORMATION.

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.

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 factories. 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. Digitalization of quality systems, online monitoring of production test results, material consumption, and obtaining all production reporting with a 99.9% accuracy are the most important goals of the coming years.

Vestel Beyaz Eşya, which incorporates Industry 4.0 based applications at its factories, is closely following the journey of the Industry 4.0 transformation. In the recent period, the Company completed various automation projects with laser technologies, cutting, evap wrapping, labelling, packaging and the 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 factory was built directly with the Industry 4.0 infrastructure. While production lines, machines, transportation vehicles and automation projects in the factory 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 factory, 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 factory structure, which targets flawless and flexible production untouched by human hands. From the beginning of 2020, work on the digitalization of processes in the new factory and the communication of the production and planning management with machines will be accelerated. Sample digital concepts and applications to be made at this factory will be easily carried over to all of the Company's production facilities in the medium term.

VESTEL BEYAZ EŞYA AIMS TO COMPLETE ITS HORIZONTAL VERTICAL INTEGRATION IN THE NEXT FEW YEARS BY ESTABLISHING AN INFRASTRUCTURE WHERE MACHINES AND ROBOTS COMMUNICATE WITH EACH OTHER AND BY COMBINING ITS ENTIRE INTERNAL ECOSYSTEM WITH THE SUPPLIER INDUSTRY.



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

976 Vestel stores

9 Vs Outlet stores

886 Regal stores (245 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

5 güVENUSsü (Trust Base) Centers

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.



156

Number of Vestel's
Export Markets

10

10 Foreign Trade
Companies in Europe

2,196


Number of Stores and
Sales Points Abroad

976

Vestel Stores in Domestic
Market



 Vestel City Manisa

 Vestel's Export Markets

 **Vestel's Foreign Trade Companies**

The United Kingdom
France
Germany
Spain
The Netherlands
Poland

Finland
Russia
Kazakhstan
Romania
United Arab Emirates

VESTEL BEYAZ EŞYA'S STRATEGY AND REALIZATIONS IN 2019

STRATEGIES	REALIZATIONS
Increasing Market Diversity	
<p>To grow in regions other than Europe, which is the Company's main export market</p> <p>To evaluate organic and/or inorganic growth opportunities for entry into these markets</p>	<p>Exports to a total of 156 countries</p> <p>Entry into new markets in the Middle East, Africa and Asia in line with the objective of increasing sales in these regions</p> <p>Despite constantly changing political and economic conjunctures in non-European markets, growth in sales to Eastern Europe, the CIS, North Africa and the Middle East regions</p> <p>Product development efforts initiated for entry into the US market in 2020</p>
Increasing Customer and Product Diversity	
<p>To increase the share of A-brand customers in the portfolio, for which ODM based production is carried out</p> <p>To capture a higher share of the outsourcing trend, which is rising among the A-brand manufacturers</p>	<p>Gaining new A-brand customers in line with the increasing competitive clout in the European market</p> <p>Increasing business volume with existing A-brand customers</p>
<p>To increase market share by expanding product diversity:</p> <p>To shift sales mix towards more profitable mid- to high-end products</p> <p>To broaden and enrich the product range and increase sales of built-in products by capturing new customers in the kitchen supplier channel in the European market</p> <p>To maximize customer satisfaction by working continuously on energy efficiency, water saving and Internet of Things applications, and meeting market expectations in the best possible way</p>	<p>Addition of tumble dryers to product range and completion of the product range to include six main product groups upon completion of the new plant investment</p> <p>Next-generation products in white goods: Development of products which are record-breaking in their class in energy and water consumption and silent operation</p> <p>Expansion of the smart product range</p>

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STRATEGIES

Branded Growth

To increase market share by strengthening brand image, distribution and sales power and the quality of after-sales services in the Turkish market

To strengthen position in the European market and increase branded sales with the local brands in Vestel's portfolio and the global brands licensed by Vestel Group

To increase market share in surrounding markets by developing operations in those countries

REALIZATIONS

Continuing 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

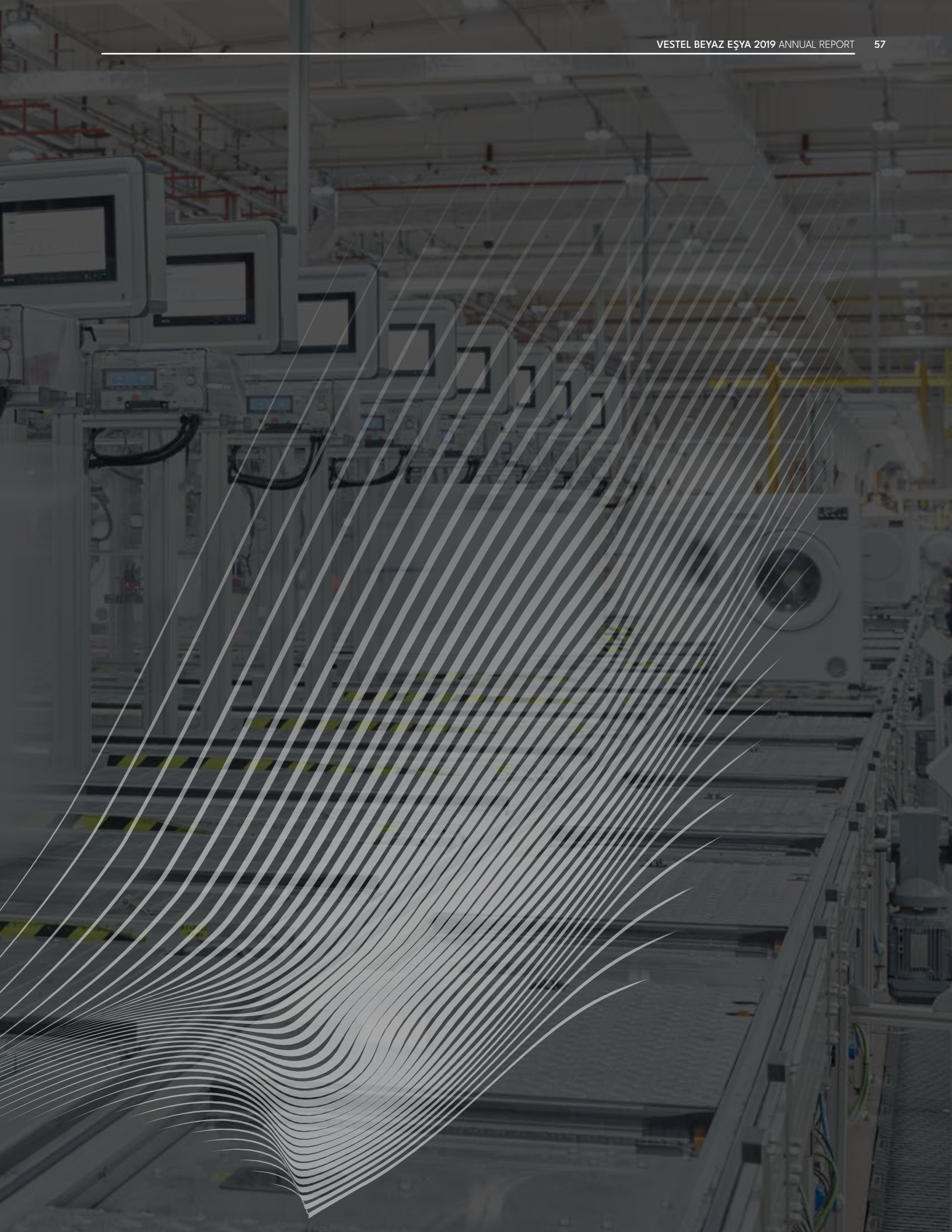
Continued double digit growth in Sharp branded product sales to Europe realized under the brand licensing agreement signed with the Sharp Corporation in 2014 as part of the strategy to increase branded product sales abroad

Inclusion of smart products in the brand licensing agreement, which is valid until the end of 2024

Entry into new markets in Africa, the Middle East and Gulf regions with the Vestel brand



WITH THE VARIETY OF OUR PRODUCTION LINES



VESTEL BEYAZ EŞYA'S R&D EXPENDITURES
AMOUNTED TO 1.2% OF ITS SALES REVENUES IN
2019.



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R&D AT VESTEL BEYAZ EŞYA

Vestel Beyaz Eşya, which sets itself apart from the competition with its advantages in R&D and innovation, maintains a commanding position in the development of new and pioneering technologies and transformation of these technologies into designs and products which meet the needs and preferences of global consumers, thanks to the competences and the work of its 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.

The Company's R&D expenditures amounted to 1.2% of its sales revenues in 2019.

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 necessary investment activities for these studies with the Company's own resources.

As of the end of 2019, Vestel Beyaz Eşya has an R&D staff of 535 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.

AS OF THE END OF 2019, VESTEL BEYAZ EŞYA HAS AN R&D STAFF OF 535 PEOPLE.

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 the products.

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 household appliances,
- 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.

R&D AT VESTEL BEYAZ EŞYA

The number of registered inventions patented by Vestel Beyaz Eşya had reached 229 as of the end of 2019. 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 426 inventions available to the sector. In addition, the patent portfolio is periodically reviewed and patents relating 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 transforming technology into products. In line with its sustainable development, exemplary investments are carried out by the Company's competent and innovation-oriented R&D engineers together with national and

international project partners by using state-of-the-art devices and systems and through collaboration with universities.

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.

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.



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The fields of expertise of the R&D staff include:

- Structural Design
- Structural Analysis
- Electronic Control
- Electronic Design
- Fluid Mechanics
- Fluid Analysis
- Mold 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 products and the production methods.



IN 2019, A TOTAL OF 43 TÜBİTAK TEYDEB PROJECT APPLICATIONS WERE MADE BY THE VESTEL BEYAZ EŞYA R&D CENTER.

Vestel Beyaz Eşya's R&D Collaborations

In 2019, a total of 43 TÜBİTAK TEYDEB (Technology and Innovation Funding Programs Directorate) project applications were made by the Vestel Beyaz Eşya R&D Center. Twelve of the TÜBİTAK projects were successfully completed while work on 18 projects is ongoing.

Many of the projects carried out were realized through collaborations with universities. Intense collaborations have been made with Dokuz Eylül University and Ege University in İzmir, Sabancı University, the Middle East Technical University, Yeditepe University, the Istanbul Technical University, the İzmir High Technology University, Katip Çelebi University, Yıldız Technical University, Muğla Sıtkı Koçman University, Uşak University, Hacettepe University, Afyon Kocatepe University and Özyeğin University.

Applications were made for two TÜBİTAK 1004 Center of Excellence Support Programs, three TÜBİTAK 2244 Industrial PhD Fellowship Programs, four TÜBİTAK 2209/B Industry Oriented Research Project Support Programs for Undergraduate Students and one Horizon 2020 (European Union Research and Innovation Funding Program) project together with the universities, with which the Company collaborates.

R&D AT VESTEL BEYAZ EŞYA

Product Groups and Innovations

Product Group	Products/ Technologies	Specifications/Description
Refrigerator	H+ Water Dispenser (Water Dispenser with Hydrogen) Technology	By increasing the Ph value of water in water dispenser through electrolysis using H+ Water Dispenser technology, alkaline water can be dispensed with different strengths according to the user's choice and antioxidant properties can be added to the water.
	VacuumJar Technology	The VacuumJar technology allows the air in the compartment to be removed, extending the shelf life of food which is sealed with this technology. This technology will also enable bottle vacuuming.
	FermentStore (Fermentation) 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. With the increasing popularity of making fermented food at home, products such as yogurt making machines have started to appear on 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 seven different foods. The product also offers a number of distinctive accessories, such as lighting and display designs specific to this compartment.
	CrystaLight (UV-A and Photocatalytic Filter) Technology	When food is stored in the refrigerator, bad odour molecules, volatile organic compounds (such as ethylene) 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 photo catalytic filter cleans the air inside the refrigerator. The special titanium dioxide (TiO ₂) coating filter is activated by UV-A light to form hydroxy radicals on the filter surface. With these hydroxy radicals, bacteria, viruses and malodour molecules are broken down into harmless molecules such as water and carbon dioxide. The CrystaLight technology was put into use in the combi refrigerator models in 2019. An independent laboratory confirmed 95% odour removal and 99.99% antibacterial properties of the product.
	Dual Control (Either Cool or Freeze) Technology	The new generation refrigerator which can be used either as a freezer or a cooler in line with the needs of the 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 (You have the Control) Technology	This technology allows the freezer to operate as a cooler to increase the refrigerator volume in line with the needs of consumers, to be used either as a cooler or freezer and to be completely shut down when not required. This feature was brought into market for the 70 cm-wide refrigerators. R&D studies are in progress to offer this technology to users in the 84 cm double-door Top Freezer refrigerators with new generation No-Frost Multi Cooling system.

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Product Group	Products/ Technologies	Specifications/Description
Refrigerator	54/60 cm Wide Top Freezer Refrigerators with New Generation No-Frost Multi Cooling System	54/60 cm wide refrigerators with a freezer compartment at the top of the unit (Top Freezer). The new generation No-Frost Multi Cooling system creates two independent air cycles in the freezer and cooler compartments to prevent odours from mixing. At the same time, it allows food to be stored for longer. The A++ efficiency rated product offers convenience to users with features such as LED lighting with diffusion, a door shelf with elevator, chiller, moisture control in the vegetable compartment and zero overflow system.
	SmartFresh Technology	Refrigerators which keep fruit and vegetables fresh for up to 30 days thanks to the separate vegetable compartment and humidity filter using SmartFresh technology. This technology is planned to be offered to the end-user in the 60 cm refrigerator.
	Turning Shelf Technology	Refrigerators which provide easier access to food positioned at the back of the upper shelves thanks to the tray in the Turning Shelf mechanism, which can rotate 360 degrees.
	Fridge Range for the US Market	R&D studies were completed for the 70 cm combi model refrigerator to be offered to the US market, for which the mass production will begin in 2020. The aim is to expand the range of products to be offered to the US market with the successful completion of these studies.
	4-Door Refrigerators with the New Generation No-Frost Multi Cooling System	The development project of 4-door refrigerators with 84 cm and 91 cm width. The new generation No-Frost Multi Cooling system creates two independent air cycles to prevent odours from mixing. At the same time, it allows food to be stored for longer. The fact that the products have 4 doors provides users with considerable convenience when loading and storing food. This project will bring users an array of features such as LED lighting, moisture control in the vegetable compartment, multi-zone, automatic icematic and in-fridge camera integration.
Washing Machine	HydroBoost® Washing Machine	The washing machine which can wash 10 kg load of laundry with an A rating energy efficiency in a record 159 minutes by spraying the water and detergent mixture from 20 different points to the load. The product's record washing time and performance were certified by the German VDE Institute.
	HydroCharge Washing Machine	The HydroCharge® washing machine eliminates detergent consumption with its unique electrolysis-based technology. Its ability to wash without detergent prevents negative impacts caused by the detergent on health and the environment and also eliminates the cost of detergent, which is the most significant cost item in washing laundry.
	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 production of the new models started. The T-series product family includes a wide range of products, with washing machines offering 4-12 kg capacities and washer-dryers with 7 kg/5 kg and 10 kg/6 kg washing/drying capacities with different interface and remote control alternatives.
	44 dBA Silent Washing Machine Product Family	The washing machine product family, which produces just 44 dBA of sound during washing, was designed with silent inverter engine technology, specially designed silent washing algorithms and advanced technology sound insulation systems.
	Washing Machine with Dryer Feature with the ION-Tech Technology	The ION-Tech washing machine removes the odours that have penetrated the laundry without washing with its ION Technology and the in-built "Refreshing" program.
	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 odours removed without needing to get the laundry wet.
	The 1600 Spin, 8 kg Capacity Washing Machines with Inverter Engine Technology	The 1600 spin and 8 kg capacity washing machines using Inverter Engine Technology were developed. The washing machines, offering silent washing and spinning, also stand out with their 40% lower energy consumption compared to A+++ products.

R&D AT VESTEL BEYAZ EŞYA

Product Group	Products/ Technologies	Specifications/Description
Tumble Dryer	Development of Wrinkle Prevention Feature in Tumble Dryers with 10 kg Drying Capacity	Thanks to specially designed parts and advanced algorithms, wrinkle improvements were achieved at levels superior to competing products in all capacities of the tumble dryers, using either heat pumps or condensers. Users may thus take the laundry from the machine and use it directly.
	Heat Pump Tumble Dryers with Record-Breaking Speed Program Time	The tumble dryers, which have two fast drying programs in all models, are designed in compatibility with the washing machines with fast washing properties developed by Vestel Beyaz Eşya. This will allow users to wash and dry their laundry in less than half an hour.
	Hygiene Certified Heat Pump Tumble Dryer	A special design was developed to purify laundry from allergens through special algorithm studies. In addition, a fully hygienic tumble dryer was attained by producing the parts which the user interacts with, with antibacterial materials. The hygiene program developed for the heat pump product family was approved and certified by Istanbul University in 2019.
	Project for Development of New Platform with Natural ION-Technology	ION-Technology was integrated into new capacity and T-series platforms commissioned in 2019. With this feature, which is available in heat pump models, users will be able to remove unwanted odours from their clothes such as cigarette smoke.
	Filter-Condenser Sensor Technologies	The smart dryer was developed which can warn users when the filter in heat pump products and filters and condensers in condenser products have not been installed or forgotten.
	Tumble Dryer Product Range for the Australian Market	Within the scope of the dryer product range suitable for the Australian market, 7 and 8 kg capacity tumble dryers of heat pump and condenser types were developed.

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Product Group	Products/ Technologies	Specifications/Description
Cooking Appliances	In-Oven LED Lighting Project with Effective Cooling System	End-users prefer the use of LED lighting in ovens as it offers more homogeneous and efficient lighting. Since LED lighting is not normally suitable for use in the oven given the high temperatures, solutions on the market require the use of special cooling systems making household ovens offering this feature more costly. Work will be carried out to develop a more homogeneous lighting system at a lower cost.
	TFT Full Touch Control Cooking Appliance with Android Operating System	With this project, smart cooking appliances will be developed, which will provide users with convenience with their various features. In addition to including all the cooking appliance features produced to date, the product will have new features thanks to the Android operating system and will be accessible to more users. With this product, which will include features such as a voice command system, disabled end-users will also be able to use the cooking appliance without assistance. This project, which involves the development of an Android-based smart cooking appliance, will also form the basis for other Android-based products to be produced under the IoT (Internet of Things) concept, and will be one of the pioneering projects to make progress in this direction.
	Cooking Appliance Design with Alternative RF Cooking Technology	This project is aimed at adding RF (Radio Frequency) cooking technology, which is not commonly used in household type products in our country, to standard cooking appliances. RF Technology offers advantages over microwave cooking thanks to its high wavelengths and is mainly used in industrial cooking. However, due to the size of the products, it is not common in household use. In the project, which will be developed jointly with Yıldız Technical University within the scope of the collaboration between industry and academia, a cooking appliance which will come in sizes suitable for household use, will be developed with RF waves which have the same cooking properties as magnetron and can be customized according to the food to be cooked. The appliance, which will be developed for the first time in our country, will provide a better cooking performance and energy savings for the end-user.
	Addition of Internet Connection Features to a Simple Controlled Built-in Oven	This project is aimed at adding an internet connection to built-in ovens with minimal properties which can be used in smart home systems, which are becoming increasingly widespread. The hardware being designed is intended to produce a built-in oven with low cost and customizable smart features.
	Development of a Range Cooker with 3 Cooking Compartments which can Work at the Same Time	With this project, a cooking appliance with three separate cooking compartments will be developed for the first time and all compartments will be able to work at the same time. In addition, a cooking configuration with 7 burners will be used for the first time, one of which being a wok burner with 4 kW of power. As this new cooker to be developed will be larger and heavier than other cooking appliances produced by the Company, it will provide new gains in terms of packaging and packaging tests.

R&D AT VESTEL BEYAZ EŞYA

Product Group	Products/ Technologies	Specifications/Description
Cooking Appliances	Domestic Wok Back Burner Design Conforming to Low Emission EN Norms	With this project, wok back burners with 3.6 kW of power will be produced locally in accordance with EN (European Standards) norms. Currently, 3.6 kW wok back burners have high emission values. The wok back burners in accordance with EN norms will be implemented in cooperation with suppliers.
	World's First Cooking Appliance in the A+++ Energy Efficiency Class	Work is underway to produce the world's most energy-efficient oven with the goal of saving energy and reducing consumption of resources. Within the scope of this project, mechanical solutions which increase thermal insulation and control software which reduce energy consumption will be developed.
Dishwasher	36 dBA Silent Built-in Dishwasher	Thanks to its high-tech sound insulation materials, improved special washing algorithms and silent inverter engine technologies, the 36 dBA built-in dishwashers are world record holders with their extra silent option.
	Dishwasher Range Suitable for the US Market	The 86 cm high tall tub dishwashers developed for the US market have started to be produced for the first time.
	CrystaLight Technology	CrystaLight dishwashers, which offer more hygienic washing with the UV technology developed in addition to the ION technology that prevents bad odours on waiting dishes, were designed.
	Comfort Tray 3rd Basket	Dishwasher basket layouts will become more user-friendly thanks to the innovative design of a 3 rd basket – the Comfort Tray – consisting of three movable parts. It is possible to place larger dishes in the upper basket thanks to the moving trays that will bring ease to the lives of users.
	Multi Holder Tray Holder	The Company developed the new Multi Holder Tray holder design, which allows the most effective washing of pans with a wide surface such as baking trays in dishwashers.
	Triple Stage Tray Top Basket	Thanks to the 3-stage height adjustment mechanism, the product range was diversified with the top basket of Triple Stage Tray, which provides wider wash areas in the lower and upper baskets.
	Sliding Door Fully Built-In Product Family	The fully built-in dishwasher family with sliding doors, which are not affected by the skirting board in the kitchens, was developed.
	Infoled 2.1 Technology	In fully built-in dishwashers, the dishwasher with the Infoled 2.1 Technology was developed that informs users of the stage of the program with red and green Led lighting.

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Product Group	Products/ Technologies	Specifications/Description
Air Conditioner- Water Heater	Easy Bill Air Conditioner	The Easy Bill Inverter air conditioner warns users of their quota. With this system, which can work in integration with Vestel's Mind of the Home application, consumers are informed of approximately how much electricity they have consumed in TL terms.
	Voice Controlled Air Conditioner	Air conditioners, all functions of which can be controlled by voice command, offer users the advantage of ease of use with maximum comfort. This project is also a social responsibility project for visually impaired individuals.
	Air Conditioners 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 Conditioners with Microbial Gel Filter	The "Filtron F5" gel air filter system provides microbial purifying with the world's highest performance. It eliminates odours in the environment, filters out particles and improves hygiene conditions. It is environmentally-friendly and does not contain any harmful chemicals.
	7000 BTU Inverter Air Conditioner and On-Off Outdoor Unit Project	7000 BTU products offering competitive prices in air conditioning for 10-15 m ² areas will be offered to the market in 2020 in line with the increase in prices of air conditioners due to the shrinkage of living spaces and in parallel with economic developments.
	Multi Inverter Air Conditioner	The Multi Inverter air conditioner product family was developed with 27,000 BTU capacity with 3 indoor units and 18,000 BTU capacity with 2 indoor units.
	Air Conditioner operating in Extreme Conditions	An air conditioning unit with the ability to operate in very hot outdoor environments (+60°C) thanks to the effective cooling of the outdoor unit inverter control card and necessary equipment improvement.
	Bottom Controlled Water Heaters	In line with the goal of increasing domestic and international product diversity and energy efficiency, bottom adjustable water heater will be added to the product range, which will also include smart applications.
	New Square Water Heater Project	Low cost square water heater design suitable for the aesthetic needs of the market

IN LINE WITH ITS PROFITABLE GROWTH STRATEGY, VESTEL BEYAZ EŞYA IS INCREASING THE SHARE OF MID- TO HIGH-END PRODUCTS IN ITS SALES MIX.



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NEW HORIZONS IN CUSTOMER EXPERIENCE

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-brand manufacturers, distributors and retail chains as an ODM provider,
- Branded product sales under local brands owned by and under global brands licensed by the Vestel Group.

In addition to expanding its customer portfolio, for which the 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 regional brands acquired in Europe by Vestel Ticaret, and through the global brands licensed by Vestel Ticaret.

In line with its profitable growth strategy, Vestel Beyaz Eşya is increasing the share of mid- to high-end 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.

THE BRAND LICENSING AGREEMENT SIGNED WITH SHARP WAS EXPANDED TO INCLUDE THE DEVELOPMENT OF SMART PRODUCTS.

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 January 1, 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 factories and at the Sharp Corporation's plants in Asia. Expanding the range of Sharp's products for the European market with washing machines, dishwashers, cooking appliances and tumble dryers developed specifically for the Sharp brand, Vestel Beyaz Eşya has strengthened its presence in the European market with this agreement and is also progressing in line with its goal of increasing its branded product sales in this market.

The scope of the brand licensing agreement signed with the Sharp Corporation, which is valid until the end of 2024, was expanded to include the development of a family of smart products for the product range of six white goods (refrigerators, washing machines, dishwashers, electric ovens, tumble dryers and wall-type split air conditioner units) for the European 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 976 Vestel stores, 886 Regal sales points (of which 245 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.

NEW HORIZONS IN CUSTOMER EXPERIENCE

In addition to the physical distribution network, Vestel, as the first consumer durables brand to sell products online, 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.

As of the end of 2019, www.vestel.com.tr and www.vsoutlet.com.tr had 307,667 and 13,259 members, respectively while www.regal-tr.com had 13,354 members.

VESTEL, AS THE FIRST CONSUMER DURABLES BRAND TO SELL PRODUCTS ONLINE ALSO REACHES CONSUMERS VIA ITS E-STORE, EMAGAZA.VESTEL.COM.TR.

Cafe Vesto: Taking a break in a Brand New Shopping Experience

Reflecting Vestel's vision of directing the consumer electronics and white goods sectors and achieving firsts in Turkey, "Café Vesto" is a concept that brings the cafe and store together. Vestel has been one of the few such examples in the world and the first brand of its sector in Turkey, having implemented this concept.

The Vestel stores in Beşiktaş and the Zorlu Center in Istanbul, Elvankent in Ankara and Karşıyaka and Alsancak in İzmir are designed with the cafe concept. In addition, there is also a Café Vesto at Levent 199 in Istanbul, which is the headquarters of the Company. Vestel opened its doors to a new retail experience with its café concept which was developed to provide customers with a better quality, richer and distinct service and to allow customers experience Vestel products as they wish, while they relax.

Café Vesto, where Vestel's "Proudly Domestic" theme is reinforced, mainly offers dishes with a local zest and offers visitors a varied menu.

Vestel aims to spread the retail approach with the cafe concept, which has been rolled out at six sales points, to all four corners of Turkey, thus bringing a breath of fresh air to the sector.



The Vestel Retail Academy - the Driving Force of Development in Retailing

Vestel Retail Academy (VRA) continued its training activities for the Head Office personnel and dealer channel in 2019. In addition to the training provided to other companies within Zorlu Holding with its own internal trainer staff, it also organized new training programs for external stakeholders. 67% of the training offered during the year was given by the staff educators.

In addition to these training programs, the VRA launched the modular Leader and Effective Team Player Training programs for white collar employees at Vestel with Sabancı University, Bilgi University and Boğaziçi University.

The “Sales Camp” program, which lasts five days and is given to store employees, continues to be implemented. Apart from these programs, training programs were organized for students who worked as interns at Zorlu Holding during the summer of 2019.

The VRA opened 125 classes during the year and a total of 38 different training programs were provided to 1,573 employees working in the Headquarters, the dealer channel and other companies within Zorlu Holding and 17,990 man-hours of training was provided.

In addition to standard online-based training, the VRA ensures that online information and experience posts are continuous through the Community of Practice efforts, in order to be in constant communication with the field personnel.

Seminars were held as part of the “Candle Lights its Base” (Mum Dibine Işık Verir) Project, aimed at passing on the knowledge and experience of employees to other employees. With this project, employees accumulating know-how by taking part in many important studies, those who write a master’s thesis, or who have human insight or those who engage in artistic and sporting activities were allowed to transfer their knowledge to other employees regardless of their age, status and subject matter.

In addition to this project, in-house professional coaching training programs were organized so that employees holding positions of responsibility within the organization could transfer their experience to other personnel through scientific methods.

VESTEL CUSTOMER SERVICES CONTINUES TO MAKE A DIFFERENCE IN THE SECTOR WITH ITS PIONEERING PROJECTS IN AFTER-SALES SERVICES.

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, five güVENÜSsü (trust-VENUS-base) centers located in İzmir, İstanbul, 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, the 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 the 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 and solution are also available for customers, so they can access customer services from the channel of their choice, at any time of their choosing. On the one hand,

NEW HORIZONS IN CUSTOMER EXPERIENCE



technological developments related to infrastructure are closely followed up and digitalization is rapidly implemented through pioneering projects which set the company apart. On the other hand, efforts are taken to ensure that the communication process is not robotic. The Vestel Call Center provides call center services not only for the Vestel brand, but also for Zorlu PSM, Vestel Germany, V-instalment, Zorlu Textile and the Zorlu switchboard. The Vestel Call Center has once again registered that it works to EU standards in many critical issues such as accessibility, customer and employee satisfaction, quality and data management with the ISO 18295-1 Customer Services Quality Certificate which it obtained in March 2019.

Technical teams working in coordination with factories take action aimed at product development and improvement in line with the feedback received from the customers and stakeholders.

Located in the Vestel City, the Spare Parts Planning Team and Spare Parts Warehouse are working on spare parts planning and supply in line with the goal of providing the fastest possible service to customers.

Four Central Services were established in three provinces by Vestel Customer Services, to act as a role model for authorized service providers serving customers in the field. The Central Services support the field with training, inspection and rapid spare parts supply. Central Services also work in a co-ordinated manner with central technical units in new product testing.

In order to improve the coordination between authorized service providers, factories and dealers, four Regional Directorates operate in the field and service operation specialists work at these directorates.

Projects which set Vestel Customer Services Apart

Women Technicians Project: The project began in March 2019 with the participation of volunteers from female employees who work as specialist customer representatives at authorized service providers.



The objectives of the project are as follows;

- Placing women employees as assembly technicians at authorized service providers, to raise the quality of the work and satisfaction rates among customers,
- To attract female technicians, which are rare in the sector,
- To contribute to the employment of women.

Voluntary female technician candidates receive technical training provided by the Service Academy instructors in workshops. They complete their training program, which lasts approximately 2 weeks, in the cooling, cooking and washing product groups. At the end of the applied training, application examinations are carried out. Those who pass these examinations begin their duties as technicians. The first female technicians began their duties on the International Women's Day, on 8th of March.

In 2019, 25 female technicians began actively working in the field. Efforts are continuing to increase the number of female technicians and for sustainable services.

IN 2019, 25 WOMEN TECHNICIANS BEGAN ACTIVELY WORKING IN THE FIELD. EFFORTS ARE CONTINUING TO INCREASE THE NUMBER OF WOMEN TECHNICIANS AND FOR SUSTAINABLE SERVICES.

There is a Solution: The solution portal "There is a Solution for Everything Here" (Burada Her Şeyin Bi Çözümü Var) is a website project with all information and solution content available to customers. The website offers customers solutions to the problems they face in the products by themselves, access to information and solution videos and user manuals for the products, while allowing them to create a request for breakdown and assembly at any time and communicate with the call center through written channels.

NEW HORIZONS IN CUSTOMER EXPERIENCE

The project, which offers customers self-service and ease of use, will be expanded to include informative contents in the project website for the field personnel and the Vestel Customer Services.

The 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 authorized service center managers. The Academy provides 18,000 man-days of training per year in a wide array of educational modules through various training methods, including digital and live broadcasting. The 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 at international standards.

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.

The elements that shape this concept are to make people's lives easier with the products produced by Vestel, Turkey's domestic brand producing high-tech to world standards, its wish to bring the state-of-the-art technology into every home and to provide the very best to consumers with the products it manufactures. In this vein, the goal is to have at least one Vestel product in each home.

THE VESTEL SERVICE ACADEMY
ACHIEVED A FIRST IN TURKEY
AND OBTAINED THE ISO 29990
CERTIFICATE AND PROVED THE
QUALITY OF ITS EDUCATION
PROGRAMS AT INTERNATIONAL
STANDARDS.

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.



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Great success has been achieved with the “Turkey is Vestelized” and the “Proudly Domestic” platform, which was launched 6 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. This way of communication, supported in 2018 and 2019, will be also be reinforced in 2020.

The 3-year uniform chest sponsorship signed with Trabzonspor in August 2019, the sponsorship of the Presidential Cycling Tour, one of Turkey’s important sporting events in the international arena, the sponsorship of the Women’s Volleyball League, which is a team sports branch where our country is highly successful in the international arena, are important projects undertaken by Vestel and which add value to the brand through Vestel’s communication. Moreover, E-sports holds an important place in Vestel’s vision to reach young people who may not yet look like target users, but who are the consumers of the future.

Thanks to the successes achieved in the sector’s major competitions, Vestel was awarded First Prize as the “Brand of the Year” in the “Consumer Durables & Small Home Appliances & Electronics” category in both 2017 and 2018, as a result of the surveys conducted by the independent auditors commissioned by the Campaign Magazine.

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.



Vestel will continue to set itself apart and add to the momentum it has achieved in its communication and advertising efforts in 2020. The company will continue to highlight technology as the main message in its communication efforts. It will carry its communication efforts undertaken in 2018 and 2019, which focused on women, further with the theme of Dream Factory in 2020.

Efforts are being carried out to implement projects which will lead the sector in the field of the Internet of Things in 2020. In order to promote the retail sector, different projects, innovations that place experience at the heart of activity and new studies in the area of shared economy will come under the spotlight.

VESTEL BEYAZ EŞYA'S SUSTAINABILITY APPROACH IS SHAPED BY A GOAL OF BETTER FUTURE ON THE BASIS OF THE ECONOMY, PEOPLE, THE ENVIRONMENT AND SOCIAL CONTRIBUTION.



VESTEL BEYAZ EŞYA AND SUSTAINABILITY

SUSTAINABILITY MANAGEMENT AND ORGANIZATION

Sustainability Approach and Strategy

Vestel Beyaz Eşya's sustainability approach is shaped by the 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. The Company positions sustainability at the heart of its growth and common value creation, in line with its business strategy, which considers all stakeholders and the impact area of the Zorlu Group, and which offers innovative solutions by focusing on technology.

As a world brand originating from Turkey, Vestel Beyaz Eşya views respecting the values and the nature of these lands as one of its most important tasks and has been managing its work on sustainability in a coordinated and strategic approach since 2016 in line with the "Smart Life 2030" sustainability vision set out by Zorlu Holding, which focuses on the United Nations Sustainable Development Goals for 2030. The Smart Life 2030 vision aims to provide concrete solutions, which are long term in nature and which can be measured, for global economic, environmental and social problems.

At Zorlu Holding, sustainability management is carried out through the Sustainability Committee, which consists of seven working groups, (Corporate Governance, Community Relations, R&D and Innovation, Employees, Environment, Customer Relations and Supply Chain) and is headed by the CFO of Zorlu Holding.

Vestel Beyaz Eşya also plays an active role in this Committee through its employees serving in the committee including its middle level and senior executives. Through these works, the Company focuses on creating sustainable solutions for a better future, which is driven by technological innovation, protecting the environment and creating benefits for the society.

THE SMART LIFE 2030 VISION AIMS TO PROVIDE CONCRETE SOLUTIONS, WHICH ARE LONG TERM IN NATURE AND WHICH CAN BE MEASURED, FOR GLOBAL ECONOMIC, ENVIRONMENTAL AND SOCIAL PROBLEMS.

Given the size of its production capacity, Vestel Beyaz Eşya is aware that improvements in the design of a product can undo a wide array of environmental impacts (such as energy consumption, fuel consumption, reducing carbon emissions arising from transportation, reducing packaging use etc.) in the supply chain, production process, during the use of the product and at the end of the product's lifespan as a chain effect.

Vestel Beyaz Eşya implements its innovative, environmentally friendly and sensitive approach in line with its sustainability strategy at all stages of its activities. In line with this approach, the Company increases the number of products which hold world records in energy and water efficiency in its product range every year. It minimizes the environmental impact of its activities through the environmental and people oriented production processes.

Vestel Beyaz Eşya, which takes a number of steps such as using recyclable materials in production, reducing variety in material use and using less raw materials, aims to reduce the environmental impacts of its production processes with measures such as energy saving, reduction, reuse and recycling of waste and limiting or eliminating the use of hazardous chemicals. Vestel Beyaz Eşya views its own development to be equivalent to the development of society. With this awareness, in addition to its contributions to economic and environmental sustainability, the Company is determined to expand its support to social responsibility projects which add value to society with ample resources, to lead new projects and increase its efforts and contributions towards a better future.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

Vestel Beyaz Eşya included in the Borsa Istanbul (BIST) Sustainability Index

At the end of 2015, Vestel Beyaz Eşya applied to be voluntarily included in the BIST Sustainability Index, which consists of companies listed on the Borsa Istanbul with a high corporate sustainability performance. The Company fulfilled the criteria for the Borsa Istanbul's Sustainability Index and was qualified for inclusion in the index for the November 2016 - October 2017 period. Being included in the index for three periods and having maintained its compliance with the index criteria in 2019, Vestel Beyaz Eşya will be voluntarily listed in the BIST Sustainability Index in the November 2019 - October 2020 period as well.

CORPORATE DEVELOPMENT AND HUMAN RESOURCES

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 3 main organizations including the Industrial Relations Directorate, the Recruitment and Talent Management Directorate and the Training and Development 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 is for Vestel Beyaz Eşya 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.

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.

This project, which won the Silver Award in the “Best New Hire Onboarding Program” category at the Brandon Hall Group HCM Excellence Awards in 2018, was developed and continued to be implemented in 2019.

Within the scope of the “Pole Star” application, which is a part of the Onboarding program and is carried out in order to help new employees adapt to their work and accelerate their adaptation to the corporate culture, an individual who can guide the new employee is selected from the new employee’s department and the selected individual supports the new employee for three months. Polar Stars are identified by managers from among the volunteering employees, and reported to the Human Resources Department before the new employee takes up his/her position. A total of 332 Polar Stars selected within the scope of the application were included in the training organized by the Human Resources Department, to inform them about the process.

The “Now at Work” (İş’te Şimdi) platform has been created at Vestel Beyaz Eşya in order to increase in-house communication and bring employees together under a common denominator. During the event, employees seeking to share their experience and knowledge can take the stage in sessions held in two categories, including sectoral and special interest areas. There are many topics which employees are interested in outside work, in which they have abilities and achievements. The aim of this event is to increase communication between employees by carrying these abilities and achievements to the stage, improving the ability of employees to present and to develop themselves and each other in different subject areas. In the sessions held with the participation of more than 100 people, six employees have so far taken the stage to share their

ONE OF THE MOST IMPORTANT GOALS OF THE HUMAN RESOURCES POLICY IS TO ENSURE THAT VESTEL BEYAZ EŞYA IS A COMPANY WHICH TALENTED INDIVIDUALS DREAM OF WORKING AT.

expertise in different subjects. In three events held in 2019, a total of six presentations were made with topics of interest such as personal development, branches of sport, car sports and passions and quality of air.

The rotation request process, which was implemented with the aim of increasing the company efficiency and employee motivation in 2018, continued in 2019. In September, employees’ requests for rotation were collected online. After the necessary evaluations and approvals from managers, the realization of rotations was planned according to department and staff availability in 2020.

At Vestel Beyaz Eşya, for employees;

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

VESTEL BEYAZ EŞYA AND SUSTAINABILITY



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,

IN ORDER TO INCREASE VESTEL'S PERCEPTION AS AN "ATTRACTIVE EMPLOYER", INTENSIVE ACTIVITIES ARE CARRIED OUT AT UNIVERSITY CAMPUSES.

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 the Vestel HR Department 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 develop projects in line with the mission given to them.

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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 with the aim of attracting talent is the VesTELLer Project, which received the Bronze Award in the “Best Brand Ambassador Programme” category at the Employer Brand Management Awards in 2018. Within the scope of the project, students are selected from the campuses of Turkey’s leading universities in order to carry out work to make Vestel a recognized, popular and preferred employer. Since 2015, a total of 35 students undertook the task of VESTELLer (Vestel’s Brand Representative on Campuses).

In 2019, an engineering competition entitled “V-Intelligence Computer Vision” was launched as a new talent attraction project. The competition, announced from the company’s social media accounts which attracted considerable interest from the students and graduates of the Computer Engineering and Electrical and Electronics Engineering departments of the universities, was aimed at developing the best algorithm for the Smart Washing Machine Project, which accurately detects clothing labels. The 13 finalists presented the algorithms which

they had developed and the methods they used to the jury consisting of the Vestel IoT Group and answered the jury’s questions. As a result of the evaluation carried out by the jury, contestants listed in the top three were given a certificate of participation and a Venus Z30 smartphone as a gift. In addition, the top three contestants were offered a job to work within Vestel and the contestants who ranked at the top two had the opportunity to attend the IFA 2019 Fair.

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 in the Turkey section of the survey. In 2018, Vestel climbed a further three places, with its aggregate ranking rising from 42nd to 32nd. It ranked in the 34th place in 2019.

In addition, a new talent attraction project entitled “Verify Your Future”, which is a Focus Group Project designed with the rhetoric of Verify Your Future and #Wanted, is to be implemented in 2020.



VESTEL BEYAZ EŞYA AND SUSTAINABILITY

Within the scope of this project, which is designed to enable final year students from the Computer Engineering and Electrical and Electronics Engineering and Mechanical Engineering departments, who are the target audience, to get to know Vestel more closely and choose it as an employer, young talented individuals are planned to be hosted on a departmental basis and in groups with a comprehensive and impressive program content in the Vestel City.

The “Viva!” Project, which first emerged as an employer brand project, was approved as a sustainability project due to its scope in 2019. The project focuses primarily on “Corporate Good Life (Well-being),” which is a priority among sustainability goals, and aims at ensuring the sustainability of both the quality of life of the employees and corporate longevity.

The Project in general includes the following;

- Various activities to be organized to protect employees' physical and mental integrity,
- Various seminars and workshops to promote a good and healthy life,
- The joint sharing platform, which will include announcements of events to be held,
- Employee motivation-enhancing emails/notifications,
- Instilling the motto of “Being part of Vestel means living better” to the employees, and the activities to be carried out with the aim of instilling this perception,
- Sharing useful information to raise awareness about healthy living,
- The creation of sharing environments in order to ensure the company culture is adopted and to strengthen communication between the HR department and employees,
- A variety of recommendations and practices aimed at improving physical conditions.

The Viva! project is planned to be implemented throughout Vestel in 2020.

HR Indicators

Vestel Beyaz Eşya Key HR Indicators (Based on 2019 Year-End Data)

Number of Personnel	Person	Rate
Total	7,821	100%
Women	2,338	30%
Men	5,483	70%
Average Seniority	4 years	
Distribution of Senior Management by Gender	Women	Men
General Manager		2
Deputy General Manager		7
Middle Level Management	5	52
Total	5	61
Distribution of Personnel by Education	Women	Men
Master's Degree	35	66
Graduate Degree	234	550
Vocational College Degree	257	510
High School Graduate	1,812	4,357
Total	2,338	5,483

Number of Employees by Category

Senior Managers	Other Employees (Except Administrative Staff)
66	7,755

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AT VESTEL BEYAZ EŞYA, WHERE EVERY EMPLOYEE IS CONSIDERED AS A SOURCE OF VALUE, A REGULAR TRAINING MODEL HAS BEEN ADOPTED TO FACILITATE THE ADAPTATION OF EMPLOYEES TO CHANGE.

Continuity of Educational Activities

At Vestel Beyaz Eşya, where each 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, high quality and sustainable training activities are offered to promote the continuity of inquisitive, reflective, creative, entrepreneurial and productive human resources. In 2019, various personal development and technical training programs were offered in this vein. During the year, a total of 9,197 employees received training, with an average of 9 hours of training provided per person.

Compulsory Education and Certifications

Within the scope of the Vocational Qualifications Authority Law, 11 personnel were certified as Machine Maintenance Workers, 71 personnel as Metal Plate Processing Workbench Workers, 7 personnel as Construction Painters, 31 personnel as Steel Welders, 10 personnel as Resistance Welding Adjusters, 3 personnel as Bridge Crane Operators and 80 personnel as Metal Plate Processing Workbench Operators in 2019. With operator training, 97 personnel became eligible for operator licenses for the use of Forklift Trucks, 50 personnel obtained operator license for the use of Manlifts, 67 personnel obtained operator license for the use of Electric Transpalets, and five personnel obtained operator licenses for the use of Ceiling Cranes. As of October 2017, the SRC Driver License was made compulsory for all drivers transporting freight, passengers or goods in commercial vehicles. With this legal obligation, 126 personnel were eligible to obtain the SRC 2 and SRC 4 driver's license.



In 2019, 58 personnel completed the basic first aid training and received their certificates through the first aid training provided within the framework of the legal requirements.

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.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

Within the scope of the Vestel Technology Academy 2019 program, post graduate education continued to be given in the fields of the Computer Engineering, Electrical and Electronics Engineering, Industrial and Mechanical Engineering.

In Turkey, the Vestel Technology Academy won the Golden Award in the category of “The Best Training and Development Program” awarded by TESEP. In the international arena, the Academy won the Bronze Award in the category of the “Human Resources Team of the Year” at the Stevie International Business Awards, with the program being judged to have completely fulfilled the goal of “bringing the university campus to the company”, an aim which it had set out at the beginning of its implementation. While maintaining this goal, a total of 44 Vestel Beyaz Eşya employees continued their education in the program at the Vestel Technology Academy in 2019, and a total of 40 Vestel Beyaz Eşya employees graduated as of the end of 2019.

The “Impact Assessment Form” applied for the evaluation of the thesis/project studies was delivered to all students who graduated from the program. In the examination of the form results filled by 19 Vestel Beyaz Eşya employees, it was found that five academic studies had been turned into industrial applications with three studies included in patent, publication and incentive processes. Academic studies continue to evolve into applicable optimizations at Vestel Beyaz Eşya.

While the Company continues to contribute to the education of its employees, in order to respond to the course demands as requested by students and to benefit from the academic knowledge and career-based experience of employees who have completed their doctoral studies, internal academic applications were received throughout April 2019. The CVs collected for this purpose were assessed by the Özyeğin University, with employees fulfilling the necessary pre-conditions assigned as members of an “Adjunct Faculty”. In the 2018-2019 academic year, one of these employees had the opportunity to teach in the field of Electrical and Electronics Engineering, while another started to teach in the field of Computer Engineering.



The Vestel Management Trainee Program

The 10th 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 the Koç University at the Vestel Training Center in Manisa in 2019.

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 develop their theoretical knowledge with academic lessons provided by the university and in-house training organized within the Company, also receive personal development training which include guiding information for their 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.

The program in question is aimed at ensuring that young management candidates joining the Vestel family are able to get the best understanding of Vestel and the sector, obtain the information they need and use this information effectively in business life. It is hoped that the management candidates who successfully complete the program will develop new projects and provide added value to Vestel.

In 2019, a total of 22 graduates from Turkey's leading universities were accepted in the Management Trainee Program, five of whom started working at Vestel Beyaz Eşya after completing the program.

IN 2019, THE VESTEL RETAIL ACADEMY CONTINUED TO UNWAVERINGLY CARRY OUT ITS TRAINING ACTIVITIES FOR THE HEAD OFFICE PERSONNEL AND DEALER NETWORK.

The Vestel Retail Academy

In 2019, the Vestel Retail Academy (VRA) continued to unwaveringly carry out its training activities for the Head Office personnel and dealer network. During the year, it opened 125 classes and provided 17,990 man-hours of training to 1,584 people.

The Academy organizes modular training programs to ensure the continuous development of both the employees at the Head Office and also the dealers, who are key business partners of Vestel.

Within the scope of the sustainability approach, in order to ensure that dealers remain in the business over a long period, training is given not only to the dealer owners, who are the founder generation, but also to the new generations who will ensure the continuity of the business in the coming years. Founder dealer owners, new generations that will ensure the continuity of the business, the store managers and the field staff completed training modules in line with their own work competencies. These training programs contribute to the qualified manpower - which is an important need in the retail sector.

By taking into account the current and future needs of the organization, in addition to standard training programs, the Vestel Retail Academy realized new initiatives through the projects such as in-house coaching, the transfer of experience among employees ("The candle Gives Light to Its Base" Project - Community of Practice) and Good Life training, aimed at positively touching the lives of employees outside of their work lives.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

The Vestel Supply Chain Academy

Training has been provided to a total of 239 supply chain employees holding various positions since the rolling out of the “Supply Chain Academy” activities, which began in 2015 and which continue to develop every year. The most important element of the “Supply Chain Academy” training is to ensure the continuity of education by including newly recruited employees into the training programs.

Within the scope of this training, the following training programs were provided to employees who started work in the last one year.

- Training in presentation techniques to help employees express themselves better and improve their communication skills,
- Advanced Excel training with the aim of ensuring that operational activities are carried out more efficiently and quickly,
- Project management training, which aims to improve the performance of specialist-level employees in the projects they carry out and help them to manage group coordination and integration in processes,
- Leadership and personal development training aimed at improving management skills of staff and management-level employees.

Internal training is given for employees who have joined the Company in the last one year, to raise their in-department information levels, strengthen their communication with personnel in other departments and to help them learn the functioning of these departments, and in addition, factory trips are organized for them.

Internal training, technical training and personal development training programs aimed at developing the knowledge, motivation and efficiency of supply chain personnel are planned for 2020.

The Zorlu Academy Online Training Platform

The Ethical Principles e-training was created on the Zorlu Academy online training platform in order to ensure that the Zorlu Holding Code of Ethics, which were drafted in 2018 to cover all the Group companies within the Zorlu Holding, are adopted by all employees. This training will increase employees’ awareness of the Zorlu Holding Code of Ethics and additionally guide as to how to arrange the employees’ way of conducting business, their approaches and perspectives in accordance with these principles. The Code of Ethics Training was prepared within the scope of the Corporate Governance Working Group activities carried out under the umbrella of Smart Life 2030, under the coordination of the Audit General Directorate and the Human Resources Group Presidency.

The online training platform, which was implemented at Zorlu Holding in March 2019, was implemented within the Vestel Group of Companies in July 2019 and the Code of Ethics training was provided to employees through the system.





HR Awards

Vestel's Human Resources Department won the following awards in 2019:

- **Kariyer.net – The Respect for People Award** - The Respect for People Award, which was given for the 18th time this year, is awarded to companies which respond to job applications in the fastest time and at the highest rate, as well as to those companies which receive the highest number of job applications and create the most employment among the more than 20,000 employers which are using Kariyer.net.
- **Secretcv** - "The Stars of the HR" Category Award
- The "Crystal Deer" Award, won for the first time by ranking 1st in the "Consumer Durables" branch of the "Management – Finance" category at the Hacettepe University Crystal Deer Award Ceremony with the vote conducted among university students.
- During the fair held on the November 5-6, 2019, the Company won "The Enterprise Providing the Most Employment", "The Enterprise Providing the Most Female Employment" and "The Enterprise Providing the Most Employment to Disabled Individuals over and above the Quota" awards, given by İŞKUR (Turkish Employment Agency).

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,

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

- 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.

In line with the Company's Occupational Health and Safety Policy, the following work is carried out to achieve the target of 0 (zero) accident and occupational illness:

- OHS board meetings,
- OHS evaluation meetings organized within departments,
- Acceptance and risk assessment of new machinery and equipment,
- Risk assessment of the current machinery park,
- Acceptance and risk assessment of new chemicals,
- Risk assessment of existing chemicals,
- Application of personal protective equipment at points where collective protection methods against risks cannot be applied or in the management of residual risks after the measures taken based on the assessment of the occupational safety specialists and workplace physicians and employees' views,
- Workplace hygiene measurements (internal environment measurements),
- Periodic checks of work equipment,
- Medical examinations for those starting work for the first time, periodic medical examinations and health scans,
- Preventive health practices for employees by having them work in an environment suitable for their health and changing the place of the employee where necessary,
- Ergonomic risk assessments and application training,
- Training specific to the field of work with the OHS training given under the legislation,
- Emergency teams and trainings created for the management of emergency situations, regional and general drills,
- Efforts to keep all OHS practices under constant supervision by the internal audit mechanism,
- In order to support employee participation, the collection of employee notifications submitted to the portal by mobile phone or computer, in addition to the near miss/suggestion notification tables,
- Activities, competitions and visual management activities organized on special occasions, such as Occupational Safety Week and Firefighters' Week, which raise staff awareness. Vestel Beyaz Eşya's factory teams entered the top 3 in the competition organized between the factory emergency teams within the Vestel Group of Companies in the Firefighters' Week in 2019. In the competition organized by the Fire Brigade of Manisa Organized Industrial Zone (MOIZ) between the companies operating in the MOIZ, Vestel Beyaz Eşya completed the competition in the third place.

Each employee who starts working at Vestel Beyaz Eşya is required to be given 12 hours of basic OHS training in line with legislation before he/she starts work. In 2019, a total of 36,595 man-hours of basic OHS training were given with a 12% increase compared to 2018.

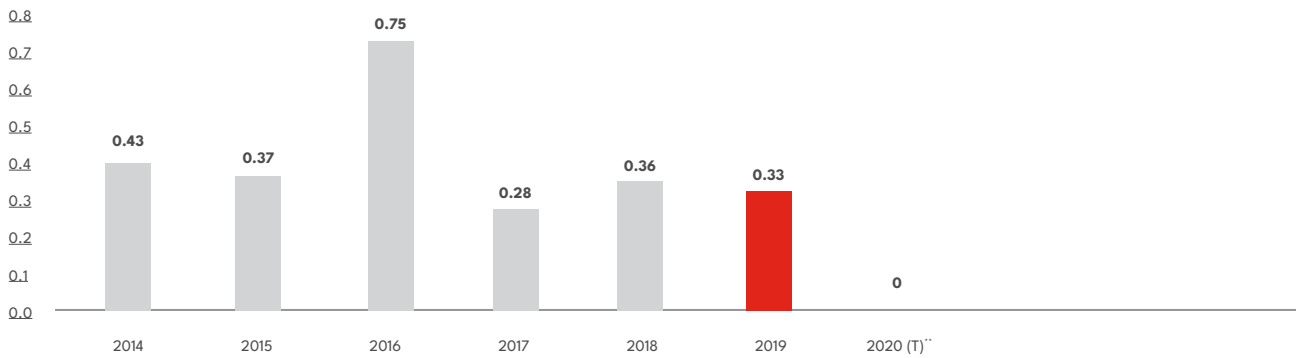


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VESTEL BEYAZ EŞYA IS CONSTANTLY TRAINING ALL OF ITS EMPLOYEES TO INSTILL THEM WITH THE RIGHT BEHAVIORAL HABITS IN THE AREAS OF QUALITY, ENVIRONMENTAL AWARENESS, ENERGY EFFICIENCY, INFORMATION SECURITY AND POTENTIAL HEALTH AND SAFETY RISKS.

Occupational Health and Safety Indicators

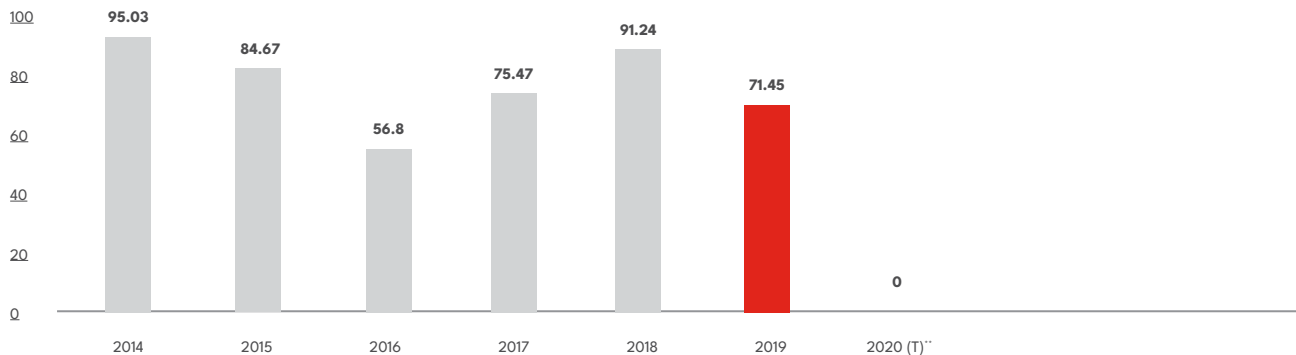
Injury Severity Rate*



*Injury Severity Rate: Number of lost work days experienced per each 100 work days due to accidents

**Target value

Injury Frequency Rate*



*Injury Frequency Rate: Number of injuries per 1 million employee-hours worked

**Target value

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

ENVIRONMENTAL MANAGEMENT AND CLIMATE CHANGE

Environmental Policy

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 continuously improve its energy performance by comparing it with the best examples in the world,
- To use energy efficient and environmentally friendly technologies by continuously improving its energy performance,
- 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.

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

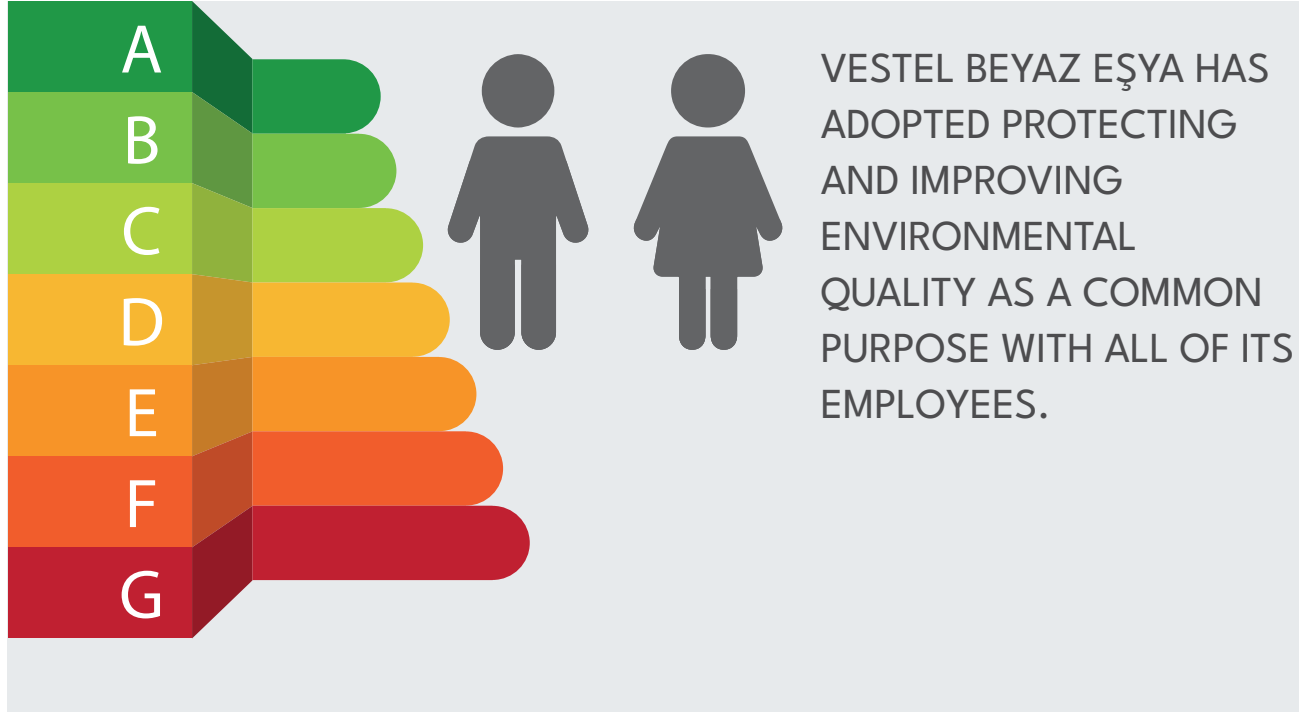
- To carry out work to reduce, reuse, recycle and recover waste,
- To ensure savings in the use of energy, water and natural resources by increasing efficiency and by encouraging the use of new technology,
- To reduce the consumption of natural resources by using recyclable materials,

- 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 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. 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 the environment.

In addition, Vestel Beyaz Eşya follows the principle of "reuse" when supplying raw materials, in the use of smart package and nylon and separator, and thus, aims to reduce packaging waste and minimize the environmental impact of packaging.

04



These studies are carried out by the Management System and Customer Relations Department within the Company. Environmental management is carried out by the Management Systems and Customer Relations Manager as Vestel Beyaz Eşya's Environmental Officer and by the 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.

Environmental Training Indicators

Vestel Beyaz Eşya provides regular on-the-job training in order to instill general environmental awareness in each newly recruited employee and to provide information about the Company's Environmental Management System. In 2019, a total of 1,767 man-hours of environmental and energy consumption awareness training was given to new employees. In addition, 184 man-hours of environmental training was given in accordance with the needs arising in various units of factories within the scope of one-point courses and subject specific additional environmental training.

Environmental Awards

The Green Dot Industry Awards were organized by the ÇEVKO Foundation, which holds the rights to the "Green Dot" brand in Turkey, and which is valid in 31 countries and used by more than 150,000 organizations, for the 4th time in 2018. Vestel Beyaz Eşya was awarded the Green Dot Industry Award in recognition of its work in the following projects: the "Waste Management System" Project in the "Waste Management System and Applications" category and the "Reduction of Styrofoam Weight and Density" Project in the "Preventive Applications by Resource Reduction in Packaging Design" category.

Vestel Beyaz Eşya continues its work to ensure the sustainability of its projects on carbon management.

In 2019, Vestel Beyaz Eşya received the "Grand Industry Award" at the Energy Efficiency Awards hosted by the Istanbul Chamber of Industry, receiving the award from the Ministry of Energy and Natural Resources.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

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. Vestel Beyaz Eşya's inclusion in the MOIZ provides the Company with an advantage in terms of minimizing and controlling potential negative effects on waste management and biodiversity.

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.

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 area of activity.

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.





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 December 6, 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.

Vestel Beyaz Eşya, which considers the pursuit of a transparent carbon policy as its own duty, has been reporting to the Carbon Disclosure Project (CDP) since 2012.

In 2017, the Company received a B rating in the CDP Water and the CDP Carbon Programs. In 2018, when there was a general drop in ratings, Vestel Beyaz Eşya obtained a carbon rating of C while its water score was B-, with the Company ranking in the top 20 among 125 companies assessed in the score rankings.

In 2019, Vestel Beyaz Eşya obtained a carbon rating of C and a water score of B. Vestel Beyaz Eşya was again ranked in the top 20 in terms of its score ranking among the 125 companies assessed.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

Carbon Footprint

Greenhouse gases are gas compounds which can absorb infrared rays in the atmosphere and thus hold and trap heat in the atmosphere. Greenhouse gases prevent infrared rays from returning to the atmosphere, thus increasing temperature in the atmosphere and causing global warming and, therefore, 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, 18% of the Company's total carbon footprint consists of the direct emissions within Scope 1, 3% consists of the indirect emissions within Scope 3, which are the result of business trips, transportation and vehicle use, while the remaining 79% of the Company's total carbon footprint consists of emissions within Scope 2, which are the result of purchased electricity and heating.

Vestel Beyaz Eşya has been calculating its annual corporate carbon footprint since 2016 in accordance with the ISO 14064-1:2006 Standard. Upon the approval of these calculations by accredited organizations, it has successfully completed the process of "Verification and Approval of Greenhouse Gas Emissions" in line with the ISO 14064-1 Greenhouse Gas Emissions Standard. According to the measurements made in 2019, Vestel Beyaz Eşya increased its efficiency as a result of the projects which it carried out in 2018 and reduced the ratio of its carbon footprint to its turnover (kg of CO₂/ turnover TL) by 27%.

VESTEL BEYAZ EŞYA'S
CARBON FOOTPRINT
REPORT WAS PREPARED IN
ACCORDANCE WITH THE
GHG (GREENHOUSE GAS)
PROTOCOL STANDARD AND
THE ISO 16064-1 STANDARD.



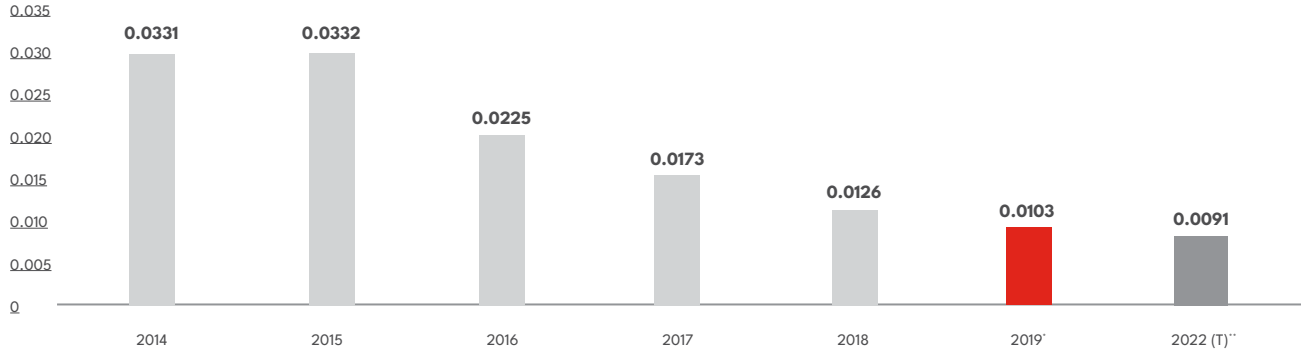
Vestel Beyaz Eşya is committed to ensuring the continuity of greenhouse gas monitoring and its environmental approach with its improvement efforts which it will carry out every year.

Vestel Beyaz Eşya, which started to have its carbon footprint validated by authorized organizations in 2016, took an important step to pursue a transparent carbon policy. With the verified carbon footprint data, it was determined that the biggest impact was energy usage, and accordingly the focus was put on energy efficiency projects.

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.

04

Carbon Emissions (kg CO₂/TL revenues)



*Carbon footprint is calculated according to ISO 14064 Standards and it will be verified by an independent and authorized institution according to the relevant standards in March 2020

**Target value



VESTEL BEYAZ EŞYA AND SUSTAINABILITY

VESTEL BEYAZ EŞYA MONITORS THE COMPLIANCE OF ITS PRODUCTS WITH ALL THE LEGAL REGULATIONS THROUGHOUT THEIR LIFE CYCLE.

SUSTAINABILITY IN PRODUCTION PROCESSES

Compliance with Regulations in Production Processes

Vestel Beyaz Eşya monitors its compliance with all legal regulations which it is obliged to comply with throughout the life cycle of its products.

In order to guarantee the protection of the environment and human health, the Company established a vast array of procedures on the basis of legal regulations and its Management Systems Policy, and it ensures and maintains full compliance with these procedures and legal regulations.

In this context, Vestel Beyaz Eşya fully complies with the following regulations for the sector in Europe:

- WEEE - Directive on Waste Electrical and Electronic Equipment,
- RoHS - Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment,
- Ecodesign Framework Directive for Energy-Related Products,
- REACH - Regulation of the Registration, Evaluation, Authorisation and Restriction of Chemicals,
- Law on Energy Efficiency and Regulation on Increasing Efficiency in the Use of Energy Resources and Energy,
- Environmental Law and Regulations.





Environment and Energy Management

Vestel Beyaz Eşya carries out its production activities in all of its factories by taking into account its environmental impact at each step from the first stage of the product to its delivery to the consumer. Since 2010, the Company holds the ISO 14001 Certificate, which is an international standard that defines the process of controlling and improving environmental performance, and the Company has also been awarded the TSE-ISO- EN 14001:2015 Certificate.

Vestel Beyaz Eşya became the first Turkish company to obtain the ISO 50001 Energy Management System Certificate in its 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).

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.

Under its Integrated Management System, the Company holds TS EN ISO 9001, TS 18001 (transition to TS 45001) and TS ISO/IEC 27001 Management System Certificates in addition to TS EN ISO 14001 and TS EN ISO 50001 and ensures their renewal. The Management System was established in order to fulfill the requirements of the standards, to reach the quality, environment, OHS, energy and the ISMS (Information Security and Management System) targets, to reduce production costs, and to ensure the continuity, continuous development and improvement of the system, where authorities and responsibilities are documented.

In addition, Vestel Beyaz Eşya calculates its carbon and water footprints, which are verified within the scope of the ISO 14064 Greenhouse Gases Management System and ISO 14046 Water Footprint Standards.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

Energy Efficiency

Within the scope of the “Projects for the Implementation of Efficiency Increasing Projects at Industrial Enterprises” supported by the Ministry of Energy and Natural Resources, Vestel Beyaz Eşya signed a support agreement with the Ministry for the projects of Efficiency in Lighting, Increasing Energy Efficiency in Compressors and Using Electric Air Guns Instead of Compressed Air Guns, and implemented these three projects.

- The Efficiency in Lighting Project covers the replacement of 1,110 low efficiency fixtures with more efficient LED fixtures in the Refrigerator Factory.
- The Project for Increasing Efficiency in Vacuum Pumps is aimed at replacing vacuum pumps in the thermoforming machines in the Refrigerator Factory with high efficiency vacuum pumps with inverters by centralizing the process.
- 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 Factories with IE3 engines, which have the same power but offer improved efficiency.

VESTEL BEYAZ EŞYA’S ELECTRICAL POWER USAGE PER UNIT PRODUCT DECLINED BY 8.5% 2019.

These three projects were successfully completed in 2019.

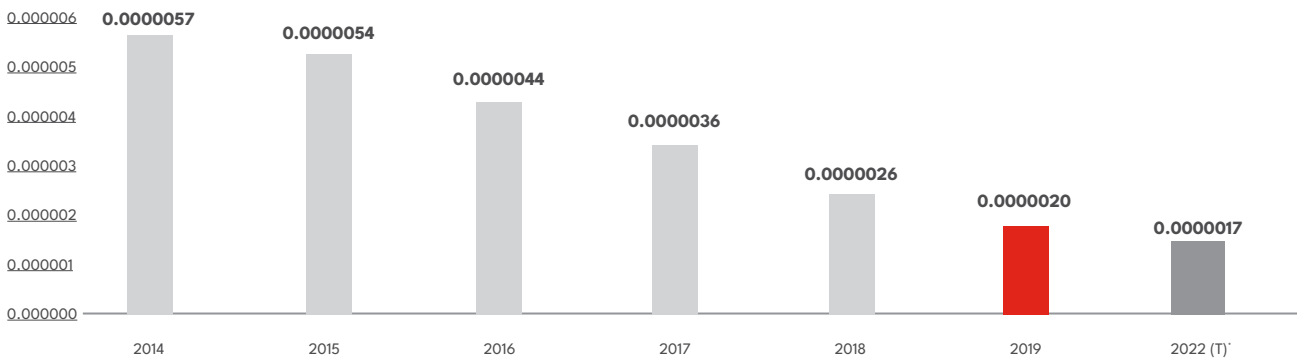
With these projects, the consumption of electricity per unit product decreased by 8.5% in 2019.

In addition, the auxiliary facilities which provide the energy needs of the new Washing Machine and Tumble Dryer Factory, which started production in 2018, were put into operation in three smart building concepts.

Smart buildings control energy usage on behalf of the entire building within the scope of the systems in the building to maximize energy efficiency. Smart buildings have a building automation system, an energy management and control system and a central control and monitoring system.

Smart factories integrate automation systems which enable all smart building systems to communicate with smart machines. As one of the steps in the smart factories concept, the automation system was introduced at the Washing Machine and Tumble Dryer Factory.

Energy Consumption (TEP/TL revenues)



*Target value

This involved the following:

- All energy elements (such as electricity, air, heating, cooling, cooling water, hot water, water) can be remotely monitored and controlled.
- The chiller automation system engages 16 different scenarios without any interference, achieving significant energy savings by eliminating the need for employee intervention.
- With automation of lighting, each lighting fixture has become controllable.

With this work, which is important in terms of the Industry 4.0 applications, the first step was taken to make factories monitored, controlled and intervened remotely.

Total Productive Maintenance

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 increased its efficiency by integrating the TPM philosophy into its system through continuous improvement activities in all of its processes. Vestel Beyaz Eşya was awarded the "TPM Excellence Award" in 2014 by the Japan Institute of Plant Maintenance (JPIM) in recognition of the successful TPM work carried out in all of its factories, and was awarded the "Award for Excellence in Consistent TPM Commitment" in 2017. Having completed its preparatory work for the "Special Award for TPM Achievement" in 2019, Vestel Beyaz Eşya won the "Special Award for TPM Achievement" in February 2020. With these achievements, Vestel Beyaz Eşya became the first and only company in the white goods sector in the world to obtain this award with seven different product families in seven different factories at the same time.

Water Use and Water Footprint

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.

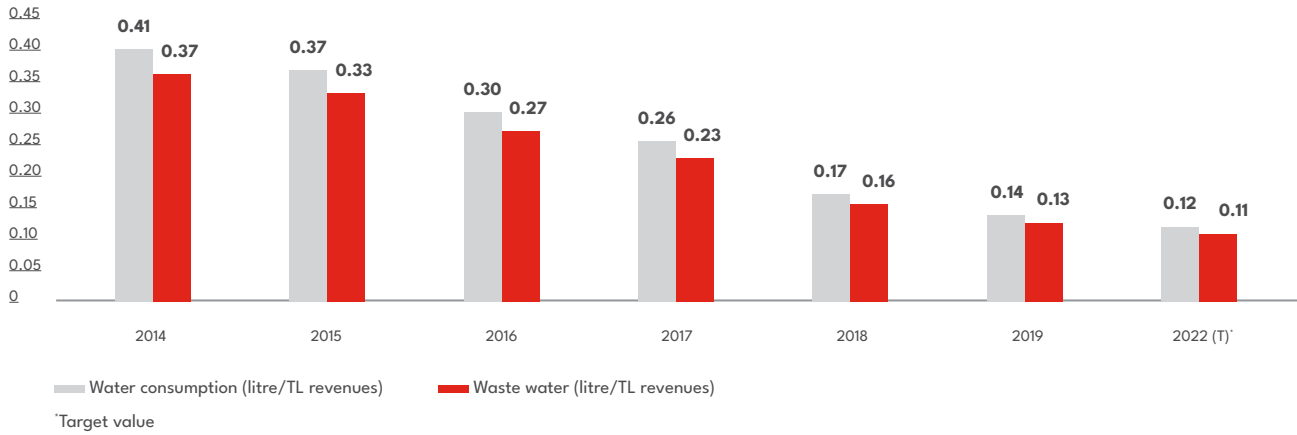
Vestel Beyaz Eşya accelerated work on its water saving projects in 2016 after calculating its water footprint by undertaking a first in the sector. As a result of the Company's work carried out since 2016;

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

Compared to a 55% increase in production (in units) over the last 5 years, Vestel Beyaz Eşya managed to reduce its water consumption per unit product by 36%.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

Water / Water Consumption and Waste Water Generation



The Water Footprint is measured in terms of the amount of water used (including evaporation) in unit time as well as the volume of water which has been contaminated. The concept of footprint in water is an important tool in determining the amount of water consumed in the process extending from the manufacture of every good or service up until their consumption.

With a consciousness and awareness of the need to use water appropriately for a sustainable future, Vestel Beyaz Eşya calculated its corporate water footprint for 2017 in accordance with the “ISO 14046 Water Footprint Standard”, which was then verified by Rina, an accredited organization. The Company was awarded the ISO 14046 Water Footprint Verification Certificate in what was another first in the sector.

In 2018, Vestel Beyaz Eşya succeeded in reducing its water consumption per unit product by 9.3% 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.

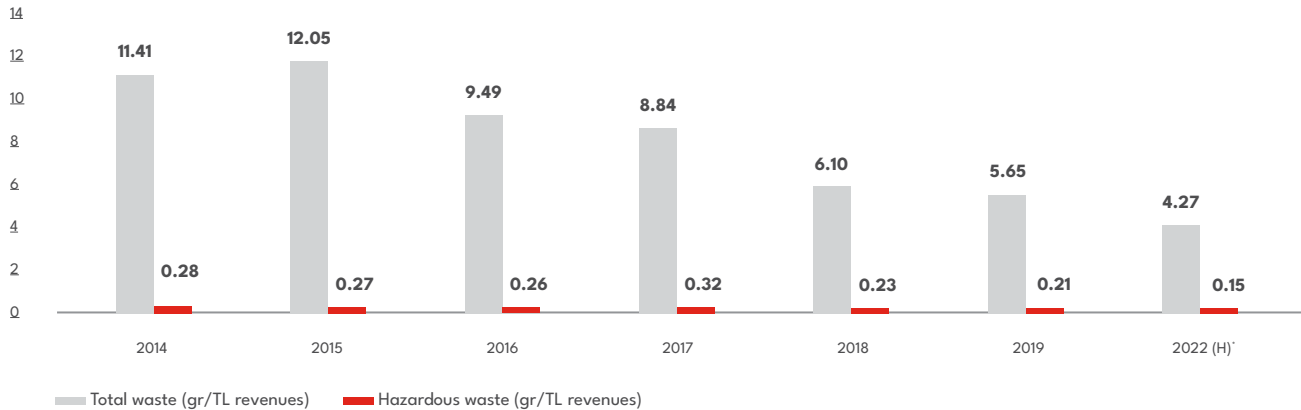
Integrated Waste Management

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 fulfilment 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 and a 15% reduction in non-hazardous wastes per unit product between 2014 and 2018. In 2019, it reduced its hazardous waste rate by 7% and non-hazardous waste rate by 12%. As a result of the recycling policy, waste paper was recovered, effectively saving 45,672 trees from being felled in the last year.

04

Waste Generation



VESTEL BEYAZ EŞYA'S ENTIRE PRODUCT RANGE CONSISTS OF GREEN PRODUCTS IN THE A, A+, A++ AND HIGHER CATEGORIES, WHICH IS ACCEPTED AS THE HIGH ENERGY EFFICIENCY CATEGORY.

Sustainability in Products

The entire product range of Vestel Beyaz Eşya, which constantly revises its energy efficiency targets, consists of environmentally friendly products in the A, A+, A++ classes or above, which are considered to be in the high energy efficiency category. Vestel Beyaz Eşya, which works continuously to develop environmentally friendly and energy-saving products by continuing its R&D and innovation efforts, allocates half of its R&D budget to the development of green products. It swiftly extends additional funding to the development of environmentally friendly projects and implements these projects.

The Company holds world records in energy consumption with the following products:

- Refrigerators with the Pro-Drive technology, which have A+++ -35% energy label,
- Dishwashers with the Autodoor and Waterbox technologies, which have A+++ -20% energy label,
- Washing machines with the HydroBoost® and Pyrojet technologies, which have A+++ -75% energy label,
- Ovens with the technologies such as 5 tray cooking (HeatWrap) and hot air shield (Hot Air Shield), which have A++ energy label.

Vestel Beyaz Eşya also has the most efficient products in the market in terms of water consumption, with its dishwashers consuming only 5.4 liters of water per wash and washing machines consuming only 35 liters of water per wash. Vestel Beyaz Eşya, which helps reduce the carbon footprint of the consumers with products which consume less energy and water, has expanded the variety of its green products in the sustainable product category with its refrigerators using vacuum technology which helps preserve food for up to eight times longer and significantly reduces the amount of food waste; its ovens using HeatWrap technology which can cook five different trays at the same level at the same time, and its induction cookers which offer very high thermal efficiency compared to gas cookers.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

SUSTAINABILITY IN SUPPLY CHAIN

Vestel Beyaz Eşya's Supply Chain Approach

Always aiming for the best in supply chain management, Vestel Beyaz Eşya has proven itself with the Industrial Excellence and TPM Continuity Awards and continued to work towards achieving a faster and more reliable supply network in 2019.

Although each of the Company's 7 different factories have their own planning teams, all of these teams are located at Vestel City. Instead of pursuing a factory-based perspective, the Company's supply chain managers use these differences as a driving force to develop alternative methods. These teams, which meet regularly every month and who are in constant communication, work towards the communization of standard processes across different plants and share the best practices with each other at the Supply Chain Workshop groups.

Thanks to the redesign of the supply chain in order to improve the processes for raw material supply, delivery time from suppliers has been reduced, as a result of which customers' requests can be met faster, giving the Company an important advantage in the market. Vestel Beyaz Eşya aims to create a reliable supply chain by diversifying its network of suppliers. In line with the goal of achieving a sustainable supply chain in order to increase the Company's competitiveness, the Supply Department identifies alternative suppliers in coordination with the R&D and Quality Departments and includes them in the Company's supplier pool.

In 2019, 77% of the total container volume used for import and export activities within the Vestel Group of Companies was organized by Vestel Beyaz Eşya. Therefore, all steps of the supply chain are examined in detail, and master data values for materials and products and material-based stock indicators are algorithmically controlled and updated. The customer-oriented perspective taken by the employees involved in these processes ensures that everyone works towards a common goal. As in previous years, this work continued in 2019 together with an expanding customer portfolio and increasing number of orders.

ALTHOUGH EACH OF THE COMPANY'S 7 DIFFERENT FACTORIES HAVE THEIR OWN PLANNING TEAMS, ALL OF THESE TEAMS ARE LOCATED AT VESTEL CITY.



Key performance indicators (KPI) demonstrating the efficiency of the entire supply chain are evaluated by the Supply Chain Workshop Groups. A total of 80 projects were successfully completed in 2019, as a result of which a 7% increase was achieved in sales volumes along with an 18% improvement in order fulfillment. In contrast, raw material inventory levels were reduced by 14%, resulting in an increase in raw material inventory turnover.

Regular analyses are carried out with consulting companies to ensure that processes become more synchronized with the use of technology. All the new trends and projects in the material – product warehouses and communication channels with suppliers are evaluated in parallel with the principle of benefit and cost. New module additions planned for the Enterprise Resource Planning (ERP) software are aimed at strengthening the communication between Vestel Beyaz Eşya and its suppliers while preventing human error. In addition, the Company's flexibility will improve in terms of meeting varying customer demands. The Supply Chain Digital Transformation Excellence Center, staffed by members who are specialists in their fields, was established for this purpose, which ensures that the work is managed more effectively. With the finalisation of projects whose conceptual designs have been prepared, supply processes will be integrated on an end-to-end basis.

With work carried out for the optimization of packaging, loss of space in containers, trucks and intermodal transfers were minimized in loadings from the Far East and European regions, lowering costs while reducing traffic and carbon emissions.

In order to keep material and product inventories at an optimal level in the Company's order-based production system and to increase the inventory turnover rate, an additional control project has been initiated in material order processes. This is aimed at preventing possible inventory accumulation before the supply of materials begins. Sharing of customer order data with sales units will be stepped up by increasing the Electronic Information Flow (Electronic Data Interchange) in common applications through the ERP software.

WITH THE ESTABLISHMENT OF THE SUPPLY CHAIN DIGITAL TRANSFORMATION EXCELLENCE CENTER, VESTEL BEYAZ EŞYA HAS ENABLED MORE EFFECTIVE MANAGEMENT OF WORK.

Purchase and Digital Transformation

In order to highlight its focus on “economic and environmental factors”, which are components of sustainability, Vestel Beyaz Eşya's Purchasing Department, which manages all components of the 7 main product groups from one center, brought its work on digitalization, which it took in 2015, one step further with Zorlu Holding's adoption of the United Nations Sustainable Development Goals in 2016. In 2019, work continued under the following main headlines, and plans for 2020 have been drawn up.

S2P and Purchase Information Systems Tools

Systemic and structural arrangements were made for the implementation of digital transformation projects for the purchasing function. Solutions such as the “Supplier Portal” and the “Digital Offer Platform” which are under the heading of “S2P and Purchase Information Systems Tools” have made organizational memory permanent. With the formation of organizational memory, the footprint of the purchasing function has become traceable, permanent and sustainable.

Data Analytics

Work on data analytics at Vestel Beyaz Eşya's Purchasing Department has started in 2015. These reporting systems provide instant data management where the performance of purchasing activities is measured and supplier management is carried out on a category basis, with the systems also directing strategic decisions and managing risk analysis. SAP and BW (Business Warehouse) are the main programs used for data analysis, which allow reports to be generated in less time and an 85% efficiency rate is achieved in terms of man-hour duration.

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

Automation

The Vestel Beyaz Eşya Purchasing Department continues its automation efforts in parallel with the digitalization efforts gathered under the umbrella of Industry 4.0 projects undertaken. In this context, all processes starting from the purchase request to supplier selection, placement of orders, the acceptance of goods and services and the invoice approval have been digitalized. As such, savings were achieved in the workforce, while the measures also ensured the formation of organizational memory and footprint, which are also one of the main elements of digitalization.

Automatic request and order management were enabled with the SAP-based FIORI application and as a result, the normal 3-day approval process for a request was reduced to one hour on average. In addition to labour savings, the use of paper - which is one of the most important elements in terms of sustainability - was also minimized, and thus, annual paper usage was reduced by 5,000 tonnes, preventing 15 trees from being felled per year.

Artificial Intelligence

The Vestel Beyaz Eşya Purchasing Department, which is moving to digitalization in parallel with the trend in the world, accelerated its strategic decision-making steps by improving the purchasing system and processes. Accordingly, it was able to direct the other departments in the decisions taken.

The Purchasing Department, which is in the first link of the supply chain, integrated the Supplier Life Cycle module with ERP software, where it will archive potential suppliers, perform all internal/external checks, inspections and assessments of suppliers and improve its processes with alternative suppliers, which can also be used by all internal stakeholders. As such, financial and commercial risk became monitorable, transparent, auditable and traceable through the three-way matching between the Budget/Finance/Purchasing Departments.

WITH THE ESTABLISHMENT OF THE BW SYSTEM, WHICH INCLUDES 200,000 MATERIALS AND 20,000 SERVICES RELATING TO 7 MAIN PRODUCTS, “BIG DATA” BECAME EASIER TO MANAGE.

With the establishment of the BW (Business Warehouse) System, which includes 200,000 materials and 20,000 services relating to 7 main products, “Big Data” became easier to manage. Accordingly, risk management, monitoring of changing markets and conditions and control of costs and expenditures can be made more effectively and efficiently through the evaluation of past data and future forecasts. Dashboard screens developed for reporting purposes allow instant monitoring and reporting of processes either separately or together.

While the measures are targeted at contributing to economic development through digitalization, studies are also carried out to analyze environmental factors. The use of sea transportation is given more emphasis due to lower carbon emissions in material and product shipments.

In the area of social factors, which is another component of sustainability, the Company’s purchasing personnel are evaluated and feedback is provided with the “reverse rating” questionnaire which can be found on the purchasing portal. Vestel Beyaz Eşya signs the “Zorlu Holding Supply Principles” with its suppliers, which were prepared as part of the sustainability efforts.

With these principles, the Company’s suppliers agree to comply with the conditions set out under the main headlines such as Discrimination Prevention, Humanitarian Treatment, Remuneration, Working Hours, Occupational Health and Safety, the Environment and Ethics.

CORPORATE SOCIAL RESPONSIBILITY AND SOCIAL CONTRIBUTION

Social Contribution Work at Vestel Beyaz Eşya

Vestel Beyaz Eşya, which considers acting with an awareness of social responsibility in all of its activities as one of the basic and constant elements of its management approach, carries out social work which benefits the society and develops various projects in this vein.

Life without Obstacles Projects

Many projects are carried out within Vestel, which demonstrates sensitivity towards disabled citizens at every opportunity.

In this context;

- Within the scope of the Equal Opportunities Project, which has been carried out since 2015, the number of disabled individuals working in the Vestel Group of Companies reached 469 with the recruitment of a total of 69 disabled individuals in 2019, 39 of whom work at Vestel Beyaz Eşya.

- Within the scope of social responsibility and waste management efforts, twelve manual wheelchairs and four battery operated wheelchairs were delivered to those in need in 2019 with the funds raised through the plastic lid collection campaign carried out at Vestel Beyaz Eşya.
- Ten mentally handicapped individuals were hired by Vestel Beyaz Eşya in 2017 as part of the Mentally Disabled-Protected Workplace project (ZEKİ project) implemented by the Manisa OİZ, and this number increased to 11 in 2019.

A number of social responsibility projects were carried out in different areas at Vestel Beyaz Eşya during 2019.

Walking Frame Project for Animals with Disabilities

Parts removed from products which had completed their lifespan, which had come to the Vestel Beyaz Eşya Renewal Center, were used to make walking frames for disabled animals, instead of sending them for scrap. The disabled animals at the Manisa Animal Shelter were therefore given the chance to walk. Ten walking frames were produced for disabled animals under this project which also continued in 2019.



ACE of M.I.C.E. Awards 2019
CONNECTING DOTS
EN İYİ SOSYAL SORUMLULUK PROJESİ

VESTEL BEYAZ EŞYA

Ömrünü tamamlamış ürünlerin parçalarından engelli hayvanlar için tasarladığımız, **YÜRÜTEÇ PROJEMİZ** ACE of M.I.C.E 2019'da en iyi sosyal sorumluluk projesi ödülünü kazandı.

Böyle bir ödülün alınmasında vesile olan, hep birlikte ortaya koyduğumuz vizyon, gayret ve ekip çalışması ile birçok yeniliğe ve başarıya imza atan değerli çalışma arkadaşlarımızı gönülden tebrik ediyorum.

Erdal Haspolat
Vestel Beyaz Eşya
Genel Müdür

*Hep Birlikte Başlıyoruz
Hep Birlikte...*

ZORLU **VESTEL**

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

The project, which is carried out with the Manisa Metropolitan Municipality, is aimed at producing walking frames for approximately 250 disabled animals in official shelters, first of all in the Manisa Region, and subsequently in official shelters under all municipalities throughout Turkey. With this project, Vestel Beyaz Eşya was awarded in the “Best Social Responsibility Project” category at the ACE of M.I.C.E. 2019 Event and Meeting Awards, which hosts the world-famous brands and event professionals every year. Vestel Beyaz Eşya received the “Best Practice Award” in the “Large Companies Best Practice” category with the Walking Frame Project at the International Corporate Social Responsibility (CSR) Excellence Awards held in London.

The Company also entered among the “World Leaders” at the ceremony held by The Green Organisation with its Walking Frame Project, which was developed within the framework of its sustainability vision. At the ceremony held at the UK Houses of Parliament by The Green Organisation, which assesses corporate social responsibility and environmental sustainability studies around the world, Vestel Beyaz Eşya was awarded the title of the “CSR World Leader” in recognition of the sensitivity it displays to its employees, society, the environment and those less fortunate through its social responsibility projects.

VESTEL BEYAZ EŞYA WELCOMED STUDENTS FROM THE MANISA DÜZLEN PRIMARY SCHOOL TO ITS PRODUCTION FACILITIES AS PART OF ITS GOAL TO INTRODUCE DOMESTIC TECHNOLOGIES TO CHILDREN ATTENDING VILLAGE SCHOOLS.

Other Projects and Events

Vestel Beyaz Eşya hosted pupils from the Manisa Düzlen Primary School at its production facilities on the National Sovereignty and Children’s Day on April 23, as part of its goal of introducing domestic technologies to children studying in village schools. While children had fun with the pictures they drew on white goods, they also had the chance to learn on-site how the white goods in their homes are produced.





Within the scope of Domestic Goods Week, which aims to introduce domestic technologies to children studying in village schools, primary school pupils from the Saruhanlı district visited Vestel Beyaz Eşya's facilities where domestic production is carried out. The children, who are our future, learned the importance of domestic goods and domestic production while having fun at Vestel Beyaz Eşya.

The Vestel City hosted this year's "My Idea My Technology" themed closing festival of the Kodla (Ma)nisa Project, which has been organised by the Governorship of Manisa and the Provincial Directorate of National Education for the last four years. In the festival, which is the largest event held in a factory in Turkey, 300 students from 20 provinces, especially Manisa, exhibited the projects they designed by writing their own codes.

At 47 stands established in the Vestel Beyaz Eşya's new Washing Machine and Tumble Dryer Factory area, students presented their robot technologies and applications as well as the 3D software which they designed thanks to their coding training to visitors. The Vestel robots were exhibited at the stands, thus demonstrating the use of coding and robot technologies in production. Four students presented a special show with the Vestel robot which they themselves had coded. In addition, the students, who developed software for the Vestel washing machines and dishwashers, performed various operations on the products by giving commands to machines. The students also baked cakes in Vestel's five-tray oven, which prevents the mixing of smells, and developed the oven with new codes.

STUDENTS PRESENTED ROBOT TECHNOLOGIES AND APPLICATIONS, AS WELL AS THE 3D SOFTWARE WHICH THEY PRODUCED AFTER THEIR CODING TRAINING TO VISITORS AT VESTEL BEYAZ EŞYA'S NEW WASHING MACHINE AND TUMBLE DRYER FACTORY.

In the "I Am Not a Robot" project, which began in 2018, shelter boxes for stray cats and dogs were again built this year using stand materials left over from the fairs. These boxes which provide a home to animals were placed in front of Vestel stores in various provinces and at some Vestel Customer Service points. Vestel participated in the Bozcaada Half Marathon with the #benrobotdeğilim (I am not a robot) project and 25 boxes that were built in the stand area were given to the Bozcaada Municipality as a gift at the end of the day.

In line with the sustainability goals for human resources, a series of seminars entitled "Demli Chats" started to be held in 2018 in order to raise the awareness of employees about certain issues (education, women's issues, disabled individuals, etc.).

VESTEL BEYAZ EŞYA AND SUSTAINABILITY

The Demli Chats, which are open to all employees and where employees could get answers to their questions, addressed issues such as the Education System, Social Gender Equality and Women's Rights, Women's Place and Representation in Social Life, Disability Awareness, Being a Father and Conscious Parenting and Economic Developments in the World and in Turkey.

The "Demli Chats" seminars were continued in 2019. Economic Developments in the World and Turkey, Disability Awareness: "Discover a New You by Overcoming Obstacles" and Women's Day were discussed at the Demli Chats events held during the year.

Immediately after the seminar, which was held with the theme of Women's Day, women working at Vestel performed the "Trendy Women's Bicycle Tour" in Vestel City on their fancy bicycles. After the tour, by setting out from the slogan of the tour that is "The scent of perfume against the smell of exhaust", Vestel's women employees were given perfume as a gift.

As a responsible employer, Vestel demonstrates this quality with the projects it develops, not only considering its employees, but also their families. With this in mind, in 2019 the "Vestel Children's Festival" was organized for the children of the employees as part of the April 23 National Sovereignty and Children's Day celebrations. In this way, the little members of Vestel had the chance to socialize and experience the environment their parents work in.

Following the outdoor picnic, the children were treated to a talk on the importance and meaning of April 23. Afterwards a child yoga event was held with the little members of Vestel, which was followed by a short factory tour.

THE "DEMLI CHATS" SEMINARS, WHICH ALL EMPLOYEES CAN ATTEND, CONTINUED TO BE HELD IN 2019. ECONOMIC DEVELOPMENTS IN THE WORLD AND TURKEY, DISABILITY AWARENESS: "DISCOVER A NEW YOU BY OVERCOMING OBSTACLES" AND WOMEN'S DAY WERE DISCUSSED AT THE DEMLI CHATS EVENTS HELD DURING THE YEAR.

The event continued with the "Big Inventions from Small Hands!" competition, the first of which was held last year, and four Small Inventors of Vestel, who participated in the competition, were awarded a scholarship from the Mehmet Zorlu Foundation. After the competition, the children enjoyed a round of healthy drinks made especially for them with the Vestel Mix&Gos, while enjoying the games.

Vestel Beyaz Eşya Traditional Kaizen Days

In Kaizen Days, which are now a regular event at Vestel Beyaz Eşya, presentations of the best kaizens made in the Company are presented by team members, who are commended and rewarded by the General Manager and Factory and Department Managers. The 14th event was held in 2019 with wide participation, fostering team spirit and leadership and raising awareness of improvement activities and synergy.

The Sparks (Kıvılcıklar) Movement

Within the framework of Zorlu Group's Smart Life 2030 sustainability approach, key focus areas in the field of sustainability were identified in line with the Sustainable Development Goals set out by the United Nations to eliminate poverty, protect the world and ensure that all people live in peace and prosperity, and efforts are carried out to achieve these goals. Within this framework, five main indicators were determined within the scope of the focus area of "Our Employees" under corporate volunteerism in sustainability.

- A zero injury severity rate
- Increasing the ratio of female employees in the management and throughout the company
- Increasing the rate of employee loyalty
- Increasing the rate of employee satisfaction
- Stepping up corporate volunteering efforts

Under the heading of "Increasing Corporate Volunteering Work", which is one of the main indicators, the "Sparks Movement" was launched in 2019 as part of the social responsibility which exists in the company culture, to bring all volunteering projects under one roof and to produce long-term projects which have an impact on society. Under the Sparks Movement while general work is carried out under the theme of "The Environment and Reducing Social Inequalities", volunteering work within the Vestel Group of Companies is carried out in five main groups, including "The Environment", "Children", "The Disabled", "Use of Materials" and "Animals - Friends". All employees within Vestel Group, who seek to contribute voluntarily may participate in these activities. Employees voluntarily contributing to this process are included in the process under the name of "Spark". The 2022 goal is to perform 8 hours of volunteering work per "Spark" per year.

"SPARKS MOVEMENT" WHICH WAS LAUNCHED IN 2019 FOR "INCREASING CORPORATE VOLUNTEERING WORK", AIMS TO BRING ALL VOLUNTEERING PROJECTS UNDER ONE ROOF AND PRODUCE LONG-TERM PROJECTS WHICH HAVE AN IMPACT ON SOCIETY.

The following are non-governmental organizations with which cooperation was established in 2019 as part of the Sparks Movement.

- Basic Needs Association (TİDER)
- Private Sector Volunteers Association
- Downs Syndrome Association
- Foundation for Hope for Children with Cancer (KAÇUV)
- Tohum Autism Early Diagnosis and Education Foundation
- The Foundation for Children with Leukemia (LÖSEV)
- Octopus Volunteers Association
- Science Heroes Association
- Community Volunteers Foundation (TOG)

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

05

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:	01.01.2019 - 31.12.2019
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:	<p>Head Office: Levent 199 Büyükdere Cad. No: 199 34394 Şişli/İSTANBUL Phone: + 90 (212) 456 22 00</p> <p>Branch 1: Manisa Branch Organized Industrial Zone, III. Kısım Keçiliköy OSB Mah. Mustafa Kemal Bulvarı No: 10 Yunusemre/MANISA Phone: +90 (236) 226 30 00</p> <p>Branch 2: Manisa Protected Workplace Branch Keçiliköy OSB Mah. 5639 Sok. No:17/2/12 Yunusemre/MANISA Phone: +90 (236) 226 30 00</p>
Company Website:	www.vestel.com.tr
Investor Relations Website:	http://vesbe.vestelinvestorrelations.com

Shareholding Structure and Capital Distribution

As of 31.12.2019, 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 31.12.2019, the Company has 59,800,000 of shares (31.5% of the share capital) which can be traded on Borsa Istanbul.

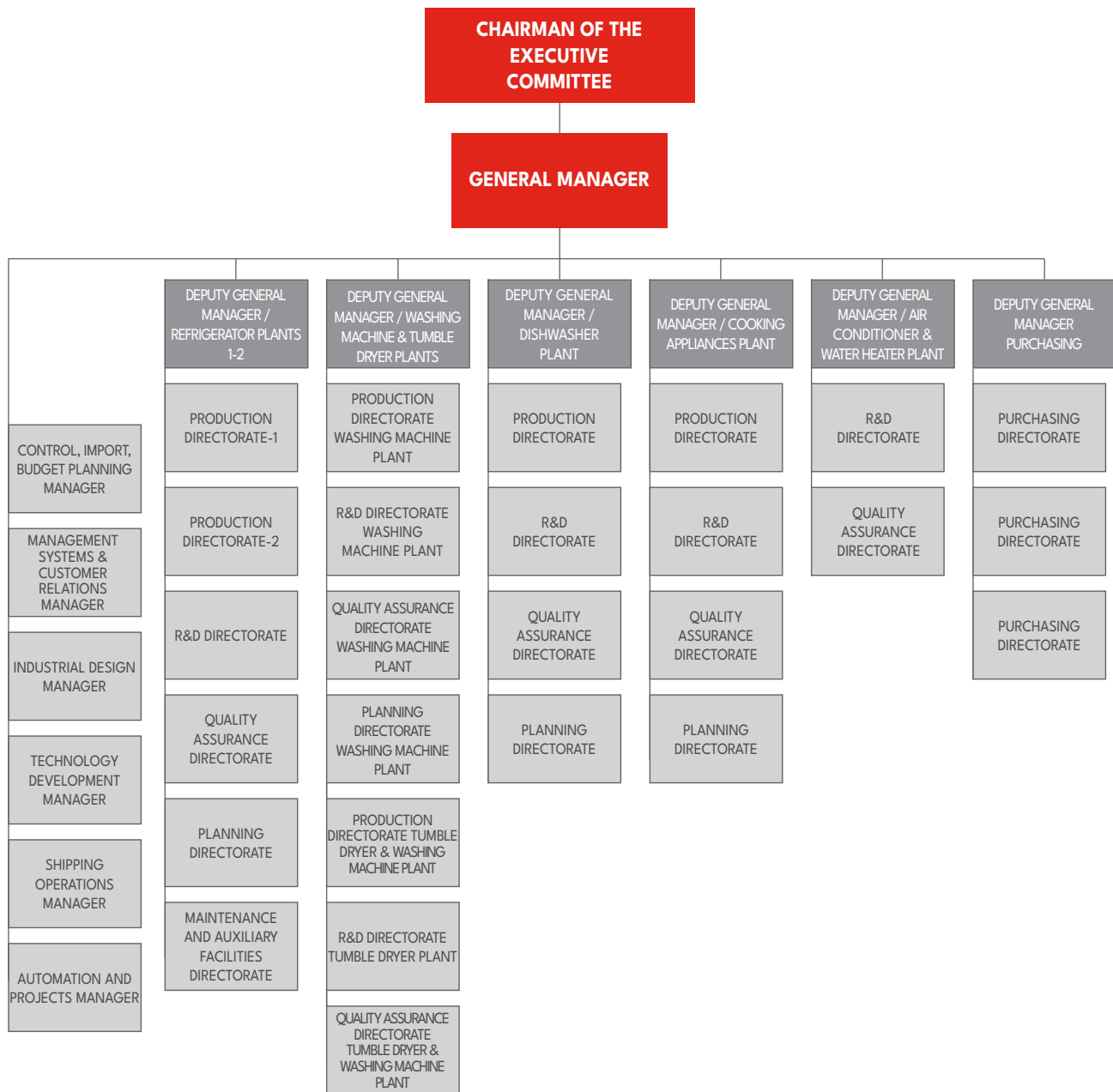
Privileged Shares and Voting Rights of Shares

There are no privileged shares in the Company.

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

Organizational Chart of Vestel Beyaz Eşya

The Board of Directors



05

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

The Board members elected at the 2018 Annual General Meeting held on 8 May 2019, 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 8, 2019	Until 2019 Annual General Meeting	Chairman and Vice Chairman at Zorlu Group Companies	-	Non-executive
Elmas Melih Araz	Vice Chairman	May 8, 2019	Until 2019 Annual General 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. İzmir Enternasyonal Otelcilik AŞ and Entegre Harç Sanayi ve Ticaret AŞ	Independent
Olgun Zorlu	Board Member	May 8, 2019	Until 2019 Annual General Meeting	Board Member at Zorlu Group Companies	-	Non-executive
Şule Cümbüş	Board Member	May 8, 2019	Until 2019 Annual General Meeting	-	Chairperson at Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ	Non-executive
Selen Zorlu Melik	Board Member	May 8, 2019	Until 2019 Annual General Meeting	Board Member at Zorlu Group Companies	-	Non-executive
Bekir Ağırdir	Board Member	May 8, 2019	Until 2019 Annual General 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 İlideniz	Board Member	May 8, 2019	Until 2019 Annual General 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

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

Changes made to the Board of Directors in the Reporting Period

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

Duties and Authorities of the Members of the Board of Directors

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

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

Board of Directors convened 30 times in 2019. The members of the Board of Directors attended the meetings to a large extent regularly and the attendance rate to the meetings stood at 92.85%.

Senior Management

Name Surname	Job Title
Enis Turan Erdoğan	Chairman of the Executive Committee
Bekir Cem Köksal	Executive Committee Member
Necmi Kavuştur	Executive Committee Member
Erdal Haspolat	General Manager
Alp Dayı	Chief Financial Officer of the Vestel Group of Companies
Hasan Uğur	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

Mr. Osman Alkın, who has been serving as the Deputy General Manager Responsible for the Refrigerator Plants, has resigned from his position as of February 1, 2019 and Mr. Hasan Uğur was appointed to his position. Mr. Hakan Akıncı, who has been serving as the Deputy General Manager Responsible for the Air Conditioner and Water Heater Plant and Mr. Kemal Özgür, who has been serving as the Deputy General Manager Responsible for the Purchasing Department, have resigned from their positions as of December 31, 2019.

Number of Employees

As of 31.12.2019, Vestel Beyaz Eşya has 7,821 employees.

Transactions of Board Members conducted with the Company on behalf of themselves or of a third party and their Activities within the scope of the Prohibition of Competition

In the Annual General Meeting held on 8 May 2019, the members of the Board of Directors were given permission for the year 2019 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 Labour Movements and Collective Bargaining Practices and the Rights and Benefits provided to Employees

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

Amendments to the Articles of Association

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

05

COMPENSATION AND MONETARY BENEFITS PROVIDED TO BOARD MEMBERS AND SENIOR MANAGERS

At the Company's 2018 Annual General Meeting held on 8 May 2019, the decision was taken to pay a net annual remuneration of TL 158,400 (TL 13,200 per month) to each independent Board member and making no payment to other Board members for the year 2019.

In the twelve-month period ending on 31.12.2019, the total compensation and monetary benefits provided to the members of the Board of Directors and senior managers amounted to TL 8,025 ths. in total.

ACTIVITIES OF THE COMPANY AND IMPORTANT DEVELOPMENTS REGARDING THE ACTIVITIES

Capacity and Production

Plants	Plant Enclosed Area (m ²)
Refrigerator	148,916
Washing Machine	42,327
Air Conditioner	8,500
Cooking Appliances	34,100
Dishwasher	28,580
Washing Machine and Tumble Dryer	66,061
Warehouse	74,496
Total	402,980

Vestel Beyaz Eşya's total capacity utilization rate (CUR) was 77% in 2019 (CUR in 2018: 80%).

Production

The Company's production volume increased by 9% yoy in 2019.

Sales

Vestel Beyaz Eşya recorded TL 6,989,257 ths. of gross revenues in 2019, of which TL 5,747,833 ths. comprised of export revenues. 62% of total revenues were generated from sales to European countries, 18% from domestic market and 20% from sales to other countries.

Net sales grew by 22% in Turkish Lira terms while unit sales increased by 7% compared to the previous year.

Investments and Investment Incentives

The Company's total capital expenditures amounted to USD 63.4 million in 2019. Mold investments accounted for the highest portion with a 41% share, while machinery and equipment investments had a 32% share and research and development activities, a 16% share in total capital expenditures.

Information on Direct and Indirect Subsidiaries and Ownership Interests

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

Information on the Company's acquisition of its own shares

The Company did not acquire its own shares in 2019.

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 2019 in accordance with the Capital Market Law, the Turkish Commercial Code and the related legislation, in the Annual General Meeting held on 8 May 2019.

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

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 2019.

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 Meetings of Shareholders

The Company achieved the targets set in the previous periods. The decisions taken in the Company's Annual General Meeting held on 8 May 2019 were implemented.

No Extraordinary General Meeting was held during the year.

Donations and Social Responsibility Projects

In 2019, the total donations made in line with the Company's Donation and Charity Policy amounted to TL 6,836 ths.

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 2019. Pursuant to the Article 199 of the Turkish Commercial Code, Vestel Beyaz Eşya's Board of Directors issued the following declaration in its affiliation report, which was prepared regarding the Company's relationship with the controlling company or an affiliated company of the controlling company:

"Within the scope of the conditions and circumstances known to us regarding all the transactions conducted in 2019 with the controlling company and its affiliates, we have evaluated the Company's legal transactions conducted on behalf of the controlling company or its affiliates and all the measures taken or avoided to benefit the controlling company or its affiliates under Zorlu Holding AŞ's direction in 2019. As a result of this evaluation, we hereby declare, within the scope of the conditions and circumstances known to us, that the Company did not suffer any loss due to such transactions in 2019 and that there were no measures required to be taken in this regard."

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 2019.

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.

Board of Directors' proposal for dividend distribution has been accepted at the Company's 2018 Annual General Meeting held on 8 May 2019 and dividend distribution was completed in May 2019.

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 2019 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 2019 financial statements.

CORPORATE GOVERNANCE

RISKS AND ASSESSMENT BY THE BOARD OF DIRECTORS

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	<ul style="list-style-type: none"> Embedding risk management principles into strategic planning and goal setting processes
▼	<ul style="list-style-type: none"> Aligning the strategy and goals set with the Company's risk appetite
Risk Definition	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Assessing the probability of risks and their impact on the Company in case of their occurrence
▼	<ul style="list-style-type: none"> Determining the value of risk before the actions taken and control activities, i.e. inherent risk
Determining Actions	<ul style="list-style-type: none"> Addressing the risks in the most appropriate way (Accepting the Risk, Transferring the Risk, Mitigating the Risk, Avoiding the Risk) by taking into consideration the risk appetite and cost/benefit factors
▼	<ul style="list-style-type: none"> Determining actions in line with the responses identified and managing the risks proactively
Residual Risk and Action Plan Follow-up	<ul style="list-style-type: none"> Determining the value of risk after the actions taken, i.e. residual risk
▼	<ul style="list-style-type: none"> Monitoring the completion process of the activities specified in action plans
Reporting and Communication of Risks	<ul style="list-style-type: none"> Prioritizing the revealed risks and tracking them using the Key Risk Indicators
▼	<ul style="list-style-type: none"> 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 2019, 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:

- Risk Assessment Survey Results of Vestel
- Risk Assessment of Vestel Beyaz Eşya's 2018 Financial Performance
- Exchange Rate and Interest Rate Risks of Vestel Group Companies
- Enterprise Risk Management of Zorlu Holding
- Cybersecurity Risk Report of Zorlu Holding and Group Companies
- Cyber Risk Insurance Report

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 adequate liquidity.

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

In order to determine the effects of financial risks on financial statements, various indicators 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.

Operational Risks

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

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

The following actions are taken against these risks:

- Supervision of all operational activities by the Internal Audit, Financial Audit and Tax Audit Departments set up under the organization of Zorlu Holding,
- 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.

CORPORATE GOVERNANCE

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 Policy

INTERNAL AUDIT ACTIVITIES AND INTERNAL CONTROL SYSTEM

The General Directorate of Internal Audit and Its Activities

As is the case for all Zorlu Group Companies, the internal audit of 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 CEOs of Business Units.

In addition to the Internal Audit Department, Financial Audit and Tax Audit Departments were established in 2011 in order to perform financial audits across all Group companies, which commenced their activities in 2012. In 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 evolving 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, authorities and duties as well as the operating principles and structure for the internal audit activities have been defined by a series of board-approved documents circulated across Group companies, such as the “Audit Regulation” and the “Internal Audit Working Principles”.

Internal Audit Activities

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

Prior to each audit, internal auditors meet with senior management for 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 6 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), 1 CFE (Certified Fraud Examiner), 1 CRMA (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.

CORPORATE GOVERNANCE

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 8 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, functioning, 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.

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

None.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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

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

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

For the period ended on 31 December 2019, 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 2019.
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					

CORPORATE GOVERNANCE

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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 Annual General Meeting. Information on the amount of donations and the beneficiaries is provided to shareholders at the Annual General Meeting.
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 Shareholders' Meetings. No such request was received from the media in 2019.
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	The Company has no cross-shareholding relationship which brings a controlling relationship.
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			The scope of minority rights 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.
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 2019.
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's website.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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				Zorlu Holding AŞ Code of Ethics, which is available on the Company's website, serves to regulate the rights of stakeholders. 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					
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 Complaint/Wish/Request Evaluation 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					

CORPORATE GOVERNANCE

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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 goals 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 back-up practices.
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.					X	Employees are informed by their managers 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					

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	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				The roles of the Chairman and Chief Executive Officer are separated, however their duties are not defined in writing.
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 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, the current ratio of female members in the Board of Directors is 43% and the minimum target rate for female directors stipulated in the corporate governance principles has 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.
4.4.4 - Each member of the board has one vote.	X					

CORPORATE GOVERNANCE

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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 2019.
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.) organized by the company during the year	During the year, a total of 112 meetings were held with investors and analysts either face to face or by phone. The Company attended 1 investor conference and 5 roadshows organized by the brokerage houses.
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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/762264
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 in 2019.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	There is no such transaction in 2019 within the scope of Article 9.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	https://www.kap.org.tr/tr/Bildirim/764484
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 2018 Annual General Meeting. However, there is no restriction on the participation of stakeholders in the General Shareholders' 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
08.05.2019	None.	96.7495%	0.2243%	96.5252%	Corporate Governance / General Meetings of Shareholders	Corporate Governance / General Meetings of Shareholders	None.	None.	https://www.kap.org.tr/tr/Bildirim/762264

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

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

2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	It is presented in the 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 / Sustainability & Vestel Beyaz Eşya section of the annual report.

CORPORATE GOVERNANCE INFORMATION FORM

3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Corporate Governance / Employee Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	5
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Internal Audit General Director on behalf of Zorlu Holding AŞ's Ethics Committee (Billur Demet Atan - billur.atan@zorlu.com)
The contact detail of the company alert mechanism	Code of Ethics Hotlines: etik@zorlu.com 0 212 456 23 23 / 0 850 226 23 23

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

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

3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The 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.
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 programme.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	The Human Resources Policy is available in the Corporate Governance / 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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE INFORMATION FORM

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 09.05.2019 and numbered 2019/17, 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.
4.2. Activity of the Board of Directors	
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	https://www.kap.org.tr/tr/Bildirim/771174
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	There is no such policy.
The number and ratio of female directors within the Board of Directors	Number: 3 Ratio: 43%

COMPOSITION OF BOARD OF DIRECTORS

Name, Surname of Board Member	Whether Executive Director or Not	Whether Independent Director or Not	The First Election Date to Board	Link to PDP Notification that includes the Independency Declaration	Whether the Independent Director considered by the Nomination Committee	Whether She/He is the Director who ceased to satisfy the Independence or Not	Whether the Director has at least 5 years of experience on Audit, Accounting and/or Finance or Not
Ahmet Nazif Zorlu	Non-executive	Not independent director	10.11.1997	-	-	-	-
Elmas Melih Araz	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/762264	Considered	No	Yes
Olgun Zorlu	Non-executive	Not independent director	10.11.1997		-	-	-
Şule Cümbüş	Non-executive	Not independent director	23.05.2003		-	-	-
Selen Zorlu Melik	Non-executive	Not independent director	08.05.2019		-	-	-
Ayşegül İlideniz	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/762264	Considered	No	-
Bekir Ağırdir	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/762264	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)	30
Director average attendance rate at board meetings	92.85%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	1 week before the meeting
The name of the section on the corporate website that demonstrates information about the board charter	It is specified in Article 10 of the Articles of Association which is available in the Corporate Governance section of the website.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None.

4.5. Board Committees

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

CORPORATE GOVERNANCE

COMPOSITION OF BOARD COMMITTEES-I

Names of the Board Committees	Name of Committees Defined As "Other" in the First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Audit Committee	-	Elmas Melih Araz	Yes	Board member
Audit Committee	-	Bekir Ağırdır	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%	5	3
Committee of Early Detection of Risk	-	100%	50%	6	6

BOARD COMMITTEES

- In order to assist the Board of Directors to perform its duties and responsibilities more effectively, a Corporate Governance Committee, an Early Detection of Risk Committee and an Audit Committee have been set up, 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 Ağırdir and Mr. Elmas Melih Araz serve on more than one committee due to the number of the Board members and the committee formation requirements in accordance with the CMB’s Corporate Governance Principles.
- Committees convene at intervals stipulated by the legislation and the related Committee’s working principles or upon a request from a member. The Committees’ 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 functioning and efficiency of the Company’s internal control and internal audit system.
- Pursuant to the CMB’s Communiqué on Corporate Governance No. II-17.1, the “Working Principles of the Audit Committee” were revised and approved at the Board of Directors’ meeting dated March 27, 2014. The revised 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. Elmas Melih Araz, and the other member is Mr. Bekir Ağırdir.

The structure of the Committee and membership information are as follows as per the decision taken in the Company’s Board meeting on 9 May 2019:

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

- In principle, the Audit Committee shall convene at least four times a year, being once in each quarter. The Committee convened six times in 2019.
- The Committee carries out its activities in line with the working principles put into writing in detail.
- In 2019, 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 effectiveness and performance of the independent audit activity,
 - * Monitoring of the functioning and effectiveness of the internal control and internal audit system,
 - * Review of the internal control and internal audit reports.

CORPORATE GOVERNANCE

Corporate Governance Committee

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

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 9 May 2019:

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

- In principle, the Committee convenes at least twice a year in order to ensure the effective performance of its duties. Corporate Governance Committee convened five times in 2019.
- The activities carried out by the Corporate Governance Committee in 2019, 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 2019, 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 Mr. Elmas Melih Araz, who is an independent Board member. 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 9 May 2019:

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 six meetings in 2019 and presented six risk reports to the Board of Directors.
- The activities carried out by the Committee in 2019, 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 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:
 - Risk Assessment Survey Results of Vestel
 - Risk Assessment of Vestel Beyaz Eşya's 2018 Financial Performance
 - Exchange Rate and Interest Rate Risks of Vestel Group Companies
 - Enterprise Risk Management of Zorlu Holding
 - Cybersecurity Risk Report of Zorlu Holding and Group Companies
 - Cyber Risk Insurance Report.

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 9 May 2019, the Board of Directors resolved to:

- Elect Mr. Bekir Ağırdir, Independent Member of the Board, as the Chairman of the Corporate Governance Committee and Mr. Olgun Zorlu, Board Member, and Ms. Serap Mutlu, Investor Relations Director, as Committee members,
- Elect Mr. Elmas Melih Araz, Independent Member of the Board, as the Chairman of the Audit Committee and Mr. Bekir Ağırdir, Independent Member of the Board, as Committee Member,
- Elect Mr. Elmas Melih Araz, Independent Member of the Board, as the Chairman of the Early Detection of Risk Committee and Mrs. Şule 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 2019, 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 2019:

- 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 six times,
- The Early Detection of Risk Committee convened six 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 2019- October 2020, 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 2019, by taking into account the extent of the fulfilment of the remuneration criteria.
- The “Audit Committee”, which was established for the supervision of the Company’s accounting system, the independent audit, public disclosure of financial information, and functioning and efficiency of the Company’s internal control and internal audit system, presented its views and recommendations in the areas of its responsibility to the Board of Directors.
- The “Early Detection of Risk Committee”, which was established for the early detection of risks which could threaten the Company’s existence, development and continuity, implementation of necessary measures against these risks and management of 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

08.04.2019

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 activities 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 İldeniz

CORPORATE GOVERNANCE

STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

08.04.2019

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,

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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



Bekir Ağırdir

STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

08.04.2019

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,

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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,

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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: 02.03.2020

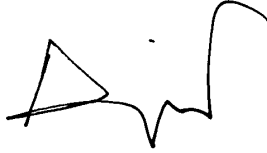
RESOLUTION NUMBER: 2020/8

We hereby declare that the Annual Report for the year 2019 prepared by our Company in accordance with the Turkish Commercial Code and the Capital Markets Board's Communiqué on the "Principles of Financial Reporting in Capital Markets" No. II-14.1 ("Communiqué") and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

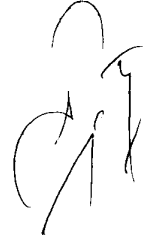
- Has been reviewed by us in line with the Capital Markets Board regulations,
- Based on the information we possess within the scope of our duties and responsibilities in the Company, the annual report does not contain any incorrect statement or any omission of material facts which may result in a misleading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



Chairman of the Audit Committee
Elmas Melih Araz



Member of the Audit Committee
Bekir Ağır



Financial Affairs Coordinator
Alp Dayı

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 2019 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 11 February 2020 on the full set financial statements for the 1 January - 31 December 2019 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.



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.



İstanbul, 2 March 2020

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS

RESOLUTION DATE: 11.02.2020

RESOLUTION NUMBER: 2020/3

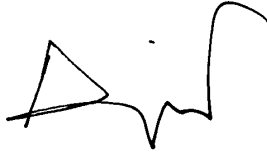
We hereby declare that the financial statements for the fiscal year 2019 prepared by our Company in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards and the formats determined by the Capital Markets Board pursuant to the Capital Markets Board's Communiqué on the "Principles of Financial Reporting in Capital Markets" No. II-14.1 ("Communiqué") and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

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

Sincerely,



Chairman of the Audit Committee
Elmas Melih Araz



Member of the Audit Committee
Bekir Ağır



Financial Affairs Coordinator
Alp Dayı

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2019
TOGETHER WITH INDEPENDENT AUDITOR’S REPORT**

INDEPENDENT AUDITOR’S REPORT

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

To the General Assembly 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 2019 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 2019, 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.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

How our audit addressed the key audit matter

Fair value measurements of land, buildings and land improvements (Refer to Notes 2.6.i and 11)

In accordance with TAS 16, "Property, Plant and Equipment", land, buildings and land improvements are measured at fair value on the financial statements. The fair values of land, buildings and land improvements as at 31 December 2019 determined based on valuations by an independent professional valuer as of 31 December 2018. As a result of Company management assessment with the same external independent professional valuer, the carrying amount of land, buildings and land improvements are assumed to approximate their fair values as of 31 December 2019 after deducting current year depreciation.

We considered evaluation of whether carrying amounts of land, buildings and land improvements amounting to TL668.008 thousand are in conformity with TFRS as a key audit matter since the amount of those assets has a significant share in the company's assets as of 31 December 2019 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.
- The frequency of revaluation was evaluated in accordance with the relevant audit standards by taking into consideration of the conditions and periods set forth in TAS 16.
- Estimates, assumptions and methods of the Company management and independent professional valuer who was appointed by the Company management are considered together with our external expert in accordance with the relevant auditing standards to ensure that the carrying values of land, buildings and land improvements as of 31 December 2019 approximate to their fair values.
- The compliance of the disclosures of fair value determination of land and land improvements and buildings in the financial statements in accordance with the relevant financial reporting standards were evaluated.

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

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 2019 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 11 February 2020.

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



İstanbul, 11 February 2020

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Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

**BALANCE SHEETS AS OF
31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	119.328	120.847
Trade Receivables		1.748.257	1.480.213
Trade Receivables Due From Related Parties	6	1.741.171	1.476.111
Trade Receivables Due From Unrelated Parties	7	7.086	4.102
Other Receivables		630.205	867.676
Other Receivables Due From Related Parties	6	482.149	703.884
Other Receivables Due From Unrelated Parties	8	148.056	163.792
Derivative Financial Assets		2.603	2.028
Derivative Financial Assets Held for Trading	28	2.603	2.028
Inventories	9	646.136	579.054
Prepayments		20.052	12.623
Prepayments to Unrelated Parties	10	20.052	12.623
Other Current Assets		1.163	830
Other Current Assets Due From Unrelated Parties	18	1.163	830
TOTAL CURRENT ASSETS		3.167.744	3.063.271

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

**BALANCE SHEETS AS OF
31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
NON-CURRENT ASSETS			
Other Receivables		3.748	-
Other Receivables Due From Unrelated Parties		3.748	-
Property, Plant and Equipments		1.516.259	1.435.364
Land and Premises	11	192.824	192.824
Land Improvements	11	39.632	40.833
Buildings	11	435.552	438.634
Machinery and Equipments	11	771.383	692.549
Vehicles	11	168	221
Fixtures and Fittings	11	26.336	27.102
Leasehold Improvements	11	5.133	5.713
Construction in Progress	11	45.231	37.488
Right of Use Assets	12	61.947	-
Intangible Assets and Goodwill		180.509	146.867
Other Rights	13	165	69
Capitalized Development Costs	13	167.955	137.167
Other Intangible Assets	13	12.389	9.631
Prepayments		53.595	39.590
Prepayments to Unrelated Parties	10	53.595	39.590
TOTAL NON-CURRENT ASSETS		1.816.058	1.621.821
TOTAL ASSETS		4.983.802	4.685.092

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 2019 AND 31 DECEMBER 2018**

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

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		733.300	366.515
Current Borrowings from Related Parties		6.973	-
Lease Liabilities	6	6.973	-
Current Borrowings From Unrelated Parties		726.327	366.515
Bank Loans	5	714.041	365.864
Lease Liabilities	5	12.286	651
Current Portion of Non-current Borrowings		13.342	287.078
Current Portion of Non-current Borrowings from Unrelated Parties		13.342	287.078
Bank Loans	5	13.342	287.078
Trade Payables		2.069.922	1.901.077
Trade Payables to Related Parties	6	132.380	50.250
Trade Payables to Unrelated Parties	7	1.937.542	1.850.827
Employee Benefit Obligations	17	42.926	31.196
Other Payables		70.291	130.423
Other Payables to Related Parties	6	70.291	130.423
Derivative Financial Liabilities		5.264	20.129
Derivative Financial Liabilities Held for Trading	28	5.264	19.314
Derivative Financial Liabilities Held for Hedging	28	-	815
Current Tax Liabilities, Current	26	504	716
Current Provisions		5.847	3.190
Other Current Provisions	15	5.847	3.190
Other Current Liabilities		50.322	6.802
Other Current Liabilities to Unrelated Parties	18	50.322	6.802
TOTAL CURRENT LIABILITIES		2.991.718	2.747.126

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

BALANCE SHEETS AS OF 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
NON-CURRENT LIABILITIES			
Long Term Borrowings		56.831	111
Long Term Borrowings From Related Parties		32.546	-
Lease Liabilities	6	32.546	-
Long Term Borrowings From Unrelated Parties		24.285	111
Bank Loans	5	10.303	-
Lease Liabilities	5	13.982	111
Trade Payables		6.747	14.531
Trade Payables to Unrelated Parties	7	6.747	14.531
Non-current Provisions		57.289	38.713
Non-current Provisions for Employee Benefits	17	57.289	38.713
Deferred Tax Liabilities	26	64.989	73.036
TOTAL NON-CURRENT LIABILITIES		185.856	126.391
TOTAL LIABILITIES		3.177.574	2.873.517

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 2019 AND 31 DECEMBER 2018**

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

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
EQUITY			
Equity Attributable to Owners of Parent		1.806.228	1.811.575
Issued Capital	19	190.000	190.000
Inflation Adjustments on Capital	19	9.734	9.734
Share Premium (Discount)	19	109.031	109.031
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		395.981	409.958
Gains (Losses) on Revaluation and Remeasurement		395.981	409.958
Increases (Decreases) on Revaluation of Property, Plant and Equipment		410.776	417.527
Gains (Losses) on Remeasurements of Defined Benefit Plans		(14.795)	(7.569)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		-	(636)
Gains (Losses) on Hedge		-	(636)
Gains (Losses) on Cash Flow Hedges		-	(636)
Restricted Reserves Appropriated From Profits		173.938	118.206
Legal Reserves	19	173.938	118.206
Prior Years' Profits or Losses	19	359.472	352.721
Current Period Net Profit Or Loss		568.072	622.561
TOTAL EQUITY		1.806.228	1.811.575
TOTAL LIABILITIES AND EQUITY		4.983.802	4.685.092

Financial statements for the period 1 January - 31 December 2019 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 11 February 2020. General Assembly and specified regulatory bodies have the right to make amendments to statutory financial statements after issue.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018**

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

	Footnotes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
PROFIT OR LOSS			
Revenue	20	6.967.964	5.693.973
Cost of Sales	20	(6.083.290)	(4.781.608)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		884.674	912.365
GROSS PROFIT (LOSS)		884.674	912.365
General Administrative Expenses	22	(69.037)	(59.337)
Marketing Expenses	22	(93.392)	(79.761)
Research and Development Expense	22	(58.023)	(45.490)
Other Income from Operating Activities	23	314.368	487.908
Other Expenses from Operating Activities	23	(377.348)	(622.385)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		601.242	593.300
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		601.242	593.300
Finance Income	24	338.823	607.599
Finance Costs	24	(375.501)	(579.132)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		564.564	621.767
Tax (Expense) Income, Continuing Operations		3.508	794
Current Period Tax (Expense) Income	26	(2.913)	(5.512)
Deferred Tax (Expense) Income	26	6.421	6.306
PROFIT (LOSS) FROM CONTINUING OPERATIONS		568.072	622.561
PROFIT (LOSS)		568.072	622.561
Earnings Per Share with a TL 1 of Par Value	27	2,99	3,28
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss		(7.226)	416.161
Gains (Losses) on Revaluation of Property, Plant and Equipment		-	502.688
Gains (Losses) on Remeasurements of Defined Benefit Plans	25	(9.032)	(1.707)
Taxes Relating to Components of Other Comprehensive Income	25	1.806	(84.820)
Taxes Relating to Gains (Losses) on Revaluation of Property, Plant and Equipment		-	(85.161)
Taxes Relating to Remeasurements of Defined Benefit Plans		1.806	341
Other Comprehensive Income that will be Reclassified to Profit or Loss		636	716
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		816	918
Gains (Losses) on Cash Flow Hedges	25	816	918
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		(180)	(202)
Taxes Relating to Cash Flow Hedges	25	(180)	(202)
OTHER COMPREHENSIVE INCOME (LOSS)		(6.590)	416.877
TOTAL COMPREHENSIVE INCOME (LOSS)		561.482	1.039.438

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 2019 AND 2018

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

	Issued Capital	Inflation Adjustments on Capital	Share Premiums or Discounts				Other Accumulated Comprehensive Income that will not be Reclassified in Profit or Loss
				Increases (Decreases) on Revaluation of Property, Plant and Equipment	Gains (Losses) on Remeasurements of Defined Benefit Plans	Gains (Losses) on Revaluations and Remeasurements	
Previous Period							
1 January - 31 December 2018							
Equity at Beginning of Period	190.000	9.734	109.031	-	(6.203)	(6.203)	(6.203)
Transfers	-	-	-	-	-	-	-
Total Comprehensive Income (Loss)	-	-	-	417.527	(1.366)	416.161	416.161
Profit (Loss)	-	-	-	-	-	-	-
Other Comprehensive Income (Loss)	-	-	-	417.527	(1.366)	416.161	416.161
Dividends Paid	-	-	-	-	-	-	-
Equity at End of Period	190.000	9.734	109.031	417.527	(7.569)	409.958	409.958
Current Period							
1 January - 31 December 2019							
Equity at Beginning of Period	190.000	9.734	109.031	417.527	(7.569)	409.958	409.958
Transfers	-	-	-	-	-	-	-
Total Comprehensive Income (Loss)	-	-	-	(6.751)	(7.226)	(13.977)	(13.977)
Profit (Loss)	-	-	-	(6.751)	-	(6.751)	(6.751)
Other Comprehensive Income (Loss)	-	-	-	-	(7.226)	(7.226)	(7.226)
Dividends Paid	-	-	-	-	-	-	-
Equity at End of Period	190.000	9.734	109.031	410.776	(14.795)	395.981	395.981

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

	Cash Flow Hedges	Reserve Of Gains or Losses on Hedge	Other Accumulated Compre- hensive 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
	(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)	-	-
	716	716	716	-	-	622.561	622.561	1.039.438	1.039.438
	-	-	-	-	-	622.561	622.561	622.561	622.561
	716	716	716	-	-	-	-	416.877	416.877
	-	-	-	-	(240.000)	-	(240.000)	(240.000)	(240.000)
	(636)	(636)	(636)	118.206	352.721	622.561	975.282	1.811.575	1.811.575
	(636)	(636)	(636)	118.206	352.721	622.561	975.282	1.811.575	1.811.575
	-	-	-	55.732	566.829	(622.561)	(55.732)	-	-
	636	636	636	-	6.751	568.072	574.823	561.482	561.482
	-	-	-	-	6.751	568.072	574.823	568.072	568.072
	636	636	636	-	-	-	-	(6.590)	(6.590)
	-	-	-	-	(566.829)	-	(566.829)	(566.829)	(566.829)
	-	-	-	173.938	359.472	568.072	927.544	1.806.228	1.806.228

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

STATEMENTS OF CASH FLOWS

FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018

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

	Footnotes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		617.727	1.082.870
Profit (Loss)		568.072	622.561
Profit (Loss) from Continuing Operations		568.072	622.561
Adjustments to Reconcile Profit (Loss)		187.130	310.192
Adjustments for Depreciation and Amortisation Expense	11	257.440	166.404
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(1.171)	1.019
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	(1.171)	1.019
Adjustments for Provisions		19.129	11.520
Adjustments for (Reversal of) Provisions Related with Employee Benefits	17	16.472	10.527
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	15	2.657	993
Adjustments for Interest (Income) Expenses		(74.709)	(88.094)
Adjustments for Interest Income	24	(161.325)	(139.876)
Adjustments for Interest Expense	24	86.616	51.782
Adjustments for Unrealised Foreign Exchange Losses (Gains)		24.859	217.166
Adjustments for Fair Value Losses (Gains)		(14.624)	13.051
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(14.624)	13.051
Adjustments for Tax (Income) Expenses		(3.508)	(794)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(809)	(1.005)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(809)	(1.005)
Other Adjustments to Reconcile Profit (Loss)	4	(19.477)	(9.075)

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 2019 AND 2018

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

		Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
	Footnotes		
Changes in Working Capital		(127.423)	158.933
Adjustments for Decrease (Increase) in Trade Accounts Receivable		(268.044)	(434.330)
Decrease (Increase) in Trade Accounts Receivables from Related Parties	6	(265.060)	(437.309)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties	7	(2.984)	2.979
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		11.988	(30.495)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations	8	11.988	(30.495)
Adjustments for Decrease (Increase) in Inventories	9	(65.911)	(79.893)
Decrease (Increase) in Prepaid Expenses	10	(21.434)	24.542
Adjustments for Increase (Decrease) in Trade Accounts Payable		161.061	671.368
Increase (Decrease) in Trade Accounts Payables to Related Parties	6	82.130	9.506
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties	7	78.931	661.862
Increase (Decrease) in Employee Benefit Liabilities	17	11.730	4.525
Other Adjustments for Other Increase (Decrease) in Working Capital		43.187	3.216
Decrease (Increase) in Other Assets Related with Operations	18	(333)	5.111
Increase (Decrease) in Other Payables Related with Operations	18	43.520	(1.895)
Cash Flows from (used in) Operations		627.779	1.091.686
Payments Related with Provisions for Employee Benefits	17	(6.927)	(5.270)
Income Taxes refund (Paid)	26	(3.125)	(3.546)

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 2019 AND 2018

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

	Footnotes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(135.306)	(765.512)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		2.630	1.299
Proceeds from Sales of Property, Plant and Equipment		2.630	1.299
Purchase of Property, Plant, Equipment and Intangible Assets		(359.671)	(574.825)
Purchase of Property, Plant and Equipment	11	(297.826)	(524.893)
Maddi Olmayan Duran Varlık Alımından Kaynaklanan Purchase of Intangible Assets	13	(61.845)	(49.932)
Cash Advances and Loans Made to Other Parties		221.735	(191.986)
Cash Advances and Loans Made to Related Parties	6	221.735	(191.986)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		(503.417)	(279.265)
Proceeds from Borrowings		1.116.152	893.840
Proceeds from Loans		1.116.152	894.074
Proceeds from Other Financial Borrowings		-	(234)
Repayments of Borrowings		(1.041.103)	(969.226)
Loan Repayments		(1.040.466)	(969.226)
Payments of Other Financial Borrowings		(637)	-
Decrease in Other Payables to Related Parties		(64.579)	(64.818)
Payments of Lease Liabilities		(23.392)	-
Dividends Paid	6	(566.829)	(240.000)
Interest Paid		(84.991)	(38.937)
Interest Received		161.325	139.876
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(20.996)	38.093
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(20.996)	38.093
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	103.283	65.190
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		82.287	103.283

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019**

(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 İstanbul ("BİST") since 21 April 2006.

As of 31 December 2019, the number of personnel employed was 7.821 (31 December 2018: 7.401).

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 2019, 59.800.000 shares of the Company have been quoted at the Borsa İstanbul ("BİST") (31,5% of its share capital; 31 December 2018: 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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

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

Transition to IFRS 16 "Leases":

The Company has applied IFRS 16 "Leases" standard as of 1 January 2019. The Company has accounted the effect of transition based on the simplified approach, therefore, prior year financial statements are not restated. With this approach, all right of use assets have been measured by lease liabilities amount (adjusted by the amount of prepaid or accrued lease payments) as of transition date.

The Company - as a lessee

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

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

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- a) Amount of the initial measurement of the lease liability;
- b) Any lease payments made at or before the commencement date, less any lease incentives received;
- c) Any initial direct costs incurred by the Company; and
- d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Company re-measure the right of use asset:

- a) After netting-off depreciation and reducing impairment losses from right of use asset.
- b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Company applies TAS16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment. To determine whether the right of use asset is impaired and to recognize any impairment loss, IAS 36 applies the "Impairment of Assets" standard.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

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

Lease Liability

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

Lease payments included in the measurement of the lease liability comprise the following:

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

After initial recognition, the lease liability is measured:

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

The duration of the contracts, which constitute the lease obligation of the company, varies between 1 - 10 years.

Exemptions and simplifications

Short-term lease payments and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc,) are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period. The Company applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

The Company - as a lessor

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

First time adoption of TFRS 16 Leases

The Company has applied TFRS 16 "Leases", which replaces TAS 17, for the effective period beginning on 1 January 2019. The cumulative impact of applying TFRS 16 is accounted in the financial statements retrospectively ("cumulative impact approach") at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

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

With the transition to TFRS 16 "Leases", a "lease liability" is recognized in the financial statements for the lease contracts which were previously measured under TAS 17 as operational leases. At transition, lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Company's incremental borrowing rate on the effective transition date. The Company measured right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under TFRS 16 simplified transition approach.

The reconciliation of operating lease commitments under TAS 17 before the transition date and the lease liabilities measured under TFRS 16 as of 1 January 2019 is as below:

	1 JANUARY 2019
Operating lease commitments within the scope of TAS 17	3.151
Short term leases (-)	(2.930)
Low value leases (-)	(221)
Adjustments for extension or early termination options	158.329
Total lease liabilities within the scope of TFRS 16 (non-discounted)	158.329
Total lease liabilities within the scope of TFRS 16 (discounted with alternative borrowing rate)	76.143
- Short term lease liabilities	29.615
- Long term lease liabilities	46.528

The weighted average of the Company's incremental borrowing rates for EUR and TRY currencies as at 1 January 2019 are 5% and 26%

As of January 1, 2019, and December 31, 2019, the details of the right of use assets that are accounted in the financial statements are as follows:

	31 December 2019	1 January 2019
Buildings	38.217	43.353
Machinery	23.730	32.790
Total right of use	61.947	76.143

The Company's ongoing rent contracts term for buildings and machineries are 5 years and 2-10 years respectively.

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

Impact of IFRS 16 application on balance sheet and profit or loss statement for the twelve months period ended 31 December 2019 is as follows:

	Effects Excluded 31 December 2019	IFRS-16 Effects	31 December 2019
ASSETS			
TOTAL CURRENT ASSETS	3.167.744	-	3.167.744
NON-CURRENT ASSETS			
Right of Use Assets	-	61.947	61.947
Non-Current Assets Other than Above	1.754.111	-	1.754.111
TOTAL NON-CURRENT ASSETS	1.754.111	61.947	1.816.058
TOTAL ASSETS	4.921.855	61.947	4.983.802
LIABILITIES			
CURRENT LIABILITIES			
Lease Liabilities	125	19.134	19.259
Current Liabilities Other than Above	2.972.459	-	2.972.459
TOTAL CURRENT LIABILITIES	2.972.584	19.134	2.991.718
NON-CURRENT LIABILITIES			
Lease Liabilities	-	46.528	46.528
Deferred Tax Liabilities	65.732	(743)	64.989
Non-Current Liabilities Other than Above	74.339	-	74.339
TOTAL NON-CURRENT LIABILITIES	140.071	45.785	185.856
TOTAL LIABILITIES	3.112.655	64.919	3.177.574
EQUITY			
Current Period Net Profit Or Loss	571.044	(2.972)	568.072
Equity Other than Above	1.238.156	-	1.238.156
TOTAL EQUITY	1.809.200	(2.972)	1.806.228
TOTAL LIABILITIES AND EQUITY	4.921.855	61.947	4.983.802

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

	Effects Excluded 31 December 2019	IFRS-16 Effects	31 December 2019
PROFIT OR LOSS			
Revenue	6.967.964	-	6.967.964
Cost of Sales	(6.092.487)	9.197	(6.083.290)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS	875.477	9.197	884.674
GROSS PROFIT (LOSS)	875.477	9.197	884.674
Operating Expenses	(283.432)	-	(283.432)
PROFIT (LOSS) FROM OPERATING ACTIVITIES	592.045	9.197	601.242
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)	592.045	9.197	601.242
Finance Income	338.823	-	338.823
Finance Costs	(362.589)	(12.912)	(375.501)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX	568.279	(3.715)	564.564
Tax (Expense) Income, Continuing Operations	2.765	743	3.508
PROFIT (LOSS) FROM CONTINUING OPERATIONS	571.044	(2.972)	568.072
PROFIT (LOSS)	571.044	(2.972)	568.072
Earnings Per Share with a TL 1 of Par Value	3,01	(0,016)	2,99

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 2019:

- **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 amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized 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.

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

- **IFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019. 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 recognize a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- **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.

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 its 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 remainder of the period after a plan amendment, curtailment or settlement; and
- recognize 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 recognized because of the impact of the asset ceiling.

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

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

- **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.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

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.

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.

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

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.

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.

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

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.

Right of use assets:

The cost of the right-of-use asset comprises:

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

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

2.5.4 Intangible assets

a) Research and development costs

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

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

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

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.

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

Financial assets carried at amortized cost

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

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

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

Financial assets carried at fair value

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

Impairment of financial assets

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

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.

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

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.

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.

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

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 2019 is calculated in accordance with the assumptions used by the independent actuarial firm and is recorded in the financial statements at its net present value. Employment termination benefits are considered as being part of defined retirement benefit plan as per TAS 19. All actuarial gains and losses are recognized in statements of income.

2.5.11 Government grants

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

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

2.5.12 Earnings per share

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

2.5.13 Statement of cash flows

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

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

2.5.14 Offsetting

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

2.5.15 Events after the balance sheet date

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

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

2.5.16 Going concern

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

2.6. Critical accounting estimates and judgments

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

i. Revaluation of lands, buildings and land improvements

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 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.
- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

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

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

NOTE 3 - SEGMENT REPORTING

Operating segments are identified on the same basis as financial information is reported internally to the Company's chief operating decision maker. The Company 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 2019	1 January - 31 December 2018
Turkey	1.241.424	1.226.997
Europe	4.352.798	3.361.699
Other	1.395.035	1.116.240
Gross sales	6.989.257	5.704.936
Discounts (-)	(21.293)	(10.963)
Net sales	6.967.964	5.693.973

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

The amount of export is 5.747.833 thousand TL for the period ended 31 December 2019. (1 January-31 December 2018: 4.477.939 thousand TL). Export sales are denominated in EUR, and USD as 93,1%, and 6,9% of total export respectively (1 January-31 December 2018: 91,9% EUR, 8,1% 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 2019	31 December 2018
Cash	228	300
Bank deposits		
- Demand deposits	82.059	102.983
Blocked deposits	37.041	17.564
Cash and cash equivalents	119.328	120.847

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 5 - FINANCIAL LIABILITIES

	31 December 2019	31 December 2018
Short - term financial liabilities		
Short term bank loans	714.041	365.864
Short term portion of long term bank loans	13.342	287.078
Lease liabilities	19.259	651
	746.642	653.593
Long - term financial liabilities		
Long term bank loans	10.303	-
Lease liabilities	46.528	111
	56.831	111

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

	31 December 2019			31 December 2018		
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	3,13%	82.089	545.940	1,38%	49.572	298.823
- TL	20,01%	168.101	168.101	24,86%	67.041	67.041
			714.041			365.864

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

	31 December 2019			31 December 2018		
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
- TL	19,84%	13.342	13.342	18,10%	53.570	53.570
Short term portion			13.342			287.078
- TL	19,84%	10.303	10.303	-	-	-
Long term portion			10.303			-
			23.645			287.078

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 5 - FINANCIAL LIABILITIES (Cont'd)

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

	31 December 2019	31 December 2018
One to two years	4.106	-
Two to three years	3.491	-
Three to four years	1.562	-
More than five years	1.144	-
	10.303	-

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.

As of 31 December 2019 and 31 December 2018, reconciliation of net financial debt is as below:

	31 December 2019	31 December 2018
Net financial debt as of 1 January	550.421	466.301
Cash inflows from loans	1.116.152	894.074
Cash outflows from loan payments	(1.040.466)	(969.226)
Cash inflow/outflow from other financial debts	52.179	(234)
Unrealized Fx gain/loss	20.412	184.754
Accrued interest	1.492	12.845
Change in cash and cash equivalents	20.996	(38.093)
Net financial debt at the end of the period	721.186	550.421

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 6 - RELATED PARTY DISCLOSURES**a) Short term trade receivables from related parties**

	31 December 2019	31 December 2018
Vestel Ticaret A.Ş.	1.742.304	1.481.423
	1.742.304	1.481.423
Unearned interest on receivables (-)	(1.133)	(5.312)
	1.741.171	1.476.111

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 2019	31 December 2018
Vestel Elektronik Sanayi ve Ticaret A.Ş.	57.962	44.299
Vestel Ticaret A.Ş.	6.216	3.667
Vestel Holland B.V.	67.598	2.738
Other related parties	637	420
	132.413	51.124
Unearned interest on payables (-)	(33)	(874)
	132.380	50.250

c) Other short term receivables from related parties

	31 December 2019	31 December 2018
Vestel Elektronik Sanayi ve Ticaret A.Ş.	482.149	703.884

The Company's interest rate of other receivables in TL is 21% (31 December 2018: 36%).

d) Other short term liabilities to related parties

	31 December 2019	31 December 2018
Vestel Elektronik Sanayi ve Ticaret A.Ş.	70.291	130.423

The Company's interest rate of other payables in EUR is Euribor +3,20 (31 December 2018: Euribor +3,20).

e) Lease liabilities to related parties

	31 December 2019	31 December 2018
Vestel Elektronik Sanayi ve Ticaret A.Ş.	39.519	-

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 6 - RELATED PARTY DISCLOSURES (Cont'd)

f) Transactions with related parties

	1 January - 31 December 2019	1 January - 31 December 2018
Sales		
Vestel Ticaret A.Ş.	6.823.274	5.721.813
Vestel Elektronik Sanayi ve Ticaret A.Ş.	71.581	26.319
Other related parties	29	235
	6.894.884	5.748.367
Purchases and operating expenses		
Vestel Holland B.V.	214.045	48.735
Vestel Elektronik Sanayi ve Ticaret A.Ş.	332.544	250.488
Other related parties	29.942	21.449
	576.531	320.672
	1 January - 31 December 2019	1 January - 31 December 2018
Other operating income		
Vestel Ticaret A.Ş.	210.618	449.170
Other related parties	5.945	4.308
	216.563	453.478
Other operating expense		
Vestel Ticaret A.Ş.	84.104	182.957
Other related parties	4.487	4.813
	88.591	187.770
Dividend paid		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	539.483	227.091
Public shares	27.346	12.909
	566.829	240.000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 6 - RELATED PARTY DISCLOSURES (Cont'd)**f) Transactions with related parties (cont'd)**

	1 January - 31 December 2019	1 January - 31 December 2018
Financial income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	158.044	133.487
Other related parties	123	-
	158.167	133.487
Financial expense		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	17.341	56.890
Other related parties	12	-
	17.353	56.890

h) Guarantees received from and given to related parties are disclosed in note 14.

i) 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 2019 is 8.025 thousand TL (1 January -31 December 2018: 6.067 thousand TL).

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
Short - term trade receivables		
Trade receivables		
- Related parties (note 6)	1.742.304	1.481.423
- Other parties	6.096	4.517
Cheques and notes receivables	1.500	-
	1.749.900	1.485.940
Unearned interest expense (-)		
- Related parties (note 6)	(1.133)	(5.312)
- Other parties	(9)	(139)
Allowance for doubtful receivables (-)	(501)	(276)
Total short - term trade receivables	1.748.257	1.480.213

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Cont'd)

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

	31 December 2019	31 December 2018
Short term trade payables		
Trade payables		
- Related parties (note 6)	132.413	51.124
- Other parties	1.937.952	1.857.966
	2.070.365	1.909.090
Unearned interest income (-)		
- Related parties (note 6)	(33)	(874)
- Other parties	(410)	(7.139)
Total short term trade payables	2.069.922	1.901.077
Long term trade payables		
Trade payables		
- Other parties	6.856	15.028
	6.856	15.028
Unearned interest income (-)		
- Other parties	(109)	(497)
Total long term trade payables	6.747	14.531
NOTE 8 - OTHER RECEIVABLES		
	31 December 2019	31 December 2018
Short - term other receivables		
Other receivables from related parties (note 6)	482.149	703.884
Receivables from government agencies	139.045	155.464
Deposits and guarantees given	7.654	6.849
Other receivables	1.357	1.479
	630.205	867.676

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 9 - INVENTORIES

	31 December 2019	31 December 2018
Raw materials	387.201	362.841
Work in process	10.816	10.344
Finished goods	249.142	208.063
	647.159	581.248
Provision for impairment on inventories (-)	(1.023)	(2.194)
	646.136	579.054

As of 31 December 2019 the Company does not have inventories pledged as security for liabilities (31 December 2018: None).

Cost of the inventory included in the cost of sales for the current period amounts to 5.271.194 thousand TL (1 January - 31 December 2018: 4.181.421 thousand TL).

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

	31 December 2019	31 December 2018
Finished goods and merchandise	1.023	2.194
	1.023	2.194

Movement of inventory impairment on inventories is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	2.194	1.175
Current year additions	3.521	2.194
Realised due to sale of inventory	(4.692)	(1.175)
Balance at 31 December	1.023	2.194

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 10 - PREPAID EXPENSES

	31 December 2019	31 December 2018
Prepaid expenses in current assets		
Order advances given	11.170	6.815
Prepaid expenses	8.819	5.701
Business advances given	63	107
	20.052	12.623
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	52.981	38.694
Prepaid expenses	614	896
	53.595	39.590

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2019	Additions	Disposals	Transfer	Fair value increase	31 December 2019
Cost or revaluation						
Land	192.824	-	-	-	-	192.824
Land improvements	40.833	165	-	-	-	40.998
Buildings	438.634	7.485	(716)	1.645	-	447.048
Leasehold improvements	10.100	340	-	467	-	10.907
Plant and machinery	1.499.154	207.408	(7.937)	64.889	-	1.763.514
Motor vehicles	600	26	-	-	-	626
Furniture and fixtures	69.513	4.727	(368)	2.847	-	76.719
Construction in progress	37.488	77.675	-	(69.932)	-	45.231
	2.289.146	297.826	(9.021)	(84)	-	2.577.867
Accumulated depreciation						
Land improvements	-	1.366	-	-	-	1.366
Buildings	-	11.502	(6)	-	-	11.496
Leasehold improvements	4.387	1.387	-	-	-	5.774
Plant and machinery	806.605	193.171	(7.645)	-	-	992.131
Motor vehicles	379	79	-	-	-	458
Furniture and fixtures	42.411	8.318	(346)	-	-	50.383
	853.782	215.823	(7.997)	-	-	1.061.608
Net book value	1.435.364					1.516.259

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	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

Additions to property, plant and equipment in the period 1 January - 31 December 2019 and 2019 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 yıl
Buildings	25- 50 yıl
Leasehold improvements	5 yıl
Plant and machinery	5- 20 yıl
Motor vehicles	5 yıl
Furniture and fixtures	5- 10 yıl

Allocation of period depreciation and amortization expenses is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Cost of sales	221.424	141.234
Research and development expenses	33.700	23.399
Marketing, selling and distribution expenses	612	531
General administrative expenses	1.704	1.240
	257.440	166.404

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 12 - RIGHT OF USE ASSETS

	1 January 2019	Effect of change in accounting policies	Additions	31 December 2019
Cost				
Land and buildings	-	43.353	-	43.353
Machinery	-	32.790	-	32.790
	-	76.143	-	76.143
Accumulated amortization				
Land and buildings	-	-	5.136	5.136
Machinery	-	-	9.060	9.060
	-	-	14.196	14.196
Net book value	-	76.143		61.947

NOTE 13 - INTANGIBLE ASSETS

	1 January 2019	Additions	Disposals	Transfer	31 December 2019
Cost					
Rights	6.429	105	-	-	6.534
Development cost	244.701	57.623	(797)	-	301.527
Other intangible assets	16.127	4.117	-	84	20.328
	267.257	61.845	(797)	84	328.389
Accumulated depreciation					
Rights	6.360	9	-	-	6.369
Development cost	107.534	26.038	-	-	133.572
Other intangible assets	6.496	1.443	-	-	7.939
	120.390	27.490	-	-	147.880
Net book value	146.867				180.509

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 13 - INTANGIBLE ASSETS(Cont'd)

	1 January 2018	Additions	Disposals	Transfer	31 December 2018
Cost or revaluation					
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 depreciation					
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

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 14 - GOVERNMENT GRANTS

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

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

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to 622 thousand TL for the period 1 January - 31 December 2019 (1 January - 31 December 2018: 548 thousand TL).

Brand support incentive Turquality does not any obtained from Republic of Turkey Prime Ministry Undersecretary of Treasury in year 2019 (2018: 9 thousand TL).

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2019	31 December 2018
Short - term provisions		
Provision for lawsuit risks	5.847	3.190
	5.847	3.190

The movements in the provision for lawsuits are as follows:

	1 January 31 December 2019	1 January 31 December 2018
Opening balance, 1 January	3.190	2.197
Current year additions	2.777	1.037
Provisions no longer required	(120)	(44)
Balance at 31 December	5.847	3.190

b) Guarantees received by the Company

	31 December 2019	31 December 2018
Guarantee letters	27.573	27.062
Cheques and notes	1.330	6.879
Collaterals and pledges	5.605.504	5.269.273
	5.634.407	5.303.214

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

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

CPM's given by the Group	USD (‘000)	EUR (‘000)	TL	TL Equivalent
31 December 2019				
A. CPM's given on behalf of its own legal entity	-	2.000	29.100	42.401
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.008.140	32.031	854.695	7.056.271
i. Total amount of CPM's given on behalf of the parent company	722.288	-	614.636	4.905.169
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	285.852	32.031	240.059	2.151.102
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	1.008.140	34.031	883.795	7.098.672

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

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

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

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 391% as of 31 December 2019 (31 December 2018: 358%).

NOTE 16 - COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to 800.533 thousand USD (31 December 2018: 615.687 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2019 the Company has forward foreign currency purchase contract that amounts to 289.370 thousand TL, 61.191 thousand EUR and 127.966 thousand USD against forward foreign currency sales contract that amounts to 104.806 thousand EUR, 60.682 thousand USD and 402.625 thousand TL (31 December 2018: 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).

NOTE 17 - EMPLOYEE BENEFITS**Liabilities for employee benefits:**

	31 December 2019	31 December 2018
Due to personnel	32.176	23.224
Social security payables	10.750	7.972
	42.926	31.196

Long term provisions for employee benefits:

	31 December 2019	31 December 2018
Provision for employment termination benefits	57.289	38.713

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 17 - EMPLOYEE BENEFITS (Cont'd)

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 6.379,86 TL/year as of 31 December 2019 (31 December 2018: 5.434,42 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 2019 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 2019 provision is calculated based on real discount rate of 5,71% (31 December 2018: 5,45%) assuming 10% annual inflation rate and 12,71% discount rate.

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

As of 31 December 2018, an increase in annual discount rate by 0,25% would lead to a decrease in employee benefit liability by 4% ; a decrease in annual discount rate by 0,25% would lead to an increase in employee benefit liability by 4,2%. (31 December 2018: 3.8% decrease and 4% increase).

As of 31 December 2018, an increase in salary escalation by 0,25% would lead to an increase in employee benefit liability by 4,3%; a decrease in salary escalation by 0,25% would lead to a decrease in employee benefit liability by 4,1%. (31 December 2016: 4,2% increase and 4% decrease)

	1 January - 31 December 2019	1 January - 31 December 2018
Balance at 1 January	38.713	31.749
Increase during the year	10.539	7.104
Payments during the year	(6.927)	(5.270)
Actuarial (gain)/loss	9.032	1.707
Interest expense	5.932	3.423
Balance at 31 December	57.289	38.713

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 18 - OTHER ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Other current assets		
VAT carried forward	97	221
Other	1.066	609
	1.163	830
Other current liabilities		
Taxes and dues payable	14.564	6.280
Advances received	32.442	108
Other	3.316	414
	50.322	6.802

NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS**a) Paid in capital**

	31 December 2019	31 December 2018
Shares of par value TL 1 each		
Issued share capital	190.000	190.000

As of 31 December 2019 and 31 December 2018 the shareholding structure is as follows:

	Shareholding		Amount	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Vestel Elektronik Sanayi ve Ticaret A.Ş.	95,18%	95,18%	180.834	180.834
Shares held by public	4,82%	4,82%	9.166	9.166
	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 2019	31 December 2018
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 2019	31 December 2018
Share premium	109.031	109.031

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

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

d) Restricted reserves ("Legal reserves")

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

	31 December 2019	31 December 2018
Legal reserves	173.938	118.206

e) Retained earnings

	31 December 2019	31 December 2018
Extraordinary reserves	282.356	282.356
Previous year's profits	77.116	70.365
	359.472	352.721

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 20 - SALES

	1 January - 31 December 2019	1 January - 31 December 2018
Domestic sales	1.241.424	1.226.997
Overseas sales	5.747.833	4.477.939
Gross sales	6.989.257	5.704.936
Less: Sales discounts (-)	(21.293)	(10.963)
Net sales	6.967.964	5.693.973
Cost of sales	(6.083.290)	(4.781.608)
Gross profit	884.674	912.365

NOTE 21 - EXPENSES BY NATURE

	1 January - 31 December 2019	1 January - 31 December 2018
Raw materials, supplies and finished goods	5.312.745	4.210.609
Changes in finished goods, work in process and trade goods	(41.551)	(29.188)
Personnel expenses	474.957	360.495
Depreciation and amortization	257.440	166.404
Other	300.151	257.876
	6.303.742	4.966.196

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

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

a) General administrative expenses:

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	15.242	12.279
Consultancy Expenses	23.974	19.391
Rent and office expenses	6.890	5.216
Travelling expenses	2.022	1.379
Energy expenses	1.022	830
Depreciation and amortization	1.704	1.240
Benefits and services provided externally	285	373
Other	17.898	18.629
	69.037	59.337

b) Marketing expenses:

Personnel expenses	21.288	16.271
Transportation, distribution and storage expenses	46.177	43.128
Taxes and duties	12.868	9.343
Insurance expenses	1.958	1.812
Depreciation and amortization	612	531
Other	10.489	8.676
	93.392	79.761

c) Research and development expenses:

Depreciation and amortization	33.700	23.399
Personnel expenses	8.554	9.208
Other	15.769	12.883
	58.023	45.490

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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NOTE 23 - OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other operating income

	1 January - 31 December 2019	1 January - 31 December 2018
Credit finance gains arising from trading activities	19.272	6.896
Foreign exchange gains arising from trading activities	287.459	471.622
Other income	7.637	9.390
	314.368	487.908

b) Other operating expenses

Debit finance charges arising from trading activities	22.222	11.031
Foreign exchange expenses arising from trading activities	324.452	599.067
Other expenses	30.674	12.287
	377.348	622.385

NOTE 24 - FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gains	30.031	52.973
Gains on derivative financial instruments	147.467	414.750
Interest income	161.325	139.876
	338.823	607.599

b) Financial expense:

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange losses	77.894	215.339
Losses on derivative financial instruments	210.801	311.867
Interest expense	86.616	51.782
Other finance expenses	190	144
	375.501	579.132

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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NOTE 25 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

a) Cash flow hedge fund:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	(636)	(1.352)
Gains (losses) on cash flow hedges	816	918
Taxes relating to cash flow hedges	(180)	(202)
Other		
31 Aralık itibarıyla bakiye	-	(636)

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

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	(7.569)	(6.203)
Gains (losses) on remeasurements of defined benefit plans	(9.032)	(1.707)
Taxes relating to remeasurements of defined benefit plans	1.806	341
Balance at 31 December	(14.795)	(7.569)

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

	31 December 2019	31 December 2018
Corporation and income taxes	2.913	5.512
Prepaid taxes	(2.409)	(4.796)
Current income tax liabilities - net	504	716
Deferred tax liabilities	(64.989)	(73.036)
Deferred tax assets/(liabilities)	(64.989)	(73.036)

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

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

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

In accordance with the regulation numbered 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.

As of 1 January - 31 December 2019 and 2018 tax expense in the statement of income is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Current period tax expense	(2.913)	(5.512)
Deferred tax benefit/(expense)	6.421	6.306
Total tax income	3.508	794

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

	1 January - 31 December 2019	1 January - 31 December 2018
Profit before tax	564.564	621.767
Local tax rate	22%	22%
Tax income calculated using local tax rate	(124.204)	(136.789)
Non-deductible expenses	(914)	(2.968)
Discounts and exemptions	16.490	18.247
Discounted corporate tax advantage	112.860	122.129
Effect of legal tax rate change on deferred tax	(805)	(175)
Other	81	350
	3.508	794

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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NOTE 26 - 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 2019	31 December 2018	31 December 2019	31 December 2018
Deferred tax assets				
Employment termination benefits	(57.289)	(38.713)	11.458	7.743
Net difference between book values of tangible and intangible assets and tax bases	(12.900)	-	2.580	-
Stokların kayıtlı değerleri ile vergi matrahları arasındaki net fark	(1.023)	(2.194)	225	483
Derivative financial instruments	(5.264)	(20.129)	1.158	4.428
Other	(20.623)	(13.114)	4.537	2.885
			19.958	15.539
	Cumulative temporary differences		Deferred tax	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Deferred tax liabilities				
Useful life and valuation differences on property, plant and equipment and intangible assets	-	8.480	-	(1.696)
Revaluation of tangible fixed assets	496.359	502.688	(83.474)	(85.161)
Derivative financial instruments	2.603	2.028	(573)	(446)
Other	4.500	6.360	(900)	(1.272)
			(84.947)	(88.575)
Deferred tax assets/(liabilities) - net			(64.989)	(73.036)

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

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	(73.036)	5.681
Tax expense recognized in income statement	6.421	6.306
Recognized in shareholders' equity	1.626	(85.022)
Deferred tax liabilities at the end of the period, net	(64.989)	(73.035)
Subsidiaries with net deferred tax liabilities	(64.989)	(73.036)
Subsidiaries with net deferred assets	-	1

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NOTE 27- EARNINGS PER SHARE

	1 January - 31 December 2019	1 January - 31 December 2018
Net (loss)/income attributable to equity holders of the parent	568.072	622.561
Weighted number of ordinary shares with a TL 1 of par value (thousand shares)	190.000	190.000
	2,99	3,28

NOTE 28 - DERIVATIVE INSTRUMENTS

	31 Aralık 2019		31 Aralık 2018	
	Contract amount	Fair Value Assets/ (Liabilities)	Contract amount	Fair Value Assets/ (Liabilities)
Derivative financial assets:				
Held for trading				
Forward foreign currency transactions	673.575	2.603	287.560	2.028
Derivative financial liabilities:				
Held for trading				
Forward foreign currency transactions	782.893	(5.264)	1.000.866	(19.314)
Cash flow hedge				
Forward foreign currency transactions	-	-	144.675	(815)
	1.456.468	(2.661)	1.433.101	(18.101)

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital risk management:

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

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

As of 31 December 2019 and 2018 the Company's net debt/total equity ratios are as follows:

	31 December 2019	31 December 2018
Total financial liabilities (note 5)	803.473	653.704
Cash and cash equivalents (note 4)	(119.328)	(120.847)
Net debt	684.145	532.857
Total equity	1.806.228	1.811.575
Capital invested	2.490.373	2.344.432
Net debt/capital invested	0,27	0,23

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

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 2019 and 31 December 2018:

	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
31 December 2019						
Maximum exposed credit risk as at 31 December 2019 (A+B+C+D)	1.741.171	7.086	482.149	148.056	82.059	37.269
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	1.741.171	7.086	482.149	148.056	82.059	37.269
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	-	372	-	-	-	-
- Secured portion by guarantees, etc	-	(372)	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Overdue	-	501	-	-	-	-
- Impairment	-	(501)	-	-	-	-
- Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

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

31 December 2018	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
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	-	-	-	-	-	-

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

	31 December 2019	31 December 2018
Overdue 1 - 30 days	247	-
Overdue 1 - 3 months	125	-
Total	372	-

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.

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

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 2019:

Contractual maturities	Book Value	Total contractual cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Bank Borrowings and lease liabilities	803.473	807.117	396.538	358.731	51.848	-
Trade payables	2.076.669	2.077.212	1.644.545	417.841	14.826	-
Other payables and liabilities	70.291	70.291	42.956	27.335	-	-
	2.950.433	2.954.620	2.084.039	803.907	66.674	-
Derivative financial instruments						
Derivative cash inflows	-	(1.456.468)	(1.456.468)	-	-	-
Derivative cash outflows	-	1.460.115	1.460.115	-	-	-
	2.661	3.647	3.647	-	-	-

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 Borrowings and lease liabilities	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	-	-	-

b.4) Foreign currency risk:

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

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

31 December 2019	USD	EUR	Other (TL Equivalent)	TL Equivalent
1 Trade receivables	12.086	170.908	-	1.208.434
2a Monetary financial assets (including cash and cash equivalents)	142	17.555	47	117.642
2b Non-monetary financial assets	-	-	-	-
3 Other	-	6.302	-	41.912
4 Current assets (1+2+3)	12.228	194.765	47	1.367.988
5 Trade receivables	-	-	-	-
6a Monetary financial assets	-	-	-	-
6b Non-monetary financial assets	304	4.038	-	28.661
7 Other	-	-	-	-
8 Non-current assets (5+6+7)	304	4.038	-	28.661
9 Total assets (4+8)	12.532	198.803	47	1.396.649
10 Trade payables	150.059	100.787	1.812	1.563.486
11 Financial liabilities	-	82.089	-	545.940
12a Other monetary liabilities	3.760	7.211	-	70.293
12b Other non-monetary liabilities	-	-	-	-
13 Current liabilities (10+11+12)	153.819	190.087	1.812	2.179.719
14 Trade payables	-	905	-	6.019
15 Financial liabilities	-	-	-	-
16a Other monetary liabilities	-	-	-	-
16b Other non-monetary liabilities	-	-	-	-
17 Non-current liabilities (14+15+16)	-	905	-	6.019
18 Total liabilities (13+17)	153.819	190.992	1.812	2.185.738
19 Off-balance sheet derivative instruments net asset/(liability) position (19a+19b)	67.283	(43.615)	-	109.609
19a Hedged total assets	127.965	61.191	-	1.167.095
19b Hedged total liabilities	(60.682)	(104.806)	-	(1.057.486)
20 Net foreign currency asset/(liability) position (9-18+19)	(74.004)	(35.804)	(1.765)	(679.480)
21 Net foreign currency monetary asset/(liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(141.591)	(2.529)	(1.765)	(859.662)
22 Fair value of financial instruments used in foreign currency hedging	-	-	-	(2.661)
23 Export	69.357	841.762	-	5.747.833
24 Import	273.099	171.752	2.211	2.638.975

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

NOTE 29 - 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

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

As of 31 December 2019 and 31 December 2018, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2019				
+/- 10% fluctuation of USD rate:				
USD net asset/liability	(84.108)	84.108	(84.108)	84.108
Secured portion from USD risk (-)	39.964	(39.964)	39.964	(39.964)
USD net effect	(44.144)	44.144	(44.144)	44.144
+/- 10% fluctuation of EUR rate:				
EUR net asset/liability	(1.682)	1.682	(1.682)	1.682
Secured portion from EUR risk (-)	(29.209)	29.209	(29.209)	29.209
EUR net effect	(30.891)	30.891	(30.891)	30.891
+/- 10% fluctuation of other currency rates:				
Other currencies net asset/liability	(177)	177	(177)	177
Other currency net effect	(177)	177	(177)	177

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

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

	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2018				
+/- 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	7.521	(7.521)	7.521	(7.521)
Secured portion from EUR risk (-)	(26.755)	26.755	(41.244)	41.244
EUR net effect	(19.234)	19.234	(33.723)	33.723
+/- 10% fluctuation of other currency rates:				
Other currencies net asset/liability	(44)	44	(44)	44
Other currency net effect	(44)	44	(44)	44

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 2019	31 December 2018
Financial instruments with fixed interest rates		
Time deposits	-	-
Financial liabilities	803.473	653.704
Financial instruments with variable interest rates		
Financial liabilities	-	-
Other liabilities	47.504	130.423

On 31 December 2019, 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 126 thousand TL (2018: 1.270 thousand TL) lower/higher as a result of interest expenses.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

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

Categories of financial instruments and fair values

The Company 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.

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 2019 and 31 December 2018 are as follows:

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets/(liabilities)				
Derivative financial assets/(liabilities)	-	(2.661)	-	(2.661)
31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets/(liabilities)				
Derivative financial assets/(liabilities)	-	(18.101)	-	(18.101)

INVESTOR INFORMATION

General Information

Reporting Period: 01.01.2019 - 31.12.2019
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

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Financial Data and Company Announcements

Financial statements, auditor reports, annual reports and material event disclosures of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ are available on the Company's website at <http://vesbe.vestelinvestorrelations.com>.

Additionally, requests for information can be submitted to the Investor Relations Directorate of the Vestel Group of Companies via phone and e-mail.

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