

TOWARDS NEW HORIZONS

VESTEL ELEKTRONİK
2019 ANNUAL REPORT



TOWARDS NEW HORIZONS

At Vestel, we rely on our technology and our knowhow in the field. With the vision of being a company that leads rather than merely keeps up with the transformation, we maintain our investments in R&D and innovation within the framework of Zorlu Holding's vision of Smart Life 2030. With our sustainable and environmental approach, we manufacture record-breaking products which consume less energy and water and are quieter while we also offer consumers a more comfortable life with our superiority in the field of display technologies and televisions which stand out as the main screen in the smart home concept, as well as our smart products which will radically change lifestyles and habits. We are heading towards new horizons by expanding our smart living ecosystem...



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



[http://www.vestelinvestorrelations.com/en/
financials/annual-reports.aspx](http://www.vestelinvestorrelations.com/en/financials/annual-reports.aspx)

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We continue our investments in R&D and innovation within the framework of the vision of Smart Life 2030.

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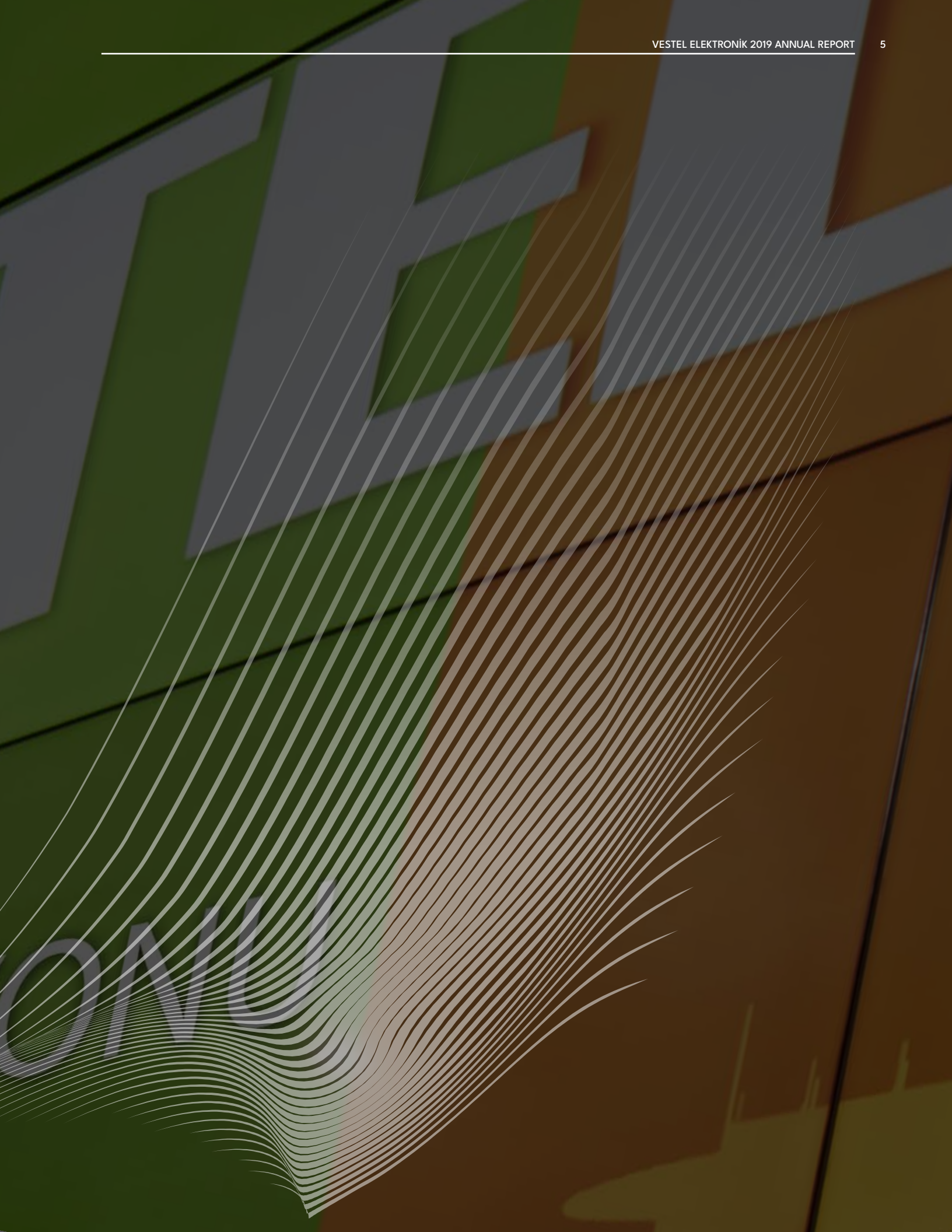
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WITH OUR CAREFULLY DEFINED STRATEGY

VESTEL

2030 vizyon



ONLY

WITH OUR R&D AND TECHNOLOGY WHICH DESIGN THE FUTURE



WITH OUR PRODUCTS THAT TOUCH PEOPLE'S LIVES





WITH OUR VISION FOCUSING ON THE FUTURE



SUMMARY FINANCIAL AND OPERATIONAL INDICATORS

Condensed Income Statement (USD million)

	2015	2016	2017	2018	2019
Net Sales	3,401	3,158	3,317	3,296	3,028
Exports/Sales	65%	65%	66%	75%	77%
Gross Profit	720	700	665	890	754
Gross Profit Margin	21%	22%	20%	27%	25%
Operating Profit*	215	186	137	384	301
Operating Profit Margin	6.3%	5.9%	4.1%	11.6%	10.0%
EBITDA*	323	292	238	479	412
EBITDA Margin*	9.5%	9.2%	7.2%	14.5%	13.6%
Net Profit**	22	56	15	77	57
Net Profit Margin	0.6%	1.8%	0.5%	2.3%	1.9%

*Excluding other operating income and expense

**After minority shares

Condensed Balance Sheet (USD million)

	2015	2016	2017	2018	2019
Cash and Cash Equivalents	250	359	530	587	403
Trade Receivables	952	692	971	681	568
Inventories	758	517	781	544	477
Current Assets	2,149	1,712	2,381	1,908	1,618
Property, Plant and Equipment	526	467	627	634	581
Total Assets	3,211	2,742	3,671	3,414	3,275
Short-Term Liabilities	2,015	1,528	2,711	2,577	2,467
Long-Term Liabilities	655	692	356	206	172
Shareholders' Equity	541	523	604	631	636
Net Financial Debt*	596	520	667	931	930

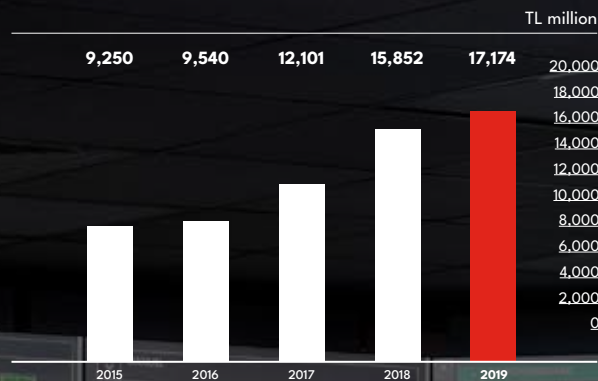
*Blocked deposits are not included in the calculation.

Condensed Cash Flow Statement (USD million)

	2015	2016	2017	2018	2019
Cash Flows from Operating Activities	44	340	166	249	547
Net Cash Flows from Investing Activities	-204	-243	-265	-657	-476
Net Cash Flows from Financing Activities	211	94	305	447	-69

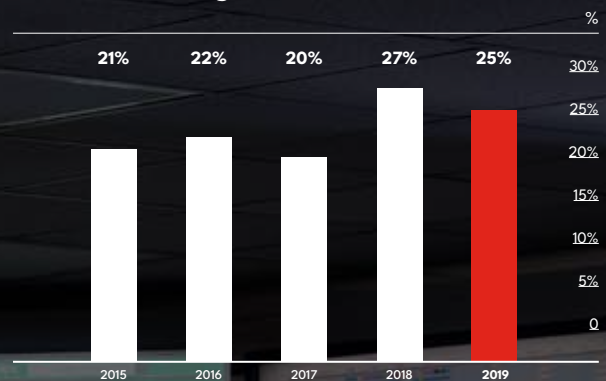
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Net Sales



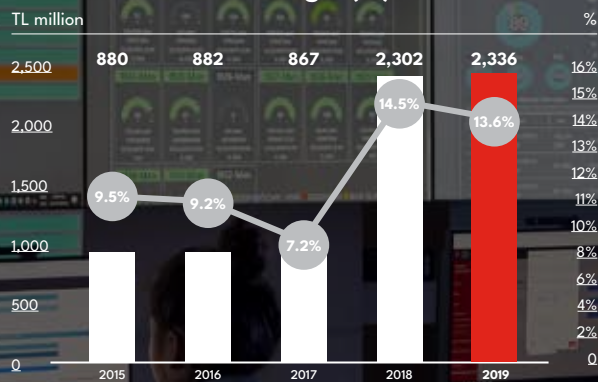
Having increased its focus on exports in 2019, Vestel grew its consolidated revenues by 8% to TL 17.2 billion, driven largely by the solid growth in the exports of household appliances.

Gross Profit Margin



With the stabilization in exchange rate, the gross margin declined from 27% to 25% in 2019.

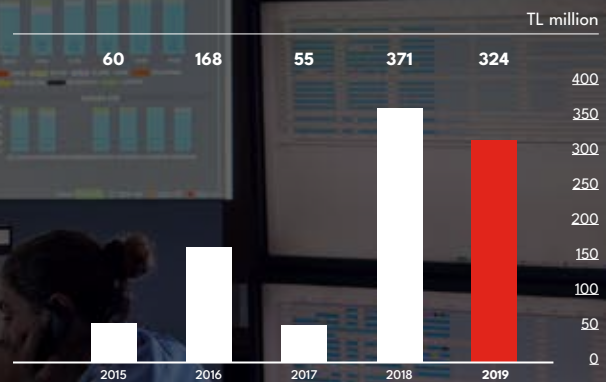
EBITDA and EBITDA Margin (%)



Having increased by an average of 28% over the last 5 years, EBITDA reached TL 2.3 billion, representing an EBITDA margin of 13.6%.

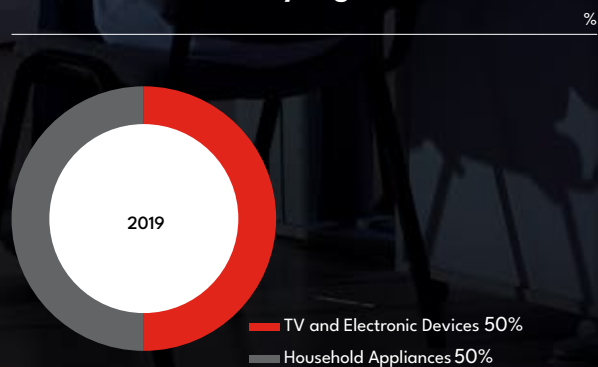
■ EBITDA 2019
■ EBITDA
■ EBITDA MARGIN

Net Profit

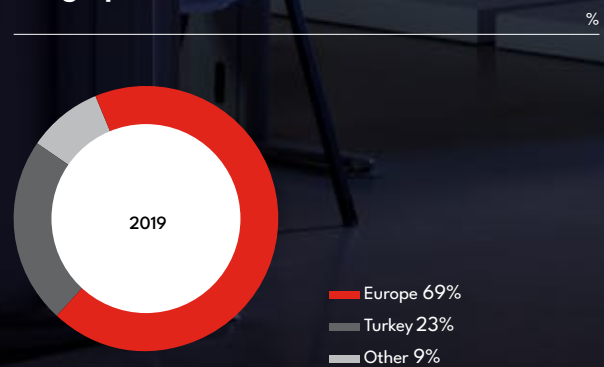


Net profit amounted to TL 324 mn in 2019.

Revenue Breakdown by Segment



Geographical Distribution of Revenues



SHAREHOLDING STRUCTURE, RATING AND VESTEL ELEKTRONİK SHARES

Shareholding Structure

Shareholders	Nominal Value of Shares (TL thousand)	Share in Capital (%)
Zorlu Holding AŞ	216,054	64.41
Zorlu Holding AŞ (Free Float)	31,043	9.26
Other Shareholders (Free Float)	88,359	26.34
Total	335,456	100.00

As a result of the stock sales on Borsa Istanbul during 2019, Zorlu Holding AŞ's stake in the Company declined from 77.54% to 73.66%.

Corporate Governance Rating

Sub-categories	Weight	Rating in 2019 (%)
Shareholders	0.25	94.89
Public Disclosure and Transparency	0.25	97.93
Stakeholders	0.15	98.09
Board of Directors	0.35	94.14
Total	1.00	95.87

As a result of the work carried out to improve corporate governance practices, the Company's Corporate Governance Rating, which was 9.55 (95.50%) in 2018, was revised upwards to 9.59 (95.87%) as of February 21, 2019.

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 January 3, 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

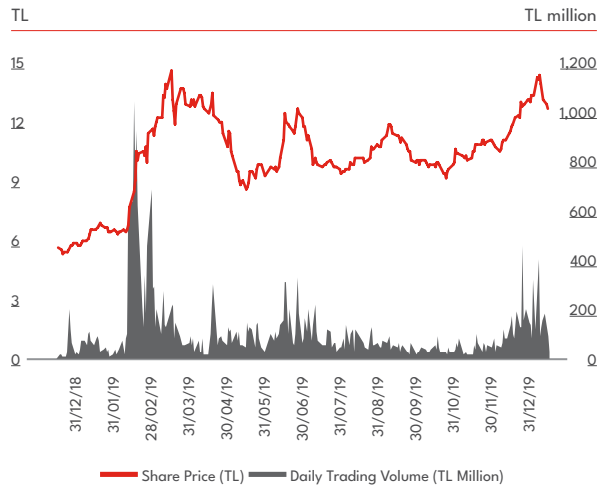
with a high corporate sustainability performance, as of November 2, 2015. Vestel Elektronik, which has been included in the BIST Sustainability Index for four consecutive periods, was deemed eligible for inclusion in the index for the fifth time on November 1, 2019, having maintained its compliance with the index criteria.

As of the end of 2019, Vestel Elektronik, which is traded on the BIST STAR Market - Group 2, 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.

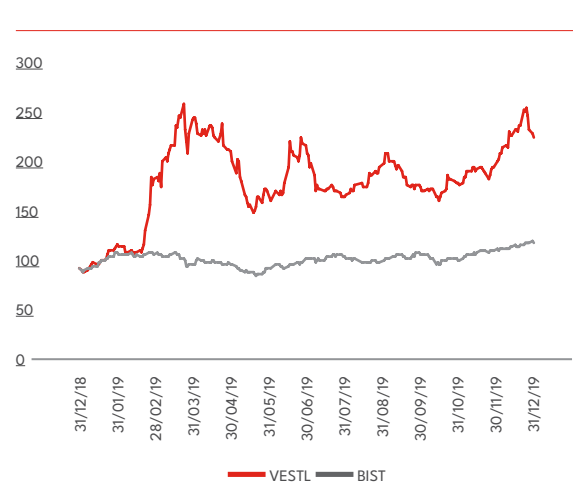
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IN LINE WITH THE COMPANY'S SOLID OPERATIONAL PERFORMANCE, THE SHARE PRICE OF VESTEL ELEKTRONİK INCREASED BY 127% IN 2019, OUTPERFORMING THE BIST-100 INDEX BY 81%. THE BIST-100 INDEX INCREASED BY 26% IN THE SAME PERIOD.

Vestel Elektronik - Share Price Performance



Vestel Elektronik - Relative Performance



Summary Share Price Information for 2019

Number of Shares	33,545,627,500
Shares in Free Float*	11,940,268,256
Yearly High (TL)	14.5
Yearly Low (TL)	5.27
Year-End Closing Price (TL)	12.62
Market Capitalization* (TL Million)	4,233

*As of 31.12.2019

AS OF 31 DECEMBER, 2019, THE COMPANY'S MARKET VALUE STOOD AT TL 4,233 MILLION.

HIGHLIGHTS OF 2019 AT VESTEL



The Research-Develop-Design Period has begun at Vestel.

As one of the three Turkish companies among the top 1,000 companies in terms of R&D spending in the world, Vestel established ArGeTa Prototyping Laboratory in Manisa Teknokent (Technocity).

The ArGeTa Prototyping Laboratory, which was commissioned in Manisa Teknokent with the support of the Manisa Celal Bayar University and the Zafer Development Agency, marks an important step in rapidly transforming ideas into new technologies.

The ArGeTa organization, created with the addition of the design module to research and development processes, is aimed at providing a rapid prototyping and hardware development opportunity for new ideas.

The ArGeTa Prototyping Laboratory, which will also undertake a significant amount of prototyping work, currently outsourced by Vestel, will make a substantial contribution to reducing prototyping costs and increasing quality.

The ArGeTa Prototyping Laboratory will provide the following benefits:

- Quickly produce prototypes for the ideas generated by the Vestel R&D team,
- Reduce costs and increase quality by undertaking a significant amount of prototyping work that is currently outsourced,
- Provide new ventures supported by Vestel Ventures with the infrastructure on which they can develop their products,
- Provide infrastructure support to in-house entrepreneurs within the scope of the “A Bright Idea (Parlak Bi’Fikir)” project created for Vestel employees,
- Create an opportunity to roll out innovation throughout Vestel.

Smart and Green Products from Vestel

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

New products developed in the field of electronics and LED lighting:

- Low-cost Ultra HD HDR TV with advanced image and audio technology,
- Alexa-supported TV and remote-area microphones,
- Amazon Fire TV,
- Digital instrument cluster designs for passenger vehicles,
- Information-entertainment system designs for passenger vehicles,
- Domestically designed, new generation smart boards integrated with white boards,
- Charging station management system for electric vehicles,
- Ultra-fast charging stations for electric vehicles (AC - DC),
- Road class lighting fixtures.

New products developed in household appliances:

- 54 cm wide top freezer refrigerator with NF MultiCooling cooling technology,
- 76 cm wide top freezer refrigerator with NF MultiCooling cooling technology,
- 70 cm wide combi refrigerator with NF MultiCooling cooling technology,



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



HIGHLIGHTS OF 2019 AT VESTEL

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



- The Sliding Door dishwasher from a fully built-in product family with a sliding door which is unaffected by the broom length,
- The Infoled 2.1 dishwasher, a fully built-in product, which informs users of the stage of the program with red and green LED lighting,
- Built-in ovens with a 3D cooking function, providing a 20% reduction in cooking time and 25% reduction in pre-heating time, allowing more leavening in pastries,
- The built-in oven with an easy-to-use slim LED Touch control unit, allowing functions and cooking modes to be selected from one button with its Direct Select control structure,
- LED illuminated built-in ovens, providing a clearer view of the food in the oven,
- The 45 cm compact built-in oven product range, which offers convection cooking, steam-assisted cooking and pyrolysis cleaning features in 50 lt volume,
- Double ovens of 78 cm and 90 cm heights, offering two different cooking volumes independent of each other (Built-in/Built-Under Double Oven),
- Induction cookers with Power Management suitable for home-type plugs, which do not require an extra power connection,
- The 60 cm BridgeZone induction cooker, which can offer a wider cooking area thanks to bridge function,
- The 90 cm induction cookers with slider-control, which allows each burner to be checked separately,
- The built-in oven product range with Hot Air Shield® technology which prevents the hot air and steam that disturbs the user by creating vertical airflow when the oven door is opened,
- The Precision Flame Adjusted gas cooker, which allows easy adjustment of the flame level needed in cooking with the use of nine-stage hob,
- Ovens with Vestfry apparatus, which are able to bake potatoes, chicken, chestnuts, meat and vegetables in a healthy way with a minimum amount of oil (just two teaspoons),
- The Down-Air induction cooker, offering users an induction cooker with a stove hood in a single product,
- The R32 eco-friendly Inverter air conditioner product family,
- The Multi Inverter air conditioners,



- The On-Off series air conditioners, which are produced for the Egyptian market,
- The new generation Heat Pump tumble dryer product family which uses the R290 cooling gas, that is up to 500 times greener than its peers,
- The tumble dryer product family with 7-8-9 kg capacities,
- The tumble dryer with condenser drying technology, offering the fastest drying program in just 12 minutes,
- The Allergy UK certified hygienic tumble dryer with condenser drying technology.



HIGHLIGHTS OF 2019 AT VESTEL

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

- The 60 cm and 78 cm V-Flex induction ovens, which provide independent control in each area of the oven (8 different areas),
- Built-in ovens with new remote controls in new trend slim designs,
- The 50 cm and 60 cm wide freestanding double ovens with a stylish and modern design,
- The 100x60 Range Cooker, which includes three different cooking chambers, one drawer and 7 different burners,
- Built-in oven product range, offering the best cooking experience at a professional level and guaranteeing great cooking results, providing the user with control of all cooking preparation and cooking processes with the integration of the Innit smart kitchen application,
- 24-inch built-in ovens, suitable for the US market,
- Built-in oven product range with the extended remote access feature,
- The T4 washing machine, a member of the T-series product family, with new buttonless user interface, which is fully touch operated,
- T-series washing machines with remote access control,
- ElectroWash washing machine, which saves 100% on detergent,
- HydroBoost® washing machine, washing a full load in record 60 minutes at a temperature of 60°C, which can also wash 2 kg of laundry in as little as 10 minutes,
- Washer-dryer with odour removal feature using ION technology,
- Easy Bill air conditioner,
- Voice-activated air conditioner,
- Air conditioners with next generation Ionizer technology,
- Air conditioners with Microbial Gel Filter,
- 7000 BTU Inverter and On-Off outdoor units,
- Multi-inverter air conditioners,
- Water heaters controlled from the bottom,
- The new square water heater project,
- Air conditioners which work under extreme conditions,
- The most hygienic Heat Pump tumble dryer with the ION+Ozone technology.

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

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





The ISO 18295-1 Customer Services Quality Certificate to the Vestel Call Center

The Vestel Call Center has certified its service quality by being awarded the ISO 18295-1 Customer Contact Centers Quality Certificate following the previously received EN 15838:2009 Customer Relations Management System Certificate.

With this certificate, the Vestel Call Center once again affirmed that it met EU standards in many critical areas such as accessibility, quality, data management and customer and employee satisfaction.

The TS EN ISO 18295-1 and TS EN ISO 18295-2 Customer Contact Centers standards are management system standards prepared in order to meet customer expectations, provide accurate, fast, reliable and customer-oriented service to customers, improve the quality of communication with customers and address the problems experienced in communication. These standards also form a framework for managing customer communication while defining the technical requirements that Customer Contact Centers should have within the framework of the management system logic.



Vestel City Hosted the Kodla(Ma)nisa Festival.

Vestel City hosted this year's "My Idea My Technology" themed closing festival of the Kodla(Ma)nisa Project, which has been held for 4 years by the Governorship of Manisa and the Provincial Directorate of National Education. In the festival, which is the largest event held in a factory in Turkey, 300 students from 20 provinces, especially in Manisa, exhibited their projects which they implemented by writing their own codes, at 47 stands.

As a result of the competitions, in which 73 projects were evaluated, the winners will be provided with scholarships for their education by the Mehmet Zorlu Foundation in order to encourage their future work.

With an awareness of the fact that children having exposure to advanced technology from an early age and using this technology in every aspect of their lives, is important in meeting the need for human resources which produce technology in today's digital world, Vestel aims to ensure that young generations contribute to the technological development of our country with their work in the future.

HIGHLIGHTS OF 2019 AT VESTEL



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

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

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

Vestel to be the Main Sponsor of Turkish Volleyball for another two years

Vestel, the main sponsor of Turkish volleyball since the 2016-2017 season, has extended its cooperation with the Turkish Volleyball Federation (TVF) for another two years. As part of the agreement, Turkey's premier league in women's volleyball will be referred to as the Vestel Venus Sultans' League for two more seasons. In addition, Vestel will remain the main sponsor of the Turkish National Volleyball Teams, the Efeler League organized by TVF, the Volleyball Cup, the Pro Beach Tour and

other events. In addition, Vestel will continue to be the official sponsor of the TVF Volleyball Schools Factory Volleyball, which shapes the future of Turkish volleyball and supports the growth of hundreds of athletes.

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

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

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

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

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

Expansion in Brand Licensing Agreement with Sharp

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



Women Technicians on Duty at Vestel Authorized Services

Vestel, which supports women's employment, started the Women's Technician Training Project at Vestel City.

Vestel, which provides training to those who want to be volunteer technicians among the specialist customer representatives working in the authorized service providers, aims to train 50 female technicians in 2020.

Within the scope of the first phase of the project, 13 women technicians, who completed their 4-week training program, received their certificates and began working in various provinces throughout Turkey.

The training sessions, which are currently solely provided for employees working in Vestel's authorized service providers, are planned to include women applying to work at Vestel in the coming period.

VESTEL, WHICH SUPPORTS WOMEN'S EMPLOYMENT, STARTED THE WOMEN'S TECHNICIAN TRAINING PROJECT AT VESTEL CITY.



HIGHLIGHTS OF 2019 AT VESTEL



WeWALK named as one of the best inventions of 2019 by TIME Magazine

The WeWALK (smart stick), developed by the Vestel engineers and the Young Guru Academy (YGA), which is aimed at the full and equal participation of the visually-impaired in social life, was selected as one of the best inventions of 2019 by the TIME magazine.

WeWALK, which was exhibited as a model project at the United Nations in 2017, and has attracted a great deal of attention at every fair where it has been exhibited, offers three features; detection of obstacles, phone connectivity and integration with different applications. It also warns the user by detecting potential obstacles at the chest and head level of the visually-impaired user.

Integrated with Google Maps and the Alexa voice assistant, the WeWALK smart stick offers its user a wide range of technological innovations. Smart stick connects to the WeWALK mobile app from a mobile phone to allow the visually-impaired user to get navigation without touching his/her phone.

Thanks to its integration with public transport, it allows the user to learn the surrounding public transportation stops and departure times of buses passing through the stops. The user can instruct commands to the Alexa voice assistant.

The WeWALK Smart Stick has already been brought to visually-impaired individuals in over twenty five countries.



Vestel Opens its Largest Store Abroad in Azerbaijan

Vestel opened a new showroom with an area of 800 square meters in the Optimal Live technology outlet in Baku, Azerbaijan to increase its rapidly growing brand recognition and brand perception in the region.

Designed to offer a technology and innovation experience as well as being a retail store, the showroom has become Vestel's largest store abroad. The showroom includes products under the umbrella of Vestel's Smart Home concept, state-of-the-art TVs and household appliances, as well as B2B display solutions and products such as LED lighting.



AWARDS

CUSTOMER SATISFACTION AWARDS

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

Vestel Müşteri Hizmetleri (Vestel Customer Services) won the “Diamond” Award in the Household Appliances, Electronics and Smartphone categories at the A.C.E Awards 2019 organized by sikayetvar.com, which recognizes the brands providing the highest customer satisfaction in Turkey.

Established in 2001, sikayetvar.com is the world’s first and the largest complaint platform. The platform, which has 3.8 million members, is an important reference site which shapes consumer behavior and brand preferences. On the platform, which 8.5 million users refer to each month before making purchases, Vestel won first place for the sixth time as the platform’s most successful brand in recognition of the support it provides to its customers before and after sales.

HUMAN RESOURCES AWARDS

Brandon Hall Human Resources Excellence Awards

The Vestel Career Development team received the Silver Award in the “Best Practices in Achievement and Career Management” category under the title of “Talent Management” at the Brandon Hall Human Resources Excellence Awards.



DESIGN AWARDS

Good Design Awards

Vestel received awards for 12 of its products at the Good Design Awards of the Chicago Athenaeum Museum of Architecture and Design in Chicago, the world’s oldest and most prestigious design award. These new awards take the total tally of awards which Vestel has won from the Good Design Awards to 72, placing Vestel among the brands to win the highest number of awards.

Electronics Category

- 65560 Borderless TV
- GlassON OLED Wallpaper Box TV
- Nina TV
- RC 43135 Remote Control Family
- RC 43140 Remote Control
- Venus Z20 Smartphone

Household Appliances Category

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

iF Design Awards

Vestel won three awards in the Kitchen and Home Appliances category at the iF Design Awards, which goes back more than 65 years.

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

HIGHLIGHTS OF 2019 AT VESTEL



A'Design Awards

Vestel's Borderless TV, which is a first in Turkey, had previously won the design award from the Red Dot Design Award and the Good Design Award, which are the world's most prestigious design competitions. This time, the Borderless TV was awarded the "Golden A'Design Award" at the A'Design Awards 2018-2019.

The Vestel Borderless TV (65560 Borderless TV) was the only television to receive an award in the Digital and Electronic Product Design category at this year's awards event.

The first Borderless TV produced in Turkey stands out with its slim frame (only 4 mm thick) and its stylish design. Thanks to the Vestel Quantum Color Palette technology, the 65-inch Borderless TV offers the finest details, providing a bright and illuminating image with its High Brightness technology. With HDR and Dolby Vision technologies the Borderless TV is able to offer a brighter, more detailed and high contrast image. Thanks to its built-in 4K satellite receiver, it allows the viewer to watch 4K broadcasts without an extra device, as well as a range of different content thanks to its Smart TV feature.



Plus X Award

Vestel Elektronik won 26 awards in the 2019-2020 Plus X Award with its nine products which were evaluated on the basis of criteria such as design, quality and functionality. Vestel Elektronik has left its mark on the awards event by eclipsing powerful technology companies in the international arena with its innovative technology and designs which offer ease of use.

Plus X Award - High Quality (9 awards)

- EVC 07 (Electric Vehicle Charger)
- DC Charger (Electric Vehicle Charger)
- TV with ME (Portable TV)
- Sun on Stone LED TV
- Positive Wallpaper OLED TV
- Philie TV
- Cromo TV
- Borderless TV
- Maestro TV



Plus X Award - Design (9 awards)

- EVC 07 (Electric Vehicle Charger)
- DC Charger (Electric Vehicle Charger)
- TV with ME (Portable TV)
- Sun on Stone LED TV
- Positive Wallpaper OLED TV
- Philie TV
- Cromo TV
- Borderless TV
- Maestro TV

Plus X Award - Innovation (1 award)

- TV with ME (Portable TV)

Plus X Award - Functionality (5 awards)

- TV with ME (Portable TV)
- Positive Wallpaper OLED TV
- Philie TV
- Maestro TV
- Cromo TV

Plus X Award - Ease of Use (2 awards)

- Sun on Stone LED TV
- Philie TV

Vestel won 32 awards with 8 products in the “White Goods” category at the Plus X Award, thereby becoming the company to win the highest number of awards. In addition, four products received the “Best Product of the Year” award in their categories in the competition.

With this achievement, Vestel once again won the “Most Innovative Brand” Award, the grandest and most prestigious award in the Plus X awards, which is given to brands which have reached the highest number of awards in each category, repeating its success from last year.

Plus X Award - Best Product Design of the Year Awards

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

Plus X Award - Design Awards

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

HIGHLIGHTS OF 2019 AT VESTEL

Design Turkey

In the Design Turkey Design Competition, Vestel won the “Good Design Award” for the Borderless TV in the electronics category. It was awarded with three “Product Design” Awards and one “Conceptual Design” Award in the white goods category.

Product Design Category

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

Conceptual Design Category

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

International Design Awards (IDA)

Vestel was handed six awards with four products at the IDA.

- Philie TV
- TV with ME
- EVC07 (Electric Vehicle Charger)
- Roadrunner (DC Type Electric Vehicle Charger)



European Product Design Award (EPDA)

Vestel won a total of three awards in the European Product Design Awards, one of the world’s major design competitions. Vestel won one bronze award and two honorable mention awards in the Media and Home Electronics/TV, Video and Audio Equipment and Robotics categories with its conceptual design projects which have not yet reached the production stage. Vestel’s portable image and sound system “WALKABOUT” was awarded the Bronze Award in the competition, while the portable television unit, “MOON”, and the smart home assistant, “MATE”, both received Honorable Mention Awards.

The European Product Design Awards are handed out to designs which make everyday life easier and offer innovative solutions in 19 different categories each year. The award program, which receives applications from around the world, is the only design competition run in cooperation with the European Parliament.

EXPORT AWARD

Turkey’s Most Successful Exporter in the Turkish Exporters’ Assembly rankings

Vestel once again won the championship in the Electric, Electronics and Service sector in the Turkey’s Most Successful Exporters 2019 rankings announced by the Turkish Exporters’ Assembly (TIM) in 2020 and carried its success to its 22nd year.

VESTEL WON THREE AWARDS IN THE EUROPEAN PRODUCT DESIGN AWARDS, ONE OF THE WORLD’S MAJOR GLOBAL DESIGN COMPETITIONS.

R&D - TECHNOLOGY - INNOVATION AWARDS

Technology Development Zones and R&D Centers Awards

Vestel Elektronik won the First Prize in the 7th Technology Development Zones and R&D Centers Awards given by the Ministry of Industry and Technology.

Vestel, which stood out in the evaluation of criteria such as personnel employment, spending intensity, project capacity, cooperation and interaction, commercialization and intellectual property competency conducted among the R&D centers, was found worthy of the first prize in the category which evaluated R&D centers employing 250 or more R&D personnel.

Efficiency Project Awards

Vestel Elektronik was handed the Incentive Award in the “Large Enterprise Process Improvement” category at the Efficiency Project Awards organized by the Efficiency General Directorate of the Ministry of Industry and Technology.



Hazerfan Project Awards

Vestel Elektronik was awarded as the company to submit the highest number of patent and useful model applications between 2014 and 2018 in the Manisa province in the event organized by the Manisa Chamber of Commerce and Industry and the Turkish Patent and Trademark Authority.

High Technology Awards

Vestel Beyaz Eşya was handed the “High Technology Award” which recognizes innovation among industrial organizations operating in the field of high technology, based on 33 criteria under the headings of research capacity, research quality, interaction and collaboration, by the Izmir Institute of Technology, which was selected by YÖK (the Council of Higher Education) as one of the five best performing universities in Turkey, in recognition of its extensive R&D studies conducted in 2018.

CORPORATE SOCIAL RESPONSIBILITY AWARDS

ACE of M.I.C.E Awards - International CSR Excellence Awards

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

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

HIGHLIGHTS OF 2019 AT VESTEL

In addition, The Green Organisation, which evaluates corporate social responsibility and environmental sustainability efforts worldwide, awarded Vestel Beyaz Eşya with the “World Leader (CSR World Leader) Order” for the Walking Frame Project, which gives disabled animals a greater zest for life.

ENVIRONMENTAL AWARDS

Energy Efficiency Awards

In 2019, Vestel Beyaz Eşya was handed the “Grand Industry Award” at the Energy Efficiency Awards organized by the Istanbul Chamber of Industry and awarded by the Ministry of Energy and Natural Resources.

COMMUNICATION - MARKETING AWARDS

Crystal Apple Creativity Awards

Vestel won eight awards in the Crystal Apple Creativity Awards held at the 31st Crystal Apple Festival organized by the Association of Advertisers.

Category: Film - TV and Cinema/Electronics and White Goods

Wearable Home Appliances - Bronze

Category: Online Film/Electronics and White Goods

Valentine's Day - The Man with a Big Heart - Crystal

Category: Online Film/Electronics and White Goods

Mother's Day - We don't Sell - Silver

Category: Integrated Campaigns/Consumer Durables

Wearable Home Appliances - Silver

Category: Integrated Campaigns/Consumer Durables

Valentine's Day - We don't Sell - Silver

Category: Press/Electronics and White Goods

Taking Photos with Calculators - Bronze



Category: Digital, Social Media and Activation/ Digital Campaigns

Wearable Home Appliances - Crystal

Category: Media/Product and Service

Wearable Home Appliances - Silver

Felis Awards

Vestel won four awards at the 14th Felis Awards in 2019.

Category: Outdoor - Indoor/In-store

Wearable Home Appliances - Felis

Category: Integrated Campaigns/Consumer Durables

Wearable Home Appliances - Felis

Category: Brand Experience and Activation - Promo and Activation Campaigns

Wearable Home Appliances - Felis

Category: Achievement

Wearable Home Appliances - Felis

Istanbul Marketing Awards (IMA)

Vestel Wearable Home Appliances - Gold Award

Prida Communication Awards

Category: Launch/Relaunch

Vestel Wearable Home Appliances

PARTICIPATION IN FAIRS

IFA 2019

Participating for the 29th time in the IFA Fair in Berlin, Germany, Vestel exhibited its new green technologies and products in the Smart Home concept at its 3,000 sqm booth.

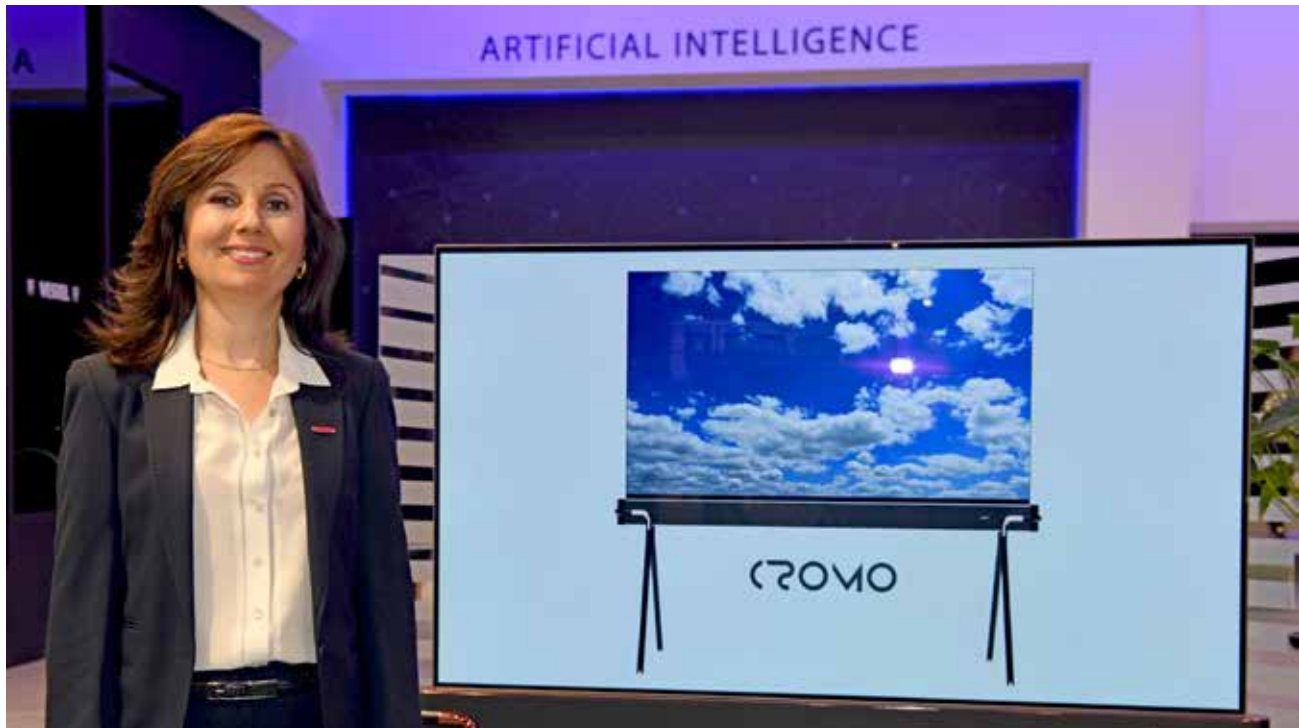
Focusing on generating sustainable solutions for the future welfare of people, society and the world in line with Zorlu Holding's vision of Smart Life 2030, Vestel exhibited its green and high-tech products, which save electricity and water at record levels and which prevent food waste at the global arena to the acclaim of consumers.

Vestel's innovations in the fields of electronics which were presented at the fair included:

- Vestel DC Electric Vehicle Chargers with a power output of up to 180 kW which can charge most electric cars on the market in less than 30 minutes,
- Cromo OLED TVs, which combine the TV and stand in one unit thanks to their holistic design,

- The world's first TV integrating Amazon's smart assistant Alexa, which provides the ability to control all electronic devices and household appliances in the house by voice command,
- Smart TV supported by A.I. which detect its audience and offers personalized suggestions, and adjusts sound and image settings according to content and audience,
- Smart TVs and household appliances, which users can control in their own language in countries where Google Home is used, via voice command with the help of Google Assistant and Google Nest.

PARTICIPATING IN THE IFA FAIR IN BERLIN FOR THE 29TH TIME, VESTEL EXHIBITED ITS GREEN TECHNOLOGIES AND ITS NEW PRODUCTS IN THE SMART HOME CONCEPT.

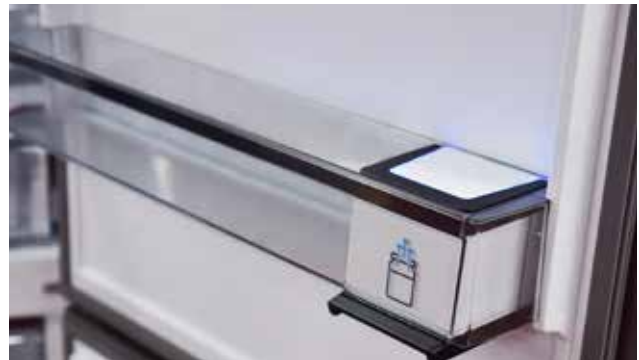


HIGHLIGHTS OF 2019 AT VESTEL

The following new eco-friendly technologies and products were promoted at the fair, to the acclaim of consumers:

Products offered in the refrigeration category:

- Smart refrigerators which can healthily defrost foods placed in two special compartments with temperature control in the freezer with the ThawTech technology,
- Refrigerators which allow the air in the compartment to be removed with the VacuumJar technology and which extend the shelf life of food,
- Refrigerators which increase the Ph value of water in the water dispenser through the electrolysis method using H⁺ Water Dispenser technology, where the user can adjust the alkaline level of the water and which gives antioxidant properties to water,
- Refrigerators which keep fruit and vegetables fresh for up to 30 days thanks to the isolated vegetable compartment and humidity filter using SmartFresh technology,
- Refrigerators which provide easier access to food positioned at the back of the upper shelves thanks to the tray with the Turning Shelf mechanism, which can rotate the tray 360-degrees,
- Refrigerators with ProDrive (Variable Capacity High Efficiency Compressor) technology certified by TÜV Rheinland, which consume 35% less energy than standard A+++ products, and with the special inverter technology developed by Vestel.



In the cooking category, the following products attracted attention:

- Smart ovens which use the Innit smart kitchen application, offering the best cooking experience at a professional level in the kitchen, which can be voice-controlled through the phone application and which automatically adjust the ideal temperature, program and cooking time according to the recipe,
- Ovens with CarbonHeatTech technology, which can shorten cooking time by up to 50% without the need for pre-heating thanks to carbon fiber heaters which provide a quick reaction compared to conventional tube heaters, allowing energy savings of up to 30%,
- Ovens with odour filtering technology, which remove up to 99% of odours such as fish odours occurring during cooking,



- ION-Tech ovens, which prevent the formation of bacteria caused by food scraps left in the oven after cooking and remove the odours caused by these bacteria thanks to the negative ion technology,
- The SousVide built-in ovens with integrated bag vacuuming system, which can homogeneously cook food bagged under vacuum in low-temperature water with precise temperature control and a special algorithm.

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

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

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

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



HIGHLIGHTS OF 2019 AT VESTEL

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

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

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

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

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

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

The Vestel CrystalLight washing machine, which provides a record 99.9999% hygiene rate, the dishwasher with HydroCharge technology offering an A-class washing performance without the need for detergent and the dishwasher with the lowest annual energy consumption, at 30% less than A+++ class machines, were all tested by Germany's VDE Institute, which is one of most prestigious independent



VESTEL PARTICIPATED IN THE MOBILE WORLD CONGRESS (MWC) IN BARCELONA, SPAIN FOR THE SIXTH TIME.

testing and certification institutes, and were all awarded a Certificate of Approval. The certificates were delivered in a ceremony attended by the members of the senior management of Vestel and the VDE.

MOBILE WORLD CONGRESS 2019

Vestel participated in the Mobile World Congress (MWC) in Barcelona, Spain for the sixth time.

Besides unveiling the new Venus V7 model for the first time, and announcing the introduction of its flagship Venus Z30 to the market, Vestel also announced at the fair that TVs with the Android Pie operating system would be produced in Vestel City as part of the Company's collaboration with Google.

With the Vestel Android TV, users are offered the most suitable suggestions for content while ambient lighting can be controlled and thousands of apps can be accessed by voice command over the screen and televisions can be operated by voice command with the Google Assistant.

The Venus V7 and Z30, which stand out with their AI-supported camera modes, distinguish themselves with features such as phase detection autofocus and autofocus. The Vestel Z30, which combines glass with metal, has an eye-catching design with curved 2.5D glass on the touchscreen and curved 3D glass on the rear surrounding the metal body on both sides, a Full HD Plus Incell IPS display with a 6.18-inch notch, when viewed from edge to edge. In addition, Venus V7 and Z30, also distinguish themselves with face recognition technology and Google Assistant support, respectively.



THE IZMIR INTERNATIONAL FAIR

Vestel became the Main Innovation Sponsor of the 88th Izmir International Fair in 2019. At its booth, the Company exhibited its products ranging from the state-of-the-art household appliances, televisions, and small home appliances to the Venus, Turkey's first domestic smartphone. It also hosted different events and a Yeni Türkü concert at the fair.

ISK-SODEX 2019

Vestel Proje Ortağı exhibited its products at its 195 sqm booth at the ISK-Sodex 2019, one of the largest climatization systems organizations in Europe.

Examples of the VRF (Variable Refrigerant Flow) product range, which stand out with their eye-catching design, efficiency and performance, were presented to visitors at the fair. The V6-1 series outdoor units which Vestel has positioned in the upper segment were among the highlights of the fair. Cassette type, wall type, channel type, console type and ground/ceiling

HIGHLIGHTS OF 2019 AT VESTEL

type indoor units, the V6-1 series, the V4+K series, the mini VRF outdoor unit, mono-split air conditioners in the A+++ energy efficiency class - which can be remotely controlled from mobile devices or a computer - and the domestically produced multi-inverter air conditioners of the A++ energy efficiency class, which are among the latest models of the Vestel air conditioning product group, were also exhibited at the fair. In addition, digital display solutions and LED lighting products were also showcased at the fair.

METRORAIL FORUM 2019

Vestel Proje Ortağım took part in the Metrorail Forum 2019 event held in Ankara with the support of the Ministry of Transport and Infrastructure with a 40 sqm booth.

At the event, which was attended by public decision makers, companies participating in tenders for the construction of metro lines, sub-contractors, suppliers and other stakeholders, Vestel exhibited its air conditioning solutions which meet the requirements of all kinds of major projects, its digital screens which come in a wide range of sizes and which can be deployed in different fields, and its LED lighting products which offer solutions tailored to projects.

HIMMS'19 Eurasia

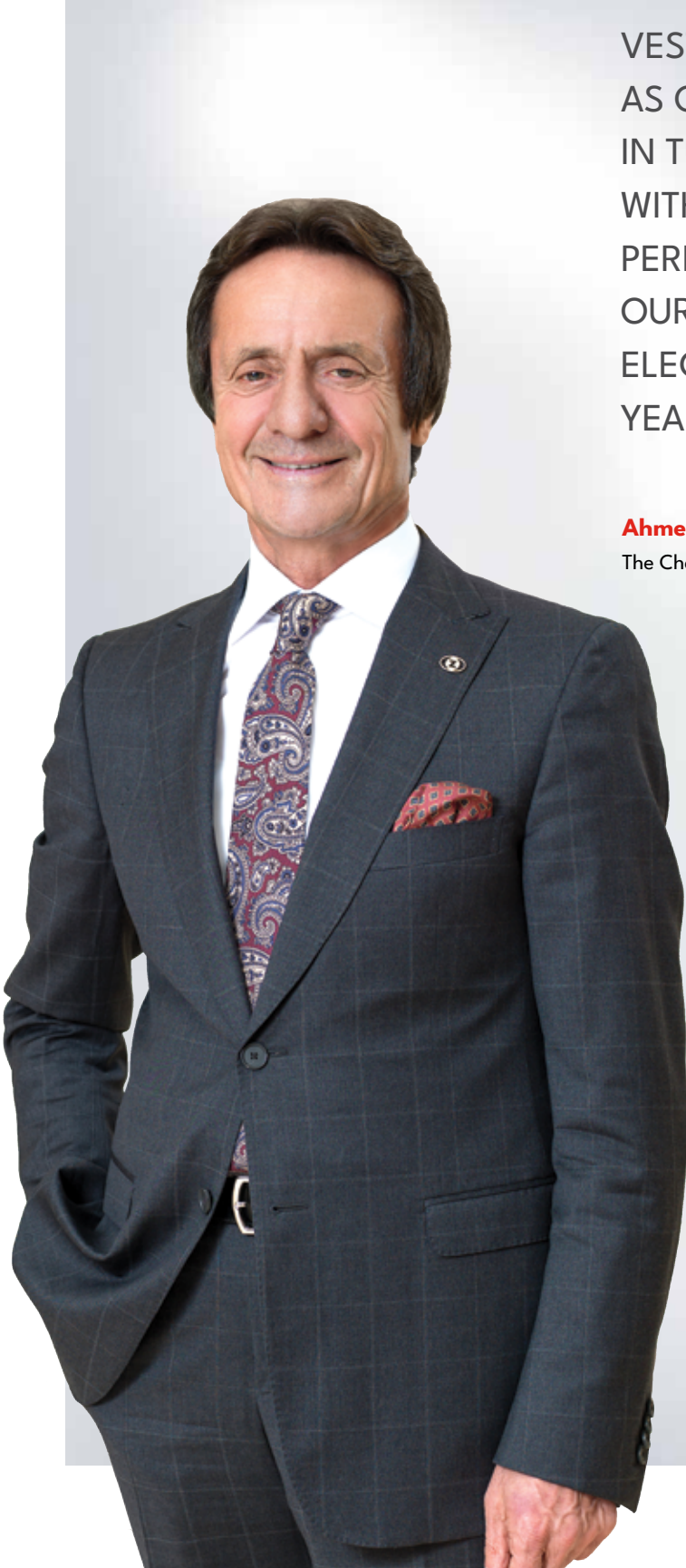
The HIMSS'19 Eurasia - Health Informatics and Technologies Conference and Fair was held with the support and patronage of the Ministry of Health, the cooperation of universities, private hospitals, the Social Security Institution and similar organizations and with the participation of health authorities from countries in the surrounding region. During the fair, digital hospital, e-health, smart systems and technologies in health, advanced applications in the field of health informatics, innovation-based health solutions reflecting artificial intelligence and new technologies were presented to participants.

Vestel Proje Ortağım, which participated in the fair, introduced its digital hospital, digital display and the VRF air conditioning solutions to industry representatives. The Vestel branded vaccine cabinet, designed and produced domestically by Hayriya, one of the start-ups in which Vestel Ventures has invested, and which can track cold chains, the Vestel & Hayriya branded iSina CML Digital ECG System and the iSina HLS Next Generation Rhythm Holter were among the products to attract the most attention at the fair.

Vestel, which introduced the IP Hospital TV product in the digital hospital room simulation, also attracted a great deal of interest at the fair with the technology it developed. The IP Hospital TV, which offers an array of features such as easy integration into the hospital IP network and interactive communication, also provides information regarding the hospital and doctors and includes amenities such as treatment tracking, reminders of when medication should be taken and viewing reports, as well as a range of user-friendly features.



CHAIRMAN'S MESSAGE



VESTEL MAINTAINED ITS POSITION AS ONE OF THE BIGGEST FORCES IN TURKEY'S EXPORTS IN 2019. WITH OUR STRONG EXPORT PERFORMANCE, WE MAINTAINED OUR LEADERSHIP IN THE ELECTRONICS SECTOR FOR A 22ND YEAR.

Ahmet Nazif ZORLU

The Chairman

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

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

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

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

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

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

The Turkish economy achieved success in its stabilization process.

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

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

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

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

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

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

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

CHAIRMAN'S MESSAGE

A difficult but successful year for Vestel

In a year when we felt the pain of global conditions and the balancing process together as a country, we continued to work unwaveringly throughout 2019 with all of our strength to ensure Vestel would reach a brighter future with our export-oriented strategy, innovation capabilities and our competence in value-added production.

Vestel, which placed more importance on foreign markets from the third quarter of 2018, remained one of the biggest forces in Turkey's exports by maintaining this strategy in 2019. Backed by our strong performance in export markets, we carried our export championship in the electronics sector to a 22nd year.

Once again demonstrating its strength in R&D by ranking 1st in the seventh Technology Development Zones and R&D Centers Awards handed out by the Ministry of Industry and Technology, Vestel showcases its increasing presence as a global technology company. The global brands for which we produce have placed their faith and trust in our quality and competencies in R&D, design and innovation by further expanding the scope of their existing collaboration with Vestel. The best example of this is the expansion of our brand licensing agreement with Sharp, which is valid until the end of 2024, to include smart products. Our cooperation with Toshiba in TV production and sales continues to strengthen with the successful sales progression and increasing market share in the European market.

As a domestic technology and manufacturing company, exporting more than 80% of its production to 156 countries around the world, particularly in Western Europe, Vestel must be a company that not only follows technological developments but one that directs these developments in order to maintain its competitive clout and pioneering power in the world. In this vein, since 2015, we have started to develop all the infrastructure and systems for both Industry 4.0 and digital transformation at Vestel. We have already implemented over 300 Industry 4.0 projects at our factories and our work in this area continues rapidly. We continue to maintain our claim that Vestel City will be the first facility in Turkey to complete the Industrial 4.0 transformation.

In terms of the products we are introducing as part of the digital transformation, we continue to rapidly expand the number of smart products in our product range. The televisions, household appliances and smartphones that we currently produce at Vestel within the framework of the smart home ecosystem can connect, communicate and transfer data with each other. Our product range already includes products which can learn the users' habits and develop themselves. For example, our washing machines which can order detergent when detergent levels are running low have been introduced to the market in Europe. We have become the star attraction in international fairs with our products offering artificial intelligence, which are self-learning according to user habits. We have received dozens of awards in design competitions. Vestel, which won 26 awards in the consumer electronics category and 32 awards in the white goods category at the Plus X Awards, was handed the grandest "Most Innovative Brand" Award again this year, as in 2018.

The last month of the year brought a major development in Turkey's Automobile Project, in which we are one of the partners. The first presentation of Turkey's domestic car to the public, which will be fully electric and have autonomous features, and for which we have worked so hard under the umbrella of TOGG (Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret AŞ - Turkey's Automobile Joint Venture Group Inc.) for the last two years, took place in December. It is a great source of pride for Vestel to have designed and produced the digital screens for the domestic car. As a company which is growing by investing in the smart technologies of the future, we are delighted to be part of this project which will lead the emergence of a new industry in Turkey.

In this context, I would like to point out that we aim to expand our work in automotive electronics, battery systems and electric vehicle chargers, areas where we have stepped up our efforts, through new collaborations. Vestel will continue to deploy its technological competence in different areas of development where it can gain a competitive advantage, and open new horizons.

We approach sustainability with a broad perspective.

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

At the same time, we attach tremendous importance to producing with the awareness of our responsibilities to our country and our people, and contributing to the development of Turkish industry as well as supporting employment goals. Within the scope of the "2019 Employment Mobilization Program", we created 1,300 new jobs during the year. With our social awareness, we strive to support our disabled citizens and women in the business life. We launched a new training project where women technicians can work in our authorized service providers. With our Accessibility Project, we develop designs and take measures to ensure that our products are easy to use by individuals with disabilities. WeWALK (smart stick), which we developed for the visually impaired, was selected by the TIME news magazine as one of the best inventions of 2019, following on from the awards it won last year.

As a corporation which has taken sustainability to its heart, the Walking Frame Project which we developed for our four legged friends has attracted wide acclaim in the international arena and won the Best Social Responsibility Project award at the ACE of M.I.C.E. Awards, and the Bronze Award at the International CSR Excellence Awards, which is the UK's most prestigious social responsibility award event. In addition, The Green Organisation handed Vestel the "World Leader (CSR World Leader) Order" in recognition of its Walking Frame Project.

WE WILL CONTINUE TO TAKE FIRM STEPS TOWARDS SUSTAINABILITY IN LINE WITH OUR VISION OF SMART LIFE 2030.

After all, we believe in a better future.

In 2020, a year in which conditions in the world and in our country will not have fully recovered and when we will have to manage many risks, where factors such as the US presidential election, the fallout of Brexit and the recession in the EU economies will continue to create uncertainty regarding the global economy. In Turkey, on the other hand, the economic recovery is expected to gain momentum on the back of a revival in consumer demand.

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

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

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

Yours faithfully,



Ahmet Nazif ZORLU

The Chairman

BOARD OF DIRECTORS



Ahmet Nazif Zorlu
Chairman

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



Bekir Ağır
Vice Chairman

(1956 - Denizli) Bekir Ağır 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 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. In addition to his duty as the Vice Chairman at Vestel Elektronik Sanayi ve Ticaret AŞ, Bekir Ağır also serves as a Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ, which are other Zorlu Group companies.



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. In addition to being a Board Member at Vestel Elektronik, 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., İzmir Enternasyonal Otelcilik AŞ and Entegre Harç Sanayi ve Ticaret AŞ.



Ayşegül İlideniz
Board Member

(1969 - Izmir) Ayşegül İlideniz has a bachelor's degree in Business Administration from Boğaziçi University and a master's degree in Electronic Communication Arts from San Francisco State University. Ms. İlideniz 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 İlideniz 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. İlideniz 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 İlideniz is currently the President of TUSIAD Silicon Valley Network and a Board Member of the American-Turkish Society and Turkish Philanthropy Funds. In addition to her Board membership at Vestel Elektronik, Ayşegül İlideniz also serves on the Boards of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ. She is also a Member of the Board Directors at Eczacıbaşı Holding AŞ.

INTERVIEW WITH THE CEO

IN 2019, VESTEL MAINTAINED THE EMERGENCY MANAGEMENT WHICH IT HAS BEEN IMPLEMENTING SINCE THE THIRD QUARTER OF 2018.

Enis Turan Erdoğan
CEO



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

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

The weak course in consumer confidence and the decline in purchasing power negatively affected the demand for TVs and household appliances in 2019. Domestic sales contracted in both sectors during the year, as in 2018. However, the series of interest rate cuts made in the second half of the year and the stabilisation in exchange rate triggered deferred demand, leading to a recovery in TV and white goods sales from September onwards, also supported by the low base impact of the last quarter of 2018. Thus, after suffering double-digit contractions in the first 9 months of the year, the domestic white goods market closed the year with a 6% decline, while the TV market recorded a 13% contraction thanks to the recovery in the last quarter of the year.

Demand for white goods in Europe, which is our largest export market, grew by 3% in 2019 according to retail data covering the five major EU countries. During this period, Turkey's white goods exports declined by 1%^{*} with a relatively flat performance. In the TV segment, according to retail data for the five major EU countries, TV sales, which fell by 1% in the first half of the year, registered a 1% growth in the second half with the fading of the high base effect from the FIFA World Cup in June 2018 and remained flat on a full-year basis. Turkey's TV exports, on the other hand, grew by 6% in the January-November 2019 period.

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

We expect a more difficult year in terms of exports, in line with the increased competition due to ongoing trade wars and a slowdown in the EU market. Trade with the UK, which is our largest export market for televisions in particular, will continue to be carried out under the existing EU customs rules until the end of 2020. However, uncertainty beyond 2020 may negatively affect our TV exports, which makes diversification of our export markets important.

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

The contraction in the domestic television and white goods markets was reflected to Vestel's sales as well. However, it was limited by the innovations we made in our product range and by our strong and agile management competencies.

Vestel, which has more than compensated for the decline in its domestic white goods sales by focusing on export markets, outperformed the overall sector with a double-digit growth in its white goods exports in 2019, which was driven by the capacity increases made last year, new ODM projects in export markets, growing business volumes with A-brand clients and the strong growth in product sales under the Sharp brand. Vestel, which began to shift some of its capacity in white goods from the domestic market to export markets starting from the fourth quarter of 2018, maintained this strategy in the first nine months of 2019, when the domestic market contracted. In the TV segment, exports remained flat with 2018 due to absence of any major sporting events in 2019.

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

INTERVIEW WITH THE CEO

Vestel also kept its emergency management in place in 2019, which it has been implementing since the third quarter of 2018. The Company was able to keep its working capital need at minimum levels thanks to effective inventory and receivables management.

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

We increased our revenues by 8% to approximately TL 17.2 billion in 2019. While our domestic revenues declined by 3% due to contraction in the domestic market in both TV and white goods segments, our export revenues grew by 13%. The share of exports in total turnover increased to 77%, while the share of the white goods segment in total revenues rose from 45% to 50% thanks to strong growth in white goods exports. The positive currency effect on export revenues and profitability declined compared to 2018, as the TL was relatively stable in 2019. Raw material costs followed a more positive course in the white goods segment in 2019, although this effect was marred by the increase in the TL-based costs and higher price competition in export markets. In the TV segment, the decline in panel prices to historically low levels and improving sales mix were positively reflected to profitability. As a result, EBITDA reached TL 2.3 billion in 2019, remaining flat with the previous year, while EBITDA margin was realized as 13.6% with a 1 pp decline yoy. Consolidated net profit amounted to TL 324 million, only slightly below its 2018 level, which was a record year in terms of profitability.

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

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

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

In the TV segment, the market share of Toshiba brand in the European TV market has increased rapidly in a span of three years with the growth in the Smart TV and UHD TV sales under the Toshiba brand, while in the UK, which is one of our most important export markets, we have achieved a double-digit market share with the Toshiba brand.

In the coming period, the TV and household appliances industries will be faced with a different test. The “new eco design” and “new energy label” regulation, which will come into force in the European Union in 2021, will require the replacement of existing televisions and household appliances in the market with higher energy efficiency products in the next 3 to 4 years. The process of adaptation to the regulation places an additional R&D burden and investment requirement on these sectors. Vestel continues its work and investments in accordance with the timetable to ensure that its product range complies with the new regulation.

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

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

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

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

When we look at the product side of the digital transformation, Vestel artificial intelligence is being created thanks to the new cloud structure, the investments being made in data analysis and the renewed ecosystem of the Mind of the Home. With this Artificial Intelligence, user-friendly designs and products will be developed, problems in products will be resolved by anticipating them before they happen, the lifetime of products will be extended with the smart recommendations offered to users and service solutions will be faster and more effective.

In the Mind of the Home ecosystem, care is taken to ensure that the designs and user interfaces of all Vestel products and mobile applications are in a common brand language and are user-friendly. In addition, Vestel is also carrying forward its work on voice activation by adopting the “voice interface” technology which the world is rapidly adapting to.

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

Vestel, which continues to work to advance its Industry 4.0 efforts, was granted funding from the KYKLOS 4.0 Project, which is run as part of Horizon 2020, the European Union’s largest Research and Innovation Framework Programme. Vestel was the only company from Turkey to participate in the KYKLOS 4.0 Project, which includes 28 partner organizations from 13 countries and which is focused on digital manufacturing technologies for smart factories. Vestel will participate in the work in the field of agile manufacturing and transformation, and will conduct research and innovation activities in the areas of smart manufacturing, cyber physical systems, smart factories and automation. The smart and flexible production work of the project, which will continue for 48 months, will be carried out at Vestel City with work directed to personalized consumer needs. Vestel’s first project, which will be implemented under Horizon 2020, will bring us closer to our vision of the future.

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

INTERVIEW WITH THE CEO

WE ARE A COMPANY WHICH PROTECTS THE ENVIRONMENT, WORKS HARD TO REDUCE ITS CARBON FOOTPRINT AND CREATES A CORPORATE CULTURE IN THIS DIRECTION.

Which of your products stand out in the Smart Home concept?

We develop technologies which will add value to consumer experience by introducing smart products to the market under the roof of the Smart Homes, Smart Cities and the Internet of Things concept, which can communicate with each other and can be controlled via mobile devices.

Vestel-produced TVs are included in Amazon's smart ecosystem in Europe. All electronic devices and household appliances in smart homes can now be controlled by voice command thanks to Amazon's voice assistant Alexa, which is integrated into Vestel-produced TVs. Thus, alerts coming from devices can be conveyed to the consumer as an information message on the TV screen.

In addition to our ongoing cooperation with Google for smartphones, an agreement was reached for the production of Android TVs with the Android Pie operating system. The Vestel Android TV will provide consumers with the most appropriate suggestions for content and apps and thus offer a seamless viewing experience. Moreover, it will contribute to our goal of positioning the TV as the hub of smart homes.

Our washing machines, which automatically order detergent and softener through Amazon when their levels are running low with the Amazon Dash Replenishment service, have been offered for sale in Europe.

Our smart ovens, which we developed within the framework of our collaboration entered into with Innit, allow users to adjust all settings by voice control through Innit's phone app, and bring different recipes to consumers according to their tastes.

In addition to these flagship products, the following products in the white goods category open the door to a whole new world for consumers, with their unique technologies.

- Smart refrigerators with the ThawTech technology, which we developed to defrost food in the freezer healthily by remote control,
- A.I. (Artificial Intelligence) washing machines and dishwashers equipped with artificial intelligence technology, which adjust their programs by learning the habits of the user, and which offer user-specific suggestions,
- IntelliTouch dishwasher, which offers the most state-of-the-art technology in its own segment, and which adjusts the washing cycle according to how dirty the dishes are.

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

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

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

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

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

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

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

At IFA, which we participated in for the 29th time this year, we showcased our newest and greenest products which boast the latest state-of-the-art technologies. The brand new environmental technologies which we have developed are revolutionary and reveal our ambition to make a difference in sustainability.

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

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

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

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

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

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

INTERVIEW WITH THE CEO

long way towards preventing food waste. Our refrigerators using ProDrive and special inverter technology, certified by TÜVRheinland, consume 35% less energy than standard A+++ products.

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

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

Besides these products, many other products such as the Alexa Integrated TV and Cromo OLED TV, which were offered to consumers at the fair, attracted considerable interest from the visitors.

On the other hand, in order to contribute in the rapidly developing world of electric vehicles by meeting the need for fast charging as part of our sustainability vision, Vestel DC Chargers with a power output of up to 180 kW, which can charge most vehicles in the market in less than 30 minutes, were also promoted at the fair.

What are the short, medium and long-term highlights of your future development areas?

I would like to emphasise that the next generation business models brought about by digital technology and transformation will play an important role in Vestel's development and future.

Vestel is a global technology company which goes beyond being a consumer electronics and a household appliances manufacturer. In this respect, we are preparing for the future as a technology company which produces digital solutions and offers value-added services.

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

Thanks to our collaborations with technology companies such as Amazon, Google and Innit, we are able to offer customers TVs and household appliances, which work with voice command and which offer suggestions or change programs according to user habits. All of the collaborations which we have realized under this understanding pave the way for us to become a global brand. We will continue these collaborations in the coming period.

We started our first collaborations in the automotive sector with our Automotive R&D Group, which we established in order to work in the field of automotive electronics, a new business area which we have earmarked for the future. We implemented the first example of such collaborations with TOGG in Turkey's Automobile Project, in which we are involved as Vestel. Our engineers undertook the design and production of the digital instrument cluster, information and entertainment screen, passenger screen and the touch-control screen, which allows the control of these three screens, the electronic card and their software, as well as the integration of these into the domestic car, which was showcased in late December. This reflects Vestel's expertise and experience in electronics and digital screen systems.

In the area of medical electronics, we continue to develop projects with the start-ups in which Vestel Ventures has invested. In addition to the vaccine cabinet which we developed earlier, we have added the mobile digital ECG and Holter monitor devices which were developed for the first time with domestic technology in Turkey.

The smart poles developed by Vestel Ventures and the trust circle technology offered together with this product within the scope of Smart Cities and the factory cyber security software find a range of uses in different collaborations, especially with municipalities.

In the TV segment, we have strengthened our cooperation with content providers and telecom operators by manufacturing set-top boxes that enable the reception of TV broadcasting services over internet. We are developing a revenue sharing model in this regard.

In the telecommunications segment, we have started work on the 5G infrastructure. We have established R&D teams for the production of the small cell base stations which are required as part of the wider 5G infrastructure, and manufactured the prototypes. In addition to the production of small cell base stations for the 5G network, we will also be working with telecom companies in this area in the coming period.

Could we get your views for the coming period?

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

At Vestel, we rely on our technology and our knowledge in this field. We proceed with the vision of being a company that leads the transformation, not just one that keeps up with it. Within the framework of the Smart Life 2030 vision of Zorlu Holding, our controlling shareholder, we strive towards the development of smart products, smart homes and smart cities. At the same time, as part of our sustainable and environmentally friendly approach, we continue to produce household appliances which consume less energy and water and which operate more quietly.

AS ONE OF THE LEADING INDUSTRIAL PLAYERS IN TURKEY, WE WILL CONTINUE TO CONSOLIDATE OUR POSITION AS A POWERFUL TECHNOLOGY COMPANY BY CREATING NEW TRENDS WITH NEW TECHNOLOGIES.

We integrate all kinds of technology which will enhance the comfort of consumers into our products. In the coming years, we will see the Internet of Things and Artificial Intelligence become an indispensable part of everyday life. As new technologies which radically change our lifestyles and habits rapidly enter our lives, we continue to invest in R&D and innovation in order to offer consumers a smarter and more comfortable life with our record-breaking smart products which work with Artificial Intelligence, and expand our smart life ecosystem with the technologies we develop and the collaborations we establish.

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

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

SENIOR MANAGEMENT



Enis Turan Erdoğan
Chairman of the Executive Committee

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

Bekir Cem Köksal
Executive Committee Member

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

Necmi Kavuşturan
Executive Committee Member

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

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 - İzmir) 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, which would operate in the area of Information Technologies in the Silicon Valley in 1998. Until 2001, he served as the R&D Director and General Manager of 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 purchasing 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 the 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.

VESTEL, WHICH STANDS OUT WITH ITS COMPETENCIES IN MANUFACTURING, R&D AND INNOVATION, IS A PROMINENT TECHNOLOGY COMPANY AND A GLOBAL MANUFACTURER, WHICH LEADS THE MARKET NOT ONLY IN TURKEY BUT ALSO ON A GLOBAL SCALE.



VESTEL: A GLOBAL MANUFACTURER AND A TECHNOLOGY COMPANY

Standing out with its competencies in manufacturing, R&D and innovation, Vestel is a prominent technology company and a global manufacturer, 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. Vestel represents an important source of power for the Turkish economy with its nearly 17,000 employees, its production capability supported by its technological superiority and its contribution to the country's exports.

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 manufacturers of household appliances 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 sqm 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 sqm, 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 its 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).

In foreign markets, in addition to sales made on an ODM basis, Vestel also undertakes branded product sales with the regional brands acquired and with the global brands held under the brand licensing agreements.

Vestel's partnerships with Sharp in household appliances and Toshiba in TVs under the 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 156 countries with its wide range of products which reflects 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 22 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 MANUFACTURING POWER: VESTEL CITY

Established over an area of 1.1 million sqm, 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 sqm, 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 Sustainability-Oriented Facilities

The Excellence Awards are handed out by the Japan Institute of Plant Maintenance (JIPM) each year to companies performing the best total productive maintenance (TPM) work in the world. Vestel Elektronik was granted the "TPM Excellence Award" in 2012 in recognition of its work which started in 2010 and the "Award for Excellence in Consistent TPM Commitment" in 2014. Vestel Elektronik successfully passed the evaluations in the TPM Special Award category and won the title of the first TV producer to receive the "Special Award for TPM Achievement" in television production in 2016. Vestel Elektronik, which unwaveringly maintains its work in this area, also added the "Advanced Special Award for TPM Achievement" to its portfolio of awards in 2018. Vestel Elektronik hopes to win the "World Class Manufacturing" Award, which is TPM's top award category, in 2020.

Having won the "TPM Excellence Award" in 2014, Vestel Beyaz Eşya was handed the "Award for Excellence in Consistent TPM Commitment" in 2017. Vestel Beyaz Eşya became the first and only company in the white goods sector in the world to obtain this award with six different factories at the same time, thus achieving a global success. Having completed its preparatory work for the "Special Award for TPM Achievement"

VESTEL ELEKTRONİK HOPES TO WIN THE "WORLD CLASS MANUFACTURING" AWARD, WHICH IS TPM'S TOP AWARD CATEGORY, IN 2020.

in 2019, Vestel Beyaz Eşya won the "Special Award for TPM Achievement" in February 2020. Vestel Beyaz Eşya became the first and only company in the white goods sector in the world to be handed this award with seven different product families (refrigerators, washing machines, dishwashers, cooking appliances, air conditioners-water heaters and tumble dryers) in 7 different factories at the same time. With these achievements, the company has further raised the bar of its success.

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 with high energy and water efficiency, Vestel also focuses on the efficient use of energy and water in its production processes. Compared with a 55% increase in its production quantities in the household appliances segment over the last 5 years, the Company managed to reduce its water consumption per unit product by 36%.

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IN ADDITION TO MANUFACTURING PRODUCTS WITH HIGH ENERGY AND WATER EFFICIENCY, VESTEL ALSO FOCUSES ON THE EFFICIENT USE OF ENERGY AND WATER IN ITS PRODUCTION PROCESSES.



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

- Development and customization of products 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 various models of products for different customers.

CUSTOMER COMMITMENT

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

COST ADVANTAGES

- Benefiting from economies of scale in procurements, especially in the purchase of components, which represents the most important cost factor, with its strong position as a large-scale manufacturer,
- The efficiency, effectiveness and cost advantages brought about by manufacturing under a single roof at Vestel City, one of the largest production complexes in Europe established in a single location,
- Advantages in terms of logistics and delivery times in exports given the proximity of production facilities to the European market when compared to Far Eastern competitors,
- The existence of a well-developed supplier base in Manisa especially for the 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 labour 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,
- Extensive 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 in 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.

WITH INNOVATION WIRED INTO ITS DNA, VESTEL HAS PUT TECHNOLOGY AND INNOVATION AT THE HEART OF ITS CORPORATE CULTURE.

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.



VESTEL'S MAIN STRENGTHS

INDUSTRY 4.0 WORK AT VESTEL ELEKTRONİK

Vestel Elektronik has been working on the Industry 4.0 transformation for more than five 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 (robots, Cobot -collaborative robots), 3D printing (additive manufacturing), AGV (Automated Guided Vehicle) and SDV (Self-Driving Vehicle) applications.

This transformation, which will require a sizable 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.

One of the main processes in Industry 4.0 is to increase the level of automation in factories. Vestel Elektronik continues its work in this direction with great determination. To give an example, all stations on TV production lines can be instantly monitored, thus maximizing production efficiency thanks to the production efficiency monitoring system available on the production lines. With the image processing systems installed on the lines, tests have started to be carried out automatically.

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.

VESTEL ELEKTRONİK HAS BEEN CONTINUING ITS WORK IN THE INDUSTRIAL 4.0 TRANSFORMATION FOR MORE THAN FIVE YEARS.

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 a 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 MES (Manufacturing Execution System) system is also an important element of the horizontal integration in terms of production management. Vestel was the first company to commission SAP's MES module in Turkey. With this module, all operations in production are monitored instantly in the digital environment, significantly shortening the time for decision-making. For example, with the project commissioned in the plastic parts manufacturing plant, the Company not only achieved monitoring of production, but also established the Model Exchange Parameter Management System under the heading of Big Data & Analytics. With this system, the monitoring of complex structures became possible and setup settings during the model change could be carried out unmanned.

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MOM (Manufacturing Operations Management) work has started with the software team composed of competent engineers. With the help of MOM, especially with M2M



OUR GOAL IN THE DIGITAL TRANSFORMATION, WHICH WE REFER TO AS VESTEL 4.0, IS THE “SMART FACTORY”. IN THE SMART FACTORY, PROCESSES WILL BE MANAGED WITH ARTIFICIAL INTELLIGENCE SOFTWARE.

(Machine to Machine Connectivity), which fully automated the monitoring of all production activities, any losses experienced became more visible. In addition, the ERP (Enterprise Resource Planning) system integration was carried out and planning data was also included in the system. Accordingly, instant interventions became possible. Meanwhile, with the Machine Learning and Artificial Intelligence work intended to be carried out on the Data Pool, projects which support operational efficiency efforts will be developed.

3D printing, also known as additive/layered manufacturing technology, was integrated into prototyping processes in the early 2000s. The prototype of the design carried out in accordance with the requests of customers can be produced in less than 24 hours and put through testing processes. This speeds up the Company’s process for fulfilling customer orders.

The goal to be reached as a result of the digital transformation, which we refer to as VESTEL 4.0, is the “Smart Factory”. In the Smart Factory, processes will be managed with artificial intelligence software. With Industry 4.0 transformation, the profile of the Company’s workforce will also change, whereby workers doing manual work will be replaced by qualified employees who are capable of designing, developing and controlling manufacturing processes.

In addition to achieving flexible and fast production, increased efficiency, high quality and cost savings, the Industry 4.0 transformation will also help maximize customer satisfaction. One of the goals of this work is to be able to produce different products on the same production line, in minimal quantities, at the same time without a loss of productivity. As a result of such work, Vestel will be able to offer higher value-added products to the market and thus carry its global competitive clout further. Vestel is ambitious for Vestel City to become the first facility to realize this transformation in Turkey.

VESTEL'S MAIN STRENGTHS



INDUSTRY 4.0 WORK AT VESTEL BEYAZ EŞYA

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

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

VESTEL BEYAZ EŞYA MANAGES ALL AUTOMATION AND INDUSTRY 4.0 ACTIVITIES SINGLEHANDEDLY THROUGH A SPECIAL UNIT CREATED WITHIN ITS BODY.

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

One of the most important tools in Industry 4.0, and an important element in manufacturing flexibility, are the autonomous robots positioned at many points on the production lines. Vestel Beyaz Eşya commissioned the most robot cells of any company during 2019, both in the white goods sector and for all sectors, as it had in 2017 and 2018. The company expands the trinity of robot-machine-human more and more with each passing day, working with impeccable

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production techniques. Vestel Beyaz Eşya stands at the forefront among all sectors in the world with its 160 articulated robots per 10,000 employees. These robots, which are able to move on 6 or more axes, demonstrate that Vestel Beyaz Eşya has once again managed to reflect the features in its DNA of keeping up with the digital transformation in manufacturing technologies in its sector.

To achieve unmanned and remotely controlled in-factory transportation, Vestel Beyaz Eşya is switching from the methods of line, metal or magnetic tracking on the ground to systems that can be entirely managed by mobile communication and special navigation systems. All automatically guided vehicles used at Vestel Beyaz Eşya's seven production plants can be controlled simultaneously by a single piece of traffic software in what is the first development of its kind in Turkey, both in the white goods sector and indeed in any sector, in terms of number and function. With automated guided vehicle use, in-field transport costs and forklift requirements are reduced, removing the risk of damage occurring during the transportation of products and components and increasing production efficiency. Work has also got underway to map the remotely controllable software of the auto-guided transport vehicles with production programs. As such, the company aims to ensure that production planning also becomes autonomous.

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



Vestel Beyaz Eşya is increasing the number of its automated warehouses by bringing automated guided vehicles and industrial robots into use. It ensures that these systems communicate with each other in order to keep up with the rapid changes taking place in the industry and is thus able to establish smart systems within its organization.

In addition to reducing storage and transportation costs with the automated warehouse systems, the company also achieves online controlled consumption and minimizes the incidence of human error that may occur in the production flow.

VESTEL'S MAIN STRENGTHS

Vestel Beyaz Eşya also provides fast and easy training to operators by utilizing virtual reality and augmented reality, which is a component of Industry 4.0, thus increasing the quality of its production. While the company aims to meet technical and financial targets at once via virtual reality programs and special simulations carried out before all investment decisions (robot-machine-equipment-automated warehouse, etc.), the technical measurements conducted at the beginning of the projects ensure the flawless operation of systems. Thanks to these programs and systems, large project costs can be analyzed accurately, thereby preventing additional costs from being incurred in the future.

Nowadays, when the classical ways of doing business are changing or undergoing transformation, preparations are being made for the creation of the necessary infrastructure for training to be given by information transfer methods which are independent of human intervention. By systematically recording small or large machine usage information, it will be possible to transfer accurate information to newly recruited employees through augmented and/or virtual reality. In summary, new employees will quickly become fully equipped with simple software by using glasses, tablet or a mobile device. 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 mold 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 mold-machine investments undertaken may be executed flawlessly and quickly.

Concrete steps have been taken for online monitoring of the 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 the development of systems to be directed by artificial intelligence. Various applications are created in order to manage all the machinery in different factories. Vestel Beyaz Eşya aims to complete its



THE MOST IMPORTANT GOALS OF THE COMING YEARS INCLUDE THE DIGITALIZATION OF QUALITY SYSTEMS, ONLINE MONITORING OF PRODUCTION TEST RESULTS AND CONSUMPTION OF MATERIALS, AND OBTAINING ALL PRODUCTION REPORTING WITH 99.9% ACCURACY.

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horizontal and vertical integration within the next few years by establishing an infrastructure where machines and robots communicate with each other, and then to integrate the whole internal ecosystem with its suppliers. Digitalization of quality systems, online monitoring of production test results and consumption of materials, and obtaining all production reporting with a 99.9% accuracy are the most important goals of the coming years.

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

The newly established washing machine and tumble dryer factory was built directly with the Industry 4.0 infrastructure. While production lines, machines, transportation vehicles and automation projects in the factory can communicate with each other, the aim is for production to be tracked in real time. With the transfer of this information flow, these technologies can be seen in every area of the factory, from the smart warehouse system to the installations where automation is integrated. Vestel Beyaz Eşya will be able to offer cutting edge technology to its customers, with higher quality and more rapidly, through its smart factory structure, which targets flawless and flexible production untouched by human hands. From the beginning of 2020, work on the digitalization of processes in the new factory and the communication of the production and planning management with machines will be accelerated. Sample digital concepts and applications to be implemented at this factory will be easily carried over to all of the company's production facilities in the medium term.



VESTEL SERVING THE WHOLE WORLD...

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

Vestel In Turkey

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

Domestic Sales Network

976 Vestel stores

9 Vs Outlet stores

886 Regal stores (245 of which are Exclusive Regal Dealers)

emagaza.vestel.com.tr

vsoutlet.com.tr

regal-tr.com

After-Sales Services

Call Center

360 Authorized Service Providers

4 Central Services

5 güVENUSsü (Trust Base) Centers

Vestel's Global Operation Network

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



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156

Number of Vestel's
Export Markets

10

10 Foreign Trade
Companies in Europe

2,196


Number of Stores and
Sales Points Abroad

976

Vestel Stores in Domestic
Market



 Vestel City Manisa

 Vestel's Export Markets

 **Vestel's Foreign Trade Companies**

The United Kingdom
France
Germany
Spain
The Netherlands
Poland

Finland
Russia
Kazakhstan
Romania
United Arab Emirates

VESTEL'S STRATEGY AND REALIZATIONS IN 2019

MAIN STRATEGY

Growing profitably by investing in main areas of activity and in new business lines with high market potential

STRATEGIES	REALIZATIONS
Increasing Market Diversity	
To grow in regions other than Europe, which is the Company's main export market	Exports to a total of 156 countries
To evaluate organic and/or inorganic growth options for entry into these markets	<p>Entry into new markets in the Middle East, Africa and Asia in line with the objective of increasing sales in these regions</p> <p>Despite constantly changing political and economic conjunctures in markets outside Europe, growth in sales to Eastern Europe, the CIS, North Africa and the Middle East regions</p> <p>Starting product development for the US market in line with the demands and market requirements of potential business partners</p> <p>Sales to the US market will start in 2020 while the target is to become more effective in this market by 2023.</p>
Increasing Customer and Product Diversity	
To increase the sales of mid-to high-end products	Increase in the share of larger screen and UHD TVs in total production and sales, increasing average screen size in both domestic and international sales
To increase the share of A-brand customers in the portfolio, for which ODM based production is carried out	<p>Increased sales of Smart TVs and UHD TVs, which are upper segment products, in the European market under the Toshiba brand</p> <p>Gaining new A-brand customers in the white goods segment in line with the increasing competitive clout in the European market.</p> <p>Increasing business volume with existing A-brand customers</p>

STRATEGIES	REALIZATIONS
<p>To increase market share by developing product diversity:</p> <p>In consumer electronics: increase the sales of more profitable upper segment and larger screen TVs featuring the latest display technologies, in household appliances: broaden and enrich the product range and increase the sales of built-in products in the European market by capturing new customers in the kitchen supplier channel</p> <p>To capture a higher share of the outsourcing trend, which is rising among the A-brand manufacturers</p> <p>Developing products and services in partnership with technology brands like Amazon and Google</p> <p>To expand the product portfolio by developing services that can provide a recurring revenue stream in addition to physical products</p> <p>To adapt business models, such as XaaS (“anything as a service”) that make the entire product range a service</p> <p>To maximize customer satisfaction by working continuously on energy efficiency, water saving and the Internet of Things applications, and meeting market expectations in the best possible way</p>	<p>The addition of tumble dryers to the white goods product range, and the completion of the product range to include the six major household appliances with the completion of the new plant investment</p> <p>Next-generation products in white goods: Development of products that are record-breaking in their class in energy and water consumption and in silent operation</p> <p>Expanding the product range in smart household appliances</p> <p>Development of the world's first Alexa built-in TV with far-field voice control together with Amazon, which was introduced to the market under the Toshiba brand</p> <p>Being included in the “OTT TV” platforms of Google and Amazon that offer content use over the internet in line with the strategy of being present on all kinds of platforms and responding to all sorts of customer demands</p> <p>Inclusion of 55” and 75” products with a high brightness level of 2500 nit and large-screen solutions such as 98” and 86” to the Visual Solutions product range, and commissioning of the 65” VideoWall product in the VideoWall category</p> <p>Expansion of the product range in electric vehicle chargers</p>
Branded Growth	
<p>To increase market share in Turkey by strengthening brand image, distribution and sales network and the quality of after-sales services</p> <p>To strengthen position in the European market and increase branded sales with the regional brands in the portfolio and the global brands licensed</p> <p>To accelerate branded sales growth by taking advantage of new brand licensing collaborations for the European market and other markets</p> <p>To increase market share in surrounding markets by developing operations in those countries</p>	<p>Continuing the successful sales and marketing initiative launched with the “Turkey is Vestelized” campaign with the “Proudly Domestic” campaign, continuing efforts to strengthen the dealer network and continually carrying forward the promise of providing a customer experience that goes beyond standard services in customer and after-sales services</p> <p>Maintaining position as the leading manufacturer in the Turkish TV market</p> <p>Continued double digit growth in product sales to Europe under the Sharp brand and inclusion of smart products in the scope of the brand licensing agreement which is valid until the end of 2024</p> <p>Entry into new markets with the Vestel brand and entry into new countries such as Libya, Kuwait and Gabon as part of the goal of establishing a strong foundation for the brand</p> <p>Rapidly increasing the market share of the Toshiba brand in the European TV market in 3 years, achieving a double-digit market share with the Toshiba brand in the UK, which is one of Vestel's most important export markets</p>

VESTEL'S STRATEGY AND REALIZATIONS IN 2019

STRATEGIES

REALIZATIONS

Gaining Market Share by Investing in New Areas of Use and in Innovative Products

To develop new products with different areas of use in consumer electronics, digital products and IT sectors, which have similar technology with the Company's existing product range

The development and the launch of the first domestic smartphone Venus into the market; the development of the smart stick WeWALK and the start of its production and sales; the development of the Smart City Technology Platform

To enter into automotive electronics by developing solutions for electric vehicles

Completion of the designs of the AC and DC chargers for electric vehicles

Further integration of the AI and machine learning technologies into products and services

Development of the electric vehicle charging station product portfolio, which is offered for sale in global markets, particularly in the European market

To provide value-added services by analyzing the collected data

The ultra-fast DC charger with 180 kW of power, which can charge electric vehicles in less than 30 minutes, was developed and offered for sale, and the first installations were carried out in Turkey

Development of cloud infrastructure and mobile applications that facilitate the use of electric vehicle chargers by both individual and corporate users

Development of digital instrument cluster and entertainment and information screens for car manufacturers

Start collecting the usage data belonging to smart products in the cloud with the approval of users

Within the scope of electronic card design and production, projects have been started to produce electronic cards for companies in different industries such as small household appliances, combi boilers, engine drivers and white goods

Taking into account that many devices will operate on batteries in the future, starting work on the BMS (Battery Management System) design and battery packaging technologies for light electric vehicle batteries (E-bike, E-scooter, etc.)

The investments of Vestel Ventures Ar-Ge AŞ, which was established to support and invest in innovative ideas and projects, especially the internet of things, mobile projects and electronic devices, in start-up companies in the fields of energy, healthcare, bioplastics, mobile applications, the AR/VR technology, smart city applications, cybersecurity and customer services.

THE NEXT STEP

Focus on the fields of the generation and processing of big data through the Vestel Cloud and uncovering useful information from this data by using artificial intelligence, the Internet of Things, smart products, smart homes, smart cities, augmented reality and 5G technologies, autonomous and robotic solutions, productization of wearable technologies, medical electronics, automotive electronics, battery and energy storage systems

Increase the contribution of services to overall revenues by expanding the number and the scope of services developed under the XaaS model

Develop new value-added services by analyzing the data collected from the smart products and create new sources of revenue by marketing this data to business partners

Develop solutions for the automotive sector and offer these to global automotive manufacturers

Collaborate with smaller companies and universities in order to develop more innovative products

VESTEL R&D: VESTEL'S STAMP ON THE FUTURE

Vestel R&D CENTER

Vestel is a prominent player which directs the market not only in our country but also in global markets with its production competencies, quality standards, R&D and innovation power, and is the leader in Turkey's electronics sector in terms of exporting technology to the world.

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 Center" 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 1,700 R&D staff as of the end of 2019, 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 the Law No. 5746.

- R&D Center 1: High-End Electronics
- R&D Center 2: Electronics Center
- R&D Center 3: Manisa Celal Bayar University IDECA (Idea Creation, Definition, Evaluation, Conceptualization, Application) - Teknokent
- R&D Center 4: White Goods

04

THE FOUNDATION OF VESTEL ELEKTRONİK'S CORPORATE AND R&D STRATEGY IS BASED ON THE GROWTH AND EXPANSION OF ITS EXPERIENCE IN THE ELECTRONICS SECTOR IN DIFFERENT SUB-SECTORS AND FIELDS.



VESTEL R&D: VESTEL'S STAMP ON THE FUTURE

Vestel expanded its network of R&D centers with its focus on Research Projects and Automotive Electronics within the R&D Center which became active at the Teknokent (Technocity) at Celal Bayar University in 2019.

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

- Istanbul ITU Teknokent Vestek, which carries out developmental work on Smart TV, Hotel TV, Digital Signage and smartphone camera applications and related image processing algorithms, along with application and server software development studies for TV interaction,
- Bristol (UK) Cabot Communications Ltd., which develops middleware software 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 carries out component approvals,
- The Vestel Shanghai R&D Office, which performs developmental work for mobile phones.

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



Electronics R&D Activities

Vestel Elektronik has been continuing its R&D activities in the electronics sector for more than 30 years. Its main field of activity is consumer electronics products.

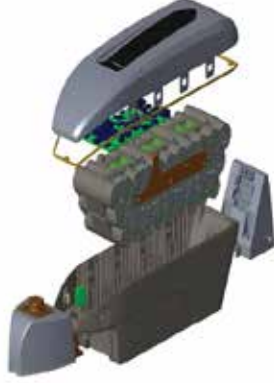
R&D activities conducted under Vestel Elektronik have expanded to encompass many sub-sectors, while continuing to strengthen, especially in the Company's core TV product area.

The foundation of Vestel Elektronik's corporate and R&D strategy is based on the growth and expansion of its experience in the electronics sector in different sub-sectors and fields.

Vestel Elektronik's trend of rapid development in the field of display technologies also continued in 2019. The R&D units continued their R&D work in various fields including high brightness, high contrast, high resolution, high color gamut, ultra-slim mechanical 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. Vestel Elektronik, which also deploys the knowledge gained from TV production in different display technologies, expanded the product family of digital information screens (Visual Solutions) and developed products on common platforms with TV, and has started work on its LED Wall product in 2019.

With the goal of rapidly responding to current technological developments, Vestel Elektronik has become one of the first companies to launch designs suitable for updates such as Youtube 2020 and Netflix 5.2 worldwide. At the same time, the integration of televisions into different platforms and the emergence of televisions as the main screen at home have gained importance during this period. Accordingly, the R&D units which develop applications which aim to bring the television to the forefront as the central hub of the smart home, also developed televisions which are compatible with the specific platforms of the global giants such as Amazon and Google.

04



Prototip üretimi yapılan elektrikli bisiklet batarya paketi

Smart solutions have gained importance with the development of the internet and wireless communication systems. Against such a backdrop, different uses of smart applications stand out, such as the Smartphone, the Smart Home, Smart Factories and Smart Cities. The products manufactured by Vestel Elektronik were successfully integrated with the Smart Home concept. R&D units, which have taken important steps towards the creation of a big data platform in 2019, stepped up their work on the security and analysis of this data and have managed to develop an ecosystem able to serve all connected products and which works in harmony with current technologies and voice assistants.

Vestel Elektronik, which started activities in the fields of the Information and Entertainment System (IVI - In-Vehicle Infotainment) and the Digital Instrument Cluster in Automotive Electronics with the Automotive Group established in early 2018, continues work on projects in these fields with the support of its experienced R&D staff. In addition, studies on Computer Vision and Autonomous Driving got underway in 2019. Vestel, which is also one of the stakeholders in Turkey's Automobile Joint Venture Group (TOGG) as representative of Zorlu Group, has taken concrete initiatives to become a supplier for these technologies.

WORK GOT UNDERWAY TO DEVELOP BATTERY PACKS INITIALLY FOR ELECTRIC BICYCLES AND THE FIRST WORKING PROTOTYPES WERE INTRODUCED AT THE EUROBIKE FAIR.

The Information and Entertainment System and Digital Instrument Cluster systems in the prototype of Turkey's first domestic car which TOGG has introduced to the public in December, were manufactured by Vestel. In addition, important steps have been taken in designing and producing circuit boards such as motherboards and power cards for the automotive sector.

The Company's knowledge and experience in power electronics forms the basis of the R&D studies for the design of electric vehicle charging stations and the management systems for charging stations. In addition to the Company's electric vehicle charging stations which are available in the market, R&D work on DC chargers, which provide fast charging in shorter time, were completed and work on the software was carried out for the management of charging points.

VESTEL R&D: VESTEL'S STAMP ON THE FUTURE

In March 2019, the Design Directorate of Battery Systems was established and R&D activities got underway. Vestel Elektronik's capabilities such as mechanical and thermal design, electronic card design, accredited test laboratories, production assembly automation and supply chain management can easily be applied in the newly established battery systems field. Work was first started for battery packs used in electric bicycles, and the first working prototypes were introduced at the Eurobike Fair.

Electrical and mechanical laboratory and field testing of the battery pack is continuing. The Vestel Battery Systems Group moved to its new R&D and production facilities at Ege Serbest Bölge Kurucu ve İşleticisi AŞ (ESBAŞ - Aegean Free Zone Founder and Operator Inc.) in November 2019. Production is planned to start in May 2020.

The Vestel Electronic Optical Design R&D Group also closely follows technological developments with its researchers who hold a PhD or a post-graduate degree. It continues to support Vestel's technological goals by identifying projects which offer commercial advantages as well as carrying out preliminary work. In this context, in addition to the optical designs of the rear light unit of LCD televisions, studies are also carried out on advanced screen technologies such as avionics screens and in-vehicle screens.

The Optical Design Group is also working in cooperation with academia and develops projects with some of Turkey's most prestigious universities. In 2019, together with Koç University it completed the project for a mobile phone rear light unit with a high color gamut. As part of the joint work carried out with the Bilkent International Nanotechnology Research Center (UNAM - The Institute of Materials Science and Nanotechnology) a project for the development of an LCD television with a high color gamut based on quantum dot technology was launched in 2019. Such long-term project collaborations paved the way for the Vestel Electronic Optical Design Group to carry out project-oriented studies at UNAM. The Company's Office in UNAM is in an important step for Vestel in the cooperation between industry and academia.

THE VESTEL OPTICAL DESIGN GROUP WORKS AS AN R&D GROUP WHICH CONSTANTLY REFRESHES ITSELF AND FOLLOWS UP TECHNOLOGY BY PARTICIPATING IN EVENTS SUCH AS FAIRS, CONFERENCES, AND WORKSHOPS.

In 2019, the foundations were laid for the establishment of the Advanced Technology Application and Materials Laboratory at Vestel in order to transfer the accumulation of knowledge obtained through projects to mass production. In addition to display technologies, research is continuing on the color sensitivity of yarns in production jointly with Korteks, another Zorlu Group company. The Optical Design R&D Group constantly refreshes itself and follows up technology by participating in many fairs, conferences and workshops every year both in Turkey and abroad.

The R&D units have been working on domestic design smartphones for the last seven years. In 2019, the V7 - the latest addition to the Venus V series of smartphones - was introduced at the Mobile World Congress (MWC), and the launch of Venus Z30 to the market, was announced at the IFA Fair in 2018.

Software work on the electronic, power and control cards of all consumer electronics goods and household appliances produced at Vestel Elektronik and the cards to include the products in the smart home network continued in 2019. Moreover, the domestic design process for these products, which will be included in the sustainable product range, to ensure that they will consume less energy and will be produced at a lower cost, continued in 2019. Thus, dependency on external resources was reduced and the product portfolio for the card supply was expanded. In addition, R&D activities were carried out for control cards, screen cards, Wi-Fi modules and engine drivers which can serve different product groups.

Vestel, which closely follows new technologies, continues to carry out projects for innovation through collaborations with academia, new company investments via Vestel Ventures and Zorlu Group's intrapreneurship project called "A Bright Idea" (Parlak Bi'Fikir). In 2019, R&D activities were carried out in many different fields including sensor technologies, healthcare technologies, advanced materials, virtual reality, energy transformation and storage solutions and 3D printers, as part of the projects created as a result of these studies.

Vestel EMC Laboratory

Located within the Vestel R&D Center, the Vestel EMC (Electro Magnetic Compatibility) Laboratory is the first manufacturer laboratory to have been accredited by the Turkish Accreditation Agency (TURKAK), and has had the authority to issue approvals for Electromagnetic Compatibility since 2009. The Vestel EMC Laboratory stands out among its European counterparts by having performed 35,000 tests and producing 350 approved test reports in 2019. With the test infrastructure investments

carried out at the EMC Laboratory, Vestel R&D has gained the ability to conduct tests on TVs, visual solutions, satellite receivers, electric vehicle charging stations, lighting products and household appliances in the laboratory, and to prepare TURKAK approved accreditation reports. The Vestel EMC Laboratory is the first and only laboratory in Turkey which can provide RF (Radio Frequency) approval to radio modules, in addition to the EMC approvals. In parallel with Vestel's expanding product range, the scope expansion work required in order to approve all products within its own body is ongoing. Vestel's target is for each product produced at Vestel to be approved by the R&D-EMC Laboratory. The laboratory also provides services to other companies within the scope of support for the emerging EMC sector, and effectively participates in national and international standardization efforts.



VESTEL R&D: VESTEL'S STAMP ON THE FUTURE



Vestel Product Safety Laboratory

The Vestel Product Safety Laboratory has gained the highest level of recognition from the world's most respected independent approval institutions such as Verband der Elektrotechnik (VDE) and Technischer Überwachungsverein (TÜV), INTERTEK and DEKRA. Accredited for the first time in Turkey by TURKAK, the laboratory has the capability and infrastructure to test all product groups either produced by Vestel or procured from external sources for resale purposes. All risks which could pose a danger to human life, such as electric shocks, fire caused by the product or toppling over, overheating or explosion of the product are eliminated through the world-scale tests on the designs conducted at the laboratory.

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 home appliances and electric vehicle charging stations. The laboratory can also issue the required reports and certifications with its own means.

Laboratory engineers also play a part in creating standards by effectively participating in world standardization studies.

Vestel Calibration Laboratory

Accredited by the Turkish Accreditation Authority, the Calibration Laboratory, which operates under Vestel R&D, has been active since 2015. It is the first private laboratory to include passive microwave elements under TURKAK accreditation. Through the investments undertaken at the Calibration Laboratory, Vestel enabled the calibration of RF (Radio Frequency), LF (Low Frequency), temperature and humidity devices and the preparation of TURKAK approved accreditation certificates to be carried out at the laboratory. The Calibration Laboratory provides services to the EMC and Product Safety Laboratories, which operate under Vestel, as an accredited laboratory. Outside the accreditation scope, it also serves other sections in the production facilities in the calibration of LF, temperature, humidity, size and optical devices. Investments for scope expansion and devices are carried out in line with the goal of conducting the calibration, repair, maintenance and inventory process for all devices at Vestel by the Vestel Calibration Center. In addition, the Vestel Calibration Laboratory has started to provide external services in order to support the growing calibration sector, which is becoming increasingly important.

Vestel Certification Department

The Vestel Certification Department operates for the fulfillment of the requirements of the CE mark that Vestel's products, which are exported to many countries around the world, will carry in order to pass through the customs. It is also responsible for the preparation of the Manufacturer Compliance Statements and test reports which are mandatory under the EU regulation. In addition, if there are national differences apart from the usual regulations in the target markets, work for their follow-up and implementation is also carried out by this Department.

The Vestel R&D Test Laboratories were accredited by TURKAK for the UK based D-Book tests in accordance with the TS EN ISO/IEC 17025 Standard. The Laboratories were also accredited by TURKAK for the RF tests applied to receiver devices in accordance with the Radio Equipment Directive for the European Union market, and for the energy efficiency tests required in the EU, Australia and South Africa markets in accordance with the Eco Design and Energy Labelling Directives. The compliance audit was successfully completed within these three scopes in line with the 2017 revision of the TS EN ISO/IEC 17025 Standard.

Project Based R&D Activities

The Electronics 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

VESTEL'S CALIBRATION LABORATORY HAS STARTED TO SERVE EXTERNAL CUSTOMERS TO SUPPORT THE GROWING CALIBRATION SECTOR, WHICH IS BECOMING INCREASINGLY IMPORTANT.

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 to engage in advanced research. The number of researchers in this group was increased between 2017 and 2019. With four 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 establish long-term partnerships 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 "Research, 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.

Intellectual Property Rights and Patents

Vestel showcases its strengths in R&D and innovation through its ambition in intellectual property rights and patents.

In 2019, Vestel Elektronik applied to the European Patent Office (EPO) to obtain 28 European Patents (EP) for 44 inventions that met the criteria. It also applied to the World Intellectual Property Organization (WIPO) for 16 patents, and the Turkish Trademark and Patent Office for 44 patents.

Development Areas for the Electronics R&D	
Display Technologies	OLED TV, 8K TV, LED Screen Technology, Backlight Unit, Wide Color Gamut, HDR - High Dynamic Range, Local Dimming, Quantum Dot Technology, High Brightness, High Resolution, High Contrast, High Security
Innovative Software Solutions	QUI new UI features (Global Search, FVP Box sets, Artificial Intelligence on TV), Big Data Collection Phase 2&3, Collecting extra TV data (Phase-2), Editing TV texts in accordance with the Personal Data Protection Act, Secure TV Profile File Update, Amazon AVS security tests with Invictus, Youtube Kids (Youtube feature for kids), new projects with the chip provider Novatek, STR (Suspend to RAM) - TV's fast-opening feature (2-3 seconds), HDR10 Netflix support, Dolby Vision technology support, Train Portal, FVP 2019 (Freeview Play 2019 support for the UK), Youtube Cobalt 2019 (Youtube support with high performance), BBC 2019, Netflix 5.1, HbbTV 2.0.2 (current features for HbbTV), CI+ 1.4 (latest generation conditional access support), Android TV, Amazon Fire TV, Amazon Alexa (AVS1, Login, PCO, AVS2) 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 (MB230)
Internet of Things - IoT	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 Type Electric Vehicle Charging Unit, Smart Home Kit) Health Technologies, e-health Portal Smart Education (Smart Board, Tablet) Creation of the Big Data platform
Smart Home	Data analytics for all connected products (all smart home appliances such as Smart TV, Smart Fridge, Smart Air Conditioning) Recommendation systems for connected products More than 20 Android and iOS mobile apps for all connected products Cloud Informatics Domestic and international CRM (Customer Relations Management) integrations Alexa, Google Home Voice Assistant integrations for smart TVs and smart household appliances Cybersecurity tests and platform
Automotive Electronics	Electric vehicle charging stations and charging station management system, in-vehicle information/entertainment screens, digital instrument clusters, autonomous driving, 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

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, within the scope of their studies. 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 R&D units represents one of the cornerstones of Vestel's sustainable development.

Collaboration between Industry and Academia

Vestel's projects of collaboration between industry and academia are shaped on the basis of supporting and promoting research activities. The successfully completed studies 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 the Turkey's leading universities and possess high qualifications, carry out project-based collaborations with academics at Turkey's most distinguished universities. In addition, academic publications produced jointly with the universities, the organization of career days and providing support for student clubs and projects are the other important components of Vestel's sustainable development.

The projects carried out jointly by the Vestel R&D Center and universities provide an important contribution to the synergy between industry and academia. Within the scope of the industry-university collaboration, Vestel cooperated with nearly forty universities in 2018 and 2019. The knowledge generated at the universities is transformed into technology at Vestel's R&D units by teams of specialists and the software and hardware developed is used in new designs. This collaboration work mainly includes the latest trending topics such as the Industry 4.0 and the IoT as well as RF (Radio Frequency), smartphone software, TV and STB (set-top box) designs.

VESTEL'S PROJECTS OF COLLABORATION BETWEEN INDUSTRY AND ACADEMIA ARE SHAPED ON THE BASIS OF SUPPORTING AND PROMOTING RESEARCH ACTIVITIES. THE SUCCESSFULLY COMPLETED STUDIES ENTER THE NATIONAL PATENT POOL BY OBTAINING PATENTS, CREATING ADDED VALUE FOR OUR COUNTRY.

Vestel takes important steps for the future of the university-industry collaborations by playing an active role in the External Advisory Boards of the universities with which it cooperates. Vestel also supports the "Industry Oriented Dissertation" studies carried out by the universities. Vestel collaborates with Technology Transfer Offices throughout Turkey, most notably with the successful Technology Transfer Offices in the Aegean region. Technology Transfer Offices offer academic studies and new technologies developed at universities for the use of industry in order to meet the needs of the industry and to provide added value to our country's national development.

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 Center was set up at the Celal Bayar University Technology Development Zone campus. The goal of this project is to accelerate the digital transformation in the industry and increase the competitive clout of the manufacturing industry, primarily in the Manisa province, within the framework of the university-industry collaboration.

VESTEL R&D: VESTEL'S STAMP ON THE FUTURE

Non-Governmental Organizations

In order to advance the global competitive clout of the IT, electronics and white goods sectors in Turkey and to stimulate their potential for innovation, Vestel provides various levels of 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 the R&D Centers Platforms.

Vestel also contributes to the development of these sectors by actively participating in the platforms where sectoral issues are discussed and proposals for solutions 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, ECSEL, EUREKA, ITEA, Celtic and Catrene. Involved in a total of 51 projects with European partners since 2006, Vestel Elektronik actively takes part in international work through the three Horizon 2020, 1 Erasmus + and four Eureka projects, which it applied for in 2019, and has become one of Turkey's pioneering companies in this field.

VESTEL ESTABLISHES PROFESSIONAL COLLABORATION WITH LEADING COMPANIES THROUGHOUT THE WORLD IN THE TECHNOLOGICAL FIELDS WHERE IT OPERATES.

In addition, the "KYKLOS 4.0 - An Advanced Circular and Agile Manufacturing Ecosystem based on rapid reconfigurable manufacturing processes and individualized consumer preferences" project was accepted by the European Commission. The project, which Vestel participates in as an industrial partner, is about the application of the Industry 4.0, which is trending all over the world, in production technologies, and is within the scope of Horizon 2020 program. News of the project was widely reported by national news agencies.

Industrial Partners

Vestel establishes professional collaboration with leading companies throughout the world in the technological fields where it operates.

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

R&D Support under Vestel Ventures

In order to implement new technologies, Vestel also contributes to work in areas such as innovative devices, materials, smart city, the smart home and the smart factory through Vestel Ventures Ar-Ge AŞ, which was established to support entrepreneurs undertaking R&D activities.

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.

Collaboration with Zorlu Group

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

With the growing popularity of wearable technologies, sensors which can be integrated into the textile and IT products have especially attracted attention.

Vestel undertakes joint work with Zorlu Energy Group in areas including energy storage systems and solar panels, and in international projects focusing on energy. Such collaborations are planned to be increased further in the coming years.



VESTEL R&D: VESTEL'S STAMP ON THE FUTURE

Electronic Product Groups and Innovations

Product Group	Products/ Technologies	Specifications/Description
TV	OLED TV	Turkey's first domestically produced ultra-slim OLED TV, the Vestel OLED TV offers unique picture quality with its self-illuminating organic LED technology.
	Motherboard with New Mechanical Structure	The TV motherboard design with new mechanical structure includes a side-access connector structure which is easier to use for the end-user
	UHD Tconless Motherboard	A motherboard design which is becoming common today and which can run the UHD tconless panels preferred by the panel manufacturers
	HD/FHD Tconless Motherboard	A motherboard design which is becoming common today and is able to drive HD and FHD tconless panels preferred by the panel manufacturers
	Tconless Low Cost TV Motherboard with Onboard Keypad and LED Module	Motherboard design that can also drive tconless panels, all module cards of which are on the motherboard and which has a cost advantage
	Alexa TV	TV design that can detect and implement voice commands with a microphone located on the TV or through an external Alexa module
	Ultra HD TV	With "perfect black" and "unlimited contrast" offered with the High Dynamic Range (HDR) and V-UHD Wide Color Gamut, the Vestel 4K Ultra HD TV seamlessly displays near-lifelike colors and images on the screen. Other features: 50 Hz MEMC, DTS-HD, Wide Color 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, Netflix 5.2, Youtube 2020, AV1, DAP, Dolby Atmos
	8K TV	TV design with 7680x4320 resolution, offering 4 times higher resolution than a 4K UHD TV
	Android TV CAS TV Borderless TV	Development of Multicore ARM Android applications A different Android project design able to operate HD panels for the first time in Turkey
	Prison TV Wallpaper TV	Transparent mechanical design and remote control design Offers a minimum distance between the wall and the TV, presenting 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 Boardless	The low-cost montage concept was transited to in the Viaccess CAS-supported STB product range. With this new concept, two separate platforms were prepared with the S2 and Cable support. Likewise, a low-cost montage concept option was created in the Irdeto CAS-supported STB product range. In order to provide a cost advantage to the operator in Türk Telekom's Tivibu product, work to allow smart card-free distribution of the product was completed with Irdeto.
	New Telco Product Range	Work has started on the design of an Ethernet Gateway and DSL Modem Router which can be used in the FTTH infrastructure.
	4K	A new motherboard derived from the MB130 project was brought into the 4K product range. The motherboard also offers Irdeto Cardless as an option. A new alternative with the small form factor was created for the Android-supported 4K platforms thanks to the Amlogic concept's low power consumption. Work has started on the design of a new platform with the Verimatrix-supported Linux IP STB.

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Product Group	Products/ Technologies	Specifications/Description
Visual Solutions	8K Information Screen	An information screen design with 7680x4320 resolution, offering 4 times higher resolution than a 4K UHD TV
	VS Motherboards	The MB135VS motherboard with built-in UI (Linux operating system) which also includes the Android 7.0 operating system The MB170VS motherboard with built-in Android 9.0 operating system
Mobile Devices	Smartphone - Tablet	Domestic design and manufacture of smartphones Artificial Intelligence Supported Shooting Modes Face Recognition Technology Phase Detection AutoFocus Curved Incell Screen Drop Notched Screen Design Dual Sim Card Support Octa Core Processor
LED Lighting	LED Lighting Fixtures	Energy-efficient lighting products, produced and developed with the R&D carried out at the Vestel City, comprising of power source products suitable for different purposes and outdoor and indoor lighting products including road lighting, street lighting, park and garden lighting, office lighting, architectural lighting, high ceiling lighting and industrial lighting fixtures LED cards used in interior lighting of refrigerators manufactured by Vestel Beyaz Eşya
	LED Lighting Optical Components	Design and domestic production of secondary optical components such as lenses and reflectors used in the LED lighting products, using know-how obtained in the optical field
	LED Power Sources Smart Lighting Solutions	Smart city lighting solutions (street lighting with wireless automation system implemented at the Izmir Institute of Technology and the Mexico and Saudi Arabia Street Lighting Projects) IoT platform for lighting products, wireless communication receivers, LED driver designs 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 Work to make security tests a part of the design verification process, and to conduct automatized tests First artificial intelligence project application with the Spare Parts Warehouse Inventory Management System project

VESTEL R&D: VESTEL'S STAMP ON THE FUTURE

Product Group	Products/ Technologies	Specifications/Description
Automotive	Electric Vehicle Charging Stations Charging Station Management System In-Vehicle Information/Entertainment Screens Digital Instrument Clusters Lighting Systems Battery Management Systems (BMS) Electronic Cards	Central System Operator Web Interface User Mobile Application
Card Design for White Goods and Other Product Groups	Electronic Cards	For Vestel Beyaz Eşya and external customers
Innovative Areas	Sensor Technologies (3B Sensor, Piezo, Ultrasonic, etc.) Wi-Fi and Li-Fi Medical Devices and e-Health Wearable Technologies Virtual & Augmented Reality and Artificial Intelligence Touch Screen Technologies Image Processing Blockchain Automotive Electronics 5G Telecommunication Products Advanced Material Technologies Micro LED Energy Conversion and Storage Solutions Smart Home Assistant 3D Printing	<p>Products developed in different fields 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</p> <p>Work realized through the companies in which Vestel Ventures has invested:</p> <p>Lazer Epilation Device: The first and only laser epilation device with image processing and optical laser technology. It differs from its competitors with its ability to perform much more painless and safe hair removal.</p> <p>Digital ECG and Holter: Mobile ECG and Holter monitor devices using the first domestic technology developed in Turkey will play an important role in the use of domestic technology by the cardiology departments, and the digitalization of the departments.</p> <p>Smart Pole: The smart pole, which was developed to provide internet connection service in an open area, derives its energy from solar panels placed on the pole. Users are offered the opportunity to charge their phones from USB ports located on the poles. With the trust circle technology offered with the smart poles, children and the elderly with ailments such as Alzheimer's are able to move freely in areas where smart poles are located. The wristbands attached to children enable instant location tracking and information on how far away they are, and allow monitoring of whether they stay in certain areas.</p> <p>Factory Cyber Security Software: Software which can detect anomalies occurring in the field of operations technology in factories and which enables precautions to be taken before an attack occurs. The software can also compile an inventory of all devices connected to the factory network and draw attention to inert and open connections.</p>

R&D at Vestel Beyaz Eşya

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

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

Vestel Beyaz Eşya's R&D expenditures amounted to 1.2% of its sales revenues in 2019.

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

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



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

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.

VESTEL R&D: VESTEL'S STAMP ON THE FUTURE

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

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

The number of registered inventions patented by Vestel Beyaz Eşya had reached 229 as of the end of 2019. Technological trends are analyzed through patent research studies and new projects are initiated. The new technologies developed are protected by patents to prevent their imitation. As such, the company has made around 426 inventions available to the sector. In addition, the patent portfolio is periodically reviewed and patents 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 transforming technology into products. In line with its sustainable development, exemplary investments are carried out by the company's competent and innovation-oriented R&D engineers together with national and international project partners by using state-of-the-art devices and systems and through collaboration with universities.

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

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

Vestel Beyaz Eşya's R&D units work with the aim of increasing the company's competitiveness in international markets by helping the company develop its own products and achieve customer satisfaction.

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

- 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 products and the production methods.

Vestel Beyaz Eşya's R&D Collaborations

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

Many of the projects carried out were realized through collaborations with universities. Intense collaborations have been made with Dokuz Eylül University and Ege University in İzmir, Sabancı University, the Middle East Technical University, Yeditepe University, the Istanbul Technical University, the İzmir

High Technology University, Katip Çelebi University, Yıldız Technical University, Muğla Sıtkı Koçman University, Uşak University, Hacettepe University, Afyon Kocatepe University and Özyeğin University.

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



VESTEL R&D: VESTEL'S STAMP ON THE FUTURE

Product Groups and Innovations

Product Group	Products/ Technologies	Specifications/Description
Refrigerator	H+ Water Dispenser (Water Dispenser with Hydrogen) Technology	By increasing the Ph value of water in water dispenser through electrolysis using H+ Water Dispenser technology, alkaline water can be dispensed with different strengths according to the user's choice and antioxidant properties can be added to the water.
	VacuumJar Technology	The VacuumJar technology allows the air in the compartment to be removed, extending the shelf life of food which is sealed with this technology. This technology will also enable bottle vacuuming.
	FermentStore (Fermentation) Technology	Fermented products are defined as products produced by the addition of natural or initiating cultures from plant and animal products. Fermented foods and beverages are produced by microorganisms and enzymes such as bacteria, yeast and fungi. About 5-40% of our total food intake, or approximately 50-400 grams per person per day, consists of fermented foods and beverages. With the increasing popularity of making fermented food at home, products such as yogurt making machines have started to appear on the market. This feature is offered in Vestel's 4-door puzzle refrigerator, which includes a fermentation compartment which has the ability to ferment seven different foods. The product also offers a number of distinctive accessories, such as lighting and display designs specific to this compartment.
	CrystaLight (UV-A and Photocatalytic Filter) Technology	When food is stored in the refrigerator, bad odour molecules, volatile organic compounds (such as ethylene) are formed and the prevalence of microorganisms increases, reducing air quality and polluting the air inside the refrigerator. With a design inspired by the cleansing effect of sunlight, the state-of-the-art special photo catalytic filter cleans the air inside the refrigerator. The special titanium dioxide (TiO ₂) coating filter is activated by UV-A light to form hydroxy radicals on the filter surface. With these hydroxy radicals, bacteria, viruses and malodour molecules are broken down into harmless molecules such as water and carbon dioxide. The CrystaLight technology was put into use in the combi refrigerator models in 2019. An independent laboratory confirmed 95% odour removal and 99.99% antibacterial properties of the product.
	Dual Control (Either Cool or Freeze) Technology	The new generation refrigerator which can be used either as a freezer or a cooler in line with the needs of the consumers. This feature, for which R&D studies were completed in 2018, is planned to be offered to consumers in the 60 cm single door refrigerator with the new generation No-Frost Multi Cooling system.
	Convert Zone (You Have the Control) Technology	This technology allows the freezer to operate as a cooler to increase the refrigerator volume in line with the needs of consumers, to be used either as a cooler or freezer and to be completely shut down when not required. This feature was brought into market for the 70 cm-wide refrigerators. R&D studies are in progress to offer this technology to users in the 84 cm double-door Top Freezer refrigerators with new generation No-Frost Multi Cooling system.

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

VESTEL R&D: VESTEL'S STAMP ON THE FUTURE

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

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Product Group	Products/ Technologies	Specifications/Description
Cooking Appliances	In-Oven LED Lighting Project with Effective Cooling System	End-users prefer the use of LED lighting in ovens as it offers more homogeneous and efficient lighting. Since LED lighting is not normally suitable for use in the oven given the high temperatures, solutions on the market require the use of special cooling systems making household ovens offering this feature more costly. Work will be carried out to develop a more homogeneous lighting system at a lower cost.
	TFT Full Touch Control Cooking Appliance with Android Operating System	With this project, smart cooking appliances will be developed, which will provide users with convenience with their various features. In addition to including all the cooking appliance features produced to date, the product will have new features thanks to the Android operating system and will be accessible to more users. With this product, which will include features such as a voice command system, disabled end-users will also be able to use the cooking appliance without assistance. This project, which involves the development of an Android-based smart cooking appliance, will also form the basis for other Android-based products to be produced under the IoT (Internet of Things) concept, and will be one of the pioneering projects to make progress in this direction.
	Cooking Appliance Design with Alternative RF Cooking Technology	This project is aimed at adding RF (Radio Frequency) cooking technology, which is not commonly used in household type products in our country, to standard cooking appliances. RF Technology offers advantages over microwave cooking thanks to its high wavelengths and is mainly used in industrial cooking. However, due to the size of the products, it is not common in household use. In the project, which will be developed jointly with Yildiz Technical University within the scope of the collaboration between industry and academia, a cooking appliance which will come in sizes suitable for household use, will be developed with RF waves which have the same cooking properties as magnetron and can be customized according to the food to be cooked. The appliance, which will be developed for the first time in our country, will provide a better cooking performance and energy savings for the end-user.
	Addition of Internet Connection Features to a Simple Controlled Built-in Oven	This project is aimed at adding an internet connection to built-in ovens with minimal properties which can be used in smart home systems, which are becoming increasingly widespread. The hardware being designed is intended to produce a built-in oven with low cost and customizable smart features.
	Development of a Range Cooker with 3 Cooking Compartments which can Work at the Same Time	With this project, a cooking appliance with three separate cooking compartments will be developed for the first time and all compartments will be able to work at the same time. In addition, a cooking configuration with 7 burners will be used for the first time, one of which being a wok burner with 4 kW of power. As this new cooker to be developed will be larger and heavier than other cooking appliances produced by the Company, it will provide new gains in terms of packaging and packaging tests.
Cooking Appliances	Domestic Wok Back Burner Design Conforming to Low Emission EN Norms	With this project, wok back burners with 3.6 kW of power will be produced locally in accordance with EN (European Standards) norms. Currently, 3.6 kW wok back burners have high emission values. The wok back burners in accordance with EN norms will be implemented in cooperation with suppliers.
	World's First Cooking Appliance in the A+++ Energy Efficiency Class	Work is underway to produce the world's most energy-efficient oven with the goal of saving energy and reducing consumption of resources. Within the scope of this project, mechanical solutions which increase thermal insulation and control software which reduce energy consumption will be developed.

VESTEL R&D: VESTEL'S STAMP ON THE FUTURE

Product Group	Products/ Technologies	Specifications/Description
Dishwasher	36 dBA Silent Built-in Dishwasher	Thanks to its high-tech sound insulation materials, improved special washing algorithms and silent inverter engine technologies, the 36 dBA built-in dishwashers are world record holders with their extra silent option.
	Dishwasher Range Suitable for the US Market	The 86 cm high tall tub dishwashers developed for the US market have started to be produced for the first time.
	CrystaLight Technology	CrystaLight dishwashers, which offer more hygienic washing with the UV technology developed in addition to the ION technology that prevents bad odours on waiting dishes, were designed.
	Comfort Tray 3rd Basket	Dishwasher basket layouts will become more user-friendly thanks to the innovative design of a 3 rd basket - the Comfort Tray - consisting of three movable parts. It is possible to place larger dishes in the upper basket thanks to the moving trays that will bring ease to the lives of users.
	Multi Holder Tray Holder	The Company developed the new Multi Holder Tray holder design, which allows the most effective washing of pans with a wide surface such as baking trays in dishwashers.
	Triple Stage Tray Top Basket	Thanks to the 3-stage height adjustment mechanism, the product range was diversified with the top basket of Triple Stage Tray, which provides wider wash areas in the lower and upper baskets.
	Sliding Door Fully Built-In Product Family	The fully built-in dishwasher family with sliding doors, which are not affected by the skirting board in the kitchens, was developed.
	Infoled 2.1 Technology	In fully built-in dishwashers, the dishwasher with the Infoled 2.1 Technology was developed that informs users of the stage of the program with red and green Led lighting.

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Product Group	Products/ Technologies	Specifications/Description
Air Conditioner- Water Heater	Easy Bill Air Conditioner	The Easy Bill Inverter air conditioner warns users of their quota. With this system, which can work in integration with Vestel's Mind of the Home application, consumers are informed of approximately how much electricity they have consumed in TL terms.
	Voice Controlled Air Conditioner	Air conditioners, all functions of which can be controlled by voice command, offer users the advantage of ease of use with maximum comfort. This project is also a social responsibility project for visually impaired individuals.
	Air Conditioners with New Generation Ionizer Technology	Developed with the aim of improving air quality, this system has the ability to emit positive and negative ions without consuming electricity.
	Air Conditioners with Microbial Gel Filter	The "Filtron F5" gel air filter system provides microbial purifying with the world's highest performance. It eliminates odours in the environment, filters out particles and improves hygiene conditions. It is environmentally-friendly and does not contain any harmful chemicals.
	7000 BTU Inverter Air Conditioner and On-Off Outdoor Unit Project	7000 BTU products offering competitive prices in air conditioning for 10-15 m ² areas will be offered to the market in 2020 due to the shrinkage of living spaces and the increase in prices of air conditioners in parallel with the economic developments.
	Multi Inverter Air Conditioner	The Multi Inverter air conditioner product family was developed with 27,000 BTU capacity with 3 indoor units and 18,000 BTU capacity with 2 indoor units.
	Air Conditioner operating in Extreme Conditions	An air conditioning unit with the ability to operate in very hot outdoor environments (+60°C) thanks to the effective cooling of the outdoor unit inverter control card and necessary equipment improvement.
	Bottom Controlled Water Heaters	In line with the goal of increasing domestic and international product diversity and energy efficiency, bottom adjustable water heater will be added to the product range, which will also include smart applications.
	New Square Water Heater Project	Low cost square water heater design suitable for the aesthetic needs of the market

TURKEY'S LEADING EXPORTER IN THE ELECTRONICS SECTOR, VESTEL REALIZES ITS SALES IN INTERNATIONAL MARKETS THROUGH ITS STRONG INTERNATIONAL SALES NETWORK, WHILE STANDING OUT WITH ITS MULTI-CHANNEL ORGANIZATION IN THE DOMESTIC MARKET.



NEW HORIZONS IN CUSTOMER EXPERIENCE

As the unwavering export leader in the electronics sector, Vestel realizes its sales in international markets through its strong international sales network while attracting attention with its multi-channel organization in the domestic market. Consistently carrying its ambition in retailing forward with its store concept and innovative approaches to sales and after-sales services in the domestic market, Vestel goes beyond expectations to open up new horizons in customer experience.

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 the customer portfolio to which it provides ODM services, Vestel also aims to increase brand penetration and market share in foreign markets with the regional brands acquired in Europe and the global brands held under the brand licensing agreements.

In line with its profitable growth strategy, Vestel is increasing the share of mid- to 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 the 10 foreign trade companies owned by its wholly-owned subsidiary Vestel Ticaret AŞ ("Vestel Ticaret"). The Company's 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 household appliances for the European market under the brand licensing agreement signed in September 2014. As of January 1, 2015, Vestel Ticaret became the exclusive distributor of Sharp branded household appliances in Europe, which are

THE BRAND LICENSING AGREEMENT WITH SHARP, WHICH IS VALID UNTIL THE END OF 2024, WAS EXPANDED TO INCLUDE SMART PRODUCTS.

manufactured at Vestel Beyaz Eşya's plants and at the Sharp Corporation's plants in Asia. Vestel expanded the range of Sharp's products for the European market with washing machines, dishwashers, cooking appliances and tumble dryers developed exclusively for the Sharp brand. Under Vestel's strong management, Sharp has started to be recognized as a household appliances brand in Europe.

While Vestel has been strengthening its presence in the European market with Sharp-branded product sales, the Sharp brand has captured a visible market share in some European countries thanks to the high double-digit growth rates realized in the past 5 years. The scope of the brand licensing agreement signed with the Sharp Corporation, which is valid until the end of 2024, was expanded in 2019 to include the development of a family of smart products for the product range of six white goods (refrigerators, washing machines, dishwashers, electric ovens, tumble dryers and wall type split air conditioning units) for the European market. Under the expanded agreement, Vestel aims to reach EUR 300 million in sales revenues from the sale of Sharp-branded products by 2024.

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. The Toshiba branded TV sales, which gained significant momentum from the second half of 2017 with the completion of the product range, sustained their growth trend in 2019 and Vestel reached

NEW HORIZONS IN CUSTOMER EXPERIENCE

a notable market share in the European TV market with the Toshiba brand in as little as 3 years. In the UK, one of Vestel's most important export markets, a double-digit market share was achieved with the Toshiba brand. As growth under Toshiba brand is mainly driven by the sale of upper segment products such as Smart TVs and UHD TVs, this cooperation also has a positive impact on the Company's profitability.

Vestel maintains its rapid growth trend in the Eastern European market and also exports to other regions such as Australia, India, Africa, the Middle East, Oceania and South America, in addition to its main market Europe. The Company unwaveringly maintains its efforts to widen its range of export destinations in order to capitalize 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 diversified product portfolio with advanced technology and high quality, along with its experience in the multi-brand concept, is complemented by Vestel Ticaret's strong distribution network, which transforms into an important competitive advantage.

Vestel reaches a wide range of customers in the domestic market through Vestel Ticaret's domestic sales organization, which comprises 976 Vestel stores, 886 Regal sales points (of which 245 are exclusive Regal dealers), 9 Vs Outlets and online sales stores (e-magaza, vsoutlet.com.tr and regal-tr.com) as well as through household stores, technology retailers,

hypermarkets and e-commerce sites. Vestel also offers turnkey solutions for the project needs of corporate customers through Vestel Proje Ortağı.

In addition to the physical distribution network, Vestel, as the first consumer durables brand to sell products on the internet, also reaches consumers through its online store, at emagaza.vestel.com.tr. The website, where all Vestel products are offered for sale in a virtual environment, stands out with its user-friendly design. Periodic campaigns and promotions on the online store ensure sustained interest from consumers. In the virtual environment, products are also sold over vsoutlet.com.tr and regal-tr.com, where Regal branded products are offered for sale.

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

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

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

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

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



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

The Driving Force of Development in Retail: the Vestel Retail Academy

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

In addition to these training programs, the VRA initiated modular Leader and Effective Team Player Training programs for Vestel's white collar employees in conjunction with Sabancı University, Bilgi University and Boğaziçi University.

The "Sales Camp" program, a five-day training program for store employees, continues to be implemented. In addition, training programs were organized for students who had carried out internships within Zorlu Holding during the summer of 2019.

The VRA opened 125 classes during the year. A total of 38 different training programs were provided to 1,573 employees working in the Head Office, the dealer channel and other companies within Zorlu Holding, with 17,990 person hours of training provided.

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



CAFÉ VESTO, WHICH REINFORCES VESTEL'S "PROUDLY DOMESTIC" THEME, OFFERS VISITORS A WIDE RANGE OF DISHES WITH A LOCAL ZEST.

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

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

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Continuously Raising Vestel's Customer Promise in After-Sales Services

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

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

Having proven its success with top prizes in the world and held up as an example in its sector in Turkey, 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 and solution 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 which set the company apart. On the other hand, efforts are taken to ensure that the communication process is not robotic.

The Vestel Call Center provides call center services not only for the Vestel brand, but also for Zorlu PSM, Vestel Germany, V-installment, Zorlu Textile and the Zorlu switchboard. The Vestel Call Center has once again affirmed that it meets EU standards in many critical areas such as accessibility, customer and employee satisfaction, quality and data management with the ISO 18295-1 Customer Services Quality Certificate, which it was awarded in March 2019.

The technical teams working in coordination with the production plants take actions 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.



THE FEMALE TECHNICIANS PROJECT BEGAN IN MARCH 2019 WITH THE PARTICIPATION OF VOLUNTEERS AMONG WOMEN EMPLOYEES WHO WORK AS SPECIALIST CUSTOMER REPRESENTATIVES IN THE AUTHORIZED SERVICE PROVIDERS.

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.

Five 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.

Projects of Distinction from Vestel Customer Services

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

The project has the following objectives:

- To raise the quality of work and customer satisfaction by employing women as assembly technicians at authorized service providers,
- To attract female technicians, which are rare in the sector,
- To contribute to the employment of women.



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

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

There is a Solution: The solution portal "There is a Solution to Everything Here" (Burada Her Şeyin Bi Çözümü Var) is a website project which includes all the information and solution contents offered to customers. Through this website, customers can solve the problems they face in the products by themselves, access to information and solution videos and user manuals for the products, and create a request for breakdown and assembly 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 contents in the project website for the field personnel and the Vestel Customer Services.

The Vestel Service Academy

In order to provide a flawless experience in after-sales services, the Vestel Service Academy has been operating since 2012 within the Vestel Customer Services for regular and continuous training and development of all service teams such as authorized service technicians, customer representatives and authorized service center managers. The Academy provides 18,000 person-days of training per year in a wide array of educational modules through various training methods, including digital and live broadcasting. The Vestel Service Academy, which has won a wide array of 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 meet international standards.





Vestel's Corporate Brand and Communication Strategy

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

The elements that shape this concept are to make people's lives easier with the products manufactured by Vestel, Turkey's domestic brand producing high-tech to world standards, its wish to bring state-of-the-art technology into every home and to provide the best to consumers with the products it manufactures. Its goal in this direction is 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 6 years ago. While the product categories that were already good were strengthened further, the success of the communication campaign was reinforced with the effect of holistic communication.

With an awareness of the tremendous role that women play in the cycle of production, sales and after-sales services and in achieving high customer satisfaction, in 2017, Vestel brought women, who are a cornerstone of the Company's success, to the heart of its communication, and thus expressed its gratitude to them. This means of communication, supported in 2018 and 2019, will also be reinforced in 2020.

The 3-year shirt sponsorship signed with Trabzonspor in August 2019, the sponsorship of the Presidential Cycling Tour, a key international sporting event for Turkey, the sponsorship of the Women's Volleyball League, which is the branch of team sports where our country is most successful in the international arena, are Vestel's most important sponsorship projects which Vestel communicates to add value to the brand. Moreover, e-sports has an important place in Vestel's vision to reach young people who may not currently look like the Company's target users but who are the consumers of the future.

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

Vestel will continue to set itself apart and build on the momentum it has achieved in its communication and advertising efforts in 2020. The Company will continue to put technology at the heart of its message in its communication efforts. It will further advance its communication focused on women, as carried out in 2018 and 2019, in 2020 with the theme of the Dream Factory.

Efforts are being carried out to implement projects which will lead the sector in the field of the Internet of Things in 2020. In order to promote the retail sector, the focus will turn to different projects and innovations which put experience at the core, as well as to new work in the field of sharing economy. Designed as a project to draw on the combined strengths of Zorlu Group and Vestel's domestic technology, Vestel Proje Ortaçım brings ease to people's lives, aiming to provide result-oriented and effective solutions to customers through innovative products in various fields.

VESTEL PROJE ORTAĞIM (MY VESTEL PROJECT PARTNER)



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 with its expert teams.

Vestel Proje Ortağım aims to provide the most appropriate turnkey solutions starting from the design, in order to attain 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 of product mix offered for hotel and construction projects.

VESTEL PROJE ORTAĞIM AIMS TO PROVIDE THE MOST APPROPRIATE SOLUTIONS FOR ALL NEEDS STARTING FROM THE DESIGN PHASE TO ENSURE THE HIGHEST LEVELS OF TECHNOLOGY IN BOTH PUBLIC AND PRIVATE SECTOR PROJECTS.

Identifying needs fully by responding to customers on a timely basis with its team of specialists, Vestel Proje Ortağım is able to change the design characteristics such as color, size and logo, as well as the project-specific software and technical specifications of its products in hotel and construction projects, in line with the special requests of customers.

In addition to freestanding household appliances 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. The Vestel built-in sets, which add elegance to the kitchens in construction projects, are used in many flagship projects.

In 2019, Vestel products were used in flagship hotel projects such as the Antalya Titanic Mardan Palace Hotel, the Rixos Hotel, the Side Royal Palace Hotel, the Erzincan İsos Hotel, the Bodrum Müskebi Hotel, the Titanic Belek Hotel, the Kırclar Hotel, the Armonia Hotel, the Topkapı Wyndham Hotel, the Ankara Rox Hotel and the Van Ramada Hotel.

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Many different product groups including TVs and household appliances were provided as a package solution for the needs in flagship housing projects including Batıkent Nevadium, the 3rd Istanbul ASAFIO, the TEM Eurasia Housing Complex & Başakcity Boutique Fuzul Construction, Babacan Premium, İhlas Armutlu, Liv Marmara, Kök Residence, Park Maveria, Konya Kivılcım Apart and the Konya Ünlü Residence.

VESTEL DIGITAL DISPLAY SOLUTIONS OFFERS TECHNOLOGICAL SOLUTIONS IN ACCORDANCE WITH SECTORAL NEEDS WITH ITS PRODUCTS SUCH AS THE INTERACTIVE LED SMART BOARD, THE VIDEO WALL, INFORMATION SCREENS, THE LED WALL, TOTEM AND THE OFFICE BOARD.

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 Digital Display Solutions 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.



VESTEL PROJE ORTAĞIM (MY VESTEL PROJECT PARTNER)

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 Digital Display Solutions also provides digital display products for large food and fast-food chains. Product sales in this area have gained momentum with the expansion in customers' businesses.

In addition to the food industry, deals were made for the sale of digital display products to other industries. Within the scope of 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 within the company for advertising and promotion purposes. Furthermore, Vestel Videowall was used to display news on a private economy news TV channel. Vestel digital screens were also preferred in the first E-sports Arena established in Turkey.

Vestel flight information screens are used in the new Istanbul Airport, in what has been one of the biggest projects undertaken by Vestel Digital Display Solutions.

The flight information screens were especially designed to bring ease to passengers, and are positioned at the entrance of the airport, the waiting areas, the check-in counters, the gates and the common areas of the airport.

In 2019, many institutions such as İstek Schools, Bilfen Schools, MEF University, the Istanbul Technical University, Yeditepe University and Mars Cinemas, the E-sports Arena, the Torium Shopping Mall and İpekyol Twins chose Vestel digital display products for their projects.

VESTEL FLIGHT INFORMATION SCREENS ARE USED IN THE NEW ISTANBUL AIRPORT AS ONE OF THE BIGGEST PROJECTS OF VESTEL DIGITAL DISPLAY SOLUTIONS.



LED Lighting Products

Offering energy efficient solutions in the street, industrial, field and hotel 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 2019.

In industrial lighting product groups, in addition to the existing products, product development was completed and the product range was expanded in sports and field lighting in line with the market needs. The Highbay halogen fixtures offer innovative

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solutions in high ceiling lighting, which is suitable for use in production facilities and warehouses with its aesthetic design and easy-to-install structure.

The Sardes street fixture, which offers 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 closely monitors the LED Conversion Project developed to replace the conventional street lighting fixtures used on roads and streets in Turkey, and 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 for road and street lighting are expected to be replaced with LED lighting in the coming years.



In 2019, companies such as Uşak OIZ, İskan Enerji, Sudesan, Borusan Mannesmann, Akso Elektrik, Tatmetal and Karsan all chose Vestel LED lighting products in their various projects.

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 acclimatization field in 2015 with its VRF air conditioning systems, Vestel undertook many important flagship projects, in addition to providing the air conditioning for the entire Vestel City.



VESTEL PROJE ORTAĞIM (MY VESTEL PROJECT PARTNER)

In addition to its complete product range 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 their premium features and service quality.

Within the scope of the Hacettepe University Adult Hospital Restoration Project, the Vestel VRF systems were selected in the re-opened building. With over 250 channel type internal units and 24 V5 X outdoor units, comfortable air was provided to doctors, patients and patients' relatives. The project is one of the most important health investments to have been carried out in Ankara in recent years.

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.

The Vestel V4+R series were 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 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 Vestel.



VESTEL VENTURES

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 world 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".

In addition to its strong position in the domestic market, with its exports to 156 countries and its extensive sales and marketing network in foreign markets, Vestel provides a significant contribution to entrepreneurs opening up to international markets. These innovative venture companies (start-ups) which Vestel Ventures invests in can bring their unique products, which they produce with the state-of-the-art technologies, to new users by drawing on the power of Vestel's sales network. The products, which are introduced to consumers in Vestel sales points throughout Turkey and in many parts of the world, allow the ventures to achieve sales success more rapidly. Thanks to this cooperation, Vestel is able to offer successful and innovative products which attract attention in different sectors to its customers who are already familiar with Vestel's quality and technology.

In addition to its product diversity, Vestel brings the start-ups which have received investment from Vestel Ventures and the Group companies together, thereby allowing the establishment of new business lines through the speed and agility of these start-up companies. Vestel Ventures has been a key component of the entrepreneurship ecosystem since its inception, having had the opportunity to meet thousands of entrepreneurs during the events and meetings in which it participated, and has remained in touch with some of these entrepreneurs. Through these start-ups which Vestel Ventures has invested in, Vestel is stepping into new areas of operation.

The experience gained in these different sectors expands Vestel's experience pool and facilitates the transition to new opportunities. Learning by adapting the start-ups' method of doing business to corporate life, Vestel brings more creative work to fruition in a shorter space of time and develops the process for designing new business models within itself.



VESTEL VENTURES WAS FOUNDED IN 2015 BY VESTEL ELEKTRONİK IN ORDER TO SUPPORT NEW VENTURES AND ADD NEW AREAS OF BUSINESS TO VESTEL.

Vestel Ventures also plays a role in opening doors to entrepreneurs so they can meet and collaborate with Zorlu Holding companies. The work to be developed as a result of these collaborations contributes to Vestel's intellectual property rights and paves the way for the generation of ideas to improve the patent pool. In addition, Vestel Ventures' innovation coefficient is increasing through its platform which it designed for the ventures which it has invested in, as well as through the other innovation-driven ventures which it remains in communication with. In the course of this work, Vestel builds close relationships with the human resources in the start-ups, which Vestel Ventures invests in as well as at those which are not included in Vestel Ventures' portfolio.

The creative and highly entrepreneurial individuals working in these ventures, which develop with Vestel's leverage, have the opportunity to work with Vestel employees in this process. This synergy gives rise to a cultural interaction between the entrepreneurs and Vestel employees.

VESTEL VENTURES

The Vestel teams, who are experts in their fields, share their experience with the entrepreneurs, enabling the ventures to achieve success in a short space of time. In return, the Vestel teams adopt the entrepreneurs' creative, innovative and highly motivated entrepreneurial spirit which is constantly pushing the boundaries. Vestel employees positively reflect this motivation - a result of this joint work - to the corporate culture.

Vestel Ventures works with the teams engaged in these ventures from the moment it invests in them in order to help them achieve commercial success. Vestel Ventures offers the R&D, manufacturing, marketing, distribution, sales channels, design power, business network and management experience of Vestel to entrepreneurs as a strategic partner so that entrepreneurs can channel their focus into their projects. In addition, Vestel offers mediation to help entrepreneurs access funds through its experience of state-sponsored grant funds in Turkey and the network of venture capital funds in Europe and America. Entrepreneurs receive guidance of intellectual property rights in Turkey and abroad, with support for research and applications provided where necessary. Solutions are found to solve the problems faced by the entrepreneurs through consultancy where there is such a need, and entrepreneurs are guided in their marketing and branding efforts in international fairs and exhibitions. Vestel offers support to successful ideas in helping them expand beyond Turkey's borders. Vestel also deploys its means to provide know-how support to entrepreneurs through academics, industrial experts and international consultants, with whom Vestel has had the opportunity to work in all regions of the world and which are the best in their fields.

Supported Projects

Aiming to use the leverage of Vestel and Zorlu in transforming technologies which bring new freedom to life and which aim for efficiency into products, Vestel Ventures provides support for entrepreneurs' investments in the fields of the Internet of Things, smart city, smart home and smart factories, materials, energy, battery technologies and innovative devices.

Vestel Ventures supports initiatives which will stand out and will generate significant value for Vestel or consumers. As an arena of ideas where innovative technologies come together, Vestel Ventures aims to contribute to Vestel's global competitive clout through the companies it invests in, by expanding the technological potential in the entrepreneurial ecosystem. To this end, as of the end of 2019, Vestel Ventures had invested in a total of 17 ventures in Turkey and abroad in the fields of energy, health, bioplastics, mobile apps, AR/VR (Virtual & Augmented Reality) technologies, smart city applications, cyber security and customer services.



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META NİKEL KOBALT MADENCİLİK (META NICKEL COBALT MINING)



Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ (META), which engages in nickel-cobalt mining, undertakes mine exploration, production, export, R&D and investment activities to bring Turkey's nickel potential to the economy. Using the latest technological facilities, META is confidently progressing towards its goal of becoming the largest producer in its field with a high level of efficiency.

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 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.

META IS PRESSING AHEAD TO BECOME THE LARGEST PRODUCER IN ITS FIELD WITH THE GOAL OF HIGH EFFICIENCY.

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.

META NİKEL KOBALT MADENCİLİK (META NICKEL COBALT MINING)



The 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. Due to the planned downtime realized in 2019, the Gördes plant operated for 138 days and produced 2,175 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.

With the power it will create by fusing Zorlu Holding's industrialist and investor identity with R&D and innovation and by increasing the added value of its production by converting concentrated nickel and cobalt product into different metal forms, META aims to contribute to efforts towards lowering Turkey's current account deficit in the medium term. The company aims to produce its own input and maximize its energy efficiency by recovering the inert heat energy with the new auxiliary and combined facilities to be built and help reduce Turkey's dependency on imports by producing on a domestic and national basis.

Nickel is mainly used in the stainless steel industry, in corrosion resistant alloys, and in the armour coating and defense industries. Today, the batteries used in electric vehicles and energy storage systems mainly consist of nickel and cobalt elements. In studies conducted with the aim of increasing battery life with the developing technology, it has been determined that prolonged battery life can be achieved with the increased use of nickel in the composition. Demand for nickel is set to accelerate going forward with the gradual increase in the use of nickel in battery and energy storage systems.

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.
- Uses digital systems and computer supported programs to minimize losses in production.
- Employs fully mechanized systems, which are followed by the expert teams with the aim of achieving 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 m³ 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.

Work to establish the ISO 9001 Quality Management System, the ISO 14001 Environmental Management System and the ISO 45001 Occupational Health and Safety Management System is continuing. The certification process is planned to be completed in 2020.

Analysis Laboratory and R&D

The analysis laboratories within META carry out their activities in an enclosed area of approximately 600 sqm with fully equipped device 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, Istanbul University and the Celal Bayar University, META crowned its activities in the field of new generation mining in Turkey with the “R&D Center” Certificate obtained in March 2018.

THE ANALYSIS LABORATORIES WITHIN META CARRY OUT THEIR ACTIVITIES IN AN ENCLOSED AREA OF NEARLY 600 SQM WITH FULLY EQUIPPED DEVICE INFRASTRUCTURE AND COMPETENT PERSONNEL.



Improvement activities and research studies to increase the efficiency of the production facility in Gördes also continued in 2019. Within this context, activities aimed at cutting costs were carried out in addition to the R&D studies to obtain end products.

Work continued to increase the number of working days and extend the operational life of machinery and equipment in cooperation with TUBITAK and universities with a target of reaching full capacity production in the coming years, following the completion of the improvements planned in the areas of ore preparation, water treatment and waste storage reservoir.

META NİKEL KOBALT MADENCİLİK (META NICKEL COBALT MINING)



AT META, SUSTAINABILITY ACTIVITIES ARE CONTINUING UNDER THE COORDINATION OF THE WORKING GROUPS.

The R&D studies planned in order to achieve full capacity production and new products, and the investment projects planned are as follows:

- Construction of a Nickel and Cobalt Sulphate Facility for the production of nickel and cobalt sulphates from MHP (intermediate product), which are used as main raw materials in lithium ion batteries,
- Investment for a Sulphuric Acid Plant with an annual capacity of 750,000 tonnes, to reduce the cost of sulphuric acid and to prevent environmental impacts,
- Planned as a second phase investment, construction of a new facility for the production of MHP (additional 10,000 tonnes of Ni - Metal Equivalent) and nickel and cobalt sulfates,
- Studies for waste reduction and waste recovery.

META supports and participates in the work undertaken by Zorlu Holding in the field of gender equality. The decisions taken in these studies are shared with the senior management with the aim of raising awareness within the company.

In this context, while recommendations are offered to increase the number of female employees at all levels, opportunities are investigated to meet the needs of female employees.

META, which is actively involved in social responsibility projects, extended support to the Sparks (Kıvılcıklar) Movement in 2019 with 57 employees providing a total of 401 hours of participation. In this way, the goal of volunteer working hours per person was achieved.

SUSTAINABILITY WORK AT META

At META, sustainability activities are carried out in coordination with the “Employees”, “R&D and Innovation” and “Environment” working groups.

The Employees Working Group

META, which prioritizes the establishment of a safe and healthy work environment in accordance with the sector in which it operates, attaches importance to managing the potential impacts of the risks in its facilities on its stakeholders. With this in mind, the company presses ahead with the ISO 45001 certification process, and targets a zero work accident rate with its work within the scope of this process.

The R&D and Innovation Working Group

Having established Turkey’s first Nickel-Cobalt Processing Plant in Gördes, Manisa, META contributes to the development of R&D and technology-based mining activities in Turkey. META, which also has the first and only R&D center in the mining sector, carries out important collaborations with many national and international technology institutions and universities.

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In the field of R&D, studies are carried out on solving problems in production processes, reducing production costs, expanding the product range, producing raw materials for high-tech products and developing cathode raw materials for batteries. In this context, the company applied to TUBITAK with two projects, and the project of “Cobalt Sulfate Production from MHP (Mixed Hydroxide Precipitate), an Intermediate Product Produced from the Gördes Lateritic Ore by Solvent Extraction Method” was found eligible for support.

The Environmental Working Group

META, which continues its work to obtain the ISO 14001 Environmental Management System certification, implemented the first phase of the “Waste Water Recovery Project”

developed for water recovery and waste reduction. With this project, the company pumps about 1.8 million m³ of the water accumulated in the waste reservoir to the facility and allows water to be used for a second time, thus extracting less water from nature.

Other components of the Waste Water Recovery Project, which is an integrated project, are the Waste Dehydration and Waste Water Treatment Plant investments. These investments have been completed and testing activities are ongoing. With the commissioning of all facilities, the company aims to reduce the volume of water extracted from nature to zero by meeting all the water needs (2.4 million m³ per year) from these facilities in 2020.



VESTEL SAVUNMA (VESTEL DEFENCE)



UNMANNED AERIAL VEHICLE (UAV) SYSTEMS PROJECTS

Increased Capabilities of Karayel UAV System

With the awareness that demand for UAVs will increase further in the future, Vestel Savunma Sanayi AŞ (Vestel Savunma) continued its work to expand the areas of use for the KARAYEL UAV System in 2019. In this context, the integration of various useful payloads and latest technology sub-systems into the KARAYEL UAV System was realized. The total flight duration of the Vestel Savunma Unmanned Aerial Vehicle Systems, which were added new capabilities, has exceeded 20,000 hours.

Sales and Marketing Activities

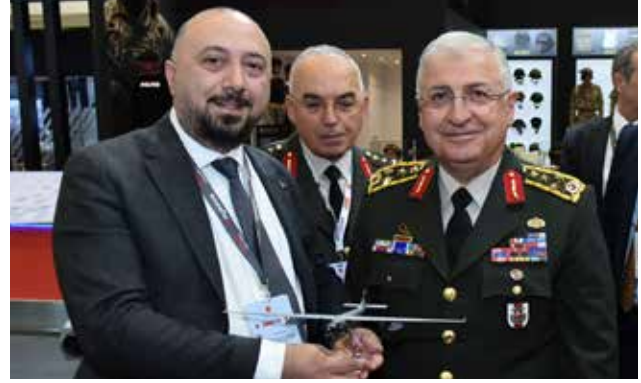
Vestel Savunma increased its sales and marketing activities for the Karayel UAV System in international markets, mainly in the Far East and the Middle East. The company participated in a wide array of domestic and international events in 2019 for the promotion of its UAV systems and Fuel Cell technologies.

In line with the goal of entry into new markets, the company participated in the region's largest defence industry fair held in Rio De Janeiro, Brazil, thus taking the first step into the South American market. In addition to the promotion and marketing activities abroad, the company also participated in an array of activities in Turkey.

Vestel Savunma displayed a large exhibit at IDEF'19, which is one of the most important fairs in the Turkish defense industry, where it showcased its work in the field of Hydrogen and Fuel Cell technologies and the project outputs along with the renewed KARAYEL I SU with its state-of-the-art systems integrated into it. Promotion and marketing activities were carried out to all state institutions and organizations and to the delegations from foreign countries participating in the fair.

In 2019, Vestel Savunma carried out product development and R&D studies for UAV systems and Fuel Cell Technologies in accordance with the demands received from relevant institutions and organizations at home and abroad and continued to carry out its sales and marketing activities.

THE TOTAL FLIGHT DURATION OF VESTEL SAVUNMA'S UNMANNED AERIAL VEHICLE SYSTEMS, WHICH WERE ADDED NEW CAPABILITIES, EXCEEDED 20,000 HOURS.



New UAV System Development Activities

In the field of Unmanned Systems, which is Vestel Savunma's field of speciality, Vestel Savunma continues its design and development activities in different classes and systems. The first test flights of the newly developed UAV system were performed successfully in 2019.

At the same time, work continued on the design, manufacture and development of the UAV with vertical landing and take off capability and high load carrying capacity during the year.

New Business Areas

In 2019, studies got underway in the fields of Advanced Imaging Systems, Electro-Optical Systems, Border Security and Mobile Health with the aim of transferring the capabilities which Vestel Savunma developed from the systems and technologies it has designed, developed and produced in the defense industry to different sectors.

Vestel Savunma Wins Export Award

At the 30th Annual General Meeting and Defense Industry Award Ceremony organized by the Association of Defense and Aerospace Industry Manufacturers (SaSaD), Vestel Savunma achieved a great success by winning the First Prize in the category of "Highest Export Revenues (SMEs)."

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.

In 2019, the number of projects in the R&D Center was stepped up. The number of personnel working in the R&D Center reached 1,352 in 2019, increasing 4% yoy. The number of employees holding a Bachelor's degree or higher qualification also increased, accounting for 72% of the R&D personnel.

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

Intellectual Property Rights and Patents

Vestel Savunma had submitted 12 patent applications and held 9 registered patents as of the end of 2018 and continued to submit new patent applications in 2019. The R&D Center continues to carry out work to develop a performance and award system for the utilization of patentable ideas.

Work on Hydrogen and Fuel Cell Technologies

In 2019, Vestel Savunma continued its work on the use of fuel cells in mini UAVs. In addition, R&D work continues on the development of fuel cells capable of generating the high power levels needed for underwater platforms in the defense industry.

Within the framework of these studies, in 2019, the “Solid Oxide Fuel Cell Prototype Development for Domestic Use” project, using internal resources, was completed and many subcomponents were developed to meet both the need for heat and power in homes. At the same time, the “Development of Sodium Boron Hydride Hydrolysis Catalysts and Hydrogen Production System for Use in Fuel Cell” project, also using internal resources, was completed and different reactors and catalysts were developed. The project is aimed at obtaining hydrogen from sodium boron hydride which can be deployed in portable applications, and be used in the PEM (Proton Exchange Membrane) fuel cell. In order to reuse sodium metaborate, which is a waste compound produced from the use of Sodium Boron Hydride, the “Electrochemical Synthesis of Sodium Boron Hydride” project was completed in 2019, again using internal resources.



IN 2019, VESTEL SAVUNMA CONTINUED ITS WORK ON THE USE OF FUEL CELLS IN MINI UAVs.

Collaborations between Industry and Academia, and between Industries

Vestel Savunma cooperates with various universities and industrial organizations in the fields of unmanned air vehicles, fuel cells, hydrogen technologies and electronics R&D. In this context, in addition to the studies conducted with the Niğde Ömer Halisdemir University, the company has initiated collaborative work with Turkey's many leading universities in 2019.

Vestel Savunma Wins Award from YÖK (Council of Higher Education) in Industry-Academia Collaboration Category

Vestel Savunma's collaborations with the Niğde Ömer Halisdemir University in the field of Hydrogen and Fuel Cell Technologies received recognition with the “Council of Higher Education Superior Achievement” Award in the University-Academia Collaboration category.

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VESTEL SAVUNMA COOPERATES WITH VARIOUS UNIVERSITIES AND INDUSTRIAL ORGANIZATIONS IN THE FIELDS OF UNMANNED AIRCRAFT, FUEL CELLS, HYDROGEN TECHNOLOGIES AND ELECTRONICS R&D.



AYESAŞ

New Products

While advancing its activities 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, the company continues its original development of 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 Systems for air platforms.

AYESAŞ has taken responsibility for the design, hardware and manufacture of the Digital Engine Control System, which is of critical importance, within the scope of Turboshift Engine Development Project, and is a source of great pride for Turkey, thanks to its experience built over the years.

At the same time, in 2019, domestic design and production planning activities started on avionics systems such as screen technologies which can be used in the National Combat Aircraft Project.

Export Activities

In addition to exporting directly to defence and aerospace giants, AYESAŞ has scored an important success as the first Turkish defence company to win orders from the NATO Communications Information Agency. Aiming to consolidate its export efforts through collaborations, AYESAŞ maintains its business development activities abroad, especially with the US and European companies.

Export Honorary Award

In 2019, AYESAŞ was awarded the “Export Honorary Award” by being placed among the highest rankings in the list, where the Turkish Electrical and Electronics Exporters Association evaluates the performances of exporters every year.

AYESAŞ WAS AWARDED FIRST PRIZE IN THE “TURKEY BASED PRODUCER - VARIOUS HARDWARE” CATEGORY AT THE IT-500 2019 AWARDS CEREMONY.

First Prize for Sectoral Use of IT

In the IT-500 (Bilişim 500) Survey, AYESAŞ was awarded the “First Prize” in the “Turkey-Based Producer - Various Hardware” category at the IT-500 2019 Awards Ceremony.

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 the fairs.

Through participation in various events, AYESAŞ Critical System Solutions and products were promoted in the domestic and international arena in 2019.

As part of its search for new markets, the company participated in the region’s largest defense industry fair held in Rio de Janeiro in Brazil, taking the first step into the South American market. In addition to promotion and marketing activities abroad, the company also participated in various events in Turkey.

AYESAŞ showcased a large exhibit at the IDEF’19, which is one of the most important fairs in the Turkish defense industry, introducing all of its business areas at its stand and attracting wide participation. Promotion and marketing activities were carried out to all state institutions and organizations and to the delegations from foreign countries participating in the fair. Many cooperation agreements were also signed at the fair.

STRATEGIC PARTNERSHIPS AND COLLABORATION AGREEMENTS

Trilateral Cooperation for Turkey's Automobile and Military Ground Vehicles

Drawing on its past experience and expertise, AYESAŞ, Vestel and Havelsan signed a trilateral agreement of cooperation at the IDEF'19 on 1 May 2019 to develop Advanced Driver Assistance Systems (ADAS) for Turkey's Automobile and Military Ground Vehicles and the positioning and mapping systems for autonomous driving systems. In this context, joint efforts will be undertaken to apply the technologies, which will be developed under the signed Memorandum of Understanding, for the domestic car project, which is expected to contribute greatly to our country's industrial development as well as for the military ground vehicles.

Cooperation Agreement for Digital Engine Control System Development

In November 2019, AYESAŞ signed a cooperation agreement with TUSAŞ Motor Sanayii AŞ (TEI), the leading company in the Turkish aerospace engine industry, for the development of the Digital Engine Control System (DECS). The design, hardware

and manufacture of the Digital Engine Control System will be developed by AYESAŞ as the leading critical systems supplier of the Turkish defence and aerospace sector. The DECS is a critically important component of the Turboshift Engine Development Project. As a national project to be developed with domestic means for the first time, the Digital Engine Control System Project, which will play a crucial role in reducing external dependency in the production of aviation engines, is a great source of pride for AYESAŞ.

R&D Studies and Realized R&D Projects

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





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.

SUSTAINABILITY AND VESTEL

SUSTAINABILITY MANAGEMENT AND ORGANIZATION

Sustainability Approach and Strategy

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 hold world records with their energy efficiency and water conservation, Vestel mitigates the environmental impacts of its operations through its 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 manages its sustainability strategy with targets in line with the "Smart Life 2030" sustainability approach adopted by Zorlu Holding and Zorlu Group companies, which is focused on the United Nations Sustainable Development Goals for 2030.

The Smart Life 2030 aims to provide concrete long-term and measurable solutions to global economic, environmental and social problems.

VESTEL ELEKTRONİK QUALIFIED FOR INCLUSION IN THE BIST SUSTAINABILITY INDEX FOR THE FIFTH TIME ON 1 NOVEMBER 2019.

The Company places sustainability at the heart of its growth and common value creation process, in line with its business strategy, which is focused on technology and development of innovative solutions, by taking care of all the stakeholders and the sphere of influence of Zorlu Group.

Vestel is included in the BIST Sustainability Index

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 November 2, 2015. Having been listed in the BIST Sustainability Index for four periods, Vestel Elektronik qualified for inclusion in the index for a fifth time with effect from November 1, 2019 thanks to its continued compliance with the index criteria.

Vestel Elektronik's subsidiary, Vestel Beyaz Eşya, was voluntarily included in the BIST Sustainability Index for the first time in November 2016. Having been listed in the index for three periods and maintaining its compliance with the index criteria in 2019, Vestel Beyaz Eşya will be voluntarily included in the BIST Sustainability Index in the November 2019 - October 2020 period as well.

SUSTAINABILITY AND VESTEL

CORPORATE DEVELOPMENT AND HUMAN RESOURCES

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 3 main organizations including the Industrial Relations Directorate, the Recruitment and Talent Management Directorate and the Training and Development Directorate. The head of Zorlu Holding Human Resources Group also sits on the Executive Board of the Vestel Group of Companies. As such, continuity is ensured in providing information to senior management on all kinds of issues related to the employees.

Vestel is aware that a qualified workforce is the most important factor for maintaining and improving its technological superiority and leadership in design in addition to providing quality customer services. 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.

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.

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.

In 2018, rotation practice has been put in place to help employees expand their knowledge, skills and experience and achieve their career targets by gaining experience in different roles and companies.



This practice 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.

The rotation request process continued in 2019, and requests for rotation were collected online from employees in September. Following the necessary assessments and managerial approvals, rotations were planned according to the department, division and staff availability to be implemented in 2020.

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 senior management level in the Company in order to set the foundation for the Human Resources Policy and to implement it effectively.

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

HUMAN RESOURCES PRACTICES ARE SHAPED BY THE PRINCIPLES OF INCREASING THE SENSE OF BELONGING, INTERNALIZING THE CORPORATE CULTURE AND ENSURING EMPLOYEE LOYALTY AND LONG-TERM COOPERATION.

and allowing the candidate to learn about the culture at Vestel before he/she starts work. The Onboarding program is designed to cover the first 3 months, given that the first 3 month period is critical for long-term success. This program consists of a series of enjoyable tasks ranging from an entertaining video including information which the new recruit may need during his/her adaptation period to Vestel, the National Geographic Mega Factories documentary, the Vestel jargon game and office exercises.

As part of the Onboarding Program, the "Pole Star" is an implementation which is carried out to facilitate and accelerate the adaptation of 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 by managers from among volunteering employees and are reported to the Human Resources Department. A total of 332 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.

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

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In a broad sense, the project includes the following:

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

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

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. The Vestel Running Club participated in 17 competitions during the year and successfully represented the Vestel brand by ranking among the leaders in each event it participated in. Six Vestel employees were qualified in these competitions. Meanwhile, the Vestel Corporate Basketball Team represented Vestel in the inter-company Aegean League Spring Cup. In addition, the corporate basketball teams - including two separate teams representing Vestel Elektronik and Vestel Beyaz Eşya - participated in the MOSB (Manisa Organized Industrial Zone) Basketball League, which began on 5 November 2019. In the MOSB Basketball League, the two teams came face to face in the finals and Vestel Elektronik won the match with a score of 61-54.

VESTEL CONTINUOUSLY SUPPORTS ITS EXISTING WORKFORCE BY INVESTING IN QUALIFIED HUMAN RESOURCES AND OFFERS AN IMPORTANT CONTRIBUTION TO THE COUNTRY'S EMPLOYMENT.

Vestel's approach to HR: Being where the talent is

Vestel is aware that the underlying factors for sustainable success are not the 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.

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 by Universum, a research company conducting surveys of young talented individuals, in which 1.8 million young people in 61 countries participated, Vestel climbed 7 places in 2017 in the Turkey section of the survey. In 2018, Vestel climbed a further 3 places, with its aggregate ranking rising from 42nd to 32nd. The Company ranked at the 34th place in 2019.

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.

SUSTAINABILITY AND VESTEL

Another project implemented to attract talent to the Company is the VesTELLer Project, which received the Bronze Award in the “Best Brand Ambassador Programme” category at the Employer Brand Management Awards in 2018. Within the scope of the project, students are selected on the campuses of Turkey’s leading universities in order to carry out work to ensure Vestel becomes a recognized, popular and preferred employer. Since 2015, 35 students have undertaken the task of VESTELLer (Vestel’s Brand Representative on Campuses).

In 2019, the V-Intelligence Computer Vision engineering competition was launched as a new project to attract talented individuals. The competition, announced from the Company’s social media accounts, attracted a great deal of interest from students and graduates from the Computer Engineering and Electrical and Electronics Engineering departments of universities. The project aimed at developing the best algorithm for the Smart Washing Machine Project, which accurately detects clothing labels. The 13 finalists presented the algorithms which they developed and the methods they used to the jury

consisting of the Vestel IoT Group and answered questions from the jury. As a result of the evaluation conducted by the jury, contestants listed in the top three received a certificate of participation and were also awarded a Venus Z30 smartphone as a gift. In addition, the top 3 contestants were offered a job at Vestel and the top 2 ranked contestants had the opportunity to participate in the 2019 IFA Fair.

In addition, a new talent attraction project, “Verify Your Future” - a Focus Group Project designed with the rhetoric of “Verify Your Future” and “#Wanted”, will be rolled out in 2020. This project is designed to give final year students in the Computer Engineering and Electrical and Electronics Engineering and Mechanical Engineering departments - who are the target audience - a chance to get know Vestel more closely and choose it as an employer. Under the project young talented individuals are planned to be hosted on a departmental basis and in groups with a comprehensive and impressive program content at Vestel City.

Key HR Indicators for Vestel - As of the end of 2019

Personnel	Number	%
Total	16,775	-
Female	5,617	33%
Male	11,158	67%
Average Seniority	5 years	
Distribution of Senior Management by Gender	Female	Male
General Manager	1	6
Deputy General Manager	7	53
Middle Level Manager	62	276
Total	70	335
Distribution of Personnel by Educational Status	Female	Male
Doctorate	6	11
Master’s Degree	220	449
University Graduate	972	1,700
Vocational School Graduate	691	1,213
High School Graduate	2,399	5,009
Primary School Graduate	1,329	2,776
Total	5,617	11,158

Number of Personnel By Status

Senior Managers	Other Personnel (Excluding Administrative Staff)
405	16,370

AT VESTEL, WHERE EVERY EMPLOYEE IS SEEN AS A SOURCE OF VALUE, A REGULAR EDUCATION MODEL IS ADOPTED IN ORDER TO FACILITATE EMPLOYEES' ADAPTATION TO CHANGE.

Sustainable and Quality Training Activities

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 to 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 2019.

In 2019, 33,610 participants received an average of 13 hours of training per person at Vestel Elektronik and 9,197 participants received an average of 9 hours of training per person Vestel Beyaz Eşya.

Within the scope of the Vocational Qualifications Authority Law, 24 personnel were certified as Machine Maintenance Workers, 71 personnel as Metal Plate Processing Workbench Workers, 33 personnel as Construction Painters, 40 personnel as Steel Welders, 10 personnel as Resistance Welding Adjusters, 43 personnel as Bridge Crane Operators, 23 personnel as Plastic Injection Production Workers and 56 personnel were certified as Metal Plate Processing Workbench Operators in 2019.

With operator training, 161 personnel were qualified to receive operator licenses to use Forklift trucks, 64 personnel obtained operator licenses to use Manlifts, 92 personnel were qualified for operator licenses to use Electric Transpalet machinery, and 5 personnel obtained operator licenses for the use of Ceiling Cranes.



As of October 2017, the SRC Driver License was made compulsory for all drivers transporting freight, passengers or goods in commercial vehicles. With this legal obligation, 235 personnel qualified to receive their SRC 2 and SRC 4 driver's licenses.

In 2019, 122 personnel completed basic first aid training and received their certificates through the first aid training carried out within the framework of the legal requirements.

In addition, 100 employees received training in related subjects within the framework of the Management Development and Coaching Program.

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.

SUSTAINABILITY AND VESTEL

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 2019 program, Vestel Technology Academy continued to provide post-graduate level training in the fields of Computer, Electrical-Electronics, Industrial and Mechanical Engineering.

The Vestel Technology Academy won the Golden Award in the competition organized by TEGEP in Turkey in 2018. In the international arena, the Academy won the Bronze Award in the category of "Human Resources Team of the Year" at the Stevie International Business Awards. The program fully fulfilled the goal

set out at the beginning of its implementation of "bringing the university campus to the company". While 165 employees continue their education at Vestel Technology Academy, a total of 247 employees had graduated as of the end of 2019.

The "Impact Assessment Form", which is applied to evaluate thesis and project studies, was delivered to all students graduating from the program. In the evaluation of form results filled by 142 employees, it was found that 38 academic studies had been converted into industrial applications with 27 studies included in patent, publication and incentive processes. Academic studies continue to evolve into applicable optimizations at Vestel.

While the Company continues to contribute to the education of its employees, in order to respond to the course demands as requested by students and to benefit from the academic knowledge and career-based experience of employees who have completed their doctoral studies, internal academic applications were received throughout April 2019. The CVs collected for this purpose were assessed by the Özyeğin University and employees fulfilling the necessary pre-conditions were assigned as members of an "Adjunct Faculty".



In the 2018-2019 academic year, one of these employees had the opportunity to teach in the field of Electrical and Electronics Engineering, while another started to teach in the field of Computer Engineering.

Vestel Management Trainee Program

The 10th Vestel Management Trainee Program (the MT Program), which is carried out with the academic support of Turkey's leading universities to train young, talented individuals who have recently graduated from university as future managers, was realized in cooperation with Koç University at the Vestel Training Center in Manisa in 2019.

These young talented individuals, who undergo various evaluation phases to qualify for the MT Program, are given the opportunity to develop themselves in many areas over a period of 4 months from the day they enter the program. Within the scope of the program, management trainees expanding their theoretical knowledge with academic lessons provided by the university and in-house training organized within the Company, also receive personal development trainings which include guiding information for their work life.

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

THE VESTEL RETAIL ACADEMY UNWAVERINGLY CONTINUED ITS TRAINING ACTIVITIES AND PROVIDED 17,990 MAN-HOURS OF TRAINING TO 1,584 EMPLOYEES BY OPENING 125 CLASSES IN 2019.

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

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

Vestel Retail Academy

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

The Academy organizes modular training programs to ensure the continuous development of the employees at the Head Office as well as the dealers, who are key business partners of Vestel. Within the scope of the sustainability approach, in order to ensure that the dealers remain in the business over a long period, training is given not only to the dealer owners, who are the founder generation, but also to the new generations who will ensure the continuity of the work in the coming years.

SUSTAINABILITY AND VESTEL

Founder dealer owners, new generations that will ensure the continuity of the business, the store managers and field staff completed training modules in line with their own work competencies. These training programs contributed to the qualified manpower which is an important need in the retail sector.

By taking into account the current and future needs of the organization, in addition to standard training programs, the Vestel Retail Academy realized new initiatives in 2019 through the projects such as in-house coaching, the transfer of experience among employees (The Candle Gives Light to its Base Project and Community of Practice), and the wellness training aimed at positively touching the lives of the employees outside of their work lives.

Vestel Supply Chain Academy

Training has been provided to a total of 239 supply chain employees holding various positions since the rolling out of the “Supply Chain Academy” activities, which began in 2015 and which continue to develop every year. The most important 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 this training, employees recruited within the last one year participated in the following training programs:

- Training in presentation techniques aimed at improving the way the employees express themselves and enhance their communication skills,
- Advanced Excel training to ensure that operational work is carried out more efficiently 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.



Internal training is provided to employees who have started work in the last one year to increase their in-department information levels, to strengthen their communication with the personnel in other departments and to learn the functioning of these departments, and in addition, factory trips are organized.

A number of in-house technical and personal development courses are planned for 2020, aimed at increasing the knowledge, motivation and productivity of supply chain employees.

The Zorlu Academy Online Training Platform

The e-training on Ethical Principles was set up on the Zorlu Academy online training platform in order to ensure that Zorlu Holding’s Code of Ethics, which was prepared in 2018 to cover all the Group companies within Zorlu Holding, are adopted by all employees.

The training will increase the employees’ awareness of Zorlu Holding’s Code of Ethics and additionally guide as to how to arrange the way of doing business, the approaches and perspectives of employees in line with these principles. The Code of Ethics training was prepared within the scope of the

Corporate Governance Working Group activities carried out under the umbrella of Smart Life 2030, under the coordination of the Audit General Directorate and the Human Resources Group Presidency.

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

HR Awards

The Vestel Human Resources Department won the following awards in 2019:

Kariyer.net - The Respect for People Award - The Respect for People Award, which was given for the 18th time this year, is awarded to companies which respond to job applications in the fastest time and at the highest rate, as well as to companies which receive the highest number of applications and create the most employment among the more than 20,000 employers which are using Kariyer.net.

Secretcv - “the Stars of the HR” Category Award

The Crystal Deer Award - won for the first time by ranking 1st in the “Consumer Durables” branch of the “Management - Finance” category at the Hacettepe University Crystal Deer Award Ceremony with the vote conducted among university students.

İŞKUR Awards - During the fair held on November 5-6, 2019, the Company won “The Enterprise Providing the Most Employment”, “The Enterprise Providing the Most Female Employment” and “The Enterprise Providing the Most Employment to Disabled individuals over and above the Quota” awards, given by İŞKUR (Turkish Employment Agency).

OCCUPATIONAL HEALTH AND SAFETY

Occupational Health and Safety Policies and Practices

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.

SUSTAINABILITY AND VESTEL

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

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

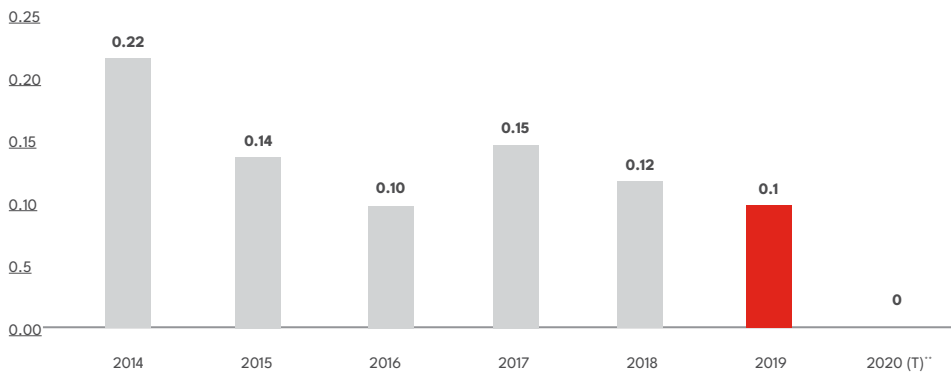
A competition was organized among the Vestel emergency teams in the Firefighters' Week in 2019. Vestel Elektronik won the competition in first place while Vestel Beyaz Eşya was ranked third. The competition was organized by the Fire Brigade of the Manisa Organized Industrial Zone (MOIZ) with the participation of companies operating in the MOIZ.



VESTEL CONTINUOUSLY TRAINS ITS PERSONNEL TO PROVIDE THEM WITH THE RIGHT BEHAVIOURAL HABITS ON THE ISSUES OF QUALITY, ENVIRONMENTAL AWARENESS, INFORMATION SECURITY AND POTENTIAL HEALTH AND SAFETY RISKS.

VESTEL ELEKTRONİK - OCCUPATIONAL HEALTH AND SAFETY INDICATORS

Vestel Elektronik - Injury Severity Rate*

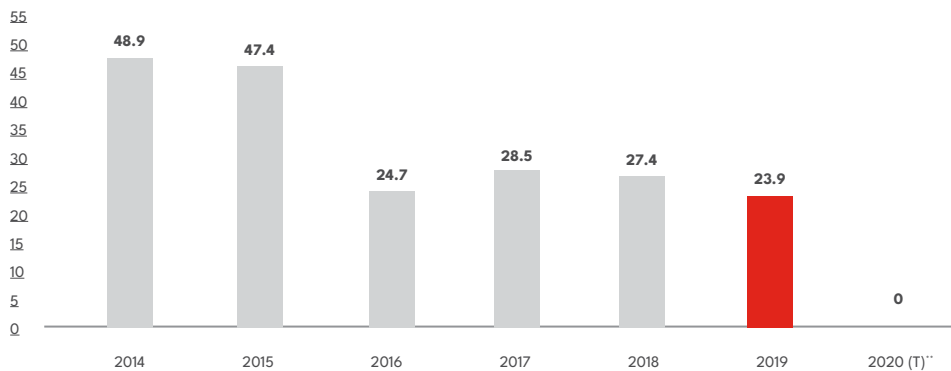


*Injury Severity Rate: Number of lost work days experienced per each 100 work days due to accidents. Related data covers only those facilities where consumer electronics products are produced.

**Target value

Each employee who will work at Vestel Elektronik receives 12 hours of basic OHS training before starting work in accordance with the legislation. There was a 60% increase in the amount of basic OHS training given in 2019 when compared to 2018, and a total of 54,797 man-hours of basic OHS training was provided during the year.

Vestel Elektronik - Injury Frequency Rate*



*Injury Frequency Rate: Number of injuries per 1 million employee-hours worked. Related data covers only those facilities where consumer electronics products are produced.

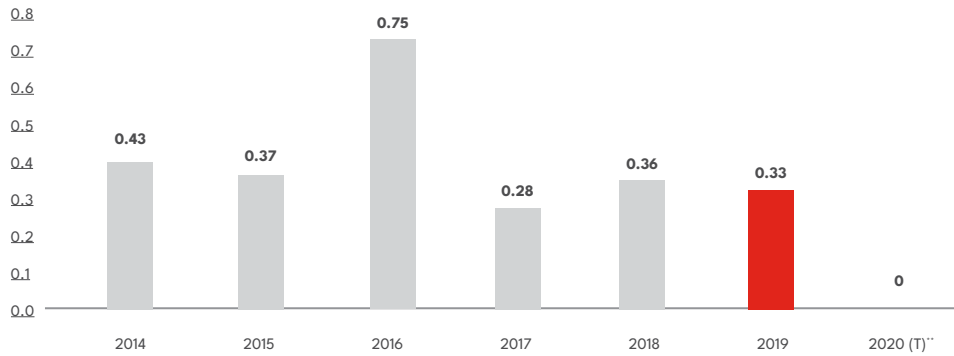
**Target value

SUSTAINABILITY AND VESTEL

VESTEL CONTINUES ITS EFFORTS TO ACHIEVE ITS TARGET OF ZERO ACCIDENT AND OCCUPATIONAL ILLNESS IN LINE WITH ITS OCCUPATIONAL HEALTH AND SAFETY POLICY.

VESTEL BEYAZ EŞYA - OCCUPATIONAL HEALTH AND SAFETY INDICATORS

Vestel Beyaz Eşya - Injury Severity Rate*

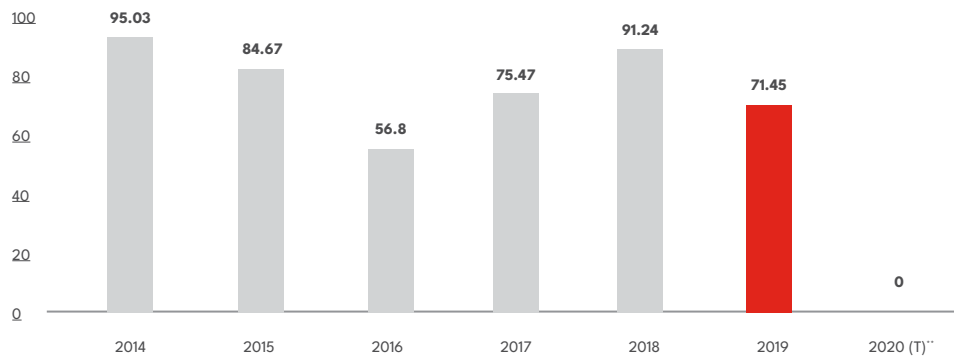


*Injury Severity Rate: Number of lost work days experienced per each 100 work days due to accidents

**Target value

There was a 12% increase in the amount of basic OHS training given at Vestel Beyaz Eşya when compared to 2018 and a total of 36,595 man-hours of basic OHS training was provided in the year.

Vestel Beyaz Eşya - Injury Frequency Rate*



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

**Target value

ENVIRONMENTAL MANAGEMENT AND CLIMATE CHANGE

Environmental Policy and Environmental Management

Vestel operates in the Manisa Organized Industrial Zone with about 17,000 employees. 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 held ISO 14001 Environmental Management System certification since 1998, ISO 50001 Energy Management System certification since 2012, and the ISO 14064 Greenhouse Gas Verification Statement since 2017 in order to identify and define important environmental aspects in its activities and to create objectives, targets and programs related to these aspects.

Vestel Beyaz Eşya has been certified with the ISO 14001, which is an international standard that defines the process of controlling and improving environmental performance, since 2010, and the ISO 50001 Energy Management System since 2012. In addition, Vestel Beyaz Eşya's carbon and water footprints are verified by the bodies authorized by TURKAK in accordance with the ISO 14064 Greenhouse Gases Management System and ISO 14046 Water Footprint Standards.

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 any waste disposal as a loss of natural resources and works to reduce, reuse, recycle and recover waste in order to prevent pollution at the source starting from the design phase, during the course of its activities and throughout the entire lifecycle of its products by monitoring the environmental impact of its processes.
- 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 promoting the use of new technologies and where possible, the use of renewable energy and by achieving increases in productivity.
- Takes into account the environmental aspects when evaluating new products, projects and operations and prioritizes reliable production by reducing the use of hazardous substances in its products and manufacturing processes and by seeking substances with less polluting properties.
- Uninterruptedly continues its work to tackle climate change and conserve biodiversity and ecosystems by reducing its greenhouse gas emissions.
- Commits to comply with the relevant environmental legislation and administrative regulations and all the applicable legal and other requirements as well as international operating standards in its processes and fulfills this obligation.
- Aims to minimize energy and water consumption, waste generation and water and air emissions by training its employees, subcontractors, dealers and suppliers and by undertaking continuous improvement studies.
- Manufactures products which have a lower environmental impact and contain more recyclable materials.
- Plans and implements measures which will minimize environmental harm in the event of any accident or emergency, which may occur.
- 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.

SUSTAINABILITY AND VESTEL

- Takes the opinions of stakeholders on its activities, informs them of its activities and acts together with them in line with the common objectives.
- By complying with the requirements of the Environmental and Energy Management Systems, promotes a culture of participation and innovation between stakeholders in order to continuously improve and increase the effectiveness of its management systems, while providing adequate and due resources towards this purpose.
- Constantly conducts risk analysis and assessments.
- Uninterruptedly continues its work on sustainability.

Integrated Management System and Certificates

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

Vestel Beyaz Eşya complies with the ISO 9001 Quality Management System, the ISO 18001 OHS Management System and the ISO 27001 Information Security Management System standards in order to ensure quality in all processes, especially in production, in addition to the environment and energy management systems. The successfully implemented Integrated Management System ensures the continuity of these certificates and the continuous improvement of the system.

Conservation of Biodiversity

All of Vestel's production facilities are located within the borders of the Manisa Organized Industrial Zone (MOIZ) in Manisa. Organized Industrial Zones are special regions established by clustering industrial facilities together in order to ensure industrial effectiveness and organized settlement in the city. One of the purposes of establishment of the OIZs is to minimize and control the potential negative effects on waste management and biodiversity. The fact that Vestel's production facilities are located in the MOIZ provides the Company with an advantage in terms of minimizing and controlling potential negative effects on waste management and biodiversity. All production facilities have undergone the EIA (environmental impact assessment) process during their establishment stage and when there was a change of process and/or capacity increase and the negative environmental impacts which might arise as a result of these activities were assessed. The reports found that there would be no impact which would lead to the deterioration of the ecological balance.

Maintenance and development work is continuing by the landscaping personnel to ensure the sustainability of green areas at Vestel City. Maintenance work includes fertilization, pesticide spraying, soil processing and irrigation activities. The restoration activities include the renovation of overgrown green areas and the tidying up of areas after construction and renovation.



The total green area at Vestel Central, High-End, Digital and Styrofoam Factories is 40,000 sqm. These areas are not conservation areas or areas with a high biodiversity value, but they were planned as green areas and were planted with vegetation. A total of 110 different plant species were planted in these areas. Of this space, a 29,000 sqm area consists of lawns. A 7,000 sqm area was planted with ground-covering plants with 4,000 sqm of the space separated to be planted as a green area.

For Vestel Beyaz Eşya, which is a subsidiary of Vestel, a flora-fauna study was not carried out because the company operates within the OIZ and the area within 2 km of the company's operating area consists entirely of industrial sites. Vestel Beyaz Eşya is committed to comply with the Environmental Law No. 2872 on measures to be taken for flora and fauna and the regulations issued in accordance with this law.

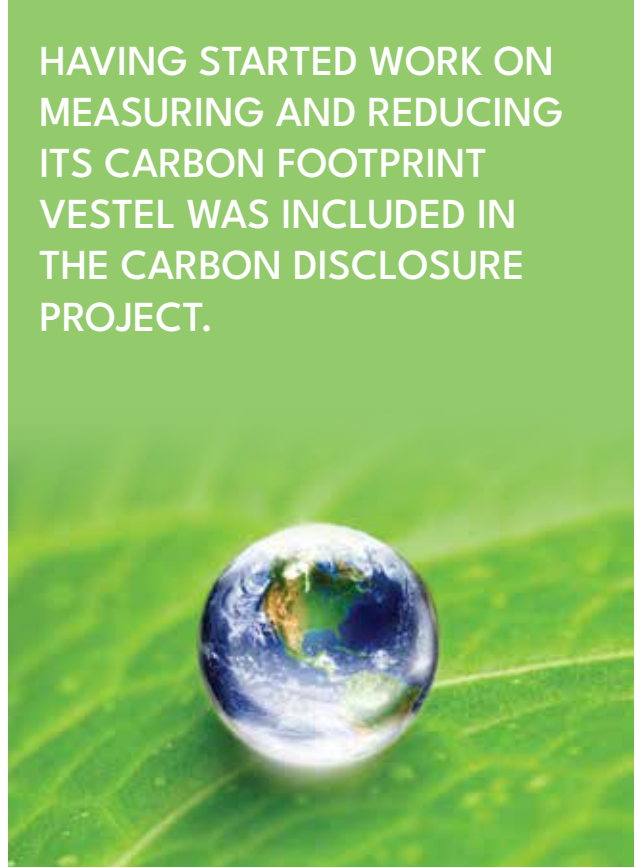
As a result of the previous studies conducted in accordance with the "Bern Convention", it was determined that there are no protected species and no endangered species of flora in the activity area of Vestel Beyaz Eşya.

THE TOTAL GREEN AREA AT VESTEL CENTRAL, HIGH-END, DIGITAL AND STYROFOAM FACTORIES IS 40,000 SQM.

Carbon Footprint and Carbon Transparency Project

Vestel first obtained the ISO 14064 Greenhouse Gas Verification Statement Certificate from an independent and authorized organization in 2017, and continued to verify and document its greenhouse gas emissions in 2018 and 2019. In addition, the Company maintains its membership of the International Carbon Disclosure Project (CDP) and continues its annual reporting activities on a voluntary basis.

HAVING STARTED WORK ON MEASURING AND REDUCING ITS CARBON FOOTPRINT VESTEL WAS INCLUDED IN THE CARBON DISCLOSURE PROJECT.



Vestel began work on measuring and reducing its carbon footprint with an awareness of the threat posed by the climate change for the future of the world, and has been included in the Carbon Disclosure Project.

Vestel Elektronik released its carbon emissions data on the www.cdp.net website in 2016.

SUSTAINABILITY AND VESTEL

In 2016, within the scope of the CDP's renewed scoring methodology, the Company submitted its declarations for the Climate Change, the Water Program and the Supply Chain modules, and obtained a B grade in the Climate Change module (the module's average grade was C), a B- grade in the Water Program module (the modules' average grade was B-) and a B grade in the Supply Chain module (the average grade was D). Vestel Elektronik submitted its declarations in the Climate Change module in 2017 and 2018 when it was given a B grade, while in 2019 it received a C grade.

Vestel Beyaz Eşya, which views the pursuit of a transparent carbon policy as a duty, has been reporting to the CDP since 2012. In addition, since 2016, it has been calculating its yearly corporate carbon footprint in accordance with the ISO 14064-1:2006 Standard and upon the approval of this by accredited organizations, it successfully completed the "Verification and Approval of ISO 14064-1 Greenhouse Gas Emissions" process.

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

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

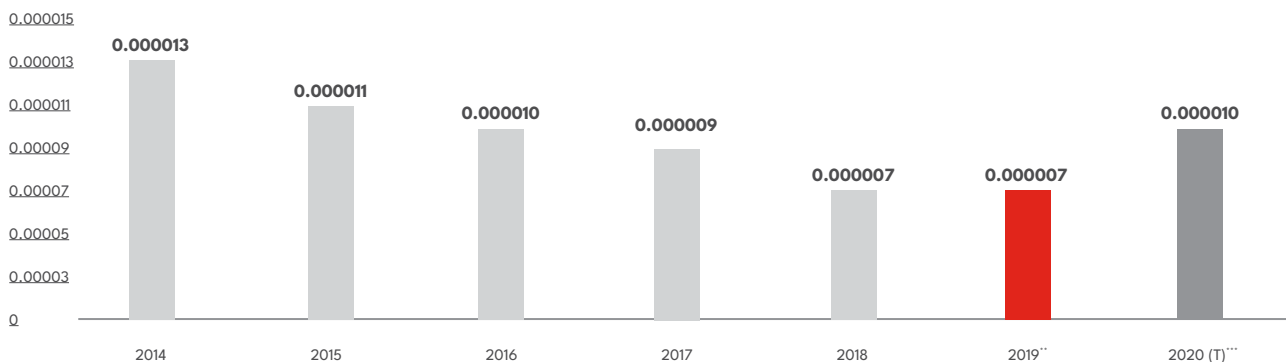
Environmental Training Indicators

Vestel Elektronik provides continuous environmental awareness training to its employees, to provide them with environmental awareness and the right behavioural habits in their approach to energy efficiency. In this context, 1,389 man-hours of environmental training was provided to employees at Vestel Elektronik in 2019.

A total of 1,767 man-hours of environmental training was given to employees at Vestel Beyaz Eşya in 2019.

In 2019, Vestel Beyaz Eşya was awarded the "Grand Industry Award" at the Energy Efficiency Awards organized by the Istanbul Chamber of Industry and handed out by the Ministry of Energy and Natural Resources.

Vestel Elektronik - Carbon Emissions (ton CO₂/TL revenues)*



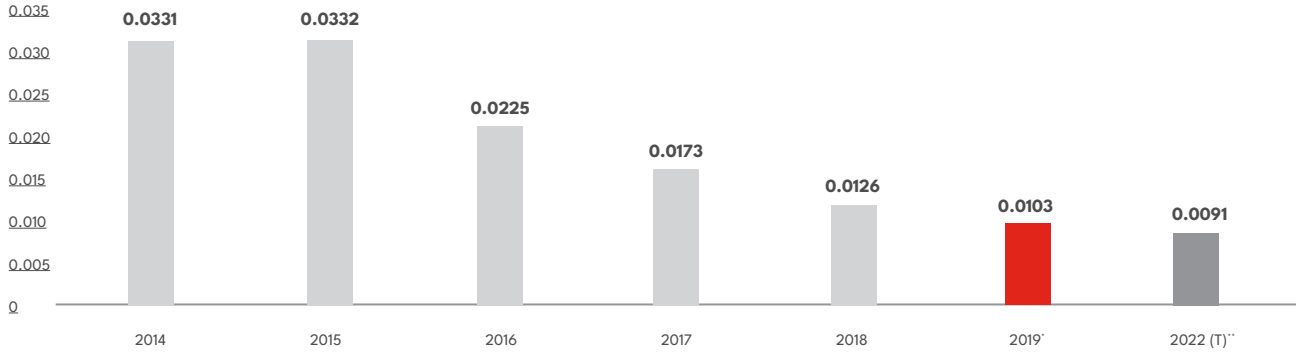
* Related data covers only those facilities where consumer electronics products are produced.

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

***Target value

04

Vestel Beyaz Eşya - Carbon Emissions (kg CO₂/TL revenues)



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

**Target value

SUSTAINABILITY IN PRODUCTION PROCESSES

Sustainability Gains in Processes and Awards

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 process employed in chrome plating, an industrial practice currently in use, uses 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 industries. 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 Reuse System” enables the recovery of waste paint particles used in the plant and prepares them for reuse. Vestel designed all the chemical formulations and machinery 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 European Business Awards for the Environment, Vestel won First Prize with its “Waste Paint Recycling and Reuse 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.

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With “Waste Paint Recycling and Reuse 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 “Reduction of Styrofoam Weight and Density Project” in the “Preventive Applications in Packaging Design by Reducing Resources” category at the Green Dot Industry Awards organized by the ÇEVKO (Environmental Protection and Recovery of Packaging Waste) Foundation.

While packaging wastes are reduced with the Reduction of 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 Applications” category at the Green Dot Industry Awards.

Within the scope of the “Projects for the Implementation of Efficiency Increasing Projects at Industrial Enterprises” supported by the Ministry of Energy and Natural Resources, Vestel Beyaz Eşya signed a support agreement with the Ministry for the projects of Efficiency in Lighting, Increasing Energy Efficiency in Compressors and Using Electric Air Guns Instead of Compressed Air Guns. The company implemented these three projects and completed them successfully in 2019. With these projects, the consumption of electricity per unit product declined by 8.5% in 2019.

VESTEL BEYAZ EŞYA’S “WASTE MANAGEMENT SYSTEM” PROJECT WAS AWARDED THE GREEN DOT AWARD IN THE “WASTE MANAGEMENT SYSTEM AND APPLICATIONS” CATEGORY AT THE GREEN DOT INDUSTRY AWARDS.

Vestel’s 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,
- 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.
- Environmental Laws and Regulations.

Energy Management and Energy Efficiency - TPM (Total Productive Maintenance)

Vestel passed the necessary audits and received the TS EN ISO 50001 Energy Management System Certificate in 2012 and ensures its continuity. The Company systematically implements various projects by evaluating energy efficiency opportunities in its operations. Vestel's main policy is to reach high production quantities with low energy consumption. In line with this understanding, Vestel aims to achieve better results in terms of efficiency and quality by taking into account the energy consumption in its production processes.

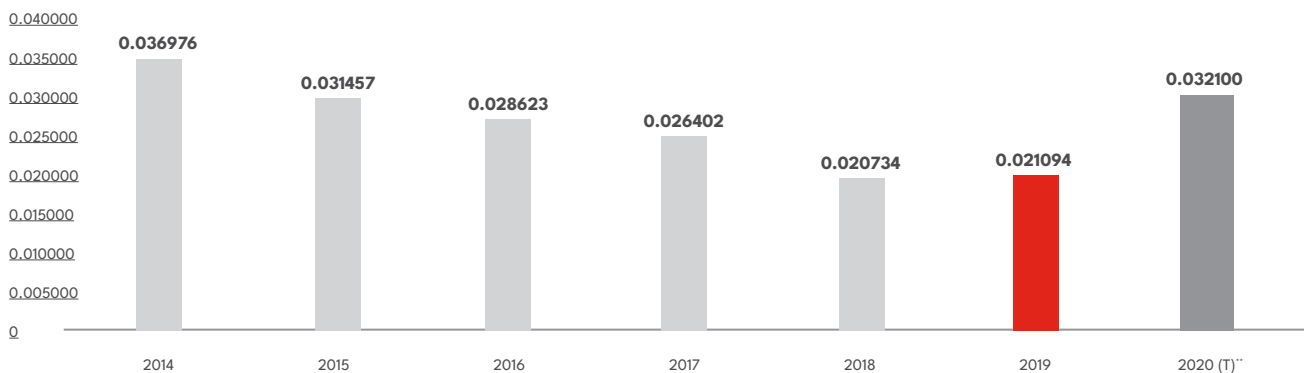
In line with its Energy Policy;

- Vestel uses energy efficient, environmentally friendly technologies, equipment and services in order to continuously improve its energy performance and ensure that it is environmentally and economically sustainable, and aims to use renewable energy resources where possible.
- It places priority on the design of energy-efficient products.

- In order to achieve its target of reduced energy consumption, the Company conducts awareness raising activities on energy efficiency through training programs, seminars and visual posters by enabling the participation of all stakeholders. It supports creative ideas and the use of new technology.
- By comparing its energy performance with the best practices and its peers in the world, it determines areas for improving energy efficiency and regularly conducts internal and external energy efficiency studies.

An Energy Officer and Energy Management Representative were appointed to effectively manage the Energy Management System at Vestel. The relevant performance results are monitored and evaluated at regular intervals by the senior management. In addition, new energy saving projects continue to be developed with the detailed energy study reports aimed at achieving internal and external energy efficiency. The Company's TS EN 50001 Energy Management System Certificate was renewed in 2019.

Vestel Elektronik - Energy Consumption* (kWh/TL revenues)

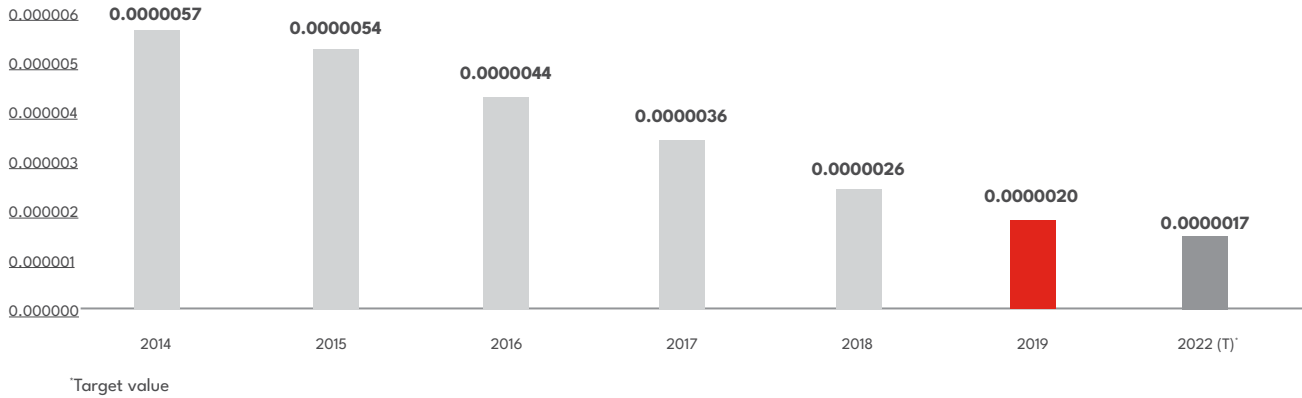


*Related data covers only those facilities where consumer electronics products are produced.

**Target value

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Vestel Beyaz Eşya - Energy Consumption (TEP/TL revenues)



Energy consumption and related processes are managed in integration with the TPM (Total Productivity Maintenance) model, which is aimed at achieving zero equipment stoppage and zero quality failure in production systems, as well as with the management applications on key performance indicators of the business plans within the scope of the Environmental and Energy Management Systems. 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 reduction of 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,
- Reduction 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 (“JIPM”) on January 11, 2013. After having successfully completed the audit for the continuity of the TPM Excellence Award, the

Company received the “Award for Excellence in Consistent TPM Commitment” at the end of 2014. Vestel Elektronik successfully passed the pre-evaluations in the TPM Special Award category in 2016 and won the “Special Award for TPM Achievement” in February 2017. Vestel Elektronik, which started work on the “Advanced Special Award for TPM Achievement” in 2017, completed the necessary work to qualify for this award and was awarded the “Advanced Special Award for TPM Achievement” in 2019.

Increasing its efficiency through continuous improvement activities implemented in all of its processes by integrating the TPM philosophy into its systems, and as a result of its successful TPM work carried out in all of its facilities, Vestel Beyaz Eşya was awarded the “TPM Excellence Award” by the JIPM in 2014, and received the “Award for Excellence in Consistent TPM Commitment” in 2017. Having completed the preparatory work for the “Special Award for TPM Achievement” in 2019, Vestel Beyaz Eşya won the “Special Award for TPM Achievement” in February 2020. With this achievement, Vestel Beyaz Eşya became the first and only company in the white goods sector in the world to obtain this award with 7 different product families in 7 different factories at the same time.

Water Management

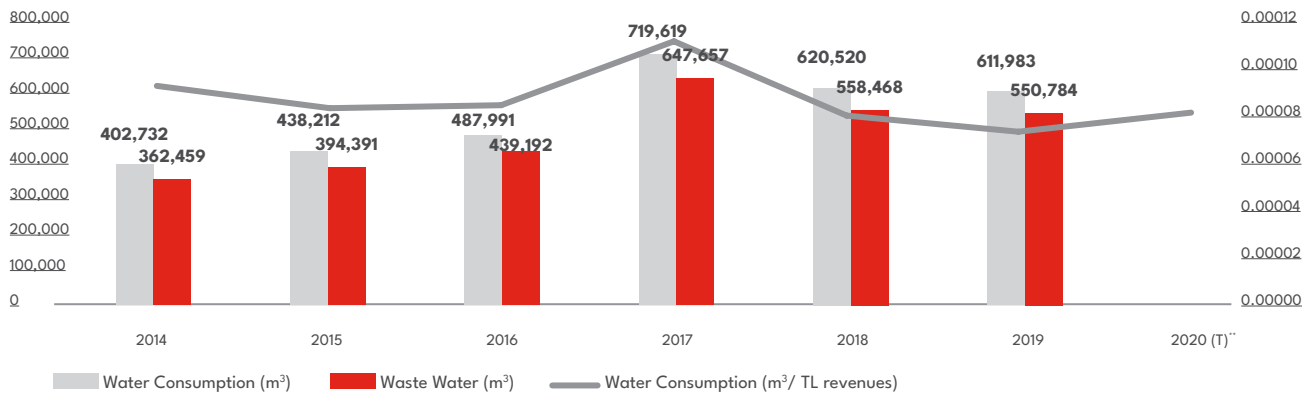
Vestel monitors its water consumption within the scope and the targets of its TS EN ISO 14001 Environmental Management System and pursues a mitigating policy on water consumption.

There is no waste water formation arising from processes at Vestel. Accordingly, Vestel aims to verify its Water Footprint in 2020 and obtain the ISO 14046 Water Footprint Certificate in

order to contribute to the environmental management system by controlling its domestic water consumption.

Since 2016, Vestel Beyaz Eşya's water footprint has been verified by bodies authorized by TURKAK, in accordance with the ISO 14046 standards.

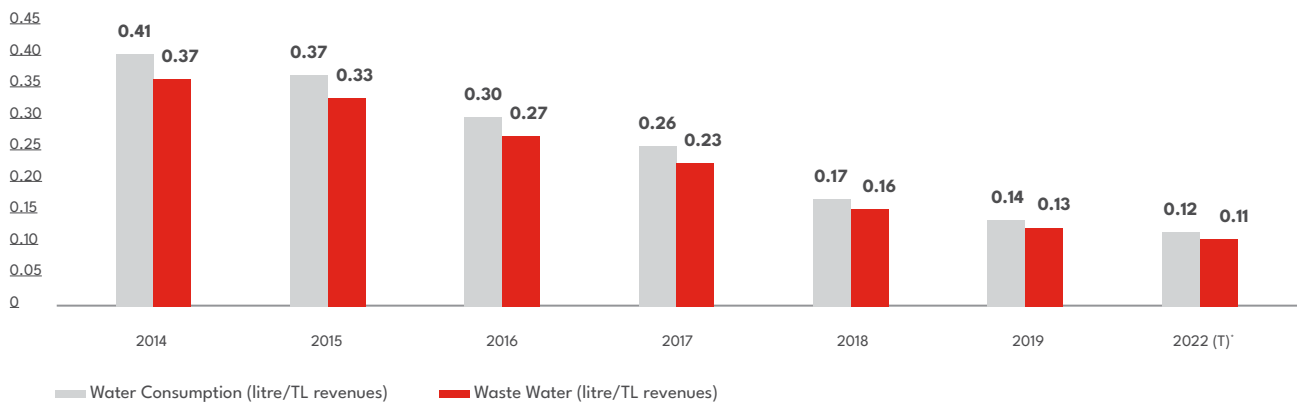
Vestel Elektronik - Water Consumption and Waste Water Generation*



*Related data covers only facilities where consumer electronics products are produced.

**Target value

Vestel Beyaz Eşya - Water Consumption and Waste Water Generation



*Target value

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Waste Management

Vestel has created a system for the storage, disposal and reduction of waste within the scope and the targets of its Environmental Management System.

Domestic wastewater from the factories is not discharged directly into the environment in any way and is directed to the wastewater line, which is connected to the Treatment plant in the Manisa Organized Industrial Zone (MOIZ). The MOIZ takes samples from the wastewater line each month and the level of pollution in the water is analyzed and reported on.

Hazardous wastes are temporarily stored in the Hazardous Waste Temporary Storage areas located in the factories, in accordance with the Waste Control Regulation, and are sent to the Hazardous Waste Recovery and Disposal facilities licensed by the Ministry of Environment and Urbanization in accordance with the legislation.

In line with the relevant regulation, solid (non-hazardous scrap) wastes are separated in the Waste Sorting areas located in the facilities and are sent to the recycling facilities licensed by the Ministry of Environment and Urbanization.

Packaging waste generated from factory production is separated in the Waste Sorting areas located in the facilities and is sent to the recycling facilities licensed by the Ministry of Environment and Urbanization as a Collection Separation Facility (CSF) in accordance with the Regulation on Control of Packaging Waste.

In 2020, the Company aims to establish the Zero Waste Management System on a voluntary basis and to improve the process in line with the objectives and targets of the management system.

WORK TO COMPLY WITH THE NEW ENERGY REGULATION, WHICH WILL ENTER EFFECT IN EUROPE IN 2021, IS CONTINUING AND THE ENERGY LABELLING OF PRODUCTS WILL BE CARRIED OUT IN ACCORDANCE WITH THE NEW REGULATION.

Sustainability in Products

Vestel Elektronik's sustainable product portfolio includes LED lighting products, televisions with A+ and A++ energy ratings, the Smart Home kit, electric vehicle chargers, the smart walking stick WeWalk and energy and water efficient household appliances. 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.

In the television product group, the new UHD and OLED products consume more power. Vestel has achieved A+ and A++ energy efficiency standards in most of its TV products on the back of its power-saving efforts in recent years. On the other hand, the work for complying with the new energy regulation, which will enter effect in Europe in 2021, is continuing and energy labelling of the products will be carried out in accordance with the new regulation.



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.

Efforts are continuing for the sale of Smart Home kits.

Vestel considers electric vehicle chargers to be an important area of focus in its sustainable R&D policy. In line with the 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 domestic electric car with its infrastructure and know-how in the electronics sector.



The “Smart Walking Stick” WeWalk is designed with a combination of technologies which help alert the visually impaired user of obstacles in his/her way and reduce the risk of accidents. With the aim of contributing to the educational, scientific and cultural development of the visually-impaired individuals, the “Smart Walking Stick” WeWalk was added to the Company's sustainable product portfolio in line with social development and social responsibility.

Constantly revising its energy efficiency targets, Vestel's entire household appliances 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.

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Vestel holds world records in energy consumption with the following products.

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

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

SUSTAINABILITY IN THE SUPPLY CHAIN

Digital Supply Chain Solutions

Launched as Vestel Elektronik's "Supply Chain Excellence Program" 5 years ago, the digital transformation of Vestel Elektronik's supply chain continues apace thanks to the project-based development model which is successfully ingrained into all employees. The Center of Excellence organisation, where supply chain staff who have reached a high level of expertise thanks to the hundreds of digitalization projects implemented, create synergy through the matrix organizational structure, was established at the beginning of 2019.

An organizational structure has been attained where internal projects developed for existing processes such as improving disruptive points in supply chain processes, transferring the manually monitored work to digital systems, the digitalization of data, key data management and the design of digital decision support systems as well as external projects, where industrial and technological trends are monitored, work on alternative digital solutions is carried out with solution partners and consultants and where benchmarking studies for digital transformation with organizations of a similar sector or business model are conducted, can be centrally managed.



In 2019, 101 digitalization projects were addressed within Vestel Elektronik's supply chain. Of these, 41 projects, in which 60 employees actively participated, were completed and implemented within the year, and 24 projects which started in 2019 still continue. In addition to the 18 projects which are planned to begin, 18 other projects were suspended for re-evaluation.

In 2019, Vestel Elektronik and stakeholder companies implemented the first Blockchain based shipment from Far East to Turkey within the scope of the "Proof of Concept (PoC)" work. As a result of the work which started with the goal of becoming one of the first users of blockchain applications in the supply chain, a solution platform was established in which all stakeholders are gathered on a single database, where the process of data verification is accelerated, paperwork and operation tracking can be performed in such a way that cannot be erased, physical paper circulation needs are eliminated and the time required for all of these operations is reduced considerably. The Vestel Elektronik supply chain team continues to closely monitor blockchain technology, a technology whose areas of use are anticipated to widen rapidly in the coming years.

The digitalization projects commissioned with regard to the material management, procurement and logistics planning processes, which are some of the most important functions of the supply chain, contributed significantly to reducing inventory levels in 2019. The work carried out in 2019 is focused on increasing control over newly placed orders for materials, predicting inventory levels and having materials shipped to the factory when needed. Additional control mechanisms were introduced for the material orders with high amounts, and additional warning mechanisms were developed for orders which do not match the need. A proactive approach has been introduced to the material management processes with the "Inventory Projection" Project. Significant gains were achieved, such as the ability to take action rapidly in response to changes in demand, the ability to perform flexible planning for material needs and, most importantly, reduction in inventory levels. With the "Critical Tracking 4.0" project commissioned within the same scope, digital screens were developed for tracking critical materials which need to be sent by the supplier,

IN 2019, 101 DIGITALIZATION PROJECTS WERE ADDRESSED WITHIN THE VESTEL ELEKTRONİK SUPPLY CHAIN.

situations which pose risks for loadings in transportation phase and critical loadings for which action needs to be taken quickly during the import phase.

With the digital solutions developed for demand planning and order fulfillment processes which are in a direct relationship with the sales organization, the effects of changes in long-term customer demand on the supply chain are monitored and optimized planning can be carried out by taking into account the plans for material supply and internal resources. Thus, a 20% reduction was achieved in long-term demand forecast deviations.

Customer order requests are answered within 24 hours with the automation projects implemented in the product configuration system and product tree creation processes. The advanced scheduling solution commissioned in production planning processes ensured simultaneous and integrated planning of the main and auxiliary production facilities. This led to a 16% increase in the efficiency of the plants, and reduced the time for planning operations by 25%.

With the digitalization solutions for import processes, information flow between Vestel and the stakeholders such the Customs, Carriers and Suppliers were transferred to digital platforms, and losses and risks of error arising from manual operations were eliminated. Due to the systemic integration provided with the customs system, the declaration writing operation accelerated by 50%. Vestel undertook exemplary applications in this field by transferring the legal controls and document archives for being a company with the Authorized Economic Operator Status into the digital systems.

SUSTAINABILITY AND VESTEL

Vestel Beyaz Eşya's Approach to Supply Chain

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

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

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

IN 2019, 77% OF THE TOTAL CONTAINER VOLUME USED FOR IMPORT AND EXPORT ACTIVITIES WITHIN THE VESTEL GROUP OF COMPANIES WAS ORGANIZED BY VESTEL BEYAZ EŞYA.

the R&D and Quality Departments and includes them in the company's supplier pool.

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

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

Regular analyses are carried out with consulting companies to ensure that processes become more synchronized with the use of technology. All the new trends and projects in the material - product warehouses and communication channels with suppliers are evaluated in parallel with the principle of cost and benefit.



04



New modules planned to be added to the Enterprise Resource Planning (ERP) software are aimed at strengthening the communication between Vestel Beyaz Eşya and its suppliers while preventing human error. In addition, the company's flexibility will improve in terms of meeting varying customer demands. The Supply Chain Digital Transformation Excellence Center, staffed by members who are specialists in their fields, was established for this purpose, which ensures that the work is managed more effectively. With the finalization of projects whose conceptual designs have been prepared, supply processes will be integrated on an end-to-end basis.

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

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



Purchasing and Digital Transformation

Keeping up with the needs of the digitalized world, Vestel's Central Purchasing Department has accelerated the digital transformation of its processes since 2015. The Company has digitalized its procurement lifecycle, which begins with the creation of a purchase request and includes the selection of resources and suppliers, placing of a purchase order, order tracking, acceptance of goods and billing control processes, and thus, maximized its strategic and operational performance. With the inclusion of budgeting and finance processes in the digitalized purchasing processes, "three-way matching" was achieved in all purchasing operations. As a result, Vestel Elektronik's central purchasing processes gained an auditable and transparent structure, where financial risks can be monitored and supplier relations have been strengthened.

The implementation of digital transformation projects in procurement has led to structural changes in material management. These efforts have resulted in the transformation of purchasing hierarchies from a single-layered structure to a multi-layered structure. Material resolution increases when the material classification is lowered, and since the

SUSTAINABILITY AND VESTEL

VESTEL AIMS TO MANAGE SUPPLIER RELATIONS AND LOGISTICS ACTIVITIES FROM A SINGLE POINT IN ORDER TO ENSURE A SUSTAINABLE BUSINESS RELATIONSHIP WITH ITS SUPPLIERS.

associated materials are collected under one roof, the material management responsibility can be combined on a single purchasing employee. These efforts have accelerated the functional processes of Vestel Elektronik's Central Purchasing Department and paved the way for more competitive strategic decisions.

Vestel aims to manage supplier relations and logistics activities from a single point in order to have a sustainable business relationship with its suppliers. In line with this goal, in 2015, the Company implemented the "Supplier Lifecycle Management (SLC)" project and it collected the candidate supplier application evaluation, main data management, candidate supplier approval, performance and risk management processes on a single digital platform. The main functions of the Supplier Lifecycle Management are to prepare supplier quality reports, process improvement queries, prepare minutes of the meetings, provide preventive certifications for financial risks, conduct supplier satisfaction surveys, undertake financial risk analysis using the suppliers' activity reports and to prepare a holistic supplier score card with the participation of internal stakeholders. Over the past four years, Vestel has expanded to the point where it now manages the life cycle of 2,253 suppliers through the Supplier Life Cycle Management. In 2020, the Company aims to publish a quarterly supplier performance report for more than 100 suppliers and define action plans that can be applied, thus improving its sustainable supply chain mission.



Contract management is an indispensable part of the procurement process for the creation of awareness about the possible legal risks and the performance of the legal obligations which must be fulfilled in the event of a business dispute between the parties. Vestel's Central Purchasing Department centralized and restructured its contract management first in 2015 in parallel with the classification of materials, addressing a total of 347 material hierarchies in 28 draft contracts. Operationally, comprehensive work was carried out with the Zorlu Holding Legal Directorate and financial risks that be faced by Vestel Elektronik were minimized. As of 2020, the digital transformation of Contract Management had been initiated with the E-Contract Project. In this context, the process of creating, developing and concluding legal contracts of all material hierarchies will be moved to the digital platform. As such, contract preparation processes will be accelerated by 30% when compared to previous years and will become transparent and sustainable.

With the E-Mechanical Project commissioned in 2017, a total of 2,138 work items relating to the purchasing of plastic and metal mould/parts are carried out through the E-Mechanical digital platform on an annual basis. This platform covers all processes from converting the purchase request to the purchase order. On the other hand, within the framework of full compliance with Vestel Elektronik's policies, requests from suppliers are collected through the portal. Based on the competitiveness of bids, the form - in which alternative offers are collected - is created and submitted to management for approval. This project has accelerated mechanical purchasing processes by 50% and eliminated the need to send 9,200 e-mails per year.

The Dashboard Project was launched in 2016 in order to track the performance report regarding central purchasing activities. With the projection of the multi-layered material classification structure onto the Dashboard, the relevant purchasing employees have an instant access to their own performance.

On the other hand, due to the functional adequacy of the Dashboard, performance criteria such as turnover/order, price development, gains, single source, payment, maturity and type of delivery are scaled up in different layers of the material classification structure, and provide instant data to purchasing employees and management. In this way, the total

time required to create a performance report was saved (USD 200,000/year) and, more importantly, this saving was shifted to value-added projects and purchasing activities such as strategic purchasing.

The E-Taxi Project was commissioned in 2016 to consolidate the annual 47,760 requests for taxis in all factories, accelerate the billing and approval processes and make them traceable. Within the project, requests for similar destinations were consolidated and the number of passengers per vehicle was increased from 1.1 to 2.4. Under the E-Taxi Project, the taxi fares, which had previously been collected and given to one employee, were distributed to all employees using the vehicle together, thus contributing to the management of inter-factory costs. As another output of consolidated taxi requests, CO₂ emissions decreased by 240 tonnes per year and the total annual taxi expenses decreased by 20%. The mobile application of the E-Taxi Project also allows the monitoring of the process of requests and the entry of requests online. As a result, this application has had a positive impact on Vestel's employee satisfaction.



SUSTAINABILITY AND VESTEL



Digital Transformation of Purchasing at Vestel Beyaz Eşya

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

S2P and Purchase Information Systems Tools

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

STRATEGIC DECISION MAKING STEPS HAVE ACCELERATED WITH THE WORK TO IMPROVE THE PURCHASING SYSTEM AND PROCESSES.

Data Analytics

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

VESTEL BEYAZ EŞYA'S PURCHASING DEPARTMENT CONTINUES ITS AUTOMATION WORK IN PARALLEL WITH THE DIGITALIZATION EFFORTS GATHERED UNDER THE UMBRELLA OF INDUSTRY 4.0 PROJECTS.

Automation

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

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

Artificial Intelligence

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

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

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

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

In the area of social factors, which is another component of sustainability, the company's purchasing personnel are evaluated and feedback is provided with the "reverse rating" questionnaire which can be found on the purchasing portal.

Vestel Beyaz Eşya signs the "Zorlu Holding Supply Principles" with its suppliers, which were prepared as part of the sustainability efforts. With these principles, the company's suppliers agree to comply with the conditions set out under the main headings such as Discrimination Prevention, Humanitarian Treatment, Remuneration, Working Hours, Occupational Health and Safety, the Environment and Ethics.

SUSTAINABILITY AND VESTEL

CORPORATE SOCIAL RESPONSIBILITY AND SOCIAL CONTRIBUTION

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 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 the 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 institutions.

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

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

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

VESTEL BEYAZ EŞYA

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

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

Erdal Haspolat
Vestel Beyaz Eşya
Genel Müdür

*Hep Birlikte
Hep Birlikte*

ZORLU **VESTEL**



With the recruitment of a total of 69 disabled individuals in 2019, the total number of disabled individuals working at Vestel has reached 469, 39 of whom are employed at Vestel Beyaz Eşya.

Vestel also supports the sporting activities of disabled employees. In this context, since 2015, 14 disabled personnel were given a total of 476 days of paid leave in order to participate in sporting competitions in football, volleyball, cycling and handball. In 2019, two hearing impaired women who participated in the cycling competition representing Turkey at the Paralympics were given 30 hours (4 days) of paid leave.

22 mentally handicapped people were hired by Vestel as of the end of 2019 as part of the Mentally Disabled-Protected Workplace Project (ZEKİ project) implemented by the Manisa OİZ.

WITH THE RECRUITMENT
69 DISABLED INDIVIDUALS IN 2019,
THE TOTAL NUMBER OF DISABLED
INDIVIDUALS WORKING AT VESTEL
HAS REACHED 469, 39 OF WHOM
ARE EMPLOYED AT VESTEL
BEYAZ EŞYA.

With its “Accessibility Project” launched 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 carried out as a 360-degree project, aims to ensure that all products and services of Vestel, all working environments including the factories and all of the Company’s communication channels can be accessed and used easily by the disabled individuals. Within the scope of this project, the household appliances manufactured by Vestel became easily usable by the visually-impaired individuals thanks to the Braille alphabet placed on the control panels of the products with the emboss application. With the Braille alphabet added to the remote control of Vestel televisions, the visually-impaired can operate their television sets without help from another person. Likewise, Vestel’s small household appliances can be used with voice control. In addition, user manuals in audio form and promotional videos described by voice were prepared and a visual call center for the hearing impaired was established under the Accessibility Project.

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 at Vestel City in a project developed together with Vestel and the Young Guru Academy to make life easier for the visually-impaired.

SUSTAINABILITY AND VESTEL

WeWALK, which has the features of obstacle detection, integration with a phone and open platform and to which all mobile applications can be integrated, connects to a mobile phone, thus allowing the visually-impaired user to receive a variety of services, such as navigation, calling and responding to messages through the smart stick without having 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 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.

In 2018, the smart walking stick, WeWALK, was given the Golden Award in the “Health and Wellness” category at the Edison Awards, one of the most prestigious awards in the field of innovation in the United States. WeWALK was also awarded the “Best MarTech Usage Award” in the field of Corporate Social Responsibility at the MarTech Awards. In 2019, WeWALK was selected as one of the “100 Best Inventions of 2019” by the news magazine TIME.

Authorized Service Providers without Obstacles

Vestel, which opened Turkey’s first Authorized Service Provider without Obstacles in Avcılar, Istanbul in December 2018 within the scope of its Accessibility Project, continues to work to convert all the authorized service providers throughout the country into “Without Obstacle Providers”.

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.

IN 2018, THE SMART STICK, WEWALK, WAS AWARDED THE GOLDEN AWARD IN THE “HEALTH AND WELLNESS” CATEGORY AT THE EDISON AWARDS, ONE OF THE MOST PRESTIGIOUS AWARDS IN THE FIELD OF INNOVATION IN THE UNITED STATES. IN 2019, WEWALK WAS SELECTED AS ONE OF THE “100 BEST INVENTIONS OF 2019” BY THE NEWS MAGAZINE, TIME.



Authorized service providers receive the title of 3 stars, 2 stars and 1 star “Authorized Service Provider without Obstacles”, according to the access criteria they provide. Accordingly, four authorized service providers received 3 stars, 19 authorized service providers received 2 stars and one authorized service provider received 1 star, and they were entitled to be an “Authorized Service Provider without Obstacles”.

Vestel Customer Services Wins Sustainability Grand Prize

Vestel Customer Services was awarded in the “Employee Participation” category at the Sustainability Business Awards with its “Ideas Out (Fikirler Fora) Project”. The Sustainability Business Awards were organized by the Sustainability Academy for the sixth time this year in order to highlight the projects of organizations which create significant economic, environmental and social impacts in line with the United Nations Sustainable Development Goals, and to share them with a wide audience.

In the employee participation category of the Sustainability Business Awards, models which demonstrate the most attractive and holistic approach to workforce participation strategies, which offer multiple opportunities for employees to interact with their companies and for employees to perform better in their jobs are evaluated. The award is given to business models, projects or work developed to increase employees’ emotional commitment to the organization simultaneously with their individual happiness and goals, and for them to achieve corporate goals.



SUSTAINABILITY AND VESTEL

Sponsorship of Different Sporting Events

Vestel also considers contributing to the development of social life in the field of sports to be one of its responsibilities within the scope of its social responsibility approach. Setting out from this understanding, under its cooperation with the Turkish Volleyball Federation (TVF), Vestel has been the name sponsor of the Sultans' League, which is Turkey's top league in Women's Volleyball, and the main sponsor of all volleyball national teams since the 2016-2017 season. As the main sponsor of the TVF, Vestel has been one of the official sponsors of the Mens' 1st League, the "Efeler League", the Turkish Volleyball Cup "Cup Volley", the Turkish Beach Volleyball League and the "Pro Beach Tour" as well as other events which are organized by the TVF. Vestel also sponsored the TVF Volleyball Schools "Factory Volleyball", which shapes the future of Turkish volleyball and allows hundreds of athletes to be trained.

Vestel's sponsorship of the Presidential Cycling Tour, which is an important sporting event in Turkey in the international arena, broadcast not only in Turkey but also on TV channels all over the world, continued in 2019.

VESTEL HAS BEEN THE NAME SPONSOR OF THE SULTANS' LEAGUE, WHICH IS TURKEY'S TOP LEAGUE IN WOMEN'S VOLLEYBALL, AND THE MAIN SPONSOR OF ALL VOLLEYBALL NATIONAL TEAMS SINCE THE 2016-2017 SEASON.

Vestel added Trabzonspor, one of the largest football teams in Turkey, to its sponsorship portfolio in the field of sports in 2019 with the agreement of "Uniform Shirt Sponsorship". With the agreement made, the Vestel brand will take pride of place on the Trabzonspor uniform shirt for 3 years.

Continuing its support in many different sporting branches, Vestel sponsored the world record holding diver, Şahika Ercümen who dived in the Gilindire Cave in Mersin and exceeded a limit of 90 meters in the "Without Breathing Apparatus" category. In the water, which dates back to the ice age, the national diver who exceeded the 100-meter limit in a single breath without added breathing apparatus, became the new world record holder for the 90-meter dive.



Walking Frame Project for Disabled Animals

With the social responsibility project developed in 2018 within the scope of its sustainability vision, Vestel produced walking frames for disabled animals to facilitate their lives as well as built kennels for stray animals. Building 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. In this context, 10 walking frames were produced for disabled animals as a result of the work conducted in 2019.

With the Walking Frame Project, Vestel was awarded the “Best Social Responsibility Project” Award at the ACE of M.I.C.E. 2019 Event and Meeting Awards, which hosts world-famous brands and event professionals every year.

Vestel received the “Best Practice Award” in the “Large Companies Best Practice” category with the Walking Frame Project at the International Corporate Social Responsibility (CSR) Excellence Awards held in London.

Vestel was also awarded the title of “CSR World Leader” by The Green Organization, in recognition of the sensitivity it displays towards its employees, society, the environment and those less fortunate through its social responsibility projects.

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

THE GREEN ORGANISATION AWARDED VESTEL THE TITLE OF “CSR WORLD LEADER”.



SUSTAINABILITY AND VESTEL

IN LINE WITH ITS SUSTAINABILITY GOALS IN HUMAN RESOURCES, VESTEL STARTED A SEMINAR SERIES ENTITLED “DEMLI CHATS” IN 2018, WHICH IS OPEN TO ALL EMPLOYEES.

Demli Chats

In line with its sustainability goals for human resources, a series of seminars entitled “Demli Chats” started to be held in 2018 in order to raise the awareness of employees about certain issues (education, women’s issues, those with disabilities, etc.). The Demli Chats, which are open to all employees, address issues such as the Education System, Social Gender Equality and Women’s Rights, Women’s Place and Representation in Social Life, Disability Awareness, Being a Father and Conscious Parenting and Economic Developments in the World and in Turkey, where employees could get answers to their questions from the specialists in their fields.

The “Demli Chats” seminars, in which all employees can participate, were continued in 2019. Economic Developments in the World and Turkey, Disability Awareness: “Discover a New You by Overcoming Obstacles” and Women’s Day were discussed at the Demli Chats events held during the year.

Sparks (Kivılcımlar) Movement

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

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

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

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

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

A few examples of the New Sparks Movement are listed below:

- Within the scope of the social responsibility project involving Sparks Movement volunteers, the Zonguldak Karaelmas Zafer Primary School was repainted while floor coverings were completely renovated, and the school opened its doors with a ceremony held on 11 September, 2019.
- Volunteers held children's events in Hacıhaliller village on 2 August, 29 August and 5 September within the scope of the Sparks Movement. The team, consisting of a total of 40 volunteer Sparks organized events, in which children can discover their abilities, and which gives fertile ground for their imagination, raises children's awareness about the environment and health issues, leaving an impression on their lives.

Leaving our Voices as a Legacy from the Present to the Future!

The My Voice is a Legacy (Sesim Miras Projesi) Project, in which employees put their voices to a book for the Boğaziçi University's Visually-Impaired Technology Center (GETEM) e-library, continues at full pace.

All employees may volunteer to provide their voices for books for the visually-impaired individuals. With the participation of new volunteers in the "My Voice is a Legacy" Project, which was selected as the starting project of the Sparks Movement, the trial records of 58 volunteer employees were obtained in the first stage and sent to GETEM.

In 2019, a total of 105 volunteer employees were reading books, and the voice recording of 28 books was completed with the recordings sent to the Vestel Library within GETEM. The number of books awarded to the GETEM Vestel Library reached 56, with 1,928 views.

The team of the My Voice is a Legacy project received a certificate at the GETEM Volunteer Reader Certificate Ceremony held at the Boğaziçi University Uçaksavar Campus Garanti Cultural Center on 28 September 2019.



ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

05

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

GENERAL INFORMATION

Reporting Period:	01.01.2019 - 31.12.2019
Legal Name:	Vestel 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
	Head Office: Levent 199 Büyükdere Cad. No: 199 34394 Şişli/İSTANBUL Phone: +90 (212) 456 22 00
	Branch 1: Manisa Branch Organized Industrial Zone, 45030, MANISA Phone: +90 (236) 233 01 31
Contact Information for the Head Office and Branches:	Branch 2: Manisa Teknokent Branch Muradiye Mahallesi Celal Bayar Üniversitesi Kampüsü Küme Evleri No: 22 Yunusemre/MANISA Phone: +90 (236) 233 01 31
	Branch 3: Manisa Protected Workplace Branch Keçiliköy OSB Mahallesi 5639 Sok. No: 17/2/04 Yunusemre/MANISA Phone: +90 (236) 233 18 16
Company Website:	www.vestel.com.tr
Investor Relations Website:	www.vestelinvestorrelations.com

Shareholding Structure and Capital Distribution

As of 31.12.2019, 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)	31,043	9.26
Other (Free Float)	88,359	26.34
Total	335,456	100.0

Zorlu Holding AŞ's stake in the Company fell from 77.45% to 73.66% due to stock sales executed on Borsa Istanbul in 2019.

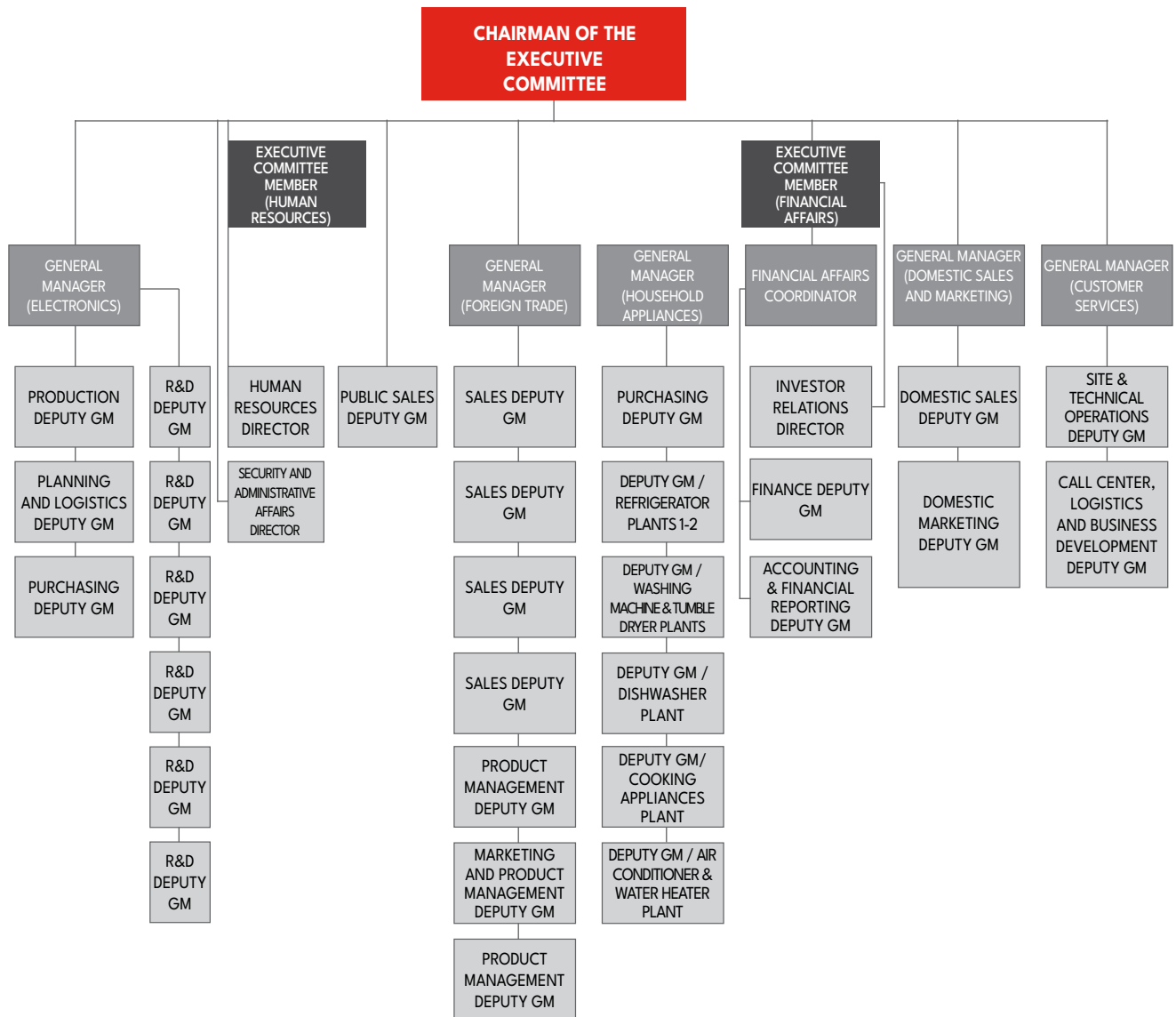
Privileged Shares and Voting Rights of Shares

There are no privileged shares in the Company.

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

Organizational Chart of Vestel Elektronik

Two separate Deputy General Manager positions were created, one for Finance and the other for Accounting & Financial Reporting, to report directly to the Coordinator for Financial Affairs in 2019. In addition, the functions for Security Management and Administrative Affairs Management were merged under the position of Security and Administrative Affairs Directorship.



The Board of Directors

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

The Board members elected at the 2018 Annual General Meeting held on 8 May 2019, who have executed their duty during the period, and their tenure are listed in the table below.

Member	Duty	Term of Office		Other Positions Held Within Zorlu Group	Positions Held Outside the Zorlu Group	Status
		Beginning Date	Ending Date			
Ahmet Nazif Zorlu	Chairman	May 8, 2019	Until 2019 Annual General Meeting	Chairman and Vice Chairman at Zorlu Group Companies	-	Non-executive
Bekir Ağırdir	Vice Chairman	May 8, 2019	Until 2019 Annual General 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 8, 2019	Until 2019 Annual General Meeting	Board Member at Zorlu Group Companies	-	Non-executive
Mehmet Emre Zorlu	Board Member	May 8, 2019	Until 2019 Annual General Meeting	Board Member at Zorlu Group Companies	-	Non-executive
Olgun Zorlu	Board Member	May 8, 2019	Until 2019 Annual General Meeting	Board Member at Zorlu Group Companies	-	Non-executive
Elmas Melih Araz	Board Member	May 8, 2019	Until 2019 Annual General 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. İzmir Enternasyonal Otelcilik AŞ and Entegre Harç Sanayi ve Ticaret AŞ	Independent
Ayşegül İldeniz	Board Member	May 8, 2019	Until 2019 Annual General 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

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

Changes made to the Board of Directors during the year

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

Duties and Authorities of the Members of the Board of Directors

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

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

Board of Directors convened 45 times in 2019. The members of the Board of Directors attended the meetings to a large extent regularly and the attendance rate to the meetings stood at 92.06%.

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 responsible for International Sales at Vestel Ticaret AŞ
Ergün Güler	General Manager responsible for Domestic Sales and Marketing at Vestel Ticaret AŞ
Ali Tarkan Tekcan	General Manager responsible for Customer Services at Vestel Ticaret AŞ

Changes made to the Senior Management during the year

Mr. Tunç Berkman, who has been serving as the Deputy General Manager responsible for Domestic Sales and Marketing has resigned from his position in December 2019 and Mrs. Nezihe Duygu Badem Uylukçuoğlu was appointed to his position.

Bülent Kiracioğlu, who has been serving as the Central Finance Manager, has been promoted to the position of Deputy General Manager of Finance in June 2019.

Özden Özdemir Bozatlı, who has been serving as the Financial Reporting and Analysis Manager, has been promoted to the position of Deputy General Manager of Accounting and Financial Reporting in June 2019.

Mehmet Halit, who has been serving as Security Manager, has been promoted to the position of Director of Security and Administrative Affairs in June 2019.

Mr. Osman Alkın, who has been serving as the Deputy General Manager Responsible for the Refrigerator Plants, has resigned from his position as of February 1, 2019 and Mr. Hasan Uğur was appointed to his position.

Number of Employees

As of 31.12.2019, Vestel Elektronik has 16,775 employees.

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

In the Annual General Meeting held on 8 May 2019, the members of the Board of Directors were given permission for the year 2019 to carry out transactions in accordance with the Articles 395 and 396 of the Turkish Commercial Code. The Board members did not take any action under this scope during the year.

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

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

Amendments to the Articles of Association

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

In the twelve-month period ending on 31.12.2019, the total compensation and monetary benefits provided to the members of the Board of Directors and senior managers amounted to TL 29,669 ths. in total.

ACTIVITIES OF THE COMPANY AND IMPORTANT DEVELOPMENTS REGARDING THE ACTIVITIES

Capacity and Production

Unit	Plant Enclosed Area (m ²)
TV	306,713
Household Appliances	402,980
Digital Products	49,740
V. Polska Technology Center sp. z o o.	37,987
Total	797,420

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

Production

The Company's production volume increased by 1% yoy in 2019.

Sales

Vestel Elektronik recorded TL 18,546,044 ths. of gross revenues in 2019, of which TL 14,363,541 ths. comprised of export revenues. 69% of total revenues were generated from sales to European countries, 23% from domestic market and 9% from sales to other countries.

In 2019, domestic sales revenues decreased by 3% while export revenues grew by 13% yoy.

Net revenues grew by 8% in Turkish Lira terms while unit sales decreased by 8% in 2019.

Investments and Investment Incentives

The Company's total capital expenditures amounted to USD 121 million in 2019. The investment expenditures consisted of machinery and equipment investments (35% of the total), research and development activities (28%), mould investments (24%) and other investments (12%).

Information on Direct and Indirect Subsidiaries and Ownership Interests

As of 31 December 2019, the Company's major subsidiaries are as follows:

	31.12.2019		31.12.2018	
	Voting Rights (%)	Effective Ownership (%)	Voting Rights (%)	Effective Ownership (%)
Consolidated subsidiaries				
Vestel Beyaz Eşya Sanayi ve Ticaret AŞ	95.2	95.2	95.2	95.2
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, the carrying value of these investments, which are accounted for by the equity method, is zero on the consolidated balance sheet as of 31 December 2019 and 31 December 2018.

As of 31 December 2019, Vestel Elektronik Sanayi ve Ticaret AŞ's voting rights and effective ownership interests in Vestel Savunma Sanayi AŞ, Aydın Yazılım Elektronik ve Sanayi AŞ, Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ and Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret AŞ, which are accounted for by the equity method, were 35%, 21%, 50% and 19%, respectively (31 December 2018: 35%, 21%, 50%, 19%).

Information on the Company's acquisition of its own shares

The Company did not acquire its own shares in 2019.

Information on Special Audit and Public Audit

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

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ was selected as the independent auditor for auditing the Company's accounts and transactions for the fiscal year 2019 in accordance with the Capital Market Law, the Turkish Commercial Code and the related legislation, in the Annual General Meeting held on 8 May 2019.

Information on Legal Action taken against the Company which could affect the Company's Financial Status and Activities and the Possible Consequences of such Legal Action

No material lawsuit, which could affect the financial status and activities of the Company, was filed against the Company in 2019.

Administrative or Judicial Sanctions imposed against the Company or the Board Members due to Practices Violating the Legislation

There are no administrative or judicial sanctions applied against the Company or the members of the Board of Directors.

General Meetings of Shareholders

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

No Extraordinary General Meeting was held during the year.

ADDITIONAL DISCLOSURES AS PER THE LEGISLATION

Donations and Social Responsibility Projects

In 2019, the total donations made in line with the Company's Donation and Charity Policy amounted to TL 177,882.

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

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

Information on Transactions

There were no transactions within this scope.

FINANCIAL POSITION

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

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

Information on Capital Market Instruments Issued

No new capital market instrument was issued by the Company in 2019.

Corporate Credit Rating

S&P	CCC+/Stable
JCR Eurasia Rating	BBB-/Negative

On 19 December 2019, JCR Eurasia Rating assessed Vestel Elektronik Sanayi ve Ticaret AŞ in a high-level investment grade category and determined its Long and Short-Term National Ratings as "A (Trk)" and "A-1 (Trk)", respectively along with "Stable" outlook. In addition, the Company's Long Term International Foreign and Local Currency Ratings have been set at the sovereign ceiling of "BBB-" along with "Negative" outlook.

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.

At the Company's 2018 Annual General Meeting, considering the conditions set forth in the Company's Profit Distribution Policy; the decision was taken not to distribute the 2018 distributable profit and to add it to extraordinary reserves after setting aside the required amount for the first legal reserve in order to strengthen the financial structure of the Company and not to create an additional funding requirement in view of the current economic outlook, the long term strategies and the investment, liquidity and financing policies of the Company as well as to protect the long term interests of the shareholders, the employees and the Company.

OTHER MATTERS

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

None.

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

There were no legislative changes in 2019 that could significantly affect the Company's activities.

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

None.

Required Information on Related Party Transactions and Balances

The required information concerning the Company's related party transactions are provided in the footnotes of the 2019 financial statements.

CORPORATE GOVERNANCE

RISKS AND ASSESSMENT 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

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 2019, Enterprise Risk Management Department submitted 6 risk reports to the Early Detection of Risk Committee to support the Committee in the effective supervision of the enterprise risk management processes, and the reports were presented to the Board

CONTINUOUS MONITORING

CORPORATE GOVERNANCE

of Directors following the review of the Committee. The headings of the risk reports submitted to the Committee and the Board of Directors in 2019 are listed below:

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

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

Strategic Risks

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

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

The following actions are taken against these risks:

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

Sector Related Risks

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

Vestel 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 adequate liquidity.

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

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

The following actions are taken against these risks:

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

Operational Risks

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

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

The following actions are taken against these risks:

- Supervision of all operational activities by the Internal Audit, Financial Audit and Tax Audit Departments set up under the organization of Zorlu Holding,
- Oversight by Zorlu Holding Enterprise Risk Management Department of the operational risks deemed significant via key risk indicators through the IT system and informing the related business units on risk levels, when necessary,
- Measuring, reporting and monitoring of customer satisfaction in relation to products and service network,

CORPORATE GOVERNANCE

- 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 Policy

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

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

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

Internal Audit Activities

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

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

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

Zorlu Group supports and promotes Zorlu Group Internal Audit Team, which consists of 6 people, in receiving additional training to improve and enhance their existing knowledge, skills and other qualities, becoming a member of the related associations (e.g. The Institute of Internal Auditors, Turkey - TIA) and obtaining international certificates. The Internal Audit team includes 2 CIAs (Certified Internal Auditor), 1 CFE (Certified Fraud Examiner), 1 CRMA (Certification in Risk Management Assurance), 1 CMAAAL (CMB Level 3 License), 1 CGRL (CMB Corporate Governance Rating License), 1 DIL (CMB Derivatives License) and 1 CMB Real Estate Appraisal License.

Financial Audit and Tax Audit Activities

The Financial Audit and Tax Audit Departments have been carrying out their activities at Zorlu Group companies since 2012. Currently, these departments have 8 and 5 employees, respectively.

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

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

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

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

The General Directorate of Internal Control and Its Activities

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

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

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

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

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

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

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

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

None.

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 9.59 (95.87%) out of a scale of 10 as of 21 February 2019. 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 2019 (%)
Shareholders	0.25	94.89
Public Disclosure and Transparency	0.25	97.93
Stakeholders	0.15	98.09
Board of Directors	0.35	94.14
Total	1.00	95.87

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

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

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

For the period ended on 31 December 2019, the compliance with the Corporate Governance Principles that are appended to the Corporate Governance Communiqué and the explanations with regard to the principles that have not yet been complied with are included in the Corporate Governance Compliance Report, the Corporate Governance Information Form and in 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 2019.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				A separate item on donations was included in the agenda of the Annual General Meeting. Information on the amount of donations and the beneficiaries is provided to shareholders at the Annual General Meeting.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					There is no restriction on the participation of the media in the Company's General Shareholder Meetings. No such request was received from the media in 2019.
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	The Company has no cross-shareholding relationship which brings a controlling relationship.
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			The scope of minority rights was not expanded in the Articles of Association. Within the framework of the CMB legislation, minority rights are granted to those who own one-twentieth of the share capital.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					

CORPORATE GOVERNANCE

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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's website.
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				Apart from the interim activity reports, all information that may affect the investment decisions of foreign investors is available in English on the Company's Investor Relations website.
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.		X				Zorlu Holding AŞ Code of Ethics, which is available on the Company's website, serves to regulate the rights of stakeholders. Efforts are continuing to prepare a specific policy on stakeholder rights.
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.		X				Although there is no provision in the Articles of Association, employees are encouraged to participate in company management through internal practices. Employees may submit their suggestions requests and opinions directly to the Human Resources Department via the "Vestel Complaint/Wish/Request Evaluation System" on the Company's corporate portal, or to their managers and to those responsible for the evaluation of suggestions through the "Suggestion Module" which is available to all employees. The suggestions received from the employees are evaluated, and those suggestions deemed appropriate are turned into a project and implemented. Employees are rewarded for their contribution.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
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 goals for 2022 set out by Zorlu Holding AŞ, which covers all the Zorlu Group companies, projects are initiated for providing equal opportunities to employees in recruitment, promotion and back-up practices.
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.					X	Employees are informed by their managers of any decisions that may affect them. There is no labor union at Vestel 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					

CORPORATE GOVERNANCE

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.					X	There is no collective bargaining agreement at Vestel Elektronik.
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.		X				It is stated in the annual report that the duties and authorities of the members of the Board of Directors are regulated in the Turkish Commercial Code, however, no detailed description is given in the report.
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.		X				The roles of the Chairman and Chief Executive Officer are separated, however their duties are not defined in writing.

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	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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 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, the current ratio of female members in the Board of Directors is 29% and the minimum target rate for female directors stipulated in the corporate governance principles has been achieved.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					

4.4. BOARD MEETING PROCEDURES

4.4.1 - Each board member attended the majority of the board meetings in person.			X			Out of the 7 members of the Board, 6 members attended the majority of the board meetings. One member, who resides abroad, could not participate in the majority of meetings in person.
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.

CORPORATE GOVERNANCE

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Two independent members of the Board of Directors serve on more than one committee due to the number of the board members and the committee formation requirements.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	The committees did not obtain any external consultancy services in 2019.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			There is no performance evaluation practice for the Board of Directors.
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			The remuneration of the board members and senior managers is disclosed in the annual report collectively, while no disclosure is made on an individual basis.

CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organized by the company during the year	During the year, a total of 87 meetings were held with investors and analysts either face to face or by phone. The Company attended 1 investor conference and 1 roadshow organized by the brokerage houses.
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/762229
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	It is presented.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no such transaction in 2019.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	There is no such transaction in 2019 within the scope of Article 9.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	https://www.kap.org.tr/tr/Bildirim/764488
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 company participated in the 2018 Annual General Meeting. However, there is no restriction on the participation of stakeholders in the General Shareholders' Meetings.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	None.
The percentage of ownership of the largest shareholder	73.66%
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	Considering the current economic outlook, the long term strategies and the investment, liquidity and financing policies of the Company as well as to protect the long term interests of shareholders, employees and the Company, the decision was taken not to distribute the 2018 distributable profit and to add it to extraordinary reserves after setting aside the required amount for the first legal reserve, in order to strengthen the financial structure of the Company and not to create an additional financing need.
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/762229

CORPORATE GOVERNANCE

GENERAL ASSEMBLY MEETINGS

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
08.05.2019	None.	84.2245%	0.0007%	84.2238%	Corporate Governance / General Meetings of Shareholders	Corporate Governance / General Meetings of Shareholders	None.	None.	https://www.kap.org.tr/tr/Bildirim/762229

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

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

2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	It is presented in the Management / Board of Directors and Corporate Governance sections of the annual report.
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	It is presented in the Corporate Governance section of the annual report.
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	It is presented in the Additional Disclosures as per the Legislation section of the annual report.
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	It is presented in the Additional Disclosures as per the Legislation section of the annual report.
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	It is presented in the Additional Disclosures as per the Legislation section of the annual report.
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	It is presented in the Additional Disclosures as per the Legislation section of the annual report.
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	It is presented in Additional Disclosures as per the Legislation section of the annual report.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	It is presented in the Activities / 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)	Internal Audit General Director on behalf of Zorlu Holding AŞ's Ethics Committee (Billur Demet Atan - billur.atan@zorlu.com)
The contact detail of the company alert mechanism	Code of Ethics Hotlines: etik@zorlu.com 0 212 456 23 23 / 0 850 226 23 23

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

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

3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The 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 programme.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	The Human Resources Policy is available in the Corporate Governance / Human Resources Policy section. It is specifically mentioned in all regulations: "No discrimination is permitted in applications on the basis of gender, age, religion, race, sect, social status, physical appearance, ethnic origin, nationality, sexual orientation or any other personal characteristics."
The number of definitive convictions the company is subject to in relation to health and safety measures	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.

CORPORATE GOVERNANCE

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 Ağırdir. All members of the Board of Directors have been given first degree signature authority. With the Board resolution dated 09.05.2019 and numbered 2019/24, any member of the Board of Directors who has first degree signature authority is authorized to represent and bind the Company without any monetary limitation in any matter with a joint signature together with Ahmet Nazif Zorlu.

4.2. Activity of the Board of Directors

Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	9
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	It is presented in the Corporate Governance section of the annual report.
Name of the Chairman	Ahmet Nazif Zorlu
Name of the CEO	Enis Turan Erdoğan
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	They are different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	https://www.kap.org.tr/tr/Bildirim/771175
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 Independence Declaration	Whether the Independent Director considered by the Nomination Committee	Whether She/He is the Director who ceased to satisfy the Independence or Not	Whether the Director has at least 5 years of experience on Audit, Accounting and/or Finance or Not
Ahmet Nazif Zorlu	Non-executive	Not independent director	14.09.1995	-	-	-	-
Bekir Ağırdir	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/762229	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 İlideniz	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/762229	Considered	No	-
Elmas Melih Araz	Non-executive	Independent director	09.05.2018	https://www.kap.org.tr/tr/Bildirim/762229	Considered	No	Yes

4. BOARD OF DIRECTORS-II**4.4. Meeting Procedures of the Board of Directors**

Number of physical board meetings in the reporting period (meetings in person)	45
Director average attendance rate at board meetings	92.06%
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	-	Elmas Melih Araz	Yes	Board member
Audit Committee	-	Bekir Ağırdir	No	Board member
Corporate Governance Committee	-	Bekir Ağırdir	Yes	Board member
Corporate Governance Committee	-	Mehmet Emre Zorlu	No	Board member
Corporate Governance Committee	-	Serap Mutlu	No	Not board member
Committee of Early Detection of Risk	-	Elmas Melih Araz	Yes	Board member
Committee of Early Detection of Risk	-	Selen Zorlu Melik	No	Board member

CORPORATE GOVERNANCE

4.5. Board Committees-III

4.5. Committees Established Within the Board of Directors-II

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

COMPOSITION OF BOARD COMMITTEES-II

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

BOARD COMMITTEES

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

Audit Committee

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

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

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

- In principle, the Audit Committee shall convene at least four times a year, being once in each quarter. The Committee convened six times in 2019.
- The Committee carries out its activities in line with the working principles put into writing in detail.

CORPORATE GOVERNANCE

- In 2019, the Audit Committee performed the following functions:
 - » Oversight of the Company's financial and operational activities,
 - » Supervision and approval of the accuracy and conformity of the annual and interim financial statements, which will be disclosed to the public, with the accounting principles employed by the Company,
 - » Selection of the independent audit firm, preparation of the independent audit contract and initiation of the independent audit process,
 - » Monitoring of the effectiveness and performance of the independent audit activity,
 - » Monitoring of the functioning and effectiveness of the internal control and internal audit system,
 - » Review of the internal control and internal audit reports.

Corporate Governance 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 Ağirdır, an independent Board member.
- Corporate Governance Committee also fulfills the duties of the Nomination Committee and the Remuneration Committee.

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

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

- In principle, the Committee convenes at least twice a year in order to ensure the effective performance of its duties. Corporate Governance Committee convened five times in 2019.
- The activities carried out by the Corporate Governance Committee in 2019, in accordance with its working principles put into writing in detail, are presented below:
 - » Proposing improvements in corporate governance practices to the Board of Directors to enhance compliance with the CMB's Communiqué on Corporate Governance No. II-17.1; conducting and supervising the necessary works for alignment with the legislation,
 - » Overseeing the activities of the Investor Relations Department,
 - » Preparing the evaluation reports on the independence of the independent Board member candidates for submission to the Board of Directors,
 - » 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 2019, which takes into account their progress in meeting the remuneration criteria.

Early Detection of Risk Committee

- The Early Detection of Risk Committee was established in order to identify the risks which could threaten the existence, development and continuity of the Company, take the necessary measures against these risks and undertake risk management activities in line with the Turkish Commercial Code, Articles of Association and CMB's Communiqué on Corporate Governance. The Committee continues its activities with regard to the early detection of threats which may have negative consequences on the development and continuity of the Company and manage the risks effectively by developing action plans against such threats.
- Pursuant to the CMB's Communiqué on Corporate Governance No. II-17.1, the "Working Principles of the Early Detection of Risk Committee" were revised and approved at the Board of Directors' meeting dated 27 March 2014. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the Company website.
- The Early Detection of Risk Committee is composed of at least two Board members. In case the Committee has only two members, both of them, and in case it has more than two members, the majority of them, must be non-executive Board members. The Chairman of the Committee is Mr. Elmas Melih Araz, who is an independent Board member. The other member is Mrs. 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 9 May 2019:

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 six meetings in 2019 and presented six risk reports to the Board of Directors.
- The activities carried out by the Committee in 2019, in line with the working principles put into writing in detail, are presented below:
 - » High risk evaluation was carried out and risk inventory was prepared including strategic, financial and operational risks which are critically important for the Company.
 - » Risks contained in the risk reports were evaluated based on the 4-tier scale (Acceptable, Acceptable with Control, Undesired, Unacceptable).
 - » Sector and company based risks contained in the risk reports were grouped under 9 main risk headings (External Environment, Operational, Authorization, Information Technology and Technology, Honesty/Integrity, Financial, Process/Operational, Reporting and Strategic) according to COSO (The Committee of Sponsoring Organizations of the Treadway Commission) risk taxonomy.
 - » As a result of these assessments, it was seen that risks were generally gathered under the main headings of External Environment, Operational, Financial and Strategic Risks.
 - » As a result of the risk inventory and risk management analyses, risk reports were prepared and submitted to the Committee in order to ensure early detection of risks which may jeopardize the Company's existence, development and continuity and adoption of the necessary measures against these risks and management of risk. These reports were as follows:
 - Risk Assessment Survey Results of Vestel
 - Risk Assessment of Vestel Elektronik's 2018 Financial Performance
 - Exchange Rate and Interest Rate Risks of Vestel Group Companies
 - Enterprise Risk Management of Zorlu Holding
 - Cybersecurity Risk Report of Zorlu Holding and Group Companies
 - Cyber Risk Insurance Report.

CORPORATE GOVERNANCE

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

The Board Committees were established to support the Board of Directors in fulfilling its duties and responsibilities more effectively. In line with the Corporate Governance Principles of the Capital Markets Board, at its meeting on 9 May 2019, the Board of Directors resolved to:

- Elect Mr. Bekir Ağırdir, Independent Member of the Board, as the Chairman of the Corporate Governance Committee and Mr. Mehmet Emre Zorlu, Board Member, and Ms. Serap Mutlu, Investor Relations Director, as Committee members,
- Elect Mr. Elmas Melih Araz, Independent Member of the Board, as the Chairman of the Audit Committee and Mr. Bekir Ağırdir, Independent Member of the Board, as Committee Member,
- Elect Mr. Elmas Melih Araz, Independent Member of the Board, as the Chairman of the Early Detection of Risk Committee and 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.vestelinvestorrelations.com).

In 2019, the Board Committees performed their duties and responsibilities effectively as required in the Corporate Governance Principles and their own Working Principles.

In compliance with the way required for the effectiveness of their functions, their Working Principles and annual meeting schedules, in 2019:

- The Corporate Governance Committee convened 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 six times,
- The Early Detection of Risk Committee convened six times.

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

- The “Corporate Governance Committee”, which was established in line with the Capital Markets Board’s Communiqué on Corporate Governance in order to monitor the Company’s compliance with the Corporate Governance Principles, carry out studies for improvement, and submit proposals to the Board of Directors, monitored the Company’s compliance with the Corporate Governance Principles, made recommendations to the Board to improve compliance with the non-mandatory principles, 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 2019 - October 2020 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 2019, by taking into account the extent of the fulfilment of the remuneration criteria.
- The “Audit Committee”, which was established for the supervision of the Company’s accounting system, the independent audit, public disclosure of financial information, and functioning and efficiency of the Company’s internal control and internal audit system, presented its views and recommendations in the areas of its responsibility to the Board of Directors.
- The “Early Detection of Risk Committee”, which was established for the early detection of risks which could threaten the Company’s existence, development and continuity, implementation of necessary measures against these risks and management of risks, made a high-level risk assessment during the year, prepared a risk inventory pertaining to the critical risks in strategic, financial and operational areas and prepared and submitted six Risk Reports to the Board within the scope of its duties set forth in its Working Principles.

CORPORATE GOVERNANCE


STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

08.04.2019

Statement of Independence

I hereby declare that I am a candidate for assuming the role of an “Independent Member” on the Board of Directors of Vestel 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 activities of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,
- g) I will be able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the Company activities and to duly perform the duties I shall assume,
- h) I have not served as a Board member at the Company’s Board of Directors for more than 6 years within the last ten years,
- i) I am not serving as an independent board member at more than three companies whose management is controlled by the shareholders controlling the Company and Company management and at more than five companies which are traded on the stock exchange,
- j) I am not registered and declared on behalf of the legal entity which is elected as a board member.



Bekir Ağırır

STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

08.04.2019

Statement of Independence

I hereby declare that I am a candidate for assuming the role of an “Independent Member” on the Board of Directors of Vestel 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 activities of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,
- g) I will be able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the Company activities and to duly perform the duties I shall assume,
- h) I have not served as a Board member at the Company’s Board of Directors for more than 6 years within the last ten years,
- i) I am not serving as an independent board member at more than three companies whose management is controlled by the shareholders controlling the Company and Company management and at more than five companies which are traded on the stock exchange,
- j) I am not registered and declared on behalf of the legal entity which is elected as a board member.



Ayşegül İldeniz

CORPORATE GOVERNANCE

STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

08.04.2019

Statement of Independence

I hereby declare that I am a candidate for assuming the role of an “Independent Member” on the Board of Directors of Vestel 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 activities of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,
- g) I will be able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the Company activities and to duly perform the duties I shall assume,
- h) I have not served as a Board member at the Company’s Board of Directors for more than 6 years within the last ten years,
- i) I am not serving as an independent board member at more than three companies whose management is controlled by the shareholders controlling the Company and Company management and at more than five companies which are traded on the stock exchange,
- j) I am not registered and declared on behalf of the legal entity which is elected as a board member.



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: 10.03.2020

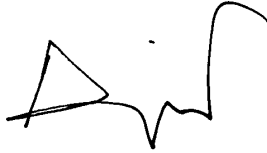
RESOLUTION NUMBER: 2020/15

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

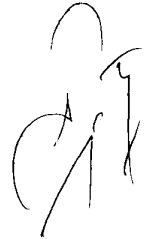
- Has been reviewed by us in line with the Capital Markets Board regulations,
- Based on the information we possess within the scope of our duties and responsibilities in the Company, the annual report does not contain any incorrect statement or any omission of material facts which may result in a misleading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



Chairman of the Audit Committee
Elmas Melih Araz



Member of the Audit Committee
Bekir Ağirdir



Financial Affairs Coordinator
Alp Dayı

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

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH (TURKISH TEXT IS AUTHORITATIVE)

To the General Assembly of Vestel Elektronik Sanayi ve Ticaret A.Ş.

1. Opinion

We have audited the annual report of Vestel Elektronik Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiary (collectively referred to as the "Group") for the 1 January - 31 December 2019 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the 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 3 March 2020 on the full set consolidated financial statements for the 1 January - 31 December 2019 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 (Cont'd)

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 Group 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.



Istanbul, 10 March 2020

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: 03.03.2020


RESOLUTION NUMBER: 2020/13

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

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



Chairman of the Audit Committee
Elmas Melih Araz



Member of the Audit Committee
Bekir Ağır



Financial Affairs Coordinator
Alp Dayı

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

(Originally Issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

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 2019 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 2019, 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 ("SIA") that are part of Turkish Standards on Auditing ("TSA") 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.

Key Audit Matter	How our audit addressed the key audit matter
<p>Recoverability of trade receivables (Refer to Notes 9 and 33)</p> <p>Trade receivables from third parties amounting TL 3.384.617 thousands as of 31 December 2019, constitute a significant portion of the consolidated financial statements of the Group.</p> <p>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.</p> <p>Therefore, recoverability of trade receivables is a key matter for our audit.</p>	<p>We performed the following procedures in relation to the audit of recoverability of trade receivables from third parties:</p> <ul style="list-style-type: none"> - 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 on a sample basis. - 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 formal assessment of legal counsels on outstanding litigations and disputes. - 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 financial reporting standards. <p>As a result of our work, we did not identified any significant findings in the audit procedures regarding the recoverability of trade receivables from third parties.</p>

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment of Investments Accounted for Using the Equity Method (Refer to Notes 2.6.ii and 13)</p> <p>As of 31 December 2019, the carrying value of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret A.Ş. ("Meta"), investment accounted for using the equity method, is TL 961.272 thousands.</p> <p>In accordance with Turkish Accounting Standard 36 ("TAS 36"), Impairment of Assets, the Group shall assess at the end of each reporting period whether there is any indicator that assets may be impaired, and perform impairment test accordingly.</p> <p>Impairment test is carried out by evaluating cash flow projections prepared according to business models based on significant management estimates and assumptions for future periods.</p> <p>Meta's carrying value is significant in the assets of the Group and due to the significant management estimates and assumptions sensitive to market and operational conditions such as discount rate, metal prices, mineral resource amount, facility capacity and efficiency in cash flows used in the projection. Impairment test for Meta is determined as a key audit matter by us.</p>	<p>We have performed following procedures regarding to impairment test of Meta, investment accounted for using the equity method, during our audit work:</p> <ul style="list-style-type: none"> - Approval mechanisms for the impairment test and controls developed by the Group have been understood and evaluated. - The conformity of the approach used in cash flow projections to the provisions of TAS 36 "Impairment of Assets" standard was evaluated. - We evaluated significant estimates and assumptions used in projections taking into account of below issues by considering inquiries with Group management, analysis, future plans and explanations of Group management in light of macroeconomic data with the involvement of internal and external experts in accordance with the provisions of "TSA 620: Use of Work of Expert" standard. - Significant estimates and assumptions such as valuation technique used by the Group management, the mathematical accuracy of the discounted cash flow model and the discount rate used in the cash flows have been evaluated together with our internal specialist, and the calculation of this discount rate and its components has been checked. - Group management's estimates about future metal prices have been compared with those of the forecasts in analysis reports published by independent institutions and similar products.

Key Audit Matter	How our audit addressed the key audit matter
Impairment of Investments Accounted for Using the Equity Method (Refer to Notes 2.6.ii and 13)	<ul style="list-style-type: none"> - The competence, adequacy and independence of the independent expert appointed by the Group management for determination of mine resource were evaluated in accordance with the relevant audit standards. - The amount of economically feasible mineral resources at the facility has been compared with the amount determined in the resource report issued by the independent expert appointed by the Group management and production data; estimates used in the model such as facility production capacity and efficiency and production costs are evaluated with the involvement of our external experts by taking into account the investment budgets of the Group management. - Conformity of tax advantages originating from investment incentive documents related with the completed investments to the applicable tax regulations have been evaluated by involving our tax specialists. - In addition, we assessed the appropriateness and adequacy of disclosures in the notes to the consolidated financial statements related to impairment of investments accounted for using the equity method in accordance with related financial reporting standards. <p>As a result of our work, we did not identify any significant findings in the audit procedures regarding impairment of investments accounted for using the equity method.</p>

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:

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

INDEPENDENT AUDITOR'S REPORT

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.

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 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 3 March 2020.

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



Istanbul, 3 March 2020

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VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	5	2.394.334	3.085.661
Trade Receivables		3.372.832	3.583.266
Trade Receivables Due from Related Parties	8	55.810	54.597
Trade Receivables Due from Unrelated Parties	9	3.317.022	3.528.669
Other Receivables		800.384	276.971
Other Receivables Due from Related Parties	8	550.383	13.525
Other Receivables Due from Unrelated Parties	10	250.001	263.446
Derivative Financial Assets		45.487	84.660
Derivative Financial Assets Held for Trading	32	42.291	68.025
Derivative Financial Assets Held for Hedging	32	3.196	16.635
Inventories	11	2.833.115	2.861.739
Prepayments		89.674	98.071
Prepayments to Unrelated Parties	12	89.674	98.071
Current Tax Assets	30	7.259	6.575
Other Current Assets		65.496	39.283
Other Current Assets Due from Unrelated Parties	22	65.496	39.283
TOTAL CURRENT ASSETS		9.608.581	10.036.226

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
NON-CURRENT ASSETS			
Financial Investments	6	69.941	49.081
Investments in subsidiaries, joint ventures and associates	13	974.192	1.140.630
Trade Receivables		67.595	5.854
Trade Receivables Due from Unrelated Parties	9	67.595	5.854
Other Receivables		3.986.552	2.506.482
Other Receivables Due from Related Parties	8	3.981.045	2.504.781
Other Receivables Due from Unrelated Parties	10	5.507	1.701
Property, Plant and Equipments		3.452.328	3.334.707
Land and Premises	14	635.564	625.381
Land Improvements	14	125.506	126.962
Buildings	14	1.428.183	1.407.645
Machinery and Equipments	14	1.115.091	1.012.240
Vehicles	14	2.705	3.179
Fixtures and Fittings	14	78.708	94.306
Leasehold Improvements	14	12.276	25.120
Construction in Progress	14	54.295	39.874
Right of Use Assets	15	163.776	-
Intangible Assets and Goodwill		815.521	738.390
Goodwill	17	197.793	197.793
Other Rights	16	15.779	18.762
Capitalized Development Costs	16	528.242	448.079
Other Intangible Assets	16	73.707	73.756
Prepayments		73.496	49.752
Prepayments to Unrelated Parties	12	73.496	49.752
Deferred Tax Asset	30	230.498	93.452
Other Non-current Assets	22	9.925	6.248
TOTAL NON-CURRENT ASSETS		9.843.824	7.924.596
TOTAL ASSETS		19.452.405	17.960.822

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings	7	5.830.835	4.427.098
Current Borrowings from Related Parties		7.368	-
Lease Liabilities	8	7.368	-
Current Borrowings from Unrelated Parties		5.823.467	4.427.098
Bank Loans	7	5.766.814	4.424.507
Lease Liabilities	7	56.653	2.591
Current Portion of Non-current Borrowings	7	1.411.361	2.000.447
Current Portion of Non-current Borrowings from Unrelated Parties		1.411.361	2.000.447
Bank Loans	7	1.411.361	2.000.447
Trade Payables		6.127.709	5.792.577
Trade Payables to Related Parties	8	7.830	4.364
Trade Payables to Unrelated Parties	9	6.119.879	5.788.213
Employee Benefit Obligations	21	200.055	105.016
Other Payables		56.799	50.728
Other Payables to Related Parties	8	56.195	49.769
Other Payables to Unrelated Parties		604	959
Derivative Financial Liabilities	32	52.592	250.205
Derivative Financial Liabilities Held for Trading		42.532	235.841
Derivative Financial Liabilities Held for Hedging		10.060	14.364
Current Tax Liabilities	30	-	493
Current Provisions	19	582.081	554.699
Other Current Provisions		582.081	554.699
Other Current Liabilities	22	391.043	375.735
Other Current Liabilities to Unrelated Parties		391.043	375.735
TOTAL CURRENT LIABILITIES		14.652.475	13.556.998

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
NON-CURRENT LIABILITIES			
Long Term Borrowings	7	568.081	749.486
Long Term Borrowings from Related Parties		15.759	-
Lease Liabilities	8	15.759	-
Long Term Borrowings from Unrelated Parties		552.322	749.486
Bank Loans	7	456.424	742.077
Lease Liabilities	7	95.898	7.409
Trade Payables		6.747	14.631
Trade Payables to Unrelated Parties	9	6.747	14.631
Non-current Provisions		201.953	164.888
Non-current Provisions for Employee Benefits	21	156.116	111.100
Other Non-current Provisions	19	45.837	53.788
Deferred Tax Liabilities	30	233.589	147.739
Other Non-current Liabilities		9.649	8.825
Other Non-current Liabilities to Unrelated Parties		9.649	8.825
TOTAL NON-CURRENT LIABILITIES		1.020.019	1.085.569
TOTAL LIABILITIES		15.672.494	14.642.567

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

	Footnotes	Audited 31 December 2019	Audited 31 December 2018
EQUITY			
Equity Attributable to Owners of Parent		3.690.656	3.229.140
Issued Capital	23	335.456	335.456
Inflation Adjustments on Capital		688.315	688.315
Share Premium (Discount)		103.776	103.776
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		1.275.275	1.318.870
Gains (Losses) on Revaluation and Remeasurement		1.275.275	1.318.870
Increases (Decreases) on Revaluation of Property, Plant and Equipment	29	1.310.274	1.338.777
Gains (Losses) on Remeasurements of Defined Benefit Plans	29	(34.999)	(19.907)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		406.591	254.030
Exchange Differences on Translation		406.932	262.586
Gains (Losses) on Hedge	29	(4.662)	(10.521)
Gains (Losses) on Cash Flow Hedges		(4.662)	(10.521)
Gains (Losses) on Revaluation and Reclassification		4.321	1.965
Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets	23	4.321	1.965
Restricted Reserves Appropriated from Profits		67.179	48.909
Legal Reserves	23	67.179	48.909
Prior Years' Profits or Losses	23	490.017	108.631
Current Period Net Profit Or Loss		324.047	371.153
Non-controlling Interests		89.255	89.115
TOTAL EQUITY		3.779.911	3.318.255
TOTAL LIABILITIES AND EQUITY		19.452.405	17.960.822

Consolidated financial statements for the period 1 January - 31 December 2019, were approved by the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. on 3 March 2020. General Assembly and specified regulatory bodies have the right to make amendments to statutory financial statements after issue.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

	Footnotes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
PROFIT OR LOSS			
Revenue	24	17.174.123	15.852.300
Cost of Sales	24	(12.896.358)	(11.570.079)
GROSS PROFIT		4.277.765	4.282.221
General Administrative Expenses	26	(401.822)	(340.785)
Marketing Expenses	26	(1.905.221)	(1.846.306)
Research and Development Expense	26	(261.830)	(249.928)
Other Income from Operating Activities	27	1.197.610	879.126
Other Expenses from Operating Activities	27	(1.631.561)	(2.242.200)
PROFIT FROM OPERATING ACTIVITIES		1.274.941	482.128
Share of Profit (Loss) from Investments Accounted for Using Equity Method	13	(234.719)	(90.859)
PROFIT BEFORE FINANCING INCOME (EXPENSE)		1.040.222	391.269
Finance Income	28	2.282.672	3.969.830
Finance Costs	28	(3.008.981)	(3.917.899)
PROFIT FROM CONTINUING OPERATIONS, BEFORE TAX		313.913	443.200
Tax (Expense) Income, Continuing Operations		37.937	(42.314)
Current Period Tax (Expense) Income	30	(14.782)	(19.943)
Deferred Tax (Expense) Income	30	52.719	(22.371)
PROFIT FROM CONTINUING OPERATIONS		351.850	400.886
PROFIT		351.850	400.886
Profit (loss), attributable to			
Non-controlling Interests		27.803	29.733
Owners of Parent		324.047	371.153
Earnings per 100 share with a Kr 1 of Par Value (TL)	31	0,97	1,11
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss		(15.440)	444.590
Gains (Losses) on Revaluation of Property, Plant and Equipment		-	535.781
Gains (Losses) on Remeasurements of Defined Benefit Plans		(19.300)	(3.204)
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss		3.860	(87.987)
Taxes Relating to Gains (Losses) on Revaluation of Property, Plant and Equipment		-	(88.628)
Taxes Relating to Remeasurements of Defined Benefit Plans		3.860	641
Other Comprehensive Income that will be Reclassified to Profit or Loss		152.591	184.837
Exchange Differences on Translation		144.346	186.403
Gains (losses) on Remeasuring Available-for-sale Financial Assets		3.020	(2.557)
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		7.550	616
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		(2.325)	375
Taxes Relating to Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets		(664)	511
Taxes Relating to Cash Flow Hedges		(1.661)	(136)
OTHER COMPREHENSIVE INCOME (LOSS)		137.151	629.427
TOTAL COMPREHENSIVE INCOME (LOSS)		489.001	1.030.313
Total Comprehensive Income Attributable to			
Non-controlling Interests		27.485	36.307
Owners of Parent		461.516	994.006

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018

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

	Issued Capital	Inflation Adjustments on Capital	Share Premium or Discounts	Increases (Decreases) on Revaluation of Property, Plant and Equipment	Gains (Losses) on Remeasurements of Defined Benefit Plans	Gains (Losses) on Revaluations and Remeasurements	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss	Exchange Differences on Translation
Previous Period								
1 January - 31 December 2018								
Beginning of Period	335.456	688.315	103.165	917.385	(17.246)	900.139	900.139	76.183
Adjustments Related to Accounting Policy Changes	-	-	-	-	-	-	-	-
Adjustments Related to Required Changes in	-	-	-	-	-	-	-	-
Adjusted Balance	335.456	688.315	103.165	917.385	(17.246)	900.139	900.139	76.183
Transfers	-	-	-	-	-	-	-	-
Total Comprehensive Income (Loss)	-	-	-	419.629	(2.625)	417.004	417.004	186.403
Profit (Loss)	-	-	-	(21.173)	-	(21.173)	(21.173)	-
Other Comprehensive Income (Loss)	-	-	-	440.802	(2.625)	438.177	438.177	186.403
Dividends Paid	-	-	-	-	-	-	-	-
Transactions with non-controlling shareholders	-	-	611	1.763	(36)	1.727	1.727	-
End of Period	335.456	688.315	103.776	1.338.777	(19.907)	1.318.870	1.318.870	262.586
Current Period								
1 January - 31 December 2019								
Opening Balance	335.456	688.315	103.776	1.338.777	(19.907)	1.318.870	1.318.870	262.586
Transfers	-	-	-	-	-	-	-	-
Total Comprehensive Income (Loss)	-	-	-	(28.503)	(15.092)	(43.595)	(43.595)	144.346
Profit (Loss)	-	-	-	(28.503)	-	(28.503)	(28.503)	-
Other Comprehensive Income (Loss)	-	-	-	-	(15.092)	(15.092)	(15.092)	144.346
Dividends Paid	-	-	-	-	-	-	-	-
Closing Balance	335.456	688.315	103.776	1.310.274	(34.999)	1.275.275	1.275.275	406.932

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

	Cash Flow Hedges	Reserve Of Gains or Losses on Hedge	Gains (Losses) on Remeasur- ing and/or Reclassi- fication of Available- for-sale Financial Assets	Gains (Losses) on Revalu- ation and Reclassi- fication	Other Accumu- lated Compre- hensive Income That Will Be Reclas- sified In Profit Or Loss	Restric- ted Reserves Approp- riated From Profits	Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings	Equity attribut- able to owners of parent	Non- controll- ing interests	Equity
	(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
	-	-	-	-	-	-	35.244	-	35.244	35.244	-	35.244
	-	-	-	-	-	-	35.244	-	35.244	35.244	-	35.244
(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
	-	-	-	-	-	2.714	52.394	(55.108)	(2.714)	-	-	-
445	445		(2.184)	(2.184)	184.664	-	21.173	371.153	392.326	993.994	36.319	1.030.313
-	-		-	-	-	-	21.173	371.153	392.326	371.153	29.733	400.886
445	445		(2.184)	(2.184)	184.664	-	-	-	-	622.841	6.586	629.427
-	-		-	-	-	-	-	-	-	-	(12.909)	(12.909)
(7)	(7)		-	-	(7)	-	(7.698)	-	(7.698)	(5.367)	(7.054)	(12.421)
(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
(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
-	-		-	-	-	18.270	352.883	(371.153)	(18.270)	-	-	-
5.859	5.859		2.356	2.356	152.561	-	28.503	324.047	352.550	461.516	27.485	489.001
-	-		-	-	-	-	28.503	324.047	352.550	324.047	27.803	351.850
5.859	5.859		2.356	2.356	152.561	-	-	-	-	137.469	(318)	137.151
-	-		-	-	-	-	-	-	-	-	(27.345)	(27.345)
(4.662)	(4.662)		4.321	4.321	406.591	67.179	490.017	324.047	814.064	3.690.656	89.255	3.779.911

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2019 AND 2018**

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

	Footnotes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		3.104.493	1.199.617
Profit		351.850	400.886
Profit (Loss) from Continuing Operations		351.850	400.886
Adjustments to Reconcile Profit		2.276.037	552.131
Adjustments for Depreciation and Amortisation Expense	14	626.954	456.729
Adjustments for Impairment Loss (Reversal of Impairment Loss)		68.217	52.089
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Receivables	9	46.752	52.921
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	11	21.465	(832)
Adjustments for Provisions		61.441	152.947
Adjustments for (Reversal of) Provisions Related with Employee Benefits	21	42.010	32.670
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	19	(21.121)	15.499
Adjustments for (Reversal of) Warranty Provisions	19	11.594	50.870
Adjustments for (Reversal of) Other Provisions	19	28.958	53.908
Adjustments for Interest (Income) Expenses		611.741	164.430
Adjustments for Interest Income	28	(534.325)	(566.215)
Adjustments for Interest Expense	28	1.146.066	730.645
Adjustments for Unrealised Foreign Exchange Losses (Gains)	7	173.969	382.503
Adjustments for Fair Value Losses (Gains)		(150.890)	16.105
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(150.890)	16.105
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method		234.719	90.859
Adjustments for Tax (Income) Expenses		(37.937)	42.314
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(7.582)	(7.635)
Adjustments for Losses (Gains) Arised from Sale of Tangible Assets		(7.582)	(7.635)
Other Adjustments to Reconcile Profit (Loss)	5	695.405	(798.210)

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2019 AND 2018**

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

	Footnotes	1 January - 31 December 2019	1 January - 31 December 2018
Changes in Working Capital		504.259	288.105
Decrease (Increase) in Financial Investments	6	(3.020)	2.750
Adjustments for Decrease (Increase) in Trade Accounts Receivable		101.941	89.321
Decrease (Increase) in Trade Accounts Receivables from Related Parties		(1.213)	(15.424)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties		103.154	104.745
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		9.639	(2.523)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations		9.639	(2.523)
Adjustments for Decrease (Increase) in Inventories		3.556	77.944
Decrease (Increase) in Prepaid Expenses		(15.347)	(5.618)
Adjustments for Increase (Decrease) in Trade Accounts Payable		327.248	53.902
Increase (Decrease) in Trade Accounts Payables to Related Parties		3.466	(2.875)
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties		323.782	56.777
Increase (Decrease) in Employee Benefit Liabilities		95.039	(2.719)
Adjustments for Increase (Decrease) in Other Operating Payables		(355)	159
Increase (Decrease) in Other Operating Payables to Unrelated Parties		(355)	159
Other Adjustments for Other Increase (Decrease) in Working Capital		(14.442)	74.889
Decrease (Increase) in Other Assets Related with Operations		(30.574)	(7.913)
Increase (Decrease) in Other Payables Related with Operations		16.132	82.802
Cash Flows from (used in) Operations		3.132.146	1.241.122
Payments Related with Provisions for Employee Benefits	21	(16.294)	(20.852)
Income Taxes Refund (Paid)	30	(11.359)	(20.653)

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2019 AND 2018**

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

	Footnotes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(2.702.582)	(3.160.018)
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		(17.840)	(1.161.575)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		13.826	10.391
Proceeds from Sales of Property, Plant and Equipment		13.826	10.391
Purchase of Property, Plant, Equipment and Intangible Assets		(685.446)	(926.792)
Purchase of Property, Plant and Equipment	14	(481.422)	(748.112)
Purchase of Intangible Assets	16	(204.024)	(178.680)
Cash Advances and Loans Made to Other Parties		(2.013.122)	(1.069.621)
Cash Advances and Loans Made to Related Parties	8	(2.013.122)	(1.069.621)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		(389.963)	2.149.371
Proceeds from Borrowings		6.674.923	5.291.223
Proceeds from Loans	7	6.674.923	5.291.223
Repayments of Borrowings		(6.318.207)	(3.036.235)
Loan Repayments	7	(6.313.561)	(3.038.310)
Cash Outflows from Other Financial Liabilities	7	(4.646)	2.075
Increase in Other Payables to Related Parties		6.426	40.474
Payments of Lease Liabilities		(81.302)	-
Dividends Paid	8	(27.345)	(12.909)
Interest Paid		(1.178.783)	(699.397)
Interest Received		534.325	566.215
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		11.948	188.970
Effect of Exchange Rate Changes on Cash and Cash Equivalents	7	(7.870)	98.144
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4.078	287.114
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	2.278.962	1.991.848
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		2.283.040	2.278.962

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi ("Vestel Elektronik" or "the Company") and its subsidiaries (together "the Group"), mainly produce and sell a range of brown goods and white goods. The Company's head office is located at Levent 199, Büyükdere Caddesi No: 199, 34394 Şişli/İstanbul. The Group's production facilities are located in Manisa Organized Industrial Zone, İzmir Aegean Free Zone, 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 2019, 35,59 % of the Group's shares are publicly traded (2018: 35,59%).

As of 31 December 2019 the number of personnel employed at Group is 16.775 (31 December 2018: 16.125).

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 Electronica SRL	Romania	Sales
Vestel Iberia SL	Spain	Sales
Vestel France SA	France	Sales
Vestel Holland BV	Holland	Sales
Vestel Germany GmbH	Germany	Sales
Cabot Communications Ltd.	UK	Software
Vestel Benelux BV	Holland	Sales
Vestel UK Ltd.	UK	Sales
Vestek Elektronik Araştırma Geliştirme A.Ş.	Turkey	Software
Vestel Trade Ltd.	Russia	Sales
Vestel Electronics Shanghai Trading Co. Ltd	China	Service
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 DMCC	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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance

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

The 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 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 ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

NOTE 2 - BASIS OF PRESENTATION OF 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 2019	31 December 2018
Turkish Lira/EUR	0,1504	0,1659
Turkish Lira/GBP	0,1286	0,1503
Turkish Lira/RUB	10,469	13,273
Turkish Lira/PLN	0,6398	0,7126
Turkish Lira/USD	0,1683	0,1901
	1 January -	1 January -
Average:	31 December 2019	31 December 2018
Turkish Lira/EUR	0,1768	0,1768
Turkish Lira/GBP	0,1383	0,1567
Turkish Lira/RUB	11,4656	13,183
Turkish Lira/PLN	0,6764	0,7520
Turkish Lira/USD	0,1763	0,2080

2.1.3 Basis of consolidation

The consolidated financial statements include the accounts of the parent, Group, 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.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

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

b) Investments in associates

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

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

Since Vestel Savunma and Aydın Yazılım has net liability position as of 31 December 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%).

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

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

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

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.

Transition to IFRS 16 "Leases":

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019**

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

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

The Group - as a lessee

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

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

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

Right of use asset

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

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

The Group re-measure the right of use asset:

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

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

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

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

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

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

After initial recognition, the lease liability is measured:

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

Exemptions and simplifications

Short-term lease contracts with a rental period of 12 months or less and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc,) are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period. The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

Extension and early termination options

The lease obligation is determined by considering the extension and early termination options in the contracts. Most of the extension and early termination options in the contracts consist of options that can be applied jointly by the Group and the lessor. The Group determines the lease duration by including the extension and early termination options at the discretion of the Group according to the relevant contract and if the options are reasonably accurate, it is included in the lease term. If the conditions change significantly, the assessment is reviewed by the Group.

The Group - as a lessor

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

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

First time adoption of TFRS 16 Leases

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

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

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

	1 January 2019
Operating lease commitments within the scope of TAS 17	242.566
Short term leases (-)	(3.642)
Low value leases (-)	(998)
Adjustments for extension or early termination options	54.473
Total lease liabilities within the scope of TFRS 16 (non-discounted)	292.399
Total lease liabilities within the scope of TFRS 16 (discounted with alternative borrowing rate)	223.055
- Short term lease liabilities	99.653
- Long term lease liabilities	123.402

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

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

	31 December 2019	1 December 2019
Buildings	104.400	141.468
Machinery	50.551	66.316
Vehicles	8.825	15.271
Total right of use	163.776	223.055

The group rents various buildings, warehouses, forklifts and machinery equipment. Rental contracts are generally made for 5 years for machinery and equipment, and for fixed periods for warehouses, usually between 2 and 10 years.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

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

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 2019:

- **Amendment to IFRS 9, "Financial instruments";** effective from annual periods beginning on or after 1 January 2019. This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. This change does not have any significant impact on the Group's overall financial performance.
- **IFRS 16, "Leases";** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right of use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The impact on the Group's performance is explained in detail in Note 2.2.
- **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. This change does not have any significant impact on the Group's overall financial performance.
- **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.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

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

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

- **Annual improvements 2015-2017**, effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - IFRS 3, "Business combinations", the Company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 11, "Joint arrangements", the Company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12, "Income taxes" the Company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 23, "Borrowing costs" the Group treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- **Amendments to IAS 19, "Employee benefits"** on plan amendment, curtailment or settlement', effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

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

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, "Presentation of financial statements", and IAS 8, "Accounting policies, changes in accounting estimates and errors", and consequential amendments to other IFRSs:
 - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

The Group, will assess the impact of amendments disclosed above and apply as of effective date. No significant impact on overall financial performance is expected by the Group as a result of this change.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

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

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.

Revenue from sale of goods

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

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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 less accumulated depreciation, based on valuations performed at 31 December 2019 by professional independent valuer Çelen Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.

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

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

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

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

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

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

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

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

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

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

Right of use assets:

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

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

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

2.5.4. Intangible assets

a) Research and development costs

Research costs are recognized as expense in the period in which they are incurred. 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.

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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, receivables and financial assets measured at fair value through other comprehensive income. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets carried at amortized cost

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

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

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

Financial assets carried at fair value

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

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 provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

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

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.

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.

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

2.5.8 Warranty and assembly expenses provision

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

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

2.5.9 Related parties

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

2.5.10 Taxation on income

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

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

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

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

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

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

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**2.5.11 Employee benefits**

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Group is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Employment termination benefits are considered as being part of defined retirement benefit plan as per TAS 19. All actuarial gains and losses are recognized in consolidated statements of income.

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

2.5.12 Government grants

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

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

2.5.13 Earnings per share

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

2.5.14 Statement of cash flows

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

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

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**2.5.16 Offsetting**

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

2.5.17 Events after the balance sheet date

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

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

2.5.18 Going Concern

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

2.5.19 Trade 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.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Also, 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 provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities.

The Group collects some of its receivables via factoring. From the receivables subject to factoring transactions, the amounts that the factoring company assumes the collection risk are deducted from the relevant receivable accounts.

2.5.20 Trade payables

Trade payables are recognized at their fair values.

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

2.5.21 Borrowings and borrowing costs

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

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

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

2.6. Critical accounting estimates and judgments

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

i. Revaluation of land, buildings and land improvements:

Revaluations are performed with the sufficient regularity to ensure that the carrying amounts of the revalued property, plant and equipment do not differ materially from that which would be determined using fair value at the end of the reporting periods. The frequency of the revaluation depends upon the changes in the fair values of the items of property, plant and equipment. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required and revaluation is performed for entire class of revalued item simultaneously. Besides, for items of property, plant and equipment with only insignificant changes in fair value frequent revaluations and fair value measurements are considered unnecessary.

As a result of the assessments made by the Group management, it has been concluded that the fair values of the land, land improvements and buildings determined based on valuations by external independent valuers as of 31 December 2018 are assumed to be approximate to their fair values to carrying values as of 31 December 2019 after deducting current year depreciation.

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

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

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

- 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.

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

As stated in the accounting policies in Note 2.1.3.b, if there is an indicator of impairment related to the carrying amount of investments accounted for using the equity method, such investments are subjected to impairment tests. The impairment test is performed by comparing the carrying amounts of the calculated cash flows with the recoverable amount calculated with the value-in-use of the investment. Significant estimates and assumptions used in determining the cash flows and their sensitivity analysis are presented in Note 13. As of 31 December 2019, no impairment was identified as a result of the impairment tests performed (Note 13).

NOTE 3 - INTERESTS IN OTHER ENTITIES

Subsidiaries:

As of 31 December 2019 and 31 December 2018 the Group's major subsidiaries are as follows:

Consolidated subsidiaries	31 December 2019		31 December 2018	
	Voting rights	Effective ownership	Voting rights	Effective ownership
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	95,2	95,2	95,2	95,2
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

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

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

	31 December 2019	31 December 2018
Accumulated non-controlling interests	94.414	94.274
Comprehensive income attributable to non-controlling interests	27.485	36.307

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

Condensed balance sheet:

	31 December 2019	31 December 2018
Current assets	3.167.744	3.063.271
Non-current assets	1.816.058	1.621.821
Current liabilities	(2.991.718)	(2.747.126)
Non-current liabilities	(185.856)	(126.391)
Net assets	1.806.228	1.811.575

Condensed statement of comprehensive income:

	1 January - 31 December 2019	1 January - 31 December 2018
Net sales	6.967.964	5.693.973
Income/(loss) before tax	564.564	621.767
Tax benefit/(expense)	3.508	794
Net income/(loss) for the period	568.072	622.561
Total comprehensive income	574.646	754.371

Condensed statement of cash flows:**Operating activities:**

Changes in working capital	(127.423)	158.933
Net cash provided by operating activities	617.727	1.082.870

Investing activities:

Net cash used in investing activities	(135.306)	(765.512)
--	------------------	------------------

Financing activities:

Proceeds from bank borrowings	1.116.152	893.840
Repayment of bank borrowings	(1.041.103)	(969.226)
Other payables to related parties	(566.829)	(240.000)
Net cash (used in)/provided by financing activities	(503.417)	(279.265)

Cash and cash equivalents at the beginning of the period	103.283	65.190
Cash and cash equivalents at the end of the period	82.287	103.283

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

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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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	Total
1 January - 31 December 2019			
Revenue	8.566.217	8.607.906	17.174.123
Cost of sales	(6.378.929)	(6.517.429)	(12.896.358)
Gross profit	2.187.288	2.090.477	4.277.765
Depreciation and amortization	312.139	314.815	626.954
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
Capital expenditure			
	Television and Electronical devices	White goods	Total
1 January - 31 December 2019	320.333	365.113	685.446
1 January - 31 December 2018	323.530	603.262	926.792

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NOTE 4 - SEGMENT REPORTING (Cont'd)**Geographical segments:**

Segment revenue	1 January - 31 December 2019	1 January - 31 December 2018
Turkey	4.182.503	4.301.086
Europe	12.777.917	11.355.005
Other	1.585.624	1.405.640
Gross segment sales	18.546.044	17.061.731
Discounts (-)	(1.371.921)	(1.209.431)
Net sales	17.174.123	15.852.300

The amount of export for the period 1 January - 31 December 2019 is 14.363.541 thousand TL (1 January - 31 December 2018: 12.760.645 thousand TL). Export sales are denominated in EUR, USD and other currencies as 60,9%, 29,1%, and 10% of total exports respectively. (1 January - 31 December 2018: 58,3% EUR, 30,5 % USD, 11,2 % 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 2019	31 December 2018
Cash	1.618	1.256
Bank deposits		
- Demand deposits	2.104.712	1.386.833
- Time deposits	62.608	785.102
Cheques and notes	93.401	75.928
Other	20.701	29.843
Blocked deposits	111.294	806.699
Cash and cash equivalents	2.394.334	3.085.661

Effective interest rates

	31 December 2019	31 December 2018
TL	-	23,00%
USD	1,00%	4,50%
KZT	9,50%	-
PLN	8,93%	-

As of 31 December 2019 and 31 December 2018 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 2019	31 December 2018	31 December 2019	31 December 2018
Financial assets measured at fair value through other comprehensive income:					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	1%	1%	13.337	10.317
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
				13.610	10.590
		Ownership		Amount	
Non-consolidated subsidiaries on the grounds of materiality:	Country	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Vestel Ventures Ar-ge A.Ş.	Turkey	100%	100%	54.115	36.275
Vestel Electronics Gulf DMCC	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	50
Uts-United Technical Services, S.R.O	Slovakia	100%	100%	6	6
				58.109	40.269
Impairment of subsidiaries (-)					
Vestel Electronica SRL				(1.778)	(1.778)
				56.331	38.491

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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NOTE 7 - FINANCIAL LIABILITIES

	31 December 2019	31 December 2018
Short term financial liabilities		
Short term bank loans	5.766.814	4.424.507
Short term portion of long term bank loans	1.411.361	2.000.447
Short term portion of long term lease liabilities	64.021	2.591
	7.242.196	6.427.545
Long term financial liabilities		
Long term bank loans	456.424	742.077
Long term lease liabilities	111.657	7.409
	568.081	749.486

There are some financial and non-financial covenants that must be met according to some of the Group's loan agreements, and the Group management evaluates whether these conditions are met by each calculation period. If the conditions in the loan agreement cannot be met, the long-term portions of the related loan payables are classified as short-term in the consolidated financial statements. Accordingly, the Group has reclassified its borrowings amounting to 43.549 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 2019			31 December 2018		
Currency	Weighted average of effective interest	Original currency	TL Equivalent	Weighted average of effective interest	Original currency	TL Equivalent
- USD	3,94%	231.736	1.376.559	3,43%	246.609	1.297.384
- EUR	3,02%	214.139	1.424.156	1,78%	187.293	1.129.003
- TL	20,44%	2.966.099	2.966.099	25,70%	1.998.120	1.998.120
			5.766.814			4.424.507

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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NOTE 7 - FINANCIAL LIABILITIES (Cont'd)

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

Currency	31 December 2019			31 December 2018		
	Weighted average of effective interest	Original currency	TL Equivalent	Weighted average of effective interest	Original currency	TL Equivalent
- USD	6,79%	62.298	370.065	7,37%	119.675	629.597
- EUR	5,07%	18.681	124.239	4,43%	120.086	723.880
- TL	25,84%	917.057	917.057	20,50%	646.970	646.970
Short term portion			1.411.361			2.000.447
- USD	8,77%	41.054	243.871	6,33%	17.562	92.392
- EUR	6,02%	18.619	123.825	-	-	-
- TL	17,30%	88.728	88.728	26,52%	649.685	649.685
Long term portion			456.424			742.077
			1.867.785			2.742.524

Total amount of Group's floating bank loans is 480.738 thousand TL (31 December 2018: 671.479 thousand TL).

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

	31 December 2019	31 December 2018
One to two years	269.599	725.831
Two to three years	162.200	9.360
Three to four years	14.045	6.886
Four years and over	10.580	-
	456.424	742.077

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

	31 December 2019	31 December 2018
6 months or less	480.738	671.479
	480.738	671.479

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

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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NOTE 7 - FINANCIAL LIABILITIES (Cont'd)

As of 31 December 2019 and 31 December 2018, the Group's net financial debt reconciliation is shown below:

	31 December 2019	31 December 2018
Net financial debt as of 1 January	4.898.069	2.516.444
Cash inflows from loans	6.674.923	5.291.223
Cash outflows from loan payments	(6.463.286)	(3.156.787)
IFRS 16 effect in cash inflow/cash outflow	223.055	-
Cash outflows from financial leasing payments	(81.302)	-
Cash inflow/outflow from other financial debts	(4.646)	2.075
Unrealized Fx gain/loss	167.494	382.503
Accrued interest	117.008	149.725
Change in cash and cash equivalents	(4.078)	(287.114)
Net financial debt at the end of the period	5.527.237	4.898.069

NOTE 8 - RELATED PARTY DISCLOSURES**a) Short term trade receivables from related parties**

	31 December 2019	31 December 2018
Vestel Electronica S.R.L. ⁽³⁾	19.255	15.716
Zorluteks Tekstil Sanayi ve Ticaret A.Ş. ⁽¹⁾	3.415	17.766
Vestel Electronics Gulf DMCC ⁽³⁾	15.812	11.119
Other related parties	17.328	10.123
	55.810	54.724
Unearned interest on receivables (-)	-	(127)
	55.810	54.597

b) Short term trade payables to related parties

	31 December 2019	31 December 2018
Vestel Electronics Shanghai Trading Co. Ltd. ⁽³⁾	2.072	1.182
ABH Turizm Temsilcilik ve Ticaret A.Ş. ⁽¹⁾	3.094	934
Other related parties	2.664	2.268
	7.830	4.384
Unearned interest on payables (-)	-	(20)
	7.830	4.364

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)**c) Other short term receivables from related parties**

	31 December 2019	31 December 2018
Zorlu Holding A.Ş. ⁽²⁾	376.015	-
Vestel Ventures A.Ş. ⁽³⁾	148.579	13.489
Türkiyenin Otomobil Girişim Grubu Sanayi ve Ticaret A.Ş. ⁽³⁾	25.650	-
Other related parties	139	36
	550.383	13.525

As of 31 December 2019, the annual average effective interest rate of other receivables in TL is 21%, and in USD is 7%.

⁽¹⁾ Zorlu Holding Group Company,⁽²⁾ Parent⁽³⁾ Subsidiary**d) Other long term receivables from related parties**

	31 December 2019	31 December 2018
Zorlu Holding A.Ş. ⁽²⁾	1.647.724	1.795.555
Vestel Savunma Sanayi A.Ş. ⁽³⁾	1.470.762	670.215
Meta Nikel Kobalt Madencilik Sanayi Ve Ticaret A. Ş. ⁽³⁾	862.559	39.011
	3.981.045	2.504.781

As of 31 December 2019, the annual average effective interest rate of other receivables in USD is 7%, average effective interest rate of other receivables in TL is 21% (31 December 2018: USD 9%, TL 36%).

e) Other payables to related parties

	31 December 2019	31 December 2018
Zorlu Family ⁽²⁾	56.195	49.769

f) Transactions with related parties

	1 January - 31 December 2019	1 January - 31 December 2018
Sales		
Vestel Electronics Gulf DMCC ⁽³⁾	45.274	18.203
Vestel Electronica S.R.L. ⁽³⁾	42.984	46.318
Zorluteks Tekstil Sanayi ve Ticaret A.Ş. ⁽¹⁾	5.330	10.428
UTS- United Technical Services, Spol S.R.O. ⁽³⁾	-	6.965
Zorlu Yapı Yatırım A.Ş. ⁽¹⁾	-	145
Other related parties	3.916	2.260
	97.504	84.319

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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NOTE 8 - RELATED PARTY DISCLOSURES (Cont'd)

	1 January - 31 December 2019	1 January - 31 December 2018
Operating expenses		
ABH Turizm Temsilcilik ve Ticaret A.Ş. ⁽¹⁾	33.340	36.739
Zorlu Holding A.Ş. ⁽²⁾	42.162	27.185
Zorlu Gayrimenkul Gel. ve Yat. A.Ş. ⁽¹⁾	10.908	10.007
Zorlu Air Havacılık A.Ş. ⁽¹⁾	5.602	4.258
Other related parties	15.524	13.631
	107.536	91.820
Other income from operating activities		
Other related parties	8.956	9.811
Other expense from operating activities		
Other related parties	99	10.316
Financial income		
Zorlu Holding A.Ş. ⁽²⁾	550.957	974.836
Vestel Savunma Sanayi A.Ş. ⁽³⁾	235.333	69.815
Other related parties	58.154	-
	844.444	1.044.651
Financial expense		
Zorlu Holding A.Ş. ⁽²⁾	-	94.577
Other related parties	371	958
	371	95.535
Dividends paid		
Other related parties	27.345	12.909

⁽¹⁾ Zorlu Holding Group Company,⁽²⁾ Parent⁽³⁾ Subsidiary**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 2019 is 29.669 thousand TL (1 January - 31 December 2018: 27.391 thousand TL).

i) Financial liabilities from related parties consist of rental of management building and amounting to 175.678 TL as of 31 December 2019.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
Short term trade receivables		
Trade receivables		
- Related parties (note 8)	55.810	54.724
- Other parties	3.084.681	3.385.298
Cheques and notes receivables	261.793	211.422
Other	146.437	62.110
	3.548.721	3.713.554
Unearned interest expense (-)		
- Related parties (note 8)	-	(127)
- Other parties	(10.966)	(11.711)
Allowance for doubtful receivables (-)	(164.923)	(118.450)
Total short term trade receivables	3.372.832	3.583.266
Long term trade receivables		
Cheques and notes receivables	77.527	7.471
Unearned interest expense (-)	(9.932)	(1.617)
Total long term trade receivables	67.595	5.854
	1 January -	1 January -
	31 December 2019	31 December 2018
Opening balance, 1 January	118.450	64.738
Current year additions	51.807	62.183
Provisions no longer required	(850)	(526)
Doubtful receivables written-off	(5.055)	(9.262)
Currency translation differences	571	1.317
Balance at 31 December	164.923	118.450

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

	31 December 2019	31 December 2018
Short term trade payables		
Trade payables		
- Related parties (note 8)	7.830	4.384
- Other parties	6.116.995	5.785.399
Notes payables		
- Other parties	59	77
Other	3.491	3.016
	6.128.375	5.792.876
Unearned interest income (-)		
- Related parties (note 8)	-	(20)
- Other parties	(666)	(279)
Total short term trade payables	6.127.709	5.792.577
Long term trade payables		
Trade payables		
- Other parties	6.747	14.631
Total long term trade payables	6.747	14.631

NOTE 10 - OTHER RECEIVABLES

	31 December 2019	31 December 2018
Short term other receivables		
Receivables from official institutions	187.448	197.626
Receivables from related parties (note 8)	550.383	13.525
Deposits and guarantees given	59.075	62.303
Other	92.854	92.893
	889.760	366.347
Allowance for doubtful receivables (-)	(89.376)	(89.376)
	800.384	276.971
Long term other receivables		
Deposits and guarantees given	5.507	1.701
Receivables from related parties (note 8)	3.981.045	2.504.781
Other	8.278	8.278
	3.994.830	2.514.760
Allowance for doubtful receivables (-)	(8.278)	(8.278)
	3.986.552	2.506.482

The Group provides allowance for doubtful receivables.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 - INVENTORIES

	31 December 2019	31 December 2018
Raw materials	1.115.649	1.219.995
Work in process	94.662	107.962
Finished goods	1.520.401	1.462.297
Merchandise	155.044	99.992
Other	5.228	4.294
	2.890.984	2.894.540
Provision for impairment on inventories (-)	(57.869)	(32.801)
	2.833.115	2.861.739

Cost of the inventory included in the consolidated statement of comprehensive income in the period 1 January - 31 December 2019 is 11.188.015 thousand TL (2018: 10.237.015 thousand TL).

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

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

	31 December 2019	31 December 2018
Raw materials	21.005	18.287
Finished goods and merchandise	36.864	14.514
	57.869	32.801

Movement of provision for impairment on inventories is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	32.801	28.305
Current year additions	34.574	14.189
Realised due to sale of inventory	(13.109)	(15.021)
Currency translation differences	3.603	5.328
Balance at 31 December	57.869	32.801

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NOTE 12 - PREPAID EXPENSES

	31 December 2019	31 December 2018
Prepaid expenses in current assets		
Order advances given	29.423	32.576
Prepaid expenses	56.664	64.206
Business advances given	3.587	1.289
	89.674	98.071
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	64.471	44.978
Prepaid expenses	9.025	4.774
	73.496	49.752

NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2019		31 December 2018	
	%	Amount	%	Amount
Investment in associates				
Meta Nikel Kobalt Madencilik San. ve Tic. A.Ş.	50%	961.272	50%	1.131.130
Türkiyenin Otomobil Girişim Grubu Sanayi ve Ticaret A.Ş.	19%	12.920	19%	9.500
		974.192		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 TL 1 and representing 50% of the Group's share capital) from Ahmet Nazif Zorlu, Olgun Zorlu, Mehmet Emre Zorlu, Selen Zorlu Melik, Meta Madencilik Enerji Turizm Danışmanlık Sanayi ve Ticaret A.Ş. and Zorlu Holding AŞ, for a total consideration of US \$ 250 mn. The acquisition value is in accordance with the valuation range of US \$ 447,2 million and US \$ 572 million stated in June 29, 2018 the independent appraisal report prepared by Ernst & Young Advisory Services, which is licensed by the Capital Markets Board.

META was founded in 2000 to undertake nickel mining in Turkey, has been operating under Zorlu Group since 2007. The Group's nickel cobalt mining facility in Gördes, Manisa was commissioned at the end of 2014. The facility has a production capacity of 10.000 tons of nickel content and 550 tons of cobalt content per annum. Besides Gördes, META also has a licensed field in Eskişehir and undertakes surveying activities in various regions of Turkey. Currently, META produces nickel-cobalt hydroxide (MHP), which is an intermediate product, and plans to undertake an investment for the production of nickel sulfate and cobalt carbonate compounds, which are critical for Li-ion battery production in the upcoming period.

Within the framework of Turkey's Automobile Project, following the work undertaken by the Joint Initiative Group, to which Group's controlling shareholder, Zorlu Holding AŞ was a party, Vestel Elektronik Sanayi ve Ticaret AŞ decided has participated with 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 Group is completed on 28 June 2018.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)

The movements of META, which is an investment accounted for using the equity method during the period 1 January - 31 December is as follows:

	1 January - 31 December 2019	1 July - 31 December 2018
Balance at 1 January	1.131.130	1.152.075
Shares from profit/loss	(219.139)	(90.859)
Shares from other comprehensive income/expense	49.281	69.914
Balance at 31 December	961.272	1.131.130

Summary financial statement information of META is as follows:

	31 December 2019	31 December 2018
Total Assets	3.482.654	2.710.892
Total Liabilities	(2.894.281)	(1.812.354)
Net assets	588.373	898.538
	1 January - 31 December 2019	1 July - 31 December 2018
Net sales	135.171	150.726
Income/(loss) before tax	(469.943)	(164.829)
Tax benefit/(expense)	31.665	(16.872)
Net income/(loss) for the period	(438.278)	(181.718)
Total comprehensive loss	(339.716)	(43.970)

Impairment test of investments accounted for using the equity method:

As stated in the accounting policies in Note 2.1.3.b, on the grounds of materiality, the Group has subjected META to impairment testing in accordance with the provisions of IAS 36 "Impairment of Assets", which is accounted for using the equity method. The recoverable amount was determined based on discounted cash flow analysis prepared on the basis of the mine resources of META in licensed mine areas in Gördes and the future investments.

As a result of impairment tests, no impairment was identified related to META as of 31 December 2019.

The discount rate (equity cost) applied to discount the related cash flows is 11.95% and the sensitivity analysis performed for the estimates and assumptions used in determining the cash flows is as follows:

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NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)**Sensitivity analysis:**

Sensitivity scenarios are analyzed by comparing base scenario to the scenarios where significant assumptions used in impairment tests show negative deviations in defined percentages. In the related sensitivity analyzes performed as of 31 December 2019, the deviations of the recoverable amount compared to the carrying amount including goodwill are summarized in the table below:

	Percentage of META's carrying amount
Base scenario	103%
Sensitivity analysis	
1% increase in discount rate	95%
10% decrease in nickel sulphate prices	65%
10% decrease in cobalt carbonat prices	96%
10% decrease in metal equivalent mine resource amount	92%

In accordance with the loan agreement of Meta Nikel as amended on 27 June 2019:

- Pursuant to the Commercial Enterprise Pledge Agreement, a first degree pledge amounting to TL 1.670.000 thousand is placed on Meta Nikel's assets indefinitely and the pledge will be valid until Meta Nikel is canceled the pledge after the payment of the mentioned loans.
- In accordance with the Mining License Mortgage Agreement a top limit mining license first degree mortgage amounting to USD 420,000 thousand is established.
- Pursuant to the share pledge agreement, first degree pledge was established on all shares representing 100% of Meta Nikel's share capital, including all shares to be issued by Meta Nikel.
- In accordance with the Transfer of Receivables Agreement, Vestel Elektronik is the Successor Creditor in the collection of receivables from Meta Nikel in order to establish a permanent guarantee of the performance of the debts of Meta Nikel resulting from the loan agreement subject to collateral.

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2019	Additions	Disposals	Currency translation differences	Transfers	Fair value increase	31 December 2019
Cost or revaluation							
Land	625.381	-	-	10.183	-	-	635.564
Land improvements	126.962	251	-	5.212	13	-	132.438
Buildings	1.407.645	14.318	(6.757)	69.387	4.485	-	1.489.078
Leasehold improvements	154.233	2.822	(1.068)	495	499	-	156.981
Plant and machinery	2.756.625	354.742	(44.042)	35.558	65.915	-	3.168.798
Motor vehicles	7.725	718	(1.258)	361	-	-	7.546
Furniture and fixtures	407.792	19.896	(7.641)	4.422	2.960	-	427.429
Other tangible assets	849	-	-	-	-	-	849
Construction in progress	39.874	88.675	(88)	4	(74.170)	-	54.295
	5.527.086	481.422	(60.854)	125.622	(298)	-	6.072.978
Accumulated depreciation							
Land improvements	-	5.949	-	983	-	-	6.932
Buildings	-	49.061	(4.297)	16.131	-	-	60.895
Leasehold improvements	129.113	16.084	(781)	289	-	-	144.705
Plant and machinery	1.744.385	324.678	(42.452)	27.096	-	-	2.053.707
Motor vehicles	4.546	1.075	(1.134)	354	-	-	4.841
Furniture and fixtures	313.486	38.438	(7.107)	3.904	-	-	348.721
Other tangible assets	849	-	-	-	-	-	849
	2.192.379	435.285	(55.771)	48.757	-	-	2.620.650
Net book value	3.334.707						3.452.328

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	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

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 2019 the Group does not have property, plant and equipment pledged (2018: None)

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

	Useful life
Land improvements	5 - 35 years
Buildings	10 - 46 years
Leasehold improvements	3 - 10 years
Plant and machinery	2 - 30 years
Motor vehicles	5 - 10 years
Furniture and fixtures	5 - 14 years

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Allocation of current year depreciation and amortization expenses is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Cost of sales	367.625	262.897
Research and development expenses	144.387	119.078
Marketing, selling and distribution expenses	74.010	36.536
General administrative expenses	35.797	30.351
Other operating expense (idle capacity depreciation expense)	5.135	7.867
	626.954	456.729

31 December 2019	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	635.564	-
Buildings and land improvements	-	1.553.689	-
31 December 2018	Level 1	Level 2	Level 3
Tangible Assets			
Lands	-	625.381	-
Buildings and land improvements	-	1.534.607	-

NOTE 15 - RIGHT OF USE ASSETS

	1 January 2019	Effect of change in accounting policies	Additions	31 December 2019
Cost				
Land and buildings	-	141.468	-	141.468
Machinery	-	66.316	-	66.316
Motor vehicles	-	15.271	-	15.271
	-	223.055	-	223.055
Accumulated amortization				
Land and buildings	-	-	37.068	37.068
Machinery	-	-	15.765	15.765
Motor vehicles	-	-	6.446	6.446
	-	-	59.279	59.279
Net book value	-	223.055		163.776

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NOTE 16 - INTANGIBLE ASSETS

	1 January 2019	Additions	Disposals	Currency translation differences	Transfers	31 December 2019
Cost						
Rights	70.832	140	(636)	542	-	70.878
Development cost	975.596	195.085	(797)	-	-	1.169.884
Other intangible assets	167.259	8.799	(455)	4.783	298	180.684
	1.213.687	204.024	(1.888)	5.325	298	1.421.446
Accumulated amortization						
Rights	52.070	3.143	(636)	522	-	55.099
Development cost	527.517	114.125	-	-	-	641.642
Other intangible assets	93.503	9.987	(91)	3.578	-	106.977
	673.090	127.255	(727)	4.100	-	803.718
Net book value	540.597					617.728
	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

Development costs, incurred by the Group on development projects relating to television and electronic devices, refrigerators, split air conditioners, washing machines, cookers, drying machines and dish washers are capitalized as intangible assets when it is probable that costs will be recovered through future commercial activity and only if the cost can be measured reliably.

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NOTE 16 - INTANGIBLE ASSETS (Cont'd)

Useful lives of intangible assets are as follows:

	Useful life
Rights	2 - 15 years
Development cost	2 - 10 years
Other	2 - 15 years

NOTE 17 - GOODWILL

Goodwill is distributed on cash generating unit which are based on segmental reporting. Summary table of goodwill based on segmental reporting is given below:

	31 December 2019	31 December 2018
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 18 - GOVERNMENT GRANTS

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

- 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,(Note 30)
- 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 7.265 thousand TL for the period 1 January - 31 December 2019. (1 January - 31 December 2018: 10.045 thousand TL).

Brand support incentive Turquality obtained from Republic of Turkey Ministry of Economy amounts to 14.551 thousand TL in year 2019. (2018: 21.592 thousand TL).

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NOTE 19 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**a) Provisions**

	31 December 2019	31 December 2018
Short term provisions		
Warranty and assembly provision	266.042	246.198
Other provisions	291.130	262.471
Provision for lawsuit risks	24.909	46.030
	582.081	554.699
Long term provisions		
Warranty and assembly provision	42.878	51.128
Other provisions	2.959	2.660
	45.837	53.788

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 31.259 thousand TL (2018: 31.889 thousand EUR and 25.893 TL), that are expected to be finalized in favor of the Group. As of 31 December 2019, 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 24.909 thousand TL (2018: 46.030 TL).

As of 31 December 2019 and 2018 movements of warranty and assembly provisions are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	297.326	246.456
Current year additions	368.934	345.956
Provisions no longer required	(357.340)	(295.086)
Balance at 31 December	308.920	297.326

b) Guarantees received by the Group**Guarantee letters, collaterals, cheques and notes received**

	31 December 2019	31 December 2018
Guarantee letters	550.767	609.874
Cheques and notes	387.751	547.766
Collaterals and pledges	1.407.870	1.419.867
	2.346.388	2.577.507

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 19 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)**c) Collaterals, pledges and mortgages ("CPM's") given by the Group**

CPM's given by the Group	USD (‘000)	EUR (‘000)	TL	TL Equivalent
31 December 2019				
A. CPM's given on behalf of its own legal entity	5.993	22.493	196.638	381.833
B. CPM's given on behalf of fully consolidated subsidiaries ⁽¹⁾	1.918.972	239.495	2.900.583	15.892.446
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	36.437	-	22.001	238.444
i. Total amount of CPM's given on behalf of the parent company	-	-	-	-
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	36.437	-	22.001	238.444
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	1.961.402	261.988	3.119.222	16.512.723

⁽¹⁾ Fully consolidated subsidiaries have given collaterals to various financial institutions on behalf of each other for their forward contracts and for the total amount of loans utilized. As of 31 December 2019, proportion of other CPM's given by the Group to its equity is 6%.

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NOTE 19 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

CPM's given by the Group	USD (‘000)	EUR (‘000)	TL	TL Equivalent
31 December 2018				
A. CPM's given on behalf of its own legal entity	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

As of 31 December 2018, the Group has blocked deposit amount of 150.000 thousand USD given on behalf of consolidated Group companies and the parent Group. As of the report date the respective blocked amount is fully released (Note 5). As of 31 December 2018 proportion of other CPM's given by the Group to its equity is 13% (31 December 2018: 13%).

NOTE 20 - COMMITMENTS

As of the balance sheet date the Group has committed to realize exports amounting to 1.041.140 thousand USD (31 December 2018: 761.758 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2019 the Group has forward foreign currency purchase contract that amounts to 857.412 thousand USD, 334.503 thousand EUR, 52.928 thousand GBP, 40.850 thousand PLN, 4.270 thousand RON, 30.750 thousand RUB and 1.489.514 thousand TL against forward foreign currency sales contract that amounts to 616.000 thousand USD, 309.307 thousand EUR, 118.911 thousand GBP, 1.381.929 thousand RUB, 8.669 thousand RON, 133.695 thousand PLN, 9.447 thousand SEK, 249.707 CHF and 748.328 thousand TL. (31 December 2018: 909.988 thousand USD, 284.017 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 purchase contract; 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 against forward foreign currency sales contract).

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NOTE 21 - EMPLOYEE BENEFITS**Liabilities for employee benefits:**

	31 December 2019	31 December 2018
Due to personnel	91.078	75.350
Social security payables	108.977	29.666
	200.055	105.016

Long term provisions for employee benefits:

	31 December 2019	31 December 2018
Provision for employment termination benefits	156.116	111.100

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

The amount payable is the equivalent of one month's salary for each year of service and is limited to a maximum of 6.379,86 TL/year as of 31 December 2019 (31 December 2018: 5.434,42 TL/year).

Provision for employment termination benefits is not subject to any funding.

The provision is calculated by estimating the present value of the future obligation of the Group arising from retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined employee plans. Accordingly actuarial assumptions were used in the calculation of the total liability which are described below:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as of 31 December 2018, the provision is calculated by estimating the present value of the future obligation of the Group arising from retirement of employees. As of 31 December 2019 provision is calculated based on real discount rate of 5,21% (31 December 2018: 5,45%) assuming 7% annual inflation rate and 12,21% discount rate.

The movement in the provision for employment termination benefit is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Balance at 1 January	111.100	96.078
Increase during the year	25.702	21.791
Payments during the year	(16.294)	(20.852)
Actuarial (gain)/loss	19.300	3.204
Interest expense	16.308	10.879
Balance at 31 December	156.116	111.100

As of 31 December 2019, an increase in annual discount rate by 0,25% would lead to decrease in employee benefit liability by 4%; a decrease in annual discount rate by 0,25%, would lead to an increase in employee benefit liability by 4,2%.(31 December 2018: 3,48% decrease and 3,64% increase).

As of 31 December 2019, an increase in salary escalation by 0,25% would lead to an increase in employee benefit liability by 4,3%; a decrease in salary escalation by 0,25% would lead to a decrease in employee benefit liability by 4,1%.(31 December 2018: 3,83% increase and 3,65% decrease).

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NOTE 22 - OTHER ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Other current assets		
VAT carried forward	9.588	12.044
Rebates from suppliers and incentives income accruals	23.194	8.433
Other	32.714	18.806
	65.496	39.283
Other non - current assets		
Assets held for sale	9.925	6.248
	9.925	6.248
	31 December 2019	31 December 2018
Other current liabilities		
Advances received	108.124	180.696
Taxes and dues payable	-	-
VAT payable	-	-
Tax payables	83.479	75.586
Other	199.440	119.453
	391.043	375.735

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NOTE 23 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS**a) Paid in capital**

	31 December 2019	31 December 2018
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 2019 and 31 December 2018 the shareholding structures are as follows:

	Shareholding		Amount	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Zorlu Holding A.Ş.	64,41%	64,41%	216.054	216.054
Shares held by public				
Other shareholders	26,34%	22,46%	88.359	75.355
Zorlu Holding A.Ş.	9,25%	13,13%	31.043	44.047
	100%	100%	335.456	335.456

There is no investor holding 10% or more of shares of the company, traded in BIST.

b) Adjustment to share capital

Adjustment to share capital (restated to 31 December 2004 purchasing power of money) is the difference between restated share capital and historical share capital.

c) Share premium

Share premium account refers the difference between par value of the Company's shares and the amount the company received for newly issued shares. The share premium account is disclosed under equity as a separate line item and may not be distributed. It may be used in capital increase.

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 2019	31 December 2018
Legal reserves	67.179	48.909

e) Revaluation reserve

Fair value gains on financial assets	4.321	1.965
Revaluation of property, plant and equipment	1.310.274	1.338.777
	1.314.595	1.340.742

f) Accumulated deficit

Extraordinary reserves	512.541	512.541
Previous year's loss	(142.242)	(523.628)
Other inflation adjustment of share capital	119.718	119.718
	490.017	108.631

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NOTE 23 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

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.

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 24 - SALES

	1 January - 31 December 2019	1 January - 31 December 2018
Domestic sales	4.182.503	4.301.086
Overseas sales	14.363.541	12.760.645
Gross sales	18.546.044	17.061.731
Sales discounts (-)	(1.371.921)	(1.209.431)
Net sales	17.174.123	15.852.300
Cost of sales	(12.896.358)	(11.570.079)
Gross profit	4.277.765	4.282.221

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NOTE 25 - EXPENSES BY NATURE

	1 January - 31 December 2019	1 January - 31 December 2018
Raw materials, supplies and finished goods	11.287.871	10.293.977
Changes in finished goods, work in process, trade goods	(99.856)	(56.962)
Personnel expenses	1.301.246	1.060.299
Depreciation and amortization	621.819	448.862
Export, transportation, warehouse expenses	697.123	623.884
Warranty and assembly expenses	368.934	345.956
Advertising expenses	199.477	161.310
Other	1.088.617	1.129.772
	15.465.231	14.007.098

NOTE 26 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES**a) General administrative expenses:**

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	143.126	112.610
Depreciation and amortization	35.797	30.351
Consultancy expenses	40.412	31.465
Information technology expenses	38.330	35.547
Rent and office expenses	35.176	29.132
Tax and duties	14.361	12.783
Benefits and services provided externally	10.299	9.822
Insurance expenses	9.065	6.957
Travelling expenses	1.817	2.993
Other	73.439	69.125
	401.822	340.785

b) Marketing expenses:

Export, transportation, warehouse expenses	652.655	613.006
Warranty and assembly expenses	368.934	345.956
Personnel expenses	336.769	304.392
Advertising expenses	177.054	159.638
Depreciation and amortization	74.010	36.536
Other	295.799	386.778
	1.905.221	1.846.306

c) Research and development expenses:

Depreciation and amortization	144.387	119.078
Personnel expenses	37.159	37.393
Travel expense	8.378	11.702
Other	71.906	81.755
	261.830	249.928

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NOTE 27 - OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES**a) Other income from operating activities:**

	1 January - 31 December 2019	1 January - 31 December 2018
Credit finance gains arising from trading activities	74.349	68.789
Foreign exchange gains arising from trading activities	919.253	656.942
Reversals of provisions	25.642	33.346
Other income	178.366	120.049
	1.197.610	879.126

b) Other expense from operating activities:

Debit finance charges arising from trading activities	149.585	208.701
Foreign exchange expenses arising from trading activities	1.209.641	1.816.173
Provision expenses	52.244	68.666
Other expenses	220.091	148.660
	1.631.561	2.242.200

NOTE 28 - FINANCIAL INCOME AND FINANCIAL EXPENSE**a) Financial income:**

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gains	853.041	849.769
Gains on derivative financial instruments	895.306	2.553.846
Interest income	534.325	566.215
	2.282.672	3.969.830

b) Financial expense:

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange losses	695.978	1.131.027
Losses on derivative financial instruments	1.157.491	2.055.310
Interest and commission expense	1.146.066	730.645
Other finance expenses	9.446	917
	3.008.981	3.917.899

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NOTE 29 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS**a) Fixed assets revaluation fund:**

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	1.338.777	917.385
Depreciation transfer upon revaluation reserves - net	(27.129)	(21.632)
Net depreciation transfer upon revaluation reserves attributable to non-controlling interests	(1.374)	222
Increase in reserves arising from revaluation of land, buildings and land improvements	-	535.781
Deferred tax income calculated over increase in revaluation reserves	-	(88.628)
Increase in revaluation reserves attributable to non-controlling interests	-	(7.644)
Deferred tax income calculated over increase in revaluation reserves attributable to non-controlling interest	-	1.530
Transactions with non-controlling interests	-	1.763
Balance at 31 December	1.310.274	1.338.777

b) Cash flow hedge fund:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	(10.521)	(10.959)
Profit/(loss) from cash flow hedges	7.550	616
Deferred tax calculated over cash flow hedge fund	(1.661)	(136)
(Profit)/loss from cash flow hedges attributable to non-controlling interests	(38)	(44)
Deferred tax calculated over profit/(loss) from cash flow hedges attributable to non-controlling interests	8	9
Transactions with non-controlling interests	-	(7)
Balance at 31 December	(4.662)	(10.521)

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NOTE 29 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS (Cont'd)**c) Actuarial gain/loss arising from defined benefit plans:**

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	(19.907)	(17.246)
Actuarial gain/loss arising from defined benefit plans	(19.300)	(3.204)
Deferred tax calculated over actuarial gain/loss arising from defined benefit plans	3.860	641
Actuarial gain/loss arising from defined benefit plans attributable to non-controlling interests	435	(78)
Deferred tax calculated over actuarial gain/loss arising from defined benefit plans attributable to non-controlling interests	(87)	16
Transactions with non-controlling interests	-	(36)
Balance at 31 December	(34.999)	(19.907)

NOTE 30 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2019	31 December 2018
Corporation and income taxes	10.182	14.287
Prepaid taxes (-)	(17.441)	(20.369)
Current income tax liabilities - net	(7.259)	(6.082)
Deferred tax liabilities	(233.589)	(147.739)
Tax paid advance (note 19)	-	-
Deferred tax assets	230.498	93.452
	(3.091)	(54.287)

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NOTE 30 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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% (2018: 20%). Under the Russian Federation taxation system, tax losses can be carried forward to be offset against future taxable income for up to ten years. There are no restrictions on the amounts subject to net off. On the other hand, tax, currency and customs legislations are subject to various interpretations and changes which can occurs frequently in Russian Federation. Management's interpretation for such legislation, which is applied to the Group's operations and activities, can be interpreted by regional and federal authorities in different ways.

The events of the recent past in Russian Federation, shows that risk could be possible on approval of operations and activities, which approved in the past may not be approved in the future as a result of reviews by the tax authorities on legislation. According to a review by the tax inspection authorities, without exceptional circumstances, tax inspection covers three years prior to the final inspection. Under certain circumstances, such views may cover longer periods.

The tax results of Company's subsidiaries in other countries are not material to consolidated financial statements.

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NOTE 30 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

	1 January - 31 December 2019	1 January - 31 December 2018
Current period tax expense	(14.782)	(19.943)
Deferred tax benefit	52.719	(22.371)
Total tax (expense)/benefit	37.937	(42.314)
	1 January - 31 December 2019	1 January - 31 December 2018
Profit before tax	313.913	443.200
Local tax rate	22%	22%
Tax income calculated using local tax rate	(69.061)	(97.504)
Current year tax loss which deferred tax is not calculated on	(36.599)	(101.122)
Carry forward tax losses utilized	23.425	-
Non-deductible expenses	(10.574)	(6.825)
Loss from equity accounted investment	(51.480)	-
Adjustments with no tax effects	(20.427)	(19.297)
Deduction and exemptions	91.832	63.619
Reduced taxation	112.860	122.186
Deferred tax effect of change in legal tax rate	(2.039)	(3.371)
Total tax (expense)/benefit	37.937	(42.314)

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 2019 and 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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NOTE 30 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

	Cumulative temporary differences		Deferred tax	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Deferred tax assets				
Employment termination benefits	(151.080)	(108.015)	30.216	21.603
Warranty provision	(108.750)	(128.555)	23.925	28.282
Provision for doubtful receivables	(177.777)	(141.823)	39.111	31.201
Unearned interest expense	(21.082)	(16.859)	4.638	3.709
Provision for impairment on inventories	(16.264)	(15.405)	3.578	3.389
Derivative financial instruments	(7.105)	(165.545)	1.556	36.420
Carryforward tax losses and R&D incentives	(607.600)	(318.669)	121.520	66.227
Other	(179.755)	(149.700)	39.546	32.934
			264.090	223.765
Deferred tax liabilities				
Useful life and valuation differences on property, plant and equipment and intangible assets	71.025	83.610	(14.205)	(16.722)
Revaluation of tangible fixed assets	1.091.436	1.117.944	(251.322)	(258.529)
Other	7.518	12.732	(1.654)	(2.801)
			(267.181)	(278.052)
Deferred tax assets/ (liabilities) - net			(3.091)	(54.287)

As of 31 December 2019 and 2018, 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 143.864 thousand TL (2018:141.864 thousand TL) is 2022. Furthermore, within R&D law framework, the Group has R&D incentives amounted to 451.550 thousand TL (2018:175.083 thousand TL) which can be used in 2019 and future periods. On the other hand, as of 31 December 2018 the Group did not recognise deferred income tax assets of 95.460 thousand TL (31 December 2018: 81.087 thousand TL) arising from tax losses carried forward amounting to 477.299 thousand TL (31 December 2018: 405.433 thousand TL) as their future utilisation is not highly probable. Expiration years of the tax losses carried forward amounting to 309.874 thousand TL is 2023 and 167.425 thousand TL is 2024 (31 December 2018: 2023).

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NOTE 30 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

	31 December 2019	31 December 2018
Subsidiaries with net deferred tax liabilities	(233.589)	(147.739)
Subsidiaries with net deferred assets	230.498	93.452

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

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance, 1 January	(54.287)	44.718
Tax benefit recognized in income statement	52.719	(22.371)
Recognized in shareholders' equity	1.535	(87.612)
Currency translation differences	(3.058)	10.978
Deferred tax (liabilities)/assets at the end of the period, net	(3.091)	(54.287)

NOTE 31 - EARNINGS/(LOSS) PER SHARE

	1 January - 31 December 2019	1 January - 31 December 2018
Net income/(loss) attributable to equity holders of the parent	324.047	371.153
Weighted number of ordinary shares with a Kr 1 of par value (hundred shares)	33.545.600	33.545.600
Earnings per share	0,97	1,11

NOTE 32 - DERIVATIVE INSTRUMENTS

	31 December 2019		31 December 2018	
	Contract amount	Fair Value Assets/ (Liabilities)	Contract amount	Fair Value Assets/ (Liabilities)
Derivative financial assets:				
Held for trading				
Forward foreign currency transactions	4.349.967	42.291	2.064.426	68.025
Cash flow hedge				
Forward foreign currency transactions	250.574	3.196	932.989	16.635
Derivative financial liabilities:				
Held for trading				
Forward foreign currency transactions	3.702.635	(42.532)	4.021.835	(235.841)
Cash flow hedge				
Forward foreign currency transactions	988.469	(10.060)	652.548	(14.364)
	9.291.645	(7.105)	7.671.798	(165.545)

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital risk management:

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

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

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

	31 December 2019	31 December 2018
Total financial liabilities (note 7)	7.810.277	7.177.031
Cash and cash equivalents (note 5)	(2.394.334)	(3.085.661)
Net debt	5.415.943	4.091.370
Total shareholders equity	3.779.911	3.318.255
Total capital invested	9.195.854	7.409.625
Net debt/capital invested	59%	55%

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 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	Receivables				Bank deposits	Other
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party		
31 December 2019						
Maximum exposed credit risk as of 31 December 2019 (A+B+C+D)	55.810	3.384.617	4.531.428	255.508	2.167.320	227.014
- Secured portion of the maximum credit risk by guarantees, etc.	-	(1.988.751)	-	-	-	-
A. Net book value of financial assets either are not due or not impaired	55.810	2.816.215	4.531.428	255.508	2.167.320	227.014
- Secured portion by guarantees etc.	-	(1.680.182)	-	-	-	-
B. Financial assets with renegotiated conditions	-	-	-	-	-	-
C. Net book value of the overdue but not impaired financial assets	-	508.971	-	-	-	-
- Secured portion by guarantees etc.	-	(249.138)	-	-	-	-
D. Net book value of the impaired financial assets	-	59.430	-	-	-	-
- Over due (gross book value)	-	224.353	-	97.654	-	-
- Impairment (-)	-	(164.923)	-	(97.654)	-	-
- Secured portion of the net value by guarantees etc.	-	(59.430)	-	-	-	-

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	Receivables					
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party	Bank deposits	Other
31 December 2018						
Maximum exposed credit risk as of 31 December 2019 (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	-	-	-	-

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

	31 December 2019	31 December 2018
Overdue 1 - 30 days	192.556	301.930
Overdue 1 - 3 months	131.354	134.763
Overdue 3 - 12 months	134.964	76.906
Overdue 1 - 5 years	49.171	33.991
Overdue more than 5 years	926	611
Total	508.971	548.201

b.2) Liquidity risk:

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

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

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2019 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
Non-derivative financial liabilities					
Financial liabilities and leasing liabilities	7.810.277	8.040.256	5.454.282	1.871.836	714.138
Trade payables	6.134.456	6.135.122	-	6.128.375	6.747
Other payables	56.799	56.799	-	56.799	-
	14.001.532	14.232.177	5.454.282	8.057.010	720.885
Derivative financial instruments					
Derivative cash inflows		9.291.645	6.180.631	3.111.014	-
Derivative cash outflows		(9.269.692)	(6.194.005)	(3.075.687)	-
	7.105	21.953	(13.374)	35.327	-

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
Non-derivative financial liabilities					
Financial liabilities	7.177.031	7.623.661	2.308.474	4.365.675	949.512
Trade payables	5.807.208	5.814.169	2.995.214	2.801.349	17.605
Other payables and liabilities	50.728	61.536	46.123	7.741	-
	13.034.967	13.499.366	5.349.811	7.174.765	967.117
Derivative financial instruments					
Derivative cash inflows		7.671.798	7.043.601	628.197	-
Derivative cash outflows		(7.879.946)	(7.256.449)	(623.497)	-
	165.545	(208.148)	(212.848)	4.700	-

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 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2019	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	120.347	166.085	454.618	2.274.068
2a. Monetary financial assets (including cash and cash equivalents)	62.236	21.927	1.525.566	2.041.088
2b. Non-monetary financial assets	-	-	-	-
3. Other	96.936	-	-	575.819
4. Current assets (1+2+3)	279.519	188.012	1.980.184	4.890.975
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	1.936	4.031	-	38.309
7. Other	514.071	117	-	3.054.463
8. Non-current assets (5+6+7)	516.007	4.148	-	3.092.772
9. Total assets (4+8)	795.526	192.160	1.980.184	7.983.747
10. Trade payables	757.779	128.994	12.612	5.371.858
11. Financial liabilities	294.035	154.820	-	2.776.272
12a. Other monetary liabilities	9.461	2	5.537	61.751
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	1.061.275	283.816	18.149	8.209.881
14. Trade payables	-	905	-	6.019
15. Financial liabilities	41.054	18.619	-	367.696
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	41.054	19.524	-	373.715
18. Total liabilities (13+17)	1.102.329	303.340	18.149	8.583.596
19. Off-balance sheet derivative instruments net asset/ (liability) position (19a+19b)	241.412	25.196	(2.320.891)	(719.287)
19a. Hedged total assets	857.412	334.503	484.285	7.802.129
19b. Hedged total liabilities	(616.000)	(309.307)	(2.805.176)	(8.521.416)
20. Net foreign currency asset/(liability) position (9-18+19)	(65.391)	(85.984)	(358.856)	(1.319.136)
21. Net foreign currency monetary asset/ (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(919.746)	(115.328)	1.962.035	(4.268.440)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(7.105)
23. Export	647.153	1.207.925	1.261.120	14.363.541
24. Import	1.095.309	196.440	2.217	7.462.087

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

NOTE 33 - 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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2019 and 31 December 2018 sensitivity analysis of foreign exchange rates is presented in below tables. Secured portions include impact of off-balance sheet derivative instruments.

	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2019				
+/- 10% fluctuation of USD rate:				
USD net asset/liability	(546.347)	546.347	(546.347)	546.347
Secured portion from USD risk (-)	89.603	(89.603)	141.573	(141.573)
USD net effect	(456.744)	456.744	(404.774)	404.774
+/- 10% fluctuation of EUR rate:				
EUR net asset/liability	(76.700)	76.700	(76.700)	76.700
Secured portion from EUR risk (-)	61.738	(61.738)	15.948	(15.948)
EUR net effect	(14.962)	14.962	(60.752)	60.752
+/- 10% fluctuation of other currency rates:				
Other currencies net asset/liability	196.204	(196.204)	196.204	(196.204)
Secured portion from other currency risk (-)	(246.481)	246.481	(246.481)	246.481
Other currency net effect	(50.277)	50.277	(50.277)	50.277

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2018				
+/- 10% fluctuation of USD rate:				
USD net asset/liability	(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

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 2019	31 December 2018
Financial instruments with fixed interest rates		
Bank deposits	62.608	1.591.801
Financial liabilities	7.329.539	6.505.552
Financial instruments with floating interest rates		
Financial liabilities	480.738	671.479

On 31 December 2019, if interest rates of all currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes would have been 2.191 thousand TL (2018: 8.630 thousand TL) lower/higher as a result of interest expenses.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)**Categories of financial instruments and fair values**

Among Group's financial assets, cash and cash equivalents (note 5), trade receivables (notes 8 and 9) and other receivables (notes 10), are classified as amortized cost, financial assets (note 6) as fair value through other comprehensive income, derivative instruments (note 31) as fair value through profit or loss.

Group's financial liabilities consist of financial liabilities (note 7), trade payables (note 8 and 9) and other payables (note 10) and are measured at amortized cost using the effective interest method, derivative instruments (note 31) are classified as fair value through profit or loss.

Fair value of financial instruments

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

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

Monetary assets

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

Monetary liabilities

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

Fair value hierarchy

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Cont'd)

Fair value hierarchy tables as of 31 December 2019 and 31 December 2018 are as follows:

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	45.487	-	45.487
Financial investments	13.337	-	-	13.337
Financial liabilities				
Derivative financial liabilities	-	(52.592)	-	(52.592)
31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	84.660	-	84.660
Financial investments	10.317	-	-	10.317
Financial liabilities				
Derivative financial liabilities	-	(250.205)	-	(250.205)

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. The fair value of land, land improvements and buildings was determined using the inputs other than quoted prices. As of 31 December 2019, land, land improvement and buildings are measured at fair value less accumulated depreciation.(Note 2.6.i).

NOTE 35 - SUBSEQUENT EVENTSRegarding the Sale of our TV Assembly Facility in Poland

Vestel Polska Technology Center sp. z o.o., which is 100% owned by our wholly-owned subsidiary Vestel Ticaret AŞ ("Vestel Ticaret"), transferred its TV assembly facility together with its building and land in Wrocław Poland to LG Chem Wrocław Energy Sp. zo.o. for USD 31.4 million on March 2, 2020. The afore-mentioned facility is a TV assembly plant, which is being sold as part of cost optimization. Carrying amount of related assets is amounting to 114.687 thousand TL as of 31 December 2019 and there is no impairment identified.

Application to the CMB and Borsa İstanbul for Bond Issuance

Pursuant to company material event disclosure dated 19 December .2019, Vestel Elektronik submitted its applications to the Capital Markets Board and Borsa İstanbul AŞ for its planned bond issue as of (17 February 2020).

INVESTOR INFORMATION

General Information

Reporting Period: 01.01.2019 - 31.12.2019

Legal Name: Vestel Elektronik Sanayi ve Ticaret AŞ

Trade Register No: İstanbul 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

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Fax: +90 (212) 422 02 03

Branch 1: Manisa Branch

Organize Sanayi Bölgesi, 45030 - MANISA

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Fax: +90 (236) 233 01 20

Branch 2: Manisa Teknokent Branch

Muradiye Mahallesi Celal Bayar Üniversitesi Kampüsü Küme Evleri No: 22 Yunusemre/MANISA

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Branch 3: Manisa Protected Workplace Branch

Keçiliköy OSB Mahallesi 5639 Sok. No: 17/2/04 Yunusemre/MANISA

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Independent Auditor

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Financial Data and Company Announcements

Consolidated financial statements, auditor reports, annual reports and material event disclosures of Vestel Elektronik Sanayi ve Ticaret AŞ are available on the Company's website at www.vestelinvestorrelations.com.

Additionally, requests for information can be submitted to the Investor Relations Directorate of the Vestel Group of Companies via phone and e-mail.

Investor Relations

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