VESTEL ELEKTRONİK
2018 ANNUAL REPORT

STEPS FOR THE FUTURE...

ZORLU

VESTEL

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VESTEL SERVING THE WHOLE WORLD...

STRONG AND FIRM STEPS FOR THE FUTURE

With its competencies in manufacturing, R&D and innovation, Vestel is a prominent technology company and a global manufacturer that shapes the market not only in Turkey but also on a global scale. Vestel unwaveringly presses ahead towards its objective of completing the Industry 4.0 transformation and transitioning to fully automated smart factories. The Company also plays a pioneering role in smart city and smart home platforms with its competencies in artificial intelligence software and IoT (Internet of Things) applications.

INTRODUCTION

LEADERSHIP

AS THE SECOND LARGEST MANUFACTURER IN THE EUROPEAN LCD TV MARKET, WE ARE STRENGTHENING OUR POSITION IN THE GLOBAL LEAGUE WITH INVESTMENTS AIMED AT REINFORCING OUR MANUFACTURING POWER. WE AIM TO BUILD A SMARTER FUTURE WITH OUR "SMART LIFE 2030" SUSTAINABILITY VISION.

NET REVENUES TL 15.9 billion

TOTAL EXPORTS USD 2.7 billion

In 2018, Vestel recorded a solid sales performance led by international sales. The Company increased its international revenues strongly by placing more weight on export markets from the second half of the year and increased its total turnover by 31% YoY to TL 15.9 billion.

SUCCESSFUL RESULTS, A RECORD BREAKING NET PROFIT

Vestel recorded a record breaking TL 371 million of net profit in 2018 thanks to strong growth in export revenues and favourable developments in terms of costs. EBITDA reached an all-time high TL 2.3 billion, implying an EBITDA margin of 14.5%.

SUMMARY FINANCIAL AND OPERATIONAL INDICATORS

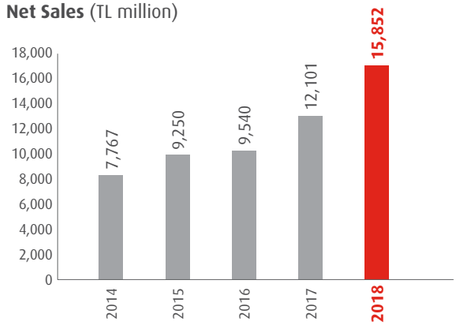
Condensed Income Statement (USD million)	2014	2015	2016	2017	2018
Net Sales	3,550	3,401	3,158	3,317	**3,296**
Exports/Sales	71%	65%	65%	66%	**75%**
Gross Profit	718	720	700	665	**890**
Gross Profit Margin	20%	21%	22%	20%	**27%**
Operating Profit*	207	215	186	137	**384**
Operating Profit Margin*	5.8%	6.3%	5.9%	4.1%	**11.6%**
EBITDA*	331	323	292	238	**479**
EBITDA Margin*	9.3%	9.5%	9.2%	7.2%	**14.5%**
Net Profit	45	22	56	15	**77**
Net Profit Margin	1.3%	0.6%	1.8%	0.5%	**2.3%**

*Excluding other operating income and expense

Condensed Balance Sheet (USD million)	2014	2015	2016	2017	2018
Cash and Cash Equivalents	267	250	359	530	**587**
Trade Receivables	833	952	692	971	**681**
Inventories	743	758	517	781	**544**
Current Assets	2,099	2,149	1,712	2,381	**1,908**
Property, Plant and Equipment	589	526	467	627	**634**
Total Assets	3,157	3,211	2,742	3,671	**3,414**
Short-Term Liabilities	1,973	2,015	1,528	2,711	**2,577**
Long-Term Liabilities	593	655	692	356	**206**
Shareholders' Equity	591	541	523	604	**631**
Net Financial Debt	445	596	520	665	**778**

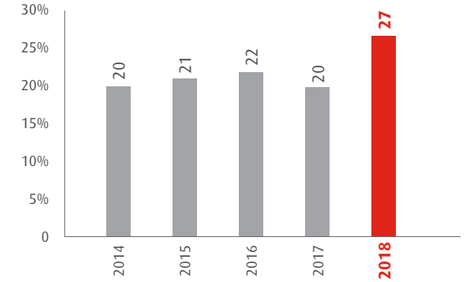
Condensed Cash Flow Statement (USD million)	2014	2015	2016	2017	2018
Cash Flows from Operating Activities	264	44	340	166	**249**
Net Cash Flows from Investing Activities	-199	-204	-243	-265	**-657**
Net Cash Flows from Financing Activities	59	211	94	305	**447**

Net Sales (TL million)



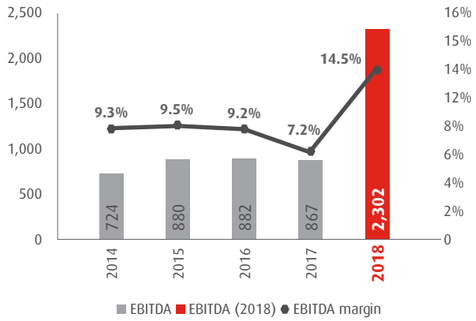
Consolidated sales revenues increased by 31% YoY to TL 15.9 billion in 2018, driven by the strong growth in export revenues.

Gross Profit Margin (%)



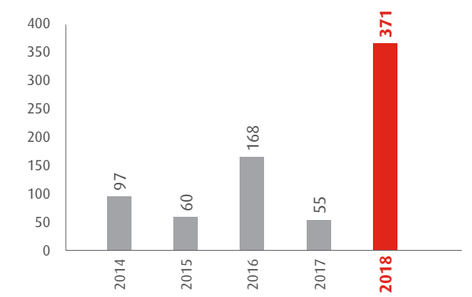
The gross profit margin increased from 20% to 27% thanks to rising profitability in international sales and declining TV panel prices.

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



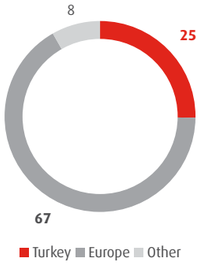
EBITDA surged by 166% YoY to TL 2.3 billion, representing its historically highest value, with the EBITDA margin rising to 14.5%.

Net Profit (TL million)

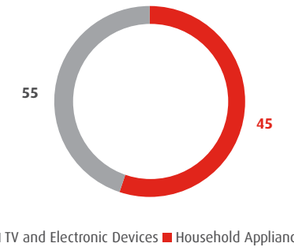


Net profit increased more than sixfold YoY to TL 371 million.

Geographical Distribution of Sales (%) - 2018



Revenue Breakdown by Segment (%) - 2018



SHAREHOLDING STRUCTURE, RATING AND VESTEL SHARES

SHAREHOLDING STRUCTURE

Shareholders	Nominal Value of Shares (TL)	Share in Capital (%)
Zorlu Holding AŞ	216,053,592	64.41
Zorlu Holding AŞ (Free Float)	44,047,711	13.13
Other Shareholders (Free Float)	75,354,971	22.46
Total	**335,456,275**	**100.00**

CORPORATE GOVERNANCE RATING

Sub-categories	Weight	Rating in 2018
Shareholders	0.25	94.89
Public Disclosure and Transparency	0.25	97.93
Stakeholders	0.15	98.09
Board of Directors	0.35	93.09
Total	**1.00**	**95.50**

As a result of the work carried out to improve corporate governance practices, the Company's Corporate Governance Rating, which was 9.49% (94.86%) in 2017, was revised upwards to 9.55% (95.50%) as of 21 February 2018.

VESTEL SHARES

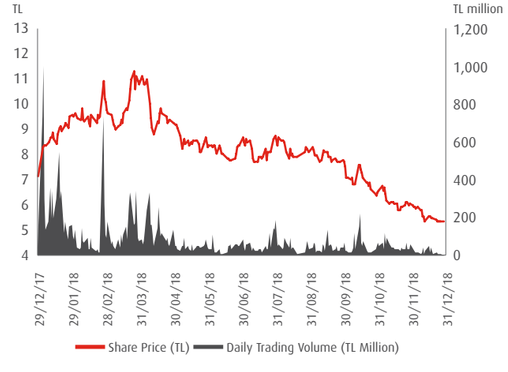
Vestel Elektronik Sanayi ve Ticaret AŞ ("Vestel", "Vestel Elektronik" or "the Company") shares have been trading on Borsa Istanbul ("BIST") under the symbol VESTL since 1990.

Vestel's Global Depository Receipts, which have been traded on the London Stock Exchange since 2000, also commenced trading on the London Over-the-Counter Market (OTC market) from 3 January 2011. The shares of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ("Vestel Beyaz Eşya"), a subsidiary of Vestel Elektronik, have also been trading on Borsa Istanbul under the symbol VESBE since 2006.

Vestel Elektronik was added to the BIST Sustainability Index, which comprises the shares of listed companies on Borsa Istanbul with a high corporate sustainability performance, as of 2 November 2015. Vestel Elektronik, which has been included in the BIST Sustainability Index for three consecutive periods, was deemed eligible for inclusion in the index for the fourth time on 1 November 2018, having maintained its compliance with the index criteria.

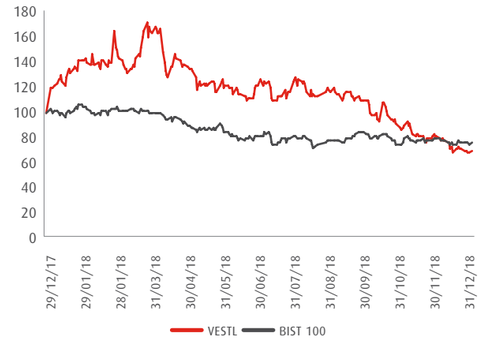
As of the end of 2018, Vestel Elektronik, which is traded on the BIST STAR Market, is included in the BIST 50, BIST 100, BIST 100-30, BIST ALL, BIST STAR, BIST CORPORATE GOVERNANCE, BIST METAL PRODUCTS, MACHINERY, BIST INDUSTRIAL and BIST SUSTAINABILITY indices.

Vestel - Share Price Performance



Vestel Elektronik's share price decreased by 27% in 2018 in line with the fall in the BIST-100 Index. The BIST-100 Index fell by 21% in the same period.

Vestel - Relative Performance



As of 31 December 2018, the Company's market value stood at TL 1,862 million.

Summary Share Price Information for 2018	
Number of Shares	33,545,627,500
Shares in Free Float*	11,940,268,256
Yearly High (TL)	12.23
Yearly Low (TL)	5.50
Year-End Closing Price (TL)	5.55
Market Capitalization* (TL Million)	1,862

*As of 31.12.2018

IN 2018

PERFORMANCE

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

EDISON AWARD

Smart Walking Stick, WeWALK

VACUUM AND FERMENTSTORE TECHNOLOGIES

CES Innovation Award

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

THE TECHNOLOGY SHOW AT THE IFA

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

HIGHLIGHTS OF 2018 AT VESTEL

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

NEW WASHING MACHINE AND TUMBLE DRYER PLANT ENTERS PRODUCTION.

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

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

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

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

VESTEL TO SUPPLY FLIGHT INFORMATION DISPLAY SYSTEMS FOR THE ISTANBUL AIRPORT

Vestel flight information display systems started to be used at the new Istanbul Airport, the first phase of which was opened on 29 October 2018, which will be one of the world's largest airports when completed. Vestel's digital signage solutions were developed specifically for the aviation industry, offering passengers uninterrupted information on flight times, gates and counter information.

At the new airport, the passengers will be able to follow their flights from 1,300 49-inch and 1,850 55-inch information display screens. With their special slim design and long panel life, the display screens provide a viewing angle of 178 degrees. Additionally, specifically designed Vestel Videowalls are placed at operationally critical points at the airport including the joint decision-making center, the call center, car park central monitoring, the AOC meeting room, the data center, the ramp office, the civil administration and civilian governance administration. Videowalls, which can be used in various optional combinations, have an extra-thin frame, a 178-degree viewing angle and Daisy Chain (sequential image transfer) features.

VESTEL ELEKTRONIK AMONG THE TOP 50 COMPANIES IN TERMS OF THE NUMBER OF APPLICATIONS TO THE EUROPEAN PATENT OFFICE

Having made 408 patent applications to the European Patent Office in 2017, one of the largest official organizations in Europe, Vestel Elektronik entered the top 50 list, rising above some of the world's giants, and at the same time, was the only Turkish company listed among the top 100 companies in terms of patent applications.

DOMESTIC COLLABORATION BETWEEN VESTEL AND TURK TELEKOM

Vestel and Türk Telekom signed a collaboration agreement to sell Vestel Venus smartphones with the Vestelcell mobile communication brand using Türk Telekom's infrastructure.

Initially, the collaboration covers the sale of Vestelcell mobile lines with Vestel Venus smartphones in over 1,000 Vestel stores from 2019 with attractive offers and advantages. This will give Vestel the opportunity to offer value added services to customers, while also help reduce Turkey's dependence on imports by creating domestic alternatives in technology.

HIGHLIGHTS OF 2018 AT VESTEL

CERTIFICATE OF APPROVAL FROM VDE FOR RECORD HOLDING VESTEL PRODUCTS

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

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

VESTEL SERVICE ACADEMY PROVES THE QUALITY OF ITS EDUCATION PROGRAMS, WHICH MEETS INTERNATIONAL STANDARDS, WITH THE ISO 29990 CERTIFICATE.

Operating under Vestel Customer Services, the Vestel Service Academy proved that the training it provides to dealers and field employees is at international quality standards, by receiving the "ISO 29990" Certificate.

Being the first entity to receive this certificate in Turkey, Vestel Service Academy aims to set itself apart in customer experience in after-sales services, contribute to the development of our country with the professional progress of its employees and to ensure the continuity of a competent workforce.

The Vestel Service Academy was established within Vestel Customer Services to improve the business competences of around 5,000 technicians and customer representatives, serving Vestel customers throughout Turkey. The Academy is located at Vestel City in Manisa and includes fully-equipped workshops and classrooms which meet educational standards, and operate with specialist instructors.

VESTEL CONTACT CENTER WAS AWARDED THE EN 15838:2009 CUSTOMER RELATIONS MANAGEMENT SYSTEM CERTIFICATE IN RECOGNITION OF ITS SERVICES MEETING EU STANDARDS.

Established at Vestel City in January 2014, the Vestel Contact Center received the EN 15838:2009 Customer Relations Management System Certificate in May 2018, in recognition of its service quality meeting EU standards, after successfully completing a series of challenging audits covering many business processes.

As an EU standard, EN 15838:2009 specifies and regulates the minimum requirements of work in many aspects such as accessibility, workflow and processes, quality, data management, reporting, customer satisfaction and employee satisfaction.

VESTEL CONTINUES TO DEVELOP INNOVATIVE PRODUCTS.

Vestel developed and offered the following products to the market in 2018.

New products in the fields of consumer electronics and LED lighting:

- TVs having embedded conditional access without an electronic card,
- Smart home integrated TVs,
- WCG HDR Hi-bright Ultra HD TVs with borderless screens, ultra-thin mechanical structure and advanced video technology,
- Vestel LED WALL,
- Indoor and outdoor flight information screens,
- Wide screen 1,000 nit digital information displays,
- Low cost 75" UHD digital information displays,
- Large-scale capacitive touchscreen digital information displays,
- 86" digital information screens with touchscreen and industrial panel options,
- High-performance 4.5G tablets with an EMR pen and high resolution screen,
- Vestel LED lighting products for field lighting,
- Industrial high ceiling LED lighting products,
- Interactive personalized smart mirrors.

New products in household appliances:

- The refrigerator with the VacuumBag technology, which allows vacuum packing of delicatessen products in food bags, keeping them fresh for up to 8 times longer,
- The 84 cm double door Bottom Freezer refrigerator with an automatic door opening system using the Voice Control technology,
- The 84 cm double door Top Freezer refrigerator with the new generation No-Frost Multi Cooling system and Pro Drive technology,
- The 84 cm double door Bottom Freezer refrigerator with the new generation No-Frost Multi Cooling system and Pro Drive technology,
- The 70 cm and 76 cm double door Bottom Freezer refrigerators with the new generation No-Frost Multi Cooling system,
- The 54 cm double door Bottom Freezer refrigerator product family with the Less Frost Cooling system,

HIGHLIGHTS OF 2018 AT VESTEL

- The 60x185 cm deep freezer with No-Frost Cooling technology,
- Dishwashers that consume up to 25% less water for entry-level products, thanks to Aquazone, a water saving technology developed by Vestel,
- Dishwashers with the Natural ION Tech technology, which prevents odours emanating from waiting dirty dishes,
- The BrilliART smart dishwasher, offering user-friendly applications with 13 different sensors,
- Dishwashers that consume 20% less energy than A+++ appliances in the built-in product range,
- Record holding washing machines which generate just 38 dBA (decibel) of sound,
- The TwinJet® washing machine with a load capacity of 12 kg,
- The TimeSaver washing machine that can wash an 8 kg laundry in 90 minutes at an A rated energy efficiency with Pyrojet® technology,
- Built-in ovens with homogenous cooking which offer multi-tray (up to 5 trays) or baking independent of rack position, using the brand-new HeatWrap cooking technology,
- The induction cooker offering the highest energy efficiency that can be used safely in kitchens with electrical infrastructure appropriate for appliances using gas,
- The gas cooker consuming up to 20% less gas with high efficiency hobs,
- New generation indoor unit platform aesthetic air conditioning units,
- Record holding air conditioning units, which generate just 51 dBA of sound,
- R32 Terra Inverter series air conditioning units.

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

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

THE 54th PRESIDENTIAL CYCLING TOUR OF TURKEY

Vestel assumed the sponsorship of the 54th Presidential Cycling Tour of Turkey in 2018, which qualified for the "World Tour" category and is the world's only intercontinental cycling race, where world-renowned cyclists and teams compete. Cyclists participating in 20 teams, nine of which are World Tour teams, passed through Vestel City, Vestel's manufacturing base established over an area of 1.1 million m², for the fourth time at the classic stage of the Cycling Tour. Vestel's employees, sector representatives as well as local public witnessed the excitement of the tour with wide participation, in an event that has become a tradition.

HIGHLIGHTS OF 2018 AT VESTEL

AWARDS

CONSUMER SATISFACTION AWARDS

Stevie Awards
In 2018, Vestel Retail Academy (VRA) won three awards at the Stevie International Business Awards, which is the world's only international business award program. The VRA was honoured with a Gold Stevie Award in the "Best Start at Work Orientation Program" with its "Sales Camp Program", and Bronze Stevies in the "Executive Development Program" category with its "Excellence in Retailing Program" and "Sales Training" category with the "Sales Consultants Development Program".

A.C.E. Awards
Vestel won three awards in the A.C.E. (Achievement in Customer Excellence) Awards which measure customer satisfaction across Turkey. As in the past four years, Vestel won first prize in the household appliances and TV categories, and was selected as the "Best Brand Managing Customer Experience" in the categories of household appliances, televisions and mobile phones.

Contact Center World Awards
At the EMEA semi-finals of the Contact Center World Awards held in Berlin, which are among the most prestigious awards in the call center sector, Vestel Customer Services won first prize with its VIRA Project in the "Technology Innovation" category. The VIRA Project, which enables field technicians to carry out all of their transactions through a mobile application from their Venus smartphones, was awarded Gold Prize in the world final of the Contact Center World Awards held in Prague, winning the global first prize for the third time in the category of the "Best Technology Innovation".

EFQM Excellence Awards
Vestel Customer Services applies the EFQM Excellence Model in all of its processes, which has been developed by the European Foundation for Quality Management to ensure sustainable success. In 2018, which was announced as the "year of excellence", Vestel Customer Services was awarded the Aegean Region EFQM Excellence Grand Award at the Search for Excellence Symposium organized by the Turkish Society for Quality (KalDer).

5 Star Certificate of Competence in Excellence
Having signed the National Quality Movement Goodwill Declaration with KalDer in November 2017 and having won the Aegean Region EFQM Excellence Grand Award in May 2018, Vestel Customer Services crowned its success in its quality journey with the "5 Star Certificate of Competence in Excellence" in the 27th Quality Congress Award Ceremony held in November 2018.

KalDer Successful Team of the Year Award
Vestel Customer Services' social responsibility team, Kandela, won the Jury Special Award in the "Successful Teams of the Year" contest held within the scope of 19th Search for Excellence Symposium, with its "Audio Book Project" through which books were put into audio form for visually impaired individuals. Within the scope of the project launched in 2017, a Vestel library was created consisting of books read by Vestel Customer Services employees for the visually impaired, in the digital library of GETEM (Boğaziçi University Visually Impaired Technology and Education Laboratory).

TEGEP Learning and Development Awards
Vestel Retail Academy received the Silver Prize in the "Sales Development Program" category with its "Compass of Excellence" program at the TEGEP (Learning and Development Platform Association) Learning and Development Awards organized for the 4th time in 2018.

HUMAN RESOURCES AWARDS

Stevie Awards
The Vestel Technology Academy was awarded Bronze Prize in the "Human Resources Team of the Year" category at the Stevie Awards, an international business awards program.

TEGEP Learning and Development Awards
With its Technology Academy Project, Vestel was awarded Gold Prize with a record breaking tally of points in the Learning and Development Awards held for the fourth time this year by the TEGEP Learning and Development Platform Association. Receiving the award in the "Best Training and Development Program" category, the Vestel Technology Academy Project was the first project to be selected unanimously by the jury members.

DESIGN AWARDS

AWARDS FOR CONSUMER ELECTRONICS PRODUCTS

Red Dot Design Award
In the Red Dot Design Award 2018, one of the world's most prestigious awards for product design, Vestel won awards for its Borderless TV 65560 and ERA RC43135 remote control designs in the "Product Design" category.

Plus X Award
Vestel won 19 awards at the Plus X Awards. Receiving 18 prizes with six different products in the contest, Vestel was selected as the "Most Innovative Brand" in the "Consumer Electronics" category, winning the most awards.

Plus X Award - High Quality, Design, Ease of Use and Functionality (12 prizes)
NINA TV
Add'on Wallpaper TV
Glass'on Wallpaper TV

Plus X Award - High Quality, Design, Ease of Use (3 prizes)
Venus V5 5.0"

Plus X Award - Design and Ease of Use (2 prizes)
RCA 49140

Plus X Award - Design
DVB 3015

Plus X Award - Most Innovative Brand Award
Consumer Electronics Category

DIA Award
Vestel Envo Electric Vehicle Charger

Design Turkey - Best Design Award
Venus Z30 Smartphone
Venus V6 Smartphone

Good Design - Best Design Award
Venus Z20 Charger
NINA TV
Borderless TV
RC 43140
RC 43135
Glass on OLED Wallpaper Box TV

HIGHLIGHTS OF 2018 AT VESTEL

AWARDS FOR HOUSEHOLD APPLIANCES

Vestel Beyaz Eşya won awards with six of its products (listed below) in the Good Design Award 2018, which is one of the most prestigious international design competitions.

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

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

Superior Design Awards

Refrigerator with VacuumBag Technology

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

Good Design Awards

Intellicare (Smart Jet) Washing Machine

BrilliART (Magic Touch Technology) Dishwasher

Slim Led Touch Built-in Oven with Hot Air Shield Technology

EXPORT AWARD

Turkish Exporters Assembly's Most Successful Export Companies in Turkey Rankings

Vestel has been ranked as Turkey's leading exporter in the Electrical, Electronics and Service sector for the last 21 years according to the Turkish Exporters Assembly's 2018 rankings of Turkey's most successful exporters, announced in 2019.

R&D - AWARDS FOR TECHNOLOGY AND INNOVATION

13th Technology Awards

In the 13th Technology Awards organized jointly by TUSIAD (Turkish Industry & Business Association), the TTGV (Technology Development Foundation of Turkey) and TOBB (The Union of Chambers and Commodity Exchanges of Turkey), Vestel's Smart Walking Stick Project and Waste Paint Recycling and Reuse Project were included in the finals in the "Product" and "Process" categories, respectively. The Company's Waste Paint Recycling and Reuse Project won the "Large-Scale Company Process" Award.

IDC Production Technologies Awards

Vestel Elektronik was handed the Best Project Award in the "Big Data & Analytics" category at the IDC Production Technologies Awards.

The Setup File Management Project aims to carry out the change of models in plastic injection machines on an unmanned basis within the framework of Vestel's "Smart Factory" vision, which will eliminate the parameter setting losses in model changes and automatically load the parameter settings to machines on an order basis.

Edison Awards

Developed jointly by Vestel and the Young Guru Academy, the WeWALK smart walking stick received Gold Prize in the "Health and Good Life" category at Edison Awards, one of the most prestigious awards in the field of innovation.

A culmination of Vestel's R&D and production support, WeWALK offers obstacle detection, telephone integration and an open platform, warning visually impaired users by detecting obstacles such as signboards, poles and tree branches at the chest and head level. Also offering telephone access by connecting to the user's mobile phone via bluetooth, WeWALK allows visually impaired users to receive services such as navigation, and to make calls and answer messages through the walking stick without needing to touch their mobile phones.

MarTech Awards

Organized for the 5th time in 2018, brands adapting technology to marketing in the most creative way were handed MarTech Awards at the Marketing Meetup, which attracted 1,200 applications. Vestel brought pride to our country with its awards in the "Best MarTech Usage" category with its smart walking stick WeWALK.

Turkish Standards Institution Award

Vestel received the award in recognition of its "Participation and Contribution to Standardization Studies" at the Standardization Summit, organized with the joint efforts of the Turkish Standards Institution (TSE) and the Union of Chambers and Commodity Exchanges of Turkey (TOBB) within the scope of World Standards Day. This award recognized Vestel's position as a company that sets the standards rather than follows them, with effective involvement in standardization studies with its effort and resources.

Participating in standardization activities nationwide, Vestel also takes part in the TC108 Committee of the IEC (International Electrotechnical Commission) as the Head of Turkey Representative, which sets world standards for audio and visual devices and undertakes successful studies in the international arena, such as directly contributing to setting the standards.

CES Innovation Award

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

Gamechangers

V Hepyeni, Vestel's new sales application which rewrites the codes of retailing, was handed the award in the "Best Technology Supported Innovation" category at the Gamechangers Contest organized with the joint efforts of GeniusIstanbul.com and Management Center Turkey.

Productivity Project Awards

Vestel Elektronik was handed the Incentive Award with its Energy Conservation By Removing Wave Solder Process in the Electronic Chassis Production Plant Project in the "Large-Scale Enterprise Sustainable Production" category at the Productivity Project Awards organized by the Directorate General for Industry and Productivity of the Ministry of Industry and Technology of the Republic of Turkey.

In the same event, Vestel Beyaz Eşya also won First Prize in the "Large-Scale Enterprise R&D" category with its "Refrigerator Cooling Technology Change Process" study.

HIGHLIGHTS OF 2018 AT VESTEL

AWARDS FOR THE ENVIRONMENT

European Business Awards for the Environment
Representing Turkey for the second time in the European Business Awards for the Environment, Vestel won the award in the "Process" category with its "Waste Paint Recycling and Reusing System" which was designed by the Company under its Smart Life 2030 sustainability vision. Vestel Elektronik also became the first company in Turkey to be awarded in this category.

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

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

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

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

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

COMMUNICATION - MARKETING AWARDS

Kırmızı Awards
In the Kırmızı (Red) Awards Ceremony, an event organised by the Hürriyet newspaper and held for the 15th time in 2018 with the "change" concept, Vestel was handed the Kıpkırmızı (Very Red) Award in the "Best Digital Campaign" category in recognition of its "Viziizle - The World's First Bumper Ad Series" Project. Vestel also won awards in the "Best Digital Advertisement" and "Best Consumer Durables Product Campaign" categories with this project. Also winning the Consumer Durables Product Campaign Success Award with the "Mix&Go Big Gossip from Small Household Appliances" campaign, Vestel won a total of 4 awards in the ceremony.

Crystal Apple Awards
Vestel received four Crystal Apple Awards in the 30th Crystal Apple Festival organized by the Advertisers' Association.

Category: Social Media - Creative Interaction Content
Crystal Apple - I Am Not A Robot
Category: Media/Product and Service - Consumer Durables
Crystal Apple - I Am Not A Robot
Category: Outdoor Poster Billboard/Consumer Durables
Crystal Apple - Regal Dowery Package
Category: Media-Press Electronics and White Goods
Crystal Apple - Regal Dowery Package

Effie Awards
In the Effie Turkey Advertising Event Contest, the world's most challenging and prestigious contest in the field of marketing and communication, organized by the Turkish Association of Advertising Agencies and Advertisers' Association in collaboration with Effie Worldwide Inc., Vestel won the Gold Effie in the "Sustainable Success" category with its "Proudly Domestic" campaign held for consumer durables, in addition to the Bronze Effie in the "Consumer Durables/Small Household Appliances" category with the "Big Gossip from Small Household Appliances" campaign prepared for Mix&Go.

Felis Awards
Vestel won four awards in the 13th Felis Awards in 2018.

Category: Digital Stimulating Ideas
Felis - I Am Not A Robot
Category: Integrated Campaigns - Consumer Durables
Felis - Mother's Day
Category: Integrated Campaigns - Consumer Electronics
Felis - V Hepyeni Subscription Revolution
Category: Film - Consumer Electronics
Felis - V Hepyeni Subscription Revolution

Campaign Agency and Brand of the Year Awards
The Campaign Agency and Brand of the Year Awards, one of the world's most prestigious awards organized for the past 25 years by the Campaign UK and Campaign Asia Pacific, was held in Turkey for the first time in 2018. Vestel was awarded in the "Consumer Durables, Small Household Appliances and Electronics" category. In the context of the assessment of leading brands that set themselves apart in their sectors, Vestel ranked first in its sector, while the world's first bumper ad series, Viziizle, ranked in the top 10 of the "Campaign of the Year" List.

Vestel was a source of pride for Turkey for the 28th time in Berlin.

HIGHLIGHTS OF 2018 AT VESTEL

PARTICIPATION IN TRADE FAIRS

IFA 2018

Vestel participated in IFA Berlin, Europe's largest consumer electronics fair, for the 27th time in September 2018. Vestel showcased 730 products at its 3,800 m² stand, and stood out with its technology, design and environmentally-friendly products. At the fair, Mr. Turan Erdoğan, the CEO of Vestel Group of Companies, made a presentation at the Amazon Keynote event organized by Amazon's Smart Home Vice President, Daniel Rausch, where he talked about Vestel's products, helping to raise awareness of the Vestel brand worldwide.

One of the most prominent technologies that Vestel exhibited at the IFA was the smart home/city ecosystem. Developed by Vestel, the refrigerators, washing machines, dishwashers, air conditioners, cooking appliances and TVs, which were integrated into all ecosystems, were the center of attraction, standing out as products bringing the Internet of Things and artificial intelligence into homes.

At the fair, Vestel presented its smart stand systems with various designs - developed for 65" OLED TVs - which also offer a more user-friendly experience with mobile devices. The 65" OLED TVs start to respond to users when they are placed on the Selette smart stand. Communicating with mobile devices and offering 3D sound, Selette transmits the notifications coming to the user's phone through different forms of LED lighting, the patents of which belong to Vestel. Blatt TV (which is as thin as a poster), Nina TV (offering a home cinema experience) and 8K TV and borderless TVs, which Vestel exhibited at the fair, all reflect the latest technologies in the electronics sector. Vestel's high-end smartphone, the Venus Z30, was also introduced at the fair, standing out both with its technical features and its design, offering shining elegance with its combination of glass and metal.

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

HIGHLIGHTS OF 2018 AT VESTEL

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

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

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

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

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

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

At the IFA, Vestel Ventures promoted the products and services of the technology companies it has invested in. The company exhibited the tea making smart vending machine, the world's first finger-vein reader, the lithium-ion battery technology which increases phone battery life by 20%, the smart city assistant and the web based customer interaction platform at the fair, offering visitors a glimpse of the technologies of the future.

HIGHLIGHTS OF 2018 AT VESTEL

MOBILE WORLD CONGRESS

Vestel participated in the Mobile World Congress (MWC), a global hallmark of mobile technologies, for the fifth time in Barcelona. Following the introduction of the Z10 in 2017, the first high-end model of its Venus branded smartphones, Vestel introduced its new flagship phone, the Venus Z20, in 2018, raising the bar still further.

The Z20, the most advanced device in the Venus series with its software and hardware, which more than meets the expectations from a smartphone, drew attention and appreciation in particular from those who like to snap pictures and take a "selfie".

An exemplary performer in photography, the Venus Z20 offers high quality images with its 16 MP + 5 MP back facing cameras and 8 MP front facing camera with flash. Its dual camera system blurs the background in pictures taken in portrait mode, highlighting the subject with sharper effect. Capturing the moment with PDAF, which provides autofocus on moving objects, the Z20 is capable of recording 1080p HD video at 30 frames per second in 4K quality and 120 frames per second in 1080p HD quality. Furthermore, offering an expanded field of view with its thinner screen frame, the Z20 provides a perfect user experience with its 18:9 configuration, Full HD + IPS, 5.65 inch 1080x2160 resolution display.

Offering eye-catching elegance with its metal frame and Corning Gorilla Glass back glass surface, the Z20 comes in various colour options such as pearl black, mother-of-pearl blue and gold. Other features of the Venus Z20 include IZAT GPS technology, providing improved accuracy for location in indoor and outdoor usage, a built-in FM radio, fast charging and a fingerprint reader. The Venus Z20, which was introduced to enthusiasts of technology for the first time at the fair, was launched in April 2018.

Vestel's investment company, Vestel Ventures, exhibited the Verisun and Pisano, in which it has invested in, at the Vestel stand in the Mobile World Congress held in Barcelona. Verisun's "Smart City Assistant" and Pisano's

web based customer interaction applications attracted attention from visitors.

CES 2018 - THE CONSUMER ELECTRONICS SHOW

Vestel exhibited its latest technological products at the CES (Consumer Electronics Show) 2018 Fair in Las Vegas. Vestel introduced a wide range of products to the world, including smartphones, smart household products, electric vehicle charging units and televisions using the latest technology at the fair, attracting attention from visitors especially with its "Smart Home/City" concept.

As the second largest manufacturer of TVs in the European LCD TV market and the leader in the Turkish TV market, Vestel exhibited its UHD TV and OLED TV products at the CES 2018. UHD TVs with LED display, with a thickness of less than one centimeter, attracted attention with their borderless, ultra narrow frames and ultra-slender back panels. In addition to UHD TVs, Vestel also exhibited its OLED TV, staking its claim in this segment of the TV market, as well as unveiling just how far Turkey's indigenous technology has come. With pixels that can independently adjust their brightness, OLED TV offers real-life brilliance and colours.

Producing screens for commercial and industrial uses, Vestel also presented its digital signage solutions for companies, educational institutions and for large projects such as airports at the CES. Among the products demonstrated, the Vestel 65" IR Touchscreen Information Display supporting Capacitive Touch Solution has a pressure sensitive active pen and a 65" UHD display with OPS PC slot. Long panel life and portrait mode usage are supported exclusively in this series, and the product comes with 24/7 processing support.

Coming with the latest version of the Android operating system, Vestel Venus series smartphones were also exhibited at the fair, standing out with their picture quality, battery life and other outstanding features.

Vestel also exhibited its charging unit for electric vehicles, which is expected to be used widely in the coming period. Able to fully charge an electric car battery in less than 2 hours on average, the product fulfills the need for fast charging.

The Smart Walking Stick WeWALK, developed in Turkey by Vestel engineers and the YGA (Young Guru Academy) to help visually impaired individuals participate in social life freely, also attracted attention at the fair.

IZMIR INTERNATIONAL FAIR

Vestel became the Main Innovation Sponsor of the Izmir International Fair (IIF) at its 87th edition in 2018. In its 741 m² stand, Vestel displayed a wide range of products including state-of-the-art household appliances, televisions, small home appliances, and Turkey's first locally produced smartphone, the Venus.

Designing a colourful atmosphere by organizing various events such as dance shows, flight simulators, digital penalty games and the "Icaros" game played with VR glasses and the Venus Z20 during the fair, Vestel also hosted performances by Nazan Öncel, Ceza, Hey! Douglas and the Venus Sultanlar Voleyball League Venus Girls Dance Team.

ISK-SODEX 2018

Vestel Proje Ortağım exhibited its air conditioning products in its 169 m² stand at the ISK-Sodex 2018 Fair, one of the most important events of its kind in Europe.

At the fair, Vestel showcased the outstanding models of its VRF (Variable Refrigerant Flow) product range including the high-end V5X-series outdoor units, which attracted interest from visitors. The Company also displayed the cassette type air conditioning units, wall-mounted, channel, console and floor/ceiling type indoor air conditioning units, the V5X and V4+K series, the mini VRF outdoor units, mono split air conditioners with A+++ energy efficiency, which can be remotely controlled by mobile devices and computers, as well as its newly introduced multi-inverter air conditioners at the fair.

GAMING ISTANBUL 2018

Vestel hosted thousands of gamers at the Gaming Istanbul 2018 (GIST 2018) International Digital Entertainment and Games Expo, Turkey's first global scale fair in its field.

At its 72 m² event area, Vestel exhibited its products using the latest technology such as the Vestel V-UHD Smart 75UD9650 75-inch LED TV, the Venus Z10, the Decibel K550 headset and the 7-colour Mix & Go series, while gamers were introduced to various games and award-winning competitions.

Vestel offered a 10% discount on televisions, 15% discount on household appliances, 25% on small household appliances, 10% on smartphones and tablets and 20% on phone accessories for those who visited the stand during the event.

STRATEGY

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

GLOBAL MARKET Exports to 155 countries

TURKEY Strong market position

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

A REPUTABLE PLAYER OF THE GLOBAL MARKET

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

CHAIRMAN'S MESSAGE

A YEAR OF CONTINUED MODERATE GLOBAL GROWTH

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

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

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

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

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

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

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

TURKEY'S ECONOMY STARTED TO SLOW DOWN.

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

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

Our new washing machine and tumble dryer plant, the foundations of which were laid in 2017, entered operation in 2018. Established with the Industry 4.0 infrastructure, our new plant carries out production for the whole world.

Ahmet Nazif Zorlu
Chairman of the Board of Directors

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

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

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

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

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

WE BECAME STRONGER IN 2018.

Vestel's strengths and reputation in the global arena improved further in 2018 thanks to its technologies and products, the experiences it offered to consumers in many regions of the world, the interest it attracted in trade fairs and the collaborations it has developed.

As a company pioneering the transformation rather than following it, Vestel focuses on R&D and innovation. The Company continued to compete successfully against the world giants in global markets in 2018.

In 2017, Vestel succeeded in entering the "Top 100 Applicant" list in the top 50, with its 408 patent applications to the European Patent Office. Having overtaken many large companies in the world, Vestel was the only Turkish company to rank among the top 100 companies in terms of patent applications. The Company's applications will be recognized in 38 member countries - including Turkey - and in an additional 6 countries, proving just how far Vestel has come in technology exports.

As the second largest TV manufacturer and one of the five top manufacturers of household appliances in Europe, the investments we have undertaken to reinforce our manufacturing power have further strengthened our

CHAIRMAN'S MESSAGE

position in the world league. Our new washing machine and tumble dryer plant, the foundations of which were laid in 2017, entered operation in 2018. Established with the Industry 4.0 infrastructure, our new plant carries out production for the whole world. In 2018, we also doubled our production capacity in dishwashers with investments in new machinery and production lines. As such, we have not only reached a production capacity which will allow us to more comfortably meet the increasing demand in international markets but also reached a better position with respect to entering potential new markets.

On the other hand, the global collaborations we have established with Toshiba in TVs and with Sharp in household appliances have further strengthened our presence in the European market, vindicating the choice of some of the world's leading brands who selected Vestel as a business partner, as well as ensuring that our competencies in technology, design, R&D and manufacturing are fully accepted on a global scale.

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

With our sustainability approach and environmental focus, we produce televisions with A+ and A++ energy ratings and household appliances, which consume less energy and water, save time and work more quietly. Thanks to the TVs, smartphones and household appliances we have produced using the Internet of Things and artificial intelligence technologies, most of our products are included in the smart home ecosystem and the products with the latest technologies can be commanded by voice or be remotely controlled by smartphones. While working to produce new technologies to make life easier for our customers, which are shaped in line with the changing living conditions, we also develop and add new products to our sustainable product portfolio such as the mercury-free LED lighting, providing energy savings of up to 80%, charging units for electric vehicles and the smart walking stick developed for the visually impaired individuals.

On the other hand, in 2018 we participated in Turkey's Automobile Project Joint Venture Group. With this project, we aim to contribute to the production of Turkey's first indigenous electric car with our infrastructure and long-standing experience and know-how in the electronics sector.

The awards we receive each year in both national and international competitions stand as a clear indication of how the concepts of innovation and sustainability have been reflected to our technology and products.

Our four world record holding products were also certified at the IFA, Europe's largest consumer electronics fair, by the Verband Deutscher Elektrotechniker (VDE), the German independent testing and certification institute, which tests approximately 100,000 products in the world each year, with the VDE confirming that these products were ahead of the competing products in terms of energy and water savings. With these certificates, we have once again registered our technology as well as our care for the environment. As a manufacturer that exports to all parts of the world, to have the high performance and environmental sensitivity of our products confirmed by an independent institution is of tremendous importance for our Company.

Developed together by Vestel and the Young Guru Academy, the smart walking stick - WeWALK - one of the best examples of how technology can be turned into social benefit - was granted Gold Prize in the "Health and Good Life" category at Edison Awards, one of the most prestigious awards in the field of innovation in the US. WeWALK was also awarded in the "Best MarTech Usage" category at the MarTech Awards.

Our refrigerators, using Vacuum and FermentStore technologies, received the Innovation Award at the CES, the world's largest consumer electronics fair, another development which registered our strength in innovation.

Having been included in the BIST Sustainability Index in 2015, Vestel Elektronik qualified for inclusion in the index for the 4th time in a row, proving our success in implementing sustainability.

WE WILL PREPARE THE FUTURE TOGETHER.

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

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

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

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

Yours respectfully,

Ahmet Nazif ZORLU
Chairman of the Board of Directors

Vestel became the Main Innovation Sponsor of the Izmir International Fair at its 87th edition in 2018. In its 741 m² stand, Vestel displayed a wide range of products including the state-of-the-art household appliances, televisions, small home appliances, and Turkey's first locally produced smartphone, the Venus.

BOARD OF DIRECTORS

Ahmet Nazif Zorlu
Chairman

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

Bekir Ağırdır
Vice Chairman

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

Olgun Zorlu
Board Member

(1965 - Trabzon) After graduating from university in the United Kingdom with degrees in Textiles and Business Administration, Mr. Olgun Zorlu began his professional career in 1986. He has started to serve in managerial positions at various Zorlu Group companies in 1988 and 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 Elektronik Sanayi ve Ticaret AŞ, Mr. Zorlu also serves as a Board Member at Zorlu Holding and other Zorlu Group companies.

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 bank's Management Trainee Program in 1999. After working in a number of positions at Denizbank head office, Mrs. 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. Selen Zorlu Melik currently serves as a Board Member in numerous companies within Zorlu Group in addition to being a Board Member at Vestel Elektronik.

Mehmet Emre Zorlu
Board Member

(1984 - Istanbul) Mehmet Emre Zorlu graduated from the Department of Electrical and Electronics Engineering at Koç University in 2006. He graduated with a Master's degree in Innovation and Technology Management from the University of Essex in the UK in 2008 and began working in Vestel Group of Companies in 2009. In addition to serving as a Board Member at Vestel Elektronik, Mehmet Emre Zorlu also sits on the Boards of Zorlu Holding and other Zorlu Group companies. Mr. Zorlu is a member of the Young Businessmen Association of Turkey (TUGIAD) and Endeavor Turkey.

Elmas Melih Araz
Board Member

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

Ayşegül İldeniz
Board Member

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

INTERVIEW WITH THE CEO

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

A number of major developments shook all industries in 2018; namely, the decline in the value of currency, rising interest rates and soaring inflation due to volatility in financial markets in August, and the ensuing pressure on domestic consumption and economic activity which led to a slowdown in industrial production and economic growth especially in the second half of the year.

On the other hand, the movement in exchange rates had a positive impact on exports, with Turkey's export revenues reaching USD 168 billion - the highest ever recorded in the history of the Turkish Republic.

The contraction in the Turkish white goods market, owing to the high base effect of 2017, gained pace from August with the jump in exchange rates and rising interest rates. The temporary SCT (Special Consumption Tax) exemption, introduced in the last two months of the year, had a positive effect on retail sales together with the support of the campaigns carried out while its impact remained limited on wholesales (sell-in), and the domestic white goods market contracted by 17% YoY in 2018. In contrast with declining sales in the domestic market, Turkey's white goods exports grew by 7% YoY as the movement in exchange rates during the year increased the competitiveness of Turkish white goods producers in international markets.

In the Western European market, our major export market, demand for white goods declined by around 1% in 2018, while the growth in exports was mainly driven by the strong growth in the Eastern European market and the increasing competitive clout of Turkish manufacturers.

In 2018, the Turkish TV market contracted by 10% as the movement in exchange rates and the rise in interest rates in the second half of the year and the cut in installment payments for TV purchases from 6 months to 3 months

starting from mid-August put pressure on consumer demand. In international markets, the impact of the World Cup on TV demand in Western Europe, our major export market, remained somewhat weak compared to previous years, and the Turkish TV exports declined by 6% YoY in the January-November period.

In light of the current macroeconomic outlook, we expect domestic demand for white goods to remain relatively subdued in 2019. However, if the SCT (Special Consumption Tax) incentive, which will remain in place until the end of March 2019, is extended throughout the year, we may see a milder-than-expected contraction in the market with a potential recovery in the second half of the year. In the TV segment, the decision to increase the number of payment instalments for TVs priced under TL 3,000 from 3 months to 9 months with effect from January 2019 will positively affect the sales of domestic TV manufacturers in particular.

As for international markets, despite the expectations of a slowdown for the European market, we think 2019 could be another year of strong growth for white goods exports thanks to new businesses in existing markets, entry to potential new markets and the ongoing competitive clout of Turkish manufacturers. In the TV segment, sales are likely to be fairly stagnant in international markets in the absence of any major sporting event during the year.

> Our EBITDA reached an all-time high TL 2.3 billion, with the EBITDA margin rising to 14.5%. Combined with the strong growth in operating profitability, we concluded 2018 with a record-breaking net profit of TL 371 million.
>
> **Enis Turan Erdoğan**
> Chairman of the Executive Committee

HOW WOULD YOU EVALUATE VESTEL'S PERFORMANCE IN 2018 IN TERMS OF OPERATIONAL AND FINANCIAL RESULTS?

We had a very successful year in 2018, both in terms of operational and financial results.

On the whole, we enjoyed a strong sales performance in 2018 led by international sales, and increased our sales revenues by 31% YoY to TL 15.9 billion. We offset the pressure on domestic demand caused by the sharp increase in exchange rates in the second half of the year with an increasing focus on export markets and generated 75% of our total revenues from international markets. As an exporter, we were positively affected by the movement in exchange rates, and increased our export revenues and profitability from international sales significantly. Our EBITDA reached an all-time high TL 2.3 billion, with the EBITDA margin rising to 14.5%. Combined with the strong growth in operating profitability, we concluded 2018 with a record-breaking net profit of TL 371 million.

In both our domestic and international TV operations, we focused on profitability rather than sales growth in 2018. To this end, we focused on the sales of larger screen, upper segment TVs, increasing our average screen size. Although we suffered some market share loss in the domestic market as a result of this strategy, we maintained our market leader position.

In international markets, we were negatively affected by the contraction in demand, particularly in main markets such as Germany and Italy. As far as costs are concerned, TV panel prices followed a declining trend due to new capacities coming on stream in China and the stagnant TV demand in the world, with the exception of a few markets. This had a positive impact on our profitability on both domestic and international sales in the consumer electronics segment.

We also started to see the results of our global collaborations in 2018. Having gained significant pace from the second half of 2017 with the completion of the product lineup, our Toshiba branded TV sales continued their growth with even further pace in 2018. Our collaboration with Toshiba exceeded initial expectations, with the brand reaching its highest ever market shares in some major markets such as the UK, for the first time in its history.

INTERVIEW WITH THE CEO

The concept of Industry 4.0 and the mobility and connectivity technologies constitute an important part of our R&D activities. Integrating IoT (Internet of Things), artificial intelligence and big data technologies into work processes stand out as our other important development points.

In the household appliances segment, our exports to Europe grew at double digit rates supported by the new ODM projects and addition of new customers. In markets outside Europe, which have a relatively small share in our overall exports, we were negatively affected by the economic and geopolitical issues as well as by an increase in customs duties in some countries, particularly in the Middle East and North Africa. Still, we managed to increase our exports at a rate above the average growth in the sector.

As one of the leading manufacturers and brands in the domestic white goods market, we continued to strengthen our presence in 2018. During this process, we were less affected by the contraction in domestic market than the sector in general, managing to increase our market share.

There were also positive developments on the production side in 2018. We completed and commissioned our new washing machine and tumble dryer plant, the foundation of which we had laid in 2017, in the second quarter of the year. We started to produce tumble dryers in our new plant as of May 2018 and washing machines as of the end of June. We realized our first tumble dryer exports in May.

The new plant, which was built with the Industry 4.0 infrastructure, has a production capacity of 750,000 washing machines and 750,000 dryers per annum. With this investment, we added tumble dryers to our product portfolio, completing our product range in the six major household appliances group.

With the new tumble dryer product line, we expect to reach new customers in Europe, which will also support our washing machine sales, the positive impact of which will be seen more clearly on our exports in 2019.

In order to meet the double digit growth in our dishwasher sales in international markets, we also doubled our dishwasher production capacity through gradual investments in 2018. Thus, our total production capacity in white goods had increased to 12 million units per year by the end of 2018. We believe these capacity expansion investments will strongly support out exports in the coming period.

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

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

While digital transformation brings about smart factories on the production side, it also offers consumers a more efficient, easier and more comfortable life with applications such as smart life and smart city.

One of the most important tools of Industry 4.0 is the autonomous robots, which can be placed at various points along the production line. As in 2016 and 2017, Vestel Beyaz Eşya was the company that commissioned the largest number of robotic cells within a year on the basis of both the white goods sector and all sectors in 2018.

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

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

While digital transformation brings about smart factories on the production side, it also offers consumers a more efficient, easier and more comfortable life with applications such as smart life and smart city. Although the very few integrated smart cities have yet to be established in the world, highly successful results have been achieved in energy and water management, traffic solutions, street lighting, health services and home technologies thanks to smart systems.

In 2016, a total of 6.5 billion devices were connected with each other in the world, and this figure increased by approximately 29% in 2017 to 8.4 billion, and is expected to reach 22.5 billion by 2021. Meanwhile, 492 million gesture, mimic and motion sensor-fitted devices are expected to come online by 2020. As new technologies, which will fundamentally change lifestyles and habits, rapidly enter our lives, we continue our R&D and innovation investments and expand our smart life ecosystem with advanced technologies and collaborations in order to offer smarter and more comfortable lifestyles to our customers through our record-breaking, smart the products working with artificial intelligence. Within this framework, we have achieved substantial progress throughout the last couple of years in terms of providing support to startups through our investment company, Vestel Ventures, which we established to support new initiatives. In the IFA 2018, we demonstrated a number of products of the companies which Vestel Ventures has invested in such as the tea making smart vending machine, the world's first finger-vein reader, lithium-ion battery technology which increases the battery life of phone by 20%, the smart city assistant and web-based customer interaction platform.

INTERVIEW WITH THE CEO

Integrating technology, Internet of Things applications and smart devices into daily life and municipality services, our Security Gordon application will break new ground and mark a major step towards our smart city vision.

The impact brought by the combination of the know-how and opportunities of our R&D team, which has created many ground breaking technologies, with the entrepreneurs who have innovative ideas cannot be denied. We attribute tremendous importance to innovative and value added ideas and will continue to support them in the future for adapting to the changing dynamics of the economy and to participate in global social transformation.

Vestel has put its "signature" on the "smart" world of the future, and we are proud of it.

HOW FAR HAVE YOU COME IN YOUR WORK ON ELECTRIC VEHICLES?

We continue to work on new generation smart and electric vehicles. Our R&D projects are progressing on battery and electric vehicle charging units and IoT matters in general.

In 2018, we participated in the joint venture group which was formed to manufacture Turkey's first indigenous electric car. We aim to support this project with our long-established know-how and experience in the electronics sector. Our work is not limited to this project; we continue our research to bring new dimensions to the transformation process of the automotive industry to electric and smart vehicles in the future and as a technology entity we seek to demonstrate our presence in this field.

COULD YOU TALK A LITTLE ABOUT THE SECURITY CORDON PROJECT, WHICH IS A GOOD EXAMPLE OF THE TRANSFORMATION OF TECHNOLOGY TO VALUE ADDED SERVICES AND SMART CITY IMPLEMENTATIONS?

The Security Cordon project, which will be realized with the cooperation of Vestel and Antalya Metropolitan Municipality, is a project where digital transformation will be turned to social benefit. Within this context, the "Endirek" smart city poles - developed by Vestel and working with solar energy - will be installed in Konyaaltı region by the Metropolitan Municipality. The 115 smart poles to be installed in the region will enable children, elderly individuals suffering from ailments such as Alzheimer's and pets to be monitored in terms of location. With the project, which will work with wristbands to be provided upon request, the system will switch to alarm status and transmit information to families through the application in case those under watch step out of the "Security Cordon".

Integrating technology, Internet of Things applications and smart devices into daily life and municipality services, this application will break new ground and mark a major step towards our smart city vision.

The collaboration in artificial intelligence with Amazon, the first example of which was the washing machine which automatically orders detergent and softener, was announced last year. The collaboration was extended with the integration of Alexa - Amazon's smart assistant - into Vestel TVs, another groundbreaking move in the world.

The project will further grow through various collaborations in the coming years. The solar panels over the "Endirek" poles will produce energy, while USB inputs in its body will allow charging of mobile devices. In the following stages of the collaboration, Antalya will strengthen its position in the smart city category with smart screens, smart LED lighting products, electric vehicle charging units, smart transportation and bus stops, and guidance-information displays to be provided by Vestel Proje Ortağım.

VESTEL EXHIBITS ITS TECHNOLOGY EACH YEAR THROUGH ITS PARTICIPATION IN INTERNATIONAL FAIRS. WHICH OF YOUR PRODUCTS STOOD OUT AT THE FAIRS THIS YEAR?

Our record breaking products and products in the smart life - smart home ecosystem were at the center of attraction in the fairs we participated in throughout the year.

We exhibited a wide range of products at the CES (Consumer Electronics Show) 2018 Fair, all showcasing some of the latest state-of-the-art technologies. At the MWC (Mobile World Congress), where we previously introduced the first premium segment device in the Venus series, we this time unveiled the Venus Z20, our flagship model of the brand. We had a lively exhibit with our attractive products at the 87th edition of the Izmir International Fair, in which Vestel was the Main Innovation Sponsor.

In 2018, we displayed our technology once again with a strong and ambitious show with very impressive and interesting exhibits, especially in the IFA Berlin.

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

Besides demonstrating its smart products at the IFA, Vestel also launched its far-reaching projects which were developed with a focus to integrate technology with value added services.

The collaboration in artificial intelligence with Amazon, the first example of which was the washing machine which automatically orders detergent and softener, was announced last year. The collaboration was enhanced with the integration of Alexa - Amazon's smart assistant - into Vestel TVs, another groundbreaking move in the world. With this collaboration, all electronic devices and household appliances included in the smart home ecosystem will be integrated into Vestel televisions and controlled by voice commands thanks to the smart assistant, Alexa, and warnings from the devices will be transmitted to consumers in the form of informative messages from the television screen. As the first step in this collaboration, Toshiba branded televisions produced by Vestel and included in the Alexa ecosystem, were offered for sale in the UK and German markets in 2018. Our goal is to make Vestel TVs the hub of smart homes.

INTERVIEW WITH THE CEO

We use technology with an innovative perspective in all of our work processes and focus on increasing the value we add to social and economic life while minimizing our impact on the environment.

Representing Turkey for the second time at the European Business Awards for the Environment with its "Waste Paint Recycling and Reusing System", Vestel Elektronik was awarded in the "Process" category, becoming the first company in Turkey to receive an award in this category.

In addition to Vestel's latest, premium segment flagship smartphone, the Venus Z30, 8K TVs - offering four times higher resolution than 4K TVs - and ultra thin borderless television models, as well as household appliances attracted attention and appreciation from visitors at the IFA. These products, which were developed to bring ease to the lives of consumers and stand out with their innovative technologies, included the 4-door refrigerator with FermentStore technology, providing ideal fermentation and storage conditions, refrigerators that allow food to be kept for up to 8 times longer by vacuum packing the food with the VacuumBag technology, the Vestel A.I. (Artificial Intelligence) washing machine equipped with the most comprehensive artificial intelligence technology at the fair, the Vestel BrilliART dishwasher with the most state-of-the-art technology in its segment which is able to adjust the washing cycle according to how soiled the laundry is, and the white goods product family, which can be voice activated without requiring an internet connection.

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

HOW IS YOUR SUSTAINABILITY APPROACH REFLECTED TO YOUR ENVIRONMENTAL-FOCUSED PROCESSES AND IMPLEMENTATIONS?

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

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

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

Representing Turkey for the second time at the European Business Awards for the Environment with its "Waste Paint Recycling and Reusing System", Vestel Elektronik was awarded in the "Process" category, becoming the first company in Turkey to receive an award in this category. With the same project, Vestel received the Technology Award in the "Large-Scale Company Process" category in the 13th Technology Awards.

Vestel Elektronik received the Incentive Award with its "Energy Conservation By Removing Wave Solder Process In Electronic Chassis Production Plant" project in the "Large-Scale Enterprises - Sustainable Production" category at the Productivity Project Awards.

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

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

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

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

In the environmental focus of our sustainability approach, we place as much importance to contributing to flora and fauna as we do to not harming them. To this end, walking frame project for animals, which we developed both to utilize recycled materials and to facilitate the lives of our disabled animal friends, serves as a good reflection of our environmental approach.

INTERVIEW WITH THE CEO

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

Within the context of the project, parts separated from products which had completed their economic life at the Vestel Beyaz Eşya Renovation Center, were used to make walking frames for disabled animals. This helped give disabled animals at the Manisa Animal Shelter the ability to walk. The project has initially been carried out with Manisa Metropolitan Municipality, and Vestel plans to support disabled animals in all official municipal shelters throughout Turkey in the latter stages.

Our sustainability performance was officially recognized with Vestel Elektronik's inclusion in the BIST Sustainability Index for the 4th consecutive time, while Vestel Beyaz Eşya was voluntarily included in the BIST Sustainability Index for the 3rd time in a row.

COULD TALK A LITTLE ABOUT YOUR FUTURE EXPECTATIONS?

2019 is likely to be a year of increasing protectionism in the world and slowing growth in the global economy.

Given this, we carefully review our sales strategies in both domestic and international markets.

We believe that our innovative and constantly developing products will give us an advantage in overcoming the expected contraction in domestic demand next year while we will seek new markets and new collaborations in export markets. Vestel will maintain its export-oriented growth in 2019 with its wide range of products reflecting innovative technologies and increased production capacity in household appliances.

The tightening financial conditions and declining access to finance on a global basis will further increase the importance of liquidity and working capital management in 2019. We will therefore be in an advantageous position as we have completed our large capacity investments in 2018.

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

We integrate all kinds of technologies into our products to improve the comfort of consumers. In the coming period, we will create new business models by stepping up the digital transformation of our services offered under the Smart Home, Smart City and Internet of Things concepts. Vestel has all the competencies necessary to rank among the global companies which will shape the future, and will continue to stake its claim with its future successes.

Vestel will maintain its export-oriented growth in 2019 with its wide range of products reflecting innovative technologies and increased production capacity in household appliances.

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

Bekir Cem Köksal
Executive Committee Member

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

Necmi Kavuşturan
Executive Committee Member

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

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 Certificate from the UC Berkeley, University of California, in 2006. Alp Dayı has served as a senior manager in charge of 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.

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

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

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

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

Seda Kaya
General Manager in Charge of International Sales at Vestel Ticaret AŞ

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

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

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

Ali Tarkan Tekcan
General Manager in Charge of Customer Services at Vestel Ticaret AŞ

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

INNOVATION

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

INDUSTRY 4.0 A Pioneer of the Digital Transformation

R&D A Team of 1,600 People

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

TOWARDS A SMART LIFE

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

VESTEL: A TECHNOLOGY GIANT, A GLOBAL PRODUCER...

Standing out with its competencies in manufacturing, R&D and innovation, Vestel is a prominent technology company and a global producer, which shapes the market not only in Turkey but also on a global scale.

Standing out with its competencies in manufacturing, R&D and innovation, Vestel is a prominent technology company and a global producer, which shapes the market not only in Turkey but also on a global scale.

Vestel operates in the following areas;

- Consumer electronics,
- Household appliances,
- Digital and mobile products.

Vestel is a global group of companies, which consists of 28 companies in total, 18 of which are located abroad. With more than 16,000 employees, production capability built on advanced technology and its contribution to the nation's exports, Vestel represents an important source of power for the Turkish economy.

One of the world's leading ODM (Original Design Manufacturer) providers in consumer electronics and household appliances, Vestel is the second largest TV producer and one of the top five white goods manufacturers in Europe. A strong and well-known brand at home, Vestel is also the leading player in the Turkish TV market and one of top three players in the Turkish white goods market. Vestel is also one of the most widely recognized brands in Turkey.

Vestel's manufacturing facilities are located in Manisa. Established over a 1.1 million m² of area in Manisa, Vestel City is one of Europe's largest industrial manufacturing complexes operating in a single location. The new washing machine and tumble dryer plant, the foundation of which was laid in 2017, entered operation in Vestel City in 2018. With an indoor area of 66,000 m², the new plant boasts a production capacity of 750,000 washing machines and 750,000 tumble dryers per year.

Vestel, a prominent technology company both in Turkey and in the world, is working unabatedly to complete its Industry 4.0 transformation and transition to fully automated smart factories. Vestel is also playing a pioneering role in smart city and smart home platforms with its competencies in artificial intelligence software and IoT (Internet of Things).

Apart from operating as an ODM provider in international markets, Vestel also carries out branded product sales through the well-known regional brands it has acquired and the global brands held under the brand licensing agreements. Vestel's partnerships with Sharp in household appliances and Toshiba in TVs under brand licensing agreements further strengthen its position in the European market.

Vestel reaches a wide consumer base through the "multi-brand and multi-channel strategy" which it pursues in the domestic market. The Company boasts one of Turkey's most extensive sales and after-sales service networks and also attracts attention with its strong retailer identity.

Vestel appeals to different consumer tastes in 155 countries with its wide range of products which reflect its competencies in technological development, design and product customization. Accounting for 90% of Turkey's TV exports and 30% of the nation's white goods exports, Vestel has been an unwavering export leader in the Turkish electronics sector for the past 21 years.

VESTEL'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
- Industry 4.0 Transformation

VESTEL'S MAIN STRENGTHS

INNOVATION

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

ECONOMIES OF SCALE, FLEXIBILITY IN PRODUCTION AND PRODUCT CUSTOMIZATION

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

CUSTOMER COMMITMENT

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

COST ADVANTAGES

- Benefiting from economies of scale in procurements, especially in the purchase of components, which represents the most important cost factor, with its strong position as a large-scale manufacturer,
- The efficiency, effectiveness and cost advantages brought about by manufacturing under a single roof at Vestel City, one of the largest production complexes in Europe established in a single location,
- Logistical advantages in exports compared to Far Eastern competitors thanks to proximity of production facilities to the European market,
- The existence of a well-developed supplier base in Manisa especially for household appliances and the cost advantages in terms of distribution and logistics, facilitated by Vestel City's proximity to Izmir port and the Company's suppliers,
- Lower unit labor costs compared to European manufacturers,

- Newer and more modern production facilities than European manufacturers,
- The import tax advantage in exporting to countries with which Turkey has a Free Trade Agreement over the manufacturers of countries which do not have such an agreement.

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 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,
- Investments in new technologies and extensive technological know-how in household appliances, TVs and mobile devices.

Vestel Elektronik has been working on the Industry 4.0 transformation for more than four years.

THE INDUSTRY 4.0 TRANSFORMATION

The adaptation to Industry 4.0 is one of the most important agenda items for industrial giants around the world. The transition to Industry 4.0 is essential for all companies operating in the manufacturing sector to maintain their competitive power. Companies that fail to complete this transformation will lose their competitiveness in global markets, which renders the Industry 4.0 transformation crucial for companies that seek to sustain their competitive advantages, profitability and continuity.

INDUSTRY 4.0 WORK AT VESTEL ELEKTRONİK

Vestel Elektronik has been working on the Industry 4.0 transformation for more than four years. Teams composed of specialist in-house engineers endeavour to successfully apply the digital transformation vision in all processes from suppliers to customers, in addition to digitalizing existing processes and adding new processes. These teams undertake studies in the areas of vertical/horizontal value chain integration, artificial intelligence software, IoT technologies, lights-out factory applications, automation (robot, Cobot -collaborative robot), 3D printing (additive manufacturing), AGV (Automated Guided Vehicle) and SDV (Self-Driving Vehicle) applications.

This transformation, which will require a significant investment, will accelerate Vestel Elektronik's innovation process and technological adaptation. As factories become smarter, all processes will be connected to each other from the beginning to the end, losses will be reduced significantly, production lines will operate in a more agile and coordinated manner and customer requests will be met more promptly.

Increasing the level of automation in manufacturing is a key element of Industry 4.0. Vestel Elektronik maintains its efforts in this regard with strong motivation. For instance, the Company's smartphones are manufactured on production lines that incorporate state-of-the-art robots and software. Quality control systems are in place at every stage of these production lines in order to ensure high quality products. Some of these lines include test equipment with advanced image processing technology. With this equipment, product quality can be monitored in a matter of milliseconds by taking photographs of the product. Efforts also continue for the design and manufacture of advanced level smart test machines and software. Production KPIs (Key Performance Indicators) can be monitored remotely with apps that can be downloaded to Vestel Venus smartphones. There are also ongoing efforts to integrate artificial intelligence applications.

VESTEL'S MAIN STRENGTHS

> Vestel moved towards this concept in some sections of its plastic injection plant during 2016 and continued to expand this application to other areas in 2017 and 2018.

"Lights-out manufacturing" represents the world's most advanced level of factory automation. In the lights-out factories of the future, there will be no need for lighting or heating, because all processes including production, storage and transportation will be entirely automated. Vestel moved towards this concept in some sections of its plastic injection plant during 2016 and continued to expand this application to other areas in 2017 and 2018. Under this concept, the process has become entirely automated and is controlled remotely.

During the Industry 4.0 transformation, the "Machine to Machine" Connectivity technology, which has been used at the Company's electronic card factory for years, is further strengthened with artificial intelligence software. By analyzing Big Data using its own software, Vestel is focused on preventing potential losses in processes before they occur. The Company implements smart and predictive maintenance through sensors placed at critical points of the machinery. Machine maintenance is carried out with a minimum of stoppages and in the most optimal time by running highly advanced predictive algorithms. Having been implementing TPM (Total Productive Maintenance) activities for many years, Vestel has a great advantage in adapting to Industry 4.0. 3D printing, also known as additive manufacturing technology, was integrated into the Company's prototyping processes at the beginning of the 2000s. The prototype of a design created in line with the customer specifications can be produced in less than 24 hours and put through testing processes, dramatically speeding up Vestel's order fulfilment process.

Within the context of Industry 4.0 technologies, Vestel attributes great importance to collaborative robot technology and applications. Cobots (Collaborative Robots) working in cooperation with the operators in manufacturing speed up the production processes as well as increase efficiency and reduce costs. In addition to robotic automation in production lines, automated guided vehicles are used in the transportation of most materials. Efforts are underway to extend the use of such vehicles to all transportation processes.

> With the digital transformation, which we call Vestel 4.0, we aim to have a "Smart Factory". In a Smart Factory, all processes will be managed by artificial intelligence software.

All of these technologies, which are deployed in the manufacturing of TVs, ensure that the production lines, which produce 850 different models per month with a high degree of flexibility, work with a minimum cost and high level of efficiency. The performance of robots used in production can be monitored through remote access. As one of the first companies to adopt SAP ERP (Enterprise Resource Planning) in Turkey and to use it on a wide scale, Vestel has long employed monitoring and control systems in its production processes. The Horizontal/ Vertical Integration, an advanced version of these systems, is one of the technologies of the Industry 4.0. Efforts continue to digitize all processes from placing an order with the suppliers to the dispatch of materials, conversion of materials into products and delivery of products to customers.

The Manufacturing Execution System (MES) is an important part of the horizontal integration in terms of production management. Vestel is the first company to use the ME module of SAP's MES system (SAP Manufacturing Execution System) in Turkey. This module has paved the way for instantaneous monitoring of all manufacturing operations in a digital environment and has considerably shortened the decision making process. For instance, with the project commissioned in the plastic parts production facility it became possible to track production and the Model Change Parameter Management System was created under the heading of Big Data & Analytics. This system simplified the monitoring of complex structures and enabled the setup settings to be performed on an unmanned basis during model change.

With the digital transformation, which we call VESTEL 4.0, we aim to have a "Smart Factory". In a Smart Factory, all processes will be managed by artificial intelligence software. With Industry 4.0 transformation, the profile of the Company's human resources will also change, where workers doing manual work will be replaced by qualified employees who are capable of designing, developing and controlling manufacturing processes.

In addition to achieving increased levels of productivity and substantial cost savings in manufacturing, the Industry 4.0 transformation will also help maximize customer satisfaction. These will enable Vestel to offer higher value-added products to the market and further advance its competitive power on a global scale. Vestel is determined to ensure that Vestel City will be the first production facility to realize this transformation in Turkey.

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.

VESTEL'S MAIN STRENGTHS

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

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

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

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

To achieve unmanned and remotely controlled in-plant transportation, Vestel Beyaz Eşya is switching from the methods of line, metal or magnetic tracking on the ground to systems that can be entirely managed by

Vestel Beyaz Eşya has maintained its leading position as the company to have commissioned the most robotic cells, both in the white goods sector and across all sectors in 2018.

mobile communication and special navigation systems. All automatically guided vehicles used at Vestel Beyaz Eşya's seven production plants can be controlled simultaneously by a single piece of traffic software in what is the first development of its kind in Turkey, both in the white goods sector and indeed in any sector, in terms of number and function.

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

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

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

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

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

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

VESTEL'S MAIN STRENGTHS

Vestel Beyaz Eşya has recently realized various automation projects including laser technologies, cutting, winding, labelling, packaging and axis robot applications.

next few years by establishing an infrastructure where machines and robots communicate with each other, and then to integrate the whole internal ecosystem with its suppliers.

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

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

VESTEL'S MANUFACTURING POWER: VESTEL CITY

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

Officially opened in 2003, Vestel City, established over an area of 1.1 million m², is one of the largest manufacturing complexes in Europe operating in a single location.

Vestel's mega factory - Vestel City - was featured in the "Mega Factories" documentary series on the National Geographic Channel. Vestel was the world's first electronics and household appliances company and Turkey's first brand and industrial facility to appear in the documentary series, which features some of the world's most famous brands. In 2016, Vestel was featured in the popular "How Do They Do It?" program on the Discovery Channel, where it showcased its expertise in the production of LED TVs. The show covered all aspects of the LED TV production process at Vestel City.

EXCELLENCE AWARDS AND FACILITIES ORIENTED TOWARDS SUSTAINABILITY

Within the scope of the Excellence Awards handed out by the Japanese Institute of Plant Maintenance ("JIPM") to companies which best implement the Total Productive Maintenance (TPM) practices in the world, Vestel Elektronik won the "Award for TPM Excellence" in 2013 for its TPM practices in 2012 and the "Award for Excellence in Consistent TPM Commitment" in 2014. Having successfully passed the preliminary evaluations, the Company also became the first TV producer to receive the "Special Award for TPM Achievement" in TV manufacturing in 2017. Initiating studies for the "Advanced Special Award for TPM Achievement" in 2017, Vestel Elektronik completed its work to receive the award in 2018, and successfully passed the assessment. According to the official announcement made in January 2019, the Company was handed the "Advanced Special Award for TPM Achievement".

After receiving the "TPM Excellence Award" in 2014, Vestel Beyaz Eşya won the "Award for Excellence in Consistent TPM Commitment" in 2017. With this accomplishment, Vestel Beyaz Eşya became the first and only household appliances company in the world to receive this award simultaneously for all of its six production plants.

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 holds the ISO 14001 Environmental Management System, ISO 50001 Energy Management System and ISO 14064 Greenhouse Gases Management System Certificates. Additionally, Vestel Beyaz Eşya received the ISO 14046 Water Footprint Approval Certificate, serving as a pioneer in its industry.

In addition to manufacturing products which offer high energy and water efficiency, Vestel also places great importance on the efficient use of energy and water in its production processes. Over the last 10 years, the Company has managed to cut its water consumption in white goods production by 57% per unit product despite an 80% increase in its production volume.

VESTEL SERVING THE WHOLE WORLD...

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

VESTEL IN TURKEY

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

Domestic Sales Network

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

After-Sales Services

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

155	10	2,750	1,133
Number of Vestel’s Export Markets	**10 Foreign Trade Companies in Europe**	**Number of Stores and Sales Points Abroad**	**Vestel Stores in Domestic Market**
Vestel recorded TL 12.8 billion (USD 2.7 billion) of international revenues in 2018.	In Europe, Vestel carries out its sales activities through the foreign trade companies operating in 10 countries.		

VESTEL’S GLOBAL OPERATION NETWORK

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

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

Vestel City Manisa

Vestel’s Export Markets

Vestel’s Foreign Trade Companies

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

VESTEL'S STRATEGY AND REALIZATIONS IN 2018

MAIN STRATEGY

To achieve profitable growth by investing in core businesses as well as in new business areas which offer high growth potential

STRATEGIES	REALIZATIONS
Increasing Market Diversity	
To grow in markets other than Europe, which is Vestel's main export market	Increasing the number of export destinations to a total of 155 countries
To evaluate different market entry strategies for these markets, such as acquisitions, partnerships, greenfield investments and contract manufacturing	Entry into new markets in these regions in line with the goal of increasing sales in the Middle East, Africa and Asia regions Growth in sales to Africa, Eastern Europe and Sub-Saharan regions
Increasing Customer and Product Diversity	
To increase the share of mid- and high-end products in total sales To increase the number of A-brand clients to which ODM service is provided	Increase in the share of larger screen and UHD TVs in total production and sales, growth in average screen size in both domestic and international sales, introduction of new TVs featuring Quantum Colour Palette, HDR (High Dynamic Range) and High Brightness technologies, launching OLED TV and 190 cm 4K TV; promotion of borderless TVs and 8K TVs with 7680 x 4320 resolution, which provide 4 times more detail than 4K TVs and 16 times more detail than FHD TVs on international platforms Gaining new A-brand customers in the household appliances segment in line with the Company's increasing competitive clout in the European market Addition of tumble dryers to white goods product range with the completion of the new plant investment and completion of the product range in six major household appliances

STRATEGIES	REALIZATIONS
Increasing Customer and Product Diversity	
To increase market share by expanding product diversity: To increase sales of higher margin premium and larger screen TVs, which feature the latest display technologies, in the consumer electronics segment; to broaden and enrich the existing product line and increase sales of built-in products in the European market by acquiring new customers in the kitchen manufacturers' channel in the household appliances segment To capture a higher share of the increasing "outsourcing" trend, especially among the A-brand customers To maximize customer satisfaction through continuous improvements in energy efficiency, water saving and the Internet of Things applications and meeting market expectations in the best possible way with the existing products	New generation products in white goods: Developing products that break records with their energy efficiency, quietness and low water consumption • The record holding dishwasher which produces just 36 dBA (decibels) of sound with the extra silent option, • The energy record holder (A ++) dishwasher in the 45 cm entry level, • The built-in dishwasher product range which consumes 20% less energy than A +++ products, • The refrigerator with the VacuumBag technology, which allows vacuum packing of delicatessen products in food bags, where food stays fresh up to 8 times longer, • The 84 cm double door Bottom Freezer refrigerator with automatic door opening system with the Voice Activated technology, • The 84 cm double door Top Freezer and Bottom Freezer refrigerators with the new generation No-Frost Multi Cooling system and Pro Drive technology, • The 70 cm and 76 cm double door Bottom Freezer refrigerators with the new generation No-Frost Multi Cooling system, • The 54 cm double door Bottom Freezer refrigerator product family which uses the Less Frost Cooling system, • The 60x185 cm Deep Freezer with No-Frost cooling technology, • Dishwashers which consume up to 25% less water for entry-level products, thanks to Aquazone, a water saving technology developed by Vestel, • Dishwashers with the Natural ION Tech technology, which prevents odours emanating from waiting dirty dishes, • The BrilliART smart dishwasher, offering user-friendly applications with 13 different sensors, • Dishwashers that consume 20% less energy than A+++ appliances in the built-in product range, • Record holding washing machines producing just 39 dBA of sound, • The HydroBoost® washing machine, which allows detergent to penetrate effectively into the laundry by spraying the laundry with the water and detergent mixture from 14 different points, • The HydroCharge® washing machine, which significantly reduces the consumption of detergent, • The washing machine with artificial intelligence, • The TwinJet® washing machine with a load capacity of 12 kg, • The Silent washing machine family which produces just 44 dBA of sound, • The smart washing machine that can automatically order detergent/softener, which was produced in collaboration with Amazon, • Built-in ovens with homogenous cooking capability with multi-tray (up to 5 trays) or independent of rack position with the brand-new cooking HeatWrap technology, • The induction cooker with the highest energy efficiency that can be used safely in kitchens with electrical infrastructure suitable for gas products, • The gas cooker, which provides up to 20% of energy savings with its highly efficient hobs, • Doors with the Soft Close/Soft Open feature in built-in ovens, • Super-silent air conditioner.

VESTEL'S STRATEGY AND REALIZATIONS IN 2018

STRATEGIES	REALIZATIONS
Branded Growth	
To increase market share in the domestic market by strengthening the brand image and distribution and sales network and by improving the quality of after-sales services	Building on the successful sales and marketing initiative launched with the "Turkey is Vestelized" campaign with the "Proudly Domestic" campaign; strengthening the dealer network; advancing the promise of creating a distinguished customer experience by going beyond standard services in customer and after-sales services
To strengthen position in the European market and increase branded product sales through the well-known regional brands in the Company's portfolio and with the support of global brands held under the brand licensing agreements	Maintaining the leadership position in the Turkish TV market
To accelerate branded sales growth by capitalizing on new brand licensing partnerships for Europe and other markets	As part of the strategy to increase branded product sales abroad, signing brand licensing agreements with Sharp in household appliances and with Toshiba in the TV segment, and achieving strong growth in the household appliances and TV sales to Europe under these agreements
To strengthen market position in the surrounding region by developing operations in those countries	
Capturing Market Share by Investing in Developing Areas of Use and Innovative Products	
To develop new products in electronics, digital and IT segments which employ similar technology with Vestel's existing products but which are intended for different uses	Development and launch of the new series of Venus (V5, E and Z series), Turkey's first smartphone, commencing pre-sales of electric vehicle charging units, development of the smart walking stick, WeWALK, and preparing it for mass production, and development of the Smart City Technology Platform The investment of Vestel Ventures Ar-Ge AŞ, which was established to invest in and to support innovative ideas and projects such as the Internet of Things, mobile projects and electronic devices, in the areas of energy, healthcare, bioplastics, the mobile app, AR/VR technology, smart city and customer services

NEXT STEP

Generating and analyzing big data through the Vestel Cloud and using artificial intelligence to uncover useful information from this data, the Internet of Things, smart products, smart homes, smart cities, augmented reality and 5G technologies, autonomous and robotic solutions, commercializing wearable technologies, medical electronics, automotive electronics, battery and energy storage systems

ZORLU GROUP

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

TEXTILE

Korteks

Zorluteks

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

ENERGY

Zorlu Energy Group

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

CONSUMER ELECTRONICS, HOUSEHOLD APPLIANCES AND DIGITAL PRODUCTS

Vestel

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

REAL ESTATE

Zorlu Real Estate Development and Investment

- Established in 2006 to develop, sell, lease and/or operate high quality housing, office space, business centers, shopping malls, hospitals, hotels or mixed-use real estate projects on valuable plots both in Turkey and abroad.
- Standing out as Turkey's first mixed-use project with five functions, Zorlu Center is home to a Performing Arts Center, a shopping mall, a hotel (Raffles Istanbul Zorlu Center), offices and residential space. Zorlu Center commenced full operation in all of its functions in 2014.
- Located on the Büyükdere Avenue, Levent 199 was opened to service as an A+ office building in the third quarter of 2014. The building has a gross leasable area of 40,000 m^2.

MINING - METALLURGY

Meta Nickel Cobalt Mining (META)

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

Gördes Nickel Cobalt Plant

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

VESTEL R&D: THE CODES OF THE FUTURE...

Vestel formulates its strategies with a determination to sustain its corporate growth and increase its share in global markets through intensive R&D efforts.

THE VESTEL R&D CENTER

R&D is the most distinct competitive advantage which can carry Vestel forward. Further strengthening its competencies in industrial design, innovative product development and software through the studies and investments undertaken for the Industry 4.0 transformation, Vestel formulates its strategies with determination to sustain its corporate growth and increase its share in world markets through intensive R&D efforts.

Formulating its long-term strategies with an awareness that having the ability to transform scientific and technological findings into economic and social benefits (innovation) is essential for maintaining its position in today's competitive global environment, Vestel invests in knowledge and technology at its R&D centers in different locations in order to offer value added and innovative products to world markets, and differentiates itself with its design and test infrastructure which rapidly adapt to the changing technology. Technological developments are closely followed at Vestel's R&D units while the Company also directly contributes to the development of new technologies.

Vestel was one of the first companies in Turkey to have been accredited by the Republic of Turkey Ministry of Science, Industry and Technology as an "R&D Centre" within the framework of Law No. 5746.

Vestel allocates approximately 2% of its sales revenues to R&D investments each year, and is one of the Turkish companies with the highest R&D spending.

Vestel expands its R&D units in line with its growth targets and has more than 1,600 R&D staff as of the end of 2018, which are all qualified and experts in their fields.

Vestel's R&D units have established strong collaborations with numerous national and international institutions and organizations and with universities in particular.

Deriving its manufacturing power from its R&D activities, Vestel reflects the technologies which can be productized to its products by utilizing smart and advanced technologies, which support the automation of production together with the Industry 4.0 transformation.

Vestel has four R&D Centers which are accredited in accordance with Law No. 5746.

- R&D Center 1: Electronics High-End
- R&D Center 2: Electronics Center
- R&D Center 3: Electronics Digital Devices
- R&D Center 4: Household Appliances

Vestel has more than 1,600 R&D staff as of the end of 2018, which are all qualified and experts in their fields.

VESTEL R&D: THE CODES OF THE FUTURE...

Other Vestel Elektronik R&D Centers located in Turkey and abroad include:

- Istanbul ITU Teknokent Vestek, where developmental studies for Smart TV, Hotel TV, Digital Signage and smartphone camera applications and related image processing algorithms are carried out, along with application and server software development studies for TV interaction,
- Bristol (UK) Cabot Communications Ltd., which develops middleware applications for digital broadcasts (DVB-T/T2, C, S/S2) and interactive software designs for Smart TVs and Connected TVs,
- The Shenzhen (China) R&D office, which mainly undertakes component approvals,
- Technopark R&D Office at Manisa Celal Bayar University which hosts IoT activities,
- Vestel Shanghai R&D Office, which performs studies for mobile phones.

Vestel Savunma Sanayi AŞ and Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ, which are associate companies of Vestel Elektronik, are also certified as R&D Centers within the context of Law No.5746.

ELECTRONICS R&D

In 2018, the latest trends in display technologies included high brightness, high contrast, high resolution, high colour gamut, ultra-slim structure, bezel-free design, 8K, Local Dimming, Quantum Dot, OLED, 50 Hz MEMC (Motion Estimation-Motion Compensation), LED Display and HDR (High Dynamic Range) technologies. Actively conducting studies in these areas, Vestel Elektronik increases the user comfort with the newest TV user interface design including fast interaction and voice control support offered in new generation TVs. The Company also undertakes local product design and production to increase exports with products which have innovative features such as integration with Netflix 5.0, world's most used video watching service, improved voice and picture quality and low carbon footprint.

Smart solutions gain importance with the development of the internet and wireless communication systems. Against such a backdrop, different uses of smart applications such as Smartphone, Smart Home, Smart Factories and Smart Cities stand out. Household appliances manufactured by Vestel have been successfully integrated with the

Household appliances manufactured by Vestel have been successfully integrated with the Smart Home concept.

Vestel introduced its high-end Venus Z20 smartphone to the market, and exhibited the Venus Z30 in leading fairs in 2018.

Smart Home concept. In this regard, Vestel has created smart home systems including air conditioners, ovens, refrigerators, dishwashers and washing machines which can be controlled by Vestel Smart TVs, tablets and smartphones. Such solutions are ready to be offered as a kit to end-users or available for B2B sales in partnership with construction companies.

The Company has integrated its product portfolio of smart devices based on a Smart TV infrastructure with the Vestel Cloud and takes its current smart platform one step further with the Internet of Things applications. Sensor technologies, wearable technologies, automation practices and control systems within the smart factory concept are among the areas of focus for the Company. In an environment marked by the advancing concept of the Smart Connected World, smart factories and smart factory components are of crucial importance for Vestel Elektronik, which draws its power from manufacturing.

As the culmination of two years of R&D efforts, the Venus was launched in 2014 as a locally-designed and manufactured smartphone and attracted a great deal of interest in the market. The 41 design awards which Venus models have won so far in national and international competitions confirm Vestel Elektronik's achievements in this area. Given the rapid evolution in mobile technologies, Vestel directs its R&D efforts towards developing Vestel-branded tablets and smartphones with new features as rapidly as possible. Producing Turkey's first domestic smartphone and capturing a notable market share in the space of just three years, Vestel Elektronik introduced its high-end Venus Z20 smartphone to the market, and exhibited the Venus Z30 in leading fairs in 2018. The Venus V5 won the High Quality, Design and Ease of Use awards in the 2018 Plus X Awards. Meanwhile, the Venus Z30 received the "Good Design" award at Design Turkey 2018.

The production of electronic cards, power cards and control cards used in the consumer electronics products and household appliances manufactured by Vestel Elektronik as well as the software for the integration of these products into the smart home network and the domestic design of energy saving and low cost smart products within the sustainable product range continued in 2018, eliminating the dependency on external sources of supply. In addition, R&D studies are underway for the development of automation and quality-enhancing systems.

The Company's know-how and experience in power electronics form the basis of the R&D activities for the design of electric vehicle charging units and charging unit management systems. In addition to these studies, pioneering R&D work is underway in the areas of photovoltaic cells, energy transformation and storage systems, 5G, automotive electronics, wearable technologies and telecommunications.

VESTEL R&D: THE CODES OF THE FUTURE...

Vestel R&D Test Laboratories were accredited by TÜRKAK for the UK based D-Book tests in accordance with the TS EN ISO/IEC 17025 Standard.

Vestel EMC Laboratory

Vestel EMC (Electro Magnetic Compatibility) Laboratory, the first manufacturer laboratory accredited by the Turkish Accreditation Agency (TÜRKAK), stands out among its European counterparts by having performed 31,000 tests and producing 365 approved test reports in 2018. Located within the R&D Center, the Vestel EMC Laboratory has the authority to issue approvals for Electromagnetic Compatibility. EMC tests for the Company's consumer electronics and IT products, comprising primarily of TVs, visual solutions, satellite receivers, lighting products and household appliances, are carried out in the Vestel EMC Laboratory. Upon completion of the test infrastructure investments at EMC Laboratory, Vestel became one of a select few EMC centers in the world to have reached the level of accreditation required to issue accreditation reports for the wireless communication tests which will be required in the near future, when consumer electronics, household appliances and IT products will communicate with each other under the Smart Home concept.

The Product Safety and Certification Directorate, and the Vestel Product Safety Laboratory within it, have received the highest level authorization from the world's respected independent approval bodies such as Verband der Elektrotechnik (VDE) and Technischer Überwachungsverein (TÜV). Accredited for the first time in Turkey by TÜRKAK, the laboratory has the ability and infrastructure to test all the product groups either produced by Vestel or procured from outside sources for resale purposes.

The laboratory issues approvals for approximately 4,000 models per year for different product groups such as televisions, satellite receivers, household appliances, lighting products, IT products, small household appliances and electric vehicle charging units. The laboratory can also issue the required reports and certifications with its own means. In addition to providing certification and regulation support for various markets, the laboratory also supports the national and international standardization studies, representing Turkey.

Vestel Calibration Laboratory

Vestel Calibration Laboratory became the first private laboratory to gain TÜRKAK accreditation by including the widest range of special calibration applications such as EMC laboratory device calibrations, and in particular, the calibration of RF (Radio Frequency) devices, in its scope.

Vestel R&D Test Laboratories were accredited by TÜRKAK for the UK based D-Book tests in accordance with the TS EN ISO/IEC 17025 Standard. With this accreditation, FreeviewHD and FreeviewPlay certification tests can be carried out at Vestel laboratories.

PROJECT BASED R&D ACTIVITIES

The Electronic R&D conducts its activities on a project basis in eight main groups, in addition to numerous supplementary subgroups:

- Hardware Design
- Software Development
- Industrial and Mechanical Design
- Power Card Design
- Testing and Approval
- Certification of Compliance to International Directives and Standards
- Optical Design
- IoT - Internet of Things

In addition to the eight core R&D groups, Vestel Elektronik established a separate Research Group comprising PhD researchers in 2016 to increase its research intensive activities and engage in advanced research. The number of researchers in this group was increased in 2017 and 2018. With two years of experience, the Research Group supports the development of Vestel's medium and long-term technology strategy, follows developing and new technologies closely and undertakes initial studies for new projects in areas which offer commercial potential. In line with Vestel's R&D strategy, researchers at Vestel carry out project based research studies in collaboration with distinguished universities. These studies are concluded with academic publications and patents, contributing to Turkey's scientific activities. Vestel is aware of the value brought by collaboration in the process of transferring the studies carried out in university laboratories to the industry after reaching a certain maturity, and the Company thus takes the necessary steps to undertake long-term partnership activities with the leading universities in Turkey in order to reach qualified patent and scientific publications.

Working in conjunction with the Manisa Celal Bayar University Technology Development Zone AŞ, Vestel established a rapid prototyping and hardware acceleration laboratory. Manisa Teknokent was supported by the Zafer Development Agency for the related investment. The newly established laboratory was named Manisa Teknokent Vestel ArGeTa with the motto of "Search, Develop and Design". This laboratory will help in developing prototypes for products in periods as short as a week, as well as substantially reduce Vestel's prototyping costs.

VESTEL R&D: THE CODES OF THE FUTURE...

INTELLECTUAL PROPERTY RIGHTS AND PATENTS

Vestel demonstrates its strengths in R&D and innovation through its claim on intellectual property and patents.

In 2017, Vestel Elektronik applied to the European Patent Office (EPO) for 408 patents which met the criteria and submitted 1,114 applications to the Turkish Patent and Trademark Office. Based on the applications submitted in 2017, Vestel filed the highest number of patent applications of any company from Turkey to the EPO and Turkish Patent and Trademark Office, also ranking 49th in EPO's "Top 100 applicant" list. In 2018, Vestel submitted 104 patent applications for inventions. As of the end of 2018, the number of the Company's registered patented inventions had reached 123.

Development Areas For Electronics R&D	
Display Technologies	OLED TV, 8K TV, LED Screen Technology, Backlight Unit, Wide Colour Gamut, HDR - High Dynamic Range, Local Dimming, Quantum Dot Technology, High Brightness, High Resolution, High Contrast, High Security
Innovative Software Solutions	Privacy menu, Youtube kids, Novatek, STR (Suspend to RAM), HDR10 Netflix, Dolby Vision, Train Portal, FVP, YouTube, BBC, Netflix 5.0, Netflix 2017 Certifications, Android TV, Amazon, Dual Tuner TV, multiprocessor and operating system support, HTML, Java, collaborations with content providers (Netflix Worldwide, Freeview Play, Freeview Plus, Maxdome), VoD- Video on Demand, 50 Hz MEMC (Motion Estimation/Motion Compensation), Hotel TV
Internet of Things - IoT **Smart Home**	With improved connectivity, the internet is everywhere in our lives: Smartphones, Smart Cities (Smart LED Lighting), Smart Factories, Smart Home (TV, Household Appliances, Mirror, Lighting, Sensors, Cameras, Home Electric Vehicle Charging Unit, Smart Home Kit), Health Technologies, e-health Portal, Smart Education (Smart Board, Tablet), Cloud Informatics, Cyber Security
Automotive Electronics	Electric vehicle charging units and charging unit management system, in-vehicle digital information/entertainment displays, lighting systems, battery management systems (BMS)
Telecommunication	Product Groups in Communication Technologies, Smartphone Solutions
Design for Production	Reflecting technologies which can be productized on product designs Smart and advanced technology which supports automation of production: Industry 4.0, robotic systems
Sustainable Products	LED Lighting, Local Dimming, products with high energy efficiency and low carbon emissions

HOUSEHOLD APPLIANCES R&D

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

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

The company's R&D expenditures amounted to 1.2% of its sales revenues in 2018.

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

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

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

Vestel Beyaz Eşya's R&D Department carries out separate R&D activities based on the area of production.

VESTEL R&D: THE CODES OF THE FUTURE...

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 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. In this context, the fields of expertise of the R&D staff are listed below.

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

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

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 the laboratories, as innovative features to the products,
- Make customer visits and attend trade fairs to closely monitor the needs and requests of customers, design products based on these findings and carry out studies to improve existing products,
- Design products with more functional features through studies carried out to improve the production parameters,
- Perform pre-production qualification of newly designed products or improved products by conducting trial productions.

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

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

VESTEL R&D'S COLLABORATION ECOSYSTEM

Vestel's R&D units have established strong collaborations with numerous national and international institutions and organizations, especially universities. Collaborating with the relevant departments of respected national and international universities in the generation of knowledge and the transformation of this knowledge into technologies and products at the Company's R&D units represents one of the cornerstones of Vestel's sustainable development.

Collaboration between Industry and University

Vestel's projects of collaboration between industry and university are shaped on the basis of supporting and promoting research activities. Successful examples enter the national patent pool by obtaining patents, creating added value for our country.

Vestel's R&D personnel, who are graduates of some of Turkey's leading universities and possess high qualifications, carry out project-based collaborations with academics at Turkey's most distinguished universities. Academic publications produced jointly with the universities, the organization of career days and providing support for student clubs and projects are other important components of Vestel's sustainable development.

The projects carried out jointly by the Vestel R&D Centre and universities provide an important contribution to the synergy between industry and university. Within this scope, Vestel cooperated with around thirty universities in 2017 and 2018. The knowledge generated at the universities is transformed into technology at Vestel's R&D units and the software and hardware developed as a result of these efforts are used in new designs. This cooperation covers the latest topics such as Industry 4.0 and IoT as well as RF (Radio Frequency), smartphone software, TV and STB (set-top box) designs.

Vestel contributes to the collaboration between industry and academia by playing an active role in the External Advisory Boards of the universities with which it cooperates. Vestel also lends support to the "Industry Oriented Dissertation" studies carried out by the universities. Vestel collaborates with Technology Transfer Offices in Turkey, most notably with the successful Technology Transfer Offices in the Aegean region. Technology Transfer Offices offer academic studies and new technologies which have been developed in universities for the use of industry in order to meet the needs of industry and to contribute to the development of our country.

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

VESTEL R&D: THE CODES OF THE FUTURE...

> Vestel carries out the Smart Product and Production Systems Research and Education Centre project in collaboration with Celal Bayar University. The objective of the project is to accelerate the digital transformation in the industry and increase the competitive power of local industrial production, primarily in Manisa within the context of the collaboration between industry and academia.

In 2018, project based university industry collaboration studies were stepped up. Within this context, through a project in which Vestel was involved, the Smart Product and Production Systems Research and Education Centre was set up at the Celal Bayar University Technology Development Zone campus. The objective of this project is to accelerate the digital transformation in the industry and increase the competitive power of local industrial production, primarily in Manisa within the context of the collaboration between industry and academia.

Non-Governmental Organizations

In order to advance the global competitive power of the IT, electronics and white goods sectors in Turkey and to stimulate their potential for innovation, Vestel provides various contributions to non-governmental organizations such as the Turkish Industry and Business Association (TUSIAD), the Association of Satellite & Electronic Communication Business People (TUYAD), the Technology Development Foundation of Turkey (TTGV), the Electronic Devices Manufacturers' Association (ECID), the Turkish Electronics Industrialists' Association (TESID), the White Goods Manufacturers' Association of Turkey (TURKBESD), the Association of Automotive Parts and Components Manufacturers (TAYSAD) and R&D Centers Platforms.

Vestel also contributes to the development of these sectors by actively participating in platforms where sectoral issues are discussed and proposals for solution are developed by the stakeholders.

International Technology Platforms

As the largest ODM (Original Design Manufacturer) provider of TVs in Europe, Vestel Elektronik also continues to work jointly with international partners on R&D projects carried out through European Technology Platforms such as Horizon 2020, EUREKA, ITEA, Celtic and Catrene. Involved in a total of 42 projects with European partners since 2006, Vestel Elektronik actively takes part in international activities through the three Horizon 2020 and three Eureka projects which it applied for in 2018, as one of the pioneering companies in Turkey in this area.

Industrial Partners

Vestel establishes professional collaborations with leading companies throughout the world in various technological areas.

Vestel has formed a network of important collaborations with more than 70 industrial business partners, including Google, Amazon, Qualcomm, Netflix, Digitürk, Viaccess, Mediatek, Irdeto, Novatek and Nagra.

R&D Support through Vestel Ventures

Vestel also contributes to efforts in areas such as innovative devices, materials, smart city, smart home and smart factory through Vestel Ventures Ar-Ge AŞ, which it established to support entrepreneurs undertaking R&D activities to develop new technologies.

Within this scope, Vestel's know-how and facilities are offered to entrepreneurs at all stages of the product development process such as product design, industrial design, multi-screen interface design, prototyping, testing, certification and production.

Collaborations with Zorlu Group

Vestel also partners with Zorlu Group companies operating in the textiles, energy and real estate sectors.

With the growing popularity of wearable technologies, textile integrated sensors and IT in particular come to the forefront.

Vestel undertakes joint activities with Zorlu Energy Group in areas including energy storage systems and solar panels, and in international projects focusing on energy. Such cooperation is expected to increase further in the coming years.

R&D COLLABORATION OF VESTEL BEYAZ EŞYA

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

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

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

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VESTEL R&D: THE CODES OF THE FUTURE...

ELECTRONIC PRODUCT GROUPS AND INNOVATIONS

Product Group	Products	Specifications/Description
TV	OLED TV	As Turkey's first domestically produced ultra-slim OLED TV, the Vestel OLED TV offers unique picture quality with its self-illuminating organic LED technology.
	78" Curved LED TV	Curved TV which offers the same image quality from all viewing angles
	Ultra HD TV	The Vestel 4K Ultra HD TV brings more lifelike colours and images to the screen with its "absolute black" and "infinite contrast" features offered by the High Dynamic Range (HDR) and V-UHD Wide Colour Gamut technologies. Other features: 50 Hz MEMC, DTS-HD, Wide Colour Gamut, Quantum Dot Technology (QDOT), High Bright and Ultra High Bright TV, Borderless TV, Glass LGP, HDR, Netflix Worldwide, Freeview Play, ISDB-T HTML 5, HBB 2.0, CI+ Local Dimming, Slim ELED, DLED UNB, Dual Tuner, Dolby Vision
	8K TV	Increasingly popular TVs which offer 7680x4320 resolution - 4 times higher resolution than that of the 4K UHD TVs
	Android TV CAS TV Borderless TV	Development of Multicore ARM Android applications
	Prison TV	Transparent mechanic design and remote control design
	Wallpaper TV	Minimum distance between the wall and the TV, provision of electronic circuit and cables outside the TV for the first time
Set-Top Boxes (STB)	Security Oriented DVBIP & Hybrid Oriented Android STB Smart Home Smart Network Nagra Non-card	Set-top boxes over which satellite and cable broadcast operators reach consumers through standard internet infrastructure, IP&TV set-top boxes which support the applications of other devices that are used with Viaccess, Irdeto and television at the same time, FTA (Free to Air), Dealers TV, Android based set-top boxes supported by Marvell and AMlogic platforms offering advanced features, Verimatrix, SmartHub, Smart Home Kits and Nagra Encrypting System
	4K Satellite Receiver	Set-top boxes that support the Smart Home concept

ELECTRONIC PRODUCT GROUPS AND INNOVATIONS

Product Group	Products	Specifications/Description
Visual Solutions	FIDS	49" and 55" Flight Information Screens to be used in the new Istanbul Airport, New Generation Smart Board with Embedded Side Module
	IP51 Casing	Class IP51 casing for 49" and 55" outdoor information displays, OPS (Open Pluggable System), Videowall, Stretched DS
	IR Technology Overlay Touch	Infrared 10 point touch screen overlay kit mountable on products with sizes of 43", 49", 55", 65" and 75"
	VS Motherboards	MB120DS motherboard with built-in UI (Linux operating system) MB150DS motherboard with built-in Android 7.0 operating system
Mobile Devices	Smartphone - Tablet	Domestic design and manufacture of smartphones Turkey's first smartphone to use the Android 7.1.1 Nougat operating system Turkey's first and only Google Certified tablet and smartphone entitled to use GooglePlay Double Camera, 3 x CA RF solutions, double front camera Customized News Portal Notch panel, Bokeh effect Quantum Dot Film VoLTE (Voice over LTE) & ViLTE (Video over LTE) Front flash LED design, Speaker Protection Secure Operating System Battery technologies, studies for domestic production of cameras and antennas, alternative RF (Radio Frequency) design, full metal NMT (Nano Moulding Technology) design, improved user interface design 360 degree opening, 4G supported, Android based, 2 in 1 portable PC and tablet for educational purposes

VESTEL R&D: THE CODES OF THE FUTURE...

ELECTRONIC PRODUCT GROUPS AND INNOVATIONS

Product Group	Products	Specifications/Description
LED Lighting	LED Lighting Fixtures	High energy efficient lighting products, designed and produced at Vestel City, comprising of power source products suitable for different purposes and outdoor and indoor lighting products including street lighting, road lighting, park and garden lighting, office lighting, architectural lighting, high ceiling lighting and industrial lighting fixtures
	LED Power Sources Smart Lighting Solutions	Smart city lighting solutions (street lighting with wireless automation system implemented at the Izmir Institute of Technology, Mexico and Saudi Arabia Street Lighting Projects) IoT platform for lighting products, wireless communication receiver, LED driver design with high switching frequency
IoT (Internet of Things)	Smart Home Smart Walking Stick Smart Mirror Integrated TV STB Smart Test Platform User Experience and Interface Cloud Architecture Artificial Intelligence Solutions Cyber Security	Industrial IoT, Big Data, Artificial Intelligence and Deep Learning, Rapid Prototyping Social Responsibility and Accessible Technology User Interface and User Experience Joint Language Heterogeneous Cloud System Compatibility Making security tests a part of the design verification process, automatized tests Initiation of first artificial intelligence application with Spare Part Warehouse Management System project
Automotive	Electric Vehicle Charging Units Charging Unit Management System In-Vehicle Information/ Entertainment Screens Lighting Systems Battery Management Systems (BMS)	 Central System Operator Web Interface User Mobile Application

ELECTRONIC PRODUCT GROUPS AND INNOVATIONS

Product Group	Products	Specifications/Description
Card Design for White Goods Product Groups	Electronic Cards	For Vestel Beyaz Eşya and external customers
Innovative Areas	Sensors / Piezo Automotive Electronics 5G Telecommunication Products Wearable Technologies Virtual & Augmented Reality and Artificial Intelligence Touch Screen Technologies Advanced Material Technologies Micro LED Energy Conversion and Storage Solutions Smart Home Assistant 3D Printing	Products developed for different uses with Vestel's technological infrastructure, shaped by its unrivalled electronics R&D and know-how built up over the years, which offer similar technology with Vestel's existing product range Companies which Vestel Ventures has invested in and collaborations with universities: Smart bodice, EKG monitor integrated to textile, Customer Feedback Collection monitor via tablets with Mobile Device Management

VESTEL R&D: THE CODES OF THE FUTURE...

HOUSEHOLD APPLIANCES PRODUCT GROUPS AND INNOVATIONS

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

HOUSEHOLD APPLIANCES PRODUCT GROUPS AND INNOVATIONS

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

VESTEL R&D: THE CODES OF THE FUTURE...

HOUSEHOLD APPLIANCES PRODUCT GROUPS AND INNOVATIONS

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

HOUSEHOLD APPLIANCES PRODUCT GROUPS AND INNOVATIONS

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

THE VESTEL APPROACH TO PERFECTION IN CUSTOMER EXPERIENCE

Carrying customer experience beyond expectations with its store concept and its innovative approach to sales and after-sales services, Vestel opens up new horizons in retailing.

As the indisputable export champion of the electronics sector, Vestel realizes its sales in international markets through its strong international sales network while drawing attention with its multi-channel structure in the domestic market. Carrying customer experience beyond expectations with its store concept and innovative approach to sales and after-sales service processes in the domestic market, Vestel opens up new horizons in retailing.

INTERNATIONAL SALES

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

In addition to expanding its customer portfolio, for which ODM service is provided, Vestel also aims to enhance its brand penetration and market share in international markets through branded product sales under the well-known regional brands acquired and via the global brands licensed.

In line with its profitable growth strategy, Vestel is increasing the share of mid- and high-end products in its sales mix. Vestel carries out its marketing and sales activities in the European market through the local sales and distribution network of 10 foreign trade companies owned by Vestel Ticaret AŞ ("Vestel Ticaret"), its wholly-owned subsidiary. The European sales and distribution network consists of the foreign trade companies located in the UK, France, Germany, Spain, the Netherlands, Poland, Finland, Russia, Kazakhstan and Romania. The sales and marketing activities in the Middle East, the Gulf and Africa regions are carried out by Vestel Electronics Gulf DMCC, which Vestel Ticaret established in Dubai in August 2017. The sales and marketing activities in other foreign markets are carried out directly by Vestel Ticaret.

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

In line with its profitable growth strategy, Vestel is increasing the share of mid- and high-end products in its sales mix.

THE VESTEL APPROACH TO PERFECTION IN CUSTOMER EXPERIENCE

With the completion of the new product line-up, Toshiba TV sales gained significant momentum from the second half of 2017 and the growth trend continued to gain pace in 2018, boosting the market share of the Toshiba brand in Europe.

Sharp brand. While Vestel has strengthened its presence in the European market with this agreement, it is also progressing in line with its goal of increasing its branded and upper segment product sales in this market.

In line with Vestel's objective of building strategic partnerships with global brands, a brand licensing agreement was signed with Toshiba Visual Solutions Corporation in the TV segment in 2016. Vestel Ticaret has assumed the production, sales, marketing and supply chain operations of Toshiba branded televisions in the European market under this brand licensing agreement. With this agreement, which entered into effect in December 2016, Vestel started the production and sale of Toshiba branded TVs from January 2017. With the completion of the new product line-up, Toshiba TV sales gained significant momentum from the second half of 2017 and the growth trend continued to gain pace in 2018, boosting the market share of the Toshiba brand in Europe. Vestel has also maintained a rapid growth trend in the Eastern European market and in exports to other regions such as Australia, India, Africa, the Middle East, Oceania and South America, besides its main market, Europe. The Company maintains efforts to widen its range of export destinations by capitalizing on the growth potential, especially in the sub-Saharan region.

DOMESTIC SALES

Vestel's marketing and sales activities in Turkey are carried out by Vestel Ticaret. Vestel's product portfolio, with its high quality and wide diversity, along with Vestel's experience in the multi-brand concept, is complemented by Vestel Ticaret's strong distribution network, which provides the Company with an important competitive advantage.

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

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

Vestel brought cafe and store together in the concept of "Café Vesto". The Company has been one of the few such examples in the world and the first brand of its sector in Turkey, which implemented this concept.

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

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

Within the framework of the new store concept, Vestel renewed the exterior and interior of the majority of the 1,133 dealer stores. The Company applies the integrated approach, which it pursues at all points where it touches the consumer, at every point from display arrangements to in-store activities. In the stores, a convenient environment is provided for consumers to personally experience the products and to make comparisons in all product groups. All the steps of the customer journey, from the first moment when he/she meets Vestel on the exterior of a store to making payment and then to after-sales services are designed and improved with the aim of offering the most memorable customer experience.

CAFE VESTO: THE CONCEPT THAT BRINGS CAFE AND STORE TOGETHER

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

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

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

THE VESTEL APPROACH TO PERFECTION IN CUSTOMER EXPERIENCE

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

VESTEL RETAIL ACADEMY - THE BASIS OF STRENGTHENING IN RETAIL

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

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

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

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

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

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

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

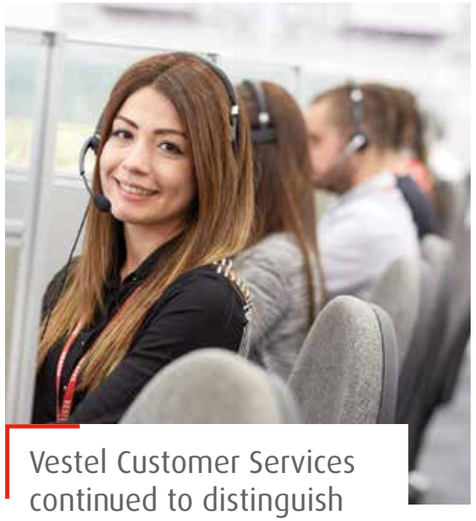
The Spare Parts Planning Team and Spare Parts Warehouse located at Vestel City work on the spare parts planning and procurements in line with the goal of providing customers with the fastest service.

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

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

Six güVENUSsü centers, established in Istanbul, Ankara, Izmir and Trabzon, provide exclusive services for Venus smartphones and Vestel tablets under a new service approach. These services include special practices such as addressing software and accessory breakdowns within 20 minutes as well as lending customers replacement devices and allowing them to follow up the repair process through the venusdestek.vestel.com.tr website.

Each of the 360 Vestel authorized service points providing services throughout the country also serves as a güVENUSsü Repair Point.



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

THE PROJECTS THAT SET VESTEL CUSTOMER SERVICES APART

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

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

THE VESTEL APPROACH TO PERFECTION IN CUSTOMER EXPERIENCE

There is a Solution (Çözümü Var): The solution portal, "There is a Solution for Everything Here" (Burada Her Şeyin Bi Çözümü Var) is a website project that includes all the information and solutions to be offered to customers. Through this website, customers will be able to resolve the problems they face in their products by themselves, access information and solution videos and product manuals, flag incidents of breakdowns and request installations at any time and communicate with the call center through written channels. The project, which offers customers self-service and ease of use, will be expanded to include informative content for the field staff and Vestel Customer Services.

VESTEL SERVICE ACADEMY

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

MANAGEMENT QUALITY AND SYSTEMS

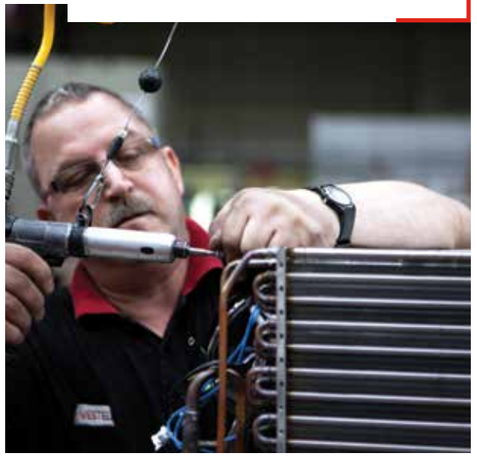
Vestel Customer Services continues to hold the ISO 9000 (Quality Management System Certificate) and ISO 10002 (Customer Satisfaction Management Certificate) certification. Vestel Customer Services has adopted the EFQM (European Foundation for Quality Management) Excellence Model, which is a strategic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

CUSTOMER FRIENDLY ORGANIZATION/CUSTOMER FRIENDLY BRAND CERTIFICATION

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

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

> Vestel Customer Services continues to hold the ISO 9000 and ISO 10002 certification.



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

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

VESTEL'S CORPORATE BRAND AND COMMUNICATION STRATEGY

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

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

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

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

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

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

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

Vestel, which had won 21 awards in communication until 2012, has been investing in brand and communication activities for the last five years, and won 25 awards in communication just in 2018.

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

VESTEL PROJE ORTAĞIM (MY VESTEL PROJECT PARTNER)

Designed as a project to draw on the combined strengths of the Zorlu Group and Vestel's indigenous technology, Vestel Proje Ortağım brings ease to people's lives, aiming to provide result-oriented and effective solutions to customers through innovative products in various fields.

Merging the LED Lighting, Air Conditioning, Hotel & Construction Projects, Digital Solutions and Public Sales Directorates at Vestel under one roof, Vestel Proje Ortağım offers professional solutions to projects single-handedly through its expert teams.

Vestel Proje Ortağım aims to provide the most appropriate turnkey solutions starting from the design, in order to achieve the highest level of technology in both public and private sector projects.

To this end, the needs, requests and existing problems of corporate customers are analyzed and determined rapidly and accurately, and products are designed in accordance with the needs.

Aiming to design the most appropriate projects in the most accurate way, flexible and various payment alternatives are offered to customers for financing project costs. After-sales services, which are shaped by Vestel's unconditional customer satisfaction approach, is also among the main components of the service cycle at Proje Ortağım.

HOTEL AND CONSTRUCTION PROJECTS

Vestel offers its customers solutions which go beyond their expectations by customizing the existing products in its product mix in line with the customer needs.

Providing an appropriate solution for each and every project, Vestel Proje Ortağım expands its customer portfolio through collaborations with leading firms in the sector thanks to its wide range product mix offered for hotel and construction projects.

Identifying the needs fully by responding to customers on a timely basis with its team of specialists, Vestel Proje Ortağım is able to effect changes to the features of hotel and construction projects such as colour, size and logo, in line with the special requests of the customers.

In addition to white goods products and and built-in sets, IP TV and RF TV alternatives are also offered as hotel solutions. The software in these product groups is developed in collaboration with Vestek Elektronik Araştırma Geliştirme AŞ, a Vestel Group company. Designed to meet a range of expectations, Vestel Interactive IP TV offers an unforgettable entertainment experience through the interface it provides. On the other hand, standing out with their user-friendly designs, Vestel RF Hotel TVs transform standard TVs to an all-in-one content and entertainment center through a series of features.

For construction project solutions, built-in sets are preferred with their durable, user-friendly and stylish designs. Vestel built-in sets which add elegance to construction projects are used in reference projects.

In 2018, Vestel products were used in flagship hotel projects such as the Hilton Bakırköy, Gloria Hotels & Resorts, The Land of Legends/Rixos, Anemon Hotels, Swiss Otel, Hilton Izmir, Hilton Afyon, Ramada Ankara, Best Western Plus the President Hotel, Caprice Thermal Hotel Didim and the Pera Palace.

Vestel built-in sets were also used in some large-scale housing projects including Ağaoğlu Maslak 1453, Torunlar 5. Levent, Future Park, Özyurtlar 1Coastal City, Özyurtlar Nlogo, Kıratlı Rezidans Ankara, Liv Marmara, the 24 Real Estate Projects, Teknik Yapı-Evora Denizli, Ankara Vizyon Tower, Başakşehir 1st Phase, İstgate, Hit Yapı-Hittown, Hasanoğlu Banu Evleri Ispartakule 2 and the Aris Tower.

DIGITAL DISPLAY SOLUTIONS

Vestel Dijital Ekran Çözümleri (Vestel Digital Display Solutions) offers customers technological solutions with its products such as the Interactive LED Smart Board, Video Wall, Information Displays, Led Wall, Totem and Office Boards.

Operating in a wide range of sectors, including retail, food, transportation and finance in addition to education, healthcare and tourism, Vestel Dijital Ekran Çözümleri first participated in the digital transformation process in the education sector with the Vestel Interactive

LED Smart Board products. The Vestel Interactive LED Smart Boards, which provide an interactive and a rapid learning environment for all educational institutions from elementary school to university and language courses, are the leading products in the education sector.

The transformation which started in restaurants with the Vestel Information Displays, which were developed by taking into account the corporate needs, has continued with the Video Wall, which serves different sectors. The displays can be managed from a single point and are able to display documents in various formats. The products, which serve various needs in different models and sizes, allow users to carry out advertising, promotion and informative activities at any location of their choice.

Vestel Dijital Ekran Çözümleri also provides digital display products for large food and fast-food chains. Product sales in this area have gained momentum with the expansion in the customers' businesses.

In addition to the food industry, deals were made for the sale of digital display products to other industries. Within the scope such projects, all information to patients in a private hospital is provided through Vestel digital display products. In a global IT company, Vestel Videowall and Led Walls are positioned at important points in the company for advertising and promotion purposes. Furthermore, Vestel Videowall was used to display news on a private economy news TV channel.

In 2018, Vestel flight information screens started to be used at the new Istanbul Airport in what is one of the biggest projects ever undertaken by Vestel Dijital Ekran Çözümleri. The flight information screens have been specially designed to facilitate the lives of passengers from the entrance to the airport to waiting areas and from the check-in counters and gates to the common areas.

LED LIGHTING PRODUCTS

Offering energy efficient solutions in the street, industrial, field, office, store, home, hotel, landscaping and architectural lighting categories, Vestel maintains its strong presence in the LED lighting field.

LED lighting products, which provide energy savings of up to 80% and are environmentally-friendly as they do not contain mercury and reduce waste generation with an operating life of more than 35,000 hours, contribute to lower carbon emissions by consuming less energy than standard lighting fixtures.

Maintaining its competitive claim in terms of quality and pricing in the LED lighting field, Vestel expanded its product range in different categories in 2018.

In the industrial lighting product groups, in addition to existing products, product development was completed in sports and field lighting, increasing the product diversity in this category in line with the market needs. At the same time, with its aesthetic design and easy-to-install structure, Highbay halogen fixture offers innovative solutions in high ceiling lighting for use in production facilities and warehouses.

The Sardes street fixture, which offer wireless technology, enables programming with remote control through access to the system from a distance, providing energy savings. Included into the product mix by taking account of market needs and expectations, the Magnesia street fixture stands out with its competitive pricing.

VESTEL PROJE ORTAĞIM (MY VESTEL PROJECT PARTNER)

Vestel closely monitors the LED Conversion Project developed to replace the conventional lighting fixtures used in roads and streets in Turkey, which is carried out by TEDAŞ (the state owned Turkish Electricity Distribution Corp.) and the General Directorate of Renewable Energy of the Ministry of Energy and Natural Resources. With this project, a total of 6.5 million existing fixtures used in road and street lighting are expected to be replaced with LED lighting in the coming years.

In office lighting, smart systems using the "Step-Dim Technology" were designed offering user-friendly features and energy savings.

In 2018, Vestel LED lighting products were used by a number of entities including the Izmir High Technology Institute, Mersin Forum Shopping Mall, Malatya Park Shopping Mall, Final Schools, the Sheraton Otel Bursa, the Istanbul Bomonti Otel, Borusan Mannesman, Enerjisa Tufanbeyli Thermal Power Plant, Eti and Petrol Ofisi.

AIR CONDITIONING PRODUCTS

Vestel has been one of the leading companies in the Turkish air conditioning sector with its residential type split air conditioning solutions. Making a strong entrance into the central acclimatisation field in 2015 with its VRF air conditioning systems, Vestel put its stamp on many important reference projects.

In addition to its complete product mix consisting of VRF air conditioners, multi inverter air conditioners and split air conditioners, Vestel Proje Ortağım provides comprehensive and professional services with its specialized engineers who perform cooling-heating load calculations, device layout and system design at the design phase of the projects. The installation is as important as the quality of the product for ensuring customer satisfaction in air conditioning systems, and the quality and customer satisfaction are kept at the highest level through regular site inspections.

Distinguished in the sector with their energy efficiency, high piping distance and capacity values, Vestel VRF air conditioning systems have been the preferred choice in reference projects thanks to these premium features and service quality.

In the Concord Istanbul Project, the first urban regeneration project in Kadıköy's Fikirtepe district which received the "Best Regeneration" Award at the Sign of

the City Awards, Vestel's VRF air conditioning system, which consists of Vestel V4+K series outdoor units and channel type internal units, was used. The air conditioners are equipped with the Vestel-IMM system, which automatically calculates the energy consumption per centrally controlled dwelling.

Vestel V4+R serie was used as the air conditioning system in the "Ağaoğlu My Newwork", a giant office project developed by the Ağaoğlu Group of Companies at the heart of the finance district in Ataşehir. The system was among the key technologies adding comfort and value to the project, including the heat recovery feature, which allows heating and cooling at same time, particularly during the transition of seasons, for different places connected to the same system, in addition to providing high level of (SEER:7.0-Seasonal Energy Efficiency Ratio) energy efficiency through the use of waste energy.

The R2CITIES Project aims to develop and implement replicable strategies for designing, constructing and managing large-scale district renovation projects for achieving nearly zero energy cities. Vestel's V5X series air conditioning systems with Full DC Inverter technology were used in Kartal Nursing Home, which is one of the three pilot implementations of the R2CITIES Project in the world, together with Geona and Valladolid.

VESTEL VENTURES

Vestel Ventures Ar-Ge AŞ (Vestel Ventures) is an investment company founded in 2015 by Vestel Elektronik to support new ventures and add new areas of business to the Group.

Believing that ventures help facilitate people's lives, improve efficiency and make a difference with their innovations, Vestel Ventures has adopted the vision of "targeting the future, aiming for growth and focus on being a global leader in Vestel Group's global journey..." while its mission is to "Foster ventures and provide them with the support they need to achieve commercial success".

Vestel Ventures offers strategic support to entrepreneurs by providing Vestel's resources in R&D, design, production, marketing, distribution and sales and the Company's business network and managerial experience to entrepreneurs so that they can channel their energy into their projects through its V3® Formula = Cash + Support + Funds. Entrepreneurs may receive cash grants from funds which they can access through Vestel's intermediation, thanks to Vestel's experience in grant funds in Turkey and venture capital fund network in Europe and America. Furthermore, the Company offers support to entrepreneurs in the initial and later stages of their domestic and international applications for intellectual property rights. Vestel also assists entrepreneurs in solving their problems and provides support for their marketing and branding activities in international fairs and exhibitions. In addition to being a major player in the domestic market, Vestel is also a significant player in international markets with its exports to 155 countries and its wide sales and marketing network in foreign markets. As such, it is in a position to offer significant assistance to entrepreneurs in opening to international markets. To help extend successful ideas to beyond Turkey's borders, Vestel also provides know-how support to entrepreneurs through academics, industrial experts and international consultants, who are all specialists in their respective fields, with whom it works in every region of the world.

SUPPORTED PROJECTS

Aiming to deploy Vestel's leverage to transform technologies into products which bring efficiency and comfort to people's lives, Vestel Ventures provides support for entrepreneurial investments in the areas of the Internet of Things, the smart city, smart home and smart factories, materials, energy, battery technologies and innovative devices.

Vestel Ventures supports initiatives which will make a difference and create significant value for Vestel or consumers.

As an arena of ideas where entrepreneurial technologies come together, Vestel Ventures aims to contribute to enhancing Vestel's global competitive power through the companies it invests in, by expanding the technological potential in its ecosystem. As of the end of 2018, Vestel Ventures had invested in a total of 15 ventures in Turkey and abroad, in the areas of energy, health, bioplastics, mobile apps, AR/VR (Virtual & Augmented Reality) technologies, smart city, and customer services. Vestel Ventures works together with the startup teams following the investment to help them achieve commercial success.

META NİKEL KOBALT MADENCİLİK (META NICKEL COBALT MINING)

With its investments in nickel-cobalt mining, META continues its mine exploration, production, export, R&D and investment activities to bring Turkey's nickel potential to the economy.

THE FIRST SPECIALIZED ENTITY ESTABLISHED TO DEVELOP TURKEY'S NICKEL AND COBALT RESOURCES

Established as Turkey's first nickel-cobalt mining facility in Gördes, Manisa, Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ (META) is the pioneer of nickel mining in Turkey and operates with a new generation mining approach at its modern, closed system and environmentally-friendly facilities which process ore from surface mines. META was established in early 2000, and Zorlu Group became a shareholder in 2007 before acquiring all the shares in the company in 2016. Later in June 2018, Vestel Elektronik purchased 50% of the shares in META from Zorlu Group for USD 250 million.

With its investments in nickel-cobalt mining, META continues its mine exploration, production, export, R&D and investment activities to bring Turkey's nickel potential to the economy. In addition to its nickel-cobalt mining plant in Gördes, Manisa, META also has nickel reserves in Eskişehir ve Uşak. Working on reserve development and ore production in Eskişehir and geological studies in Uşak, META also carries out nickel cobalt mine surveys in various regions of Turkey.

GÖRDES-MANISA NICKEL-COBALT PROCESSING PLANT

The investment for the Gördes Plant, which was designed to produce 10,000 tonnes of nickel metal equivalent per annum with around 1.7 million tonnes of ore feed, was started in 2011, and completed by the end of 2014. The plant began commercial production and realized its first exports in 2016.

Gördes plant operated for 136 days and produced 1,790 tonnes of nickel metal equivalent in 2016 and operated for 230 days and produced approximately 4,000 tonnes of nickel metal equivalent in 2017. In 2018, the plant was operational for 242 days, producing 5,001 tonnes of nickel metal equivalent.

META carries out open-pit mining, producing nickel and cobalt elements in hydroxide form (MHP - Mixed Hydroxide Precipitate) by processing ore near the surface through the use of new generation technologies, and exports all of its production. By producing higher added value forms of nickel and cobalt, and by undertaking indigenous and domestic production at its integrated facilities, where it is capable of producing its own technology and equipment, META aims to contribute to reducing Turkey's import dependency and bringing down the current account deficit.

Nickel is mainly used in stainless steel, corrosion-resistant alloys, Nickel-Cadmium (NiCd) and Nickel-Metal Hydride (NiMH) batteries, armour coating and defence industry applications. Furthermore, 23% of nickel is used in lithium ion batteries, which is the heart of electric vehicles.

Adopting a vision of producing nickel and cobalt elements in different forms and exploiting and bringing rare earth elements contained in the ore to Turkish economy, META aims to become a global supplier by gradually increasing its production capacity.

Besides its mining activities, META is focused on producing high value-added, innovative products by using the disciplines of metallurgy and chemistry. The Gördes Plant is one of the world's top ten facilities in its field, where ore containing approximately 1% of nickel when extracted from the ground is refined to 38% nickel concentration following enrichment through advanced technology and processes.

Thanks to the strength derived from its approach focused on innovation and its learning process, META continues to work unwaveringly for the recovery of other elements besides nickel and cobalt from the ore to utilize all the available elements and aims to increase its contribution to the economy by expanding its sellable product range.

In its production facilities,

- The company undertakes "Open Pit Mining" in its licensed lateritic nickel ore fields.
- Digital systems and computer supported programs are used to minimize losses in production.
- Full mechanized systems are implemented and followed by the expert teams with the aim of correct planning and high efficiency.
- Within the framework of sustainable production, different processes are implemented for the recovery and reuse of waste water in order to reduce the use of water in the facilities as well as for the use of waste heat.

The plant has a 25 million m^3 of waste storage facility for the wastes, and holds the biggest Environmental Impact Assessment licence in its field with an area of 3,834 hectares.

Configuration studies were initiated for the ISO 9001 Quality Management System in late October 2017 and for the ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System in late February 2018. The certification process is expected to be completed by the end of March 2019.

ANALYSIS LABORATORY AND R&D

The Analysis Laboratories within META carry out their activities in an enclosed area of 600 m^2 with full-equipped infrastructure and competent personnel.

Continuing its work on TUBITAK supported R&D projects, and its R&D collaborations with the Middle East Technical University, Hacettepe University and Istanbul University, META crowned its activities in the area of new generation mining in Turkey with the "R&D Center" Certificate obtained in March 2018.

Improvement and research studies to increase the efficiency of the production facility continued in 2018. Within this context, studies were carried out to reduce costs in addition to R&D activities to obtain end products.

The number of working days and the production of the plant have increased on a linear basis each year. The target is to reach full capacity in the coming years following the completion of the planned improvements in ore preparation, water treatment and tailing dam.

The R&D and investment projects planned for full capacity production and new product achievements are as follows:

- Establishment of a Nickel Sulphate and Cobalt Sulphate Facility for the production of nickel sulphate and cobalt sulphate from MHP (by-product), which are used as main raw materials in lithium batteries,
- Establishment of a Sulphuric Acid Plant with an annual capacity of 500,000 tonnes, to reduce the cost of sulphuric acid used in production and prevent its environmental effects,
- Establishment of a MHP (additional 10,000 tons of Ni - Metal Equivalent) and Nickel Sulphate and Cobalt Sulfate Facility as part of the planned second phase investments,
- Studies for waste reduction and waste recovery.

VESTEL SAVUNMA (VESTEL DEFENCE)

The areas of use for the Karayel UAV System continued to be expanded in 2018 with the integration of new technologies and useful payloads.

PROJECTS FOR UNMANNED AERIAL VEHICLE (UAV) SYSTEMS

Expanding the Areas of Use for the KARAYEL UAV System

With the expectation of increasing demand for UAVs in the future, Vestel Savunma Sanayi AŞ (Vestel Savunma) continued the expansion of the areas of use for the KARAYEL UAV System with the integration of new technologies and useful payloads in 2018. Within this scope, the integration of the SAR (Search and Rescue) and AIS (Automatic Identification System) to the Karayel UAV System was completed, which will be used by the marine police.

The integration of the satellite communication system to be used in beyond line-of-sight tasks is nearing completion.

As of 2018, the total flight time of the Karayel UHV had reached 10,000 hours.

International Marketing and Sales Activities for the KARAYEL UAV System

The international sales and marketing activities initiated in the Middle East were extended to four continents with intensive feasibility studies.

Vestel Savunma participated in a wide array of domestic and international events in 2018 for the promotion of its UAV systems and Fuel Cell technologies.

Within the scope of new market research studies, the company attended the fair held in Kuala Lumpur, Malaysia, which is the largest defence technology fair of its region, as well as participating in the Eurosatory Fair in Paris, one of Europe's major defence technology fairs.

Within the scope of these activities, a highly comprehensive flight demo of the Karayel UAV System was performed successfully for the Ukrainian Air Force in May 2018, winning the acclaim of the customer. The company then attended the Arms & Security Fair held in Ukraine, meeting regional players and stepping up its business development activities, which have been continuing for years, for this country. Furthermore, a letter of intent was signed with a country from the Middle East region for joint UAV production.

In addition to international activities, the company participated in various events in Turkey.

In the first half of 2018, Vestel Savunma participated in the EFES 18 Military Drill hosted by the Aegean Army Command, with the participation of allied countries, which is one of the largest shows of force of the TSK (Turkish Armed Forces). In the drill, Vestel Savunma demonstrated its UAV product family, which attracted attention and acclaim from senior officials of the Turkish Armed Forces as well as members of the armed forces of the foreign countries taking part in the drill.

New UAV System Development Activities

In its specialized field of Unmanned Systems, Vestel Savunma continues its design and development activities in different classes and systems. The first test flight of a new UAV system was performed successfully during 2018.

VESTEL SAVUNMA R&D CENTER

In the second half of 2017, Vestel Savunma submitted its application to the Republic of Turkey Ministry of Science, Industry and Technology for a Research and Development Center license in accordance with the Law No. 5746, which was prepared in the space of just two months, and received authorization and became Vestel Group's 5th Research and Development Center. The Vestel Savunma Research and Development Center is Vestel Group's first R&D Center located outside of Vestel City.

There are currently nine ongoing projects in the R&D Center. Applications were submitted to TUBITAK TEYDEB for receiving support for two new projects regarding the integration of new abilities to the Karayel UAV System.

In 2018, the number of personnel at Vestel Savunma's R&D Center reached 166, with an increase of 30% over the previous year. The number of employees holding a Bachelor's degree or higher qualification also increased, and accounted for 62% of the R&D staff.

In order to increase its competitive edge with its high technological know-how and to respond to the changing needs of customers and users, Vestel Savunma intensifies its R&D activities, and continues its operations with the objective of producing innovative and pioneering products in its field of activity.

In order to improve its R&D activities, Vestel Savunma encourages its employees to participate in Master's degree and PhD programs, and to carry out their thesis within the company with advisory academics. To this end, employees with a Master's degree or PhD are provided with additional opportunities.

VESTEL SAVUNMA (VESTEL DEFENCE)

Intellectual Property Rights and Patents
Vestel Savunma had so far submitted 12 patent applications and held 9 registered patents as of the end of 2018. The R&D Center continues to carry out studies to develop a performance and award system for the utilization of patentable ideas.

Hydrogen and Fuel Cell Technologies
Vestel Savunma has been conducting studies for more than ten years into the energy technologies of the future and has been undertaking R&D activities especially in the fields of hydrogen and fuel cell technologies. The company conducts studies in PEM (Proton Exchange Membrane) and Solid Oxide Fuel Cells, especially for original design, and boasts a solid global position in this sector in terms of both design and production. The utilization of fuel cells in UAVs will significantly increase their flight endurance, one of the main criteria for their success. Combining its experience and know-how in UAV and fuel cells, Vestel Savunma started to develop fuel cell systems for the UAVs in 2017. It also continues its R&D studies for the development of high capacity fuel cell systems, which are required for underwater platforms in the defence industry. Work on the development of a Solid Oxide Fuel Cell system for the Armoured Vehicles, the first and only R&D project in the sector, has now been completed. The membrane and the intermediate products used in cell production, which were developed as part of this project, were included in the company's sellable product portfolio. Additionally, with the experience and know-how accumulated through this project, efforts were initiated for the development of a prototype 1.5 kW fuel cell system for residential use.

Among locally and internationally supported projects on fuel cells and hydrogen technologies, the Development of Low Temperature Solid Oxide Fuel Cell/New Indigo (1001-TUBITAK Project), Development of Autothermal Reforming Reactor (Priority Area ATR 1003-TUBITAK Project), and Micro-CHP (Micro Combined Heat and Power System) (Priority Area 1003-TUBITAK Project) projects were completed successfully.

Combining its capabilities in UAV Systems and fuel cell fields, Vestel Savunma initiated the Development of PEM Fuel Cell System for Unmanned Air Vehicles and Development of Reformat Gas Resistant Anode Supported Micro Solid Oxide Fuel Cell for Unmanned Air Vehicles projects which are supported by TUBITAK.

In addition, the company submitted its application to TUBITAK 1003 Program to receive support for the Development of Catalytic Hydrogen Production System for Portable Power Systems.

Collaborations between Industry and University, and between Industries
Vestel Savunma cooperates with various universities and industrial entities in the fields of unmanned air vehicles, fuel cell and electronics R&D. The company collaborated with Niğde Ömer Halisdemir University, University of Turkish Aeronautical Association, the Middle East Technical University and Gazi University in 2018. Within the scope of industry-industry collaboration, Vestel Savunma cooperates with Aselsan, TEI, TUBITAK SAGE, Roketsan and Havelsan.

YÖK (Council of Higher Education) Award to Vestel Savunma in the Industry-Academia Collaboration Category
Vestel Savunma's collaborations with Niğde Ömer Halisdemir University in the areas of Hydrogen and Fuel Cell Technologies were recognised with the award of the "Council of Higher Education Excellence" Award in the Industry-Academia Collaboration category.

AYESAŞ

NEW PRODUCTS

While advancing its operations with its original products, Aydın Yazılım Elektronik ve Sanayi AŞ (AYESAŞ) effectively deploys its powerful production, engineering and software competencies in various defence industry projects and offers them to the service of the state. In this context, new generation Command Control and Platform Control consoles and cabinets for warships, the Helicopter Obstacle Detection System and the Digital Moving Map and Duty Planning applications for air platforms stand out as the products originally developed by the company.

EXPORT ACTIVITIES

AYESAŞ exports directly to the world's top ten companies in the defence and aviation sectors.

Sales to international customers account for half of AYESAŞ's total sales revenues, all of which consist of high tech product and system sales to the United States and European Union countries. The high technology level of AYESAŞ's products is demonstrated by the unit value of the company's exports, which stands at USD 13,000 per kilogram of product.

NEW MARKETS, MARKETING AND PROMOTION ACTIVITIES

Having directed its exports fully towards Western markets, AYESAŞ has recently begun showing interest for the Turkic Republics and Middle East and African markets. In this context, marketing activities are carried out for customers in these markets, in addition to making presentations and demos in fairs.

Through participation in various events, AYESAŞ Critical System Solutions and products were promoted in the domestic and international arena in 2018.

Within the scope of new market research activities, the company attended the fair held in Kuala Lumpur, Malaysia, which is the largest defence technology fair in its region, in addition to attending the Eurosatory Fair in Paris, one of Europe's major defence technology fairs. The company also participated in various promotion activities in the domestic market.

In June 2018, AYESAŞ participated in the delivery ceremony of the F-35 Joint Strike Fighter aircraft at Lockheed Martin Corporation's Forth Worth facilities in Texas, as the only Turkish company undertaking software development, electronic design and production work for the project in addition to being the sole supplier of the 3 critical electronic systems in the world. During the ceremony, the success of AYESAŞ attracted wide acclaim from the parties attending, due to services provided not only to the F-35 aircraft to be delivered to Turkey but also to all national aircraft as the sole supplier and its contribution to the Turkish defence industry.

AYESAŞ

Strategic Partnerships

Having served the defence and aviation industries for many years as a reliable business partner and a supplier of critical systems, AYESAŞ further expanded its customer base in the domestic market and signed strategic collaboration agreements with the leading industry players in 2018. In order to contribute to the Turkish defence industry, increase efficiency mutually and create added value, the company signed a "Solution Partnership Protocol" with Roketsan Roket Sanayii ve Ticaret AŞ (ROKETSAN) to establish a long-lasting collaboration. AYESAŞ was certified in the "Group A Preferred Business Partner" thanks to the high contribution it provided to the business ecosystem of Havelsan Hava Elektronik Sanayi ve Ticaret AŞ (HAVELSAN). Furthermore, a strategic partnership agreement was signed with Aselsan Elektronik Sanayi ve Ticaret AŞ (ASELSAN) in addition to the strategic agreements signed with TUBITAK SAGE (Defense Industries Research and Development Institute) for the supply of Turkey's defence systems.

R&D Studies, Realized R&D Projects

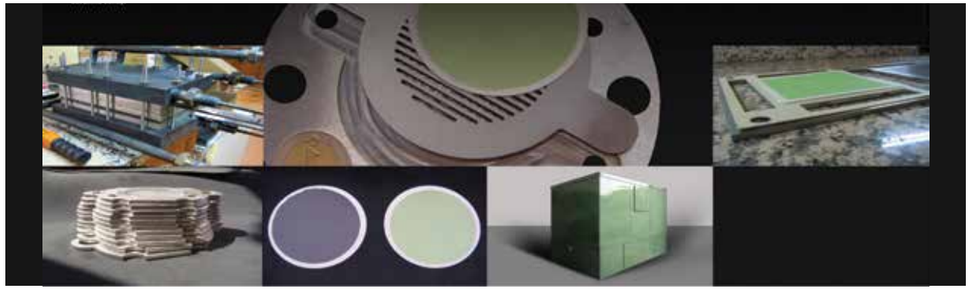
Although AYESAŞ predominantly finances its R&D activities with its own equity, the company succeeded in becoming the first entity to obtain production design incentive from the Republic of Turkey Ministry of Trade. Moreover, the company is involved in R&D projects within the context of TUBITAK and European Union Programs, supporting original product development activities.

Incentives

The company benefits from the product design incentive provided by the Republic of Turkey Ministry of Trade, and R&D incentives within the context of Teknokent Law.

New Quality Certificates

Following intensive audit processes conducted by IAQG (International Aerospace Quality Group), AYESAŞ was deemed eligible for the AS9100:2016 New Revision Certificate in the first half of 2018, a certificate indicating that business processes are in line with an internationally accepted system, which is essential for signing international contracts.



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VESTEL AND SUSTAINABILITY

Vestel's approach to sustainability has been shaped by the goal of a better future on the basis of its economic, humanitarian, environmental and social contribution.

VESTEL'S APPROACH TO SUSTAINABILITY HAS BEEN SHAPED BY THE GOAL OF A BETTER FUTURE ON THE BASIS OF ITS ECONOMIC, HUMANITARIAN, ENVIRONMENTAL AND SOCIAL CONTRIBUTION.

As a global manufacturer, which manages its processes with a vision of sustainability, Vestel considers the environmental impacts of its products, from the design and production to the procedures carried out after the end of the product's life cycle. Expanding its range of products, which have broken world records with their energy efficiency and water conservation, Vestel mitigates the environmental impacts of its operations through environmentally-friendly and people-focused manufacturing, while minimizing production costs and risks.

Placing attention on the use of recyclable materials in production and reducing the diversity and quantity of materials used, Vestel aims to mitigate the environmental impacts of its operations through measures such as energy saving, reduction, re-use and recycling of waste, and by limiting or eliminating the use of hazardous chemicals.

Vestel considers its own development to be equivalent to the development of society. With this awareness, Vestel is determined to support social responsibility projects with ample funds, initiate new projects in this regard and step up its efforts and support for a better future in addition to its contributions to economic and environmental sustainability.

VESTEL ELEKTRONİK INCLUDED IN THE BORSA ISTANBUL (BIST) SUSTAINABILITY INDEX FOR THE FOURTH TIME IN A ROW.

Placing sustainability firmly in its entire business model from the use of technology to its management strategies, Vestel Elektronik was included in the BIST Sustainability Index, which consists of the shares of companies listed on Borsa Istanbul with a high corporate sustainability performance, for the first time on 2 November 2015. Having listed in the BIST Sustainability Index for three periods, Vestel Elektronik qualified for inclusion in the index for a fourth time with effect from 1 November 2018 thanks to its continued compliance with the index criteria.

Vestel Beyaz Eşya, a subsidiary of Vestel Elektronik, voluntarily applied for inclusion in the BIST Sustainability Index at the end of 2015. The company qualified for inclusion in the index for the November 2016 - October 2017 period by fulfilling the required criteria, and was included in the index with effect from 1 November 2016. Being included in the index for two periods and maintaining its compliance with the index criteria in 2018, Vestel Beyaz Eşya will also voluntarily be listed in the BIST Sustainability Index in the November 2018 - October 2019 period.

Vestel mitigates the environmental impacts of its operations through environmentally-friendly and people-focused manufacturing processes while minimizing production costs and risks.

VESTEL AND SUSTAINABILITY

HUMAN RESOURCES AT VESTEL

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

VESTEL'S APPROACH TO HR: BEING WHERE THE TALENT IS

Vestel is aware that the underlying factors for sustainable success are not giant factories or the state-of-the-art computers or electronic devices, but rather the highly motivated and happy employees who have the skills to utilize and manage these in pursuit of a common goal. Vestel continually reinforces its existing workforce by investing in qualified human resources, thereby contributing to national employment.

Vestel 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 which Vestel places on the employment of new graduates and young talented individuals, university students are identified as potential candidates. In order to raise its perception as an "Attractive Employer", Vestel carries out intensive activities on university campuses. These activities include university career events, engineering competitions, graduation projects, sponsorships, workshops and case studies, which require the establishment of close relationships with university career offices and student clubs, as well as projects that support the collaboration between university and industry.

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 Human Resources 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 create projects in line with the mission given to them. These young people build a "Vestel Dream" and integrate the strengths of Vestel into this dream as part of their project. Carrying the dreams students create to the campuses and "Vestellize" the campuses as the students wish are part of the Employer Branding activities.

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

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

Tangible successes were achieved through the activities implemented to attract talent to Vestel under the "Campuses are Vestelized" project. According to the

"Attractive Employers Surveys" conducted with 1.8 million young people in 61 countries by Universum, a research company conducting surveys of young talent, Vestel climbed more than 7 places in 2017 from 42nd to 35th in the Turkey section of the survey. In 2018, Vestel climbed another three places, from 35th to 32nd ranking.

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

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

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of enjoyable tasks ranging from an entertaining video including information which the new recruit may need during his/her adaptation period to Vestel, the National Geographic Mega Factories documentary, the Vestel jargon game and office exercises.

In recognition of this project, the Company was given the Silver Award in the "Best New Hire Onboarding Program" category in the "Brandon Hall Group HCM Excellence Awards" in 2018.

As part of the Onboarding Program, the "Pole Star" is an implementation which is carried out to facilitate and accelerate the adaptation of the newly recruited employees to work and to the corporate culture. Within the scope of the "Pole Star" project, a mentor from the new employee's department is selected to support the new employee for 3 months. The Pole Stars are selected

VESTEL AND SUSTAINABILITY

by managers from among volunteering employees and are reported to the Human Resources Department. A total of 145 Pole Stars selected within the scope of the implementation were included in a training program by the Human Resources Department, where they were informed about the process.

Vestel;

- Facilitates the adaption process for its employees,
- Takes into consideration the needs of its employees so that they can be successful,
- Ensures fairness and equal opportunity among employees by balancing employees' expectations with those of the Company,
- Supports and promotes the development of its employees through continuous training programs,
- Follows up and evaluates the performance of employees, while encouraging and rewarding them for their achievements,
- Performs career planning with vertical and horizontal promotions and maintains long-term cooperation with the employees.

Vestel is aware that a qualified workforce is the most important factor for providing quality customer services in addition to maintaining and improving its technological superiority and leadership in design. Accordingly, Vestel manages its human resources through detailed procedures, which include all legal and regulatory requirements, training needs and processes and training programs for meeting these needs, performance evaluation, reflection of performance evaluation results to remuneration, career planning, promotion, dismissal and compensation.

New developments are monitored, evaluated and implemented for improving the management of human resources at Vestel. Internal duty backups for sustainability are conducted periodically, with most of these needs met through in-house human resources.

Rotation implementation has been put in place to help employees diversify their knowledge, skills and experience and achieve their career targets by gaining experience in different roles and companies.

This implementation covers all white-collar workers between the 2nd and 18th levels. Rotation requests are received once a year over the system and evaluated collectively by the senior management depending on the Company's existing needs.

Rotations made across Vestel Group of Companies are valued as a significant source of leverage in terms of supporting back-up through opening different career paths for employees, preventing management gaps by filling managerial positions within the Group, strengthening communication and collaboration between Group companies and facilitating an increase in employee and Group performance.

Human resource practices are shaped by the principles of fostering employees' sense of belonging, internalization of corporate values, employee engagement and ensuring long-term employee loyalty and cooperation. The Human Resources Department is represented at the Executive Committee level in the Company in order to set the foundation for the Human Resources Policy and to implement it effectively.

Vestel employees are provided training activities in line with their career plans to ensure the continuity of their progress. In addition, Airsoft Milsim, Basketball, Dancing, Nature Sports, Photography, Football, Swimming, Sailing/ Aqua Sports, Martial Arts, Theatre, Tennis, Music, Running and Motor Sports clubs were set up for employees so that they could pursue their hobbies outside of work. Among these clubs, the Vestel Venus roadRUNNERteam Running Club and Vestel Corporate Basketball Team continue their activities intensively. The Running Club organizes night running on a regular basis every week, participating and competing on behalf of Vestel in running competitions such as half marathons and marathons. Participating in 16 contests during the year, the Vestel Running Club successfully represented the Vestel brand, ranking among the leaders in every event. Vatozlar, the Vestel Basketball Team, was a finalist in the Aegean League Winter Cup and the second most successful team in the League.

Key HR Indicators for Vestel – (As of the end of 2018)

Personnel	Number	%
Total	16,125	100%
Female	5,711	35%
Male	10,414	65%
Average seniority	5 years	
Distribution of Senior Management by Gender	**Female**	**Male**
General Manager	1	7
Deputy General Manager	4	46
Middle Level Manager	50	254
Total	**55**	**307**
Distribution of Personnel by Educational Status	**Female**	**Male**
Doctorate	4	16
Master's Degree	205	497
University Graduate	889	1,581
Vocational School Graduate	708	1,176
High School Graduate	2,449	4,448
Primary School Graduate	1,456	2,696
Total	**5,711**	**10,414**

Number of Personnel By Status

Senior Managers	Other Personnel (Excluding Administrative Staff)
362	15,763

In recognition of its success, the Vestel Human Resources Directorate was granted a total of eight awards in 2018, five of which were international and three being national awards. These awards were:

- Grand Prize with full points in the "Best Education and Development Program" category at TEGEP (Turkey Education and Development Platform Association) Learning and Development Awards,
- Gold and Silver Prizes for the "Deepbach Experience" Project in the Horizon Interactive Awards,
- Silver Prize in the "Best Practices in Success and Career Management" category from Brandon Hall,
- Silver Prize in the "Best Practices in Talent Hunting Technology" from Brandon Hall,
- Bronze Prize for the VesTELLer Project in the Employer Brand Management Awards,
- "Crystal Deer" Award from Hacettepe University and
- "Most Innovative Firm of the Year" Award from Aegean University.

In addition to these, the Vestel Human Resources Directorate was a finalist in the "Best Innovation Practice in Human Resources" category at PERYÖN (Turkey Human Management Association) Awards and in the "Best Training" category in the UK based HR Excellence Awards.

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SUSTAINABLE AND HIGH QUALITY TRAINING ACTIVITIES TO SUSTAIN CREATIVE, ENTREPRENEURIAL AND PRODUCTIVE HUMAN RESOURCES

At Vestel, where each employee is considered as a source of value, a regular training model is adopted to develop the existing skills of employees and further facilitate their adaptation to innovation and change. Within this framework, high quality and sustainable training activities are carried out to sustain the creative, inquisitive, reflective, entrepreneurial and productive human resources. Accordingly, various soft skills and technical training programs were provided in 2018.

Within the scope of the Vocational Qualifications Authority Law, 58 employees were certified for Machinery Maintenance, 19 as Metal Plate Handling Bench Workers, 32 for Steel Welding while four employees received Metal Plate Handling Bench Operator certificates in 2018. Through the operator training program, 167 employees were qualified to work as a Forklift Operator, 39 employees as a Manlift Operator and 40 employees were qualified to work as an Overhead Crane Operator. As of October 2017, all commercial vehicle drivers engaged in the transportation of people and goods must hold the Driver Certificate of Professional Competence (Driver CPC). In line with this legal requirement, 154 employees obtained CPC 2 and CPC 4 driver licenses. Also, in order to meet the legal requirement, 297 employees completed the basic first aid training and received their certificates in 2018 while 107 employees were awarded certificates after completing the first aid update training.

In addition, 164 employees were provided training within the scope of the Management Development and Mentorship Training programs.

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,

- 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.

Within the scope of its 2018 program, Vestel Technology Academy continued to provide post-graduate level training in the fields of Computer, Electrical-Electronics, Industrial and Mechanical Engineering.

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

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

Vestel Technology Academy won the Golden Award in the category of "Best Training and Development Program", at TEGEP Awards, which is one of Turkey's most prestigious awards in the field of education. In the international arena, the Academy won Bronze Award in the category of "Human Resources Team of the Year" at the Stevie International Business Awards.

Vestel Management Trainee Program

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

These young talented individuals, who undergo various evaluation phases to qualify for the MT Program, are given the opportunity to develop themselves in many areas over a period of 4 months from the day they enter the program. Within the scope of the program, management

Within the scope of its 2018 program, Vestel Technology Academy continued to provide post-graduate level training in the fields of Computer, Electrical-Electronics, Industrial and Mechanical Engineering.

VESTEL AND SUSTAINABILITY

trainees, who expand their theoretical knowledge during the trainings provided both at the university and within the Company, also receive personal development support which includes guidance for work life.

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

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

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

Vestel Retail Academy

In 2018, Vestel Retail Academy (VPA) continued to carry out its training activities for the head office personnel and dealer network. During the year, it opened 148 classes and provided 25,566 person-hours of training to 2,085 people. In the Corporate Academies Summit organized by TEGEP, the "Compass of Excellence" Program, which was designed by Vestel for its corporate stores, was awarded the Silver Award in the "Best Sales Development Program" category. With this award, VPA maintained its success in the same category for another year in 2018.

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

Vestel Supply Chain Academy

Having started in 2015 and advanced further by each passing year, the "Supply Chain Academy" training was provided to 130 supply chain employees at different levels in 2018. The most important feature of the "Supply Chain Academy" training is the inclusion of the newly recruited personnel in the training, thus ensuring continuity.

Within the scope of these training programs, employees recruited within the last one year received the following training programs:

- Presentation techniques training aimed at improving the way they express themselves and enhancing their communication skills,
- Advanced Excel training to ensure that operational work is carried out more effectively and in a shorter period of time,
- Project management training for employees at the specialist level to increase their performance in the projects they undertake and to better manage group coordination and integration of processes,
- Training in leadership and soft skills for employees at the supervisor and manager levels to improve their managerial skills.

In 2018, in-house training and factory visits were organized for employees recruited over the course of the last year, in order to increase their knowledge, improve their communication with employees in other departments, and familiarize them with the functioning of these departments.

A number of in-house technical and personal development courses are planned for 2019, aimed at increasing the knowledge, motivation and productivity of supply chain employees.

VESTEL AND SUSTAINABILITY

> Thanks to the eBA (Electronic Document and Business Flow Management System), which came into effect in 2018, the digital traceability of the supply chain processes was increased.

DIGITAL SUPPLY CHAIN SOLUTIONS

Numerous digitalization projects related to inbound processes such as suppliers, logistics processes, production and storage have been put into practice since 2014.
In 2018, a joint project between Vestel Elektronik and Vestel Ticaret was initiated in order to ensure end-to-end traceability of the entire supply chain and integration with the sales company, which is an important pillar of the supply chain in reaching customers. An analysis was conducted to trace inventories and logistics processes on a sales channel basis through a project team consisting of Vestel Elektronik and Vestel Ticaret employees. The objective is to establish infrastructure which will provide accurate and timely data for sales-operation decisions by monitoring inventory levels at all sales-distribution channels and by providing information in a digital environment.

With the ICRON projects, which were initiated within the scope of digital supply chain solutions, demand planning, scheduling, order fulfilment and material management operations were moved to the digital environment, which enabled the relevant processes to be carried out faster and more accurately and efficiently, thus, bringing the Company a step closer to its goal of an agile supply chain. To this end, the processes were simplified as the information exchange between departments was conducted over the system, ensuring access to a single and accurate source of information. Inventory levels were reduced through the more effectively and rapidly managed processes, and the response rate to customer was increased by 25%.

The digitalization and traceability in supply and logistics operations, which were achieved by the Supplier Network Management (SAP-SNC) and Transportation Management (SAP-TM) projects, which are among the supply chain excellence projects, were also moved to an advanced level in the areas of storage and internal logistics with the SAP EWM (Extended Warehouse Management), the first phase of which entered into effect in 2018. Thanks to the EWM, systemic management was achieved in all storage processes including the acceptance of goods, storage, production, service and internal logistics operations for goods entering the inventories and semi-finished products manufactured internally. An efficient storage management system was designed through the allocation of teams and equipment in the warehouses with the specified criteria. This resulted in a 26% improvement in material collection and service times. Key performance indicators for warehouse operations can be digitally monitored and reported. Deliveries from suppliers are reflected instantly to the EWM system thanks to the integration with the SNC (Supplier Network Management), establishing a digital connection between the suppliers and warehouses. By removing the previously used third party software and moving to the use of a single system in storage management, full SAP integration and digital traceability between the units was achieved.

With the introduction of the standard barcode practice and the entrance of the firm's packaging information digitally in a web environment into the system via the Web Barcode/Package project, packaging information - which is essential for the planning and efficient use of warehouse space - was received digitally before the materials reached the warehouse. With the barcodes which are automatically read thanks to the improvement of the volumetric reception (pick-up) system, the acceptance process was automated. Thanks to the Heatmap project, developed with internal sources, the place of use for the equipment in the warehouses was visualized graphically on the layout. To this end, the more intensive regions could be digitally tracked, ensuring a balance in the distribution of equipment and operations.

Thanks to the eBA (Electronic Document and Business Flow Management System), which came into effect in 2018, the digital traceability of the supply chain processes was increased. The eBA removes the paper usage in processes such as material management, processes requiring progressive approval and document circulation between the units. Thus, such flows were moved to digital environment, unnecessary time losses were prevented, digital information flow was provided between the departments, a digital data/document archiving environment was created, process costs were reduced and efficiency in process management was increased.

VESTEL AND THE ENVIRONMENT

Acting on its responsibility of being a global company in the consumer electronics and household appliances sectors, Vestel conducts environmental impact reviews for all of its operations, production lines and products. The Company believes that it has a duty to safeguard the health and safety of its employees, customers, and the general public who may be affected by its operations, products, and services and to protect the environment and nature for the good of future generations.

Vestel has documented its commitment to the environment by obtaining the ISO 14064 Greenhouse Gas Accounting and Verification Certificate in addition to the ISO 14001 Environmental Management System and the ISO 50001 Energy Management System Certificates.

Having received the ISO 14064 Greenhouse Gas Accounting and Verification Certificate in 2017, Vestel Elektronik calculated its greenhouse gas emissions for 2017 and had them verified in June 2018.

Vestel Beyaz Eşya also obtained the ISO 14064 Greenhouse Gas Accounting and Verification Certificate in 2017. Moreover, the company calculated its water footprint for the year 2016 on an institutional basis in accordance with the "ISO 14046 Water Footprint" Standard, and registered its success in this field by obtaining the ISO 14046 Water Footprint Approval Certificate, and became a pioneer in its sector.

With a firm belief that it has a duty to safeguard the health and safety of its employees, customers, and the general public who may be affected by its operations, products, and services and to protect the environment and nature for the good of future generations, Vestel aims to implement and develop simple and proactive environment and energy management systems within the framework of the principle of sustainable development and commits to work in line with this understanding by allocating sufficient and appropriate funds for such work.

In light of its Environmental Policy, Vestel;

- Perceives all kinds of waste disposal as a loss of natural resources and develops methods to prevent pollution at its source. It works on the reduction, reuse, recycling and recovery of waste.
- Constantly improves its energy performance through the design of energy efficient processes, and procurement of energy efficient products and services. It ensures savings of energy, water and natural resources by supporting increases in productivity and the use of new technologies.
- Works on reducing the use of hazardous substances in its products and production processes and seeking substances with less polluting properties.
- Develops innovative solutions for its products and processes in tackling climate change.
- In its processes, it commits to comply with the relevant environmental legislation and administrative regulations and all the legal and other requirements as well as international operating standards.
- Aims to minimize energy and water consumption, waste generation, water and air emissions by training employees, subcontractors, dealers and suppliers and using continuous improvement tools.
- Manufactures products which have a lower environmental impact and contain more recyclable materials.
- Targets an approach that protects and enhances the quality of life of its employees and customers with its Environmental Policy by adopting the protection and enhancement of the environmental quality as a general purpose together with all of its employees.
- Takes the opinions of stakeholders on its activities, inform them of its activities and act together with them in line with the common objectives.
- Uninterruptedly continues its work on sustainability studies.

VESTEL AND SUSTAINABILITY

Vestel closely monitors its compliance with all mandatory regulations throughout the life cycle of its products.

VESTEL PRODUCTION PROCESSES ARE IN FULL COMPLIANCE WITH THE LEGAL REGULATIONS.

Vestel closely monitors its compliance with all the mandatory regulations throughout the life cycle of its products. In order to ensure the protection of the environment and human health, the Company established a number of procedures on the basis of the legal regulations and its Management Systems Policy, and ensures that its activities are in full compliance with these procedures and legal regulations.

In this context, Vestel is fully compliant with the following legal regulations relating to its sector in Europe:

- WEEE (Directive on Waste Electrical and Electronic Equipment) Directive,
- 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, Authorization and Restriction of Chemicals,
- Law on Energy Efficiency and Regulation on Increasing Efficiency in the Use of Energy and Energy Resources.

SUSTAINABILITY IS TAKEN INTO ACCOUNT IN PRODUCT DESIGNS, WITH THE AIM OF ACHIEVING MAXIMUM ENERGY EFFICIENCY AND WATER SAVINGS.

Vestel Elektronik's sustainable product portfolio includes LED lighting products, televisions with A+ and A++ energy ratings, the Smart Home kit, electric vehicle charging units, the smart walking stick and household appliances with high energy and water efficiency levels. The R&D designs of the entire product portfolio are undertaken in accordance with the sustainability criteria. All processes, from the product design to the recycling of waste generated are managed with a focus on sustainability.

LED lighting products, which provide energy savings of up to 80% and are environmentally-friendly as they do not contain mercury and reduce waste generation with an operating life of more than 35,000 hours, contribute to lower carbon emissions by consuming less energy than standard lighting fixtures. Sold in both domestic and foreign markets with these features, the whole range of LED lighting products is included in the sustainable product portfolio.

The TV product group is comprised of products with energy efficiency classes of A, B and C. UHD and OLED TVs in particular consume more energy. With its efforts to increase energy savings in recent years, Vestel aims to achieve A+, A++ and A+++ energy efficiency standards in its TVs. At present, some of the Company's TVs offer A+ and A++ energy efficiency levels while work is underway to achieve the A+++ energy rating.

With the integration of heating and electrical systems through the Smart Home kits, households can benefit from the following;

- 10%-30% savings in thermal energy,
- Electricity savings of up to 30% thanks to automatic turning off of unused lights, illumination at 90% brightness, and the programming of devices to automatically switch on during low tariff periods.

The plan is to start the sales of Smart Home kits in 2019, and increase market share in line with growing sales in the coming years.

Vestel considers electric vehicle charging units to be an important area of focus in its Sustainable R&D Policy. In line with the dramatic shift in the automotive industry with the transition to electric vehicles on the back of diminishing fossil fuel reserves, increased environmental awareness and a growing fuel economy, Vestel Elektronik has stepped up its R&D projects in this field and launched the sales of its electric vehicle charging units in 2018 with the target of increasing its market share in line with a growing sales performance in the coming years.

On the other hand, by participating in Turkey's Automobile Project Joint Venture Group in 2018, Vestel aims to contribute to the production of the country's first indigenous electric car with its infrastructure and know-how in the electronics sector.

The "Smart Walking Stick" is designed with a combination of technologies which help alert visually impaired individuals of obstacles in their way and reduce their risk of accidents. With the aim of contributing to the educational, scientific and cultural development of the visually impaired, work on adding the "Smart Walking Stick" to the Company's sustainable product portfolio for social development and social responsibility is in its final stages.

Constantly revising its energy efficiency targets, Vestel's entire white goods product range consists of eco-friendly products with energy classes of A, A+, A++ and above, which all fall into the high energy efficiency category. Vestel strives to develop energy efficient and environmentally-friendly products that have a minimum impact on the environment by continuously carrying out studies in R&D and innovation. Vestel currently allocates half of its R&D budget for household appliances to the development of environmentally-friendly products as well as providing additional funding to such projects, which are implemented without delay.

- The Vestel Pyrojet washing machine product family was expanded with the 7 kg and 10 kg models, following the introduction of the 8 kg and 9 kg models. The Vestel Pyrojet washing machine family is the world record holder, using 70% less energy than A+++ rated products in the 8 kg and 9 kg range, and 60% less energy than A+++ rated products in the 7 kg and 10 kg range. In addition, all models have reached record levels for water saving.
- The Vestel Ekomaks dishwasher consumes 20% less energy than the A+++ energy class models, and is a world record holder in this field.
- Pyrojet and Ekomaks obtained approval from the German Electrical, Electronic and Information Technologies Association (VDE) in recognition of their energy efficiency.
- The Vestel built-in oven with A++ energy efficiency is the most efficient product in its class.
- The Eco Time mode incorporated in Vestel's new generation washing machines and dishwashers allow program start times to be set, enabling machines to operate outside peak hours to take advantage of lower electricity tariffs.
- The Vestel French Door refrigerator with A+++ energy efficiency is the most efficient product in its class.
- The Vestel 70 cm combi refrigerator consumes 35% less energy than the products in the A+++ energy class.

VESTEL AND SUSTAINABILITY

- Dishwashers with a capacity for 14 place settings, which can complete a wash using only 5.4 liters of water, and washing machines which consume 4.4 liters of water per kilogram are the most eco-friendly products in their segments offering the least amount of water consumption.
- Vestel produces air conditioning units boasting A+++ energy efficiency.
- Vestel's mechanically-controlled built-in and free standing ovens with A+ energy rating allow consumers to buy products with a higher energy class in the mid-segment, being the first of its kind in the world.

ENSURING THE HIGHEST LEVEL OF SUSTAINABILITY IN ITS PRODUCTION PROCESSES

Demonstrating the same sensitivity to the environment in its production processes as it does in its products, Vestel continues its efforts towards attaining its energy consumption targets. In addition to carrying out improvements in processes, new technologies are deployed where appropriate in order to reach these targets.

The electrolytic processes used in chrome plating, an industrial practice currently in use, involves acids that threaten the environment and human health as well as carcinogenic Cr6-Cr3 oxides. Vestel developed a "zero-waste" Nano Chrome Coating Manufacturing Technology that uses neither chemicals nor carcinogenic Cr6-Cr3 oxides, which is a first in the smartphone and TV industry. This technology has enhanced resource effectiveness and reduced environmental impacts while also reducing costs by 70% and boosting productivity by 97%. Thanks to this technology, which marked a key progress towards Vestel's sustainability mission, "zero" emission and waste levels were achieved thanks to the elimination of the use of hazardous materials and water.

In 2017, this project won Second Prize in the "Process Innovation" category at the European Commission's European Business Awards for the Environment, one of the EU's most prestigious accolades, and the "Star of Innovation Award" in the Technology Stars Awards organized by Yıldız Technical University.

Another technology developed by Vestel, the "Waste Paint Recycling and Reusing System" enables the recovery of waste paint particles used in the plant and prepares them for reuse. Vestel designed all the chemical formulations and machineries used in the system and was the first company to use this system across all industries. The Company obtained and registered three patents for this system.

> Competing with the large European industrial companies for the second time in the "Process Innovation" category at the 2018 EU Awards for the Environment, Vestel won First Prize with its "Waste Paint Recycling and Reusing System".

Competing with the large European industrial companies for the second time in the "Process Innovation" category at the 2018 EU Awards for the Environment, Vestel won First Prize with its "Waste Paint Recycling and Reusing System". Within the scope of the awards held since 1990, Vestel became the first and only Turkish company to rank as the successive finalist in this category.

With "Waste Paint Recycling and Reusing System", Vestel also won the "Large-Scale Enterprise Process Category Award" at the Technology Awards, which is a product of the synergy created between TUBITAK, TTGV and TUSIAD, and handed out in recognition of the creative and innovative solutions featuring technical excellence and competitiveness.

As a result of the studies for the delivery of products to dealers in a sound manner and improvement of the quality of packaging to approach the "zero waste" target, Vestel Beyaz Eşya was granted an award with its "Decreasing Styrofoam Weight and Density Project" in the "Prevention Applications in Packaging Design by Reducing Resources" category at the Green Dot Industrial Awards organized by the ÇEVKO (Environmental Protection and Recovery of Packaging Waste) Foundation.

While packaging wastes are reduced with the Decreasing Styrofoam Weight and Density Project; the main gain is derived from the reduction in the use of raw materials. In addition, the carbon footprint is also reduced thanks to the reduced need for transportation during the procurement of raw materials.

Vestel Beyaz Eşya's "Waste Management System" Project was awarded the Green Dot Award in the "Waste Management System and Practices" category at the Green Dot Industrial Awards.

ENERGY EFFICIENCY AND TPM (TOTAL PRODUCTIVE MAINTENANCE) ACTIVITIES

Vestel implements various projects to improve the energy efficiency of its operations. Vestel's main policy is to maximize its production with lower levels of energy consumption. In line with this approach, Vestel aims to achieve higher efficiency and quality by reducing energy consumption in its production processes.

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> Having started to work for the "TPM Advanced Special Award" in 2017, Vestel Elektronik completed the studies to receive this award, and passed the evaluation successfully. The Company received the "Advanced Special Award for TPM Achievement" in January 2019.

Performance results on energy efficiency are regularly monitored and evaluated by the senior management. In order to effectively manage the Energy Management System at Vestel, the Company appointed an energy officer and an energy management representative. Meanwhile, required steps were taken to ensure the continuity of the TS EN 50001 Energy Management System Certificate in 2018.

Within the scope of the Environment and Energy Management Systems, energy consumption and related processes are managed in integration with the TPM (Total Productive Maintenance) model, which targets a zero incidence of equipment breakdown and zero quality defect in production systems, and with the practices for the management of key performance indicators in business plans. Vestel successfully implements and ensures the sustainability of the TPM Management System. The TPM System approach brings the following environmental gains:

- Ensuring an orderly organization with 5S methodology and decreasing pollution,
- Improvement activities through the Kaizen approach,
- Savings in energy and raw materials, a reduced incidence of breakdowns and lower scatter under the autonomous maintenance approach,
- Reductions in scrap and rework, and thus waste,
- Increasing efficiency and quality and achieving continuous improvement.

Vestel Elektronik successfully completed the first phase of the TPM Management System and received the "TPM Excellence Award" from the Japan Institute of Plant Management on 11 January 2013. Completing the audit for the continuity of the TPM Excellence Award successfully, the Company was awarded the "Award for Excellence in Consistent TPM Commitment" at the end of 2014. The Company also passed the preliminary evaluation in the TPM Special Award category in 2016 and received the "TPM Special Award" in February 2017. Having started to work for the "TPM Advanced Special Award" in 2017, Vestel Elektronik completed the studies to receive this award, and passed the evaluation successfully. Based on the official announcement made in January 2019, the Company received the "Advanced Special Award for TPM Achievement".

Vestel Beyaz Eşya was handed the "TPM Excellence Award" for its TPM activities simultaneously carried out at its refrigerator, washing machine, dishwasher, air conditioner-water heater and cooking appliances plants. As the first company in the household appliances sector to qualify for this award with its six production plants at the same time, Vestel Beyaz Eşya notched up a worldwide success.

VESTEL PARTICIPATED IN THE CARBON DISCLOSURE PROJECT.

Aware of the threat that climate change poses to the future of the world, Vestel initiated studies for the measurement and reduction of its carbon footprint and participated in the Carbon Disclosure Project (CDP).

Vestel Elektronik published its Carbon Emission data on www.cdp.net in 2016. Under the CDP's renewed scoring methodology, the Company issued statements in the Climate Change, Water Program and Supply Chain modules and respectively earned scores of B in the Climate Change module (the average score in the module was C), B- in the Water Program module (the average score was B-), and B in the Supply Chain module (the average score was D) in 2016. In 2017, the Company issued a declaration in the Climate Change module and received a B rating, thus maintaining its previous score. Having issued a similar declaration in 2018, Vestel Elektronik is determined to demonstrate a strong presence in the efforts to tackle climate change.

SUSTAINABILITY IN SUPPLIER RELATIONS

Vestel also acts in accordance with the sustainability criteria in its relations with suppliers in the production cycle.

In order to assure the practices in this context, Vestel is a member of the Supplier Data Ethical Exchange (SEDEX) Group B and a registered supplier member of the Business Social Compliance Initiative (BSCI). In addition to SEDEX and the BSCI Social Responsibility audits, suppliers are also periodically audited by the independent audit bodies for FWC (Fair Working Conditions), ICS (Initiative Clause Social) and Walmart Social Responsibility.

Within the scope of the Supply Chain Excellence Project, the Code of Ethics was added to the Company's procurement website in order to share it with the suppliers and encourage suppliers to also adopt these rules. Another project initiated in 2017 intended to identify the social responsibility risk levels of suppliers. This BSCI-based project, which was continued in 2018, determines the social responsibility risk levels of 450 suppliers through country, technology, and company analyses and preliminary assessments and uses the findings as a guide to improve the working and occupational health and safety conditions of suppliers.

OCCUPATIONAL HEALTH AND SAFETY AT VESTEL

Vestel is highly sensitive about occupational health and safety for a safe and healthy work environment, attaching importance to the assessment and management of the potential impacts of risks in the workplace on personnel, subcontractors, visitors, solution partners and other employees. Vestel continually trains its personnel to ensure that they adopt the right behavioural patterns with respect to quality, environmental awareness, energy efficiency, information security and potential health and safety risks.

The framework of Vestel's Occupational Health and Safety Policies comprises the following;

- To create a "Safety Culture" throughout the Company and ensure that it is adopted,
- To protect from dangerous and health-hazardous conditions that may occur during activities and to create a healthier work environment by conducting up-to-date risk analyses based on the policy of "preventing before it happens",
- To ensure occupational health and safety together with employees, by asking for their feedback through constant training and platforms which support employee engagement,
- To consider occupational health and safety as an indispensable priority for all employees and as an inseparable part of their work,
- To create a safe working environment by fully preventing or minimizing fire risk and accidents in operations,
- To eliminate or minimize unsafe situations and unsafe acts in the workplace by conducting risk analyses and by implementing preventive plans based on "The right work for the right employee" principle.

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FOR VESTEL, IT IS ESSENTIAL TO GROW BY SHARING WITH THE COMMUNITY.

The principle of creating value for the community and keeping values alive together with the community underpins Vestel's fundamental business strategy. Vestel aims to provide resources and opportunities especially for the younger generations by carrying out long-term social contribution projects in areas which receive limited support. Vestel continues to develop social projects which are focused on the future on the axes of the environment and human, and which reflect Vestel's perfectionism.

Many projects are implemented at Vestel for the impaired, and in all of them sensitivity is shown to disabled citizens at every stage.

These projects are summarized below:

Believing that handicapped individuals can work in harmony and productively together with the other employees when equal opportunities and right working environment are provided, Vestel developed a project named the "Equal Opportunity Project" to promote the employment of disabled individuals. Targeting to spread the project across the country, school visits were carried out to reach young handicapped individuals through the project, as well as reaching people through videos shared via social media with around 50,000 views, and through the written and visual news in several newspapers, magazines and news channels.

A number of seminars, conferences and sessions were organized for disabled individuals in a bid to reach a wider audience by informing them about the project, and the 1st Equal Opportunity Conference was held in Manisa OIZ in 2017. The event contributed to the employment of handicapped individuals by eliminating prejudices of many firms and entities.

Since 2015, Vestel has been providing all kinds of support to the disabled individuals in their recruitment and adaptation process, including;

- Organization of accommodations
- Dorms-Guesthouses
- Sign language interpreter
- Special training programs
- Communication with their families (a communication line for the handicapped available on a 24/7 basis).

Vestel employed a total of 41 disabled individuals over the last year, including 23 at Vestel Beyaz Eşya, increasing the total number of its disabled employees to 411.

Sports is another area where Vestel provides support to the disabled individuals. Within this scope, 14 employees with disabilities have been granted 472 days of paid leave to participate in sporting competitions including football, volleyball, cycling and handball since 2015. In 2018, five handicapped employees were granted 728 hours (97 days) of paid leave. Two female employees with hearing impairment competed in the para-olympics, representing Turkey in the cycling tournament.

Within the scope of the Mentally Handicapped-Friendly Workplace (ZEKİ) Project initiated by the Manisa OIZ, Vestel Beyaz Eşya employed 10 individuals with mental disabilities in 2017, and this number was maintained in 2018.

With the "Accessibility Project" initiated by Vestel to improve accessibility for the disabled individuals in every area, from the Company's products and manufacturing facilities to its customer services and stores, Vestel aims to create a transformation which will make life easier for people from all walks of life. The Accessibility Project, which is being carried out as a 360-degree project, aims to ensure that all products, working environments, including production plants, and all the communication channels of the Company are easily accessible for the disabled. Within the scope of the project, household appliances have become easily usable by the visually impaired thanks to the service kits prepared with the Braille alphabet, which are placed on the control panels of the products. Vestel TVs can be controlled with voice commands through the voice control/command and voice feedback mobile applications offered by the Company's smartphone, the Venus V3 5040 model, through the "accessibility mode". Small household appliances can also be controlled by voice. As part of the Accessibility Project, user manuals in audio form and promotional videos described by voice were prepared for the disabled individuals. In addition, a visual call center was established for the hearing impaired.

Within the scope of the Accessibility Project, Vestel Customer Services opened Turkey's first "Accessible" Authorized Service Provider in Avcılar, Istanbul in December 2018. Following the completion of work including a front door entry ramp, easy inward-opening door, an accessible toilet and washbasin, yellow guidance parquets for the visually impaired, sign speaking customer representative for the hearing impaired, a water fountain with the Braille alphabet, guiding signboards and a special ramped car park for the handicapped, the authorized service provider was opened to provide services for handicapped customers with the objective of offering them a customer experience which they have not experienced before, by providing them with easy access.

Within the scope of the Accessibility Project, the industrial design, software, hardware design and prototype studies of the Smart Walking Stick, WeWALK, were carried out in Vestel City in a project developed together with Vestel and the Young Guru Academy to make life easier for the visually impaired. Offering a number of features such as obstacle detection, phone integration and an open platform, all mobile applications can be integrated into the WeWALK, which can connect to the user's mobile phone via bluetooth to enable the visually impaired user to access a wide range of services such as navigation, receive calls and even respond to messages through the walking stick without needing to touch his/her mobile phone. Recognized as the "Social Innovation of the Year" at the Turkish Exporters Assembly's Innovation Summit, the Smart Walking Stick WeWALK was also qualified to compete in the "Best Wearable Mobile Technology" category in the finals of the Global Mobile Awards 2017, a globally renowned competition held as part of the GSMA Mobile World Congress.

Vestel presented its Accessibility Project to national representatives at the 10th Session of the Conference of States Parties to the UN Convention on the Rights of Persons with Disabilities, which was held in New York, USA under the motto of "Technology for a Better Life" on 13-16 June 2017. At the conference, Vestel shared

VESTEL AND SUSTAINABILITY

its innovative solutions for the disabled individuals. The Company also presented the products it has developed specially for the disabled and the social responsibility projects it undertakes for people with disabilities including their employment.

In 2018, the Smart Walking Stick WeWALK received the Gold Prize in the "Health and Good Life" category at the Edison Awards, which is one of the most prestigious awards in the field of innovation in the US.

Vestel Elektronik deems its contribution to sports as one of its social responsibilities. With this understanding, Vestel became the name sponsor of the Sultans League - the top league of women's volleyball in Turkey - for the 2016-2017, 2017-2018 and 2018-2019 seasons, and the main sponsor of the Turkish National Volleyball Teams under its cooperation with the Turkish Volleyball Federation ("TVF"). Vestel also assumed the official sponsorship of the "Factory Volleyball", the TVF Volleyball Schools which shape the future of the Turkish volleyball and serves a platform to raise hundreds of athletes.

With the social responsibility project developed in 2018 within the scope of its sustainability vision, Vestel designed walking frames for disabled animals to facilitate their lives and kennels for stray animals. Designing walking frames from product parts that have completed their service life for the disabled animals in need of help and care, Vestel started the project with the impaired animals at the Manisa Animal Shelter in the first stage in cooperation with the Manisa Metropolitan Municipality. Vestel plans to expand the project to all official shelters of municipalities throughout Turkey.

Additionally, volunteers consisting of Vestel employees constructed catteries and dog kennels with the stand materials left behind in the fairs, in the second stage of the "I Am Not A Robot" project which was initiated at the beginning of 2018. These kennels serve as home for stray animals in front of 18 Vestel stores in various provinces, 4 of which were presented as a gift to Yedikule Animal Shelter.

In line with the goal of achieving sustainability in human resources, a series of seminars entitled "Steeped Chats" were initiated in 2018 in order to raise employee awareness in certain issues (education, women, the handicapped, etc.) where all employees are free to attend. In order to contribute to the employees' awareness in various areas, the Steeped Chats are realized with the participation of expert speakers on a regular basis almost every month, where employees could find answers to their questions from the experts. At the Steeped Chat events carried out during the course of the year, the issues of the Education System, Gender Equality and Women's Rights, the Place and Representation of Women in Social Life, Disability Awareness and Being a Father and Conscious Parenting were discussed.

> In 2018, the Smart Walking Stick WeWALK received the Gold Prize in the "Health and Good Life" category at the Edison Awards, which is one of the most prestigious awards in the field of innovation in the US.

WeWALK

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

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

GENERAL INFORMATION

Reporting Period:	01.01.2018 - 31.12.2018
Legal Name:	Vestel Elektronik Sanayi ve Ticaret AŞ
Trade Registry Information:	Istanbul Trade Registry Office, No: 193621
Registered Capital Ceiling:	TL 1,000,000,000
Paid-in/Issued Capital:	TL 335,456,275
Contact Information for the Head Office and Branches:	**Head Office:** Levent 199 Büyükdere Cad. No:199 34394 Şişli/ISTANBUL Phone: (0212) 456 22 00 **Branch 1:** Organized Industrial Zone, 45030, MANISA Phone: (0236) 233 01 31 **Branch 2**: Muradiye Mahallesi Celal Bayar Üniversitesi Kampüsü Küme Evleri No: 22 Yunusemre/MANISA Phone: (0236) 226 30 00
Company Website:	www.vestel.com.tr
Investor Relations Website:	http://www.vestelinvestorrelations.com

Shareholding Structure and Capital Distribution

As of 31.12.2018, the Company's paid-in capital is TL 335,456,275 and the shareholding structure is as follows:

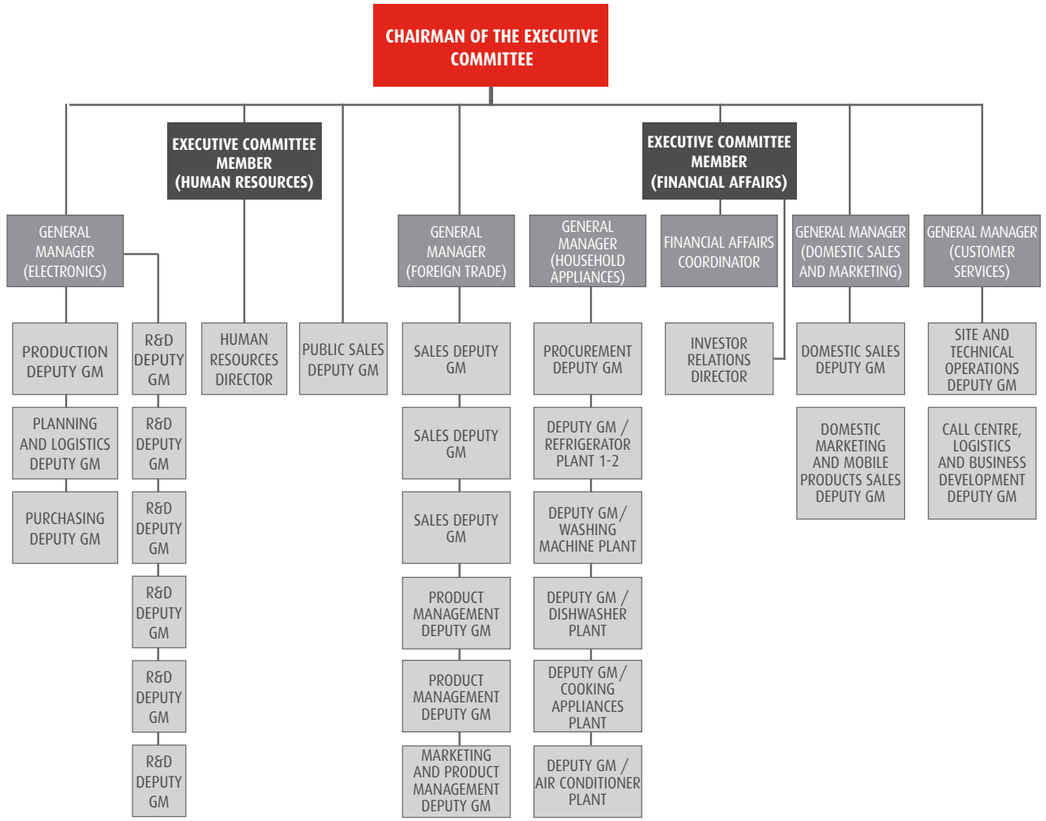
Shareholders	Nominal Value of Shares (TL thousand)	Share in Capital (%)
Zorlu Holding AŞ	216,054	64.41
Zorlu Holding AŞ (Free Float)	44,047	13.13
Other (Free Float)	75,355	22.46
Total	**335,456**	**100.0**

There were no changes in the Company's shareholding and capital structure during the period.

Privileged Shares and Voting Rights of Shares

There are no privileged shares in the Company.

Organization Chart of Vestel Elektronik



İhsaner Alkım, Ahmet Süha Erol and Nedim Sezer, who were members of the Executive Committee of the Vestel Group of Companies, which consisted of 6 members in total, resigned from their posts due to retirement with effect from 1 January 2018. No new appointments were made for the vacant positions within the scope of the re-organization efforts aimed at reducing the number of layers in management hierarchy.

In 2018, the sales organizations responsible for the dealer channel and corporate sales which were under the domestic sales and marketing operations were shut down while the Domestic Marketing and Mobile Products Sales Departments were merged under one roof. During the year, the Field Operations and Technical Support Units within the scope of the customer services operations, were merged into a single department, while the Logistics and Business Development functions were added to the Call Center operations.

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

The Board of Directors

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

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

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

Changes made to the Board of Directors during the year

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

Duties and Authorities of the Members of the Board of Directors

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

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

Board of Directors convened 29 times in 2018. The members of the Board of Directors attended the meetings to a large extent regularly and the attendance rate to the meetings stood at 84.97%.

Senior Management

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

Changes made to the Senior Management during the year

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

Number of Employees

As of 31.12.2018, Vestel Elektronik has 16,125 employees.

Transactions of Board Members conducted with the Company on behalf of themselves or of a third party and their activities under the Prohibition of Competition

In the Annual General Meeting held on 9 May 2018, the members of the Board of Directors were given permission for the year 2018 to carry out transactions in accordance with the Articles 395 and 396 of the Turkish Commercial Code. The Board members did not take any action under this scope during the year.

Personnel and Labor Movements, Collective Bargaining Practices and Rights and Benefits provided to Employees

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

Amendments to the Articles of Association

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

COMPENSATION AND MONETARY BENEFITS PROVIDED TO BOARD MEMBERS AND SENIOR MANAGERS

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

In the twelve-month period ending on 31.12.2018, the total compensation and monetary benefits provided to the members of the Board of Directors and senior managers amounted to TL 22,907,000 in total.

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

ACTIVITIES OF THE COMPANY AND IMPORTANT DEVELOPMENTS REGARDING THE ACTIVITIES

Capacity and Production

Unit	Plant Enclosed Area (m²)
TV	306,713
Household Appliances	402,980
Digital Products	49,740
V. Polska Technology Center sp. z o o.	37,987
Total	**797,420**

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

Sales
Vestel Elektronik recorded TL 17,062 million of gross revenues in 2018, of which TL 12,761 million comprised of export revenues. 67% of total revenues were generated from sales to European countries, 25% from domestic market and 8% from sales to other countries.

In 2018, while domestic sales revenues decreased by 5% YoY, export revenues grew by 48% YoY.

Net revenues grew by 31% in 2018 while unit sales decreased by 10% compared to the previous year.

Investments and Investment Incentives
The Company's total capital expenditures amounted to USD 193 million in 2018. The investment expenditures consisted of machinery and equipment investments (36% of the total), mould investments (30%), research and development activities (17%) and other investments (17%).

In the white goods segment, the new manufacturing plant with a production capacity of 750,000 washing machines and 750,000 tumble dryers per year was completed in the second quarter of the year. The plant started producing tumble dryers from May and washing machines from the end of June.

Moreover, in 2018, the annual production capacity of the dishwasher plant was increased from 900,000 units to 1,800,000 units with the new machinery and production line investments made during the year.

Information on Direct and Indirect Subsidiaries and Ownership Interests
As of 31 December 2018, the Company's major subsidiaries are as follows:

Consolidated subsidiaries	31.12.2018 Voting Rights (%)	31.12.2018 Effective Ownership (%)	31.12.2017 Voting Rights (%)	31.12.2017 Effective Ownership (%)
Vestel Beyaz Eşya Sanayi ve Ticaret AŞ	95.2	95.2	94.6	94.6
Vestel Komünikasyon Sanayi ve Ticaret AŞ	100	100	100	100
Vestel Ticaret AŞ	100	100	100	100
Vestel CIS Ltd.	100	100	100	100
Vestel Iberia SL	100	100	100	100
Vestel France SA	100	100	100	100
Vestel Holland BV	100	100	100	100
Vestel Germany GmbH	100	100	100	100
Cabot Communications Ltd.	90.8	90.8	90.8	90.8
Vestel Benelux BV	100	100	100	100
Vestel UK Ltd.	100	100	100	100
Vestek Elektronik Araştırma Geliştirme AŞ	100	100	100	100
Vestel Trade Ltd.	100	100	100	100
OY Vestel Scandinavia AB	100	100	100	100
Intertechnika LLC	99.9	99.9	99.9	99.9
Vestel Central Asia LLP	100	100	100	100
Vestel Polond sp. Z.o.o.	100	100	100	100
Vestel Polska Technology Center sp. Z.o.o	100	100	100	100

Since Vestel Savunma and Aydın Yazılım have a net liability position as of 31 December 2018 and 31 December 2017, the carrying value of these investments in associates which are accounted for by the equity method is zero in the consolidated balance sheet.

As of 31 December 2018, Vestel Elektronik Sanayi ve Ticaret AŞ's voting rights and effective ownership interests in Vestel Savunma Sanayi AŞ and Aydın Yazılım Elektronik ve Sanayi AŞ were 35% and 21%, respectively (31 December 2017: 35%, 21%).

Information on the Company's acquisition of its own shares
The Company did not acquire its own shares in 2018.

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

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

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

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

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

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

No Extraordinary General Assembly Meeting was held during the year.

Donations and Social Responsibility Projects
In 2018, the total donations made in line with the Company's Donation and Charity Policy amounted to TL 9,069,000.

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

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

Information on Transactions
There were no transactions within this scope.

FINANCIAL POSITION

Determination of the Adequacy of the Company's Capital and Assessment of the Board of Directors
The Company has neither suffered capital impairment nor is insolvent within the scope of the calculation performed by taking into account the ratios specified in Article 376 of the Turkish Commercial Code.

Information on Capital Market Instruments Issued
No new capital market instrument was issued by the Company in 2018.

Corporate Credit Rating

S&P	CCC+/Stable

On 18 September 2018, Standard & Poor's (S&P), the International Credit Rating Agency, revised the Company's long-term credit rating from "B-" to "CCC+" while determining the outlook on rating as stable.

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

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

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

OTHER MATTERS

Information on Conflicts of Interest between the Company and the Institutions from which the Company obtains investment consultancy, rating and similar services, and the measures taken to prevent such conflicts of interest
None.

Information on Legislative Changes that could have a significant impact on the Company's activities
There were no legislative changes in 2018 that could significantly affect the Company's activities.

Information on Cross-Shareholdings where Direct Participation in Share Capital exceeds 5%
None.

Required Information on Related Party Transactions and Balances
The required information concerning the Company's related party transactions are provided in the footnotes of the 2018 financial statements.

CORPORATE GOVERNANCE

RISKS AND ASSESSMENT OF 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 Elektronik Sanayi ve Ticaret AŞ ("Vestel Elektronik" or "the Company"), implementation of necessary measures against detected risks and the management of risks in a centralized structure. In this regard, the Zorlu Holding Risk Policy and Procedure and Enterprise Risk Management Framework were established to govern all Zorlu Group companies.

Zorlu Holding Enterprise Risk Management Policy is summarized below:

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

CONTINUOUS MONITORING

CORPORATE GOVERNANCE

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

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

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

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

Strategic Risks

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

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

The following actions are taken against these risks:

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

Sector Related Risks

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

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

Financial Risks

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

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

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

The following actions are taken against these risks:

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

Operational Risks

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

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

The following actions are taken against these risks:

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

CORPORATE GOVERNANCE

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

Reputation Risk

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

The following actions are taken against these risks:

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

External Risks

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

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

The following actions are taken against these risks:

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

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

List of Primary Insurances Purchased

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

CORPORATE GOVERNANCE

INTERNAL AUDIT ACTIVITIES AND INTERNAL CONTROL SYSTEM

The General Directorate of Internal Audit and Its Activities

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

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

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

Internal Audit Activities

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

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

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

Financial Audit and Tax Audit Activities

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

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

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

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

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

The General Directorate of Internal Control and its Activities

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Corporate governance activities were initiated at Vestel Elektronik Sanayi ve Ticaret AŞ ("Company" or "Vestel Elektronik"), which takes utmost care to comply with the "Corporate Governance Principles" of the Capital Markets Board ("CMB") in late 2004. In order to have an independent evaluation of the Company's corporate governance practices and share the results with the public, the Company has been obtaining corporate governance rating services for the past twelve years. Vestel Elektronik's Corporate Governance Rating has been improving steadily since its inclusion in the BIST Corporate Governance Index in 2007. Based on the corporate governance rating study conducted by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri AŞ (SAHA Corporate Governance and Credit Rating Services Inc.), which has been certified by the Capital Markets Board to perform corporate governance rating assessment in accordance with the Corporate Governance Principles in Turkey, Vestel Elektronik's corporate governance rating was revised up to 9.55 (95.50%) out of a scale of 10 as of 21 February 2018. This high score yet again confirms the importance, which Vestel Elektronik attaches to corporate governance and its commitment to achieve further progress in this area.

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

Sub-categories	Weight	Rating in 2018 (%)
Shareholders	0.25	94.89
Public Disclosure and Transparency	0.25	97.93
Stakeholders	0.15	98.09
Board of Directors	0.35	93.09
Total	**1.00**	**95.50**

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

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

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

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

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

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	There were no transactions in this scope in 2018.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				A separate item on donations was included in the agenda of the General Assembly Meeting. Information on the amount of donations made and the beneficiaries is provided to shareholders at the General Assembly 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 Shareholder Meetings. No such request was received from the media in 2018.
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	The Company has no cross-shareholding relationship which would bring a controlling relationship.
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			The scope of minority rights was not expanded in the Articles of Association. Within the framework of the CMB legislation, minority rights are granted to those who own one-twentieth of the share capital.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMPLIANCE REPORT

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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 Suggestion, Complaint and Improvement System" on the Company's corporate portal, or to their managers and to those responsible for the evaluation of suggestions through the "Suggestion Module" which is available to all employees. The suggestions received from the employees are evaluated, and those suggestions deemed appropriate are turned into a project and implemented. Employees are rewarded for their contribution.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.		X				In the recruitment practices, equal opportunity is provided to all individuals and a fair and unbiased evaluation is taken as a basis. The recruitment policy for the General Manager and higher level managers is determined by Zorlu Holding AŞ, the controlling shareholder of the Company. In line with the sustainability objectives for 2022 set out by Zorlu Holding AŞ, which covers all the Zorlu Group companies, projects are initiated for providing equal opportunities to employees in recruitment, promotion and backup practices.
3.3.2 - Recruitment criteria are documented.	X					

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMPLIANCE REPORT

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMPLIANCE REPORT

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

CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	During the year, a total of 40 meetings were held with the investors either face to face or by phone.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	No requests were made for the appointment of a special auditor in the reporting period.
The number of special audit requests that were accepted at the General Shareholders' Meeting	None.
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/676163
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	It is presented.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no such transaction.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	https://www.kap.org.tr/tr/Bildirim/691330
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	https://www.kap.org.tr/tr/Bildirim/676561
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/216237
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	None.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Only shareholders, employees and the representative of the corporate governance rating agency participated in the 2017 Annual General Meeting. However, there is no restriction on the participation of stakeholders in the general assembly meetings.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	None.
The percentage of ownership of the largest shareholder	77.54%
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	In order to strengthen the financial structure of the Company and meet the funding requirements for ongoing investments, the decision was taken not to distribute the 2017 distributable profit and to add it to extraordinary reserves after setting aside the required amount for the first legal reserve.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/682274

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE INFORMATION FORM

GENERAL ASSEMBLY MEETINGS

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
09.05.2018	None.	83.3102%	0.0005%	83.3097%	Corporate Governance / General Meetings of Shareholders	Corporate Governance / General Meetings of Shareholders	None.	None.	https://www.kap.org.tr/tr/Bildirim/682274

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

CORPORATE GOVERNANCE INFORMATION FORM

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

3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Corporate Governance / Employee Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	7
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Chief Audit Executive of Zorlu Holding AŞ
The contact detail of the company alert mechanism	Billur Demet Atan, billur.atan@zorlu.com, etik@zorlu.com, 0 212 456 23 23 /0 850 226 23 23 (Code of Ethics Hotline)
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	The Complaint/Wish/Request Evaluation System, which was created in order to evaluate the complaints, wishes and requests of employees and to increase employee motivation and satisfaction as well as efficiency, is available on the corporate portal which is only open to the Company employees.
Corporate bodies where employees are actually represented	Occupational Health and Safety Committee, Meal Satisfaction and Menu Selection Committee and committees established within the scope of TPM (Total Productive Maintenance) activities

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE INFORMATION FORM

3. STAKEHOLDERS	
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 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 program.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	The Human Resources Policy is available in the Corporate Governance / Human Resources Policy section. It is specifically mentioned in all regulations: "No discrimination is permitted in applications on the basis of gender, age, religion, race, sect, social status, physical appearance, ethnic origin, nationality, sexual orientation or any other personal characteristics."
The number of definitive convictions the company is subject to in relation to health and safety measures	1
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Corporate Governance / Code of Ethics
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	It is presented in the Sustainability section under the Social Awareness / Our Values and Ecological Awareness / Environmental Practices headings of the corporate website.
Any measures combating any kind of corruption including embezzlement and bribery	These measures are included in the Code of Ethics of Zorlu Holding AŞ, which is available under the heading of the Code of Ethics in the Corporate Governance section on the Company's corporate website.

4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	-
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Chairman: Ahmet Nazif Zorlu, Vice Chairman: Bekir Ağırdır. All members of the Board of Directors have been given first degree signature authority. With the Board resolution dated 10.05.2018 and numbered 2018/22, 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.

CORPORATE GOVERNANCE INFORMATION FORM

4. BOARD OF DIRECTORS-I	
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	10
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	It is presented in the Corporate Governance section of the annual report.
Name of the Chairman	Ahmet Nazif Zorlu
Name of the CEO	Enis Turan Erdoğan
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	They are different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	No PDP disclosure was made on the subject.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	There is no such policy.
The number and ratio of female directors within the Board of Directors	Number: 2 Ratio: 29%

COMPOSITION OF BOARD OF DIRECTORS

Name, Surname of Board Member	Whether Executive Director or Not	Whether Independent Director or Not	The First Election Date to Board	Link to PDP Notification that includes the Independency Declaration	Whether the Independent Director considered by the Nomination Committee	Whether She/He is the Director who ceased to satisfy the Independence or Not	Whether the Director has at least 5 years of experience on Audit, Accounting and/or Finance or Not
Ahmet Nazif Zorlu	Non-executive	Not independent director	14.09.1995	-	-	-	-
Bekir Ağırdır	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/676163	Considered	No	Yes
Selen Zorlu Melik	Non-executive	Not independent director	19.06.2012		-	-	-
Mehmet Emre Zorlu	Non-executive	Not independent director	27.05.2009		-	-	-
Olgun Zorlu	Non-executive	Not independent director	27.05.2009		-	-	-
Ayşegül İldeniz	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/676163	Considered	No	-
Elmas Melih Araz	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/676163	Considered	No	Yes

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CORPORATE GOVERNANCE INFORMATION FORM

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	29
Director average attendance rate at board meetings	84.97%
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 16 of the Articles of Association which is available in the Corporate Governance section of the website.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	It is presented in the Corporate Governance section of the annual report.
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/220052 https://www.kap.org.tr/tr/Bildirim/267337 https://www.kap.org.tr/tr/Bildirim/348328 https://www.kap.org.tr/tr/Bildirim/348330 https://www.kap.org.tr/tr/Bildirim/348331

COMPOSITION OF BOARD COMMITTEES-I

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

CORPORATE GOVERNANCE INFORMATION FORM

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

COMPOSITION OF BOARD COMMITTEES-II

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

CORPORATE GOVERNANCE

BOARD COMMITTEES

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

Audit Committee

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

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

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

In principle, the Audit Committee shall convene at least four times a year, being once in each quarter. The Committee convened 6 times in 2018.

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

Corporate Governance Committee

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

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

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

CORPORATE GOVERNANCE

- In principle, the Committee convenes at least twice a year in order to ensure the effective performance of its duties. Corporate Governance Committee convened 5 times in 2018.
- The activities carried out by the Corporate Governance Committee in 2018, in accordance with its working principles put into writing in detail, are presented below:
  - Proposing improvements in corporate governance practices to the Board of Directors to enhance compliance with the CMB's Communiqué on Corporate Governance No. II-17.1; conducting and supervising the necessary works for alignment with the legislation,
  - Overseeing the activities of the Investor Relations Department,
  - Preparing the evaluation reports on the independence of the independent Board member candidates for submission to the Board of Directors,
  - Carrying out the activities related with the Corporate Governance Rating,
  - Within the scope of the Remuneration Committee duties, submission to the Board of its recommendation for the remuneration of the members of the Board of Directors and executives with administrative responsibility for 2018, which takes into account their progress in meeting the remuneration criteria.

Early Detection of Risk Committee

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

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

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

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

    These reports were as follows:
    - Forecasts and Expectations for 2018
    - General Economic Outlook in Light of Financial Data
    - Global Trade Wars
    - Financial and Economic Indicators with a Negative Trajectory
    - Risk Factors in the Economic Crisis Period
    - Risks in the White Goods and Consumer Electronics Sectors in 2018
- Prepared as an output of the risk report named "The Risks in the White Goods and Consumer Electronics Sectors in 2018", the White Goods and Consumer Electronics Sector Risks Survey (2018), in which the impacts/probabilities of risks are evaluated, was shared initially with the senior management in order to manage risks under a common approach.

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

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

- The "Corporate Governance Committee", which was established in line with the Capital Markets Board's Communiqué on Corporate Governance in order to monitor the Company's compliance with the Corporate Governance Principles, carry out studies for improvement, and submit proposals to the Board of Directors, monitored the Company's compliance with the Corporate Governance Principles, made recommendations to the Board to improve compliance with the non-mandatory principles, oversaw the activities of the Investor Relations Department, carried out the necessary activities for Corporate Governance Rating and carried out studies to fulfill the criteria for the Company's inclusion in the BIST Sustainability Index for the November 2018 - October 2019 period.
- The Corporate Governance Committee also fulfills the duties of the Nomination Committee. Within the scope of its duties as the Nomination Committee, the Corporate Governance Committee evaluated the applications for independent board membership by assessing the independence status of the board member candidates according to the independence criteria. The Committee prepared a report on its evaluations and submitted it to the Board of Directors for approval.
- The Corporate Governance Committee also fulfills the duties of the Remuneration Committee. Within the scope of its duties as the Remuneration Committee, the Corporate Governance Committee submitted to the Board of Directors its proposal for the remuneration of Board members and executives with administrative responsibility for 2018, by taking into account the extent of the 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

11.04.2018

Statement of Independence

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

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

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

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

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

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

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

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

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

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

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

Bekir Ağırdır

CORPORATE GOVERNANCE

STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

11.04.2018

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

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

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

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

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

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

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

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

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

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

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

Ayşegül İldeniz

STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

11.04.2018

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

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

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

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

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

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

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

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

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

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

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

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: 08.03.2019

RESOLUTION NUMBER: 2019/9

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

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

Sincerely,

Bekir Ağırdır
Chairman of the Audit Committee

Elmas Melih Araz
Member of the Audit Committee

Alp Dayı
Financial Affairs Coordinator

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

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

To the General Assembly of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

1. Opinion

We have audited the annual report of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2018 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated 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 Group 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 Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 21 February 2019 on the full set consolidated financial statements for the 1 January - 31 December 2018 period.

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

Group 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;

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

b) to prepare the annual report to reflect the Group'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 Group 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 Group's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

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

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

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

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

Mehmet Karakurt, SMMM
Partner

Istanbul, March 8, 2019

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS

RESOLUTION DATE: 21.02.2019

RESOLUTION NUMBER: 2019/6

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

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

Sincerely,

Bekir Ağırdır
Vice Chairman

Elmas Melih Araz
Board Member

Alp Dayı
Financial Affairs Coordinator

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

To the General Assembly of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

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

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 Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group 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 consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Key Audit Matter	How our audit addressed the key audit matter
Recoverability of trade receivables (Refer to Notes 9 and 32)	
Trade receivables from third parties amounting TL 3.534.523 thousands as of 31 December 2018, constitute a significant portion of the consolidated financial statements of the Group. The assessment of the recoverability of these receivables made by the Group management includes considerations of the amount of guarantees/ collateral received from the customers, past collection performance, analysis of aging of receivables and litigations or disputes regarding receivables. As a result of all of these assessments, determination of doubtful receivables and setting of impairment provision for these receivables include also management judgements and estimations. Therefore, recoverability of trade receivables is a key matter for our audit.	We performed the following procedures in relation to the audit of recoverability of trade receivables: • We understood and assessed the Group's credit risk management and receivables monitoring policies including credit limits. • We tested receivables from third parties balances by obtaining confirmation letters from customers on a sample basis. • We analyzed the aging of receivables from third parties. • We tested, on a sample basis, collections in the subsequent period. • We tested, on a sample basis, guarantees/ collaterals held from customers. • We performed inquiries with management in relation to any disputes or litigation for trade receivables from third parties and obtained assessment of legal counsels on outstanding litigations and disputes. • Based on our discussions with the Group management, we assessed the basic assumptions underlying the calculation of impairment and other judgments made. • We assessed the appropriateness and adequacy of disclosures in the notes to the consolidated financial statements related to recoverability of trade receivables from third parties in accordance with the related accounting standards. As a result of our work, we did not identified any significant findings in the audit procedures regarding the recoverability of trade receivables.

Key Audit Matter	How our audit addressed the key audit matter
Fair value determination of land, buildings and land improvements (Refer to Notes 2.6.i and 14)	
The Group measured land, buildings and land improvements in the consolidated financial statements at their fair value in accordance with the related provisions of TAS 16 "Property, Plant and Equipment". As a results of the revaluation performed by the independent professional valuation company as of 31 December 2018, increase in the value of the assets is amounting to TL 535.781 thousands. Increase arising from the revaluation of such land, buildings and improvements is recognized in the revaluation fund of property, plant and equipment by deducting deferred tax effect in the consolidated financial position within other comprehensive income under equity. We considered the fair value determination of land, buildings and land improvements as a key audit matter since the amount of those assets has a significant share in the Group's assets as of 31 December 2018 and the valuations techniques applied include 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 Group management, in accordance with the relevant audit standards. • We tested completeness of the data used by the independent professional valuation company appointed by the Group management such as m^2, location of the property, zoning conditions by reconciliation with the Group's records on a sample basis. • In order to evaluate the assumptions and methods used by the Group management and the independent professional valuation company appointed by the Group management, we involved our valuation specialist to examine a sample of valuation reports in accordance with the provisions of the relevant audit standard. • We assessed the appropriateness and adequacy of disclosures in the notes to the consolidated financial statements related to fair value determination of the land, building and land improvements in accordance with the related accounting standards. As a result of our work, we did not identified any significant findings in the audit procedures regarding fair value determination of land, buildings and land improvements.

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Key Audit Matter	How our audit addressed the key audit matter
Acquisition of share of associate (Refer to Note 13)	
The Group acquired 50% of shares of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret A.Ş. ("Meta"), involves in nickel-cobalt mining activities, with a purchase consideration of USD 250.000.000 equivalent of TL 1.152.075.000 as of 29 June 2018. Shares are acquired from Zorlu Holding A.Ş., Zorlu Family members and Meta Madencilik Enerji Turizm Danışmanlık San. ve Tic. A.Ş. The Group recognized this acquisitions according to provisions of TAS 28 "Investments in associates and joint ventures". The study on the determination of the purchase consideration was made by an independent professional valuation company. We considered the acquisition of share of associate as a key audit matter as of 31 December 2018 since the purchase consideration is material to the financial statements, acquisition is a related party transaction, the study related with the determination of the purchase consideration requires expertise and accounting treatment regarding the acquisition includes Group management's significant assumptions and evaluations.	We have performed following procedures regarding to acquisition of share of associate during our audit work: • We evaluated the competence, capabilities, and objectivity of the independent professional valuation company appointed by the Group management, in accordance with the relevant audit standards. The methods and valuation techniques used in the study on the determination of the purchase consideration have been evaluated with our relevant experts by taking into consideration the sector data. • After the acquisition of shares of Meta, the Group's control over Meta has been evaluated and compliance of the accounting treatment of the acquisition with TFRS standards has been evaluated with our experts. • As the acquisition of share of associate is a related party transaction, we have evaluated the appropriateness of the transaction amount to the market conditions. • The impairment assessment of the Group's management for the acquisition of share of associate has been checked in accordance with the relevant provisions in TAS 36 "Impairment of Assets" and TFRS 13" Fair Value Measurement" with the recent relevant market data and the third party binding offer. • We assessed the appropriateness and adequacy of disclosures in the notes to the consolidated financial statements related to acquisition of share of associates in accordance with TFRS's. As a result of our work, we did not identified any significant findings in the audit procedures regarding acquisition of share of associate.

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

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

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

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

5. Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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 Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

B. Other Responsibilities Arising From Regulatory Requirements

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

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 21 February 2019.

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

Mehmet Karakurt, SMMM
Partner

Istanbul, 21 February 2019

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Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2018 AND 2017

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	5	3.085.661	2.000.337
Trade Receivables		3.583.266	3.662.822
Trade Receivables Due from Related Parties	8	54.597	39.173
Trade Receivables Due from Unrelated Parties	9	3.528.669	3.623.649
Other Receivables		276.971	261.521
Other Receivables Due from Related Parties	8	13.525	-
Other Receivables Due from Unrelated Parties	10	263.446	261.521
Derivative Financial Assets		84.660	13.489
Derivative Financial Assets Held for Trading	31	68.025	11.237
Derivative Financial Assets Held for Hedging	31	16.635	2.252
Inventories	11	2.861.739	2.944.179
Prepayments		98.071	60.769
Prepayments to Unrelated Parties	12	98.071	60.769
Current Tax Assets		6.575	8.739
Other Current Assets		39.283	28.394
Other Current Assets Due from Unrelated Parties	21	39.283	28.394
TOTAL CURRENT ASSETS		**10.036.226**	**8.980.250**

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2018 AND 2017

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
NON-CURRENT ASSETS			
Financial Investments		49.081	51.831
Financial Assets Available-for-Sale	6	49.081	51.831
Investments in subsidiaries, joint ventures and associates	13	1.140.630	-
Trade Receivables		5.854	68.540
Trade Receivables Due from Unrelated Parties	9	5.854	68.540
Other Receivables		2.506.482	1.449.788
Other Receivables Due from Related Parties	8	2.504.781	1.448.685
Other Receivables Due from Unrelated Parties	10	1.701	1.103
Property, Plant and Equipments		3.334.707	2.366.014
Land and Premises	14	625.381	470.475
Land Improvements	14	126.962	88.118
Buildings	14	1.407.645	965.443
Machinery and Equipments	14	1.012.240	639.173
Vehicles	14	3.179	4.016
Fixtures and Fittings	14	94.306	84.418
Leasehold Improvements	14	25.120	26.874
Construction in Progress	14	39.874	87.497
Intangible Assets and Goodwill		738.390	666.433
Goodwill	16	197.793	197.793
Other Rights	15	18.762	20.274
Capitalized Development Costs	15	448.079	386.224
Other Intangible Assets	15	73.756	62.142
Prepayments		49.752	81.436
Prepayments to Unrelated Parties	12	49.752	81.436
Deferred Tax Asset	29	93.452	174.309
Other Non-current Assets		6.248	7.060
Other Non-Current Assets Due from Unrelated Parties	21	6.248	7.060
TOTAL NON-CURRENT ASSETS		**7.924.596**	**4.865.411**
TOTAL ASSETS		**17.960.822**	**13.845.661**

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2018 AND 2017

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		4.427.098	1.341.892
Current Borrowings from Unrelated Parties		4.427.098	1.341.892
Bank Loans	7	4.424.507	1.341.413
Leasing Debts	7	2.591	479
Current Portion of Non-current Borrowings		2.000.447	2.142.397
Current Portion of Non-current Borrowings from Unrelated Parties		2.000.447	2.142.397
Bank Loans	7	2.000.447	2.142.397
Trade Payables		5.792.577	5.751.347
Trade Payables to Related Parties	8	4.364	7.239
Trade Payables to Unrelated Parties	9	5.788.213	5.744.108
Employee Benefit Obligations	20	105.016	107.735
Other Payables		50.728	10.095
Other Payables to Related Parties	8	49.769	9.295
Other Payables to Unrelated Parties		959	800
Derivative Financial Liabilities		250.205	163.545
Derivative Financial Liabilities Held for Trading	31	235.841	90.931
Derivative Financial Liabilities Held for Hedging	31	14.364	72.614
Current Tax Liabilities	29	493	9.023
Current Provisions		554.699	403.308
Other Current Provisions	18	554.699	403.308
Other Current Liabilities		375.735	295.477
Other Current Liabilities to Unrelated Parties	21	375.735	295.477
TOTAL CURRENT LIABILITIES		**13.556.998**	**10.224.819**

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2018 AND 2017

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
NON-CURRENT LIABILITIES			
Long Term Borrowings		749.486	1.024.003
Long Term Borrowings from Unrelated Parties		749.486	1.024.003
Bank Loans	7	742.077	1.016.557
Leasing Debts	7	7.409	7.446
Trade Payables		14.631	1.959
Trade Payables to Unrelated Parties	9	14.631	1.959
Non-current Provisions		164.888	180.980
Non-current Provisions for Employee Benefits	20	111.100	96.078
Other Non-current Provisions	18	53.788	84.902
Deferred Tax Liabilities	29	147.739	129.591
Other Non-current Liabilities		8.825	6.281
Other Non-current Liabilities to Unrelated Parties		8.825	6.281
TOTAL NON-CURRENT LIABILITIES		**1.085.569**	**1.342.814**
TOTAL LIABILITIES		**14.642.567**	**11.567.633**

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2018 AND 2017

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

	Footnotes	Audited 31 December 2018	Audited 31 December 2017
EQUITY			
Equity Attributable to Owners of Parent		**3.229.140**	**2.205.269**
Issued Capital	22	335.456	335.456
Inflation Adjustments on Capital		688.315	688.315
Share Premium (Discount)		103.776	103.165
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		1.318.870	900.139
Gains (Losses) on Revaluation and Remeasurement		1.318.870	900.139
Increases (Decreases) on Revaluation of Property, Plant and Equipment	22	1.338.777	917.385
Gains (Losses) on Remeasurements of Defined Benefit Plans		(19.907)	(17.246)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		254.030	69.373
Exchange Differences on Translation		262.586	76.183
Gains (Losses) on Hedge		(10.521)	(10.959)
Gains (Losses) on Cash Flow Hedges		(10.521)	(10.959)
Gains (Losses) on Revaluation and Reclassification		1.965	4.149
Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets	22	1.965	4.149
Restricted Reserves Appropriated From Profits		48.909	46.195
Legal Reserves	22	48.909	46.195
Prior Years' Profits or Losses	22	108.631	7.518
Current Period Net Profit Or Loss		371.153	55.108
Non-controlling Interests		**89.115**	**72.759**
TOTAL EQUITY		**3.318.255**	**2.278.028**
TOTAL LIABILITIES AND EQUITY		**17.960.822**	**13.845.661**

Consolidated financial statements for the period 1 January - 31 December 2018, were approved by the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. on 21 February 2019. General Assembly and specified regulatory bodies have the right to make amendments to statutory financial statements after issue

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

	Footnotes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
PROFIT OR LOSS			
Revenue	23	15.852.300	12.100.938
Cost of Sales	23	(11.570.079)	(9.673.251)
GROSS PROFIT (LOSS)		**4.282.221**	**2.427.687**
General Administrative Expenses	25	(340.785)	(292.152)
Marketing Expenses	25	(1.846.306)	(1.445.198)
Research and Development Expense	25	(249.928)	(190.226)
Other Income from Operating Activities	26	879.126	779.250
Other Expenses from Operating Activities	26	(2.242.200)	(842.873)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		**482.128**	**436.488**
Share of Profit (Loss) from Investments Accounted for Using Equity Method	13	(90.859)	-
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		**391.269**	**436.488**
Finance Income	27	3.969.830	1.194.317
Finance Costs	27	(3.917.899)	(1.646.768)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		**443.200**	**(15.963)**
Tax (Expense) Income, Continuing Operations		(42.314)	87.304
Current Period Tax (Expense) Income	29	(19.943)	(20.050)
Deferred Tax (Expense) Income	29	(22.371)	107.354
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**400.886**	**71.341**
PROFIT (LOSS)		**400.886**	**71.341**
Profit (loss), attributable to			
Non-controlling Interests		29.733	16.233
Owners of Parent		371.153	55.108
Earnings per 100 share with a Kr 1 of Par Value (TL)	30	**1,11**	**0,16**
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss	28	444.590	368.430
Gains (Losses) on Revaluation of Property, Plant and Equipment		535.781	470.043
Gains (Losses) on Remeasurements of Defined Benefit Plans		(3.204)	(9.506)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss		(87.987)	(92.107)
Taxes Relating to Gains (Losses) on Revaluation of Property, Plant and Equipment		(88.628)	(94.008)
Taxes Relating to Remeasurements of Defined Benefit Plans		641	1.901
Other Comprehensive Income that will be Reclassified to Profit or Loss	28	184.837	8.593
Exchange Differences on Translation		186.403	66.145
Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets		(2.557)	3.342
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		616	(75.637)
Gains (Losses) on Cash Flow Hedges		616	(75.637)
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		375	14.743
Taxes Relating to Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets		511	(669)
Taxes Relating to Cash Flow Hedges		(136)	15.412
OTHER COMPREHENSIVE INCOME (LOSS)		**629.427**	**377.023**
TOTAL COMPREHENSIVE INCOME (LOSS)		**1.030.313**	**448.364**
Total Comprehensive Income Attributable to			
Non-controlling Interests		36.307	22.331
Owners of Parent		994.006	426.033

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

	Issued Capital	Inflation Adjustments on Capital	Share Premiums or Discounts	Increases (Decreases) on Revaluation of Property, Plant and Equipment	Gains (Losses) on Remeasurements of Defined Benefit Plans	Gains (Losses) Revaluations and Remeasurements	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss		Exchange Differences on Translation	Cash Flow Hedges	Reserve Of Gains or Losses on Hedge	Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets	Gains (Losses) on Revaluation and Reclassification	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss	Restricted Reserves Appropriated From Profits	Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings	Equity attributable to owners of parent	Non-controlling interests	Equity
Previous Period																					
1 January -31 December 2017																					
Beginning of Period	**335.456**	**688.315**	**103.165**	**561.662**	**(9.798)**	**551.864**	**551.864**		**10.038**	**48.184**	**48.184**	**1.476**	**1.476**	**59.698**	**41.029**	**(168.010)**	**167.719**	**(291)**	**1.779.236**	**59.889**	**1.839.125**
Transfers	-	-	-	-	-	-	-		-	-	-	-	-	-	5.166	162.553	(167.719)	(5.166)	-	-	-
Total Comprehensive Income (Loss)	-	-	-	355.723	(7.448)	348.275	348.275		66.145	(59.143)	(59.143)	2.673	2.673	9.675	-	12.975	55.108	68.083	426.033	22.331	448.364
Profit (Loss)	-	-	-	(12.975)	-	(12.975)	(12.975)		-	-	-	-	-	-	-	12.975	55.108	68.083	55.108	16.233	71.341
Other Comprehensive Income (Loss)	-	-	-	368.698	(7.448)	361.250	361.250		66.145	(59.143)	(59.143)	2.673	2.673	9.675	-	-	-	-	370.925	6.098	377.023
Dividends Paid	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	(9.461)	(9.461)
End of Period	**335.456**	**688.315**	**103.165**	**917.385**	**(17.246)**	**900.139**	**900.139**		**76.183**	**(10.959)**	**(10.959)**	**4.149**	**4.149**	**69.373**	**46.195**	**7.518**	**55.108**	**62.626**	**2.205.269**	**72.759**	**2.278.028**
Current Period																					
1 January -31 December 2018																					
Opening Balance	**335.456**	**688.315**	**103.165**	**917.385**	**(17.246)**	**900.139**	**900.139**		**76.183**	**(10.959)**	**(10.959)**	**4.149**	**4.149**	**69.373**	**46.195**	**7.518**	**55.108**	**62.626**	**2.205.269**	**72.759**	**2.278.028**
Adjustments Related to Accounting Policy Changes	-	-	-	-	-	-	-		-	-	-	-	-	-	-	35.244	-	35.244	35.244	-	35.244
Adjustments Related to Required Changes in Accounting Policies	-	-	-	-	-	-	-		-	-	-	-	-	-	-	35.244	-	35.244	35.244	-	35.244
Adjusted Balance	**335.456**	**688.315**	**103.165**	**917.385**	**(17.246)**	**900.139**	**900.139**		**76.183**	**(10.959)**	**(10.959)**	**4.149**	**4.149**	**69.373**	**46.195**	**42.762**	**55.108**	**97.870**	**2.240.513**	**72.759**	**2.313.272**
Transfers	-	-	-	-	-	-	-		-	-	-	-	-	-	2.714	52.394	(55.108)	(2.714)	-	-	-
Total Comprehensive Income (Loss)	-	-	-	419.629	(2.625)	417.004	417.004		186.403	445	445	(2.184)	(2.184)	184.664	-	21.173	371.153	392.326	993.994	36.319	1.030.313
Profit (Loss)	-	-	-	(21.173)	-	(21.173)	(21.173)		-	-	-	-	-	-	-	21.173	371.153	392.326	371.153	29.733	400.886
Other Comprehensive Income (Loss)	-	-	-	440.802	(2.625)	438.177	438.177		186.403	445	445	(2.184)	(2.184)	184.664	-	-	-	-	622.841	6.586	629.427
Dividends Paid	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	(12.909)	(12.909)
Transactions with noncontrolling interests	-	-	611	1.763	(36)	1.727	1.727		-	(7)	(7)	-	-	(7)	-	(7.698)	-	(7.698)	(5.367)	(7.054)	(12.421)
Closing Balance	**335.456**	**688.315**	**103.776**	**1.338.777**	**(19.907)**	**1.318.870**	**1.318.870**		**262.586**	**(10.521)**	**(10.521)**	**1.965**	**1.965**	**254.030**	**48.909**	**108.631**	**371.153**	**479.784**	**3.229.140**	**89.115**	**3.318.255**

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

	Footnotes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**1.199.617**	**603.883**
Profit (Loss)		400.886	71.341
Profit (Loss) from Continuing Operations		400.886	71.341
Adjustments to Reconcile Profit (Loss)		**552.131**	**788.787**
Adjustments for Depreciation and Amortisation Expense	14	456.729	366.814
Adjustments for Impairment Loss (Reversal of Impairment Loss)		52.089	14.145
Adjustments for Impairement Loss (Reversal of Impairment Loss) of Receivables	9	52.921	9.080
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	11	(832)	5.065
Adjustments for Provisions		152.947	163.843
Adjustments for (Reversal of) Provisions Related with Employee Benefits	20	32.670	27.797
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	18	15.499	574
Adjustments for (Reversal of) Warranty Provisions	18	50.870	59.564
Adjustments for (Reversal of) Other Provisions	18	53.908	75.908
Adjustments for Interest (Income) Expenses		164.430	161.453
Adjustments for Interest Income	27	(566.215)	(220.411)
Adjustments for Interest Expense	27	730.645	381.864
Adjustments for Unrealised Foreign Exchange Losses (Gains)		382.503	138.674
Adjustments for Fair Value Losses (Gains)		16.105	(9.997)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		16.105	(9.997)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method		90.859	-
Adjustments for Tax (Income) Expenses		42.314	(87.304)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(7.635)	(3.641)
Adjustments for Losses (Gains) Arised from Sale of Tangible Assets		(7.635)	(3.641)
Other Adjustments to Reconcile Profit (Loss)	5	(798.210)	44.800

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

	Footnotes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
Changes in Working Capital		**288.105**	**(221.821)**
Decrease (Increase) in Financial Investments	6	2.750	(39.935)
Adjustments for Decrease (Increase) in Trade Accounts Receivable		89.321	(1.182.725)
Decrease (Increase) in Trade Accounts Receivables from Related Parties		(15.424)	(1.128)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties		104.745	(1.181.597)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(2.523)	(32.659)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations		(2.523)	(32.659)
Adjustments for Decrease (Increase) in Inventories		77.944	(1.133.459)
Decrease (Increase) in Prepaid Expenses		(5.618)	(47.606)
Adjustments for Increase (Decrease) in Trade Accounts Payable		53.902	2.070.118
Increase (Decrease) in Trade Accounts Payables to Related Parties		(2.875)	799
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties		56.777	2.069.319
Increase (Decrease) in Employee Benefit Liabilities		(2.719)	16.506
Adjustments for Increase (Decrease) in Other Operating Payables		159	84
Increase (Decrease) in Other Operating Payables to Unrelated Parties		159	84
Other Adjustments for Other Increase (Decrease) in Working Capital		74.889	127.855
Decrease (Increase) in Other Assets Related with Operations		(7.913)	7.373
Increase (Decrease) in Other Payables Related with Operations		82.802	120.482
Cash Flows from (used in) Operations		**1.241.122**	**638.307**
Payments Related with Provisions for Employee Benefits	20	(20.852)	(17.819)
Income Taxes Refund (Paid)	29	(20.653)	(16.605)

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

	Footnotes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(3.160.018)**	**(967.217)**
Cash Outflows from Purchase of Additional Shares of Subsidiaries		(12.421)	-
Cash Outflows Arising from Purchase of Shares or Capital Increase of Associates and/or Joint Ventures	13	(1.161.575)	(45.663)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		10.391	7.636
Proceeds from Sales of Property, Plant and Equipment		10.391	7.636
Purchase of Property, Plant, Equipment and Intangible Assets		(926.792)	(654.619)
Purchase of Property, Plant and Equipment	14	(748.112)	(487.752)
Purchase of Intangible Assets	15	(178.680)	(166.867)
Cash Advances and Loans Made to Other Parties		(1.069.621)	(274.571)
Cash Advances and Loans Made to Related Parties	8	(1.069.621)	(274.571)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**2.149.371**	**1.114.430**
Proceeds from Borrowings		5.291.223	3.136.583
Proceeds from Loans		5.291.223	3.136.583
Repayments of Borrowings		(3.036.235)	(1.979.011)
Loan Repayments		(3.038.310)	(1.959.030)
Cash Outflows from Other Financial Liabilities		2.075	(19.981)
Increase in Other Payables to Related Parties		40.474	9.295
Dividends Paid		(12.909)	(9.461)
Interest Paid		(699.397)	(263.387)
Interest Received		566.215	220.411
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**188.970**	**751.096**
Effect of Exchange Rate Changes on Cash and Cash Equivalents		98.144	30.038
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**287.114**	**781.134**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	1.991.848	1.210.714
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**2.278.962**	**1.991.848**

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

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

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

The ultimate controller of the Company is Zorlu Family.

Vestel Elektronik is registered to Capital Market Board ("CMB") and its shares have been quoted to Borsa Istanbul ("BİST") since 1990. As of 31 December 2018, 35,59% of the Company's shares are publicly traded (2017: 35,59%).

As of 31 December 2018 the number of personnel employed at Group is 16.125 (31 December 2017: 15.856).

The Company's subsidiaries and associates are as follows:

Subsidiaries	Country	Nature of operations
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	Turkey	Production
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	Turkey	Sales
Vestel Ticaret A.Ş.	Turkey	Sales
Vestel CIS Ltd.	Russia	Sales
Vestel Iberia SL	Spain	Sales
Vestel France SA	France	Sales
Vestel Holland BV	Holland	Sales
Vestel Germany GmbH	Germany	Sales
Cabot Communications Ltd.	UK	Software
Vestel Benelux BV	Holland	Sales
Vestel UK Ltd.	UK	Sales
Vestek Elektronik Araştırma Geliştirme A.Ş.	Turkey	Software
Vestel Trade Ltd.	Russia	Sales
OY Vestel Scandinavia AB	Finland	Sales
Intertechnika LLC	Russia	Service
Vestel Central Asia LLP	Kazakhstan	Sales
Vestel Ventures Ar-ge A.Ş.	Turkey	Service
Vestel Poland sp. z.o.o.	Poland	Sales
Vestel Polska Technology Center sp. z o.o.	Poland	Production/Sales
Vestel Electronics Gulf DMC	UAE	Sales
Vest Batarya Sistemleri A.Ş.	Turkey	Production

Investments accounted for using equity method	Country	Nature of operations
Vestel Savunma Sanayi A.Ş.	Turkey	Production/ Sales
Aydın Yazılım Elektronik ve Sanayi A.Ş.	Turkey	Software
Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş	Turkey	Mining
Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş	Turkey	Automotive

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, "Principals of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish 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 and its subsidiaries operating in Turkey maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The consolidated financial statements, except for land, buildings and land improvements and the financial assets and liabilities presented with their fair values, are maintained under historical cost conversion in TL.

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

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

2.1.2. Currency used

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

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

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

Period End:	31 December 2018	31 December 2017
Turkish Lira/EUR	0,1659	0,2215
Turkish Lira/GBP	0,1503	0,1968
Turkish Lira/RUB	13,273	15,368
Turkish Lira/PLN	0,7126	0,9227
Turkish Lira/ USD	0,1901	-

Average:	1 January - 31 December 2018	1 January - 31 December 2017
Turkish Lira/EUR	0,1768	0,2428
Turkish Lira/GBP	0,1567	0,2132
Turkish Lira/RUB	13,183	16,081
Turkish Lira/PLN	0,752	1,0324
Turkish Lira/ USD	0,2080	-

2.1.3 Basis of consolidation

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

a) Subsidiaries

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

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

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

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

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

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

b) Investments in associates

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

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

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

Since Vestel Savunma and Aydın Yazılım has net liability position as of 31 December 2018 and 31 December 2017, carrying value of those investment in associates accounted for by equity method is resulted as nil in the consolidated balance sheets.

The Group's voting rights and effective ownership rates in Vestel Savunma and Aydın Yazılım are 35% and 21% respectively (31 December 2017: 35%, 21%).

As on 29 June 2018, in order to secure the supply of nickel sulphate and cobalt sulphate compounds, which are critical raw materials for the production of EV batteries, the Group has purchased 50% shares of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret A.Ş. ("META"), which is a subsidiary of Zorlu Holding A.Ş. and is involved in nickel-cobalt mining (note 13). The Group has not completed the initial accounting for META share purchase and is still in the measurement period defined in the related standards.

Within the framework of Turkey's Automobile Project, following the work undertaken by the Joint Initiative Group, to which Company's controlling shareholder, Zorlu Holding A.Ş. was a party, Vestel Elektronik Sanayi ve Ticaret A.Ş. has participated with a 19% share in "Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş.", which is planned to be established to produce mainly electric passenger cars and carry out supporting activities. In this respect, the Shareholders Agreement and Articles of Association have been signed on 31 May 2018. Establishment of the new company is completed on 28 June 2018.

2.2 Comparatives

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

The Group has made adjustment in tangible assets of consolidated financial statements year ended 31 December 2017 related to classification of revaluation amounts, the amounts of 94.346 thousand TL and 4.713 thousand TL which have been shown in "Buildings" and "Land Improvements" respectively, have been reclassified to the "Land and Premises".

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

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

Transition to IFRS 9 "Financial instruments":

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

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

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

Financial Assets	Prior classification under IAS 39	New classification under IFRS 9
Cash and cash euqivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Financial assets	Available for sale	Fair value through other comprehensive income
Other receivables	Loans and receivables	Amortised cost

Financial Liabilities	Prior classification under IAS 39	New classification under IFRS 9
Borrowings	Amortised cost	Amortised cost
Finance leases	Amortised cost	Amortised cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Trade payables	Amortised cost	Amortised cost

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

Impact of changes in IFRS 9 and IFRS 15 on consolidated financial statements as of 31 December 2018 as follows:

Consolidated Balance Sheet	31 December 2017	Impact of the adoption (*)	1 January 2018
Short Term Trade Receivables	3.662.822	54.396	3.717.218
Short Term Trade Payables	5.751.347	9.211	5.760.558
Deferred Tax Asset / Liability (net)	44.718	(9.941)	34.777

(*) Impact of adjustments on forward purchases and sales

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

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

Impact of changes in IFRS 9 and IFRS 15 on consolidated financial statements as of 1 January 2018 as follows:

As of 1 January 2018	Before the restatement	Impact of the adoption (*)	Restated
Retained Earnings	7.518	35.244	42.762

Impact of changes in IFRS 9 and IFRS 15 on consolidated financial statements as of 31 December 2018 as follows:

	Amounts before the adoption	Impact of the adoption (*)	Amounts after the adoption
Consolidated Balance Sheet			
Short Term Trade Receivables	3.508.230	75.036	3.583.266
Short Term Trade Payables	5.778.364	14.213	5.792.577
Deferred Tax Asset / Liability (net)	(40.906)	(13.381)	(54.287)
Consolidated Profit or Loss and Other Comprehensive Income			
Sales	15.671.176	181.124	15.852.300
Cost of Sales	(11.464.078)	(106.001)	(11.570.079)
Other Incomes from Operating Activities	1.065.252	(186.126)	879.126
Other Expenses from Operating Activities	(2.368.841)	126.641	(2.242.200)
Deferred Tax (Loss) Income	(18.931)	(3.440)	(22.371)
Consolidated Cash Flow Statement			
Profit (Loss) from Continuing Operations	388.688	12.198	400.886

(*) Impact of adjustments on forward purchases and sales

2.3 Restatement and errors in the accounting estimates

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

2.4. Amendments in International Financial Reporting Standards

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

- **Amendment to IFRS 15, 'Revenue from contracts with customers',** effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- **IFRS 9 'Financial instruments',** effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

- **Amendments to IFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- **Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018.
  - IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,
  - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value
- **IFRIC 22, 'Foreign currency transactions and advance consideration',** effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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

- **Amendment to IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at 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.
- **Amendment to IAS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9
- **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.
- **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.

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

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

The Group is assessing the impact of the amendments on it operations and shall apply amendments when they become effective.

2.5 Summary of significant accounting policies

2.5.1 Revenue recognition

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

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

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) Group can identify each party's rights regarding the goods or services to be transferred,
c) Group can identify the payment terms for the goods or services to be transferred,
d) The contract has commercial substance,
e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED 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. Group uses moving weighted average method for costing.

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

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

2.5.3 Property, plant and equipment

Land, land improvements and buildings are stated at fair value, 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.

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.

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

2.5.4. Intangible assets

a) Research and development costs

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

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

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

b) Rights and other intangible assets

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

c) Goodwill

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

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

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

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

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

2.5.5. Financial instruments

a) Financial assets

The Group classifies its financial assets into the following specified categories: financial assets as at fair value through profit or loss, 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 CONSOLIDATED 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 Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position.

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

Financial assets carried at fair value

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

Impairment of financial assets

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

Group has preferred to apply "simplified approach" for the recognition of impairment losses on trade receivables, carried at amortized cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group 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 Group 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.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED 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. Monetary items which are denominated in foreign currency and measured with historical costs are translated using the exchange rates at the dates of initial transactions.

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

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

2.5.7 Provisions, contingent assets and liabilities

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

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

2.5.8 Warranty and assembly expenses provision

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

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

2.5.9 Related parties

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

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

2.5.10 Taxation on income

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

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

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

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

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

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

2.5.11 Employee benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Group is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Employment termination benefits are considered as being part of defined retirement benefit plan as per TAS 19. All actuarial gains and losses are recognized in consolidated statements of income.

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

2.5.12. Government grants

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

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

2.5.13 Earnings per share

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

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

2.5.14 Statement of cash flows

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

2.5.15 Segment reporting

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

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

Group's operations are reported under three industrial segments:

- Television and electronic devices
- White goods
- Other

Group's operations are reported under three geographical segments:

- Turkey
- Europe
- Other

2.5.16 Offsetting

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

2.5.17 Events after the balance sheet date

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

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

2.5.18 Going Concern

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

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

2.5.19 Trade Receivables

Trade receivables that are created by the Group by way of providing goods or services in the ordinary course of business directly to a debtor are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method, less provision for impairment. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

The Group collects some of its receivables via factoring. The Group follows related receivables in its consolidated financial statements since the collection risk of these receivables belongs to the Group until these ceded receivables are collected by the factoring company.

2.6. Critical accounting estimates and judgments

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

i. Revaluation of land, buildings and land improvements:

Land, land improvements and buildings are stated at fair value, based on valuations performed at 31 December 2018 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. (Note 14).

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

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

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

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

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NOTE 3 - INTERESTS IN OTHER ENTITIES

Subsidiaries:

As of 31 December 2018 and 31 December 2017 the Group's major subsidiaries are as follows:

	31 December 2018		31 December 2017	
Consolidated subsidiaries	**Voting rights**	**Effective ownership**	**Voting rights**	**Effective ownership**
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	95,2	95,2	94,6	94,6
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	100	100	100	100
Vestel Ticaret A.Ş.	100	100	100	100
Vestel CIS Ltd.	100	100	100	100
Vestel Iberia SL	100	100	100	100
Vestel France SA	100	100	100	100
Vestel Holland BV	100	100	100	100
Vestel Germany GmbH	100	100	100	100
Cabot Communications Ltd.	90,8	90,8	90,8	90,8
Vestel Benelux BV	100	100	100	100
Vestel UK Ltd.	100	100	100	100
Vestek Elektronik Araştırma Geliştirme A.Ş.	100	100	100	100
Vestel Trade Ltd.	100	100	100	100
OY Vestel Scandinavia AB	100	100	100	100
Intertechnika LLC	99,9	99,9	99,9	99,9
Vestel Central Asia LLP	100	100	100	100
Vestel Poland sp. z.o.o.	100	100	100	100
Vestel Polska Technology Center sp. z o.o.	100	100	100	100

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

	31 December 2018	31 December 2017
Accumulated non-controlling interests	94.274	77.930
Comprehensive income attributable to non-controlling interests	36.307	22.331

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

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

Condensed balance sheet:

	31 December 2018	31 December 2017
Current assets	3.063.271	2.289.940
Non-current assets	1.620.382	1.134.824
Current liabilities	(2.747.126)	(1.706.307)
Non-current liabilities	(123.339)	(377.662)
Net assets	**1.813.188**	**1.340.795**

Condensed statement of comprehensive income:

	1 January - 31 December 2018	1 January - 31 December 2017
Net sales	5.693.973	3.857.756
Income / (loss) before tax	616.036	297.677
Tax benefit / (expense)	1.945	(4.753)
Net income / (loss) for the period	617.981	292.924
Total comprehensive income	754.371	406.270

Condensed statement of cash flows:

Operating activities:		
Changes in working capital	(414.528)	204.766
Net cash provided by operating activities	**518.225**	**655.672**
Investing activities:		
Net cash used in investing activities	**(61.628)**	**(610.975)**
Financing activities:		
Proceeds from bank borrowings	893.840	652.275
Repayment of bank borrowings	(969.226)	(392.977)
Other payables to related parties	(240.000)	(180.000)
Net cash (used in) / provided by financing activities	**(409.688)**	**8.653**
Cash and cash equivalents at the beginning of the period	65.190	11.840
Cash and cash equivalents at the end of the period	103.283	65.190

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

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

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NOTE 4 - SEGMENT REPORTING

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

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

Industrial segments

	Television and electronic devices	White goods	Other	Total
1 January -31 December 2018				
Revenue	8.737.765	7.114.535	-	15.852.300
Cost of sales	(6.401.620)	(5.168.459)	-	(11.570.079)
Gross profit	2.336.145	1.946.076	-	4.282.221
Depreciation and amortization	260.694	196.035	-	456.729
1 January -31 December 2017				
Revenue	7.151.365	4.888.203	61.370	12.100.938
Cost of sales	(5.833.683)	(3.778.624)	(60.944)	(9.673.251)
Gross profit	1.317.682	1.109.579	426	2.427.687
Depreciation and amortization	230.027	136.787	-	366.814

Capital expenditure

	Television and Electronical devices	White goods	Total
1 January -31 December 2018	323.530	603.262	926.792
1 January -31 December 2017	265.246	389.373	654.619

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NOTE 4 - SEGMENT REPORTING (Cont'd)

Geographical segments:

Segment revenue	1 January - 31 December 2018	1 January - 31 December 2017
Turkey	4.301.086	4.536.199
Europe	11.355.005	7.598.088
Other	1.405.640	1.051.270
Gross segment sales	17.061.731	13.185.557
Discounts (-)	(1.209.431)	(1.084.619)
Net sales	**15.852.300**	**12.100.938**

The amount of export for the period 1 January - 31 December 2018 is 12.760.645 thousand TL (1 January - 31 December 2017: 8.649.358 thousand TL). Export sales are denominated in EUR, USD and other currencies as 58,3%, 30,5%, and 11,2% of total exports respectively (1 January - 31 December 2017: 60,2% EUR, 31,5% USD, 8,3% other).

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash	1.256	1.186
Bank deposits		
- Demand deposits	1.386.833	346.131
- Time deposits	785.102	1.523.842
Cheques and notes	75.928	55.599
Other	29.843	65.090
Blocked deposits (note 18)	806.699	8.489
Cash and cash equivalents	**3.085.661**	**2.000.337**

	31 December 2018	31 December 2017
TL	23,00%	14,75%
EUR	4,50%	-

As of 31 December 2018 and 31 December 2017 the Group's time deposits have an average maturity of less than 3 months.

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NOTE 6 - FINANCIAL ASSETS

		Ownership		Amount	
	Country	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial assets available for sale:					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	< 1%	< 1%	10.317	13.117
Tursoft A.Ş.	Turkey	7%	7%	11	11
Zorlu Endüstriyel Enerji A.Ş.	Turkey	1%	1%	51	51
İzmir Teknoloji Geliştirme A.Ş.	Turkey	5%	5%	11	11
Other	Turkey	-	-	200	200
				10.590	**13.390**

		Ownership		Amount	
Non-consolidated subsidiaries :	Country	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Vestel Ventures Ar-ge A.Ş.	Turkey	100%	100%	36.275	36.275
Vestel Electronics Gulf DMC	UAE	100%	100%	1.409	1.409
Vestel Electronica SRL	Romania	100%	100%	1.778	1.778
Vestel Electronics Shanghai Trading Co. Ltd	China	100%	100%	751	751
Vest Batarya Sistemleri A.Ş.	Turkey	100%	100%	50	-
Uts-United Technical Services, S.R.O	Slovakia	100%	100%	6	6
				40.269	**40.219**
Impairment of subsidiaries (-)					
Vestel Electronica SRL				(1.778)	(1.778)
				38.491	**38.441**

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

NOTE 7 - FINANCIAL LIABILITIES

	31 December 2018	31 December 2017
Short term financial liabilities		
Short term bank loans	4.424.507	1.341.413
Short term portion of long term bank loans	2.000.447	2.142.397
Leasing debts	2.591	479
	6.427.545	**3.484.289**
Long term financial liabilities		
Long term bank loans	742.077	1.016.557
Leasing debts	7.409	7.446
	749.486	**1.024.003**

The Group has reclassified its borrowings amounting to 567.704 thousand TL as short term which were previously classified as long term borrowings with respect to IAS 1 "Presentation of Financial Statements" due to breach of certain clauses of its loan agreements.

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

	31 December 2018			31 December 2017		
Currency	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- USD	3,43%	246.609	1.297.384	2,33%	87.097	328.521
- EUR	1,78%	187.293	1.129.003	2,41%	180.671	815.820
- TL	25,70%	1.998.120	1.998.120	17,33%	197.072	197.072
			4.424.507			**1.341.413**

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

NOTE 7 - FINANCIAL LIABILITIES (Cont'd)

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

	31 December 2018			31 December 2017		
Currency	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- USD	7,37%	119.675	629.597	5,33%	93.076	351.074
- EUR	4,43%	120.086	723.880	3,91%	69.055	311.818
- TL	20,50%	646.970	646.970	14,71%	1.479.505	1.479.505
Short term portion			**2.000.447**			**2.142.397**
- USD	6,33%	17.562	92.392	7,51%	78.831	297.342
- EUR	-	-	-	5,09%	93.709	423.145
- TL	26,52%	649.685	649.685	17,88%	296.070	296.070
Long term portion			**742.077**			**1.016.557**
			2.742.524			**3.158.954**

Total amount of Group's floating bank loans is 671.479 thousand TL (31 December 2017: 807.406 thousand TL).

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

	31 December 2018	31 December 2017
One to two years	725.831	690.684
Two to three years	9.360	142.837
Three to four years	6.886	102.007
Four years and over	-	81.029
	742.077	**1.016.557**

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

	31 December 2018	31 December 2017
6 months or less	671.479	807.406
	671.479	**807.406**

Guarantees given for the bank loans obtained are presented in note 18.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

NOTE 7 - FINANCIAL LIABILITIES (Cont'd)

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

As of 31 December 2018 and 2017, the Group's net financial debt reconciliation is shown below:

	31 December 2018	31 December 2017
Net financial debt as of 1 January	**2.516.444**	**1.882.855**
Cash inflows from loans	5.291.223	3.136.583
Cash outflows from loan payments	(3.156.787)	(1.959.030)
Cash inflow/outflow from other financial debts	2.075	(19.981)
Unrealized Fx gain/loss	382.503	138.674
Accrued interest	149.725	118.477
Change in cash and cash equivalents	(287.114)	(781.134)
Net financial debt at the end of the period	**4.898.069**	**2.516.444**

NOTE 8 - RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 December 2018	31 December 2017
Vestel Electronica S.R.L. [3]	15.716	9.764
Zorluteks Tekstil Sanayi ve Ticaret A.Ş.	17.766	5.394
Vestel Electronics Gulf DMCC. [3]	11.119	-
UTS- United Technical Services, Spol S.R.O. [3]	-	16.551
Other related parties	10.123	7.529
	54.724	39.238
Unearned interest on receivables (-)	(127)	(65)
	54.597	**39.173**

b) Short term trade payables to related parties

	31 December 2018	31 December 2017
ABH Turizm Temsilcilik ve Ticaret A.Ş. [1]	1.182	-
Zorlu Holding A.Ş. [2]	934	2.912
Other related parties	2.268	4.352
	4.384	7.264
Unearned interest on payables (-)	(20)	(25)
	4.364	**7.239**

[1] Zorlu Holding Group Company, [2] Parent [3] Subsidiary

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)

c) Other short term receivables from related parties

	31 December 2018	31 December 2017
Vestel Ventures A.Ş. [3]	13.489	-
Other related parties	36	-
	13.525	**-**

As of 31 December 2018, the annual average effective interest rate of other receivables in TL is 36%.

d) Other long term receivables from related parties

	31 December 2018	31 December 2017
Zorlu Holding A.Ş. [2]	1.795.555	1.242.427
Vestel Savunma Sanayi A.Ş. [3]	670.215	206.258
Meta Nikel Kobalt Madencilik Sanayi Ve Ticaret A. Ş. [3]	39.011	-
	2.504.781	**1.448.685**

As of 31 December 2018, the annual average effective interest rate of other receivables in USD is 9%, average effective interest rate of other receivables in TL is 36% (31 December 2017: USD 6%, TL 18%).

e) Other payables to related parties

	31 December 2018	31 December 2017
Zorlu Family [3]	49.769	-
Vestel Ventures A.Ş. [3]	-	9.295
	49.769	**9.295**

f) Transactions with related parties

	1 January - 31 December 2018	1 January - 31 December 2017
Sales		
Vestel Electronica S.R.L. [3]	46.318	16.699
Zorluteks Tekstil Sanayi ve Ticaret A.Ş. [1]	10.428	11.200
Vestel Electronics Gulf DMCC. [3]	18.203	-
UTS- United Technical Services, Spol S.R.O. [3]	6.965	9.697
Zorlu Yapı Yatırım A.Ş. [1]	145	1.324
Zorlu Solar Enerji Tedarik ve Ticaret A.Ş. [1]	-	61.380
Other related parties	2.260	4.496
	84.319	**104.796**

[1] Zorlu Holding Group Company, [2] Parent [3] Subsidiary

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)

	1 January - 31 December 2018	1 January - 31 December 2017
Operating expenses		
ABH Turizm Temsilcilik ve Ticaret A.Ş. [1]	36.739	31.586
Zorlu Holding A.Ş. [2]	27.185	23.921
Zorlu Gayrimenkul Gel. ve Yat. A.Ş. [1]	10.007	8.469
Zorlu Air Havacılık A.Ş. [1]	4.258	3.055
Other related parties	13.631	8.055
	91.820	**75.086**
Other income from operating activities		
Other related parties	**9.811**	**4.993**
Other expense from operating activities		
Other related parties	**10.316**	**146**
Financial income		
Zorlu Holding A.Ş. [2]	974.836	221.329
Vestel Savunma Sanayi A.Ş. [3]	69.815	25.900
Z.F.S. Financial Services Ireland [1]	-	6.776
Other related parties	-	628
	1.044.651	**254.633**
Financial expense		
Zorlu Holding A.Ş. [2]	94.577	52.571
Z.F.S. Financial Services Ireland [1]	-	2.326
Other related parties	958	2.105
	95.535	**57.002**
Dividends paid		
Other related parties	**12.909**	**9.461**

g) Guarantees received from and given to related parties are disclosed in note 18.

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

Compensation paid to key management for the twelve months period ended 31 December 2018 is 27.391 thousand TL (1 January - 31 December 2017: 31.553 thousand TL).

[1] Zorlu Holding Group Company, [2] Parent [3] Subsidiary

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	31 December 2018	31 December 2017
Short term trade receivables		
Trade receivables		
- Related parties (note 8)	54.724	39.238
- Other parties	3.385.298	3.405.019
Cheques and notes receivables	211.422	309.915
Other	62.110	34.886
	3.713.554	3.789.058
Unearned interest expense (-)		
- Related parties (note 8)	(127)	(65)
- Other parties	(11.711)	(61.433)
Allowance for doubtful receivables (-)	(118.450)	(64.738)
Total short term trade receivables	**3.583.266**	**3.662.822**
Long term trade receivables		
Receivables from other parties	-	62.410
Cheques and notes receivables	7.471	7.326
Unearned interest expense (-)	(1.617)	(1.196)
Total long term trade receivables	**5.854**	**68.540**

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

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	**64.738**	**56.866**
Current year additions	62.183	13.498
Provisions no longer required	(526)	(1.945)
Doubtful receivables written-off	(9.262)	(4.418)
Currency translation differences	1.317	737
Balance at 31 December	**118.450**	**64.738**

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

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

	31 December 2018	31 December 2017
Short term trade payables		
Trade payables		
- Related parties (note 8)	4.384	7.264
- Other parties	5.785.399	5.751.561
Notes payables		
- Other parties	77	51
Other	3.016	2.027
	5.792.876	5.760.903
Unearned interest income (-)		
- Related parties (note 8)	(20)	(25)
- Other parties	(279)	(9.531)
Total short term trade payables	**5.792.577**	**5.751.347**
Long term trade payables		
Trade payables		
- Other parties	14.631	1.959
Total long term trade payables	**14.631**	**1.959**

NOTE 10 - OTHER RECEIVABLES

	31 December 2018	31 December 2017
Short term other receivables		
Receivables from official institutions	197.626	216.171
Receivables from related parties (note 8)	13.525	-
Deposits and guarantees given	62.303	41.171
Other	92.893	93.555
	366.347	**350.897**
Allowance for doubtful receivables (-)	(89.376)	(89.376)
	276.971	**261.521**
Long term other receivables		
Deposits and guarantees given	1.701	1.103
Receivables from related parties (note 8)	2.504.781	1.448.685
Other	8.278	8.278
	2.514.760	1.458.066
Allowance for doubtful receivables (-)	(8.278)	(8.278)
	2.506.482	**1.449.788**

The Group provides allowance for doubtful receivables.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

NOTE 11 - INVENTORIES

	31 December 2018	31 December 2017
Raw materials	1.219.995	1.355.573
Work in process	107.962	77.577
Finished goods	1.462.297	1.346.329
Merchandise	99.992	189.383
Other	4.294	3.622
	2.894.540	2.972.484
Provision for impairment on inventories (-)	(32.801)	(28.305)
	2.861.739	**2.944.179**

Cost of the inventory included in the consolidated statement of comprehensive income in the period 1 January - 31 December 2018 is 10.237.015 thousand TL (2017: 8.572.850 thousand TL).

As of 31 December 2018 the Group does not have inventories pledged as security for liabilities (31 December 2017: None).

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

	31 December 2018	31 December 2017
Raw materials	18.287	8.980
Finished goods and merchandise	14.514	19.325
	32.801	**28.305**

Movement of provision for impairment on inventories is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	**28.305**	**21.156**
Current year additions	14.189	22.335
Realised due to sale of inventory	(15.021)	(17.270)
Currency translation differences	5.328	2.084
Balance at 31 December	**32.801**	**28.305**

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

NOTE 12 - PREPAID EXPENSES

	31 December 2018	31 December 2017
Prepaid expenses in current assets		
Order advances given	32.576	19.903
Prepaid expenses	64.206	39.887
Business advances given	1.289	979
	98.071	**60.769**
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	44.978	74.087
Prepaid expenses	4.774	7.349
	49.752	**81.436**

NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2018		31 December 2017	
	%	Amount	%	Amount
Subsidiaries				
Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş.	50%	1.131.130	-	-
Türkiyenin Otomobil Girişim Grubu Sanayi ve Ticaret A.Ş.	19%	9.500	-	-
		1.140.630		**-**

As on 29 June 2019, pursuant to the Group's goal to diversify its lines of business and achieve profitable growth by investing in new-generation technologies, in order to secure the supply of nickel sulphate and cobalt sulphate compounds, which are critical raw materials for the production of EV batteries, of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret A.Ş. ("META"), which is a Zorlu Holding A.Ş. subsidiary and is involved in nickel-cobalt mining. The Group has purchased 916.335.000 shares (each with a nominal value of TL1 and representing 50% of the company's share capital) from Ahmet Nazif Zorlu, Olgun Zorlu, Mehmet Emre Zorlu, Selen Zorlu Melik, Meta Madencilik Enerji Turizm Danışmanlık Sanayi ve Ticaret A.Ş. and Zorlu Holding AŞ, for a total consideration of US$250 mn. The acquisition value is in accordance with the valuation range of US$447,2 million and US$572 million stated in the independent appraisal report prepared by Ernst & Young Advisory Services, which is licensed by the Capital Markets Board.

META was founded in 2000 to undertake nickel mining in Turkey, has been operating under Zorlu Group since 2007. The company's nickel cobalt mining facility in Gördes, Manisa was commissioned at the end of 2014. The facility has a production capacity of 10.000 tons of nickel content and 550 tons of cobalt content per annum. Besides Gördes, META also has a licensed field in Eskişehir and undertakes surveying activities in various regions of Turkey. Currently, META produces nickel-cobalt hydroxide (MHP), which is an intermediate product, and plans to undertake an investment for the production of nickel sulfate and cobalt sulfate compounds, which are critical for Li-ion battery production in the upcoming period.

Within the framework of Turkey's Automobile Project, following the work undertaken by the Joint Initiative Group, to which Company's controlling shareholder, Zorlu Holding AŞ was a party, Vestel Elektronik Sanayi ve Ticaret AŞ decided has participated with a 19% share in "Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş.", which is planned to be established to produce mainly electric passenger cars and carry out supporting activities. In this respect, the Shareholders Agreement and Articles of Association have been signed on 31 May 2018. Establishment of the new company is completed on 28 June 2018.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)

The movements of META, which is an investment accounted for using the equity method during the period 1 July - 31 December is as follows:

	2018
Balance at 1 July	**1.152.075**
Shares from profit / loss	(90.859)
Shares from other comprehensive income / expense	69.914
Balance at 31 December	**1.131.130**

Summary financial statement information of META is as follows:

	31 December 2018	30 June 2018
Current assets	231.594	271.683
Non-current assets	2.479.298	2.172.204
Current liabilities	(948.451)	(586.662)
Non-current liabilities	(863.903)	(916.664)
Net assets	**898.538**	**940.561**

	1 July - 31 December 2018
Net sales	150.726
Income / (loss) before tax	(164.829)
Tax benefit / (expense)	(16.872)
Net income / (loss) for the period	(181.718)
Total comprehensive income	(43.790)

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Disposals	Currency translation differences	Transfers	Fair value increase	31 December 2018
Cost or revaluation							
Land	470.475	-	2	7.886	-	147.018	625.381
Land improvements	88.118	75	(8)	2.063	417	36.297	126.962
Buildings	965.443	18.485	(1.495)	51.612	40.264	333.336	1.407.645
Leasehold improvements	139.786	12.156	(83)	1.127	1.247	-	154.233
Plant and machinery	2.199.886	376.527	(91.490)	26.383	245.319	-	2.756.625
Motor vehicles	9.727	1.045	(3.666)	619	-	-	7.725
Furniture and fixtures	356.692	40.819	(2.102)	6.109	6.274	-	407.792
Other tangible assets	849	-	-	-	-	-	849
Construction in progress	87.497	299.005	-	57	(346.685)	-	39.874
	4.318.473	**748.112**	**(98.842)**	**95.856**	**(53.164)**	**516.651**	**5.527.086**
Accumulated depreciation							
Land improvements	-	3.820	(2)	506	(4.324)	-	-
Buildings	-	36.200	-	12.486	(48.686)	-	-
Leasehold improvements	112.912	15.646	(21)	576	-	-	129.113
Plant and machinery	1.560.713	253.115	(91.093)	21.650	-	-	1.744.385
Motor vehicles	5.711	1.198	(2.960)	597	-	-	4.546
Furniture and fixtures	272.274	37.884	(1.902)	5.230	-	-	313.486
Other tangible assets	849	-	-	-	-	-	849
	1.952.459	**347.863**	**(95.978)**	**41.045**	**(53.010)**	**-**	**2.192.379**
Net book value	**2.366.014**						**3.334.707**

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	1 January 2017	Additions	Disposals	Currency translation differences	Transfers	Fair value increase	31 December 2017
Cost or revaluation							
Land	241.478	32.516	(12)	5.887	-	91.547	371.416
Land improvements	61.976	6	-	1.620	(6.179)	35.408	92.831
Buildings	722.232	7.921	(9)	38.488	(51.957)	343.114	1.059.789
Leasehold improvements	139.456	12.666	(13.600)	419	845	-	139.786
Plant and machinery	1.900.703	270.686	(25.801)	19.691	34.607	-	2.199.886
Motor vehicles	6.244	3.524	(542)	496	5	-	9.727
Furniture and fixtures	321.300	29.279	(4.080)	3.902	6.291	-	356.692
Other tangible assets	849	-	-	-	-	-	849
Construction in progress	7.832	131.154	(13)	6	(51.482)	-	87.497
	3.402.070	**487.752**	**(44.057)**	**70.509**	**(67.870)**	**470.069**	**4.318.473**
Accumulated depreciation							
Land improvements	3.177	2.678	-	345	(6.200)	-	-
Buildings	25.047	25.103	(3)	8.401	(58.548)	-	-
Leasehold improvements	113.695	12.426	(13.481)	231	41	-	112.912
Plant and machinery	1.373.174	196.540	(24.904)	15.916	(13)	-	1.560.713
Motor vehicles	5.032	724	(509)	464	-	-	5.711
Furniture and fixtures	238.172	34.529	(3.463)	3.279	(243)	-	272.274
Other tangible assets	846	3	-	-	-	-	849
	1.759.143	**272.003**	**(42.360)**	**28.636**	**(64.963)**	**-**	**1.952.459**
Net book value	**1.642.927**						**2.366.014**

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Additions to property, plant and equipment in the period 1 January - 31 December 2018 mainly consist of machinery and equipment investments made to television and electronic devices factory, first and second refrigerator, cooker, dishwasher, washing machine and tumbler drier factories.

As of 31 December 2018 the Group does not have property, plant and equipment pledged (2017: None)

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

	Useful life
Land improvements	5 - 35 years
Buildings	25 - 50 years
Leasehold improvements	3 - 10 years
Plant and machinery	2 - 25 years
Motor vehicles	5 - 10 years
Furniture and fixtures	5 - 14 years

Allocation of current year depreciation and amortization expenses is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Cost of sales	262.897	204.081
Research and development expenses	119.078	105.815
Marketing, selling and distribution expenses	36.536	32.164
General administrative expenses	30.351	20.601
Other operating expense (idle capacity depreciation expense)	7.867	4.153
	456.729	**366.814**

31 December 2018	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	625.381	-
Buildings and land improvements	-	1.534.607	-

31 December 2017	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	470.475	-
Buildings and land improvements	-	1.053.561	-

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

NOTE 15 - INTANGIBLE ASSETS

	1 January 2018	Additions	Disposals	Currency translation differences	Transfers	31 December 2018
Cost						
Rights	67.730	1.791	-	1.311	-	70.832
Development cost	817.336	158.270	(10)	-	-	975.596
Other intangible assets	140.616	18.619	(1.428)	9.298	154	167.259
	1.025.682	**178.680**	**(1.438)**	**10.609**	**154**	**1.213.687**
Accumulated amortization						
Rights	47.456	3.571	(163)	1.206	-	52.070
Development cost	431.112	96.405	-	-	-	527.517
Other intangible assets	78.474	8.890	(1.383)	7.522	-	93.503
	557.042	**108.866**	**(1.546)**	**8.728**	**-**	**673.090**
Net book value	**468.640**					**540.597**

	1 January 2017	Additions	Disposals	Currency translation differences	Transfers	31 December 2017
Cost						
Rights	64.279	570	(9)	684	2.206	67.730
Development cost	677.726	141.851	(2.241)	-	-	817.336
Other intangible assets	109.712	24.446	(48)	5.720	786	140.616
	851.717	**166.867**	**(2.298)**	**6.404**	**2.992**	**1.025.682**
Accumulated amortization						
Rights	43.886	3.009	-	611	(50)	47.456
Development cost	346.240	84.872	-	-	-	431.112
Other intangible assets	66.366	6.930	-	5.248	(70)	78.474
	456.492	**94.811**	**-**	**5.859**	**(120)**	**557.042**
Net book value	**395.225**					**468.640**

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NOTE 15 - INTANGIBLE ASSETS (Cont'd)

Development costs, incurred by the Group on development projects relating to television and electronic devices, 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	2 - 15 years
Development cost	2 - 10 years
Other	2 - 15 years

NOTE 16 - GOODWILL

Goodwill is distributed on cash generating unit which are based on segmental reporting. Summary table of goodwill based on segmental reporting is given below:

	31 December 2018	31 December 2017
White goods	168.543	168.543
Television and electronic devices	26.998	26.998
Software	2.252	2.252
	197.793	**197.793**

Impairment of the goodwill amount relating to the listed subsidiary of the Group is tested through the evaluation of the fair value determined on the average transaction amounts effective as of the balance sheet date as recoverable amount.

NOTE 17 - GOVERNMENT GRANTS

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

i) Exemption from customs duty on machinery and equipment to be imported,
ii) VAT exemption with respect to purchases of investment goods both from domestic and export markets,
iii) Incentives under the jurisdiction of the research and development law,
iv) Inward processing permission certificates,
v) Cash refund from Tübitak - Teydeb for research and development expenses,
vi) Discounted corporate tax incentive,
vii) Insurance premium employer share incentive
viii) Brand support incentive (Turquality) given by Republic of Turkey Ministry of Economy.

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to 10.045 thousand TL for the period 1 January - 31 December 2018. (1 January -31 December 2017: 6.615 thousand TL).

Brand support incentive Turquality obtained from Republic of Turkey Ministry of Economy amounts to 21.592 thousand TL in year 2018. (2017: 14.450 thousand TL).

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2018	31 December 2017
Short term provisions		
Warranty and assembly provision	246.198	193.900
Other provisions	262.471	178.877
Provision for lawsuit risks	46.030	30.531
	554.699	**403.308**
Long term provisions		
Warranty and assembly provision	51.128	52.556
Other provisions	2.660	32.346
	53.788	**84.902**

There are various cases filed and continuing against the Group domestically and in foreign countries. With reference to Group management's and legal advisors' assessments, no provision is provided for those cases amounting to 31.889 thousand EUR and 25.893 thousand TL (2017: 31.378 thousand EUR and 34.253 TL), that are expected to be finalized in favor of the Group. As of 31 December 2018, the amount of provision provided for the cases for which the probability of losing the case is assessed to be high by the Group management and legal advisors is 46.030 thousand TL (2017: 30.351 TL).

As of 31 December movements of warranty and assembly provisions are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	**246.456**	**186.892**
Current year additions	345.956	301.420
Provisions no longer required	(295.086)	(241.856)
Balance at 31 December	**297.326**	**246.456**

b) Waste Electrical and Electronic Equipment Directive

Legal regulation prepared in conformity with European Union Waste Electrical and Electronic Equipment Directive ("WEEE") has been effective in Turkey since 2012. The Directive set collection, recycling and recovery targets for all types of electrical and electronic goods upon manufacturers. The Group fulfills these obligations.

c) Guarantees received by the Group

Guarantee letters, collaterals, cheques and notes received

	31 December 2018	31 December 2017
Guarantee letters	609.874	548.083
Cheques and notes	547.766	835.895
Collaterals and pledges	1.419.867	1.545.237
	2.577.507	**2.929.215**

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. and Vestel Ticaret A.Ş. has given collaterals to various banks on behalf of the Company for its forward contracts and loans utilized.

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NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

d) Collaterals, pledges and mortgages ("CPM's") given by the Group

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	9.812	31.014	100.154	338.726
B. CPM's given on behalf of fully consolidated subsidiaries (*)	2.266.416	322.501	3.042.515	16.909.939
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	79.058	-	17.466	433.382
i. Total amount of CPM's given on behalf of the parent company	46.305	-	-	243.606
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	32.753	-	17.466	189.776
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**2.355.286**	**353.515**	**3.160.135**	**17.682.047**

(*) Fully consolidated subsidiaries have given collaterals to various financial institutions on behalf of each other for their forward contracts and for the total amount of loans utilized.

The Group has blocked deposit amount of 150.000 thousand USD given on behalf of consolidated Group companies and the parent company. As of the report date the respective blocked amount is fully released.

Related to the loan agreements of META and with respect to the Mining License Pledge Agreement, first degree and first rank mining license pledge is established with maximum amount of 420.000 thousand USD. With respect to Commercial Pledge Agreement, first degree and first rank pledge is established over the assets of META amounting to 1.670.000 thousand TL valid until it is released by META after the payment of respective loans. Additionally regarding the respective loans, Blocked Deposit Account Agreement and Consecutive Receivables Assignment Agreement is established.

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

CPM's given by the Group	USD ('000)	EUR ('000)	TL	TL Equivalent
31 December 2017				
A. CPM's given on behalf of its own legal entity	17.013	27.424	93.019	281.023
B. CPM's given on behalf of fully consolidated subsidiaries	2.073.784	367.117	2.511.303	11.991.126
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	30.766	-	17.314	133.360
i. Total amount of CPM's given on behalf of the parent company	-	-	-	-
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	30.766	-	17.314	133.360
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**2.121.563**	**394.541**	**2.621.636**	**12.405.509**

As of 31 December 2018 proportion of other CPM's given by the Group to its equity is 13% (31 December 2017: 6%).

NOTE 19 - COMMITMENTS

As of the balance sheet date the Group has committed to realize exports amounting to 761.758 thousand USD (31 December 2017: 568.309 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2018 the Group has forward foreign currency purchase contract that amounts to 909.988 thousand USD, 294.017 thousand EUR, 55.520 thousand GBP, 32.565 thousand PLN, 2.560 thousand RON, 10.700 thousand RUB and 753.190 thousand TL against forward foreign currency sales contract that amounts to 379.695 thousand USD, 319.372 thousand EUR, 104.221 thousand GBP, 1.182.391 thousand RUB, 20.872 thousand RON, 106.610 thousand PLN, 9.447 thousand SEK and 2.992.794 thousand TL. (31 December 2017: 1.522.920 thousand USD, 273.243 thousand EUR, 17.803 thousand GBP, 17.514 thousand PLN, 104 thousand CHF, 2.224 thousand RON, 82.891 thousand RUB and 492.689 thousand TL against forward foreign currency purchase contract; 282.759 thousand USD, 641.161 thousand EUR, 94.710 thousand GBP, 1.000 thousand CHF, 1.218.572 thousand RUB, 12.825 thousand RON, 187.881 thousand PLN, 16.143 thousand SEK and 2.999.135 thousand TL against forward foreign currency sales contract).

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NOTE 20 - EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2018	31 December 2017
Due to personnel	75.350	69.328
Social security payables	29.666	38.407
	105.016	**107.735**

Long term provisions for employee benefits:

	31 December 2018	31 December 2017
Provision for employment termination benefits	**111.100**	**96.078**

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 salary for each year of service and is limited to a maximum of 5.434,42 TL/year as of 31 December 2018 (31 December 2017: 4.732,48 TL/year).

Provision for employment termination benefits is not subject to any funding.

The provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined employee plans. Accordingly actuarial assumptions were used in the calculation of the total liability which are described below:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as of 31 December 2018, the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31 December 2018 provision is calculated based on real discount rate of 5,45% (31 December 2017: 4,67%) assuming 10% annual inflation rate and 15,99% discount rate.

The movement in the provision for employment termination benefit is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Balance at 1 January	**96.078**	**76.463**
Increase during the year	21.791	18.820
Payments during the year	(20.852)	(17.819)
Actuarial (gain) /loss	3.204	9.637
Interest expense	10.879	8.977
Balance at 31 December	**111.100**	**96.078**

As of 31 December 2018, an increase in annual discount rate by 0,25% would lead to decrease in employee benefit liability by 3,48%; a decrease in annual discount rate by 0,25%, would lead to an increase in employee benefit liability by 3,64%.(31 December 2017: 3,49% decrease and 3,67% increase).

As of 31 December 2018, an increase in salary escalation by 0,25% would lead to an increase in employee benefit liability by 3,81%; a decrease in salary escalation by 0,25% would lead to a decrease in employee benefit liability by 3,64%.(31 December 2017: 3,83% increase and 3,65% decrease).

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

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NOTE 21 - OTHER ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Other current assets		
VAT carried forward	12.044	13.608
Other	27.239	14.786
	39.283	**28.394**
Other non - current assets		
Assets held for sale	6.248	7.060
	6.248	**7.060**

	31 December 2018	31 December 2017
Other current liabilities		
Advances received	180.696	48.891
Tax payables	75.586	86.318
Other	119.453	160.268
	375.735	**295.477**

NOTE 22 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	31 December 2018	31 December 2017
Shares of par value Kr 1 each limit on registered share capital	1.000.000	1.000.000
Issued share capital	335.456	335.456

As of 31 December 2018 and 31 December 2017 the shareholding structures are as follows:

	Shareholding		Amount	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Zorlu Holding A.Ş.	64,41%	64,41%	216.054	216.054
Shares held by public				
Other shareholders	22,46%	22,46%	75.355	75.355
Zorlu Holding A.Ş.	13,13%	13,13%	44.047	44.047
	100%	**100%**	**335.456**	**335.456**

b) Adjustment to share capital

Adjustment to share capital (restated to 31 December 2004 purchasing power of money) is the difference between restated share capital and historical share capital.

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NOTE 22 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

c) Share premium

Share premium account refers the difference between par value of the company's shares and the amount the company received for newly issued shares. The share premium account is disclosed under equity as a separate line item and may not be distributed. It may be used in capital increase.

d) Legal reserves

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

	31 December 2018	31 December 2017
Legal reserves	**48.909**	**46.195**

e) Revaluation reserve

Fair value gains on financial assets	1.965	4.149
Revaluation of property, plant and equipment	1.338.777	917.385
	1.340.742	**921.534**

f) Accumulated deficit

Extraordinary reserves	512.541	512.541
Previous year's loss	(523.628)	(624.741)
Other inflation adjustment of share capital	119.718	119.718
	108.631	**7.518**

g) Dividend distribution

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

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

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

NOTE 22 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

On the other hand, in accordance with the Articles of Association of the Company, the net period income is allocated after deducting the accumulated losses from the previous years, if any, as follows:

a) As per Article 519 of the Turkish Commercial Code, 5% is allocated to a general legal reserve.

b) A dividend is allocated from the remaining amount, at the rate determined by the General Assembly over an amount to be found after the addition of a donation, which is made in line with the Turkish Commercial Code and Capital Market Legislation.

c) After the deductions above, the General Assembly has the right to decide how to allocate the dividend to members of the board of directors and officers, employees and workers, foundations established with various purposes, and similar persons and corporations.

d) After the amounts stated in paragraph (a), (b) and (c) are deducted from the net period profit, the General Assembly is authorized to allocate the remaining amount as a second dividend or to allocate the remaining amount to its own reserve as per Article 521 of the Turkish Commercial Code.

e) One tenth of the amount obtained after a dividend of 5% of the paid in capital and other legal reserve are deducted from the amount that is agreed to be allocated to the shareholders and other persons participating to the profit is added to the general legal reserve as per paragraph (c) of the second clause of article 519 of the Turkish Commercial Code.

NOTE 23 - SALES

	1 January - 31 December 2018	1 January - 31 December 2017
Domestic sales	4.301.086	4.536.199
Overseas sales	12.760.645	8.649.358
Gross sales	**17.061.731**	**13.185.557**
Sales discounts (-)	(1.209.431)	(1.084.619)
Net sales	**15.852.300**	**12.100.938**
Cost of sales	(11.570.079)	(9.673.251)
Gross profit	**4.282.221**	**2.427.687**

NOTE 24 - EXPENSES BY NATURE

	1 January - 31 December 2018	1 January - 31 December 2017
Raw materials, supplies and finished goods	10.293.977	9.126.956
Changes in finished goods, work in process, trade goods	(56.962)	(554.106)
Personnel expenses	1.060.299	890.844
Depreciation and amortization	448.862	362.661
Export, transportation, warehouse expenses	623.884	422.893
Warranty and assembly expenses	345.956	301.420
Advertising expenses	161.310	152.254
Other	1.129.772	897.905
	14.007.098	**11.600.827**

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NOTE 25 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) General administrative expenses:

	1 January - 31 December 2018	1 January - 31 December 2017
Personnel expenses	112.610	97.782
Depreciation and amortization	30.351	20.601
Consultancy expenses	31.465	25.933
Information technology expenses	35.547	25.787
Rent and office expenses	29.132	24.219
Tax and duties	12.783	10.472
Benefits and services provided externally	2.993	7.345
Insurance expenses	9.822	7.224
Travelling expenses	6.957	6.233
Other	69.125	66.556
	340.785	**292.152**

b) Marketing expenses:

Personnel expenses	304.392	242.178
Depreciation and amortization	36.536	32.164
Export, transportation, warehouse expenses	613.006	414.641
Warranty and assembly expenses	345.956	301.420
Advertising expenses	159.638	151.804
Other	386.778	302.991
	1.846.306	**1.445.198**

c) Research and development expenses:

Depreciation and amortization	37.393	33.185
Personnel expenses	119.078	105.815
Travelling expenses	11.702	10.716
Other	81.755	40.510
	249.928	**190.226**

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NOTE 26 - OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January - 31 December 2018	1 January - 31 December 2017
Credit finance gains arising from trading activities	68.789	170.976
Foreign exchange gains arising from trading activities	656.942	504.579
Reversals of provisions	33.346	14.171
Other income	120.049	89.524
	879.126	**779.250**

b) Other expense from operating activities:

Debit finance charges arising from trading activities	208.701	187.157
Foreign exchange expenses arising from trading activities	1.816.173	537.514
Provision expenses	68.666	27.182
Other expenses	148.660	91.020
	2.242.200	**842.873**

NOTE 27 - FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gains	849.769	305.819
Gains on derivative financial instruments	2.553.846	668.087
Interest income	566.215	220.411
	3.969.830	**1.194.317**

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NOTE 27 - FINANCIAL INCOME AND FINANCIAL EXPENSE (Cont'd)

b) Financial expense:

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange losses	1.131.027	437.176
Losses on derivative financial instruments	2.055.310	827.024
Interest and commision expense	730.645	381.864
Other finance expenses	917	704
	3.917.899	**1.646.768**

NOTE 28 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

a) Fixed assets revaluation fund:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	**917.385**	**561.662**
Depreciation transfer upon revaluation reserves - net	(21.632)	(13.100)
Net depreciation transfer upon revaluation reserves attributable to non-controlling interests	222	125
Increase in reserves arising from revaluation of land, buildings and land improvements	535.781	470.043
Deferred tax income calculated over increase in revaluation reserves	(88.628)	(94.008)
Increase in revaluation reserves attributable to non-controlling interests	(7.644)	(9.172)
Deferred tax income calculated over increase in revaluation reserves attributable to non-controlling interest	1.530	1.835
Transactions with non-controlling interests	1.763	-
Balance at 31 December	**1.338.777**	**917.385**

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NOTE 28 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS (Cont'd)

b) Cash flow hedge fund:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	**(10.959)**	**48.184**
Profit/ (loss) from cash flow hedges	616	(75.637)
Deferred tax calculated over cash flow hedge fund	(136)	15.412
(Profit) / loss from cash flow hedges attributable to non-controlling interests	(44)	1.353
Deferred tax calculated over profit / (loss) from cash flow hedges attributable to non-controlling interests	9	(271)
Transactions with non-controlling interests	(7)	-
Balance at 31 December	**(10.521)**	**(10.959)**

c) Actuarial gain / loss arising from defined benefit plans:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	**(17.246)**	**(9.798)**
Actuarial gain/ loss arising from defined benefit plans	(3.204)	(9.506)
Deferred tax calculated over actuarial gain/ loss arising from defined benefit plans	641	1.901
Actuarial gain/ loss arising from defined benefit plans attributable to non-controlling interests	(78)	196
Deferred tax calculated over actuarial gain/ loss arising from defined benefit plans attributable to non-controlling interests	16	(39)
Transactions with non-controlling interests	(36)	-
Balance at 31 December	**(19.907)**	**(17.246)**

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NOTE 29 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2018	31 December 2017
Corporation and income taxes	14.287	19.182
Prepaid taxes (-)	(20.369)	(18.898)
Current income tax liabilities - net	**(6.082)**	**284**
Deferred tax liabilities	(147.739)	(129.591)
Deferred tax assets	93.452	174.309

Turkish Tax Legislation does not permit a parent company its subsidiaries and investments in associates to file a consolidated tax return. Therefore, tax liabilities as reflected in these consolidated financial statements have been calculated on a separate entity basis for the fully consolidated subsidiaries.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses and by deducting other exempt income. In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed at the rate of % 15, except for companies receiving dividends who are resident companies in Turkey. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

In Turkey, advance tax returns are filed on a quarterly basis at the rate of 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 75% of the earning from investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity.

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

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.

For the years 2006-2017, corporate tax rate in Turkey is 20%. 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.

Russian Federation

In Russia, corporate tax rate applicable is 20% (2017: 20%). Under the Russian Federation taxation system, tax losses can be carried forward to be offset against future taxable income for up to ten years. There are no restrictions on the amounts subject to net off. On the other hand, tax, currency and customs legislations are subject to various interpretations and changes which can occurs frequently in Russian Federation. Management's interpretation for such legislation, which is applied to the Company's operations and activities, can be interpreted by regional and federal authorities in different ways.

The events of the recent past in Russian Federation, shows that risk could be possible on approval of operations and activities, which approved in the past may not be approved in the future as a result of reviews by the tax authorities on legislation. According to a review by the tax inspection authorities, without exceptional circumstances, tax inspection covers three years prior to the final inspection. Under certain circumstances, such views may cover longer periods.

The tax results of Group's subsidiaries in other countries are not material to consolidated financial statements.

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NOTE 29 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

As of 1 January - 31 December 2018 and 2017 tax benefit in the consolidated statement of income is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Current period tax expense	(19.943)	(20.050)
Deferred tax benefit	(22.371)	107.354
Total tax (expense) / benefit	**(42.314)**	**87.304**

	1 January - 31 December 2018	1 January - 31 December 2017
Profit before tax	**443.200**	**(15.963)**
Local tax rate	22%	22%
Tax income calculated using local tax rate	(97.504)	3.512
Carry forward tax losses	(101.122)	-
Carry forward tax losses utilized	-	(22.857)
Non-deductible expenses	(6.825)	(6.374)
Adjustments with no tax effects	(19.297)	(6.448)
Deduction and exemptions	63.619	71.241
Reduced taxation	122.186	48.359
Deferred tax effect of change in legal tax rate	(3.371)	(129)
Total tax (expense) / benefit	**(42.314)**	**87.304**

Due to modernization, plant extension and investments incentive documents in Manisa Organized Industrial Zone, the Group has reduced rate of corporate tax advantage.

Deferred tax assets and liabilities

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Communiqué II, No. 14.1 and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for the Communiqué and tax purposes.

As of 31 December 2018, the Group has not recognized deferred tax assets arising from its investment incentive certificate, in accordance with conservatism principle of accounting.

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

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NOTE 29 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

	Cumulative temporary differences		Deferred tax	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Deferred tax assets				
Employment termination benefits	(108.015)	(93.880)	21.603	18.776
Warranty provision	(128.555)	(132.382)	28.282	29.124
Provision for doubtful receivables	(141.823)	(124.241)	31.201	27.333
Unearned interest expense	(16.859)	(59.859)	3.709	13.169
Provision for impairment on inventories	(15.405)	(7.627)	3.389	1.678
Derivative financial instruments	(165.545)	(150.056)	36.420	33.005
Carryforward tax losses and R&D incentives	(318.669)	(521.750)	66.227	104.350
Other	(149.700)	(131.291)	32.934	28.884
			223.765	**256.319**
Deferred tax liabilites				
Useful life and valuation differences on property, plant and equipment and intangible assets	83.610	86.840	(16.722)	(17.368)
Revaluation of tangible fixed assets	1.117.944	1.129.982	(258.529)	(194.063)
Other	12.732	773	(2.801)	(170)
			(278.052)	**(211.601)**
Deferred tax assets / (liabilites) - net			**(54.287)**	**44.718**

As of 31 December 2018 and 2017, the Group has not recognized deferred tax assets arising from its investment incentive certificate, in accordance with conservatism principle of accounting.

Expiration date of carry forward tax losses subject to deferred tax calculation amounted to 141.864 thousand TL (2017:260.934 thousand TL) is 2022. Furthermore, within R&D law framework, the Group has R&D incentives amounted to 175.083 thousand TL (2017:234.722 thousand TL) which can be used in 2019 and future periods.

	31 December 2018	31 December 2017
Subsidiares with net deferred tax liabilities	(147.739)	(129.591)
Subsidiares with net deferred tax assets	93.452	174.309

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

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance, 1 January	**44.718**	**14.094**
Tax benefit recognized in income statement	(22.371)	107.354
Recognized in shareholders' equity	(87.612)	(77.364)
Currency translation differences	10.978	634
Deferred tax (liabilities) / assets at the end of the period, net	**(54.287)**	**44.718**

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NOTE 30 - EARNINGS / (LOSS) PER SHARE

	1 January - 31 December 2018	1 January - 31 December 2017
Net income / (loss) attributable to equity holders of the parent	371.153	55.108
Weighted number of ordinary shares with a Kr 1 of par value (hundred shares)	33.546.000	33.546.000
	1,11	**0,16**

NOTE 31 - DERIVATIVE INSTRUMENTS

	31 December 2018		31 December 2017	
	Contract amount	Fair Value Assets / (Liabilities)	Contract amount	Fair Value Assets / (Liabilities)
Derivative financial assets:				
Held for trading				
Forward foreign currency transactions	2.064.426	68.025	1.147.859	11.237
Cash flow hedge				
Forward foreign currency transactions	932.989	16.635	509.405	2.252
Derivative financial liabilities:				
Held for trading				
Forward foreign currency transactions	4.021.835	(235.841)	4.092.737	(90.931)
Cash flow hedge				
Forward foreign currency transactions	652.548	(14.364)	1.838.130	(72.614)
	7.671.798	**(165.545)**	**7.588.131**	**(150.056)**

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital risk management:

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

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

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2018 and 2017 the Company's net debt / total equity ratios are as follows:

	31 December 2018	31 December 2017
Total financial liabilities (note 7)	7.177.031	4.508.292
Cash and cash equivalents (note 5)	(3.085.661)	(2.000.337)
Net debt	**4.091.370**	**2.507.955**
Total shareholders equity	3.318.255	2.278.028
Total capital invested	**7.409.625**	**4.785.983**
Net debt/capital invested	**55%**	**52%**

b) Financial risk factors:

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

b.1) Credit risk:

The Group is exposed to credit risk arising from receivables from credit finance sales and deposits with banks. Credit risk of receivables from third parties is managed by securing receivables with highest possible coverage. Methods used are:

- Bank guarantees (guarantee letters, etc.)
- Credit insurance
- Mortgages
- Cheque-notes

For customers receivables from which are not secured with collaterals, the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors and individual risk limits are determined and monitored regularly.

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	Receivables					
	Trade receivables		Other receivables			
31 December 2018	Related party	Other party	Related party	Other party	Bank deposits	Other
Maximum exposed credit risk as of 31 December 2018 (A+B+C+D)	**54.597**	**3.534.523**	**2.518.306**	**265.147**	**2.171.935**	**913.726**
- Secured portion of the maximum credit risk by guarantees, etc.	-	(2.136.415)	-	-	-	-
A. Net book value of financial assets either are not due or not impaired	54.597	2.997.739	2.518.306	265.147	2.171.935	913.726
- Secured portion by guarantees etc.	-	(1.826.332)	-	-	-	-
B. Financial assets with renegotiated conditions	-	-	-	-	-	-
C. Net book value of the overdue but not impaired financial assets	-	548.201	-	-	-	-
- Secured portion by guarantees etc.	-	(321.500)	-	-	-	-
D. Net book value of the impaired financial assets	-	(11.417)	-	-	-	-
- Over due (gross book value)	-	107.033	-	97.654	-	-
- Impairment (-)	-	(118.450)	-	(97.654)	-	-
- Secured portion of the net value by guarantees etc.	-	11.417	-	-	-	-

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

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	Receivables					
	Trade receivables		Other receivables			
31 December 2017	Related party	Other party	Related party	Other party	Bank deposits	Other
Maximum exposed credit risk as of 31 December 2017 (A+B+C+D)	**39.173**	**3.692.189**	**1.448.685**	**262.624**	**1.869.973**	**130.364**
- Secured portion of the maximum credit risk by guarantees, etc.	-	(1.854.525)	-	-	-	-
A. Net book value of financial assets either are not due or not impaired	39.173	3.070.165	1.448.685	262.624	1.869.973	130.364
- Secured portion by guarantees etc.	-	(1.636.489)	-	-	-	-
B. Financial assets with renegotiated conditions	-	72.217	-	-	-	-
C. Net book value of the overdue but not impaired financial assets	-	548.205	-	-	-	-
- Secured portion by guarantees etc.	-	(352.477)	-	-	-	-
D. Net book value of the impaired financial assets	-	1.602	-	-	-	-
- Over due (gross book value)	-	66.340	-	97.654	-	-
- Impairment (-)	-	(64.738)	-	(97.654)	-	-
- Secured portion of the net value by guarantees etc.	-	(1.602)	-	-	-	-

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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

	31 December 2018	31 December 2017
Overdue 1 - 30 days	301.930	177.676
Overdue 1 - 3 months	134.763	104.623
Overdue 3 - 12 months	76.906	76.103
Overdue 1 - 5 years	33.991	188.218
Overdue more than 5 years	611	1.585
Total	**548.201**	**548.205**

b.2) Liquidity risk:

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

The following tables detail the 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.

As of 31 December 2018 maturity analysis of the Group's financial liabilities is as follows:

Contractual maturities	Carrying value	Contractual cash flows	Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Financial liabilities	7.167.031	7.613.661	2.308.474	4.363.084	942.103	-
Trade payables	5.807.208	5.814.169	2.995.214	2.801.349	17.605	-
Other payables	50.728	61.536	46.123	7.741	-	-
	13.024.967	**13.489.366**	**5.349.811**	**7.172.174**	**959.708**	**-**
Derivative financial instruments						
Derivative cash inflows		7.671.767	7.043.570	628.197	-	-
Derivative cash outflows		(7.879.946)	(7.256.449)	(623.497)	-	-
	165.545	**(208.179)**	**(212.879)**	**4.700**	**-**	**-**

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2017 maturity analysis of the Group's financial liabilities is as follows:

Contractual maturities	Carrying value	Contractual cash flows	Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Financial liabilities	4.500.367	4.744.852	1.699.174	1.817.433	1.110.539	117.706
Trade payables	5.753.306	5.760.878	2.658.109	3.098.797	3.972	-
Other payables	10.095	10.095	10.095	-	-	-
	10.263.768	**10.515.825**	**4.367.378**	**4.916.230**	**1.114.511**	**117.706**
Derivative financial instruments						
Derivative cash inflows		7.588.190	6.023.522	1.564.668	-	-
Derivative cash outflows		(7.748.500)	(6.165.303)	(1.583.197)	-	-
	150.056	**(160.310)**	**(141.781)**	**(18.529)**	**-**	**-**

b.3) Foreign currency risk:

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

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

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2018		USD	EUR	Other (TL Equivalent)	TL Equivalent
1.	Trade receivables	237.011	218.947	362.861	2.929.565
2a.	Monetary financial assets (including cash and cash equivalents)	331.537	57.568	22.274	2.113.477
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	59	59
4.	**Current assets (1+2+3)**	**568.548**	**276.515**	**385.194**	**5.043.101**
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	174.530	51	-	918.492
6b.	Non-monetary financial assets	1.300	2.784	-	23.621
7.	Other	-	-	-	-
8.	**Non-current assets (5+6+7)**	**175.830**	**2.835**	**-**	**942.113**
9.	**Total assets (4+8)**	**744.378**	**279.350**	**385.194**	**5.985.214**
10.	Trade payables	857.437	115.099	6.143	5.210.850
11.	Financial liabilities	366.284	221.879	-	3.264.470
12a.	Other monetary liabilities	15.456	815	6.567	92.792
12b.	Other non-monetary liabilities	-	-	-	-
13.	**Current liabilities (10+11+12)**	**1.239.177**	**337.793**	**12.710**	**8.568.112**
14.	Trade payables	-	2.261	-	13.629
15.	Financial liabilities	17.562	-	-	92.392
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**17.562**	**2.261**	**-**	**106.021**
18.	**Total liabilities (13+17)**	**1.256.739**	**340.054**	**12.710**	**8.674.133**
19.	**Off-balance sheet derivative instruments net asset / (liability) position (19a+19b)**	**530.293**	**(35.355)**	**(545.271)**	**2.031.427**
19a.	Hedged total assets	909.988	284.017	419.167	6.918.577
19b.	Hedged total liabilities	(379.695)	(319.372)	(964.438)	(4.887.150)
20.	**Net foreign currency asset/ (liability) position (9-18+19)**	**17.932**	**(96.059)**	**(172.787)**	**(657.492)**
21.	**Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)**	**(513.661)**	**(63.488)**	**372.425**	**(2.712.599)**
22.	**Fair value of financial instruments used in foreign currency hedging**	**-**	**-**	-	**(165.545)**
23.	Export	702.772	1.153.988	1.251.924	12.760.645
24.	Import	1.353.797	205.987	1.919	7.503.327

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2017		USD	EUR	Other (TL Equivalent)	TL Equivalent
1.	Trade receivables	221.245	287.728	129.655	2.263.405
2a.	Monetary financial assets (including cash and cash equivalents)	17.615	20.622	4.844	164.405
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	**Current assets (1+2+3)**	**238.860**	**308.350**	**134.499**	**2.427.810**
5.	Trade receivables	16.548	-	-	62.417
6a.	Monetary financial assets	329.460	-	-	1.242.690
6b.	Non-monetary financial assets	4.504	7.157	-	49.306
7.	Other	-	51	-	230
8.	**Non-current assets (5+6+7)**	**350.512**	**7.208**	**-**	**1.354.643**
9.	**Total assets (4+8)**	**589.372**	**315.558**	**134.499**	**3.782.453**
10.	Trade payables	1.295.301	76.141	2.138	5.231.699
11.	Financial liabilities	180.173	171.726	-	1.455.024
12a.	Other monetary liabilities	9.425	426	2.663	40.137
12b.	Other non-monetary liabilities	-	-	-	-
13.	**Current liabilities (10+11+12)**	**1.484.899**	**248.293**	**4.801**	**6.726.860**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	78.831	93.709	-	720.487
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**78.831**	**93.709**	**-**	**720.487**
18.	**Total liabilities (13+17)**	**1.563.730**	**342.002**	**4.801**	**7.447.347**
19.	**Off-balance sheet derivative instruments net asset / (liability) position (19a+19b)**	**1.240.162**	**(367.918)**	**(670.296)**	**2.346.138**
19a.	Hedged total assets	1.522.920	273.243	117.367	7.095.498
19b.	Hedged total liabilities	(282.758)	(641.161)	(787.663)	(4.749.360)
20.	**Net foreign currency asset/ (liability) position (9-18+19)**	**265.804**	**(394.362)**	**(540.598)**	**(1.318.756)**
21.	**Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)**	**(978.862)**	**(33.652)**	**129.698**	**(3.714.430)**
22.	**Fair value of financial instruments used in foreign currency hedging**	**-**	**-**	-	**(150.056)**
23.	Export	696.046	1.177.060	648.405	8.649.358
24.	Import	1.751.687	211.432	1.475	7.240.650

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2018 and 31 December 2017 sensitivity analysis of foreign exchange rates is presented in below tables. Secured portions include impact of off-balance sheet derivative instruments.

	Gain / Loss		Equity	
31 December 2018	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(270.232)	270.232	(270.232)	270.232
Secured portion from USD risk (-)	205.626	(205.626)	278.305	(278.305)
USD net effect	**(64.606)**	**64.606**	**8.073**	**(8.073)**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	(38.271)	38.271	(38.271)	38.271
Secured portion from EUR risk (-)	37.867	(37.867)	(22.420)	22.420
EUR net effect	**(404)**	**404**	**(60.691)**	**60.691**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	37.243	(37.243)	37.243	(37.243)
Secured portion from other currency risk (-)	(72.773)	72.773	(72.773)	72.773
Other currency net effect	**(35.530)**	**35.530**	**(35.530)**	**35.530**

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	Gain / Loss		Equity	
31 December 2017	**Foreign exchange appreciation**	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(369.217)	369.217	(369.217)	369.217
Secured portion from USD risk (-)	336.827	(336.827)	466.316	(466.316)
USD net effect	**(32.390)**	**32.390**	**97.099**	**(97.099)**
+/- 10% fluctuation of EUR rate:				
EUR net asset / liability	(15.196)	15.196	(15.196)	15.196
Secured portion from EUR risk (-)	(53.652)	53.652	(166.870)	166.870
EUR net effect	**(68.848)**	**68.848**	**(182.066)**	**182.066**
+/- 10% fluctuation of other currency rates:				
Other currencies net asset / liability	12.970	(12.970)	12.970	(12.970)
Secured portion from other currency risk (-)	(142.581)	142.581	(142.581)	142.581
Other currency net effect	**(129.611)**	**129.611**	**(129.611)**	**129.611**

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

b.4) Interest rate risk:

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

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

	31 December 2018	31 December 2017
Financial instruments with fixed interst rates		
Bank deposits	1.591.801	1.532.331
Financial liabilities	6.505.552	3.700.886
Financial instruments with floating interst rates		
Financial liabilities	671.479	807.406

On 31 December 2018, if interest rates of all currency denominated financial assets and liabilities with variable interest rates has strengthened / weakened by 100 base point with all other variables held constant, income before taxes would have been 8.630 thousand TL (2017: 7.260 thousand TL) lower / higher as a result of interest expenses.

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Categories of financial instruments and fair values

Among Group's financial assets, cash and cash equivalents (note 5), trade receivables (notes 8 and 9) and other receivables (notes 10), are classified as amortized cost, financial assets (note 6) as fair value through other comprehensive income, derivative instruments (note 31) as fair value through profit or loss.

Group's financial liabilities consist of financial liabilities (note 7), trade payables (note 8 and 9) and other payables (note 10) and are measured at amortized cost using the effective interest method, derivative instruments (note 31) are classified as fair value through profit or loss.

Fair value of financial instruments

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

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

Monetary assets

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

Monetary liabilities

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Cont'd)

Fair value hierarchy

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy tables as of 31 December 2018 and 31 December 2017 are as follows:

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	84.660	-	84.660
Financial investements	10.317	-	-	10.317
Financial liabilities				
Derivative financial liabilities	-	(250.205)	-	(250.205)

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	13.489	-	13.489
Financial investements	13.117	-	-	13.117
Financial liabilities				
Derivative financial liabilities	-	(163.545)	-	(163.545)

An independent valuation of the Group's land, land improvements and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2018 and 2017. The fair value of land, land improvements and buildings was determined using the inputs other than quoted prices (Level 2).

INVESTOR INFORMATION

General Information

Reporting Period: 01.01.2018 - 31.12.2018
Legal Name: Vestel Elektronik Sanayi ve Ticaret AŞ
Trade Register No: Istanbul Ticaret Sicil Müdürlüğü, No: 193621
Registered Capital Ceiling: TL 1,000,000,000
Paid-in/Issued Capital: TL 335,456,275

Headquarters/Branches Contact Details

Headquarters: Levent 199 Büyükdere Caddesi No: 199 34394 Şişli - ISTANBUL
Phone: +90 (212) 456 22 00
Fax: +90 (212) 422 02 03

Branch 1: Manisa Branch
Organize Sanayi Bölgesi, 45030 - MANISA
Phone: +90 (236) 233 01 31
Fax: +90 (236) 233 01 20

Branch 2: Muradiye Mahallesi Celal Bayar Üniversitesi Kampüsü Küme Evleri No: 22
Yunusemre/MANISA
Phone: +90 (236) 233 01 31
Fax: +90 (236) 233 01 20

Independent Auditor

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ
Süleyman Seba Cad. BJK Plaza No: 48 B Blok, Kat: 9 34357 Akaretler Beşiktaş - ISTANBUL
Phone: +90 (212) 326 60 60
Fax: +90 (212) 326 60 50

Financial Data and Company Announcements

Financial statements, auditor reports, material event disclosures and annual reports of Vestel Elektronik Sanayi ve Ticaret AŞ are available on the Company's website at www.vestelinvestorrelations.com.

Additionally, requests for information can be submitted to the Investor Relations Directorate of Vestel Group of Companies via phone and e-mail.

Investor Relations

Serap Mutlu
Investor Relations Director

Levent 199 Büyükdere Cad. No: 199 34394 Şişli - ISTANBUL
Phone: +90 (212) 456 34 56
E-mail: yatirimci@vestel.com.tr

Öktem Söylemez
Investor Relations Specialist

Levent 199 Büyükdere Cad. No: 199 34394 Şişli - ISTANBUL
Phone: +90 (212) 456 34 56
E-mail: yatirimci@vestel.com.tr

Produced by Tayburn
Tel: (90 212) 227 04 36
www.tayburnkurumsal.com

www.vestel.com.tr