

OUR SOLID  
BACKGROUND  
AND VISION  
ARE SHAPING  
OUR FUTURE:  
VESTEL 4.0

VESTEL BEYAZ EŞYA  
2016 ANNUAL REPORT

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# THE FUTURE

is much more  
powerful with  
Industry 4.0...





# INDUSTRY 4.0

We refer to the  
Industry 4.0  
transformation  
at Vestel as  
“VESTEL 4.0”.

# AUTONOMOUS ROBOTIC TECHNOLOGIES

**AUTONOMOUS ROBOTS POSITIONED AT MULTIPLE  
POINTS ON THE PRODUCTION LINES** PROVIDE A  
CONSIDERABLE DEGREE OF PRODUCTION FLEXIBILITY.

VESTEL BEYAZ EŞYA ACHIEVED A  
LEADING POSITION NOT ONLY IN THE  
HOUSEHOLD APPLIANCES SECTOR  
BUT ACROSS ALL SECTORS IN TERMS  
OF THE NUMBER OF ROBOTIC LINES  
COMMISSIONED IN 2016. THE  
COMPANY REALIZES ITS PRODUCTION  
WITH FLAWLESS MANUFACTURING  
TECHNIQUES BY CONTINUOUSLY  
EXPANDING THE TRINITY OF ROBOT-  
MACHINE-HUMAN.



HIGH  
EFFICIENCY



MINIMUM  
COST







# SMART MAINTENANCE

**VESTEL BEYAZ EŞYA APPLIES SMART MAINTENANCE THANKS TO THE SENSORS PLACED AT CRITICAL POINTS ON THE MACHINERY.** THE USE OF HIGHLY ADVANCED PREDICTIVE ALGORITHMS ENSURES THAT THE MAINTENANCE, REPAIR AND REPLACEMENT OF MACHINES IS CARRIED OUT WITH MINIMUM STOPPAGES AND IN OPTIMAL TIME.

**THE IMPLEMENTATION OF TPM\* ACTIVITIES FOR YEARS HAS PROVIDED VESTEL BEYAZ EŞYA WITH AN ADVANTAGE IN ADAPTING TO INDUSTRY 4.0.**



**MAINTAINING MACHINERY  
WITH A MINIMUM NUMBER  
OF STOPPAGES**



**THE ADVANTAGE PROVIDED  
THROUGH THE TPM ACTIVITIES**





# 3D PRINTING

**3D PRINTING - IN OTHER WORDS, ADDITIVE MANUFACTURING TECHNOLOGY - WAS INTEGRATED INTO THE MODELLING PROCESSES AT THE BEGINNING OF THE 2000s.**

THE PROTOTYPE OF A PRODUCT CAN BE CREATED IN LINE WITH CUSTOMER SPECIFICATIONS IN LESS THAN 24 HOURS AND PUT THROUGH THE TESTING PROCESSES. THIS COMPETENCY PROVIDES GREAT SPEED TO VESTEL BEYAZ EŞYA IN TERMS OF RESPONSE TIME.

**ADDITIVE  
MANUFACTURING**  
TECHNOLOGY



**CUSTOMIZED  
PRODUCTION**  
DESIGN



**MODELS  
PRODUCED**  
IN LESS THAN  
24 HOURS





## SUMMARY FINANCIAL AND OPERATIONAL INDICATORS

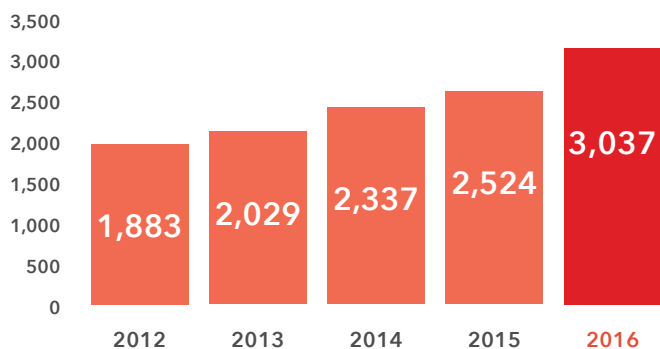
Summary Income Statements (Euro million)	2012	2013	2014	2015	2016
Net Sales	817	803	804	837	909
Exports/Sales	77%	72%	75%	77%	75%
Gross Profit	23	71	103	123	147
Gross Profit Margin	2.8%	8.8%	12.9%	14.8%	16.1%
Operating Profit/(Loss)*	(11)	33	67	86	109
Operating Profit Margin	(1.4%)	4.1%	8.3%	10.3%	12.0%
EBITDA*	16	63	96	114	136
EBITDA Margin	2.0%	7.8%	11.9%	13.7%	15.0%
Net Profit/(Loss)	(8)	21	45	54	97
Net Profit Margin	(0.9%)	2.6%	5.6%	6.5%	10.7%

\*Excluding other operating income and expenses

Summary Balance Sheets (Euro million)	2012	2013	2014	2015	2016
Cash and Cash Equivalents	12	6	58	28	3
Trade Receivables	270	184	233	259	321
Inventories	94	110	81	82	66
Current Assets	406	328	406	415	492
Property, Plant and Equipment	131	112	117	99	89
Total Assets	559	461	549	542	619
Short-Term Liabilities	306	189	230	241	271
Long-Term Liabilities	44	87	84	76	99
Shareholders' Equity	209	184	235	225	249
Net Financial Debt	148	93	35	42	115

Summary Statements of Cash Flows (Euro million)	2012	2013	2014	2015	2016
Net Cash Flows from Operating Activities	(0.2)	94	109	59	74
Net Cash Flows from Investing Activities	(41)	(42)	(32)	(29)	(112)
Net Cash Flows from Financing Activities	50	(56)	(26)	(55)	16

## NET SALES (TL MILLION)

NET SALES  
TL 3,037 MILLION

Displaying a successful performance in 2016, Vestel Beyaz Eşya recorded TL 3,037 million of sales revenues marking 20% YoY growth.



**GROSS PROFIT MARGIN  
16%**

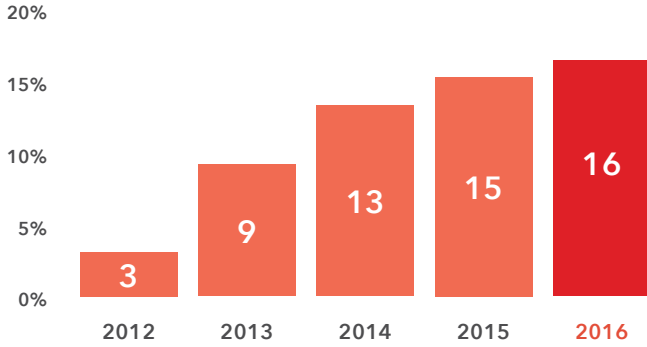
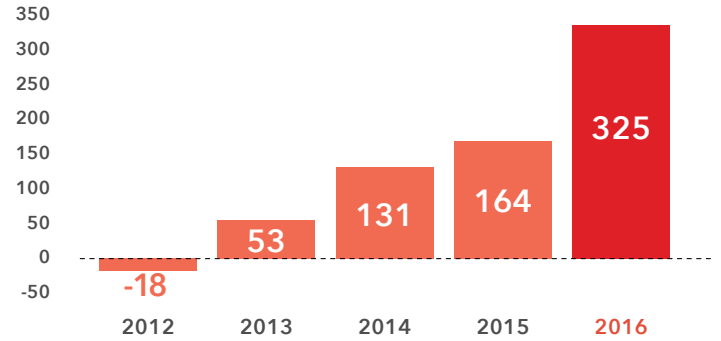
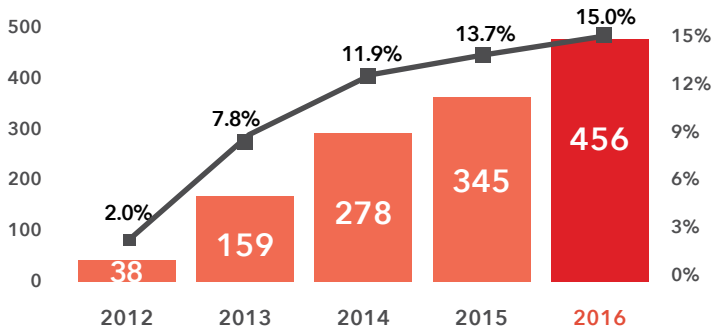
The Company's gross profit margin increased from 15% in 2015 to 16% in 2016.

**EBITDA\*  
TL 456 MILLION**

The strong growth in operating profit continued in 2016 with EBITDA surging by 32% YoY to TL 456 million and the EBITDA margin rising from 13.7% to 15%, representing a 5-year high.

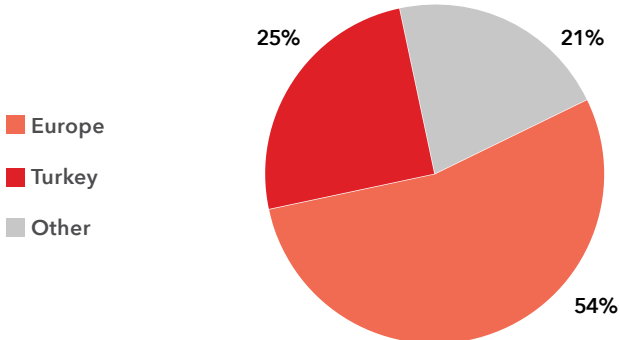
**NET PROFIT  
TL 325 MILLION**

Backed by the strong operating performance, net profit doubled YoY to TL 325 mn in 2016, reaching an all-time high.

**GROSS PROFIT MARGIN (%)****NET PROFIT (TL MILLION)****EBITDA\* (TL MILLION) AND EBITDA MARGIN (%)**

■ EBITDA\* ■ EBITDA Margin

\*Excluding other operating income and expenses

**REVENUE BREAKDOWN BY REGION (2016)**

**INTERNATIONAL SALES  
CONSTITUTED 75% of  
VESTEL BEYAZ EŞYA'S TOTAL  
REVENUES IN 2016.**

## SHAREHOLDER STRUCTURE AND VESTEL BEYAZ EŞYA SHARES

VESTEL BEYAZ EŞYA QUALIFIED TO BE INCLUDED IN **THE BIST SUSTAINABILITY INDEX ON A VOLUNTARY BASIS FOR THE NOVEMBER 2016 - OCTOBER 2017 PERIOD.**



Vestel Beyaz Eşya voluntarily applied to be included in the Borsa İstanbul (BIST) Sustainability Index, which consists of the shares of BIST-listed companies with a high corporate sustainability performance, in late 2015. The Company was found to be eligible for inclusion in the BIST Sustainability Index for the November 2016 - October 2017 period following the assessments conducted by Borsa İstanbul in 2016.

### Shareholding Structure

Shareholders	Nominal Value of Shares (TL)	Share in Capital (%)
Vestel Elektronik Sanayi ve Ticaret AŞ*	179,780,447	94.62
Other Shareholders (free float)	10,219,553	5.38
<b>Total</b>	<b>190,000,000</b>	<b>100.00</b>

\*"Vestel Elektronik" or "Vestel"

### Vestel Beyaz Eşya Shares

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

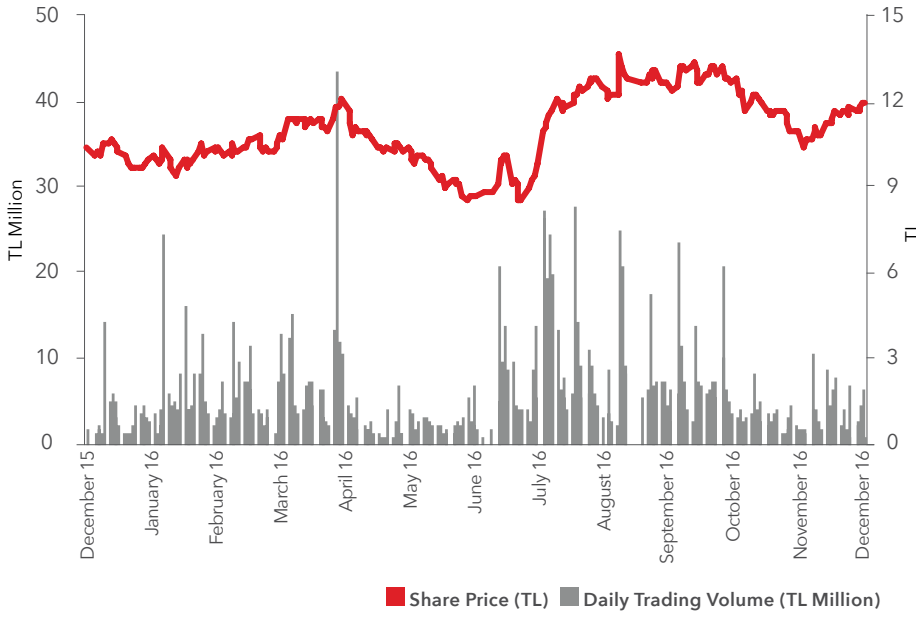
As of the end of 2016, Vestel Beyaz Eşya, which has been traded on the BIST STAR Market, was included in the BIST INDUSTRIAL, BIST METAL PRODUCTS, MACHINERY, BIST DIVIDEND, BIST ALL, BIST STAR, BIST 100, BIST 100-30 and BIST SUSTAINABILITY indices.

2016 Share Price Summary (TL)	
Number of Shares	190,000,000
Free-float*	10,219,553
Yearly High	13.76
Yearly Low	8.70
Year-End Price	12.02
Market Capitalization* (TL million)	2,284

\* As of 30.12.2016

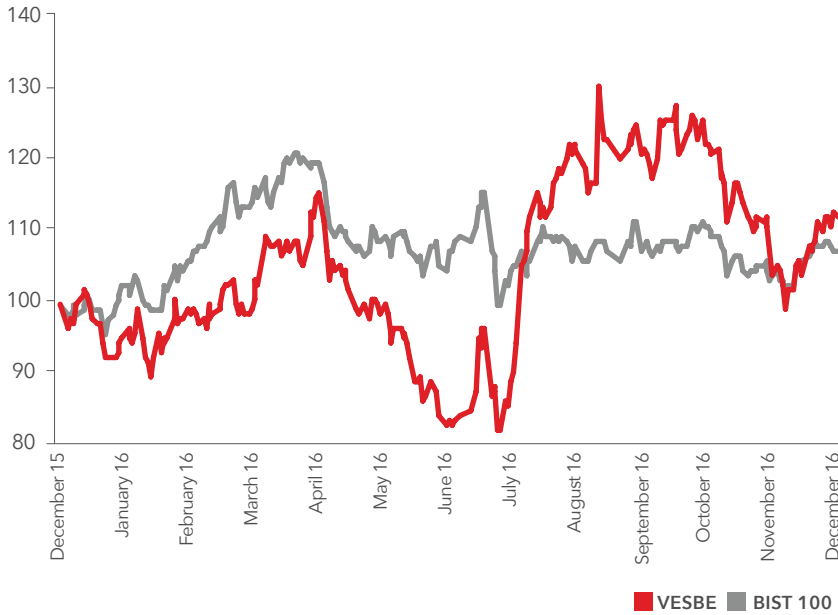


### Vestel Beyaz Eşya - Share Price Performance



IN LINE WITH THE COMPANY'S STRONG FINANCIAL PERFORMANCE, VESTEL BEYAZ EŞYA SHARES OUTPERFORMED THE BROADER MARKET IN 2016, **INCREASING BY 14% AND CLOSING THE YEAR AT A PRICE OF TL 12.02.**

### Vestel Beyaz Eşya - Relative Performance



THE BIST-100 INDEX **ROSE BY 9% IN 2016.**

# THE YEAR 2016 AT VESTEL BEYAZ EŞYA

VESTEL BEYAZ EŞYA WINS THE 2016 EUROPEAN  
INDUSTRIAL EXCELLENCE AWARD

VESTEL HAS BEEN THE EXPORT LEADER IN ITS SECTOR  
FOR THE PAST 19 YEARS

NEW PLANT INVESTMENT IN HOUSEHOLD APPLIANCES

VESTEL BEYAZ EŞYA DEVELOPED ITS FAMILY OF SMART  
HOUSEHOLD APPLIANCES WITH TFT DISPLAY AND  
REMOTE CONNECTIVITY

INNOVATIVE PRODUCTS FROM VESTEL BEYAZ EŞYA

VESTEL BEYAZ EŞYA WINS 6 AWARDS IN NATIONAL  
AND INTERNATIONAL DESIGN COMPETITIONS

11 AWARDS FROM CRYSTAL APPLE (KRISTAL ELMA)

ONE OF THE MOST STRIKING BRANDS IN THE 2016  
IFA - BERLIN FAIR



## HIGHLIGHTS OF 2016



### VESTEL BEYAZ EŞYA WINS THE 2016 **EUROPEAN INDUSTRIAL EXCELLENCE AWARD**

Vestel Beyaz Eşya, which became the champion of Turkey in the 2016 Industrial Excellence Award competition organized jointly by Koç University, the WHU-Otto Beisheim School of Management, INSEAD and other leading European business schools in July 2016, qualified to represent our country in the finals in Europe.

Vestel Beyaz Eşya was recognised for its industrial excellence with the European Championship, which it won in October 2016, by outclassing its competitors, which rank among the world's giants in their respective sectors. Vestel Beyaz Eşya earned the title of being the first champion in the household appliances sector as well as being the first Turkish company to have won this award.

Investing heavily in R&D and innovation to achieve industrial excellence at Vestel City, which is one of Europe's largest manufacturing complexes, Vestel Beyaz Eşya aims to be Turkey's first facility to have completed the Industry 4.0 transformation.

The Industry 4.0 transformation is considered to be a fundamental condition for remaining competitive for all companies operating in the manufacturing sector. With the Industry 4.0 transformation, the process of innovation and technological adaptation will gain pace, all processes will be linked to one another from end-to-end with the factories becoming increasingly smart, and the production lines will work in a more agile and compatible manner. With Industry 4.0, machines will communicate with each other, robots will perform much of the work which is currently being done by manual labour and the entire production process will be digitalized. Products will be tailor made to the specific requests of consumers and the time it will take for the products to reach the market will also get shorter. By increasing the production speed and efficiency and by reducing costs, the Industry 4.0 transformation will create a competitive advantage for those companies which promptly adapt to this transformation and adopt it in their production processes.

### VESTEL HAS BEEN **THE EXPORT LEADER IN ITS SECTOR** FOR THE PAST 19 YEARS

Ranked by the Turkish Exporters Assembly as the leading player among Turkey's most successful exporters in the Electrical-Electronics and Services sector in 2016, Vestel became the export leader in the electronics sector for the 19<sup>th</sup> year.

### **NEW PLANT INVESTMENT IN HOUSEHOLD APPLIANCES**

In order to meet increasing demand in domestic and foreign markets, Vestel Beyaz Eşya decided to build a new washing machine and dryer plant with a production capacity of 750,000 washing machines and 750,000 dryers per year on the 81,200 m<sup>2</sup> plot which it purchased in the Manisa Organized Industrial Zone. With this investment, Vestel Beyaz Eşya's existing product line will be broadened to include dryers for the first time and the Company will gain a strong foothold in the growing market for dryers, especially in the North European countries.

## HIGHLIGHTS OF 2016

### VESTEL BEYAZ EŞYA DEVELOPED ITS FAMILY OF **SMART HOUSEHOLD APPLIANCES WITH TFT DISPLAY AND REMOTE CONNECTIVITY**

The smart household appliances (air conditioners, ovens, dishwashers, washing machines, refrigerators) produced by Vestel Beyaz Eşya can be controlled remotely from Android or IOS supported tablets and smartphones. Users can manage their products remotely by accessing the temperature, active program or timing information through the mobile application "The Mind of the Home (Evin Akıllı)" which they will upload to their smartphones or tablets.

The air conditioners and ovens, which are included in the smart household appliances family, were introduced to the market in 2015, while washing machines, dishwashers and refrigerators are in the preliminary production stage.



reddot award 2016  
winner



### INNOVATIVE PRODUCTS FROM VESTEL BEYAZ EŞYA

Vestel Beyaz Eşya is raising the bar for developing products which offer record levels of energy efficiency and water conservation. Having introduced the world's most efficient washing machines, which are 70% more energy efficient than A+++ class products, Vestel Beyaz Eşya developed an array of new products in 2016: the record-holding quiet washing machine which produces just 39 dBA (decibels) of noise - which is even quieter than the ambient noise inside a library; a fully automatic washing machine which also selects the washing program as well as adjusting the amount of detergent; the world's highest energy efficient combi fridge-freezer, which is 30% more energy efficient than A+++ class products; the dishwasher product family with the lowest water consumption of its class, which can wash with only 5.4 liters of water; and the products with less energy and water consumption which enable the easy dissolving of dry and stubborn stains by using steam-assisted wash programs. In 2016 the Company also developed products aimed at different usage areas such as the vaccine storage cabinet developed for the first time for the healthcare industry.

### VESTEL BEYAZ EŞYA WINS **6 AWARDS IN NATIONAL AND INTERNATIONAL DESIGN COMPETITIONS**

Vestel Beyaz Eşya continued to advance its competency in design and proved its success in this area once again with the numerous awards it won in national and international competitions throughout the year.

The Company received a total of six awards in national and international design competitions during 2016, bringing the total number of its design awards to 177.

Vestel Beyaz Eşya won the following awards:

- "High Quality Design Award" in the IF Design Awards with the Saeros TFT Washing Machine,
- "High Quality Design Award" in the RedDot Design Awards with the 473 No-Frost Refrigerator and Saeros Washing Machine,
- "Good Design Award" in the Design Turkey 2016 competition with the 473 Frost-Free Refrigerator, the 373 Combi Fridge-Freezer and the Erine Washing Machine.

## 11 AWARDS FROM CRYSTAL APPLE (KRISTAL ELMA)

In the 28<sup>th</sup> Crystal Apple Creativity Awards, Vestel won a total of 11 awards in 8 categories in the digital and media field and became the brand to win the most awards in its sector.

**Category: Press / Electronics Household Appliances**

Crystal Apple - Child Lock-Washing Machine

**Category: Press / Electronics Household Appliances**

Bronze Apple - Cable Mixing to Music

**Category: Press / Electronics Household Appliances**

Silver Apple - Every Meal Cooks Quickly

**Category: Media / Media Use / Cinema Application**

Bronze Apple - Vestel Products / Bad Cat Şerafettin Product Placement

**Category: Media / Media Use / Sponsorship Application**

Bronze Apple - Vestel Products / Bad Cat Şerafettin Product Placement

**Category: Media / Media Use / Use of Branded Content**

Bronze Apple - Vestel Products / Bad Cat Şerafettin Product Placement

**Category: Digital / Campaign Consumer Durables**

Crystal Apple - Valentine's Day

**Category: Digital / Integrated Campaigns Category Consumer Durables**

Crystal Apple - Valentine's Day

**Category: Digital / Online Film Consumer Durables**

Crystal Apple - Valentine's Day - Jealous

**Category: Digital / Online Film Consumer Durables**

Crystal Apple - Valentine's Day - Marriage Enthusiast

**Category: Digital / Advertisement Banner Consumer Durables**

Crystal Apple - Air Conditioner - From the Owner (Sahibinden)



## ONE OF THE MOST STRIKING BRANDS IN THE 2016 IFA - BERLIN FAIR

Vestel exhibited 730 different products at its 3,000 m<sup>2</sup> stand in its 26<sup>th</sup> year at Europe's largest consumer electronics fair, the IFA. Besides exhibiting hundreds of new products for the first time at the fair, Vestel also announced its new investments and collaborations, and was one of the IFA's most notable brands.

The award winning Vestel smart TV and household appliances, which can be controlled remotely with the Venus, Turkey's first domestically produced smartphone, were among the most striking products of the year. Vestel introduced its smart products, which can be controlled by mobile devices and interact with each other, to consumers and its business partners with the "Smart Home" platform set up at its booth.

Vestel attaches great importance to energy and water efficiency together with design and technology. Vestel exhibited its new and record breaking products at the IFA, which includes the most energy efficient, water conserving and quietest products approved by the German independent testing agency, the VDE.





## CHAIRMAN'S MESSAGE

AS VESTEL BEYAZ EŞYA,  
WE AIM TO BUILD ON THE  
MOMENTUM WE HAVE  
GAINED WITH THE INDUSTRY  
4.0 TRANSFORMATION  
EFFORTS, WHICH WE HAVE  
BEEN CARRYING OUT FOR  
MORE THAN TWO YEARS,  
AND TO BE THE FIRST  
COMPANY TO COMPLETE THIS  
TRANSFORMATION IN TURKEY.



**Ahmet Nazif Zorlu**

Chairman of the Board

## AS ONE OF OUR COUNTRY'S BIGGEST MANUFACTURING POWERS, VESTEL BEYAZ EŞYA CONTRIBUTES TO TURKEY'S SUSTAINABLE GROWTH WITH ITS CORPORATE COMPETENCIES, SUPERIORITY IN R&D AND SUCCESS IN PRODUCTIZING ADVANCED TECHNOLOGIES.

Dear Stakeholders,

**The year 2016 witnessed developments which have the potential to change the balances in the coming period.**

2016 was a challenging year marked by the continued weakness in the global economy, an accelerated contraction in global trade, unexpected developments in the political arena and an increase in geopolitical risks, especially with the rising tension in the Middle East.

While the growth in developed countries fails to achieve sustained upward momentum, the EU and Japan continue to implement a loose monetary policy in a bid to stimulate economic activity. However, the failure of these measures to achieve the desired results lent credence to the view that liquidity support should be accompanied by expansionary fiscal policies and structural reforms.

The UK's decision to leave the EU (Brexit) in the first half of 2016 also raised concerns over the global economy and the future of the EU. Despite this backdrop, the Eurozone grew by 1.7% in 2016, representing its highest rate of growth since 2008 when the global crisis broke out, and achieved a higher growth rate than the US economy, which posted 1.6% growth.

At a time when the world has not yet entirely overcome the effects of the financial crisis, Donald Trump was elected as the new US President on a ticket of protectionist and interventionist economic policies. This was perceived as a precursor of a new global order and deepened the phenomenon of uncertainty.

In parallel with the strengthening growth in the US economy, the Federal Reserve raised its policy rate by 0.25% in its final meeting of the year in December 2016. The change in the Fed's guidance for 2017 from two to three interest rate hikes further accelerated the appreciation of the US Dollar against other currencies. This also triggered an increase in long-term bond yields, losses in the fixed income markets and significant capital outflows from developing countries.

The Chinese economy, whose contribution to global growth declined when compared to previous years, posted 6.7% growth in 2016, in line with expectations, supported by an expansion in public spending and bank loans, despite the ongoing weaknesses and the structural transformation process.

**Turkish economy maintains its growth trend despite some loss of momentum.**

In addition to the headwinds caused by the weak and fragile growth climate and political developments on a global scale in 2016, the Turkish economy - as well as the expectations for the future - also suffered from the negative effects of the geopolitical risks, domestic political developments, the coup attempt and rising terrorist incidents.

## CHAIRMAN'S MESSAGE

# VESTEL BEYAZ EŞYA'S **STRENGTH IN INNOVATION AND R&D** IS THE MOST IMPORTANT FACTOR BEHIND THE COMPANY'S SUCCESS IN EXPORT MARKETS.

After having enjoyed moderate growth in the first half of 2016 led by domestic consumption, the Turkish economy contracted by 1.3% in the third quarter of the year due to domestic political developments and increased geopolitical risks. In this period, the government took a number of measures and actions to revive the economy and relax the constraints on the real sector as well as to reduce the pressure on the currency. Having quickly overcome this challenging period thanks to its strong financial system and dynamics, Turkey returned to its growth path in the last quarter of the year and exceeded expectations with 3.5% growth and closed the full year with a growth rate of 2.9%.

The capital outflows triggered by the rise of the US Dollar following the US presidential election on 8 November caused significant devaluation in emerging market currencies. The Turkish Lira suffered more than its fair share because of the rise in risk perceptions during this period. The rapid depreciation of the TL also pushed the year-end inflation rate higher. The Central Bank of Turkey increased its policy rate and took steps to reduce TL liquidity in the market.

In the wake of the coup attempt and compounded by geopolitical risks, the rating agency, Standard & Poor's downgraded Turkey's sovereign credit rating. Moody's later followed suit, cutting Turkey's credit rating to below investment grade.

Export revenues remained weak in 2016, affected by the fall of the Euro against the US Dollar given the higher Euro denomination in Turkey's exports compared to its imports. Moreover, the sharp decline in tourism revenues set the stage

for a widening in the current account deficit in the second half of the year. As a result of the negative developments experienced during the year, the share of foreign direct investments in financing the current account deficit decreased significantly. Meanwhile, the positive effect of low oil and commodity prices observed in 2016 is expected to diminish in 2017 with the rebound in oil prices. On the other hand, a potential improvement in tourism revenues with the normalization of relations with Russia and continued growth trend in exports to the EU could have a positive impact on the current account deficit.

The factors that will prove decisive for the future of the Turkish economy in the coming period include the referendum which is scheduled to take place in April 2017, geopolitical developments, inflation dynamics and the course of the current account deficit as well as the implementation of structural reforms supporting a growth model mainly based on investments and exports.

### **Vestel Beyaz Eşya is further raising its game as a global company.**

We believe that increasing the level of institutionalization as well as stepping up physical, human and technological investments in order to increase production per employee - in other words, productivity - in Turkey is a crucial element when it comes to achieving sustainable economic growth.



As one of our country's biggest manufacturing powers, Vestel Beyaz Eşya contributes to Turkey's sustainable growth with its corporate competencies, superiority in R&D and success in productizing advanced technologies.

We regard the Industry 4.0 transformation as one of the most important steps to be taken for the future of our industry. At Vestel Beyaz Eşya, we do not want to miss this transformation, which is sometimes referred to as the fourth industrial revolution. In this context, we have completed our preparations for this transformation and have taken the necessary actions. We are progressing towards the lights-out factory from the supply chain to the systems which monitor production quality on a real-time basis. We have transformed Vestel Beyaz Eşya into a giant manufacturing company which exports technology to the world as a result of long-standing work. We are now positioning Vestel Beyaz Eşya as a pioneer in the Industry 4.0 transformation and as an increasingly stronger player in the global competition.

The industry 4.0 transformation emerges as the main condition to remain competitive for all sectors involved in manufacturing. The companies which fail to achieve this transformation are set to lose their competitive edge in global markets in the coming period.

As Vestel Beyaz Eşya, we aim to build on the momentum we have gained by improving all our processes with the industry 4.0 transformation efforts, which we have been carrying out for more than two years, and to be the first company to complete this transformation in Turkey.

The 2016 European Industrial Excellence Award which we won by outclassing our global competitors in 2016 clearly demonstrates the level which we have reached in production technologies. We registered our industrial excellence with the European Championship and became the first Turkish company to win this award. We also gained the title of being the first champion in the household appliances sector.

**With our investments in R&D, we are influencing technological trends which go far beyond merely keeping up with the developments.**

Vestel Beyaz Eşya's strength in innovation and R&D is the most important factor behind the Company's success in export markets. Vestel Beyaz Eşya is proud to fly the flag of our country abroad with its exports to 154 countries.

We are able to address the needs of consumers in all the regions we operate in with our vision, creativity and high sense of responsibility. Step by step, we are moving towards our goal of becoming one of the leaders of the global economy with this understanding, belief and determination.

In all of these activities and efforts, our focus is on sustainability. As a corporate citizen with a high sense of social responsibility and environmental awareness we aim to develop more "broad-impact" projects to integrate our economic success with our achievements in the area of sustainability. We exercise the utmost care to minimise the environmental impact of our products starting from the production stage to the end of the useful life of the product. We set ourselves apart with our product range which offers record levels of energy and water efficiency. In the field of social responsibility, our first priority is to remove the obstacles faced by our disabled citizens. In this context, I am pleased to announce the Accessibility Project, which we have launched with the purpose of facilitating the use of our products by the disabled. In another proud development, we have reached the end of the productization stage for the smart walking stick, WeWALK, which was also developed for our disabled citizens.

We will continue to achieve impressive breakthroughs to generate more value for our country and our people with our entrepreneurial spirit - which forms the basis of our achievements and is what makes us what we are - our broad imagination, our corporate culture open to novelty, our production philosophy which places technology and innovation at the heart of what we do and our confidence.

I would like to extend my sincere gratitude to all of our employees who have endlessly endeavoured to raise our brand even higher, all of the business partners we cooperate with, our customers who have chosen us and to all of our other stakeholders.

Respectfully,



**Ahmet Nazif ZORLU**

Chairman of the Board

## BOARD OF DIRECTORS



**Ahmet Nazif Zorlu**  
Chairman



**Hacı Ahmet Kılıçoğlu**  
Vice Chairman



**Olgun Zorlu**  
Board Member



**Şule Cümbüş**  
Board Member



**İzzet Güvenir**  
Board Member



**Ali Akın Tarı**  
Board Member

### Ahmet Nazif Zorlu - Chairman

(1944 - Denizli) Ahmet Nazif Zorlu began his professional career in a family owned textiles business in Denizli, Babadağ. He opened his first textile store in Trabzon, later in 1970 Mr. Zorlu moved the Company's headquarters to Istanbul and laid the foundations of Zorlu Holding with his brother, Zeki Zorlu. Ahmet Zorlu set up his first company, Korteks in 1976 and gathered all of his 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. Mr. Zorlu's entrepreneurialism, which began with the textile industry, went on to manifest itself in more companies operating in a wide range of industries such as household appliances, electronics, energy, property development, metallurgy and defense. Ahmet Zorlu has been serving as the Chairman or Deputy Chairman of the Board in numerous Zorlu Group companies operating in different sectors.

With a keen interest in civil society organizations, Ahmet Zorlu is a member of the Board of Directors of the Foreign Economic Relations Board, the Turkish Industry and Business Association, the Education and Culture Foundation of the Society of Denizli, the Babadağ Industry and Business Association and the Turkish Home Textile Industrialists and Businessmen Association. Ahmet Zorlu is the founder of Mehmet Zorlu Education, Health, Culture, and Solidarity Foundation (MZV) and carries out his social responsibility projects through MZV since its foundation in 1999. MZV has built many schools and provides scholarships to a large number of students. Ahmet Zorlu also attaches great importance to the social efforts aimed to boost the influence of the Turkish business world in international markets. Accordingly, he was awarded the Royal Spanish Order of Civil Merit by King Juan Carlos I of Spain in 2007 for his contribution in developing and strengthening the relations between Spain and Turkey.

### Hacı Ahmet Kılıçoğlu - Vice Chairman

(1956 - Giresun) Ahmet Kılıçoğlu graduated from the University of Essex with a Bachelor's degree in Economics in 1977 and a Master's degree in Economics in 1978. He began his professional career at the Ministry of Industry and Technology in 1979 and continued his career as an Assistant Specialist at Türkiye İş Bankası in 1980. After completing his military service, Mr. Kılıçoğlu worked in the private sector for a couple of years. Mr. Kılıçoğlu then held administrative positions at the United Nations Development Program (UNDP) and the F-16 project, before going on to take office at Türk Eximbank in 1987, where he worked in various positions. He later served as the CEO of the bank and as a Board Member between 1998 and 2010. Mr. Kılıçoğlu served as a Board Member at the Turkish Banks Association between 1998 and 2010 and was also elected as the President of the World EximBanks Union (The Berne Union) in 2001. He also served as a Consultant to the President at the Islamic Development Bank between 2008 and 2009. Mr. Kılıçoğlu served as a Vice Chairman at Denizbank in 2010. In addition to being a Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Mr. Kılıçoğlu also serves as a Board Member at Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ, which are Zorlu Group companies. He is also a Board Member at Şeker Mortgage Finansman AŞ, Şekerbank Kıbrıs Ltd, Doğan Gazetecilik AŞ and Doğan Holding AŞ.

### Olgun Zorlu - Board Member

(1965 - Trabzon) Upon completing his higher education in textiles and business administration in the UK, 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 began serving as a Board Member at Zorlu Holding in 1998. In addition to his board membership at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Mr. Zorlu also serves as a Board Member at Zorlu Holding and other Zorlu Group companies.

### Şule Cümbüş - Board Member

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

### İzzet Güvenir - Board Member

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

### Ali Akın Tarı - Board Member

(1943 - Koruköy) After his graduation from the Istanbul Law Faculty, Ali Akın Tarı served as a Tax Inspector and as a Chief Tax Inspector at the Ministry of Finance between 1972 and 1986. He was appointed as the Vice President of the Tax Inspectors Board in 1986 and Group Head of the Istanbul Tax Inspectors Board in 1989, and continued to serve in this position until he was appointed as a Board Member to the Banking Regulation and Supervision Agency in 2001. Ali Akın Tarı was also elected as a Board Member to the Saving Deposits Insurance Fund in addition to being a Board Member of the Banking Regulation and Supervision Agency in the same year. He left his position at the Banking Regulation and Supervision Agency when his period of duty expired in 2004, and was appointed as a Consultant for the Ministry of Finance. Mr. Tarı served in this position until 2007, when he voluntarily left his position in the public sector to work in different areas in the private sector. Mr. Tarı became a member of the Board of Directors and the Audit Committee of Dilerbank in 2008; in addition to this position, he was also appointed as a member of the Board of Directors of Diler Holding in 2011. Besides his board membership at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Akın Tarı has also been serving as a Board Member at Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ, which are Zorlu Group companies.



## INTERVIEW WITH THE CEO



**Enis Turan Erdoğan**  
CEO

VESTEL BEYAZ EŞYA RECORDED TL 3,037 MILLION OF REVENUES IN 2016, MARKING 20% YOY GROWTH. THE COMPANY GENERATED 54% OF ITS TOTAL REVENUES FROM EUROPEAN COUNTRIES, 25% FROM THE DOMESTIC MARKET AND THE REMAINING 21% FROM OTHER COUNTRIES AND ACCOUNTED FOR APPROXIMATELY 30% OF TURKEY'S TOTAL WHITE GOODS EXPORTS.

## 2016 REPRESENTED A RECORD YEAR FOR THE TURKISH WHITE GOODS SECTOR IN TERMS OF PRODUCTION AND SALES.

### Could you talk a little bit about the developments in the white goods sector during 2016, which was a difficult year?

The year 2016 was a year of disappointing growth in the global economy and was marked by the lowest levels of global trade seen in recent years.

As the growth in the US economy gained momentum, the Fed, convinced that the growth was sustainable, decided to hike the interest rates and, changing expectations for the planned rate hikes in 2017 became one of the most important indicators for the course of the global economy.

While the moderate growth observed in the EU economy is encouraging, low inflation and continued weakness in consumption trend leave the door open to deflation. In addition, concerns over the banking sector still persist.

In addition to the global developments, Turkey experienced an extraordinary year in 2016 with the country being exposed to domestic political and economic vulnerabilities. Domestic consumption led growth continued throughout the year, with the exception of a decline in the third quarter which was the result of the political developments experienced. The surprising outcome of the US presidential election in the last quarter of the year, followed by the Fed's decision to raise interest rates, led to an overvaluation of the US Dollar against emerging market currencies. The Turkish Lira suffered one of the sharpest declines in value of any currency, which had a negative effect on the finances of many companies in various sectors.

As for the performance of the white goods sector in 2016;

Based on the wholesale data for the six major household appliances compiled by the White Goods Manufacturers' Association of Turkey (TÜRKBEŞD), domestic white goods sales, which had increased by 6% in the first half of the year, slowed down in the third quarter due to long religious holidays and rising political risks. Nevertheless, sales showed a strong recovery with an 11% YoY growth in the last quarter of the year as demand was pulled forward due to rising price hike expectations caused by the sharp fall in the value of the Turkish Lira and increasing inflationary pressures. As a result, driven by the strong growth in the last quarter, domestic white goods sales increased by 5.4% YoY to 7.5 million units in 2016.

As for international sales, following the strong 10% growth in the first half of the year, total white goods exports increased by a slower 4% YoY in the third quarter of the year reflecting the mounting competition in export markets from Chinese players and the slowdown in the UK market after the Brexit vote. However, white goods exports gained momentum and grew by 9% YoY in the last quarter of the year thanks to the movements in the EUR/TL and EUR/US\$ exchange rates in favor of the Turkish producers. For the full year, the Turkish white goods producers exported 19.5 million products in 2016, marking an 8% YoY growth. As a result, 2016 represented a record year for the Turkish white goods sector in terms of production, sales and exports.

## INTERVIEW WITH THE CEO

**IN ORDER TO INCREASE OUR PRODUCTION CAPACITY IN WASHING MACHINES AND TO ADD DRYERS TO OUR PRODUCT RANGE, WE COMMENCED INVESTMENTS FOR A NEW PRODUCTION FACILITY.**

### **How did 2016 turn out for Vestel Beyaz Eşya?**

For Vestel Beyaz Eşya, 2016 was a year of strong operational and financial performance despite the volatility experienced both at home and in international markets.

Vestel Beyaz Eşya recorded TL 3,037 million of sales revenues in 2016, marking 20% YoY growth. The Company generated 54% of its total revenues from European countries, 25% from the domestic market and the remaining 21% from other countries and accounted for approximately 30% of Turkey's total white goods exports.

Vestel Beyaz Eşya increased its domestic sales and market share in 2016 thanks to the successful campaigns carried out during the year and the improvements made in after-sales services and dealer network over the last few years. International sales on the other hand, were supported by the continued growth trend in the European white goods market and new customer acquisitions, as well as by the ongoing expansion in new sales channels, such as kitchen manufacturers.

Vestel Beyaz Eşya's gross profit grew by 32% to TL 490 million and gross profit margin increased from 14.8% to 16.1% in 2016 supported by the low raw material prices in the first half of the year and raw material hedges, which fixed the purchasing prices of raw materials at low levels for a certain period, along with an improving product mix, the positive impact of the weakening TL on export margins, especially in the last quarter of the year, and the ongoing cost cutting and efficiency efforts.

Backed by the continued strong growth in operating profit in 2016, EBITDA increased by 32% to TL 456 million and EBITDA margin rose from 13.7% to 15.0% in 2016, representing a 5-year high.

Despite the sharp fall in the value of the TL in the last quarter of the year and the adverse effects caused by the increases in raw material prices, the Company doubled its net profit on a YoY basis to TL 325 million, denoting an all-time high.

### **Could you also talk about the new plant investment that you started in 2016?**

Vestel Beyaz Eşya took an important step in organic growth in 2016. In order to increase our production capacity in washing machines and to add dryers to our product range, we purchased a plot in the Manisa Organized Industrial Zone in late 2016 with the purpose of establishing a new production facility. We plan to complete the investment for our new plant, which will have a production capacity of 750,000 washing machines and 750,000 dryers per annum, in June 2018. In addition to strengthening our current market position, the investment will support our exports by enabling us to meet the demand for dryers especially in Northern Europe.

### **Vestel always attracts attention with its superiority in innovation and R&D. How do you reflect this to your sustainability approach?**

Innovation and R&D are the fundamental driving forces which have brought Vestel Beyaz Eşya to where it is today and will carry it into the future.



With the R&D studies we carry out continuously, we further expand our record breaking product range by developing some of the quietest products on the market in addition to our environmentally friendly products which provide maximum levels of energy efficiency and water saving. We allocate half of our R&D budget to the development of environmentally friendly products. Thanks to the R&D studies we have carried out, our entire product range now consists of products with energy ratings of A, A+, A++ class and above, which are considered as the highest energy efficiency category. We carry out the R&D design of our entire product portfolio in accordance with the sustainability criteria and manage all processes from the product design to the recycling of the waste generated with this understanding.

As a global brand created by Turkey, we view respecting the values of our country and the natural environment as one of our most important duties. In order to use our country's resources more efficiently, we continue our efforts aimed at reducing energy and water consumption both in our production processes and in our products. We regard this as one of our greatest responsibilities to our country and to the world. As a result of the work we have carried out in this vein, Vestel Beyaz Eşya managed to reduce its water consumption by 18% in the last 10 years despite the 57% growth in its production volume. I would also like to point out here that Vestel Beyaz Eşya fully complies with the existing legislation in Europe on the usage of materials, waste management and environmental matters.

As a company deemed worthy of the "TPM Excellence" Award by the Japan Institute of Plant Maintenance (JIPM) with its 5 production plants at the same time, and as the first Turkish company to obtain the ISO 50001 Energy Management System Certificate, we act with the mission of being taken as an example with all of our processes and products.

#### **What are your views on Industry 4.0? What is Vestel Beyaz Eşya's role in this process?**

While we are developing products for the "smart life", we are also trying to transform our factories into "smart factories". We are shaping our future with the Industry 4.0, which brings digitalization to production and is referred to as the fourth industrial revolution.

As one of the first companies in Turkey to start the Industry 4.0 transformation, we have been continuing our activities for the past two years with the aim of becoming Turkey's first company to own smart factories. We have been implementing TPM (Total Productive Maintenance) activities for years, which gives us a great advantage in adapting to Industry 4.0. We expect the pace of innovation and technology adaptation to increase further upon the realization of this transformation, for which we have undertaken significant investment.

Upon the completion of the Industry 4.0 transformation, we aim to own smart factories where all processes from order to dispatch are operated with full automation. We also aim to increase both our efficiency and quality to the highest levels when processes become more interconnected with each other from end-to-end.

This transformation will allow us to increase our competencies and enhance our competitive advantage in a multi-faceted manner with gains such as customized products which can respond more extensively and more rapidly to consumer preferences and needs, greater flexibility and lower defect rates in production, higher product quality, less use of resources and higher efficiency.



## INTERVIEW WITH THE CEO

VESTEL BEYAZ EŞYA BECAME **THE FIRST TURKISH COMPANY TO HAVE WON THE EUROPEAN CHAMPIONSHIP IN INDUSTRIAL EXCELLENCE AWARD**, FENDING OFF STRONG COMPETITION WHILE AT THE SAME TIME BEING THE FIRST CHAMPION IN ITS SECTOR.

Once complete, the Industry 4.0 transformation is expected to bring significant cost savings with an increase in efficiency. This transformation will serve as an important anchor in bringing more value added products to the market and will enhance our global competitive power.

We are aware that there is a long way to go, but we are assertive and are going to great lengths to ensure that Vestel City will be the first facility to realize this transformation in Turkey. The fact that Vestel Beyaz Eşya became the leader in both the household appliances sector and across all sectors in terms of the number of robotic assembly lines which it has commissioned in 2016, indicates that that we are confidently advancing in this direction.

While we proceed full steam ahead with these efforts, the Industrial Excellence Award which we won in 2016 also bears special importance. Representing Turkey in the finals of the 2016 Industrial Excellence Award competition in Europe as the Champion of Turkey, Vestel Beyaz Eşya became the first Turkish company to have won the European Championship Award, fending off strong competition while at the same time being the first champion in its sector.

**You are adopting an increasingly assertive approach in retailing. Is there anything you would like to say in this regard?**

With the vision of being the number one retailer in Turkey, Vestel continues to introduce new practices which will set itself apart in both sales and after-sales services. At the Vestel Retail Academy, which we established with the cooperation of the Executive Development Unit at Sabancı University, courses focus on increasing the quality of service at all sales points where Vestel products are sold, providing the best retail experience



for customers and creating a common retail culture for the entire sales organization. In 2016, a total of 1,252 people from all retail teams, including Vestel's sales teams, dealers and merchandising teams received training in the Vestel Retail Academy and the aim is to increase this number to 2,000 in 2017.

Vestel also tries new retailing concepts to increase its presence in retail. Our Kafe Vesto store concept is one of a very few such examples in the world, and the first of its kind in Turkey, where we bring together the café and the store, and it has received a warm welcome from our customers. We plan to increase the number of our Kafe Vesto stores, which we opened in 2016 for the first time, to 20 initially.

After being awarded the ISO 9001 Quality Management System Certificate within the scope of the Quality Management System structuring launched in March 2014, Vestel Customer Services, which carries out the after-sales activities for Vestel Beyaz Eşya and is the point of contact with consumers, obtained the TSE ISO 10002: 2004 Customer Satisfaction Management System Certificate in July 2016.

Within the scope of these systems, complaints and measures as well as suggestions and solutions are evaluated from a systematic point of view. Vestel Customer Services received 15 awards in 2016, registering its success in customer satisfaction.

**You have strengthened your reputation by participating in various trade fairs in the international arena each year. Could you tell us about the most important fairs which you attended in 2016?**

Our booths attracted a great deal of interest at the IFA-Berlin, Gitex-Dubai, BETT-London, ISE-Amsterdam, IBC-Amsterdam, and the Luxlive-London exhibitions, which we attended in 2016.

Our activities in 2016 once again attracted wide acclaim, especially at the IFA-Berlin fair, Europe's largest consumer electronics fair. In addition to the new products introduced for the first time at our 3,000 square meter stand at the IFA, we also exhibited our record breaking products, which are the most energy and water efficient and quietest products approved by the German independent testing agency, the VDE.

The smart products, which can be controlled by mobile devices and interact with one another, were introduced to the consumers and our business partners with the "Smart Home" platform, which was set up at the stand.

**With the "Accessibility Project", you have initiated an important project which has clearly made an impression. What are your views on this?**

We believe everyone has the right to access and use technology. In this context, as one of Turkey's most important technology brands, we have embarked on a great transformation with the aim of enabling all consumers, without discriminating on the basis of whether they are disabled or not, to benefit from our technology and products in the same way and to ensure that all of the products we manufacture at Vestel City are accessible for everyone. This transformation, which we started under the "Accessibility Project", should not merely be considered as an initiative specific for the disabled. This is a matter of interest to everyone, and one which we wish to attract attention to and to be a pioneer of.

The Accessibility Project is designed to allow the disabled to access the world of Vestel without any obstacles throughout all processes from the factory to the end user, from the website to the customer services.

The project achieved many objectives, including enabling televisions and household appliances manufactured by Vestel to be controlled by smartphones and tablets through voice commands, adding applications to the control panels on household appliances using the Braille alphabet, facilitating the use of the Venus smartphone by the disabled thanks to the "accessibility mode", and controlling small household appliances by voice. The related service kits can be added to consumers' existing Vestel products, free of charge. Work also continues to establish a visual call centre for the hearing impaired, which is another stage of the project.

**What would you like to say about 2017?**

I believe that adopting an investment and export-led growth model in the coming period will be the most important step for Turkey's sustainable growth. Increasing domestic production and raising the share of higher value added products in total exports are the most important components of this step. As Vestel Beyaz Eşya, we will continue to be one of the strongest players which shape the future of our industry with our production philosophy, which we express with the "Proudly Domestic" slogan, and our competencies in R&D and technology. We will increase our contribution to our country's move towards a more powerful and prosperous future. Led by technology, we will continue to direct the market with our identity as a strong producer on a global scale and take a greater place in the lives of consumers.

## EXECUTIVE COMMITTEE



**Enis Turan Erdoğan**

Chairman of the Executive Committee



**Bekir Cem Köksal**

Executive Committee Member



**İhsaner Alkım**

Executive Committee Member



**Necmi Kavuşturan**

Executive Committee Member



**Ahmet Süha Erol**

Executive Committee Member



**Nedim Sezer**

Executive Committee Member



**Özer Ekmekçiler**

Executive Committee Member

**Enis Turan Erdoğan - Chairman of the Executive Committee**

(1955 - Mersin) Enis Turan Erdoğan graduated from the Department of Mechanical Engineering at Istanbul Technical University in 1976 and completed a master's degree in Production Management at Brunel University in the UK in 1979. After returning to Turkey, he served in a number of different managerial positions for various companies before joining Vestel in 1988. Mr. Erdoğan has served in various managerial positions at Vestel since 1988. He has served as the President of Vestel Dış Ticaret AŞ and a member of the Executive Committee of Vestel Elektronik until 2013. Turan Erdoğan was appointed as the Chairman of the Executive Committee of the Vestel Group of Companies on January 1, 2013. 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) Bekir Cem Köksal graduated from the Department of Mechanical Engineering at Boğaziçi University in 1988, and completed a master's degree at Bilkent University in 1990. Cem Köksal, who worked in the banking industry between 1990 and 2001, was appointed as the Assistant General Manager at Denizbank in 1997. Mr. Köksal joined Vestel as the Chief Financial Officer in 2002. Cem Köksal, who currently serves as the Executive Committee member in charge of Finance at the Vestel Group of Companies, is also the Head of Financial Affairs Group at Zorlu Holding.

**İhsaner Alkim - Executive Committee Member**

(1954 - Kırklareli) İhsaner Alkim graduated from the Department of Electronics and Communications Engineering at Istanbul Technical University in 1977. After assuming various positions in the communications and electronics sectors, he joined Vestel in 1988. Mr. Alkim has served in various R&D related positions at Vestel, except for a break which he took between 1998 and 2002. In 2005, Mr. Alkim was appointed as a Member of the Executive Committee and continues to hold this position as the Member in charge of Electronic Operations at the Vestel Group of Companies.

**Necmi Kavuşturan - Executive Committee Member**

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

**Ahmet Süha Erol - Executive Committee Member**

(1957 - Izmir) Ahmet Süha Erol graduated from the Department of Electrical Engineering at Middle East Technical University in 1979. He worked as a Foreign Trade Executive in various companies in Algeria, the UK and Turkey before joining Vestel in 1998. Mr. Erol began his career at Vestel as a Procurement Manager between 1998 and 2000. He then continued serving as the Foreign Trade Assistant General Manager between 2000 and 2006 and as the General Manager of Vestel Dış Ticaret AŞ between 2006 and 2013. He was appointed as the Executive Committee Member in charge of Foreign Trade at the Vestel Group of Companies on January 1, 2013 and has been serving in this position since then.

**Nedim Sezer - Executive Committee Member**

(1958 - Tekirdağ) Mr. Sezer graduated from the Department of Mechanical Engineering at Istanbul Technical University in 1982. He completed a master's degree in the Institute of Business and Economics at Istanbul University in 1990. After serving in various Turkish companies, he was appointed as the Plant Manager at Vestel Beyaz Eşya's Washing Machine Factory in 1998. Mr. Sezer, who also assumed duty as the General Manager of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ until April 1, 2015, has been serving as the Executive Committee Member in charge of Household Appliances at the Vestel Group of Companies since 2012.

**Özer Ekmekçiler<sup>1</sup> - Executive Committee Member**

(1957 - Izmir) Özer Ekmekçiler graduated from the Department of Industrial Engineering at Middle East Technical University. After serving in senior executive positions in a number of sectors, he was appointed as the General Manager of Vestelkom AŞ in 2000. Mr. Ekmekçiler who was appointed as a Member of the Executive Committee in 2005, remained in this post until February 15, 2016.

<sup>1</sup> As of 15.02.2016, Mr. Özer Ekmekçiler had left the position of the Company due to retirement.



## VESTEL BEYAZ EŞYA IN BRIEF

# ONE OF THE TOP FIVE MANUFACTURERS OF HOUSEHOLD APPLIANCES IN EUROPE AND ONE OF THE TOP THREE PLAYERS IN THE WHITE GOODS SECTOR IN TURKEY.



Maintaining its steady growth trend since its foundation in 1997, Vestel Beyaz Eşya is today a leading player in the market as one of the largest manufacturers of household appliances in Turkey and Europe with its long-term strategies and vision.

Vestel Beyaz Eşya deploys state-of-the-art technology at its six plants in Vestel City, which is one of the largest industrial complexes in Europe established in a single location with an area of 1.1 million m<sup>2</sup> in Manisa. Vestel Beyaz Eşya manufactures refrigerators, washing machines, cooking appliances, dishwashers, air-conditioners and water heaters in an enclosed area of 312,500 m<sup>2</sup> at Vestel City. The Company has an annual production capacity of 9.4 million units. In 2016, Vestel Beyaz Eşya embarked on a new plant investment aimed at increasing its production capacity in washing machines and adding dryers to its product range. The Company purchased a plot in the Manisa Organized Industrial Zone in order to build a new facility for the production of washing machines and dryers. The new plant will have a production capacity of 750,000 washing machines and 750,000 dryers per year.

Vestel Beyaz Eşya, which is one of Europe's leading manufacturers employing state-of-the-art technology, closely follows the technological trends. It is one of the five largest manufacturers in the European household appliances sector and one of the top three players in white goods in Turkey.

Vestel Beyaz Eşya is one of the leading original design manufacturers (ODM) in Europe. Vestel Beyaz Eşya carries out the majority of its sales as an ODM provider for the leading

brands and retailers in international markets. It also undertakes branded sales through the well-known regional brands owned by Vestel Group and under the brand licensing agreements signed with the global brands.

With its strong R&D structure and competence in technological development, Vestel Beyaz Eşya appeals to a wide range of consumers around the globe. The Company continuously expands its environmentally friendly product range to bring more comfort to millions of homes and realizes approximately 30% of Turkey's total exports in household appliances.

The proximity to the European market as well as to the developing Middle East, Africa and CIS markets, high production capacity, flexible production capability, product customization ability and low labour costs provide Vestel Beyaz Eşya with significant competitive advantages and strengthen the Company's market position.

The logistics-distribution competency of Vestel Ticaret\*, its wide network of dealers and service structure with advanced technological infrastructure reinforce Vestel Beyaz Eşya's strong brand image in the domestic market. The after-sales services for the Company's products are provided by the Central Services and the call centre under the Vestel Customer Services General Directorate, and the authorized service centers.

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

## VESTEL'S MANUFACTURING POWER: VESTEL CITY



Manufacturing over a 1.1 million m<sup>2</sup> area, Vestel City is one of Europe's largest manufacturing facilities in a single location.

Officially opened in 2003, Vestel City is one of the largest manufacturing complexes in Europe situated 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.

## FACILITIES WITH HIGH ENERGY EFFICIENCY

Within the scope of the Excellence Awards, which are given by the Japan Institute of Plant Maintenance ("JIPM") to companies which best implement the Total Productive Maintenance (TPM) practices in the world, Vestel Elektronik and Vestel Beyaz Eşya earned three separate awards with a total of 10 factories at Vestel City.

Vestel Elektronik won the first Award for TPM Excellence in 2012 by reducing the cycle cost by 30% in 3 years. The company received the "Award for Excellence in Consistent TPM Commitment" in 2014, while Vestel Beyaz Eşya won the "Award for TPM Excellence" in the same year.

Vestel Beyaz Eşya also won the Turkish Championship and the European Championship in the Industrial Excellence Award competition in 2016.

As a holder of the ISO 50001 Energy Management System Certificate, Vestel Beyaz Eşya attaches great importance to the use of energy and energy efficiency in its manufacturing processes in addition to manufacturing products with high energy efficiency.

Besides energy efficiency, water conservation is also of great importance for Vestel Beyaz Eşya. Even though the Company has increased its production volume by 57% over the last 10 years, it has managed to reduce its water consumption by 18%.

## VESTEL BEYAZ EŞYA'S MAIN STRENGTHS

### Innovation

- Creating innovation by combining strengths in R&D and industrial design with manufacturing competency,
- Rapidly transforming new technologies into products in a cost effective manner.

### Flexibility in Manufacturing and Product Customization

- Product development and diversification according to customers' varying needs; being able to differentiate mass production on an order basis thanks to flexible manufacturing capability,
- Product customization according to customer demand and/or geographical and socio-cultural characteristics,
- Ability to develop a wide range of models for various brands.

### Customer Commitment

- Offering an impeccable ODM service which covers everything from original design and manufacturing to point distribution,
- Not directly competing with the customers' brands in Europe,
- Prompt production and delivery and ability to handle small batch orders.

### Cost Advantages

- Benefiting from economies of scale in procurements, in particular, in component purchases, as one of Europe's fastest growing household appliances manufacturers,
- Efficiency, effectiveness and cost advantages from manufacturing at Vestel City, one of Europe's largest industrial manufacturing complexes located under a single roof,
- The logistical advantage for exports arising from the proximity of its production plants to the European market when compared to the Far Eastern competitors,
- The existence of a developed supplier base in Manisa and the cost advantages in terms of distribution and logistics, facilitated by Vestel City's proximity to Izmir port and suppliers,
- Relatively low unit labor costs when compared to European manufacturers,
- Newer and modern production facilities when compared to European manufacturers,
- The import tax advantage in exporting to countries with which Turkey has a Free Trade Agreement over the manufacturers of countries for which there is no such agreement.



Upon the completion of Industry 4.0 transformation, Vestel Beyaz Eşya will further increase its global competitive clout by offering more value-added products to the market.

## INDUSTRY 4.0

### THE INDUSTRY 4.0 TRANSFORMATION

Vestel Beyaz Eşya has gained significant advantages from the work which it has been carrying out within the scope of the Industry 4.0 transformation:

- The Company is able to manage and commission all automation and Industry 4.0 activities single-handedly with a special unit created within its body. Thus, it can act rapidly and with low cost in the projects.
- Thanks to the production lines, dyehouses and mechanical lines established with the Industry 4.0 infrastructure, Vestel Beyaz Eşya is able to deploy the world's latest technologies in its production processes.
- Vestel Beyaz Eşya is able to carry out production with flawless manufacturing techniques by unwaveringly expanding the trinity of robot-machine-people.
- The Company is able to carry out unmanned in-plant transportation by using remotely controlled software and uses and manages automatic warehouses between machines to reduce intermediate inventory holding costs.
- The work carried out in the field of augmented reality, which is included in the Industry 4.0 sphere, allows operators to be trained quickly and easily and thus increases the production quality.
- For the needs of molding, machinery and automation, the Company carries out trial production with 3D printers and, as a result, has shortened the duration of projects and reduced its molding costs.

Vestel Beyaz Eşya commissioned more autonomous robotic lines than any company not only in the white goods sector but across all sectors in 2016, which are located at various points on the production lines, providing production flexibility.



VESTEL SERVING THE WHOLE WORLD

# EXPORTING TO 154 COUNTRIES

**VESTEL REACHES A WIDE RANGE OF CONSUMERS THROUGH THE "MULTI-BRAND AND MULTI-CHANNEL STRATEGY" WHICH IT PURSUES IN THE DOMESTIC MARKET AND BOASTS ONE OF TURKEY'S MOST EXTENSIVE SALES AND AFTER-SALES SERVICE NETWORKS.**

## Vestel in Turkey

Within the scope of its multi-channel strategy, Vestel reaches consumers through technology retailers, hypermarkets, household stores and e-commerce web sites, in addition to its exclusive dealer network. With this strategy, the Company has raised its effectiveness and market share in Turkey, reaching a higher number of consumers.

### DOMESTIC SALES NETWORK

- » 1,100 Vestel stores
- » 11 Vs Outlet stores
- » [emagaza.vestel.com.tr](http://emagaza.vestel.com.tr)
- » [vsoutlet.com.tr](http://vsoutlet.com.tr)
- » [regal-tr.com](http://regal-tr.com)

### AFTER-SALES SERVICES

- » 354 Authorised Service Providers
- » 12 Central Services
- » Call Centre



Vestel's Foreign Trade Companies



Vestel City Manisa



Vestel's Export Markets



### Vestel's Global Operation Network

Vestel's international sales and marketing organization comprises the local sales offices of its foreign trade companies in 10 countries in Europe and the direct sales points in neighbouring regions.

### Countries where Vestel's foreign trade companies operate:

France	Finland
Germany	Russia
Spain	Kazakhstan
The UK	Romania
The Netherlands	Poland

### NUMBER OF STORES ABROAD

**2,750**

Number of stores and sales points abroad

### COMPANIES IN EUROPE

**10**

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

### NUMBER OF VESTEL'S EXPORT MARKETS

**154**

Exporting to 154 countries, Vestel Beyaz Eşya recorded TL 2.3 billion of international revenues in 2016.

## VESTEL BEYAZ EŞYA'S STRATEGY AND REALIZATIONS IN 2016

### MAIN STRATEGY

TO GROW IN A PROFITABLE MANNER BY INVESTING IN ITS MAIN AREA OF OPERATION

### STRATEGIES

### REALIZATIONS

#### INCREASING MARKET DIVERSITY

To grow in markets other than Europe - Vestel's main export market, where it is one of the leading ODM producers.

To evaluate different entry alternatives to these markets such as greenfield investments, acquisitions, partnerships and contract manufacturing.



Exports to 154 countries through the addition of new markets

Positive developments in exports, especially to North Africa, Eastern Europe and the Sub-Saharan region

#### INCREASING CUSTOMER AND PRODUCT DIVERSITY

To increase the number of A-brand clients in the customer portfolio, for which ODM service is provided

To obtain a higher share from the rising "outsourcing" trend especially among the A-brand customers

**To increase market share by widening product diversity:**

To focus on products with higher profitability, to broaden and enrich the product range,

To maximise customer satisfaction by continuously working on areas such as energy efficiency, water saving, the Internet of Things and meeting market expectations in the best possible manner with the existing products.



Gaining new A-brand customers in line with increasing competitive power in the European market

**New generation household appliances:**

- A dishwasher which is 20% more energy efficient than the A+++ class and is a world record holder in its class, and a washing machine 70% more energy efficient than the A+++ class, the 70 cm double door Top Freezer Frost Free products with a new generation cooling system, the Combi Fridge-Freezer which is 30% more energy efficient than the A+++ class,
- Turkey's first remotely connected smart built-in oven and inverter air conditioner,
- The family of remotely connected smart household appliances,
- Record breaking washing machines which generate just 39 dBA (decibels) of noise.

## MAIN STRATEGIC GOAL

TO CREATE VALUE FOR SHAREHOLDERS BY INCREASING REVENUES AND PROFITABILITY WITH SUSTAINABLE GROWTH

## STRATEGIES

## REALIZATIONS

### BRANDED GROWTH

To increase market share in the domestic market with its own brands by strengthening the brand image, distribution and sales network and by improving the after-sales service quality.

To strengthen its position in the European market through the well-known regional brands in Vestel's portfolio and with the support of the global brands licensed.

To strengthen its market position in neighbouring markets by developing its operations in those countries.



Building on the successful sales and marketing initiative launched with the "Turkey is Vestelized" campaign with the "Proudly Domestic" campaign; strengthening the dealer network and improving after-sales and customer services; continued growth in the new sales channels entered into under the multi-channel strategy

As part of the strategy to increase branded sales abroad, a brand licensing agreement was signed with the Sharp Corporation in 2015 and the Company continues its production and sales activities under the licence of the Sharp brand for the European market



# ZORLU GROUP



## HOME TEXTILE

### Korteks Zorluteks

- Turkey's largest integrated producer and exporter of polyester yarn
- Europe's leading home textiles company



## ENERGY

### Zorlu Energy Group

- A rising player in the domestic market with 700 MW of installed capacity
- 56.4 MW of installed capacity in Pakistan and 290 MW of installed capacity in Israel (through 25% stake in 840 MW Dorad Natural Gas Combined-Cycle Power Plant and 42.15% stakes in 64.54 MW Ashdod and 126.4 MW Ramat Negev Natural Gas Co-generation Power Plants)
- Competency in providing integrated services, which comprise generation and sale of electricity and steam, electricity trading and distribution, "turnkey" construction of power plants, including project development, long-term operation, maintenance and repair of power plants and natural gas distribution and trade

## CONSUMER ELECTRONICS, DIGITAL PRODUCTS AND HOUSEHOLD APPLIANCES

### Vestel

- One of the leading ODM providers of TVs, household appliances and digital products for the European market
- One of the leading players in the European TV market
- One of the biggest producers of TVs and household appliances in Turkey

WITH ITS STRONG AND PIONEERING COMPANIES IN DIFFERENT SECTORS, ZORLU GROUP IS FOCUSED ON CREATING HIGHER AND SUSTAINABLE VALUE FOR TURKEY.





## REAL ESTATE

### Zorlu Gayrimenkul Geliştirme ve Yatırım (Real Estate Development and Investment)

- Established in 2006 to develop, sell, lease and/or operate quality housing, offices, business centers, shopping malls, hospitals, hotels and mixed-use real estate projects at prime locations both in Turkey and abroad.
- Realized as Turkey's first mixed-use project with five functions, Zorlu Center consists of a Performing Arts Center, a shopping mall, a hotel (Raffles Istanbul Zorlu Center), offices and residential areas. Zorlu Center commenced full operation with all of its functions with the opening of the Raffles Hotel in 2014.
- Levent 199 office project on Büyükdere Avenue was completed in the third quarter of 2014. Developed entirely as A+ office space, the project has a gross leasable area of 40,000 m<sup>2</sup>.



## MINING - METALLURGY

### Meta Nikel Kobalt Madencilik San. Tic. AŞ (Nickel Cobalt Mining)

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

#### Gördes Nickel Cobalt Plant:

- 300,000 tons of proven reserves with nickel content
- The first phase of the project is a hydro-metallurgy plant with an annual nickel production capacity of 10,000 tons, which was realized with an investment of USD 400 million
- The plant, which began trial production in 2015, exported approximately 10,400 tonnes of concentrated nickel products in 2016. Future plans involve increasing the plant's concentrated nickel production capacity and efficiency and undertaking R&D studies aimed at the production of high value added end-products.



## FACTORING

### Zorlu Faktoring

- Established in 2012 to provide factoring services in Turkey and abroad.
- Operating with the objective of extending its factoring products and services throughout Turkey by focusing on companies, which are leaders in their sectors and have an extensive supplier and dealer network, in addition to medium and large-scale companies.



## R&D AT VESTEL BEYAZ EŞYA

THE DEVELOPMENT OF NEW AND LEADING TECHNOLOGIES AND CREATION OF DESIGNS AND PRODUCTS WHICH CATER TO THE NEEDS AND TASTES OF GLOBAL CONSUMERS ARE THE RESULT OF THE **COMPETENCIES AND EFFORTS OF VESTEL BEYAZ EŞYA'S R&D TEAM.**

R&D is one of Vestel Beyaz Eşya's primary competitive advantages and differentiating factors.

The development of new and leading technologies and the creation of designs and products which cater to the needs and tastes of global consumers are the result of the competencies and efforts of Vestel Beyaz Eşya's R&D team.

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

In 2016, Vestel Beyaz Eşya's R&D expenditures amounted to 1.4% of its revenues.

Vestel Beyaz Eşya's R&D Department carries out its activities separately depending on the area of production. In addition to the R&D units, which are specific for each plant and carry out R&D activities on a product basis, there are also Central R&D units, which undertake work in the areas of industrial design, intellectual property rights, innovation and Industrial 4.0 for all the products manufactured by the Company. The Central R&D units, which were established under the General Directorate and cooperate with the plants' individual R&D units, consist of the Technology Development Directorate, the Design Directorate and the Automation and Project Development Directorate. Industrial design and intellectual property rights activities for all products are carried out by the Design Directorate and innovation studies by the Technology Development Directorate. The Automation and Project Development Directorate works in the areas of Industry 4.0 applications, automation studies, process analysis and the related investment activities to be realized with the Company's own resources. The number of employees working at the Vestel Beyaz Eşya R&D Department increased from 396 in 2015 to 469 in 2016.



In addition to following technological developments closely, Vestel Beyaz Eşya also directly contributes to them.

R&D





## R&D AT VESTEL BEYAZ EŞYA

VESTEL BEYAZ EŞYA HAS SUCCESSFULLY DEPLOYED **ITS COMPETENT TECHNICAL INFRASTRUCTURE** IN THE PROCESS OF TURNING INFORMATION INTO TECHNOLOGY AND TECHNOLOGY INTO PRODUCTS.

Vestel Beyaz Eşya's R&D studies are centred on functional and aesthetic designs as well as on the development of technologies and products which use resources efficiently by maximising energy and water saving, protect food life and freshness for the longest period of time, provide extra hygiene, offer maximum performance thanks to the use of smart sensors, and can be remotely controlled and commanded over an internet connection.

The R&D strategy adopted in this direction can be summarized as follows;

- To develop new platforms which will adapt to the changing product trends in the market and offer products which provide user comfort,
- To maintain strong relations with national and international companies and institutions based on continuous collaboration,
- To directly contribute to technological development, in addition to closely following up on the technological developments,
- To protect the intellectual rights of the designs developed by Vestel Beyaz Eşya and to gain a competitive advantage over rivals,
- To develop products which meet the preferences and habits of different markets,
- To reflect the design trends evolving on the axes of functionality and ease of use to its products.

The teams in the R&D Department work in the following areas;

- Development and implementation of new technologies,
- New product designs,
- Environmentally friendly production,
- Product development,
- Increasing efficiency and cost reduction.

Vestel Beyaz Eşya's R&D units work with the aim of increasing the Company's competitive power in international markets and supporting efforts to ensure customer satisfaction. In this framework, the specialization fields of the R&D staff are given below.

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

The R&D units are specialized in resolving technical issues related to products and production methods through the competencies listed above.

Within this framework, the R&D units and the Technology Development and Industrial Design Centers are responsible for the following:

- Following technical, academic and industrial publications in the area of household appliances in order to keep close track of the innovations and developments in the sector,
- Undertaking basic research in laboratories and applying the resulting innovations to the Company's products,
- Visiting customers and attending fairs to keep a close eye on consumer needs and demands, designing products in view of these findings and improving the existing products,
- Designing products with more functionality by improving production parameters,
- Carrying out pre-production qualification tests for the newly designed products or improved products through trial productions.

As of the end of 2016, Vestel Beyaz Eşya had registered more than 200 patented inventions in total. New projects are launched by analyzing the technological trends through patent research studies. The new technologies developed are protected by patents in order to prevent them from being imitated. The patents related to obsolete technologies in areas which have been replaced with new technologies are abandoned by periodical maintenance of the patent portfolio. There are about 350 inventions which the Company has opened to the use of the sector in this way.

Vestel Beyaz Eşya has been deploying its competent technical infrastructure with significant success in the process of converting knowledge into technology and technology into products. Vestel Beyaz Eşya undertakes exemplary investments in sustainable development supported by its competent and innovation-focused R&D team, the use of the latest technological equipment and systems, collaboration with universities and its national and international project partners.

## R&D COLLABORATION AT VESTEL BEYAZ EŞYA

A total of 14 TÜBİTAK TEYDEB (Technology and Innovation Funding Programs Directorate) projects were carried out at Vestel Beyaz Eşya's R&D Center in 2016. Three of these projects have been successfully concluded, while work on 11 of them is still ongoing. All projects undertaken were carried out through collaboration with universities, most notably with Izmir Dokuz Eylül University, Ege University, Yeditepe University, Istanbul Technical University, Izmir High Technology University and Katip Çelebi University.

When it comes to international collaboration, active work continues with testing/approval organizations such as VDE (Verband der Elektrotechnik Elektronik Informationstechnike.V.), Intertek and TÜV (Technischer Überwachungsverein).

Vestel Beyaz Eşya is part of a community which influences the household appliances sector through its membership of CECED (European Committee of Domestic Equipment Manufacturers). The Company shapes the technology of the future through its competency in R&D and innovation.



## R&amp;D AT VESTEL BEYAZ EŞYA

## VESTEL BEYAZ EŞYA PRODUCT GROUPS AND INNOVATIONS

Product Group	Products	Specifications/Explanation
Fridge	<b>60 cm width Combi Products with New Generation No-Frost Cooling Technology</b>	Vestel Beyaz Eşya offers many innovations in terms of design, cooling system, energy, food storage and ergonomics for the first time with this product group. These products, which have A+++ energy ratings, prevent odours from mixing with each other by creating two independent air cycles in the freezer and cooler compartments. As a result, food remains fresh in the cooler section for a longer period of time. While additional storage space is created with the patented V-Lift (Door Shelf with Lift) and V-Shelf (Movable Glass Shelf) technologies, thanks to the Zero Overflow System, the refrigerator door can be opened 90 degrees without the need for extra width.
	<b>54 cm No-Frost Vertical Type Freezer with 15 kg Freezing Capacity</b>	Vertical deep freezer with minimalist and stylishly designed interior accessories, electronic control panel, fast freezing feature, high energy efficiency, large volume, No-Frost technology
	<b>A+++ French Door Fridge with Pro-Drive (Inverter) Engine Technology</b>	The world's least energy-consuming French Door refrigerator with A+++ energy performance
	<b>Maxi Fresh Preserver (Maximum Freshness Filter)</b>	The Vestel Maxi Fresh Preserver (Maximum Freshness Filter) is a major contributor to prolonging the shelf life of green vegetables, especially those with high ethylene sensitivity, by enabling the removal of ethylene gas from the environment, which is released by the respiration of fruit and vegetables, and causes the deterioration of food when it accumulates in the environment. Thus, both fruit and vegetables are kept as fresh as if they had just been picked up from the shop, thus preventing the formation of bad smells, which is the result of the breakdown of foods.
	<b>Active Ion Technology</b>	The negative ions released into the interior environment of the refrigerator, thanks to Vestel Active Ion Technology, neutralize the positively charged bad smell molecules and dust particles, thereby increasing the indoor air quality. The Active Ion Technology contributes to the shelf life of food by delaying the deterioration duration of foods due to the ozone gas and hydroxyl ion which it produces. Therefore, fruit and vegetables are preserved as if they are in their natural environment.
	<b>V-Lift (Door Shelf with Lift)</b>	Thanks to the patented door shelf with lift mechanism, refrigerator door shelves provide ample storage space to suit the needs. The door shelf with lift allows shelf height adjustment at 6 different levels with its smart storage solution unit. Thus, it is not necessary to remove the other food items to place food on the refrigerator door shelves.
	<b>V-Shelf (Movable Glass Shelf)</b>	Thanks to the patented Movable Glass Shelf mechanism, in cases where oversized materials do not fit into the existing shelf space, the glass shelf is folded with a simple movement and users therefore enjoy more storage space.
	<b>Vaccine Cabinet</b>	Developed as a result of the joint studies carried out with the Turkish Ministry of Health, the Vaccine Storage Cabinet allows the vaccine and serum kits to be stored under appropriate conditions. In the specially developed vaccine storage cabinet, the internal temperature change for the vaccines, which are very sensitive to temperature changes, is kept at the level of $\pm 0.5^{\circ}\text{C}$ .

## VESTEL BEYAZ EŞYA PRODUCT GROUPS AND INNOVATIONS

Product Group	Products	Specifications/Explanation
Washing Machine	<b>39 dBA Silent Washing Machine</b>	This record breaking washing machine only produces 39 dBA (decibels) of noise in the washing cycle with its Digital Drive® (Silent Inverter) motor technology, specially designed silent washing algorithm, and the use of soundproofing systems with advanced technology. This level is even quieter than the ambient noise inside a library (40 dBA).
	<b>TwinJet® Washing Machine with 11 kg Load Capacity</b>	As a result of the design and analysis studies carried out on the product, the maximum product capacity on the existing platform was increased from 10 kg to 11 kg. Ideally suited for large families, this machine can wash 70 T-shirts at the same time.
	<b>Smart Washing Machine with a Colour TFT Screen</b>	The Smart Washing Machine, which comes with a colour TFT screen incorporating the highest technology in the washing machine product range, can be remotely controlled by the user's smartphone or tablet thanks to its remote connection feature. In addition, an effective system was developed with the use of this feature in technical services as a result of which any machine breakdown can be viewed directly by a technician and users can be informed.
Cooking Appliances	<b>60 cm Series 2 Induction Cooker Product Family</b>	With the renewed Vestel induction cooker technology, a cost competitive product family with high efficiency and low noise level was developed. The product can be manufactured with touch control panels in different aesthetic styles.
	<b>Series 2 Double Split Free Standing Oven Product Family</b>	The single piece, flat control panel with reduced height and the oven table and glass cooker lid structure, which is appropriate for this panel, were used in this product family established on 50 and 60 cm free standing oven platform with double compartment. Thanks to this structure, the applications such as cooling system and cooker with induction chamber became possible to be used in free standing ovens with double compartment.
Dishwasher	<b>Product Family with Low Water Consumption</b>	These high performance dishwashers offer "Waterbox" and "Autodoor" technology, a capacity of 14 place settings, water consumption of just 5.4 litres and "Smartwash" technology, which automatically adjusts the length of the washing program according to the level of soiling, as well as the "Easy Tray" 3 <sup>rd</sup> basket feature.
	<b>Product Family with Steam Cleaning Technology</b>	While Vestel dishwashers ensure easy disintegration with steam-assisted washing programs by softening dry and stubborn remains, they guarantee that dishes are cleaned by consuming less energy and water than conventional systems.
	<b>Vestel Professional Dishwasher</b>	Developed specifically for small businesses such as cafes, restaurants and patisseries, the Vestel Professional Dishwasher can clean up to 100 glasses in 14 minutes. It is also designed for domestic use thanks to its modular basket structure. It offers noise levels about 20 dBA quieter than conventional commercial type dishwashers.
	<b>Full Door Dishwasher with a Front Display</b>	The dishwasher, which can accommodate 12 and 15 place settings, has a screen placed on the panel which allows easy monitoring of the program steps and remaining time.
Air Conditioner	<b>Super Inverter A/C</b>	The most efficient inverter air conditioner designed and manufactured by Vestel Beyaz Eşya. The product consumes 7% less electricity than A+++ energy level with BLDC (Brushless Direct Current) compressor, BLDC indoor and outdoor unit fan motors and electronic expansion control.
	<b>Super Quiet A/C</b>	The quietest air conditioner designed by Vestel Beyaz Eşya. Raindrop air conditioners with 9,000 and 12,000 btu/h of capacities operate at a 19dBA sound level in sleep mode.



## EXCELLENCE IN CUSTOMER EXPERIENCE WITH VESTEL BEYAZ EŞYA

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

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

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

#### International Sales

Vestel Beyaz Eşya's international sales strategy is implemented on two pillars: sales to A-brand manufacturers, distributors, and retail chains as an ODM provider; and branded sales through the regional brands owned by Vestel Group and under the global brands licensed by Vestel Group.

In addition to expanding the customer portfolio for which ODM service is provided, Vestel Beyaz Eşya aims to increase its brand penetration and market share in international markets through the well-known regional brands acquired in Europe by Vestel Ticaret and with the global brands which are licensed by Vestel Group.

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

Vestel Beyaz Eşya exported to 154 countries in 2016.

Vestel Beyaz Eşya's sales and marketing activities in the European market are carried out by Vestel Ticaret's local sales and distribution network in Europe. Vestel Ticaret's European sales and distribution network consists of foreign trade companies in France, Germany, Spain, the UK, the Netherlands, Finland, Russia, Kazakhstan, Romania and Poland. Sales and marketing activities in other international markets are carried out directly by Vestel Ticaret.

Vestel Ticaret acquired the rights to develop, produce, sell and market household appliances for the European market under the license of the Sharp brand with the brand licensing agreement signed in September 2014. As of January 1, 2015, Vestel Ticaret became the exclusive distributor of the Sharp branded household appliances produced at Vestel Beyaz Eşya's plants and the Sharp Corporation's plants in Asia. While this agreement strengthens Vestel's presence Europe, it also helps the Company to increase its sales of premium and branded products in the European market.

Vestel Beyaz Eşya exported to 154 countries in 2016 and accounted for approximately 30% of Turkey's total white goods exports.

# CUSTOMER EXPERIENCE



## EXCELLENCE IN CUSTOMER EXPERIENCE WITH VESTEL BEYAZ EŞYA

### KAFE VESTO: BRINGING STORE AND CAFÉ TOGETHER

With the vision of directing the consumer electronics and household appliances sectors and realising firsts in Turkey, Vestel brought the café and store together with its “Kafe Vesto” concept. Vestel has been one of few such examples in the world and the first brand in its sector in Turkey to have implemented this concept.

The new Vestel stores in Beşiktaş and Kavacık are designed with a café concept. Vestel introduced a new experience in retailing with its café concept which was developed to provide customers with a different, richer and higher quality service and to enable them to relax while shopping for Vestel products.

The Kafe Vesto offers a diverse menu with an emphasis on domestic zest, reflecting Vestel’s “Proudly Domestic” theme.

As of the end of 2016, Vestel aims to bring a breath of fresh air to the sector by spreading the concept of café-based retail, currently implemented at two sales points, to locations throughout Turkey - especially to bazaars - in the near future.



#### Domestic Sales

The superiority of Vestel Beyaz Eşya’s product range in terms of quality and diversity, along with its experience in the multi-brand concept are complemented with Vestel Ticaret’s strong distribution channel organization, which provide an important competitive advantage.

With Vestel Ticaret’s domestic sales organization, Vestel Beyaz Eşya accesses a broad customer base through 1,100 dealer stores, 11 Vs Outlets, the vsoutlet.com.tr and regal-tr.com online stores as well as through the technology retailers, hypermarkets, household stores and other e-commerce websites.

In addition to the physical distribution network, Vestel, as the first consumer durables brand to sell products over the internet, also reaches consumers via its e-store, emagaza.vestel.com.tr. The website, through which all Vestel products are sold, attracts attention with its user-friendly design. Periodical campaigns and promotions are regularly held at the e-store. Special deals offered to Vestel e-store visitors can be followed on the website. The Company also sells products through vsoutlet.com.tr and Regal branded products through the recently established regal-tr.com.

As of the end of 2016, there were a total of 296,303 subscribers of vestel.com.tr and 9,406 subscribers of vsoutlet.com.tr, while the newly launched regal-tr.com had 2,014 subscribers.

#### Vestel is now closer to its customers with its new store concept

With its new store concept, Vestel renewed the exterior frontage and interiors of the vast majority of its 1,100 dealer stores. Vestel applies the integrated approach which it pursues at all points where it reaches consumers from store window arrangements to in-store activities. With the new arrangement, all products are described to customers through the POPs at Vestel stores. Consumers can discover all of the details about the products and their distinguishing features through these POPs. Moreover, a convenient environment is provided where consumers can experience the products and make comparisons within product groups.

#### Vestel Retail Academy

Vestel established Vestel Retail Academy (“VPA”) in cooperation with the Sabancı University Executive Development Unit in line with its vision of becoming Turkey’s number one retailer. The Vestel Retail Academy aims to create a common retail culture at all levels from store managers to sales consultants and from Vestel sales teams to field teams who will increase Vestel’s quality of service. The VPA, which has provided 155 classes so far, delivered 38,880 hours of training in 36 different training programs under the main headings of management skills and leadership, business and human resources management, retail trends and change management, proactive sales, competitive retailing operations, future scenarios and strategic management.

## VESTEL CENTRAL SERVICES IN TURKEY



Accordingly, it integrated 1,252 people into a common retail culture. In 2017, the VPA aims to increase the number of classrooms to 195 and reach a total of 2,000 people with 49,920 training hours.

### Customer experience that makes a difference in after-sales services

Vestel's after-sales services are carried out by the Vestel Customer Services General Directorate ("Vestel Customer Services"). The field organization of Vestel Customer Services consists of 354 authorized service points providing services throughout the country, 12 Central Services in 11 different provinces, a call center at Vestel City, 3 güVENÜSsü (Trust Base) centers established in İzmir, Istanbul and Ankara to provide services for Venus smartphones and Vestel tablets, and technical and training units. Vestel Customer Services promises a unique customer experience with its mission of providing services which are trusted and transforming expectations into pleasure and pleasure into appreciation.

Vestel Customer Services has set itself apart in after-sales services in the sector with its pioneering projects.

Registering its success by winning the 1<sup>st</sup> Place Award in the Contact Centre World Awards held in the USA, the Vestel Call Centre, which is held as an example in its sector in Turkey, has

the capacity to respond to 400 calls simultaneously. The Vestel Call Centre works with the aim of offering a solution in the first call with its specialist customer representatives working on a 24/7 basis. Besides phone calls, other channels such as Vestel website, mobile assistant application and the CapCanlı (Vivacious) Support line are provided to allow customers access Vestel through the channel of their choice whenever they wish. While the rate of digitization is being increased in parallel with the technological developments through the pioneering projects implemented, care is shown taken not to robotize communication.

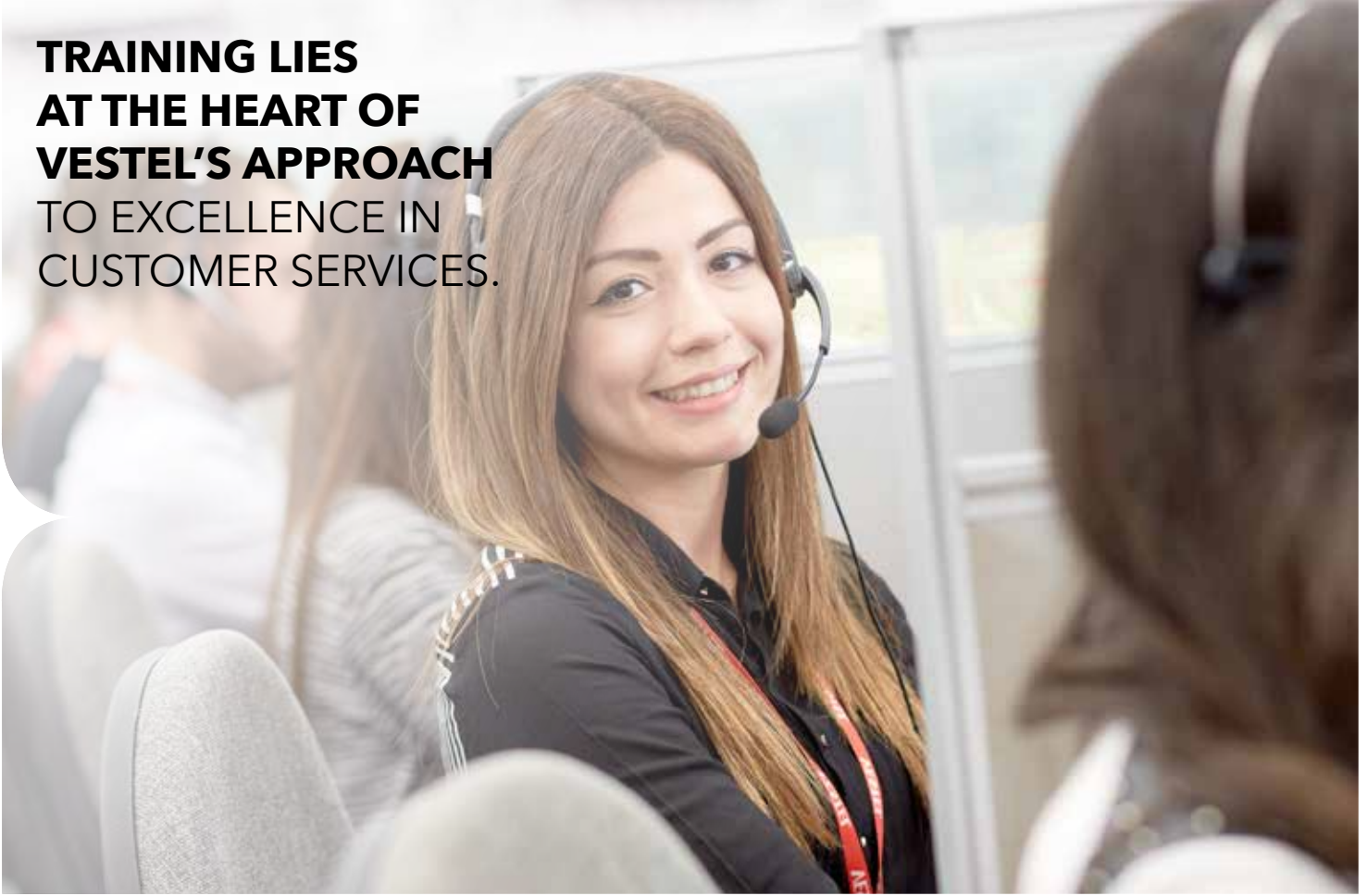
Vestel Customer Services established 12 Central Service organizations in 11 different provinces to serve as a role model for the authorized service providers which provide services to customers in the field. Central Services support the field organization in the areas of training, inspection and rapid supply of spare parts. Central Services also take part in new product tests in coordination with the central technical units.

In order to ensure healthier coordination between the authorized service providers, the production plants and the dealers, 4 Regional Directorates were set up in the field, where service operation specialists work.



## EXCELLENCE IN CUSTOMER EXPERIENCE WITH VESTEL BEYAZ EŞYA

### TRAINING LIES AT THE HEART OF VESTEL'S APPROACH TO EXCELLENCE IN CUSTOMER SERVICES.



#### **Vestel Customer Services continued its pioneering projects in 2016**

**Joker:** Joker is an application which provides instant assistance to customer representatives during a call. Customer representatives can consult the relevant Joker team if they encounter a request which they cannot answer immediately during the call, without the customer having to wait for a long time on hold. Customer representatives receive the necessary support by writing to the 'Joker' while they continue their calls. In this way, customers are quickly offered the most accurate information.

**Self Service:** Self Service is a project developed to reduce the pressure of calls on the lines. The Self Service Project, which combines speech recognition and speech synthesis technologies, allows customers who call the Call Centre to create a request for installation with voice commands. Customers accessing the Call Centre may communicate their provincial, district and product information by voice to the voice response system which responds to them. Information received by the

speech recognition technology is voiced over speech synthesis technology for customer confirmation. Thus, installation requests are recorded in accordance with the information provided by the customer.

The Self Service Project allows customers to switch between menus with keystrokes and carry out transactions with voice commands without being connected to a customer representative. The project improves customer satisfaction and operational efficiency through the speed, ease of operation and automation which it provides.

**Vemoji:** Customers are welcomed with Vemojis, when they choose to contact the Customer Call Centre through the CapCanlı Chat window, which provides live online support via the [www.capcanlidestek.com](http://www.capcanlidestek.com) site. This is an application developed to demonstrate that sincere feelings are not lost, despite the digitalization of after-sales services and to lay the ground for the establishment of a warm dialogue with the customers.

## VESTEL CUSTOMER SERVICES COMPLETED A YEAR FULL OF AWARDS. VESTEL CUSTOMER SERVICES ONCE AGAIN PROVED ITS DISTINCTION WITH THE NUMEROUS AWARDS IT WON IN NATIONAL AND INTERNATIONAL ARENA IN 2016.

<b>2016 Contact Center World - USA</b>	Best Technology Innovation 1 <sup>st</sup> in the World - Gold Medal
<b>2016 Contact Center World - USA</b>	Best Self Service Technology - 3 <sup>rd</sup> in the World - Bronze Medal
<b>2016 SAP Predictive Analytics</b>	Data Mining Project of the Year Award
<b>2016 Alfa Awards The Brands that Best Manage Customer Satisfaction</b>	1 <sup>st</sup> Award in the Household Appliances Sector 1 <sup>st</sup> Award in the Television Sector Sector Independent Grand Award
<b>2016 Ministry of Customs and Trade 19<sup>th</sup> Consumer Awards</b>	Company Adopting Consumer Satisfaction as a Principle Award
<b>2016 Contact Center World - London</b>	Best Self Service Technology - Gold Medal
<b>2016 Contact Center World - London</b>	Best Technology Innovation - Gold Medal
<b>2016 ATD Excellence in Practice Winner - USA</b>	Long-term Technician Specialist Training
<b>2016 KalDer Symposium on Seeking Perfection</b>	Successful Team of the Year Silver Award
<b>2016 SAP Turkey</b>	Mobile Transformation Award
<b>2016 Çetin Ceviz (Hard nut to crack)</b>	Best Young Project Manager Award
<b>2016 Telephone Doctor Turkey Quality League</b>	Best Speech Style Award
<b>2016 Corporate Games</b>	Bocce 1 <sup>st</sup> Award

## EXCELLENCE IN CUSTOMER EXPERIENCE WITH VESTEL BEYAZ EŞYA



### Long-Term Specialist Training Program

Long-term Specialist Training courses are provided under the roof of the Vestel Service Academy for the training of technicians who are in direct contact with the customers.

In 2016, a total of 413 technicians completed the Long-Term Specialist Training Program. As of the end of 2016, the number of Specialist Technicians who had been trained reached 1,131. The second phase of the Specialist Training Program for different product groups started in 2016.

By the end of 2016, a total of 133 "Specialist Customer Representatives" were trained in 7 groups within the scope of the Specialist Customer Representative Program, which was launched in 2015 for the customer representatives who are in constant contact with the customers.

### Empathy and Communication Workshop in Vestel Service Chain

In the "Empathy and Communication Workshop in the Vestel Service Chain" Project, which was implemented for the first time in the sector, a good teamwork environment was created by bringing dealers, authorized service providers, Call Centre employees and the Assist Team together to ensure customer satisfaction and loyalty. The project, launched in 2015, was completed with a total of 96 participants in 5 groups in 2016. Since 2015, a total of 293 participants in 14 groups have attended the workshop.

### Product Training to Sales Teams

The "Product Training to Sales Teams" Project was launched with the cooperation of the Vestel Service Academy and the Vestel Retail Academy in 2015 in order to improve the sales competence of the teams working in the Vestel sales channels by increasing their technical knowledge of the products and helping them transfer their knowledge to authorized dealers. Within the scope of the project, classroom training had been provided to 55 participants in 4 groups from the Assist Teams, 20 participants from the Merch Teams, and 138 participants in 6 groups from the sales teams until the end of 2016. In addition to classroom training, a total of 41 distant live broadcasts were made from the Service Academy studio to all the sales teams, including the dealers.

### Yaşar University awards diplomas to Vestel authorized service centers in the second Certificate Program.

In line with the "Perfect Service" concept, the Authorized Service Center Business Management Certificate Program, developed in collaboration with Yaşar University specifically for the authorised service center owners and managers, produced its first graduates in April 2014. A total of 294 people completed 80 hours of training over 3 years and received their diplomas. The Program also continues in its 4<sup>th</sup> phase in 2017 with an improved content.

The objectives of the Certificate Program are to help the authorized service centers to improve themselves in the area of efficient and profitable business management, to increase the quality of service which they provide on behalf of Vestel, to improve the management of their human resources, to ensure that they fulfill their legal obligations fully and duly and to achieve maximum customer satisfaction. The project won KalDer's "Grand Award of Team Excellence", which was given extensive coverage in the press and set an example for other companies in the sector.

### Online and Distance Learning

Regular online training provided from the live broadcast studio allows the employees of the authorized service centers to rapidly access up-to-date technical information. A total of 150 live broadcast training sessions were realized in 2016, with the courses offered to sales teams and dealers as well as to domestic and international authorized service providers. Viewer numbers for the live broadcasts has increased through applications such as the "Information Contest" and "Monthly Agenda" where managers also participate. The target group has shown an increasing interest in the live broadcasts over the years.

### Vestel was awarded the ISO 10002 Customer Satisfaction Management System Certificate.

Within the framework of the structuring of the Quality Management System, initiated by Vestel Customer Services in March 2014, the TSE ISO 10002: 2004 Customer Satisfaction Management System Certificate was obtained in July 2016, following the award of the ISO 9001 Quality Management System Certificate earlier. All suggestions and complaints are handled through the complaint system which Vestel Customer Services operates under the ISO 10002 Customer Satisfaction Management System. Within this scope, projects aimed at eliminating the root causes of complaints through improvement activities are implemented in order to prevent complaints and to ensure customer satisfaction. The aim of this is to continuously improve the system through training, system audits, complaint management and satisfaction analysis.

## THE VESTEL CORPORATE BRAND AND COMMUNICATION STRATEGY

The concept of "Turkey is Vestelized" is the basis of the communication strategy that describes the goals, vision and mission of the Vestel world.

As a local brand which produces high technology to global standards, this concept rests upon Vestel's aim of facilitating and improving the lives of people with its products and, in this vein, for every household to own at least one Vestel product.

At the heart of the creative strategy lies the concept of "Turkey is Vestelized" ("Turkey Vestelleniyor"). This approach is strengthened by the "Proudly Domestic" ("Gururla Yerli") campaign. All processes starting from the product strategy to the communication approach and from the sales campaign to the digital projects are derived from these two concepts. The biggest source of support for this entire construct is Vestel City, which is Vestel's manufacturing complex where it proudly produces domestic technologies in Turkey.

The purpose of the communication campaign is to introduce the latest technology to all four corners of Turkey by achieving firsts and to be an inspiring brand for Turkey.

Launched in 2014, the "Turkey is Vestelized" communication campaign achieved its targets in its first year and continued successfully in 2015 and 2016 with the effect of holistic communication.





## SUSTAINABILITY AND VESTEL BEYAZ EŞYA

# VESTEL BEYAZ EŞYA WAS DEEMED ELIGIBLE FOR INCLUSION IN THE BIST SUSTAINABILITY INDEX IN THE NOVEMBER 2016 - OCTOBER 2017 PERIOD AS A RESULT OF THE ASSESSMENTS CONDUCTED BY BORSA İSTANBUL AŞ IN 2016.

In line with the sustainability approach adopted by the Vestel Group of Companies ("Vestel"), of which it is a member, Vestel Beyaz Eşya's approach to sustainability has been shaped by the goal of a better future on the basis of its economical, human, environmental and social contribution.

Vestel Beyaz Eşya voluntarily applied to be included in the Borsa İstanbul (BIST) Sustainability Index at the end of 2015, which consists of the shares of BIST-listed companies with a high corporate sustainability performance. Vestel Beyaz Eşya was deemed eligible for inclusion in the BIST Sustainability Index in the November 2016 - October 2017 period as a result of the assessments conducted by Borsa İstanbul AŞ in 2016.

### Human Resources at Vestel Beyaz Eşya

Human resources activities at Vestel Beyaz Eşya are carried out by the Vestel Human Resources Directorate which is affiliated to the Zorlu Holding Human Resources Group Presidency. The Directorate is structured under 4 main organizations including the Industrial Relations Directorate, the Recruitment and Talent Management Directorate, the Training and Development Directorate and the Administrative Affairs Directorate. The Head of Zorlu Holding's Human Resources Group also sits on the Executive Board of the Vestel Group of Companies, ensuring continuity in the delivery of information to the management in all matters concerning employees.

Vestel Beyaz Eşya prepared its Human Resources Policy in writing which covers the issues of recruitment, promotion, termination, compensation, career planning, the performance measurement system, the reflection of performance to remuneration, and training policies. All job descriptions and their distribution and performance and reward criteria were announced to employees through the Human Resources Policy.

One of the most important objectives of Vestel Beyaz Eşya's Human Resources Policy is to become a company which talented individuals dream of working for, and to ensure their loyalty to the Company by providing them with a suitable career path. In line with this goal, projects are being developed not only to reach these sources of talent easily, but also to retain them and ensure their loyalty to the Company.

In line with this objective, at Vestel Beyaz Eşya

- the needs of employees are taken into consideration to achieve successful business results,
- fairness and equal opportunities among employees are ensured by balancing employees' expectations with those of the Company,
- the development of employees is ensured by continuously supporting them through training programs,
- the performance of employees is followed up and evaluated while employees are encouraged and rewarded for their achievements,
- career planning is performed with vertical and horizontal promotions and long-term cooperation with employees is maintained,
- internal duty back-ups regarding sustainability are conducted periodically,
- internal human resources are used mainly to meet the Company's needs,
- new trends and developments in human resources management are monitored, evaluated and implemented.

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

# SUSTAINABILITY



## SUSTAINABILITY AND VESTEL BEYAZ EŞYA

### VESTEL BEYAZ EŞYA'S BASIC HR INDICATORS - END OF 2016 DATA

Personnel	Number	%
<b>Total</b>	<b>6,008</b>	<b>-</b>
Female	1,581	26
Male	4,427	74
Average Seniority	5 years	
<b>Breakdown of Senior Management Based on Gender</b>	<b>Female</b>	<b>Male</b>
General Manager	-	2
Assistant General Manager	-	7
Mid Level Management	6	44
<b>Breakdown of Personnel Based on Education Level</b>	<b>Female</b>	<b>Male</b>
PhD	-	-
Master's degree	25	55
University graduate	167	454
Vocational high school graduate	131	367
High school graduate	1,258	3,551
<b>Total</b>	<b>1,581</b>	<b>4,427</b>

Number of Personnel by Category		Total Training Hours by Category		Average Training Hours per Employee	
Senior Management	Other Employees (Excluding Administrative Personnel)	Total training hours (Senior Management)	Total training hours (Other Employees)	Total training hours (Other Employees) Average training time per Senior Manager (hours)	Average training time per other employees (hours)
59	5,949	930	40,752	16	6.8

#### Innovative, dynamic, team-spirited human resources

Vestel Beyaz Eşya is aware that it is not just the giant factories or the products manufactured by the latest technologies that are behind its sustainable success, but rather it is the highly motivated and happy employees who have the skills to manage and utilize these in pursuit of a common goal. Vestel Beyaz Eşya continually reinforces its existing workforce by investing in qualified human resources, thereby contributing to the nation's employment.

The Vestel Group, of which Vestel Beyaz Eşya is a member, formulates its change and development strategies based on the idea of "being where the talent is". Vestel began the employer brand journey with the "Vestelized campuses" project in 2013 in order to "Vestelize" young talented individuals required by the Company as a result of its rapid growth. Vestel initiated work on external perception in universities and as of 2016, it had continued to widen its internal communication. The aim of this project is to create new resources outside the existing means in reaching qualified candidates and to discover high calibre candidates in the campuses before they graduate.

On the basis of the importance which Vestel attaches to the employment of new graduates and young talents, university students were identified as potential candidates and intensive activities were carried out in university campuses to further enhance the perception of Vestel as an "Attractive Employer". These activities included university career activities, engineering competitions, graduation projects, sponsorships, workshops and case studies which require the establishment of close relations with the university career centers and student clubs, and projects which support university-industry collaboration.

#### Continuity in Training activities

At Vestel Beyaz Eşya, where each employee is recognized as an asset, a regular training model is adopted to improve employees' existing talents and further facilitate their adaptation to innovation and change. In this context, quality and sustainable training activities are carried out in order to sustain creative, entrepreneurial and productive human resources, who contemplate, explore and question. In line with this, soft skills and technical training sessions were held in 2016 while training programs continued in the fields of computing, electrical-electronics, industrial and mechanical engineering at Vestel Technology Academy.



In 2016, a total of 6,027 participants were provided an average 7 hours of training and a total of 41,682 hours of training at Vestel Beyaz Eşya.

Within the scope of Vocational Qualifications Authority Law, a total of 187 employees were certified in the field of welding and 98 employees were certified in the use of forklift trucks, EKAT (Working under High Voltage at Electrical Strong Current Plants) and basic sign language.

### **Vestel Technology Academy**

The Vestel Technology Academy, which operates in cooperation between the Vestel Group of Companies and Özyeğin University, offers life-long training opportunities and aims to enhance the knowledge and experience of Vestel's engineering staff in their technical fields.

#### **The Program**

- allows employees who have been educated in different fields of engineering to address their weaknesses in areas required by Vestel,
- allows employees to obtain post-graduate degrees in areas in which they had received undergraduate education,
- allows employees, who have graduate degrees to obtain a PhD degree.

### **Vestel Management Trainee Program**

Vestel launched its seventh Vestel Management Trainee Program (MT Program), which is carried out with the academic support of Turkey's leading universities in order to cultivate young talented university graduates as future managers, with Koç University at the Vestel Training Centre in Manisa. In 2016, 4 of the 22 candidates, who successfully completed the Program, have been employed at Vestel Beyaz Eşya.

Within the scope of the Management Trainee Program, the young talented individuals, who join Vestel after going through a number of phases, receive 55 work days of theoretical training starting from their first day at work extending over a 6-month period and complete their training after an applied internship period at Vestel.

The Program aims to ensure that the young management trainees who join Vestel understand both Vestel and the sector in the best way, develop new projects by employing what they have learned in the Program and create added value for Vestel.

### **Vestel Supply Chain Academy**

The "Supply Chain Academy" training program, which began in 2015 within the scope of the Supply Chain Excellence Project, continued in 2016.

Within the scope of the "Supply Chain Academy" Project, 49 hours of technical training and 70 hours of personal training were provided to supply chain employees in 2016. These training programs consist of training for the newly recruited employees, training provided to supply chain units from other departments with which they are in cooperation, such as the R&D, Finance, Quality, Production and Foreign Trade Departments, and personal development training.

A total of 30 hours of technical training was provided to 27 new employees who started work in the supply chain units in order to raise their level of knowledge within the unit, strengthen communication with employees of other departments and to help them learn the functioning of these departments. A total of 19 hours of technical training aimed at increasing the level of technical knowledge between the departments, building common knowledge and increasing efficiency in business processes was provided by other departments to 169 senior staff members working in the supply chain units. A total of 70 hours of training given in 6 different courses was also provided to 169 senior employees with the aim of improving their presentation skills, management skills and personal skills related with time management, leadership, teamwork and the creation of dashboards with Excel.

Inter-departmental technical and personal development training programs will continue to be provided in 2017. A total of 20 hours of technical training is planned to be provided by the supply chain units to 121 employees working in the R&D, Finance, Quality, Production and Foreign Trade Departments in 2017. Personal development training aimed at raising employee motivation is also planned in 2017.

### **Vestel Retail Academy**

The foundations of the Vestel Retail Academy Project were laid through collaboration with Sabancı University for the purpose of providing training programs focused on domestic sales channels. The project aims to train all employees connected with the sales and marketing channels throughout the country, especially dealers and sales staff at stores.



## SUSTAINABILITY AND VESTEL BEYAZ EŞYA



### Occupational Health and Safety

Vestel, which demonstrates sensitivity for occupational health and safety towards ensuring a safe and healthy work environment, attaches importance to the assessment and management of the potential impact of risks in the workplace on personnel, subcontractors, visitors, solution partners and other personnel in the workplace environment. Vestel continuously trains all of its personnel to ensure that they gain the right behavioral habits 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 consist of the following:

- To create a "Safety Culture" throughout the Company and ensure that it is adopted,
- To avoid conditions which are dangerous and harmful to health which may arise during the course of operations and to create a healthier work environment by conducting up-to-date risk analyses based on the policy of "preventing before it happens",
- To establish occupational health and safety together with the personnel, by asking for their feedback through continual training and the platforms in which the personnel participate,
- To ensure that all employees accept occupational health and safety as an indispensable priority and an inseparable part of their jobs,
- To create a safe working environment by completely preventing or minimizing fire risk and accidents during the operations,
- To eliminate or minimize unsafe situations or acts in the workplace by conducting risk analyses and implementing preventive plans based on the principle of "The right work for the right employee".

### **Vestel Beyaz Eşya stands out with its environmental approach and practices.**

Vestel Beyaz Eşya adopted an organizational culture which complies with the philosophy of Total Quality Management. The Company together with its employees has adopted the general objective of maintaining and improving environmental quality by carrying out environmental impact reviews of all of its operations, production lines and products.

In this respect, Vestel Beyaz Eşya's fundamental targets are as follows:

- To employ energy efficient and eco-friendly technologies and to continuously improve its energy performance,
- To continuously improve its energy performance by benchmarking it with the best practices in the world,
- To use renewable energy resources,
- To conduct activities necessary for the reduction, reuse, recycling and recovery of waste,
- To foster a culture of participation and innovation among stakeholders to ensure energy saving,
- To regularly conduct internal and external energy efficiency studies by identifying the areas which require improvement in energy efficiency,
- To raise awareness of energy efficiency through training, seminars and informative posters in order to ensure that all employees play a role in the reduction of energy consumption,
- To modify equipment and processes in order to optimize energy consumption,
- To support creative ideas for the promotion and improvement of new technology use,
- To carry out Industry 4.0 activities on the basis of environmental awareness.

### **Maximising energy efficiency and water saving in all products**

A significant proportion of Vestel Beyaz Eşya's R&D work is devoted to the development of environmentally friendly technologies and products which use resources efficiently, provide maximum energy and water savings as well as extra hygiene.

Constantly revising its energy efficiency targets, Vestel Beyaz Eşya's entire product range consists of environmental friendly products with energy ratings of A, A+, A++ and above, which is accepted as the high energy efficiency category. Vestel Beyaz Eşya strives to develop highly energy efficient and environmentally friendly products which have minimum impact on the environment by continuously carrying out R&D and innovation studies. Vestel Beyaz Eşya currently allocates half of its R&D budget to the development of environmentally friendly products. In the event of new environmental friendly projects, the Company provides additional funding without delay and implements such projects.

- The Vestel Pyrojet washing machine is the world record holder, using 70% less energy than A+++ products with an 8 kg load capacity and consuming 60% less energy and 22% less water than A+++ products with a 9 kg load capacity.
- The Vestel Ekomaks dishwasher consumes 20% less energy than A+++ energy class models.



## SUSTAINABILITY AND VESTEL BEYAZ EŞYA

- Pyrojet and Ekomaks received VDE approval from the German Electrical, Electronic and Information Technologies Association in recognition of their energy efficiency.
- The Vestel built-in oven with A++ class energy efficiency is the most efficient product in its class.
- The Eco Time mode incorporated in Vestel Beyaz Eşya's new generation washing machines allows the machines to operate outside peak times, when electricity is cheaper, by setting the program's start time.
- The Vestel French Door fridge with A+++ class energy efficiency is the most efficient product in its class.
- Dishwashers with a capacity for 14 place settings, which can complete a wash with just 5.4 litres of water, and washing machines consuming 4.4 litres of water per kilogram are the Company's environmentally friendly products offering the lowest rates of water consumption.

### The first Turkish company to be certified by the ISO 50001 Energy Management System

As a result of its efforts to protect the environment, reduce greenhouse gas emissions, use resources effectively and cut energy expenses, Vestel Beyaz Eşya won the title of being the first Turkish company to obtain the ISO 50001 Energy Management System Certificate. Having integrated its business processes with the Environmental Management System and other management systems in order to manage its energy consumption systematically, Vestel Beyaz Eşya was awarded this certificate by the Turkish Standards Institute (TSE).

### Environmentally oriented applications in the production processes

Vestel Beyaz Eşya carries out its activities within the framework of the "TS-EN-ISO 14001 / Environmental Management System Certificate" and "ISO 50001 / Energy Management System Certificate".

### Environmental Policy

In light its Environmental Policy, Vestel Beyaz Eşya is committed to the following:

- To carry out work on the reduction, reuse, recycling and recovery of waste,
- To ensure savings in the use of energy, water and natural resources by increasing efficiency and by encouraging the use of new technology,
- To reduce the consumption of natural resources by using materials which can be recycled,
- To lower environmental pollution to the lowest possible level by developing environmental awareness among all employees through training programs,

## VESTEL BEYAZ EŞYA IS THE FIRST TURKISH COMPANY IN ITS SECTOR TO OBTAIN THE ISO 50001 ENERGY MANAGEMENT SYSTEM CERTIFICATE.

- To continuously develop its Environmental Policy in line with the new objectives and targets determined every year,
- To research and implement greenhouse gas emission reduction methods,
- To develop water usage projects which will ensure water savings,
- To ensure continuous improvement in protecting the environment, preventing pollution and complying with the related environmental legislation and administrative regulations,
- To take environmental factors into account in the evaluation of new products, projects and operations; to reduce the use of hazardous substances in products and production processes and research less pollutant substances in accordance with the relevant European Union Directives (RoHS, Reach etc.) and domestic legislation, and to limit the use of six heavy metals which present a threat to life and environment such as lead, mercury, cadmium, chromium+6, PBB and PBDE in its products,
- To comply with the requirements of the TS EN ISO 14001 Environmental Management System standards, to effectively implement these standards by continuously reviewing them and to integrate them with other management systems, and to allocate adequate and appropriate resources for these activities.



Vestel Beyaz Eşya has not used solder, which contains lead, in any of the electronic card and electrical components of its products for years. The Company also ensures the use of ozone-friendly gases in its refrigerators.

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

Moreover, in the procurement of raw materials, Vestel Beyaz Eşya pursues the principle of "reuse" for the nylon and separator use in addition to the use of smart boxes, thereby reducing packaging waste and minimizing the environmental impact of packaging.

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

Vestel Beyaz Eşya is committed to reducing the negative impacts which it has created on the environment in every area.

In this context, the objectives determined for future processes are as follows;

- to reduce carbon emissions by 22% per product by 2022,
- to reduce water use by 22% per product by 2022.

In line with its commitment to regularly reviewing its Environmental Policy with the Environmental Management Systems Team, Vestel Beyaz Eşya keeps its Environmental Policy up to date through the environmental monitoring and audit mechanism.

### Conservation of biodiversity

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

As Vestel Beyaz Eşya is operating in an OIZ, and the areas located within the 2 km impact area of its operations are entirely industrial; no flora-fauna studies have been conducted. The Company has committed itself to comply with the Environmental Law No. 2872 and the regulations issued in accordance with this law on measures to be taken for flora and fauna.

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

Vestel Beyaz Eşya's area of activity is not home to any living species which bear importance for scientific research and/or are endangered or in danger of being endangered, habitats of species which are native to our country, biosphere reserves, biotopes, biogenetic reserve areas or any geological and geomorphological formations with unique features.





## SUSTAINABILITY AND VESTEL BEYAZ EŞYA

In accordance with the Bern Convention, it has been determined that no protected species or endangered flora species are present in the activity area of the Company.

### Combating climate change

Climate change is one of the greatest threats our Earth faces. Vestel Beyaz Eşya has adopted an effective energy and climate change policy to combat climate change. The Company has been progressing with clear steps towards being a climate friendly company, which is based on a combination of low-carbon technologies and energy resources and ensures that it participates in activities related to climate change in order to emphasize its commitment on this issue and to set an example to its stakeholders.

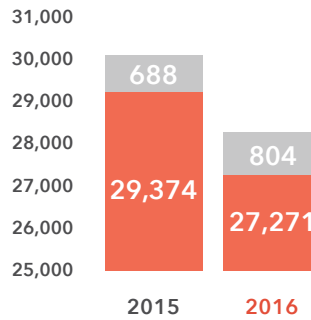
Vestel Beyaz Eşya participated in the survey conducted by the Regional Environmental Center (REC) Turkey for the "Climate Change CEO Perception Survey: The Response of Turkish Business World Leaders to Climate Change Project" supported by the Germany Embassy. Vestel Beyaz Eşya attended the meeting, held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

Vestel Beyaz Eşya set out its commitment as follows in the "Statement on Combating Climate Change" which it sent to the survey;

- To make environmental protection a priority in all stages of the Company's operations by using technologies with a less polluting nature in its production processes, and

### AMOUNT OF WASTE (Tonnes)

■ Hazardous Waste ■ Non-Hazardous Waste

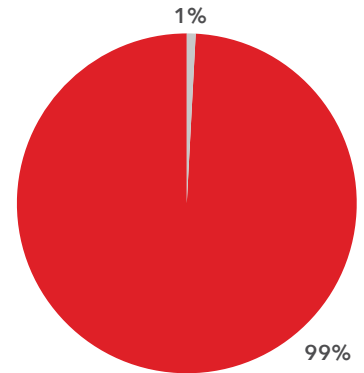


In 2016, Vestel Beyaz Eşya reduced the amount of waste by 7% compared to 2015.

### RECOVERY OF WASTES GENERATED BY PRODUCTION PROCESSES (2016)

99% of the wastes generated by production processes are recovered, the rest is sent to licensed facilities for disposal.

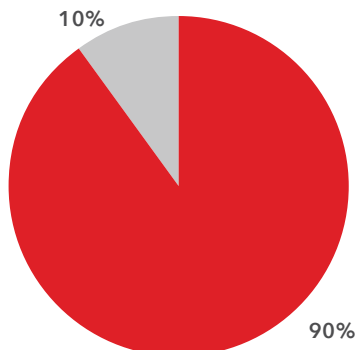
■ Recovered (Tonnes)  
■ Disposed (Tonnes)



### GREENHOUSE GAS EMISSION SOURCES (2016)

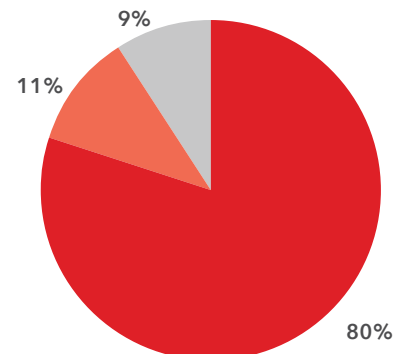
Ton-CO<sub>2</sub>e

■ Scope 1  
■ Scope 2



Ton-CO<sub>2</sub>e

■ Scope 1  
■ Scope 2  
■ Scope 3



- In the process of combating climate change, ensure the production of environmentally friendly products which are highly energy efficient, consume less water and generate lower carbon emissions, and comply with the legal requirements.

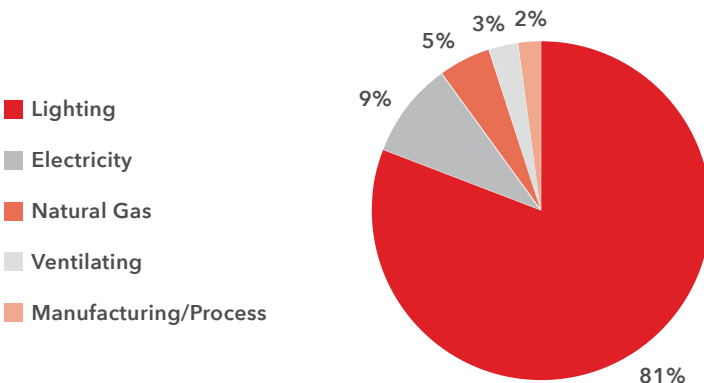
### Carbon footprint

The report on Vestel Beyaz Eşya's Carbon Footprint was prepared in accordance with the GHG (Greenhouse Gas) Protocol Standard and the ISO 16064-1 Standard. Carbon footprint operating limits are calculated in detail as Scope 1 Direct Emissions, Scope 2 Indirect Emissions, and Scope 3 Other Indirect Emissions, which are greenhouse gas emission sources created within the scope of the "Control Approach" methodology and calculated within defined system limits. Of the total carbon footprint, 9% consists of direct emissions included in Scope 1, 11% consists of indirect emissions included in Scope 3, which result from the Company's business trips, transportation and vehicle use, and the remaining 80% consists of emissions included in Scope 2, which result from the use of electricity and heating.

### Integrated waste management

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

### ENERGY EFFICIENCY PROJECTS BY SUBJECT IN 2016

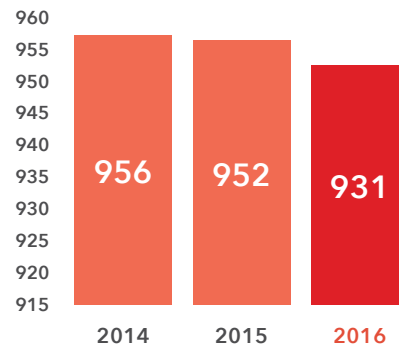


### Environment and Energy Management

In all of its plants, Vestel Beyaz Eşya takes account of the environmental effects of its manufacturing activities at every step from the first stage of production to the provision of products to consumers. Since 2010, Vestel Beyaz Eşya has been implementing the ISO 14001 Environmental Management System Standard, an international standard which defines the process of monitoring and improving environmental performance. The Company was also awarded the TSE- ISO- EN 14001:2015 Certificate.

At a time when conservation of energy is becoming increasingly important, the Company has targeted the effective use of resources and reduction of greenhouse gas emissions with its Energy Policy, which has been developed to ensure the efficient use of energy. Establishing the processes and systems necessary to improve energy efficiency, Vestel Beyaz Eşya realizes the implementation and sustainability of these processes and systems for all energy types in an integrated manner with the ISO 50001 Energy Management System Standard, which has been implemented since 2012. At the same time, the Company is also the first Turkish company to have obtained the ISO 50001 Energy Management System Certificate.

### WATER CONSUMPTION VALUES ('000 m<sup>3</sup>)



## SUSTAINABILITY AND VESTEL BEYAZ EŞYA

### Energy efficiency

In 2016, Vestel Beyaz Eşya carried out a total of 118 "Energy Efficiency" activities. As a result of the energy efficiency efforts carried out by the Company during the year, a total of 106,571 GJ of energy was saved, including 10,179,694 kWh of electricity and 2,025,759 m<sup>3</sup> of natural gas.

### Water use

Vestel Beyaz Eşya is aware that water is an indispensable source of life for living creatures. Even though a large part of the world's surface is covered with water, only 3% of this water is potable or usable. In order to meet the rapidly increasing demand for water at a time of diminishing water resources, every effort is taken to develop and spread water saving models, and utilize water through recycling.

Vestel Beyaz Eşya obtains the water required for its production processes from the Manisa OIZ network water as well as from wells.

Vestel Beyaz Eşya, which has succeeded in reducing water consumption by 18% over the last 10 years, decreased its total water consumption by 2% and its total water consumption per unit product by 5% in 2016.

The activities carried out by Vestel Beyaz Eşya to promote water conservation are listed as follows:

- In the Cooking Appliances Plant, with the suspension revision made on the surface treatment line and the change in the angle of nozzles, the upper internal bodies of both standard and double ovens have begun to be washed by hanging. In this way, the number of double oven upper internal bodies washed daily was increased from 350 to 700, improving efficiency. This work prevented 2,595.84 tonnes of water loss and also savings were achieved in the use of alkaline degreasing chemicals and passivation chemicals.
- Within the scope of the R&D studies carried out in the Washing Machine Plant, geometrical calculation formulations were converted into the calculation program in Excel, and the real volume and grammage of drums for both existing products and for those which will be designed in new projects were calculated by the computer, paving the way for 3,000 liters of annual water savings.
- In the Washing Machine Plant, the temperature measurement of the circulation system was improved. The improvement work saved 15 m<sup>3</sup> of water per year thanks to accurate calculation of the temperature of the water entering the machine.

### Total Productive Maintenance (TPM)

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

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

Vestel Beyaz Eşya was granted the "TPM Excellence Award" by the Japan Institute of Plant Maintenance (JIPM) in recognition of its TPM practices carried out simultaneously at its refrigerator, washing machine, dishwasher, air conditioner and cooking appliances plants. As the first company in the world to win this award with its 5 facilities at the same time in the white goods sector, Vestel Beyaz Eşya notched up a worldwide success.

### Vestel Beyaz Eşya's social contribution activities

Vestel Beyaz Eşya views its social responsibility in all its activities as one of the fundamental and unchanging elements of its management approach, and carries out social activities and develops projects which benefit the community.

Many projects are carried out at Vestel, all of which demonstrate a high level of sensitivity, especially to the disabled.

During the last one year, 103 disabled people were employed at Vestel Beyaz Eşya, taking the total number of employees with disabilities working at the Company to 172.

# Financial Information and Reports



## RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

### Risk Management

Zorlu Holding's Enterprise Risk Management Department is responsible for the early detection of risks which could jeopardize Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's ("Vestel Beyaz Eşya" or "Company") existence, development and continuity, implementation of the necessary measures against such risks and management of risks in a centralized manner. Zorlu Holding Risk Policy and Procedure and Enterprise Risk Management Framework, which are applicable to all Zorlu Group companies, form the basis for the Group's risk management activities.

Zorlu Holding Enterprise Risk Management Policy is summarized below:

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

Vestel Beyaz Eşya's Early Detection of Risk Committee, which was established on 15 March 2013, 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 for the purpose of achieving compliance with the Article 378 of the Turkish Commercial Code No. 6102. During 2016, 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 these reports were presented to the Board of Directors following the Committee's reviews. The headings of the risk reports submitted to the Committee and the Board of Directors are listed below.

1. The Turkish and Global Consumer Electronics Retail Market,
2. The LCD Panel Market,
3. The Evaluation of Vestel Beyaz Eşya's Financial Performance for the year 2015,
4. The Evaluation of Risk Management Systems of Consumer Electronics Companies,
5. The Impact of Brexit on the Global and Turkish Economy & Brexit Risk Management,
6. Evaluation of the year 2016 in terms of Product Recalls.

The Company's vision is defined as creating sustainable value for all the parties involved by securing operational effectiveness, growth and regulatory compliance. Below is the summary of the four existing and potential risk categories which may have an impact on the attainment of the Company's goals towards its vision, and the actions taken in relation thereto.

### 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, the employment of an outdated business model, incorrect composition of the business portfolio, inefficient organizational structure, inconsistency of performance measures with the 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 in relation to 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,
- Determining innovative strategies with respect to sales and marketing.

### Financial Risks

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

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

The following actions are taken in relation to these risks:

- Use of alternative financing methods,
- Asset and liability management,
- Making use of various derivative instruments for hedging purposes, when necessary,
- 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 actual results 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.

## RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

The following actions are taken in relation to these risks:

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

### External Risks

External risks refer to the presence of external factors that 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 demands (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 in relation to 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 the 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 Company units,
- Carrying out specific short-lived rehabilitations and works to integrate new technologies,
- Taking proper measures against adverse geographical and climatic conditions,
- Maintaining continuous and healthy communication which is open to all stakeholders through the activities of the Corporate Communications Department.

In addition to 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:

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, Cash in Safe
10. Hazardous Materials
11. Personal Accident

## INTERNAL AUDIT DEPARTMENT AND ITS ACTIVITIES

As in all Zorlu Group Companies, the internal audit function at Vestel Group of Companies is carried out by the Internal Audit Department of Zorlu Holding since 2000. The Internal Audit Department conducts its activities based on the International Internal Audit Standards in accordance with the legal requirements and audit programs approved by the senior management. The Department shares the audit reports prepared after each audit, as well as the annual reports on the audit results for the full year, with the Holding's Board of Directors, the Audit Committees and the Sector Heads. In addition to the Internal Audit Department, Financial Audit and Tax Audit Department was established in 2011 in order to perform financial audits across all the Group companies and commenced its activities in 2012. Internal Audit Department and Financial and Tax Audit Department were gathered under the umbrella of Zorlu Holding General Directorate of Audit and Internal Control in the last quarter of 2013. In line with the evolving needs of Zorlu Group, the Tax Audit Department was restructured as Tax Audit Directorate as of 1 December 2015 while Internal Audit Department was restructured as two separate Directorates, namely, the Internal Audit Process Audit and Internal Audit Inspection Audit as of 1 January 2016.

The objective, authority, responsibilities, operating principles and structure of the Internal Audit function are outlined in the "Internal Audit Regulation" and "Internal Audit Operating Principles" documents, which have been approved by the Board of Directors.

### Internal Audit Activities

Under the risk-based annual audit program approved by the Board of Directors, the Audit Committee and the Sector Heads, audits are conducted in the areas of efficient and productive use of resources, compliance with the applicable laws, regulations, in-house policies and rules and the accuracy, reliability and security of information. Whenever deemed necessary, prior to each audit, the Department meets with the senior management to make risk assessments, and position the companies' targets and the risks which could jeopardize these targets in the risk matrix according to their effects and probability of occurrence. During the audit field work, tests are carried out to evaluate the effectiveness of internal controls which monitor risks with significant effects and high probability of occurrence. The results of observations are shared with the company management as a draft report; and then a final report, including the opinions of the management, is presented to the senior management. As a result, the Department offers consultancy services with reasonable assurance, and at the same time capitalizes on Group synergy to highlight the best practices. One month after the issue of the final report, the actions taken are shared with the Board of Directors in line with the 4T approach (Treat, Terminate, Transfer and Tolerate).

Periodical meetings are held between the Internal Audit Department and the Audit Committee throughout the year, in which activities such as consulting, special audit and planned and actual audits during the year, etc. are evaluated and the findings are shared. At these meetings, necessary action plans and follow-up results for the actions as well as plans for the following period are also reviewed.

Zorlu Group supports and promotes Zorlu Group Internal Audit Team, which consists of 13 people, in receiving additional training to improve and enhance their existing knowledge, skills and other qualifications, becoming a member of the related associations (e.g. The Institute of Internal Auditors, Turkey - TIA) and obtaining international certificates related with their occupation. Internal Audit team includes 2 CIAs (Certified Internal Auditor), 2 CPAs (Certified Public Accountant), 1 CISA (Certified Information Systems Auditor) and 6 CRMAs (Certification in Risk Management Assurance).

### Financial Audit and Tax Audit Activities

The Financial Audit and Tax Audit Departments commenced their activities in 2012. Currently, a team of 18 individuals (12 in the Financial Audit Department and 6 in the Tax Audit Department) perform audit activities.

The Audit Departments analyze and audit the accuracy and conformity of the balance sheet and income statement accounts to be used in the financial and tax reporting of the Group companies with the rules of the uniform chart of accounts, tax laws and audit standards and provide reasonable assurance to the Board of Directors in related issues.

The reports, prepared on the basis of the findings of the audits, are shared with the senior management.

The Tax Audit Department also provides consultancy services with reasonable assurance when deemed necessary for the tax risks faced by the Group companies.

In addition, the Financial Audit Team examines the CMB financial statements and reports prepared by the listed Group companies and shares its comments with the related departments.

There is 1 Public Supervisory Board Licensed Auditor and 4 CPAs (Certified Public Accountant Financial Advisors) in the Financial Audit Team. There is 1 Public Supervisory Board Licensed Auditor and 3 CPAs (Certified Public Accountant Financial Advisors) in the Tax Audit Team.



## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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## PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Corporate governance activities were initiated at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ("Company" or "Vestel Beyaz Eşya"), which takes utmost care to comply with the "Corporate Governance Principles" of the Capital Markets Board ("CMB") in 2005. Within the scope of these efforts, in the first stage, a series of amendments were made in the Company's Articles of Association in order to offer an equitable, accountable, responsible and transparent structure to shareholders. These amendments served to grant rights to minority shareholders, which are envisaged in the Corporate Governance Principles while radical changes were made to the management structure in pursuit of "better governance". The Corporate Governance practices were continued with the establishment of the corporate governance mechanisms within the Company. While the Board of Directors was vested with greater objectivity with the addition of independent members, committees were set up under the Board with the aim of further enhancing the effectiveness of corporate governance. In addition, the Company's Public Disclosure Policy was put into writing and submitted to the information of shareholders at the General Assembly Meeting. In line with the Corporate Governance Principles, an Investor Relations website was prepared to provide maximum amount of information to the public in a timely, simultaneous, accurate and complete manner.

Vestel Beyaz Eşya carries out its activities in compliance with the applicable regulations and the Capital Markets Board's "Corporate Governance Principles". The Company has adopted the majority of the non-compulsory principles included among the Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance No. II-17.1. As briefly summarized below, the Company took the following actions in order to further improve its compliance with the Corporate Governance Principles in 2016.

- Vestel Beyaz Eşya voluntarily applied at the end of 2015 for inclusion in the BIST Sustainability Index, which comprises the shares of listed companies on Borsa Istanbul with a high corporate sustainability performance. As a result of the evaluations conducted by Borsa Istanbul AŞ during 2016, Vestel Beyaz Eşya was deemed qualified to be included in the Sustainability Index for the period of November 2016 to October 2017.
- Under the Article 10 of the CMB's Communiqué on Corporate Governance, the conclusion section of the report on the related party transactions exceeding the stipulated thresholds between the Company and its related parties has been made available for the information of shareholders via the Public Disclosure Platform and the Company website.
- Pursuant to the Article 19 of the Capital Market Law No. 6362, the upper limit for the donations to be made in 2016, as proposed by the Board, was submitted to the approval of shareholders at the General Assembly Meeting and was approved by the General Assembly.

### Reasons for the Corporate Governance Principles Not Implemented

In the implementation of Corporate Governance Principles, certain principles which do not conform to the Company's structure and which are regarded as potential obstacles to operations are excluded. These principles and the reasons for opting not to implement these are summarized below:

- **Granting shareholders the right to demand special audit and inclusion of an additional provision in the Company's Articles of Association for the minority rights:** Since the existing provisions in the Turkish Commercial Code on the appointment of a special auditor and minority rights are considered to be adequate, these rights are not separately stipulated in the Company's Articles of Association.
- Due to the number of the members of the Board of Directors and the committee formation requirements, some Board members serve on more than one committee.
- Pursuant to the Article 4.6.5 of Corporate Governance Principles, remuneration and benefits provided to Board members and executive managers are publicly disclosed in the Company's annual report. However, such disclosure is not made on an individual basis.
- Currently, Mrs. Şule Cümbüş is the only female member on the Company's Board of Directors and increasing the ratio of female Directors to the level set forth in the Article No. 4.3.9 of the Corporate Governance Principles lies among the Company's medium term targets.
- Although there is no provision in the Company's Articles of Association, the Chairman of the Company's Board of Directors and the Chief Executive Officer of Vestel Group of Companies, of which Vestel Beyaz Eşya is a member, are different individuals. No one in the Company has unlimited decision-making power.

The Company has not been exposed to any conflict of interests to date due to the non-mandatory principles which have not yet been implemented.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Acknowledging the contributions of the Corporate Governance Principles to the Company, Vestel Beyaz Eşya targets to attain a higher degree of compliance with those principles with the involvement of its employees and senior managers and to reach the highest standards in the field of corporate governance. The Company fully complies with all the mandatory principles in the CMB's Corporate Governance Communiqué while also continuing its studies to ensure compliance with the non-mandatory principles.

### PART II - SHAREHOLDERS

#### 2.1. Investor Relations Department

The Investor Relations Department is responsible for managing and maintaining the relations with the existing and potential shareholders, protecting and facilitating the use of the shareholder rights, including first and foremost the rights to access and examine information, responding to information requests from the analysts and investors, raising the investor awareness and market credibility of the Company and carrying out the necessary works for ensuring compliance with the capital market legislation. The Department reports to Mr. Bekir Cem Köksal, who is the Executive Committee Member in charge of Finance.

The Investor Relations Department presents a report on its activities to the Board of Directors at least once a year. The Department submitted its report on its 2016 activities to the Board on January 6, 2017.

The individuals in charge of the investor relations are as follows:

Name	Duty	License
Serap Mutlu	Investor Relations Director and Member of Corporate Governance Committee	Capital Market Activities Level 3 License (No: 201618) Corporate Governance Rating Specialist License (No: 700906)
Emine Özcan	Investor Relations Department Member	-

Information relating to individuals working in the Investor Relations Department was announced on the Public Disclosure Platform (in Turkish: KAP) on December 29, 2014 and March 11, 2016.

#### The Investor Relations Department performed the following activities during 2016:

- Ensured that the records of correspondences between the Company and the investors, and of other information and documents are kept in a proper, secure and up-to-date manner; coordinated the transactions related with Merkezi Kayıt Kuruluşu AŞ (Central Securities Depository) jointly with the Legal Affairs Department,
- Responded to the information requests about the Company, except for confidential information and trade secrets that are not disclosed to the public, in a clear and timely manner and in line with the Company's Public Disclosure Policy, either via face-to-face meetings or using various other communication means,
- Responded to information requests from the equity analysts covering the Company; ensured that the analyst reports on the Company were prepared in an accurate and complete manner and would introduce the Company in the best way to investors,
- In cooperation with the Legal Affairs Department, ensured that the Ordinary General Assembly Meeting during the reporting period was carried out in accordance with the legislation, Articles of Association, and other internal regulations,
- Prepared the necessary documents for the General Assembly Meetings, which would be presented to the information and review of the shareholders. All kinds of information and announcements which could affect the exercise of shareholder rights were posted in a timely manner on the Company website for the information of shareholders,
- Maintained the Company website up-to-date, thereby enabling shareholders to access accurate, continuous and timely information about the Company,
- Made a total of 31 material event disclosures within the scope of public disclosure as per the CMB regulations. All of the material event disclosures were published simultaneously on the Company website,
- Following each reporting period, prepared an analytical study which compares the financial results and share price performance of the Company with those of its domestic peers and presented it to the upper management,

- Monitored and supervised the fulfillment of the obligations arising from the capital market legislation, including all aspects of corporate governance and public disclosure, followed up the related processes by making the necessary internal disclosures, monitored the public announcements made pursuant to the Company's Public Disclosure Policy and applicable legislation and coordinated the communication with the public,
- Held informative meetings with the analysts and domestic and international investors about the Company's operations, financial performance and other developments during the reporting period; and participated in the conferences and roadshows organized by the brokerage houses.

## 2.2. Exercise of Shareholders' Rights to Obtain Information

- The Company's Articles of Association does not contain any provisions, which eliminate or restrict the shareholders' rights to access and examine information, which are recognized by the legislation.
- During the year, the information requests received from the analysts and shareholders were responded to in a coherent, clear and detailed manner, in accordance with the Company's Public Disclosure Policy and if necessary, after consulting with the most relevant person in the related subject matter, and all the inquiries except those related to trade secrets were replied to the satisfaction of the shareholders. These queries were responded to via phone, e-mail or postal mail, in writing or verbally, further to the demands of the shareholders.
- During 2016, developments that might have an impact on the exercise of shareholders' rights were disclosed to the public through the material event disclosures made on the Public Disclosure Platform (PDP) and via the Company website. Material event disclosures and any information of interest to shareholders were also provided in English on the Company website to inform the international investors.
- To facilitate the exercise of the shareholders' rights to access and examine information, which lie among the most essential rights of the shareholders, the Company included all the information required by the CMB's Corporate Governance Principles on the corporate website and ensured that both domestic and international investors have an easy access to the highest amount of information within the shortest period of time in an accurate, quick, simultaneous, complete and comprehensive manner. All the information required in the CMB's Corporate Governance Principles is included on the Company's website. Updating and monitoring of the website are the responsibilities of the Investor Relations Department.
- The Company's Articles of Association does not contain any clauses which prohibit special audit. Since this right is already granted to each shareholder at joint stock companies by the Article 438 of the Turkish Commercial Code, it was not deemed necessary to further stipulate it in the Articles of Association. The Company received no requests for the appointment of a special auditor during the reporting period. The Company's activities are periodically audited by an independent audit company which is appointed by the General Assembly upon the proposal of the Board of Directors.

## 2.3. General Assembly Meetings

- The Company's General Assembly meetings are held in compliance with the principles listed under the "General Assembly" heading of the Corporate Governance Principles.
- General Assembly meetings are held in a way not causing any inequality between the shareholders and enabling them to participate in the least costly manner as possible, in order to increase attendance.
- Vestel Beyaz Eşya held its Ordinary General Assembly Meeting for the year 2015 on April 26, 2016 at 13:30 at the address of Raffles Istanbul Levazım Mahallesi, Koru Sokak No: 2, Zorlu Center, 34340 Beşiktaş, Istanbul, in compliance with the Company's Articles of Association.
- Invitation for the meeting was made in due time as set out in the Law and the Company's Articles of Association, by being published in the Turkish Trade Registry Gazette No. 9044 and dated 31 March 2016, and in Dünya newspaper dated 31 March 2016, and also by being posted on the Public Disclosure Platform, E-General Assembly System of the Central Securities Depository and the Company's website at "<http://vesbe.vestelinvestorrelations.com>", by announcing the date and the agenda of the meeting. In order to facilitate attendance to the General Assembly Meeting, announcements were published in a Turkish daily newspaper and with the General Assembly Information Document prepared in accordance with the Corporate Governance Principle No. 1.3.1, access was given to all the necessary information about the General Assembly Meeting as well as to the information and announcements required by the regulations, and the relevant documents were also made available in hard copy for the examination of shareholders at the Company's headquarters. A sample power of attorney form was also made available for the use of the shareholders on the Company's website.



## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Out of the total 190,000,000 shares corresponding to the Company's total share capital of TL 190,000,000.00, 121 shares corresponding to TL 121.00 in capital were represented in person and 184,001,592 shares corresponding to TL 184,001,592.00 in capital were represented by proxy at the General Assembly Meeting. The meeting quorum achieved in the General Assembly was 96.84%.
- The agenda of the meeting was prepared in such a way that, each proposal was given under a separate heading and the headings were expressed clearly and in a way that will not lead to different interpretations. The care was shown for the agenda to not to include phrases such as "other" and "various" and the information to be provided prior to the General Assembly Meeting was given with a reference to the related agenda items.
- Prior to the Ordinary General Assembly Meeting, the shareholders, Capital Markets Board and/or other relevant public agencies and institutions did not request to add any items to the agenda.
- In accordance with the "Communiqué on the Electronic General Assembly System to be Implemented in the General Assembly Meetings of Joint Stock Companies", published in the Official Gazette dated 29.08.2012 and numbered 28396, shareholders were granted the right to attend and cast vote at the Ordinary General Assembly through an electronic medium.
- The Company's Articles of Association contains no provisions for the participation of stakeholders or the media at the General Assembly Meeting. However, participation is possible provided that the Company is informed beforehand. Only shareholders attended the 2015 Ordinary General Assembly Meeting while there was no attendance either from the other stakeholders or the media.
- It was ensured that the Board members who were related to the significant agenda items of the General Assembly, other related persons and officers who had responsibility in the preparation of the financial statements as well as the independent auditor were present at the General Assembly Meeting so that they could provide the necessary information and answer the questions about the important subjects on the agenda.
- At the Annual General Assembly Meeting, agenda items were conveyed in a clear and coherent manner and shareholders were given the opportunity to express their opinions and pose questions under equal conditions. The shareholders did not pose any questions irrelevant to the agenda or so detailed that they could not be answered immediately during the meeting. Board members and senior managers provide the necessary responses to the questions coming from the shareholders at the General Assembly Meeting.
- At the General Assembly Meeting, shareholders were informed under a separate agenda item about the total donations amounting to TL 3,140,350.76 made during the year.
- The upper limit for the donations to be made in 2016 pursuant to the Article 19 of the Capital Market Law numbered 6362 was submitted to the approval of the General Assembly.
- In 2016, there has not been any transaction which required the approval of the majority of the independent Board members for the Board of Directors to take a decision and where the decision was left to be resolved by the General Assembly.
- Within the knowledge of our Company, the controlling shareholders, Board members, executives with administrative responsibilities and their spouses and relatives by blood or marriage up to second degree did not conduct any material transaction which may lead to a conflict of interest with the Company and/or did not carry out a commercial business transaction which is in the same field of activity with the Company on behalf of themselves or for a third party or did not become an unlimited shareholder in another company which operates in the same field of activity with the Company during the year. There were also no transactions conducted by individuals who have access to the Company information in a privileged way on their behalf within the scope of the Company's field of activity.
- The minutes of the General Assembly Meeting and the list of attendees were disclosed to the public via the Public Disclosure Platform on the same day with the General Assembly Meeting. They are also made available for the examination of shareholders at the Company's headquarters. All the announcements, documents, and other materials related to the General Assembly Meetings are accessible to the shareholders and all other stakeholders on the Company website.

### 2.4. Voting Rights and Minority Rights

- At Vestel Beyaz Eşya, the practices which impede the exercise of the right to vote are avoided and each shareholder, including the international shareholders, is given the opportunity to exercise his/her voting right in the easiest and most convenient way. In this context, according to the Article 16 of the Articles of Association titled the "Ordinary and Extraordinary General Assembly and Quorum", shareholders who are entitled to attend the Company's General Assembly Meetings are given the right to participate in these meetings via the electronic media as per the Article 1527 of the Turkish Commercial Code.

- All Vestel Beyaz Eşya shares are entitled to the same rights. There is no privilege concerning the voting right and this is stipulated in the Company's Articles of Association. There is no provision in the Company's Articles of Association which prevents a non-shareholder from voting as a representative by proxy.
- The Company does not have any subsidiaries. For this reason, there are no cross-shareholding interests and therefore, this issue was not put to vote at the General Assembly Meeting.
- The Company's Articles of Association does not contain any specific arrangements for the shareholders representing less than one twentieth of the Company's paid-in capital, apart from the rights given by the law. However, two independent members serve on the Board of Directors to represent the interests of all shareholders and stakeholders, particularly those of the minority shareholders.

## 2.5. Right to Dividends

- There is no privilege granted to shareholders regarding the distribution of dividends. Each share is entitled to an equal dividend.
- The Company's Dividend Distribution Policy, which has been put in place by the Board of Directors' resolution No. 2007/8 and dated 19 March 2007, has been amended in line with the CMB's Communiqué on Dividends No. II-19.1. The Policy was submitted to the approval of shareholders at the 2013 Ordinary General Assembly Meeting, and was also made available for the information of shareholders on the Public Disclosure Platform and the Company website.
- The Company's Dividend Distribution Policy, which has been accepted by the Board of Directors and disclosed on the Public Disclosure Platform, stipulates the ratio of dividend payouts which will be distributed in cash and/or in the form of bonus shares as minimum 25% of the net distributable profit, which will be reviewed by the Board each year depending on the domestic and global economic conditions, and the Company's growth and investment plans and financial position.
- At the Ordinary General Assembly Meeting for the year 2015, Board of Director's proposal for dividend distribution, dated March 28, 2016 and numbered 2016/13, was accepted and decision was taken to commence the dividend payments on May 2, 2016.

## 2.6. Transfer of Shares

- The Company's Articles of Association does not contain any provisions restricting the transfer of shares.

## PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1. Corporate Website

- Vestel Beyaz Eşya's website was developed in early 2007. The website was set up to ensure that shareholders, stakeholders and the general public are kept informed in an open, clear and simultaneous fashion. Information presented on the website is regularly updated.
- Company's web address is <http://vesbe.vestelinvestorrelations.com/>. Furthermore, pursuant to the "Regulation on Websites to be Launched by Joint Stock Companies" and the 1<sup>st</sup> paragraph of the Article 1524 of the Turkish Commercial Code, in accordance with the principles and procedures regarding the launching of a website, allocation of a section of this website to publishing the announcements which are required to be made by the Company under the law and to information society services, our Company procures Central Database Service Provider support services from Central Securities Depository ("CSD") and the announcements which are required to be made by the Company by law can be accessed through the e-Company Information Portal of the CSD.
- The Company's website contains the required information and documents stipulated in the CMB's Corporate Governance Principles and the Turkish Commercial Code.
- Majority of the information on the website is also available in English in order to provide information to international investors.

### 3.2. Annual Report

- The Company's annual and interim reports are prepared in accordance with the Turkish Commercial Code and associated legislation, the Capital Market legislation, and hence, Corporate Governance Principles, and in sufficient detail to give the public access to complete and accurate information about the Company's operations and activities. Moreover, the Board of Directors' Annual Report is prepared in accordance with the provisions of the "Regulation Regarding the Determination of the Minimum Contents of the Companies' Annual Reports", published in the Official Gazette dated 28.08.2012 and numbered 28395.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### PART IV - STAKEHOLDERS

#### 4.1. Informing Stakeholders

- The stakeholders of the Company can be classified as employees, suppliers, customers, financial institutions and the public.
- The Company protects the rights of the stakeholders, which are set by the legislation and mutual agreements in its transactions and operations. In cases, where these rights are not protected by law and mutual agreements, utmost care is given to protect the stakeholders' rights in good faith and within the Company means.
- Stakeholders are regularly informed about the matters related to them in accordance with the Company's Public Disclosure Policy. Employees are informed via e-mails and the corporate portal. Also, periodic inter-departmental meetings as well as periodic meetings are held for the employees.
- The Company's domestic and international sales are carried out by Vestel Ticaret AŞ ("Vestel Ticaret"), which is the sales and marketing arm of the Vestel Group of Companies. Vestel Beyaz Eşya pays regular visits to customers together with Vestel Ticaret. Thanks to these one-on-one meetings, customer satisfaction can be directly observed and complaints can be addressed on site. Improvement activities are carried out when necessary or in line with the customer complaints received either directly by Vestel Beyaz Eşya or through Vestel Ticaret. Apart from these, periodic meetings are held with Vestel Ticaret to discuss the actions taken to meet the customer expectations and to maximize the level of quality. At certain intervals, customer satisfaction surveys are conducted.
- The shareholders and investors are informed via specified means and in line with the Capital Market Law and CMB regulations.
- In the event of any conflict of interest between the stakeholders, or where a stakeholder is involved in more than one interest group, the Company pursues a balanced policy to the extent possible with the aim of protecting each individual right independently from each other.
- The stakeholders can report Company's transactions violating legislation or not compliant with the ethical rules to the Corporate Governance Committee, Audit Committee or the Investor Relations Department by accessing them via phone and/or e-mail.

#### 4.2. Stakeholders' Participation in Management

- Models supporting the participation of stakeholders, primarily of the employees, in company management are developed in a manner not to hinder the activities of the Company. Besides, the independent members serving on the Board of Directors guarantee that not only the Company and the shareholders, but also all the stakeholders are represented in management.
- The Executive Committee Member responsible for Human Resources represents the employees, one of the Company's largest stakeholder groups, on the Executive Committee.
- Employees may convey their proposals which will add value to the Company and their complaints, if any, to the Human Resources Department through the "Vestel Suggestion and Improvement System" included on the Company's corporate portal. Moreover, the employees can share their suggestions for improving the quality, cost, occupational safety and efficiency in daily production processes and their innovative ideas with the management within the scope of the Total Productive Maintenance ("TPM") and Kaizen-Continuous Improvement activities, in which the participation of all employees is ensured, by using the kiosks located in different parts of the factories, via the web, through the "Suggestion and Appreciation Recognition System" located on the corporate portal or via the suggestion forms left in the suggestion boxes or in the autonomous maintenance boxes. The collected employee suggestions are evaluated by the TPM Office and the ideas which are deemed suitable for implementation are turned into a project and implemented in line with the Company's goals and strategies. In order to encourage employee to participation in the system, employees are rewarded for their ideas which are deemed eligible for being converted into a Kaizen or a project.
- In making important decisions with regard to stakeholders, senior executives representing stakeholders are invited to the Board and Executive Committee meetings to express their opinions. Moreover, attention is paid to ensure that employees participate in the Board and Executive Committee meetings at certain intervals so that they can provide their opinions first-hand.
- Vestel Beyaz Eşya, which works with both domestic and international suppliers, conducts face-to-face meetings with its domestic suppliers every three months and with its foreign suppliers at least twice a year. The Company obtains the feedback and opinions of its suppliers during these meetings, and informs its suppliers of the latest market developments. Following the visits, reports are

prepared regarding the results of the meetings and these are shared with the relevant departments. Feedback from the suppliers, especially regarding the investments, is shared with the senior management and, if necessary, meetings may be held with the participation of the senior management on the relevant issue. As a result of such discussions, many leading suppliers of the industry were encouraged to invest in Manisa where Vestel Beyaz Eşya's production facilities are located.

- The Company organizes "Technology Days" with its suppliers. Through these events, participants get acquainted with the latest innovations and technologies used in the sector. Suppliers may access the Company's purchasing department whenever they wish by e-mail or phone, in addition to the company visits and meetings.
- The Company includes its suppliers in its product development and production processes. In this context, factory visits are organized for the new suppliers as well as for the sales and R&D teams of the existing suppliers, who want to see the production processes. Information on a new product to be designed by the Company's R&D Department is shared with the suppliers who will provide the key components in the preliminary design stage, and some design revisions can be made to the products in response to the feedback coming from the suppliers. In addition, suppliers' views are taken into account in improving the production processes of the existing products.
- Vestel Beyaz Eşya attaches great importance to the satisfaction of its suppliers. In this context, in order to measure the satisfaction of suppliers, a Survey and Suggestion Section, which is accessible to all suppliers, was created on the Purchasing Portal of the Company. The 360 degree evaluation system was taken into consideration in the design of the survey. All domestic and international suppliers may convey their feedback about Vestel Beyaz Eşya's purchasing practices to the Company via the Survey and Suggestion Section. According to the results of the surveys conducted so far, the suppliers have not reported any problems in areas such as reaching purchasing staff or conveying their demands.
- For Vestel Beyaz Eşya, the development of its suppliers is also of great importance. In this context, the Company's suppliers are evaluated on annual basis by the Management Systems and Customer Relations Department within the scope of TPM activities. Progress is made with the selected companies in line with the "Supplier Development Education System Road Map". Within the scope of this study, the targets of suppliers and the actions to be taken are determined, and evaluations are conducted and based on the results specific trainings are provided to suppliers.

#### 4.3. Human Resources Policy

- The Company's human resources operations are carried out by the Vestel Human Resources Department, which reports to the Zorlu Holding Human Resources Group Head. The Directorate was structured under 4 main organizations including Industrial Relations Directorate, Recruitment and Talent Management Directorate, Training and Personnel Development Directorate and Administrative Affairs Directorate. The Head of Zorlu Holding Human Resources Group is also a member of the Executive Committee of the Vestel Group of Companies, which ensures regular provision of information on employee related issues to management.
- The Company's Human Resources Policy is set forth in writing and covers all the issues related to hiring, promotion, dismissal, compensation, career planning, performance evaluation system, linking performance results to remuneration, and training policies. The employees have been informed about their job descriptions and division of tasks, as well as the performance and compensation criteria through the Human Resources Policy.
- The following are implemented within the scope of the Human Resources Policy:
  - Recruitment, promotion and dismissal criteria are documented in writing. Recruitment and promotion criteria are detailed in the Recruitment Regulation and Promotion Regulation, respectively.
  - Vestel Group has in place a performance evaluation system which is based on individual performance, but is also linked to departmental and company-wide results, and is aimed at contributing to the individual development of employees and the corporate development of the organization. The outcomes from the performance evaluation system are used as an input for remuneration, training and career development.
  - Job evaluation has been performed according to the criteria of the Hay Group Grade system, and the employees were assigned to grades. The remuneration policy has been determined taking into consideration the said grading system and a remuneration system has been established, which is updated in line with the changing conditions.
  - Comprehensive training programs are held for the employees. While the training process is centrally handled for all the Vestel Group of Companies, the whole process takes place on the intranet. Training programs are developed in a comprehensive scope and in a manner to facilitate advancement of employees in their careers. Employees are provided the opportunity to choose training programs in line with their career plans and needs.



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- Vestel Technology Academy was founded mainly for Vestel Group's engineering staff. The Academy provides masters and PhD level educational opportunities to around 200 employees. Additionally, the "Management Trainee" and similar programs are planned and implemented on a yearly basis in order to cultivate qualified managers.
- Two separate career development structures have been set up: promotion and horizontal advancement. The system is run at periods specified in the regulation.
- Employee orientation programs are being carried out. Individual programs are designed specifically for each department and position. The programs present differences in terms of duration and content.
- Periodic information provision to employees is carried out using the corporate portal and the e-mail system. Each unit holds internal meetings at certain intervals. These are production meetings (every morning at factories), departmental meetings (every Monday), happy hour gatherings (on Fridays), quality management meetings (once in every two months), budget meetings (every month) and R&D new product meetings (every month).
- All employees are treated equally and without any discrimination based on ethnic background, religion, language, race, gender and the like whatsoever in all matters involving training, career development and promotion.
- Measures are taken to prevent any practices that might cause discrimination among employees and all personnel are treated equally without any distinctions. There were no complaints from the employees related to discrimination.

### 4.4. Code of Ethics and Social Responsibility

- Vestel Beyaz Eşya's Code of Ethics has been set forth in writing and published on the Company website pursuant to the Public Disclosure Policy. The employees were informed about the Company's Code of Ethics. Utmost care is taken to ensure that the Code of Ethics, which is formulated for the Company, the Board and the employees, is complied with in full.
- Within the scope of its social responsibility, Vestel Beyaz Eşya takes part in the corporate social responsibility projects carried out by its parent company, Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Holding AŞ. Zorlu Group, of which Vestel Beyaz Eşya is a part, took a major step in bringing a global social responsibility dimension to the principles and values espoused since its foundation, by signing the United Nations Global Compact in 2007.
- Vestel Beyaz Eşya fulfills its obligations as a responsible corporate citizen by reducing the environmental impact of its activities, and by manufacturing products which are compatible with the environment. The Company has been manufacturing all its products in compliance with the RoHS (Restriction of the use of certain Hazardous Substances) Directive since June 2006. Accordingly, the Company restricted the use of six heavy metals (lead, mercury, cadmium, chromium+6, PBB, PBDE), which are hazardous to the environment and human life in its products. To ensure that Turkish people live in a healthier environment, Vestel Beyaz Eşya bore the costs resulting from the compliance and started supplying products to the domestic market which conform to the RoHS Directive even before the regulation went into effect in Turkey.
- Parallel to its RoHS efforts, the Company also carries out works in relation to WEEE (Waste of Electrical and Electronic Equipment) Directive. According to this Directive, each brand is responsible for the collection and recycling of wastes related to its products. Vestel Beyaz Eşya is carrying out the necessary preparations with a view to adhering to the WEEE Directive in the most effective manner in coordination with the related governmental bodies.
- In accordance with its global environmental responsibility, Vestel Beyaz Eşya made it a principle ever since its foundation to not to use in its products and production processes the chemicals which deplete the ozone layer or lead to global warming by creating a greenhouse effect. In keeping with this philosophy, gases with very low ODP (ozone depletion potential) and GWP (global warming potential) levels are being used in the production of refrigerators and air conditioners.
- With its environmental policy, Vestel Beyaz Eşya targets an approach which protects and enhances the quality of life of its employees and customers.

Under the Environmental Policy adopted, the Company pledges to:

- Take into account environmental factors when considering new products, projects and operations,
- Reduce the use of harmful materials in its products and production processes, and search for less polluting materials,
- Undertake activities for the reduction, reuse, recycling and recovery of waste,
- Ensure savings of energy, water and natural resources by promoting higher productivity and use of new technology,
- Reduce the consumption of natural resources by using materials which can be recycled,
- Lower environmental pollution to the lowest possible level by developing environmental awareness among all employees through training programs,

- Continuously develop its environmental policy in line with the new objectives and targets determined every year,
  - Research and implement greenhouse gas emission reduction methods,
  - Develop water usage projects which will ensure water savings,
  - Comply with the environmental legislation and administrative regulations in effect.
- Due to the environmental significance of energy efficiency for preventing direct consumption of natural resources, ISO 50001 Energy Management System activities were integrated into the ISO 14001 Management System.

In addition, in order to achieve efficient use of natural resources and electricity, priority is given to the manufacture of A++ and A+++ energy class products at Vestel Beyaz Eşya and research and development activities mainly focus on the development of products, which consume less electricity, water, detergent and gas.

- Under its ISO 50001 Energy Management System, which was certified in 2012, Vestel Beyaz Eşya is committed:
  - To the use of energy efficient and environmentally friendly technologies to continuously improve its energy performance and to ensure economic and environmental sustainability,
  - To benchmark the Company's energy performance with the best practices in the world and with those of its peers for continuous improvement and development,
  - To use renewable energy resources,
  - To cultivate a culture of participation and innovation among stakeholders for continuous improvement in energy saving,
  - To ensure full compliance with the legal requirements,
  - To identify energy efficiency improvement areas by regularly conducting internal and external energy efficiency studies,
  - To ensure the participation of all employees in achieving the Company's energy consumption targets,
  - To raise energy efficiency awareness via training, seminars and visual posters,
  - To support creative ideas for the modification, replacement and improvement of equipment and processes in order to optimize energy consumption.
- Within the scope of the Company's Integrated Management Systems Policy:
  - Environmental awareness leaflets are placed on the panels and behind the bathroom doors which can be seen by the employees. The leaflets are changed on a bi-monthly basis.
  - Within the scope of social responsibility and waste management, 1 battery driven and 43 manual wheelchairs were provided to the relatives of the Company's 44 employees with the plastic lid collection campaign carried out within the Company in 2016.
  - Environmental activities are carried out within TÜRKBEŞD (White Goods Manufacturers' Association of Turkey) through the Environmental Commission, in which the Company's Environment Unit participates on behalf of the Company.
- Climate change is not only an ecological but also a social and economic threat. Vestel Beyaz Eşya views climate change as a significant risk for the world's future and sustainability of the Company, and undertakes important projects in this context. For this reason, the Company carried out studies for the measurement and reduction of its carbon footprint and joined the Carbon Disclosure Project ("CDP"), which has been initiated to encourage companies, investors and governments to gather and share information to help the fight against the threat of climate change. The Company aims to improve its performance by setting carbon-cutting targets by means of disclosing data on its greenhouse gas emissions, climate change strategies and sustainable water consumption to the public and the investors via the CDP.
- Vestel Beyaz Eşya has been successfully implementing the Total Productive Maintenance (TPM) Management System since 2011, and thus, has been progressing in line with its improvement targets each year. The TPM offers an approach which targets zero losses in production and support processes, and requires the involvement of all employees, supports a proactive approach and strives to maximize the effectiveness of the equipment. Under TPM, continuous improvement activities are carried out in all areas and environmental efforts are also supported by the TPM activities.

The Company's environmental gains through the TPM System approach can be listed as follows:

- Maintaining an orderly organization through the 5S methodology, thus reducing pollution and the sources of pollution,
- Improvement activities carried out in the processes, which will affect the environment and energy use, through the Kaizen approach,
- Saving energy and raw materials and reducing the incidence of breakdowns and scatter through the autonomous maintenance approach,

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- Reducing scrap and rework, and thus, waste,
- Continuous improvement activities to increase efficiency and quality.

Vestel Beyaz Eşya was granted the "TPM Excellence Award" by the Japan Institute of Plant Maintenance (JIPM) in recognition of its Total Productive Maintenance practices carried out simultaneously at its refrigerator, washing machine, dishwasher, air conditioner and cooking appliances plants. As the first company in the world to win this award with its 5 facilities at the same time in the white goods sector, Vestel Beyaz Eşya notched up a worldwide success.

- The framework of Vestel Beyaz Eşya's Occupational Health and Safety Policy is as follows:

The Company;

- Fulfills the legal obligations and administrative requirements towards its employees and complies with the rules of the organizations of which it is a member,
  - Ensures continuous improvement by incorporating the international standards, new technologies and employees' suggestions to its practices,
  - Prepares and implements plans to prevent work accidents and occupational diseases by conducting occupational health and safety risk analyses,
  - Provides continuous training to employees to help them adopt the right behavioral habits with regard to potential health and safety risks,
  - Eliminates or minimizes unsafe conditions and unsafe acts in the workplace in order to prevent or reduce occupational accidents, review working conditions on a regular basis and take necessary measures with regard to problematic areas, provide resources for these measures and review the policy in accordance with the changing conditions,
  - Adopts the principle of "the right work for the right employee" in order to prevent or reduce accidents.
- In 2014, Vestel Beyaz Eşya has established breastfeeding rooms for working mothers in many parts of the campus in order for them to provide child care and feeding.
  - At Vestel Group of Companies ("Vestel"), of which Vestel Beyaz Eşya is a part, corporate development is equivalent to social development. With this approach, the Company will continue to firmly support the corporate social responsibility initiatives which add value to society, pioneer new initiatives in this area, and raise the social awareness via promotion of its future oriented and eco-friendly products.
  - Vestel does its utmost to ensure that its corporate social responsibility activities deliver concrete and sustainable benefits to society. As a result, the Company chooses to support long-term projects. Prior to developing social responsibility projects, the Company first identifies the areas in which public support is insufficient or lacking. In the social responsibility initiatives it undertakes, Vestel demonstrates the same high performance and meticulousness which it displays in all of its operations, never compromising its total quality approach.
  - Many projects are carried out at Vestel, where the greatest care is shown for the disabled citizens at every opportunity. These projects are summarized below:
    - On the back of an initiative launched in 2014 in cooperation with the Manisa Branch of ZİÇEV (Foundation for the Training and Protection of Mentally Handicapped Children), Vestel Beyaz Eşya both contributes to fund raising for the Foundation and helps children enjoy the "happiness of producing" by providing them with employment and past time activities.
    - Within the scope of "I am part of life" project, aiming to support young people with Down syndrome and with mental disabilities and to include them in work life by offering them job opportunities at Vestel, 4 young people have been employed at Vestel; two with down syndrome and two with mental disabilities.
    - Vestel does not only consider employment for the handicapped, but also tries to make their lives easier. For this purpose, the Company distributed wheelchairs to 44 handicapped citizens.

Within the last one year, 103 individuals with disabilities have been employed at Vestel Beyaz Eşya, raising the total number of employees with disabilities to 172.

## PART V - BOARD OF DIRECTORS

## 5.1. Structure and Composition of the Board of Directors

Member	Duty	Term of Office	Other Positions Held Within the Group	Positions Held Outside the Group	Status
<b>Ahmet Nazif Zorlu</b>	Chairman	Until 2016 Ordinary General Assembly Meeting	Chairman and Vice Chairman - Zorlu Group Companies	-	Non-executive
<b>Hacı Ahmet Kılıçoğlu</b>	Vice Chairman	Until 2016 Ordinary General Assembly Meeting	Board Member - Vestel Elektronik San. ve Tic. AŞ and Zorlu Enerji Elektrik Üretim AŞ	Board Member - Şeker Mortgage Finansman AŞ, Şekerbank Kıbrıs Ltd., Doğan Gazetecilik AŞ and Doğan Holding	Independent
<b>Olgun Zorlu</b>	Board Member	Until 2016 Ordinary General Assembly Meeting	Board Member	-	Non-executive
<b>Şule Cümbüş</b>	Board Member	Until 2016 Ordinary General Assembly Meeting	Board Member	Chairman of the Board - Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ	Non-executive
<b>İzzet Güvenir</b>	Board Member	Until 2016 Ordinary General Assembly Meeting	-	-	Non-executive
<b>Ali Akın Tarı</b>	Board Member	Until 2016 Ordinary General Assembly Meeting	Vice Chairman - Vestel Elektronik San. ve Tic. AŞ, Vice Chairman - Zorlu Enerji Elektrik Üretim AŞ	Board Member and Audit Committee Member - Dilerbank, Board Member - Diler Holding	Independent



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### Ahmet Nazif Zorlu - Chairman

(1944 - Denizli) Ahmet Nazif Zorlu began his professional career in a family owned textiles business in Denizli, Babadağ. He opened his first textile store in Trabzon, later in 1970 Mr. Zorlu moved the Company's headquarters to Istanbul and laid the foundations of Zorlu Holding with his brother, Zeki Zorlu. Ahmet Zorlu set up his first company, Korteks in 1976 and gathered all of his 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. Zorlu's entrepreneurialism, which began with the textile industry, went on to manifest itself in more companies operating in a wide range of industries, such as household appliances, electronics, energy, property development, metallurgy, and defense.

With a keen interest in civil society organizations, Ahmet Zorlu is a member of the Board of Directors of the Foreign Economic Relations Board, the Turkish Industry and Business Association, the Education and Culture Foundation of the Society of Denizli, the Babadağ Industry and Business Association, and the Turkish Home Textile Industrialists and Businessmen Association. Ahmet Zorlu is the founder of Mehmet Zorlu Education, Health, Culture, and Solidarity Foundation (MZV) and carries out his social responsibility projects through MZV since its foundation in 1999. MZV has built many schools and provides scholarships to a large number of students. Ahmet Zorlu also attaches great importance to the social efforts aimed to boost the Turkish business world's influence abroad. Accordingly, he was awarded the Royal Spanish Order of Civil Merit by King Juan Carlos I of Spain in 2007 for his contribution to developing and strengthening the relations between Spain and Turkey.

### Hacı Ahmet Kılıçoğlu - Vice Chairman

(1956 - Giresun) Hacı Ahmet Kılıçoğlu graduated with a Bachelor's degree and a Master's degree in Economics from the University of Essex. He started his professional career at the Ministry of Industry and Technology in 1979. In 1980 he became an Assistant Specialist at Türkiye İş Bankası and after working in the private sector for a couple of years, Mr. Kılıçoğlu held administrative positions at the United Nations Development Program (UNDP) and the F-16 project. He then took office at Türk Eximbank in 1987, where he worked in various positions. He later served as the CEO of the bank and as a Board Member between 1998 and 2010. He also served as a Board Member at the Banks Association of Turkey between 1998 and 2010 and was elected as the President of the World EximBanks Union (The Berne Union) in 2001. Mr. Kılıçoğlu also served as a Consultant to the President at the Islamic Development Bank between 2008 and 2009 and as a Vice Chairman at Denizbank in 2010. In addition to his position as a Board Member at Vestel Beyaz Eşya, Mr. Kılıçoğlu also serves as a Board Member at Vestel Elektronik and Zorlu Enerji, which are Zorlu Group Companies. He is also a Board Member at Şeker Mortgage Finansman AŞ, Şekerbank Kıbrıs Ltd., Doğan Gazetecilik AŞ and Doğan Holding AŞ.

### Olgun Zorlu - Board Member

(1965 - Trabzon) Upon completing his higher education in textiles and business administration in the UK, Mr. Olgun Zorlu began his professional career in 1986. He 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 Beyaz Eşya Sanayi ve Ticaret AŞ, Mr. Zorlu has also been serving as a Board Member at Zorlu Holding and various other Zorlu Group companies.

### Şule Cümbüş - Board Member

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

### İzzet Güvenir - Board Member

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

### Ali Akın Tarı - Board Member

(1943 - Koruköy) After his graduation from the Istanbul Law Faculty, Ali Akın Tarı served as a Tax Inspector and as a Chief Tax Inspector at the Ministry of Finance between 1972 and 1986. He was appointed as the Vice-President of the Tax Inspectors Board in 1986 and Group Head of the Istanbul Tax Inspectors Board in 1989, and continued to serve in this position until he was appointed as a Board Member of the Banking Regulation and Supervision Agency in 2001. He was also elected as a Board Member to the Savings Deposit Insurance Fund in the same year. He left his position at the Banking Regulation and Supervision Agency when his period of duty expired in 2004, and was appointed as a Consultant for the Ministry of Finance. Mr. Tarı served in this position until 2007, when he voluntarily left his position in the public sector to work in different areas in the private sector. Mr. Tarı became a member of the Board of Directors and the Audit Committee of Dilerbank in 2008; in addition to this position, he was appointed as a member of the Board of Directors of Diler Holding in 2011. Besides his position as a Board Member at Vestel Beyaz Eşya, Mr. Tarı also serves as a Board Member at Vestel Elektronik and Zorlu Enerji.

The Chairman of the Executive Committee is Enis Turan Erdoğan.

### Enis Turan Erdoğan - Chairman of the Executive Committee

(1955 - Mersin) Enis Turan Erdoğan graduated from the Department of Mechanical Engineering at Istanbul Technical University in 1976 and completed a master's degree in Production Management at Brunel University in the UK in 1979. After serving in managerial positions for various firms in Turkey, Mr. Erdoğan joined Vestel in 1988. Having held various managerial positions at Vestel since 1988, he served as the President of Vestel Foreign Trade and a member of the Executive Committee of Vestel Elektronik until 2013. Turan Erdoğan was appointed as the Chairman of the Executive Committee of the Vestel Group of Companies on January 1, 2013. Mr. Erdoğan served as the President of TURKTRADE (Turkish Foreign Trade Association) for two periods between 2002 and 2006 before being the first Turkish citizen to be appointed as a Board Member of Europe's largest ICT Confederation, DIGITALEUROPE, a position which he held between 2010 and 2014.

- The Company's Board of Directors is structured to provide the highest level of efficiency and effectiveness. The Company pays utmost attention to compliance with the Capital Market Law and CMB regulations in this area.
- The Board of Directors has the powers and duties set forth in the relevant articles of the Turkish Commercial Code and the Article 11 of the Company's Articles of Association.
- Vestel Beyaz Eşya's Board of Directors consists of 6 members. Four of the six members of the Board are non-executive members and two are independent members. In accordance with the CMB's Communiqué on Corporate Governance, there are two independent Directors on the Board who can perform their duties without being influenced.
- There are no restrictions with respect to the Board members taking up other duty or duties outside the Company, but the regulations set forth in the Corporate Governance Principles are complied with in this regard.
- The Chairman of the Board and the Chairman of the Executive Committee are different individuals: The Chairman of the Board is Ahmet Nazif Zorlu and Chairman of the Executive Committee is Enis Turan Erdoğan.
- Prior to the General Assembly Meeting for the year 2015, two independent Board member candidates were presented to the Corporate Governance Committee, which also fulfills the duties of the Nomination Committee. The candidates for the independent board membership submitted their written statement of independence within the framework of the legislation, Articles of Association and the independence criteria set forth in the Corporate Governance Communiqué to the Corporate Governance Committee at the time of their nomination. The Committee submitted its assessment reports on whether these candidates fulfill the independence criteria to the Board of Directors on March 24, 2016. Upon a resolution by the Board of Directors dated March 28, 2016 and numbered 2016/9, it was decided that these candidates would be submitted to the approval of shareholders at the General Assembly to become independent Board members. The Board's proposal was approved by the shareholders at the 2015 General Assembly Meeting held on April 26, 2016. Information on the independent Board member candidates was disclosed to the public with the General Assembly Information Document published together with the General Assembly invitation.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Statement of independence of the independent board member candidates is provided herein below:

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

- a) Within the last five years, no employment relationship has been established between me, my spouse and my relatives by blood or marriage up to second degree and the Company, the affiliated companies which the Company controls the management of or has material influence over, shareholders who control the management of or have material influence over the Company and legal entities which these shareholders control the management of, in an executive position with significant duties and responsibilities, nor have I/we individually or jointly held more than 5% of the share capital or voting rights or privileged shares in or established a material business relationship with the same,
  - b) Within the last five years, I have not been a shareholder (5% and more) or held an executive position with significant duties and responsibilities or served as a Board member in any company from or to which the Company purchases or sells a significant quantity of products or services based on the agreements made during the periods these products or services were sold or purchased including particularly those companies which provide auditing (including tax audit, legal audit and internal audit), rating and consultancy services to the Company,
  - c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent Board member,
  - d) I will not be working as a full time employee at any public institution or organization after being elected as a Board member with the exception of working as a faculty member at a university provided that this is in compliance with the relevant legislation,
  - e) I am deemed to be a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193,
  - f) I have strong ethical standards, professional reputation and experience which will allow me to make positive contributions to the operations of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,
  - g) I will be able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the Company activities and to duly perform the duties I shall assume,
  - h) I have not served as a Board member on 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."
- Board Members Hacı Ahmet Kılıçoğlu and Ali Akın Tari are independent members who fulfill the independence criteria envisaged in the CMB's Corporate Governance Principles. No circumstances occurred during the reporting period to end the independence status of the independent Board members.
  - Currently, one female member serves on the Company's Board of Directors, and it is among the Company's medium-term targets to reach the minimum 25% ratio set in the Corporate Governance Principles for the female Directors. However, a policy has not yet been devised towards achieving this goal.

### 5.2. Operating Principles of the Board of Directors

- The gathering procedures and frequency of Board meetings are set forth in the Company's Articles of Association.
- Agendas for the Board meetings are determined by the Chairman and Board Members. Requests coming from the Company management are also taken into account when setting the meeting agendas.

- Article 10 of the Company's Articles of Association stipulates that Board meetings shall be held as and when deemed necessary, and at least once a month. The Board of Directors shall be convened by the Chairman of the Board or the Deputy Chairman when the Chairman is not available. Any member may request from the Chairman to call the Board for a meeting. In order to increase the attendance at the meetings, the meeting dates are determined and notified to the Board Members at the beginning of the year. As a result, Board Members are given the opportunity to adjust their schedules according to meeting dates. As another measure to increase attendance at the meetings, the following article was added to the Company's Articles of Association: "The Board membership of a Board Member who fails to participate in three consecutive meetings without the Board's permission is deemed to be null and void."
- The Board of Directors convenes with absolute majority and resolves with the majority of those present at the meetings.
- During 2016, the Board of Directors passed 39 decisions in 32 meetings held. The meeting attendance rate was 100%, and all the decisions were passed with the unanimous votes of the attendants.
- Invitation to the meetings is made via e-mail at least 7 days before the meeting. The secretariat, which has been set up within the Company to report to the Board of Directors, provides the Board Members with the agenda and the documents related to the matters on the agenda, together with the invitation.
- Reasonable and detailed justifications for dissenting votes are required to be entered into the records on matters for which there were differing opinions at the Board meetings. The dissenting opinions and votes of the independent board members are disclosed to the public. However, to date there has never been an instance of differing opinions by the independent members or the other members at the Board meetings.
- No Board Member, including the Chairman, has a preferential voting right or the right to veto the Board's decisions. Each member possesses an equal vote.
- The Board decisions relating to all kinds of related party transactions of the Company are taken with the approval of the majority of the independent board members in accordance with the Corporate Governance Principles.
- Zorlu Holding AŞ, the indirect controlling shareholder of the Company, has purchased a Directors & Officers Liability Policy to cover the losses which may be suffered due to the wrongful acts of the Board members in the execution of their duties. The Policy covers Zorlu Group Companies including Vestel Beyaz Eşya. The total annual liability limit of the policy exceeds 25% of Vestel Beyaz Eşya's share capital.

### 5.3. Number, Structure and Independence of the Board Committees

- In order to help the Board of Directors to perform its duties and responsibilities more effectively, a Corporate Governance Committee, an Early Detection of Risk Committee and an Audit Committee have been set up, all three 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 chairmen of the other committees are elected from among the independent members of the Board. In accordance with the Principles, the Chief Executive Officer does not serve on the committees.
- The independent board members, Mr. Ali Akın Tarı and Mr. Hacı Ahmet Kılıçoğlu 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.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 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 the financial information, independent auditing and the operation and efficiency of the Company's internal control and internal audit system.
- Pursuant to the CMB's Communiqué on Corporate Governance No. II-17.1, the "Working Principles of the Audit Committee" were revised and approved at the Board of Directors' meeting dated March 27, 2014. The revised version of the working principles was disclosed to the 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. Ali Akın Tarı, and the other member is Mr. Hacı Ahmet Kılıçoğlu.

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 27 April 2016:

Committee Members	Duty	Status
<b>Ali Akın Tarı</b>	Chairman of the Committee	Independent Board Member
<b>Hacı Ahmet Kılıçoğlu</b>	Member of the Committee	Independent Board Member

- In principle, the Audit Committee shall convene at least four times a year, being once in each quarter.
- The Committee convened 6 times in 2016.
- The Board of Directors' secretariat is responsible for keeping the records of the decisions made by the Committee, as well as the minutes of the meetings.
- The Audit Committee can obtain independent expert opinions on matters which it deems necessary with regard to its activities. The costs of consultancy services required by the Audit Committee are borne by the Company.
- The Committee carries out its activities in line with the working principles put into writing in detail.
- In 2016, the Audit Committee performed the following functions:
  - 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,
  - Election of the independent audit firm, preparation of the independent audit contract and initiation of the independent audit process,
  - Following up of the effectiveness and performance of the independent audit activity,
  - Supervision of the operation and efficiency of the internal control and internal audit system,
  - Conducting studies on the efficiency and adequacy of the internal control system and reporting its evaluations to the Board of Directors,
  - Review and approval 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 the 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. Ali Akin Tari, 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 27 April 2016:

Committee Members	Duty	Status
<b>Ali Akin Tari</b>	Chairman of the Committee	Independent Board Member
<b>Olgun Zorlu</b>	Member of the Committee	Non-executive Board Member
<b>Serap Mutlu</b>	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 3 times in 2016.
- The activities carried out by the Corporate Governance Committee in 2016, 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.

### 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 the shareholders via the Public Disclosure Platform and the Company website.
- The Early Detection of Risk Committee is composed of at least two Board members. In case the Committee has only two members, both of them, and in case it has more than two members, the majority of them, must be non-executive Board members. The Chairman of the Committee is the independent Board member, Mr. Hacı Ahmet Kılıçoğlu. The other member is Mrs. Şule Cümbüş.
- Early Detection of Risk Committee submits a report to the Board of Directors once in every two months.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 27 April 2016:

Committee Members	Duty	Status
Hacı Ahmet Kılıçoğlu	Chairman of the Committee	Independent Board Member
Şule Cümbüş	Member of the Committee	Non-executive Board Member

- The Early Detection of Risk Committee convenes as frequently as necessitated for the efficiency of its activities and in principle at least three times a year. The Committee held 6 meetings in 2016 and presented 6 risk reports to the Board of Directors.
- The activities carried out by the Committee in 2016, 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 containing strategic, financial and operational risks which are critically important for the Company.
  - Risks were evaluated in two different ways, namely, with (residual risk) and without (inherent risk) taking into account the efficiency performance of the existing control and precaution measures.
  - Inherent and residual risks contained in the risk reports were evaluated based on the 4-tier scale (Acceptable, Acceptable with Control, Undesired, Unacceptable).
  - Sector and company based risks contained in the risk reports were grouped under 9 main risk headings (External Environment, Operational, Authorization, Information Technology and Technology, Honesty/Integrity, Financial, Process/Operational, Reporting and Strategic) according to COSO (The Committee of Sponsoring Organizations of the Treadway Commission) risk taxonomy.
  - As a result of these assessments, it was seen that risks were generally gathered under the main headings of External Environment, Operational, Financial and Strategic Risks.
  - As a result of the risk inventory and risk management analyses, risk reports were prepared and submitted to the Committee in order to ensure early detection of risks which may jeopardize the Company's existence, development and continuity and adoption of the necessary measures against the detected risks and management of risk.

These reports were as follows:

- o The Turkish and Global Consumer Electronics Retail Market,
- o The LCD Panel Market,
- o The Evaluation of Vestel Beyaz Eşya's Financial Performance for the Year 2015,
- o The Evaluation of Risk Management Systems of Consumer Electronics Companies,
- o The Impact of Brexit on the Global and Turkish Economy & Brexit Risk Management,
- o The Evaluation of the Year 2016 in terms of Product Recalls.
- Risks and action plans are recorded into and followed-up through the SAP GRC (Governance, Risk and Compliance) System by the Enterprise Risk Management Department.

### 5.4. Risk Management and Internal Control Mechanism

- Zorlu Holding Enterprise Risk Management Department was founded in 2012 with the purpose of early detecting the risks which may jeopardize the existence, development and continuity of Vestel Beyaz Eşya, taking the necessary measures against these risks, and managing the risks in a centralized manner. The Zorlu Holding Risk Policy and Procedure and Enterprise Risk Management Framework, which are applicable to all Zorlu Group companies, form the basis for the Group's risk management activities.
- The Company makes intensive use of information technologies and uses the SAP system to secure internal control. Through the SAP system, all the integrated business processes in the Company are carried out/registered on the information systems, thus granting increased speed and productivity to the business. Efficient use of these systems allows employees and managers to easily access all sorts of information and reports that concern them in line with their authorities. Vestel Beyaz Eşya employs the SAP GRC (Governance, Risk and Compliance) system to monitor the risks which the Company is exposed to.
- The Company's internal control systems are evaluated with a risk-focused approach by taking into account the risks which are identified through the risk management analysis and/or during the internal control activities and by taking into account the related actions for

risk mitigation. During the course of its activities carried out in line with its vision and mission, the Company may become exposed to risks related with the strategic goals, financial position, operational activities, legislation, occupational health and safety, and protection of assets and reputation. In order to accurately define and manage these risks, Zorlu Holding Enterprise Risk Management philosophy is summarized below:

- Incorporating risks into the decision-making mechanisms by establishing risk awareness and risk culture throughout the Company,
  - Collaborating to reveal the risks and opportunities that may have an impact on the Company's targets based on a shared perception,
  - Defining and evaluating risks according to their impact and probability,
  - Proactively managing these risks through the best actions taken in accordance with the risk appetite.
- Founded on 15 March 2013, the Early Detection of Risk Committee is involved in the early detection of risks which could jeopardize the existence, development and continuity of the Company, implementation of the necessary measures against the identified risks, and management of risks for the purposes of achieving compliance with the Article 378 of the Turkish Commercial Code No. 6102 and for coordinated risk management.
  - The Internal Audit Department reviews the efficiency and effectiveness of these systems at certain intervals in accordance with the approved annual plans and reports the results to the Board of Directors for necessary action. As in other Zorlu Group Companies, the effectiveness and efficiency of these systems are reviewed by the Internal Audit Department within the Zorlu Holding General Directorate of Audit and Internal Control through the audit activities carried out in line with the risk-based annual audit program. The annual audit program is approved by the Board of Directors and the findings are reported to the Board.
  - Periodical meetings are held between the Internal Audit Department and the Audit Committee, where planned and actual audits during the year are evaluated and the findings are shared. At these meetings, necessary action plans and follow-up results for these actions as well as plans for the following period are also reviewed.

### 5.5. Strategic Targets of the Company

- In addition to managing and representing the Company with a rational and prudent risk approach which optimizes the balance between growth, risk and return and which observes the Company's long-term interests, the Board of Directors is also responsible for achievement of the Company's pre-set financial and operational targets.
- The Board of Directors or the management may formulate opinions on the Company's strategic targets.
- The Board of Directors always seeks the opinions of the managers on the targets they set. The targets set by the managers are first discussed at the relevant management level, then presented to the Board of Directors and finally approved by the Board. Managers can be invited to the meetings on strategic targets. Actions to achieve the approved targets are initiated as soon as possible; the results are regularly monitored throughout the year by the managers and reported to the Board of Directors.
- The Board of Directors holds an evaluation meeting at least once a year in order to review the Company's operational performance and degree of target achievement.

### 5.6. Financial Benefits

- The Company's Remuneration Policy for the Board Members and Executive Managers, which has been accepted by the Board of Directors' decision dated 18 May 2012 and made available for the information of shareholders on the Company website pursuant to the Corporate Governance Principles, was amended in line with the new Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance, and was publicly disclosed on 26 March 2014 on the Public Disclosure Platform and was also made available for the information of shareholders via the Company website.
- The attendance fees to be paid to Board members are determined each year at the General Assembly Meeting. The fee is determined according to the Board Member's status (whether independent or executive), responsibilities, seniority, know-how, skills and experience. Also comparisons are made with the attendance fees paid by the peer companies in the industry.
- Vestel Beyaz Eşya's Board members were paid a total gross sum of TL 111,000.00 as an attendance fee in 2016, commensurate with the practices of the peer companies in the sector. The amounts for 2017 will be decided at the 2016 Ordinary General Assembly Meeting. No other benefits are provided to Board members.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- There is no rewarding scheme based on the performance measurement for the Board members.
- The Company does not use payment plans such as dividends, stock options or payment options based on the Company's performance in the remuneration of the independent Board members.
- The salaries of Vestel Beyaz Eşya's Executive Managers are determined by the Board of Directors. In addition, Executive Managers may be entitled to bonus payments at the end of the year, in line with the Company's financial performance and their respective contribution to this performance. The amounts of such bonus payments are determined by the Board of Directors. The "Senior Executive Remuneration Policy" is determined in accordance with the size of the Company's production and sales activities, the extensiveness of its operations, existence of international operations, the number of employees, the level of knowledge required to manage the operations, the characteristics of the sector, the competitive environment, and the level of salaries paid by the peer companies.
- Remunerations provided to the Company's Chairman, Board Members and Executive Managers are disclosed in the footnotes of the financial statements and in the annual report on a cumulative basis. In this regard, the total amount of remunerations paid to the above during the 12 months ending on 31 December 2016 was TL 6,023 thousand (01.01-31.12.2015: TL 5,534 thousand).
- During 2016, the Company did not lend money or make credit available to any Board Member or Executive Manager, did not extend the maturity of the existing loans nor improved conditions, did not lend any credit via a third party under the name of a personal loan or grant any guarantee such as surety in their favor.

## THE 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 27 April 2016 the Board of Directors resolved to:

- Elect Mr. Ali Akın Tarı, Independent Member of the Board, as the Chairman of the Corporate Governance Committee and Mr. Olgun Zorlu, Board Member, and Ms. Serap Mutlu, Investor Relations Director, as the Committee members,
- Elect Mr. Ali Akın Tarı, Independent Member of the Board, as the Chairman of the Audit Committee and Mr. Hacı Ahmet Kılıçoğlu, Independent Member of the Board, as the Committee Member,
- Elect Mr. Hacı Ahmet Kılıçoğlu, Independent Member of the Board, as the Chairman of the Early Detection of Risk Committee and Mrs. Şule Cümbüş, Board Member, as the 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 March 27, 2014. The revised Working Principles were announced to the public via the Public Disclosure Platform and the Company's website (<http://vesbe.vestelinvestorrelations.com/>).

In 2016, the Board Committees performed their duties and responsibilities 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 2016:

- Corporate Governance Committee met twice on 5 July 2016 and 23 December 2016,
- Corporate Governance Committee convened on 24 March 2016 in order to fulfill the duties of the Nomination Committee,
- Audit Committee met 6 times on 12 February 2016, 24 March 2016, 25 April 2016, 26 April 2016, 29 July 2016 and 21 October 2016,
- Early Detection of Risk Committee met 6 times on 25 February 2016, 24 March 2016, 26 May 2016, 18 August 2016, 20 October 2016 and 24 November 2016.

The Committees submitted reports to the Board regarding the results of their meetings held during the year.

According to these meetings;

- The Corporate Governance Committee, established in line with the Capital Markets Board's Communiqué on Corporate Governance to monitor the Company's compliance with the Corporate Governance Principles, carry out studies for improvement and make proposals to the Board in order to improve the implementation of corporate governance practices, identified whether the Corporate Governance Principles were implemented at the Company, assessed the rationale for incompliance, if any and the conflicts of interest caused by such incompliance and made recommendations to the Board of Directors to improve the corporate governance practices, oversaw the activities of the Investor Relations Department and carried out studies to fulfill the criteria for the BIST Sustainability Index within the scope of the Company's application for inclusion in the said index on a voluntary basis.
- The Corporate Governance Committee also fulfills the duties of the Nomination Committee. As part of its duties for the Nomination Committee, the Corporate Governance Committee evaluated the applications for independent Board membership by assessing the independence status of the candidates according to the independence criteria. The Committee prepared a report on its evaluations and submitted it to the Board for approval.
- The Audit Committee, which was established for the supervision of the Company's accounting system, the independent audit, public disclosure of the financial information, and the 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.
- 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 the 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 risks in strategic, financial and operational areas which have critical importance for the Company and prepared and submitted six Risk Reports to the Board within the scope of its duties set forth in its Working Principles.



## AGENDA FOR THE 2016 ORDINARY GENERAL ASSEMBLY MEETING

1. Opening, the moment of silence and election of the Presidential Board,
2. Authorization of the Presidential Board for signing the minutes of the General Assembly Meeting,
3. Review and discussion of the 2016 Annual Report of the Board of Directors,
4. Review of the Summary Statement of the Independent Audit Report for the fiscal year 2016,
5. Review, discussion and approval of the Financial Statements for the fiscal year 2016,
6. Acquittal of the members of the Board of Directors severally for their activities and transactions in relation to the Company for the year 2016,
7. Determination of the number and the tenure of office for the members of the Board of Directors and election of the Board members including the Independent Directors,
8. Determination of the remuneration for the members of the Board of Directors for the year 2017,
9. Discussion and approval of the Board of Directors' proposal for dividend distribution for the year 2016 and the date of distribution,
10. Granting authorization to the members of the Board of Directors for performing the transactions stated in the Articles 395 and 396 of the Turkish Commercial Code,
11. Discussion and approval of the Board of Directors' proposal regarding the selection of the independent audit company for auditing the Company's accounts and transactions for the fiscal year 2017 in accordance with the Capital Market Law and the Turkish Commercial Code,
12. Informing the General Assembly about the donations and aids made in 2016; discussion and approval of the upper limit for the donations to be made during the period of 1 January-31 December 2017,
13. Informing the General Assembly about the collaterals, pledges, mortgages and sureties granted by the Company in favor of third parties and the income and benefits generated therefrom in 2016 in accordance with the CMB regulations,
14. Closing.

## DIVIDEND DISTRIBUTION POLICY

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

The 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 domestic and global economic conditions and the 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 website.

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

### Board's Proposal for Profit Distribution for the Year 2016

The Company's Board of Directors took the following decisions at its meeting on 11 April 2017.

Vestel Beyaz Eşya Sanayi ve Ticaret AŞ recorded TL 325,005,000 of net profit in its CMB financial statements prepared within the framework of the Communiqué on the Principles of Financial Reporting in Capital Markets numbered II-14.1 and in compliance with the Turkish Accounting Standards/Turkish Financial Reporting Standards and audited by PwC Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik AŞ; and TL 351,152,222 of net profit in its statutory financial statements.

After deducting the 5% first legal reserve amounting TL 17,557,611, which has to be set aside in accordance with the Article 519 of the Turkish Commercial Code, from the TL 325,005,000 of net profit recorded in CMB financials and adding to this amount the TL 3,017,167 of donations made during the year 2016, the base for the first dividend is calculated as TL 310,464,556. In accordance with the Company's Articles of Association and Dividend Distribution Policy, the first dividend is determined as TL 77,616,139, which is calculated as 25% of the distributable profit in CMB financials.

After deducting the first dividend from the TL 307,447,389 of distributable profit based on CMB financials and setting aside a second legal reserve of TL 17,050,000, of the remaining amount TL 102,383,861 is decided to be distributed as a second dividend to shareholders and the remaining TL 136,544,610 based on statutory financials is decided to be set aside as an Extraordinary Reserve.

Accordingly, the Company's Board of Directors resolved to propose the distribution of TL180,000,000 of gross cash dividends (as first and second dividends), corresponding to a gross cash dividend of TL 0.9474 and net cash dividend of TL 0.8053 per share from May 15, 2017, to submit this decision to the approval of shareholders at the General Assembly Meeting, which will be held on 9 May 2017 and to announce this proposal together with the annexed Dividend Distribution Table on the Public Disclosure Platform and the Company's website.

## **CONCLUSION SECTION OF THE AFFILIATION REPORT PREPARED PURSUANT TO THE ARTICLE 199 OF THE TURKISH COMMERCIAL CODE**

In accordance with the provisions of the Turkish Commercial Code (TCC), Vestel Beyaz Eşya was an affiliated company of Zorlu Holding AŞ Group of Companies during the fiscal year 2016. Pursuant to the Article 199 of TCC, the Company's Board of Directors issued the following declaration in the Affiliation Report which it has prepared regarding its relations with the controlling company or an affiliated company of the controlling company:

"During 2016, our Company did not enter into any legal transaction on behalf of Zorlu Holding AŞ (our controlling company) or its affiliates and did not take or avoid any measures to benefit Zorlu Holding AŞ or its affiliates under the direction of Zorlu Holding AŞ".

## STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

To the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ

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

- a) Within the last five years, no employment relationship has been established between me, my spouse and my relatives by blood or marriage up to second degree and the Company, the affiliated companies which the Company controls the management of or has material influence over, shareholders who control the management of or have material influence over the Company and legal entities which these shareholders control the management of, in an executive position with significant duties and responsibilities, nor have I/we individually or jointly held more than 5% of the share capital or voting rights or privileged shares in or established a material business relationship with the same,
- b) Within the last five years, I have not been a shareholder (5% and more) or held an executive position with significant duties and responsibilities or served as a Board member in any company from or to which the Company purchases or sells a significant quantity of products or services based on the agreements made during the periods these products or services were sold or purchased including particularly those companies which provide auditing (including tax audit, legal audit and internal audit), rating and consultancy services to the Company,
- c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent Board member,
- d) I will not be working as a full time employee at any public institution or organization after being elected as a Board member with the exception of working as a faculty member at a university provided that this is in compliance with the relevant legislation,
- e) I am deemed to be a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193,
- f) I have strong ethical standards, professional reputation and experience which will allow me to make positive contributions to the operations of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,
- g) I will be able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the Company activities and to duly perform the duties I shall assume,
- h) I have not served as a Board member on 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.



Hacı Ahmet Kılıçoğlu

## STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

To the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ

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

- a) Within the last five years, no employment relationship has been established between me, my spouse and my relatives by blood or marriage up to second degree and the Company, the affiliated companies which the Company controls the management of or has material influence over, shareholders who control the management of or have material influence over the Company and legal entities which these shareholders control the management of, in an executive position with significant duties and responsibilities, nor have I/we individually or jointly held more than 5% of the share capital or voting rights or privileged shares in or established a material business relationship with the same,
- b) Within the last five years, I have not been a shareholder (5% and more) or held an executive position with significant duties and responsibilities or served as a Board member in any company from or to which the Company purchases or sells a significant quantity of products or services based on the agreements made during the periods these products or services were sold or purchased including particularly those companies which provide auditing (including tax audit, legal audit and internal audit), rating and consultancy services to the Company,
- c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent Board member,
- d) I will not be working as a full time employee at any public institution or organization after being elected as a Board member with the exception of working as a faculty member at a university provided that this is in compliance with the relevant legislation,
- e) I am deemed to be a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193,
- f) I have strong ethical standards, professional reputation and experience which will allow me to make positive contributions to the operations of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,
- g) I will be able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the Company activities and to duly perform the duties I shall assume,
- h) I have not served as a Board member on 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.



Ali Akın TARI



## STATEMENT OF RESPONSIBILITY

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS AND ANNUAL REPORT

RESOLUTION DATE: 08.02.2017

RESOLUTION NUMBER: 2017/4

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

We hereby declare that:


- We have reviewed our Company's financial statements and annual report for the fiscal year ended 31 December 2016, which have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards published by the Public Oversight Accounting and Auditing Standards Authority pursuant to the provisions of the Capital Markets Board's Communiqué on the "Principles of Financial Reporting in Capital Markets" No. II-14.1 and approved by the Board of Directors' decision dated 8 February 2017 and numbered 2017/4,
- Based on the information we possess within the scope of our duties and responsibilities in the Company, the financial statements and the annual report do not contain any incorrect statement or any omission of material facts which may result in a misleading conclusion as of the date of the issuance,
- Based on the information we possess within the scope of our duties and responsibilities in the Company, the financial statements prepared in accordance with the financial reporting standards in effect provide an accurate view of the assets, liabilities, financial position and profit (loss) of the Company, and the annual report provides an accurate view of the development and performance of the business and the financial position of the Company along with the principal risks and uncertainties the Company is exposed to.

Sincerely,

Hacı Ahmet KILIÇOĞLU  
Vice Chairman

Ali Akın TARI  
Board Member

Alp DAYI  
Financial Affairs Coordinator




Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## INDEPENDENT AUDITOR'S REPORT



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

### *Report on the Financial Statements*

1. We have audited the accompanying financial statements of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2016 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

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

### *Independent Auditor's Responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Independent Auditing Standards that part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. as at 31 December 2016 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## INDEPENDENT AUDITOR'S REPORT



### *Other Responsibilities Arising From Regulatory Requirements*

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 9 February 2017.
6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

A handwritten signature in black ink, appearing to read 'Mehmet Karakurt', with a large, stylized flourish extending from the end of the signature.

Mehmet Karakurt, SMMM  
Partner

Istanbul, 9 February 2017

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Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

**BALANCE SHEETS AS OF 31 DECEMBER 2016 AND 31 DECEMBER 2015**

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

	Footnotes	Audited 31 December 2016	Audited 31 December 2015
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	4	12.829	88.687
Trade Receivables		1.186.044	824.585
Trade Receivables Due From Related Parties	6	1.182.807	818.706
Trade Receivables Due From Unrelated Parties	7	3.237	5.879
Other Receivables		336.710	98.237
Other Receivables Due From Related Parties	6	258.612	-
Other Receivables Due From Unrelated Parties	8	78.098	98.237
Derivative Financial Assets		26.404	21.072
Derivative Financial Assets Held for Trading	27	2.922	11.535
Derivative Financial Assets Held for Hedging	27	23.482	9.537
Inventories	9	244.446	261.376
Prepayments		11.066	10.306
Prepayments to Unrelated Parties	10	11.066	10.306
Current Tax Assets	25	-	13.460
Other Current Assets		1.212	292
Other Current Assets Due From Unrelated Parties	17	1.212	292
<b>TOTAL CURRENT ASSETS</b>		<b>1.818.711</b>	<b>1.318.015</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipments		327.965	314.570
Land and Premises	11	6.547	6.547
Land Improvements	11	875	885
Buildings	11	40.247	39.854
Machinery and Equipments	11	254.966	243.743
Vehicles	11	215	189
Fixtures and Fittings	11	15.028	15.352
Leasehold Improvements	11	3.144	3.366
Construction in Progress	11	6.943	4.634
Intangible Assets and Goodwill		97.030	84.963
Other Rights	12	22	25
Capitalized Development Costs	12	89.931	78.555
Other Intangible Assets	12	7.077	6.383
Prepayments		41.741	3.752
Prepayments to Unrelated Parties	10	41.741	3.752
Deferred Tax Asset	25	2.056	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>468.792</b>	<b>403.285</b>
<b>TOTAL ASSETS</b>		<b>2.287.503</b>	<b>1.721.300</b>

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

**BALANCE SHEETS AS OF 31 DECEMBER 2016 AND 31 DECEMBER 2015**

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

	Footnotes	Audited 31 December 2016	Audited 31 December 2015
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Current Borrowings		26.407	86
Current Borrowings From Unrelated Parties		26.407	86
Bank Loans	5	26.407	86
Current Portion of Non-current Borrowings		15.691	5.887
Current Portion of Non-current Borrowings from Unrelated Parties		15.691	5.887
Bank Loans	5	15.691	5.887
Trade Payables		840.474	730.650
Trade Payables to Related Parties	6	23.448	25.198
Trade Payables to Unrelated Parties	7	817.026	705.452
Employee Benefit Obligations	16	23.763	20.054
Other Payables		52.999	-
Other Payables to Related Parties	6	52.999	-
Derivative Financial Liabilities		27.853	616
Derivative Financial Liabilities Held for Trading	27	27.853	616
Current Tax Liabilities, Current	25	3.185	-
Current Provisions		1.620	1.358
Other Current Provisions	14	1.620	1.358
Other Current Liabilities		10.249	6.470
Other Current Liabilities to Unrelated Parties	17	10.249	6.470
<b>TOTAL CURRENT LIABILITIES</b>		<b>1.002.241</b>	<b>765.121</b>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings		206.611	54.516
Long Term Borrowings From Unrelated Parties		206.611	54.516
Bank Loans	5	206.611	54.516
Other Payables		134.261	160.438
Other Payables to Related Parties	6	134.261	160.438
Non-current Provisions		24.459	21.907
Non-current Provisions for Employee Benefits	16	24.459	21.907
Deferred Tax Liabilities	25	-	5.045
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>365.331</b>	<b>241.906</b>
<b>TOTAL LIABILITIES</b>		<b>1.367.572</b>	<b>1.007.027</b>

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

**BALANCE SHEETS AS OF 31 DECEMBER 2016 AND 31 DECEMBER 2015**

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

	Footnotes	Audited 31 December 2016	Audited 31 December 2015
<b>EQUITY</b>			
Equity attributable to owners of parent		919.931	714.273
Issued Capital	18	190.000	190.000
Inflation Adjustments on Capital	18	9.734	9.734
Share Premium (Discount)	18	109.031	109.031
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		(3.313)	(3.686)
Gains (Losses) on Revaluation and Remeasurement		(3.313)	(3.686)
Gains (Losses) on Remeasurements of Defined Benefit Plans		(3.313)	(3.686)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		18.786	7.629
Gains (Losses) on Hedge		18.786	7.629
Gains (Losses) on Cash Flow Hedges		18.786	7.629
Restricted Reserves Appropriated From Profits		77.019	57.354
Legal Reserves	18	77.019	57.354
Prior Years' Profits or Losses	18	193.669	180.316
Current Period Net Profit Or Loss		325.005	163.895
<b>TOTAL EQUITY</b>		<b>919.931</b>	<b>714.273</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2.287.503</b>	<b>1.721.300</b>

Financial statements for the period 1 January - 31 December 2016 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 8 February 2017. General Assembly and specified regulatory bodies have the right to make amendments to statutory financial statements after issue.

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015

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

	Footnotes	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
<b>PROFIT OR LOSS</b>			
Revenue	19	3.037.017	2.524.068
Cost of Sales	19	(2.546.704)	(2.151.671)
<b>GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS</b>		<b>490.313</b>	<b>372.397</b>
<b>GROSS PROFIT (LOSS)</b>		<b>490.313</b>	<b>372.397</b>
General Administrative Expenses	21	(47.395)	(45.925)
Marketing Expenses	21	(46.926)	(40.606)
Research and Development Expense	21	(31.351)	(25.666)
Other Income from Operating Activities	22	164.643	155.451
Other Expenses from Operating Activities	22	(142.519)	(150.492)
<b>PROFIT (LOSS) FROM OPERATING ACTIVITIES</b>		<b>386.765</b>	<b>265.159</b>
<b>PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)</b>		<b>386.765</b>	<b>265.159</b>
Finance Income	23	109.985	186.021
Finance Costs	23	(162.977)	(274.239)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX</b>		<b>333.773</b>	<b>176.941</b>
Tax (Expense) Income, Continuing Operations		(8.768)	(13.046)
Current Period Tax (Expense) Income	25	(18.751)	(12.059)
Deferred Tax (Expense) Income	25	9.983	(987)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>325.005</b>	<b>163.895</b>
<b>PROFIT (LOSS)</b>		<b>325.005</b>	<b>163.895</b>
<b>Earnings Per Share with a TL 1 of Par Value</b>	26	<b>1,71</b>	<b>0,86</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other Comprehensive Income that will not be Reclassified to Profit or Loss		373	5.523
Gains (Losses) on Remeasurements of Defined Benefit Plans		466	6.904
Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss		(93)	(1.381)
Taxes Relating to Remeasurements of Defined Benefit Plans		(93)	(1.381)
Other Comprehensive Income that will be Reclassified to Profit or Loss		11.157	(12.883)
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		13.946	(16.104)
Gains (Losses) on Cash Flow Hedges		13.946	(16.104)
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		(2.789)	3.221
Taxes Relating to Cash Flow Hedges		(2.789)	3.221
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>11.530</b>	<b>(7.360)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>336.535</b>	<b>156.535</b>

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

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

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



	Reserve Of Gains or Losses on Hedge	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss	Restricted Reserves Appropriated From Profits	Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings	Equity attributable to owners of parent	Equity
	20.512	20.512	41.803	169.515	131.177	300.692	662.563	662.563
	-	-	15.551	115.626	(131.177)	(15.551)	-	-
	(12.883)	(12.883)	-	-	163.895	163.895	156.535	156.535
	-	-	-	-	163.895	163.895	163.895	163.895
	(12.883)	(12.883)	-	-	-	-	(7.360)	(7.360)
	-	-	-	(104.825)	-	(104.825)	(104.825)	(104.825)
	7.629	7.629	57.354	180.316	163.895	344.211	714.273	714.273
	7.629	7.629	57.354	180.316	163.895	344.211	714.273	714.273
	-	-	19.665	144.230	(163.895)	(19.665)	-	-
	11.157	11.157	-	-	325.005	325.005	336.535	336.535
	-	-	-	-	325.005	325.005	325.005	325.005
	11.157	11.157	-	-	-	-	11.530	11.530
	-	-	-	(130.877)	-	(130.877)	(130.877)	(130.877)
	18.786	18.786	77.019	193.669	325.005	518.674	919.931	919.931

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015

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

	Footnotes	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		<b>245.564</b>	<b>176.897</b>
Profit (Loss)		325.005	163.895
Profit (Loss) from Continuing Operations		325.005	163.895
<b>Adjustments to Reconcile Profit (Loss)</b>		<b>176.770</b>	<b>108.850</b>
Adjustments for Depreciation and Amortisation Expense	11	91.066	85.237
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(354)	(449)
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	(354)	(449)
Adjustments for Provisions		10.992	8.887
Adjustments for (Reversal of) Provisions Related with Employee Benefits	16	10.730	8.629
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions		262	258
Adjustments for Interest (Income) Expenses		815	18.240
Adjustments for Interest Income	23	(22.028)	(1.267)
Adjustments for Interest Expense	23	22.843	19.507
Adjustments for Unrealised Foreign Exchange Losses (Gains)		30.838	1.489
Adjustments for Fair Value Losses (Gains)		35.851	(17.994)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		35.851	(17.994)
Adjustments for Tax (Income) Expenses		8.768	13.046
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(239)	(206)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(239)	(206)
Other Adjustments to Reconcile Profit (Loss)	4	(967)	600
<b>Changes in Working Capital</b>		<b>(246.393)</b>	<b>(62.528)</b>
Adjustments for Decrease (Increase) in Trade Accounts Receivable		(361.459)	(166.835)
Decrease (Increase) in Trade Accounts Receivables from Related Parties	6	(364.101)	(172.152)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties	7	2.642	5.317
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		20.139	(47.680)
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations	8	20.139	(47.680)
Adjustments for Decrease (Increase) in Inventories	9	17.284	(31.145)
Decrease (Increase) in Prepaid Expenses	10	(38.749)	4.961
Adjustments for Increase (Decrease) in Trade Accounts Payable		109.824	175.079
Increase (Decrease) in Trade Accounts Payables to Related Parties	6	(1.750)	16.440
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties	7	111.574	158.639
Increase (Decrease) in Employee Benefit Liabilities	16	3.709	2.394
Other Adjustments for Other Increase (Decrease) in Working Capital		2.859	698
Decrease (Increase) in Other Assets Related with Operations		(920)	(192)
Increase (Decrease) in Other Payables Related with Operations		3.779	890
<b>Cash Flows from (used in) Operations</b>		<b>255.382</b>	<b>210.217</b>
Payments Related with Provisions for Employee Benefits	16	(7.712)	(5.200)
Income Taxes Refund (Paid)	25	(2.106)	(28.120)

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

**STATEMENTS OF CASH FLOWS FOR THE PERIODS  
1 JANUARY - 31 DECEMBER 2016 AND 2015**

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

	Footnotes	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		<b>(374.901)</b>	<b>(86.358)</b>
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		2.870	1.025
Proceeds from Sales of Property, Plant and Equipment		2.870	1.025
Purchase of Property, Plant, Equipment and Intangible Assets		(119.159)	(87.383)
Purchase of Property, Plant and Equipment	11	(89.436)	(57.012)
Purchase of Intangible Assets	12	(29.723)	(30.371)
Cash Advances and Loans Made to Other Parties		(258.612)	-
Cash Advances and Loans Made to Related Parties	6	(258.612)	-
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		<b>52.512</b>	<b>(164.963)</b>
Proceeds from Borrowings		442.600	176.387
Proceeds from Loans		442.600	176.387
Repayments of Borrowings		(259.591)	(236.688)
Loan Repayments		(259.591)	(236.688)
Increase in Other Payables to Related Parties	6	-	18.066
Decrease in Other Payables to Related Parties	6	207	-
Dividends Paid	6	(130.877)	(104.825)
Interest Paid		(21.855)	(19.170)
Interest Received		22.028	1.267
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES</b>		<b>(76.825)</b>	<b>(74.424)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(76.825)</b>	<b>(74.424)</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	88.665	163.089
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>11.840</b>	<b>88.665</b>

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 1 - COMPANY'S ORGANISATION AND NATURE OF OPERATIONS

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

The Company started its operations in 1999 and produces refrigerators, room air conditioning units, washing machines, cookers, dishwashers and water heaters. The Company's production facilities occupy 346 thousand square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 395 thousand square meters.

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

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

As of 31 December 2016, the number of personnel employed was 6.008 (31 December 2015: 5.793).

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

	Share %
Vestel Elektronik Sanayi ve Ticaret A.Ş.	94,62
Other shareholders	5,38
	100,00

As of 31 December 2016, 59.800.000 shares of the Company have been quoted at the Borsa Istanbul ("BİST") (31,5% of its share capital; 31 December 2015: 31,5%).

### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### 2.1 Basis of presentation

##### 2.1.1 Statement of compliance

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

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

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

#### 2.2 Comparative information and restatement of prior period financial statements

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

#### 2.3. Amendments in Turkey Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective for the financial year beginning 31 December 2016 and are adopted by the Company:

- TFRS 11 (amendments), "Joint Arrangements", is effective for annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- TAS 16 and TAS 38 (amendments), "Tangible Assets", "Intangible Assets", is effective for annual periods beginning on or after 1 January 2016. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- Annual improvements 2014: Effective for annual periods beginning on or after 1 January 2016. Annual Improvements amend the following 4 standards:
  - TFRS 5, "Non-current assets held for sale and discontinued operations", changes in sales method
  - TFRS 7, "Financial Instruments: Disclosures", with respect to TFRS 1, changes in labor contracts
  - TAS 19, "Employee benefits", changes in discount rates
  - TAS 34, "Interim financial reporting", changes in explanation of information.
- TAS 1, "Presentation of financial statements", is effective for annual periods beginning on or after 1 January 2016, address perceived impediments to preparers exercising their judgements in presenting their financial reports.

b) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company:

- TFRS 15, "Revenue from contracts with customers", is effective for annual periods beginning on or after 1 January 2018. The International Accounting Standards Board (IASB) and the US national standard-setter, the Financial Accounting Standards Board (FASB), initiated a joint project to clarify the principles for recognising revenue and to develop a common revenue standard for IFRS and US GAAP. The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The new model employs an asset and liability approach, rather than current revenue guidance focuses on an 'earnings process'.
- TFRS 9 "Financial instruments: Classification and measurement", is effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- TAS 7, "Statement of cash flows", is effective from annual periods beginning on or after 1 January 2017. The improvements are part of the Board's Disclosure Initiative. The amendments require companies to provide information about changes in their financing liabilities and come as a response to requests from investors for information that helps them better understand changes in a company's debt. The amendments will help to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).
- TFRS 12, "Income taxes", is effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.
- (Amendments) to TFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.



Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

#### 2.3. Amendments in Turkey Financial Reporting Standards (Cont'd)

b) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company: (Cont'd)

- **TFRS 16 'Leases'**, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a far reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 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 TFRS 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.
- **Annual improvements 2014-2016**, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
  - TFRS 1, "First-time adoption of TFRS", regarding the deletion of short-term exemptions for first-time adopters regarding IAS 7, IAS 19, and TFRS 10 effective 1 January 2018.
  - TFRS 12, "Disclosure of interests in other entities" regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
  - TAS 28, "Investments in associates and joint ventures" regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- **IFRIC 22, "Foreign currency transactions and advance consideration"**, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

The Company will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date. It is expected that the application of the standards and interpretations will not have a significant effect on the financial statements of the Company.

c) Other new standards, amendments and interpretations issued and effective as of 1 January 2016 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

#### 2.4. Summary of significant accounting policies

##### 2.4.1 Revenue

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Revenue from the sale of goods shall be recognized when all the following conditions have been satisfied:

- The Company has transferred to the buyer significant risks and reward of ownership of the goods,
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

#### 2.4. Summary of significant accounting policies (Cont'd)

##### 2.4.2 Inventories

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

Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

##### 2.4.3 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipments using the straight-line method based on the estimated useful lives of the assets, except for land due to their indefinite useful life.

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 included in other operating income and other operating expense.

Costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the Company. All other costs are charged to statements of profit or loss during the financial year in which they are incurred.

##### 2.4.4 Intangible assets

###### a) Research and development costs

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

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

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

###### b) Rights and other intangible fixed assets

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

#### 2.4. Summary of significant accounting policies (Cont'd)

##### 2.4.5 Financial instruments

###### a) Financial assets

The Company classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

###### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

###### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified in this category. Loans and receivables (trade and other receivables, bank deposits, cash and others) are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for cases when the recognition of interest would be immaterial.

###### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets carried at amortized cost, if the amount of a past impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the impairment is reversed through profit or loss. However, the carrying amount should not be increased to an amount that exceeds what the amortized cost would have been at the date of the reversal had the impairment not been recognized.

For financial assets carried at cost, if there is objective evidence of impairment, the amount of the impairment loss is measured as the difference between carrying amount and the present value of estimated future cash flows discounted at the current rate of return for a similar financial asset. Once an impairment loss has been recognized on a financial asset recognized at cost, it is not permitted to recognize a reversal.

###### b) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

###### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

#### 2.4. Summary of significant accounting policies (Cont'd)

##### 2.4.5 Financial instruments (Cont'd)

##### b) Financial liabilities (Cont'd)

##### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

The effective interest method is calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### 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. Fair values of derivatives are carried as assets when positive and as liabilities when negative. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

##### Derivative financial instruments held for trading

Company's held for trading derivative financial instruments consist of forward foreign currency purchase and sale contracts. Such derivative financial instruments providing effective protection against the risk for the Company economically and due to meeting the conditions for hedge accounting usually, they are accounted as derivative financial instruments held for trading in financial statements. The fair value changes of these derivative instruments are recognized in income statement as financial income/expense.

##### Cash flow hedges:

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity within cash flow hedge reserves. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income within finance income/expense. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place or portion related to the accrued interest). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized, in the statement of comprehensive income within finance income/expense. The Company has evaluated its forward contracts and recognized certain contracts as hedging derivative instruments since they have been carrying necessary hedging conditions regarding to TAS 39.

##### 2.4.6 Foreign currency transactions

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

#### 2.4. Summary of significant accounting policies (Cont'd)

##### 2.4.7 Provisions, contingent assets and liabilities

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

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

##### 2.4.8 Related parties

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

##### 2.4.9 Taxation on income

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

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

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

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

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

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

##### 2.4.10 Employee termination benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision for employment termination benefits as of 31 December 2016 is calculated in accordance with the assumptions used by the independent actuarial firm and is recorded in the financial statements at its net present value. Employment termination benefits are considered as being part of defined retirement benefit plan as per TAS 19. All actuarial gains and losses are recognized in statements of income.



Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

#### 2.4. Summary of significant accounting policies (Cont'd)

##### 2.4.11 Government grants

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

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

##### 2.4.12 Earnings per share

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

##### 2.4.13 Statement of cash flows

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

##### 2.4.14 Offsetting

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

##### 2.4.15 Events after the balance sheet date

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

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

#### 2.5. Critical accounting estimates and judgments

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

##### i. Income taxes:

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made (note 25).

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 3 - SEGMENT REPORTING

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

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

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

#### Geographical segments

Segment revenue	1 January - 31 December 2016	1 January - 31 December 2015
Turkey	751.305	578.897
Europe	1.659.173	1.381.443
Other	638.356	566.851
Gross sales	3.048.834	2.527.191
Discounts (-)	(11.817)	(3.123)
<b>Net sales</b>	<b>3.037.017</b>	<b>2.524.068</b>

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

The amount of export is 2.297.529 thousand TL for the period ended 31 December 2016 (1 January-31 December 2015: 1.948.294 thousand TL). Export sales are denominated in EURO, USD as 98,2%, 1,8% of total export respectively. (1 January-31 December 2015: 97% EUR, 2,5% USD, 0,4% GBP, 0,1% RUB)

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash	182	147
Bank deposits		
- Demand deposits	1.242	28.340
- Time deposits	3.951	56.178
Cheques and notes	6.465	4.000
Blocked deposits	989	22
<b>Cash and cash equivalents</b>	<b>12.829</b>	<b>88.687</b>

Effective interest rates	31 December 2016	31 December 2015
TL	9,50%	10,80%
EUR	0,60%	-
USD	-	0,75%

As of 31 December 2016 the Company's time deposits have an average maturity of less than 1 month (31 December 2015: less than 1 month).

### NOTE 5 - FINANCIAL LIABILITIES

	31 December 2016	31 December 2015
<b>Short - term financial liabilities</b>		
Short term bank loans	26.407	86
Short term portion of long term bank loans	15.691	5.887
	<b>42.098</b>	<b>5.973</b>
<b>Long - term financial liabilities</b>		
Long term bank loans	206.611	54.516
	<b>206.611</b>	<b>54.516</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 5 - FINANCIAL LIABILITIES (Cont'd)

Details of the Company's short term financial liabilities are given below:

Currency	31 December 2016			31 December 2015		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- TL	10,52%	26.407	26.407	-	86	86
			26.407			86

Details of the Company's long term financial liabilities are given below:

Currency	31 December 2016			31 December 2015		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- EUR	4,43%	1.697	6.295	4,25%	1.853	5.887
- TL	16,06%	9.396	9.396	-	-	-
Short term portion			15.691			5.887
- EUR	3,67%	42.370	157.189	3,85%	17.156	54.516
- TL	14,51%	49.422	49.422	-	-	-
Long term portion			206.611			54.516
			222.302			60.403

The redemption schedule of the Company's long term financial liabilities are given below:

	31 December 2016	31 December 2015
One to two years	197.654	54.516
Two to three years	8.957	-
	206.611	54.516

As of 31 December 2016 total amount of Company's floating rate loans is 6.295 thousand TL (31 December 2015: 11.041 thousand TL).

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 5 - FINANCIAL LIABILITIES (Cont'd)

The analysis of Company's borrowings in terms of periods remaining to contractual re-pricing dates is as follows:

	31 December 2016	31 December 2015
Between 6-12 months	6.295	11.041

Fair value of short term bank borrowings are considered to approximate their carrying values due to immateriality of discounting. Fair values are determined using average effective annual interest rates. Long term bank borrowings are stated at amortized cost using effective interest rate method and their fair values are considered to approximate their carrying values since loans usually have a re-pricing period of six months.

Guarantees given for the bank loans obtained are disclosed in note 14, interest rate sensitivity analysis is disclosed in note 28.

### NOTE 6 - RELATED PARTY DISCLOSURES

#### a) Short term trade receivables from related parties

	31 December 2016	31 December 2015
Vestel Ticaret A.Ş.	1.188.788	821.584
	1.188.788	821.584
Unearned interest on receivables (-)	(5.981)	(2.878)
	1.182.807	818.706

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

#### b) Short term trade payables to related parties

	31 December 2016	31 December 2015
Vestel Elektronik Sanayi ve Ticaret A.Ş.	21.839	16.573
Vestel Holland B.V.	120	8.354
Other related parties	1.690	473
	23.649	25.400
Unearned interest on payables (-)	(201)	(202)
	23.448	25.198

#### c) Other short term receivables to related parties

	31 December 2016	31 December 2015
Vestel Elektronik Sanayi ve Ticaret A.Ş.	258.612	-

The Company's interest rate of other receivables in TL is 15% and maturity is December 2017.

#### d) Other short term liabilities to related parties

	31 December 2016	31 December 2015
Vestel Elektronik Sanayi ve Ticaret A.Ş.	52.999	-



Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 6 - RELATED PARTY DISCLOSURES (Cont'd)

#### e) Other long term liabilities to related parties

	31 December 2016	31 December 2015
Vestel Elektronik Sanayi ve Ticaret A.Ş.	134.261	160.438

The annual interest rate for EUR denominated other long term liabilities is Euribor +3,20 and last instalment will be paid in March 2020.

#### f) Transactions with related parties

	1 January - 31 December 2016	1 January - 31 December 2015
<b>Sales</b>		
Vestel Ticaret A.Ş.	2.974.726	2.487.201
Vestel Elektronik Sanayi ve Ticaret A.Ş.	12.694	10.963
Other related parties	22	26
	<b>2.987.442</b>	<b>2.498.190</b>
<b>Purchases and operating expenses</b>		
Vestel Holland B.V.	8.964	134.417
Vestel Elektronik Sanayi ve Ticaret A.Ş.	107.896	74.908
Other related parties	12.016	10.740
	<b>128.876</b>	<b>220.065</b>
<b>Other operating income</b>		
Vestel Ticaret A.Ş.	146.312	122.316
Other related parties	514	1.924
	<b>146.826</b>	<b>124.240</b>
<b>Other operating expense</b>		
Vestel Ticaret A.Ş.	17.293	37.320
Other related parties	1.255	7.125
	<b>18.548</b>	<b>44.445</b>

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 6 - RELATED PARTY DISCLOSURES (Cont'd)

#### f) Transactions with related parties (Cont'd)

	1 January - 31 December 2016	1 January - 31 December 2015
Financial income		
<i>Vestel Elektronik Sanayi ve Ticaret A.Ş.</i>	21.153	12.855
	<b>21.153</b>	<b>12.855</b>
Financial expense		
<i>Vestel Elektronik Sanayi ve Ticaret A.Ş.</i>	33.446	24.186
	<b>33.446</b>	<b>24.186</b>
Dividend paid		
<i>Vestel Elektronik Sanayi ve Ticaret A.Ş.</i>	123.837	99.189
Public shares	7.040	5.636
	<b>130.877</b>	<b>104.825</b>

The Company performs part of its raw material purchases via Vestel Holland B.V which is also a member of Vestel Group Companies.

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

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

Compensation paid to key management for the twelve months period ended 31 December 2016 is 6.023 thousand TL (1 January - 31 December 2015: 5.534 thousand TL).

### NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2016	31 December 2015
Short - term trade receivables		
Trade receivables		
- Related parties (note 6)	1.188.788	821.584
- Other parties	3.759	6.464
	<b>1.192.547</b>	<b>828.048</b>
Unearned interest expense (-)		
- Related parties (note 6)	(5.981)	(2.878)
- Other parties	(291)	(375)
Allowance for doubtful receivables (-)	(231)	(210)
<b>Total short - term trade receivables</b>	<b>1.186.044</b>	<b>824.585</b>

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

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

	31 December 2016	31 December 2015
Short term trade payables		
Trade payables		
- Related parties (note 6)	23.649	25.400
- Other parties	819.114	707.759
	842.763	733.159
Unearned interest expense (-)		
- Related parties (note 6)	(201)	(202)
- Other parties	(2.088)	(2.307)
<b>Total short - term trade payables</b>	<b>840.474</b>	<b>730.650</b>

Risk analysis of trade receivables and payables is disclosed in note 28.

### NOTE 8 - OTHER RECEIVABLES

	31 December 2016	31 December 2015
Short - term other receivables		
Other receivables from related parties (note 6)	258.612	-
VAT receivable	55.738	91.251
Deposits and guarantees given	6.690	5.862
Other tax receivables	14.497	-
Other	1.173	1.124
	336.710	98.237

### NOTE 9 - INVENTORIES

	31 December 2016	31 December 2015
Raw materials	165.803	138.839
Work in process	3.997	4.004
Finished goods	74.914	119.151
Other	-	4
	244.714	261.998
Provision for impairment on inventories (-)	(268)	(622)
	244.446	261.376

As of 31 December 2016 the Company does not have inventories pledged as security for liabilities (31 December 2015: None).

Cost of the inventory included in the cost of sales for the period 1 January - 31 December 2016 amounts to 2.166.302 thousand TL (1 January - 31 December 2015: 1.835.191 thousand TL).

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 9 - INVENTORIES (Cont'd)

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

	31 December 2016	31 December 2015
Raw materials	-	93
Finished goods and merchandise	268	529
	<b>268</b>	<b>622</b>

Movement of obsolescence provision on inventory is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Opening balance, 1 January	622	1.071
Current year additions	268	622
Realised due to sale of inventory	(622)	(1.071)
<b>Balance at 31 December</b>	<b>268</b>	<b>622</b>

### NOTE 10 - PREPAID EXPENSES

	31 December 2016	31 December 2015
<b>Short-term prepaid expenses</b>		
Advances given	3.918	3.578
Prepaid expenses	7.135	6.725
Business advances given	13	3
	<b>11.066</b>	<b>10.306</b>
<b>Long-term prepaid expenses</b>		
Advances given for fixed asset purchase	41.224	3.014
Prepaid expenses	517	738
	<b>41.741</b>	<b>3.752</b>

Advances given for fixed asset purchase is mainly related with the contract signed in November 2016 for the purchase of 81.191,43 m<sup>2</sup> land in Manisa Organized Industrial Zone at a unit price of 400 TL/m<sup>2</sup>.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2016	Additions	Disposals	Transfers	31 December 2016
<b>Cost or revaluation</b>					
Land	6.547	-	-	-	6.547
Land improvements	3.204	44	-	-	3.248
Buildings	67.908	815	-	885	69.608
Leasehold improvements	5.744	126	-	113	5.983
Plant and machinery	783.887	71.648	(3.961)	9.626	861.200
Motor vehicles	421	95	-	-	516
Furniture and fixtures	43.440	2.983	(78)	792	47.137
Construction in progress	4.634	13.725	-	(11.416)	6.943
	<b>915.785</b>	<b>89.436</b>	<b>(4.039)</b>	<b>-</b>	<b>1.001.182</b>
<b>Accumulated depreciation</b>					
Land improvements	2.319	54	-	-	2.373
Buildings	28.054	1.307	-	-	29.361
Leasehold improvements	2.378	461	-	-	2.839
Plant and machinery	540.144	69.821	(3.731)	-	606.234
Motor vehicles	232	69	-	-	301
Furniture and fixtures	28.088	4.075	(54)	-	32.109
	<b>601.215</b>	<b>75.787</b>	<b>(3.785)</b>	<b>-</b>	<b>673.217</b>
<b>Net book value</b>	<b>314.570</b>				<b>327.965</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

	1 January 2015	Additions	Disposals	Transfers	31 December 2015
<b>Cost</b>					
Land	6.547	-	-	-	6.547
Land improvements	3.112	60	-	32	3.204
Buildings	66.233	1.349	-	326	67.908
Leasehold improvements	4.726	646	-	372	5.744
Plant and machinery	744.670	38.179	(6.653)	7.691	783.887
Motor vehicles	396	25	-	-	421
Furniture and fixtures	37.578	3.892	(108)	2.078	43.440
Construction in progress	2.272	12.861	-	(10.499)	4.634
	<b>865.534</b>	<b>57.012</b>	<b>(6.761)</b>	<b>-</b>	<b>915.785</b>
<b>Accumulated depreciation</b>					
Land improvements	2.268	51	-	-	2.319
Buildings	26.927	1.127	-	-	28.054
Leasehold improvements	1.996	382	-	-	2.378
Plant and machinery	479.632	66.775	(6.263)	-	540.144
Motor vehicles	172	60	-	-	232
Furniture and fixtures	24.309	3.876	(97)	-	28.088
	<b>535.304</b>	<b>72.271</b>	<b>(6.360)</b>	<b>-</b>	<b>601.215</b>
<b>Net book value</b>	<b>330.230</b>				<b>314.570</b>

Additions to property, plant and equipment in the period 1 January - 31 December 2016 and 2015 mainly consist of machinery and equipment investments made to refrigerator, washing machine, cooker, dishwasher and air conditioner factories.

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

	Useful Life
Land improvements	8-35 years
Buildings	25-30 years
Leasehold improvements	5 years
Plant and machinery	5-20 years
Motor vehicles	5 years
Furniture and fixtures	5-10 years



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

Allocation of period depreciation and amortization expenses is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Cost of sales	74.007	71.177
Research and development expenses	16.175	13.287
Marketing, selling and distribution expenses	275	276
General administrative expenses	609	497
	<b>91.066</b>	<b>85.237</b>

### NOTE 12 - INTANGIBLE ASSETS

	1 January 2016	Additions	Disposals	31 December 2016
<b>Cost</b>				
Rights	6.376	-	-	6.376
Development cost	133.481	28.251	(2.377)	159.355
Other intangible assets	10.018	1.472	-	11.490
	<b>149.875</b>	<b>29.723</b>	<b>(2.377)</b>	<b>177.221</b>
<b>Accumulated amortization</b>				
Rights	6.351	3	-	6.354
Development cost	54.926	14.498	-	69.424
Other intangible assets	3.635	778	-	4.413
	<b>64.912</b>	<b>15.279</b>	<b>-</b>	<b>80.191</b>
<b>Net book value</b>	<b>84.963</b>			<b>97.030</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 12 - INTANGIBLE ASSETS (Cont'd)

	1 January 2015	Additions	Disposals	31 December 2015
<b>Cost</b>				
Rights	6.376	-	-	6.376
Development cost	105.380	28.519	(418)	133.481
Other intangible assets	8.166	1.852	-	10.018
	<b>119.922</b>	<b>30.371</b>	<b>(418)</b>	<b>149.875</b>
<b>Accumulated amortization</b>				
Rights	6.348	3	-	6.351
Development cost	42.597	12.329	-	54.926
Other intangible assets	3.001	634	-	3.635
	<b>51.946</b>	<b>12.966</b>	<b>-</b>	<b>64.912</b>
<b>Net book value</b>	<b>67.976</b>			<b>84.963</b>

Development costs, incurred by the Company on development projects relating to refrigerators, split air conditioners, washing machines, cookers and dish washers are capitalized as intangible assets when it is probable that costs will be recovered through future commercial activity and only if the cost can be measured reliably.

Useful lives of intangible assets are as follows:

	Useful Life
Rights	3-15 years
Development costs	2-10 years
Other	2-15 years

### NOTE 13 - GOVERNMENT GRANTS

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

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

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to 381 thousand TL for the period 1 January - 31 December 2016 (1 January - 31 December 2015: 750 thousand TL).

Brand support incentive Turquality obtained from Republic of Turkey Prime Ministry Undersecretary of Treasury amounts to 1.281 thousand TL in year 2016 (2015: 725 thousand TL).

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

#### a) Provisions

	31 December 2016	31 December 2015
Short - term provisions		
Provision for lawsuit risks	1.620	1.358
	<b>1.620</b>	<b>1.358</b>

The movements in the provision for lawsuits are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Opening balance, 1 January	1.358	1.100
Current year additions	274	596
Provisions no longer required	(12)	(338)
<b>Balance at 31 December</b>	<b>1.620</b>	<b>1.358</b>

#### b) Guarantees received by the Company

	31 December 2016	31 December 2015
Guarantee letters	7.232	5.945
Cheques and notes	8.273	5.700
Collaterals and pledges	3.238.156	2.740.159
	<b>3.253.661</b>	<b>2.751.804</b>

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

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

CPM's given by the Group	USD (‘000)	EUR (‘000)	TL	TL Equivalent
<b>31 December 2016</b>				
A. CPM's given on behalf of its own legal entity	9.332	7.250	16.509	76.247
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.102.343	46.866	907.894	4.961.128
i. Total amount of CPM's given on behalf of the parent company	806.793	-	667.835	3.507.101
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	295.550	46.866	240.059	1.454.027
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
<b>Total</b>	<b>1.111.675</b>	<b>54.116</b>	<b>924.403</b>	<b>5.037.375</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

CPM's given by the Group	USD (‘000)	EUR (‘000)	TL	TL Equivalent
<b>31 December 2015</b>				
A. CPM's given on behalf of its own legal entity	-	2.000	5.923	12.278
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.607.821	58.490	1.892.025	6.752.783
i. Total amount of CPM's given on behalf of the parent company	1.224.184	-	1.241.688	4.801.125
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	383.637	58.490	650.337	1.951.658
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
<b>Total</b>	<b>1.607.821</b>	<b>60.490</b>	<b>1.897.948</b>	<b>6.765.061</b>

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

Proportion of other CPM's given by the Company to its equity is 539% as of 31 December 2016 (31 December 2015: 945%)

### NOTE 15 - COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to 462.190 thousand USD (31 December 2015: 323.995 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2016 the Company has forward foreign currency purchase contract that amounts to 169.843 thousand USD and 219.947 thousand TL against forward foreign currency sales contract that amounts to 116.881 thousand EUR, 69.000 thousand USD, and 136.991 thousand TL (31 December 2015: 143.000 thousand USD, 73.875 thousand EUR, 132.516 thousand TL against forward foreign currency sales contract that amounts to 99.535 thousand USD, 147.544 thousand EUR, 9.930 thousand RUB sales contracts).

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 16 - EMPLOYEE BENEFITS

#### Liabilities for employee benefits:

	31 December 2016	31 December 2015
Due to personnel	17.538	14.531
Social security payables	6.225	5.523
	<b>23.763</b>	<b>20.054</b>

#### Long term provisions for employee benefits:

	31 December 2016	31 December 2015
Provision for employment termination benefits	<b>24.459</b>	<b>21.907</b>

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

The amount payable is the equivalent of one month's gross salary for each year of service and is limited to a maximum of TL 4.297,21/year as of 31 December 2016 (31 December 2015: TL 3.828,37/year).

The provision for employee termination benefits is not funded.

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as at 31 December 2016 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31 December 2016 provision is calculated based on real discount rate of 4,79% (31 December 2015: 4,48%) assuming 6,5% annual inflation rate and 11,60% discount rate.



Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 16 - EMPLOYEE BENEFITS (Cont'd)

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

	1 January - 31 December 2016	1 January - 31 December 2015
Balance at 1 January	21.907	25.382
Increase during the year	8.451	8.105
Payments during the year	(7.712)	(5.200)
Actuarial (gain)/loss	(466)	(6.904)
Interest expense	2.279	524
<b>Balance at 31 December</b>	<b>24.459</b>	<b>21.907</b>

As of 31 December 2016, an increase in annual discount rate by 0,25% would lead to a decrease in employee benefit liability by 4,14%; a decrease in annual discount rate by 0,25% would lead to an increase in employee benefit liability by 4,37%. (31 December 2015: 3,94% decrease and 4,16% increase).

As of 31 December 2016, an increase in salary escalation by 0,25% would lead to an increase in employee benefit liability by 4,57%; a decrease in salary escalation by 0,25% would lead to a decrease in employee benefit liability by 4,34%. (31 December 2015: 4,25% increase and 4,04% decrease)

### NOTE 17 - OTHER ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
Other current assets		
Transferred VAT	113	72
Other	1.099	220
	<b>1.212</b>	<b>292</b>
Other current liabilities		
Taxes and dues payable	9.743	6.396
Advances received	346	-
Other	160	74
	<b>10.249</b>	<b>6.470</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 18 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

#### a) Paid in capital

	31 December 2016	31 December 2015
Shares of par value Kr 1 each		
Issued share capital	190.000	190.000

As of 31 December 2016 and 31 December 2015 the shareholding structure is as follows:

	Shareholding %		Amount	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Vestel Elektronik Sanayi ve Ticaret A.Ş. (with Board of Directors Members)	94,62%	94,62%	179.780	179.780
Shares held by public	5,38%	5,38%	10.220	10.220
	100%	100%	190.000	190.000

#### b) Adjustments to share capital

Adjustment to share capital (restated to 31 December 2004 purchasing power of money) is the difference between restated share capital and historical share capital.

	31 December 2016	31 December 2015
Adjustment to share capital	9.734	9.734

#### c) Share Premium

Share premium account refers the difference between par value of the company's shares and the amount of the company received for newly issued shares. The share premium account is disclosed under equity as a separate line item and may not be distributed. It may be used in capital increase.

	31 December 2016	31 December 2015
Share premium	109.031	109.031

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 18 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

#### d) Restricted reserves ("Legal reserves")

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

	31 December 2016	31 December 2015
Legal reserves	77.019	57.354

#### e) Retained earnings

	31 December 2016	31 December 2015
Extraordinary reserves	133.233	133.233
Previous year's profit	60.436	47.083
	193.669	180.316

#### f) Dividend distribution

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

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

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

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

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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 19 - SALES

	1 January - 31 December 2016	1 January - 31 December 2015
Domestic sales	751.305	578.897
Overseas sales	2.297.529	1.948.294
<b>Gross sales</b>	<b>3.048.834</b>	<b>2.527.191</b>
Less: Sales discounts (-)	(11.817)	(3.123)
<b>Net sales</b>	<b>3.037.017</b>	<b>2.524.068</b>
Cost of sales	(2.546.704)	(2.151.671)
<b>Gross profit</b>	<b>490.313</b>	<b>372.397</b>

### NOTE 20 - NATURE OF EXPENSES

	1 January - 31 December 2016	1 January - 31 December 2015
Raw materials, supplies and finished goods	2.132.321	1.863.199
Changes in finished goods, work in process and trade goods	44.244	(28.008)
Personnel expenses	255.792	205.415
Depreciation and amortization	91.066	85.237
Other	148.953	138.025
	<b>2.672.376</b>	<b>2.263.868</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

#### a) General administrative expenses:

	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	12.241	11.469
Depreciation and amortization	609	497
Office and rent expenses	8.815	9.255
Consultancy and IT expenses	10.840	7.508
Other	14.890	17.196
	<b>47.395</b>	<b>45.925</b>

#### b) Marketing expenses:

Personnel expenses	11.408	8.381
Depreciation and amortization	275	276
Transportation expenses	25.407	24.243
Other	9.836	7.706
	<b>46.926</b>	<b>40.606</b>

#### c) Research and development expenses:

Personnel expenses	8.067	5.424
Depreciation and amortization	16.175	13.287
Other	7.109	6.955
	<b>31.351</b>	<b>25.666</b>

### NOTE 22 - OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

#### a) Other income from operating activities:

	1 January - 31 December 2016	1 January - 31 December 2015
Credit finance gains arising from trading activities	24.165	29.848
Foreign exchange gains arising from trading activities	133.561	119.172
Other income	6.917	6.431
	<b>164.643</b>	<b>155.451</b>

#### b) Other expense from operating activities:

Debit finance charges arising from trading activities	24.974	23.932
Foreign exchange expenses arising from trading activities	111.192	121.615
Other expenses	6.353	4.945
	<b>142.519</b>	<b>150.492</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 23 - FINANCIAL INCOME AND FINANCIAL EXPENSE

#### a) Financial Income:

	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange gains	7.406	9.793
Gains on derivative financial instruments	80.551	174.961
Interest income	22.028	1.267
	<b>109.985</b>	<b>186.021</b>

#### b) Financial Expense:

	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange losses	51.476	41.486
Losses on derivative financial instruments	88.556	210.920
Interest and commission expenses	22.843	19.507
Other finance expenses	102	2.326
	<b>162.977</b>	<b>274.239</b>

### NOTE 24 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

#### a) Cash flow hedge fund:

	1 January - 31 December 2016	1 January - 31 December 2015
Balance at 1 January	7.629	20.512
Profit/(loss) from cash flow hedges	13.946	(16.104)
Deferred tax calculated over profit/(loss) from cash flow hedges	(2.789)	3.221
Balance at 31 December	<b>18.786</b>	<b>7.629</b>

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

	1 January - 31 December 2016	1 January - 31 December 2015
Balance at 1 January	(3.686)	(9.209)
Actuarial income/loss arising from defined benefit plans	466	6.904
Deferred tax calculated over actuarial gain/loss	(93)	(1.381)
Balance at 31 December	<b>(3.313)</b>	<b>(3.686)</b>



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

	31 December 2016	31 December 2015
Corporation and income taxes	18.751	12.059
Prepaid taxes (-)	(15.566)	(25.519)
<b>Current income tax liabilities - net</b>	<b>3.185</b>	<b>(13.460)</b>
<b>Deferred tax liabilities</b>	<b>2.056</b>	<b>(5.045)</b>

In Turkey, beginning from 1 January 2006, the corporate tax rate is 20%.

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

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

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

As of 1 January - 31 December 2016 and 2015 tax expense in the statement of income is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Current period tax expense	(18.751)	(12.059)
Deferred tax income/(expense)	9.983	(987)
<b>Total tax expense</b>	<b>(8.768)</b>	<b>(13.046)</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 25 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

	1 January - 31 December 2016	1 January - 31 December 2015
Profit before tax	333.773	176.941
Local tax rate	20%	20%
Tax income calculated using local tax rate	(66.755)	(35.388)
Effect of unused tax losses for which no deferred tax asset was recognised	(619)	(16)
Research and development incentives	8.495	4.910
Discounted corporate tax advantage	50.111	17.448
	(8.768)	(13.046)

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

#### Deferred tax assets and liabilities

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Communiqué II, No. 14.1 and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

As of 31 December 2016, the Company has not recognized deferred tax assets of 41.808 TL calculated over its investment incentive certificate, in accordance with conservatism principle of accounting.

Tax rate used in the calculation of deferred tax assets and liabilities based on the liability method is 20% as of 31 December 2016. (31 December 2015:20%).

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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### NOTE 25 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

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

	Cumulative temporary differences		Deferred tax	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>Deferred tax assets</b>				
Employment termination benefits	(24.459)	(21.907)	4.892	4.381
Provision for impairment on inventories	(272)	(622)	54	124
Accruals for derivative financial instruments	(1.449)	-	290	-
Other	(13.185)	(8.885)	2.637	1.777
			<b>7.873</b>	<b>6.282</b>
	Cumulative temporary differences		Deferred tax	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>Deferred tax liabilities</b>				
Useful life and valuation differences on property, plant and equipment and intangible assets	27.730	35.200	(5.546)	(7.040)
Provisions for derivative financial instruments	-	20.456	-	(4.091)
Other	1.355	980	(271)	(196)
			<b>(5.817)</b>	<b>(11.327)</b>
<b>Deferred tax liabilities - net</b>			<b>2.056</b>	<b>(5.045)</b>

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

	1 January - 31 December 2016	1 January - 31 December 2015
Opening balance, 1 January	(5.045)	(5.898)
Tax expense recognized in income statement	9.983	(987)
Recognized in shareholders' equity	(2.882)	1.840
<b>Deferred tax liabilities at the end of the period, net</b>	<b>2.056</b>	<b>(5.045)</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 26 - EARNINGS PER SHARE

	1 January - 31 December 2016	1 January - 31 December 2015
Net (loss)/income attributable to equity holders of the parent	325.005	163.895
Weighted number of ordinary shares with a TL 1 of face value (thousand shares)	190.000	190.000
	<b>1,71</b>	<b>0,86</b>

### NOTE 27 - DERIVATIVE INSTRUMENTS

	31 December 2016		31 December 2015	
	Contract amount	Fair Value Assets/ (Liabilities)	Contract amount	Fair Value Assets/ (Liabilities)
<u>Derivative financial assets</u>				
Held for trading				
Forward foreign currency transactions	354.888	2.922	434.490	11.535
Cash flow hedge				
Forward foreign currency transactions	242.825	23.482	171.258	9.537
<u>Derivative financial liabilities</u>				
Held for trading				
Forward foreign currency transactions	219.947	(27.853)	177.301	(616)
	<b>817.660</b>	<b>(1.449)</b>	<b>783.049</b>	<b>20.456</b>

### NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### a) Capital risk management:

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

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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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### NOTE 28- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2016 and 31 December 2015 the Company's net debt/total equity ratios are as follows:

	31 December 2016	31 December 2015
Total financial liabilities (note 5)	248.709	60.489
Cash and cash equivalents (note 4)	(12.829)	(88.687)
<b>Net debt</b>	<b>235.880</b>	<b>(28.198)</b>
Total equity	919.931	714.273
Capital invested	1.155.811	686.075
<b>Net debt/capital invested</b>	<b>0,20</b>	<b>(0,04)</b>

#### b) Financial risk factors:

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

#### b.1) Credit risk:

Credit risk arises from bank deposits, trade receivables and other trade receivables. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of these agreements. The Company sells significant portion of its products to Vestel Ticaret A.Ş. which is a group company. Credit risk is evaluated by considering past experiences and current economic conditions and receivables is presented in the balance sheet after appropriate amount of provision for doubtful receivables is allocated. The company considers that the credit risk is managed effectively. The following statements show the analysis of credit risk as of 31 December 2016 and 31 December 2015:

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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### NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	Receivables				Bank deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
31 December 2016						
Maximum exposed credit risk as at 31 December 2016 (A+B+C+D)	1.182.807	3.237	258.612	78.098	5.193	7.636
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	1.182.807	3.237	258.612	78.098	5.193	7.636
- Secured portion by guarantees, etc	-	-	-	-	-	-
B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired	-	-	-	-	-	-
C. Net book value of overdue but not impaired financial assets	-	-	-	-	-	-
- Secured portion by guarantees, etc	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Overdue	-	231	-	-	-	-
- Impairment	-	(231)	-	-	-	-
- Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-



Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2015	Receivables				Bank deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
Maximum exposed credit risk as at 31 December 2015 (A+B+C+D)	818.706	5.879	-	98.237	84.518	4.169
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	818.706	2.691	-	98.237	84.518	4.169
B. Net book value of financial asset with renegotiated conditions, otherwise considered as overdue or impaired	-	3.087	-	-	-	-
C. Net book value of overdue but not impaired financial assets	-	101	-	-	-	-
- Secured portion by guarantees, etc	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Overdue	-	210	-	-	-	-
- Impairment	-	(210)	-	-	-	-
- Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Aging analysis of the receivables which are overdue but not impaired:

	31 December 2016	31 December 2015
0 -1 month	-	101
<b>Total overdue receivables</b>	<b>-</b>	<b>101</b>

#### b.2) Price risk:

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

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

#### b.3) Liquidity risk:

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

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

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

The analysis of the Company's financial liabilities with respect to their maturities as of 31 December 2016:

Contractual Maturities	Book Value	Total contractual cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Bank Borrowings	248.709	269.019	3.233	41.280	224.506	-
Trade Payables	840.474	842.652	686.515	153.656	2.481	-
Other Payables	187.260	196.880	29.451	28.923	138.506	-
	<b>1.276.443</b>	<b>1.308.551</b>	<b>719.199</b>	<b>223.859</b>	<b>365.493</b>	<b>-</b>
<b>Derivative financial instruments</b>						
Derivative cash inflows	-	(817.660)	(517.254)	(300.406)	-	-
Derivative cash outflows	-	813.430	516.193	297.237	-	-
	<b>1.449</b>	<b>(4.230)</b>	<b>(1.061)</b>	<b>(3.169)</b>	<b>-</b>	<b>-</b>

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

The analysis of the Company's financial liabilities with respect to their maturities as of 31 December 2015:

Contractual Maturities	Book Value	Total contractual cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Bank Borrowings	60.489	62.865	2.890	3.081	56.894	-
Trade Payables	730.650	732.370	549.022	183.348	-	-
Other Payables	160.438	174.217	2.601	2.578	169.038	-
	951.577	969.452	554.513	189.007	225.932	-
<b>Derivative financial instruments</b>						
Derivative cash inflows	-	(783.049)	(535.887)	(247.162)	-	-
Derivative cash outflows	-	758.637	521.696	236.941	-	-
	(20.456)	(24.412)	(14.191)	(10.221)	-	-

#### b.4) Foreign currency risk:

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2016	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	3.570	230.590	15	868.044
2a. Monetary financial assets (including cash and cash equivalents)	379	1.019	9	5.123
2b. Non-monetary financial assets	-	-	-	-
3. Other	137	-	-	482
<b>4. Current assets (1+2+3)</b>	<b>4.086</b>	<b>231.609</b>	<b>24</b>	<b>873.650</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>4.086</b>	<b>231.609</b>	<b>24</b>	<b>873.650</b>
10. Trade payables	107.115	66.548	43	623.889
11. Financial liabilities	-	1.697	-	6.295
12a. Other monetary liabilities	-	14.286	-	53.000
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>107.115</b>	<b>82.531</b>	<b>43</b>	<b>683.184</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	-	42.370	-	157.189
16a. Other monetary liabilities	-	36.190	-	134.261
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>-</b>	<b>78.560</b>	<b>-</b>	<b>291.450</b>
<b>18. Total liabilities (13+17)</b>	<b>107.115</b>	<b>161.091</b>	<b>43</b>	<b>974.634</b>
19. Off-balance sheet derivative instruments/net asset (liability) position (19a+19b)	100.843	(116.881)	-	(78.730)
19a. Hedged total assets	169.843	-	-	597.711
19b. Hedged total liabilities	(69.000)	(116.881)	-	(676.442)
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(2.186)</b>	<b>(46.363)</b>	<b>(19)</b>	<b>(179.714)</b>
21. Net foreign currency monetary asset/(liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(103.166)	70.518	(19)	(101.467)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(1.449)
23. Export	12.970	662.474	-	2.297.529
24. Import	163.174	167.663	1.000	1.048.894

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2015	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	7.741	190.252	21.785	648.837
2a. Monetary financial assets (including cash and cash equivalents)	9.179	378	60	27.950
2b. Non-monetary financial assets	-	-	-	-
3. Other	90	-	-	262
<b>4. Current assets (1+2+3)</b>	<b>17.010</b>	<b>190.630</b>	<b>21.845</b>	<b>677.049</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>17.010</b>	<b>190.630</b>	<b>21.845</b>	<b>677.049</b>
10. Trade payables	115.246	52.299	684	501.959
11. Financial liabilities	-	1.853	-	5.887
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>115.246</b>	<b>54.152</b>	<b>684</b>	<b>507.846</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	-	17.156	-	54.516
16a. Other monetary liabilities	-	50.490	-	160.437
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>-</b>	<b>67.646</b>	<b>-</b>	<b>214.953</b>
<b>18. Total liabilities (13+17)</b>	<b>115.246</b>	<b>121.798</b>	<b>684</b>	<b>722.799</b>
19. Off-balance sheet derivative instruments/net asset (liability) position (19a+19b)	43.465	(73.669)	(495)	(108.207)
19a. Hedged total assets	143.000	73.875	-	650.532
19b. Hedged total liabilities	(99.535)	(147.544)	(495)	(758.739)
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(54.771)</b>	<b>(4.837)</b>	<b>20.666</b>	<b>(153.957)</b>
<b>21. Net foreign currency monetary asset/(liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(98.326)</b>	<b>68.832</b>	<b>21.161</b>	<b>(46.012)</b>
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	20.456
23. Export	18.225	620.790	8.905	1.948.294
24. Import	164.800	176.613	897	977.992

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2016 and 31 December 2015, sensitivity analysis of foreign exchange rate tables is presented below, secured portions include impact of derivative instruments.

	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 December 2016				
+/- 10% fluctuation of USD rate:				
USD net asset/liability	(36.306)	36.306	(36.306)	36.306
Secured portion from USD risk (-)	11.775	(11.775)	35.984	(35.984)
USD net effect	(24.531)	24.531	(322)	322
+/- 10% fluctuation of EUR rate:				
EUR net asset/liability	26.161	(26.161)	26.161	(26.161)
Secured portion from EUR risk (-)	(21.533)	21.533	(43.394)	43.394
EUR net effect	4.628	(4.628)	(17.233)	17.233
+/- 10% fluctuation of other currency rates:				
Other currencies net asset/liability	(2)	2	(2)	2
Secured portion from other currency risk (-)	-	-	-	-
Other currency net effect	(2)	2	(2)	2



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2015	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
+/- 10% fluctuation of USD rate:				
USD net asset/liability	(28.589)	28.589	(28.589)	28.589
Secured portion from USD risk (-)	4.358	(4.358)	12.737	(12.737)
USD net effect	(24.231)	24.231	(15.852)	15.852
+/- 10% fluctuation of EUR rate:				
EUR net asset/liability	21.872	(21.872)	21.872	(21.872)
Secured portion from EUR risk (-)	(7.287)	7.287	(23.429)	23.429
EUR net effect	14.585	(14.585)	(1.557)	1.557
+/- 10% fluctuation of other currency rates:				
Other currencies net asset/liability	2.116	(2.116)	2.116	(2.116)
Secured portion from other currency risk (-)	(39)	39	(39)	39
Other currency net effect	2.077	(2.077)	2.077	(2.077)

#### b.5) Interest rate risk:

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

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

	31 December 2016	31 December 2015
Financial instruments with fixed interest rates		
Time Deposits	3.951	56.178
Financial Liabilities	242.414	49.448
Financial instruments with variable interest rates		
Financial Liabilities	6.295	11.041

On 31 December 2016, 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 16 TL (2015: 85 TL) lower/higher as a result of interest expenses.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

#### Categories of financial instruments and fair values

The Company has classified its financial assets and liabilities as at fair value through profit or loss, available for sale financial assets and loans and receivables. Among Company's financial assets, cash and cash equivalents (note 4), trade receivables (notes 6 and 7) and other receivables (notes 6 and 8), are classified as loans and receivables and are measured at amortized cost using the effective interest method.

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

#### Fair value of financial instruments

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

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

#### Monetary assets

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

#### Monetary liabilities

The fair values of short term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term. As of 31 December 2016, the carrying value and the fair value of long term-borrowings, including the short term portions are equal to 222.302 TL (31 December 2015: 60.403 TL) (note 5) and 222.302 TL (31 December 2015: 60.403 TL) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in the market interest rates.

#### Fair value hierarchy

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy tables as of 31 December 2016 and 31 December 2015 are as follows:

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets/(liabilities)				
Derivative financial assets/(liabilities)	-	(1.449)	-	(1.449)
31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets/(liabilities)				
Derivative financial assets/(liabilities)	-	20.456	-	20.456

## INVESTOR INFORMATION

### General Information

Reporting Period: 01.01.2016 - 31.12.2016  
Corporate Title: Vestel Beyaz Eşya Sanayi ve Ticaret AŞ  
Trade Register No: İstanbul Ticaret Sicil Müdürlüğü, No: 380814  
Registered Capital Ceiling: No upper limit  
Paid-in/Issued Capital: TL 190,000,000

### Headquarters/Branches Contact Details:

Headquarters: Levent 199 Büyükdere Cad. No: 199 34394 Şişli - İSTANBUL  
Phone: +90 (212) 456 22 00  
Fax: +90 (212) 422 02 03  
Branch: Organize Sanayi Bölgesi, 45030 - Manisa  
Phone: +90 (236) 226 30 00  
Fax: +90 (236) 233 01 20

### Independent Auditor

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ  
Süleyman Seba Cad. BJK Plaza No: 48 B Blok, Kat: 9 34357 Akaretler Beşiktaş - İSTANBUL  
Phone: +90 (212) 326 60 60  
Fax: +90 (212) 326 60 50

### Financial Data and Company Announcements

Financial statements, auditor reports, material disclosures and annual reports of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ are available on the Company's website at [vesbe.vestelinvestorrelations.com](http://vesbe.vestelinvestorrelations.com).

Additionally, requests for information can be submitted to the Investor Relations Directorate of Vestel Group of Companies via phone and e-mail.

### Investor Relations

Serap Mutlu  
Investor Relations Director  
Vestel Beyaz Eşya Sanayi ve Ticaret AŞ  
Levent 199 Büyükdere Cad. No: 199 34394 Şişli - İstanbul  
Phone: +90 (212) 456 34 56  
E-mail: [yatirimci@vestel.com.tr](mailto:yatirimci@vestel.com.tr)

Emine Özcan  
Investor Relations Officer  
Vestel Beyaz Eşya Sanayi ve Ticaret AŞ  
Organize Sanayi Bölgesi 45030 / MANİSA  
E-mail: [yatirimci@vestel.com.tr](mailto:yatirimci@vestel.com.tr)



[www.vestel.com.tr](http://www.vestel.com.tr)