

**MANAGE THE SMART
FUTURE WITH VESTEL**

**VESTEL BEYAZ EŞYA
2017 ANNUAL REPORT**



CONTENTS

8	SUMMARY FINANCIAL AND OPERATIONAL INDICATORS	68	RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS
10	SHAREHOLDING STRUCTURE AND VESTEL BEYAZ EŞYA SHARES	71	INTERNAL AUDIT DEPARTMENT AND ACTIVITIES
13	THE YEAR 2017 AT VESTEL BEYAZ EŞYA	72	CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT
18	CHAIRMAN'S MESSAGE	92	BOARD OF DIRECTORS' EVALUATION REGARDING THE BOARD COMMITTEES
22	BOARD OF DIRECTORS	93	AGENDA OF THE 2017 ORDINARY GENERAL ASSEMBLY MEETING
24	INTERVIEW WITH THE CEO	94	DIVIDEND DISTRIBUTION POLICY
28	EXECUTIVE COMMITTEE	94	BOARD'S RESOLUTION FOR THE DISTRIBUTION OF 2017 PROFIT
31	VESTEL BEYAZ EŞYA IN BRIEF	95	CONCLUSION SECTION OF THE AFFILIATION REPORT
32	VESTEL'S MANUFACTURING POWER: VESTEL CITY	96	STATEMENTS OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES
33	VESTEL BEYAZ EŞYA'S MAIN STRENGTHS	99	STATEMENT OF RESPONSIBILITY
36	VESTEL SERVING THE WHOLE WORLD...	100	FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
38	VESTEL BEYAZ EŞYA'S STRATEGY AND REALIZATIONS IN 2017	152	INVESTOR INFORMATION
40	ZORLU GROUP		
43	R&D AT VESTEL BEYAZ EŞYA		
49	CUSTOMER EXPERIENCE BEYOND EXPECTATIONS		
56	SUSTAINABILITY AND VESTEL BEYAZ EŞYA		



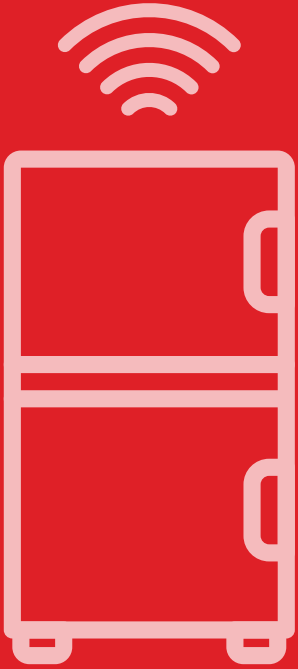
WE ARE FURTHER
STRENGTHENING OUR
COMPETENCIES IN INDUSTRIAL
DESIGN, INNOVATIVE
PRODUCT DEVELOPMENT AND
SOFTWARE THROUGH OUR
EFFORTS AND INVESTMENTS
FOR THE INDUSTRY 4.0
TRANSFORMATION.



PRIMARY TARGET: ADAPTING TO INDUSTRY 4.0

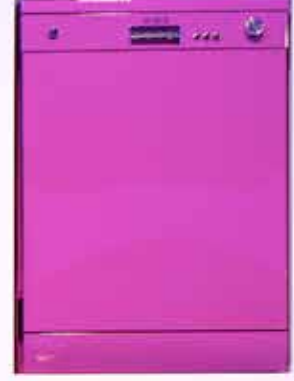
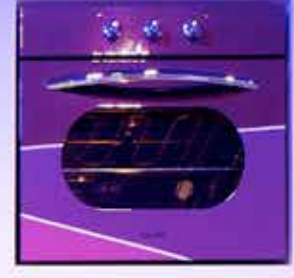
VESTEL BEYAZ EŞYA HAS BEEN
UNDERTAKING EXEMPLARY EFFORTS
ON A GLOBAL BASIS FOR THE INDUSTRY
4.0 TRANSFORMATION FOR MORE THAN
THREE YEARS.





PRIMARY GAINS: INCREASE IN EFFICIENCY, QUALITY AND COMPETITIVE POWER

VESTEL BEYAZ EŞYA'S PRODUCTION FACILITIES GET SMARTER WITH THE HORIZONTAL/VERTICAL VALUE CHAIN INTEGRATION AND THE USE OF ARTIFICIAL INTELLIGENCE SOFTWARE, IoT TECHNOLOGIES AND ROBOTIC SYSTEMS.





FUTURE: AN EVEN STRONGER POSITION IN THE GLOBAL ARENA

SMARTER PROCESSES, PROGRESS IN
R&D AND INNOVATION AND A FLEXIBLE
AND AGILE MANUFACTURING MODEL
WILL DRIVE VESTEL BEYAZ EŞYA'S RISE
IN THE GLOBAL LEAGUE.



SUMMARY FINANCIAL AND OPERATIONAL INDICATORS

Condensed Income Statement (Euro million)	2013	2014	2015	2016	2017
Net Sales	803	804	837	909	937
Exports/Sales	72%	75%	77%	75%	73%
Gross Profit	71	103	123	147	120
Gross Profit Margin	8.8%	12.9%	14.8%	16.1%	12.8%
Operating Profit*	33	67	86	109	86
Operating Profit Margin	4.1%	8.3%	10.3%	12.0%	9.2%
EBITDA*	63	96	114	136	113
EBITDA Margin	7.8%	11.9%	13.7%	15.0%	12.1%
Net Profit	21	45	54	97	72
Net Profit Margin	2.6%	5.6%	6.5%	10.7%	7.7%

* Excluding other operating income and expense

Condensed Balance Sheet (Euro million)	2013	2014	2015	2016	2017
Cash and Cash Equivalents	6	58	28	3	16
Trade Receivables	184	233	259	321	232
Inventories	110	81	82	66	111
Current Assets	328	406	415	492	507
Property, Plant and Equipment	112	117	99	89	123
Total Assets	461	549	542	619	671
Short-Term Liabilities	189	230	241	271	378
Long-Term Liabilities	87	84	76	99	69
Shareholders' Equity	184	235	225	249	224
Net Financial Debt	93	35	42	115	137

Condensed Cash Flow Statement (Euro million)	2013	2014	2015	2016	2017
Cash Flow from Operating Activities	94	109	59	74	159
Net Cash Flows from Investing Activities	(42)	(32)	(29)	(112)	(148)
Net Cash Flows from Financing Activities	(56)	(26)	(55)	16	2

REVENUES

TL 3,858 million

Vestel Beyaz Eşya's sales revenues increased by 27% YoY to TL 3,858 million in 2017 thanks to the positive impact of the SCT (Special Consumption Tax) cut on domestic sales volumes and solid growth in export revenues.

EBITDA

TL 466 million

EBITDA reached TL 466 million in 2017 with an EBITDA margin of 12.1%.

GROSS PROFIT MARGIN

12.8%

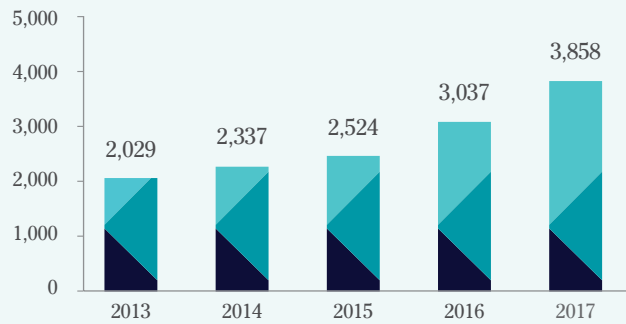
The Company's gross profit margin fell from 16.1% to 12.8% due increased raw material costs.

NET PROFIT

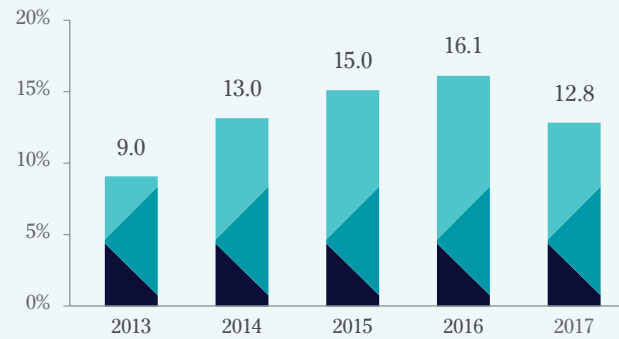
TL 295 million

The Company recorded TL 295 of million net profit in 2017, corresponding to a net profit margin of 7.7%.

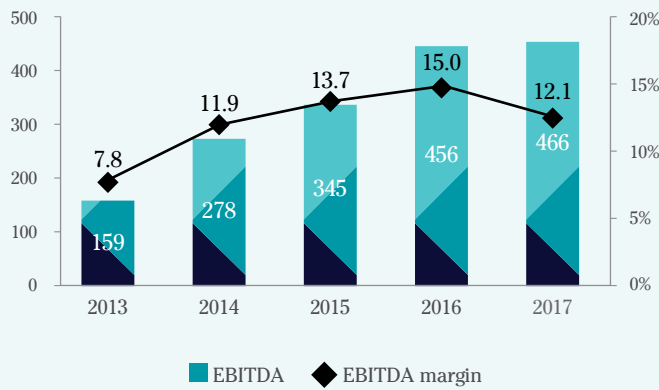
NET SALES (TL MILLION)



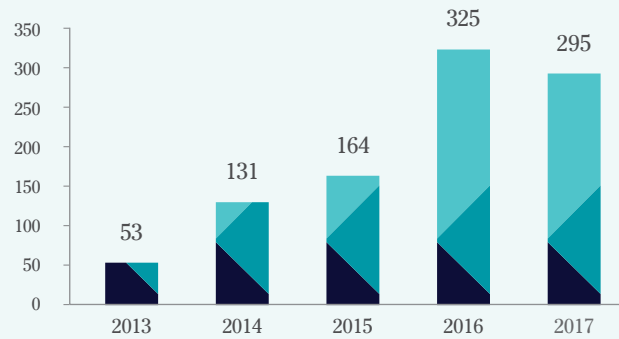
GROSS PROFIT MARGIN (%)



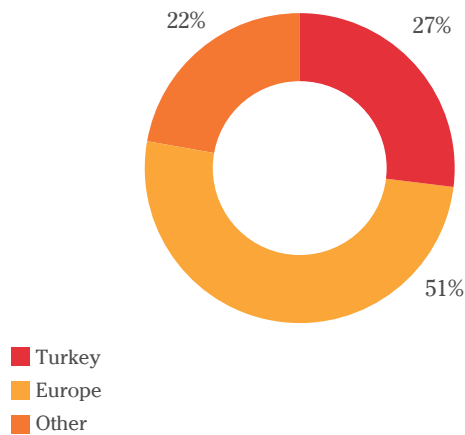
EBITDA (TL MILLION) AND EBITDA MARGIN (%)



NET PROFIT (TL MILLION)



REVENUE BREAKDOWN BY REGION



EXPORTS MADE UP
73% OF TOTAL SALES
REVENUES IN 2017.

SHAREHOLDING STRUCTURE AND VESTEL BEYAZ EŞYA SHARES

SHAREHOLDING STRUCTURE

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

* "Vestel Elektronik" or "Vestel"

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

Vestel Beyaz Eşya does not have any privileged shares.

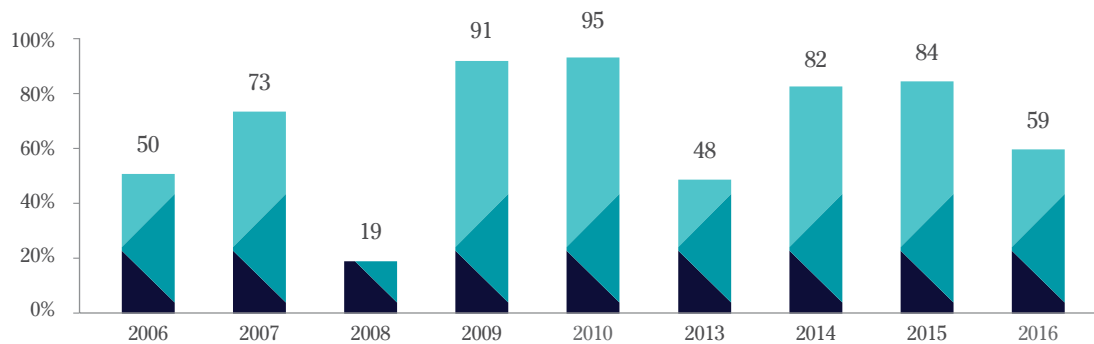
DIVIDEND DISTRIBUTION

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

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

* The corresponding year for the realization of the distributable profit

DIVIDEND PAYOUT RATIO



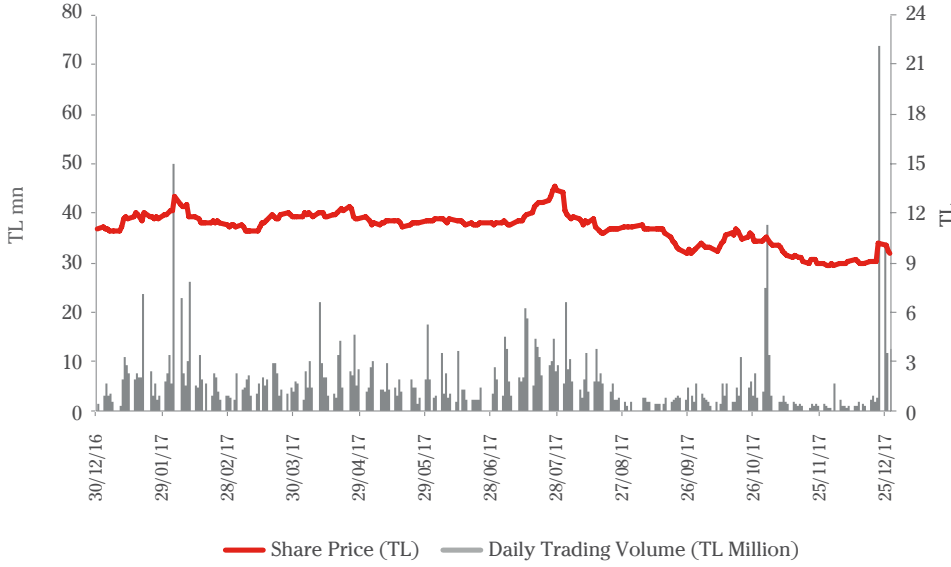
Vestel Beyaz Eşya Shares

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

As of the end of 2017, Vestel Beyaz Eşya, which is traded on the BIST STAR Market, is included in the BIST INDUSTRIAL, BIST METAL PRODUCTS, MACHINERY, BIST DIVIDEND, BIST ALL, BIST STAR, BIST ALL-100 and BIST SUSTAINABILITY indices.

Vestel Beyaz Eşya voluntarily applied in late 2015 to be included in the BIST Sustainability Index which comprises the shares of listed companies on Borsa İstanbul with a high corporate sustainability performance. Based on the evaluations conducted by Borsa İstanbul AŞ in 2016, the Company was added to the Sustainability Index on a voluntary basis for the November 2016 - October 2017 period. Thanks to its continued compliance with the index criteria, Vestel Beyaz Eşya also qualified to be included in the index between November 2017 and October 2018 on a voluntary basis.

VESTEL BEYAZ EŞYA - SHARE PRICE PERFORMANCE



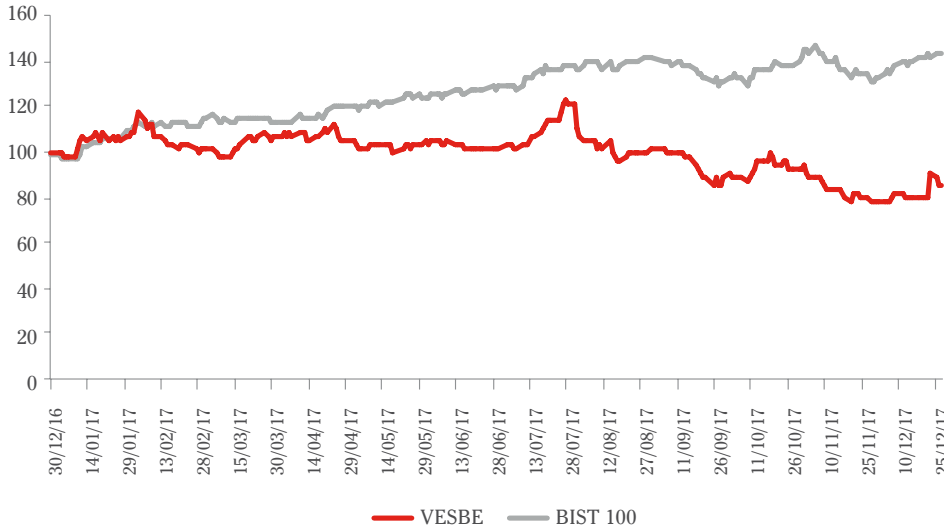
MARKET VALUE

TL 1,813 million

The share price of Vestel Beyaz Eşya declined by 14% in 2017.

As of December 29, 2017, the Company had a market value of TL 1,813 million.

VESTEL BEYAZ EŞYA - RELATIVE PERFORMANCE



BIST-100 INDEX

+48%

The BIST-100 index increased by 48% in the same period.

Summary Share Price Information for 2017

Number of Shares	190,000,000
Shares in Free Float*	10,219,553
Yearly High (TL)	13.61
Yearly Low (TL)	8.80
Year-End Closing Price (TL)	9.57
Market Capitalization* (TL Million)	1,818

*As of December 29, 2017

THANKS TO ITS PROGRESS IN
ENERGY AND WATER EFFICIENCY
AND SMART PRODUCT
TECHNOLOGIES, VESTEL BEYAZ
EŞYA RAISES THE BAR FOR
DEVELOPING INNOVATIVE AND
RECORD-BREAKING PRODUCTS
WITH EACH PASSING YEAR.



HIGHLIGHTS OF 2017

VESTEL BEYAZ EŞYA IS THE FIRST COMPANY TO RECEIVE THE ISO 14046 WATER FOOTPRINT VERIFICATION IN THE HOUSEHOLD APPLIANCES SECTOR.

Thanks to its improvement activities in “Water Management”, Vestel Beyaz Eşya qualified for the ISO 14046 Water Footprint Verification as the first company in its sector.

Initiating R&D and improvement activities for “Water Management” in 2016 to prevent water waste across all of its facilities, Vestel Beyaz Eşya became the first company in its sector to receive the “Water Footprint” Verification for its efforts, which were accredited by Intertek Canada.



VESTEL BEYAZ EŞYA EXPANDS THE FAMILY OF SMART HOME APPLIANCES.

Following the launch of air conditioners and ovens in the smart home appliance family in 2015, smart dishwashers, French Door fridges and washing machines with TFT screens and remote connectivity were introduced to the market in 2017. The smart home appliances (air conditioner, oven, dishwasher, washing machine, refrigerator) manufactured by Vestel Beyaz Eşya can be remotely controlled via Android or iOS tablets and smartphones. Customers can remotely display and manage various product functions such as temperature, active program and timing by downloading the “Evin Akli” (smart home) app on their smartphones or tablets.

VESTEL BEYAZ EŞYA WON THE “AWARD FOR EXCELLENCE IN CONSISTENT TPM COMMITMENT”.

Vestel Beyaz Eşya received another award from the Japan Institute of Plant Maintenance (JIPM) in 2017 for its successful implementation of TPM practices at its refrigerator, washing machine, dishwasher, cooking appliances and air conditioner-water heater plants since 2011. After receiving the “TPM Excellence Award” in 2014, Vestel Beyaz Eşya took its operations a step further and was deemed worthy of the “Award for Excellence in Consistent TPM Commitment” in 2017. This achievement has made Vestel Beyaz Eşya the world’s first and only household appliances company to simultaneously receive this award for its six production plants.

VESTEL BEYAZ EŞYA LAID THE FOUNDATION FOR ITS NEW MANUFACTURING PLANT.

Vestel Beyaz Eşya broke ground for its new manufacturing plant, which will produce washing machines and dryers, in July 2017. The plant is expected to come onstream in Vestel City in 2018.

Designed and configured in line with the Industry 4.0 principles, the new facility is planned to have an indoor area of 63,000 m² and will be realized with an investment of approximately EUR 70 million. Set to have an annual production capacity of 750,000 washing machines and 750,000 dryers per year, the new plant is expected to create employment for 1,100 people.

THE SMART HOME APPLIANCES MANUFACTURED BY VESTEL BEYAZ EŞYA CAN BE REMOTELY CONTROLLED VIA ANDROID OR iOS TABLETS AND SMARTPHONES.

INNOVATIVE PRODUCTS FROM VESTEL BEYAZ EŞYA

Vestel Beyaz Eşya raises the bar for developing innovative and record-breaking products with each passing year. In 2017, the Company developed and launched the following products:

- Washing machines of 7 kg and 10 kg loading capacities, which are 60% more energy efficient than A+++ products,
- 70 cm double door Top Freezer refrigerators with a next generation cooling system,
- The smart home appliance line-up*, which includes remotely controlled dishwashers, washing machines, fridges, ovens and air conditioners,
- A combi fridge having the highest energy efficiency in its class, which consumes 35% less energy than A+++ products,
- The world's quietest fridge with a 33 dBA (decibels) noise level thanks to the Pro-Drive technology,
- The world's least energy-consuming French Door refrigerator with A+++ energy performance,
- Record breaking dishwashers that produce only 36 dBA of noise with their extra silent feature,
- Dishwashers with Direct Wash & Triple Wash washing technologies,
- A 45 cm entry-level dishwasher with a record breaking A++ energy performance,

* The oven and air conditioner were launched in 2015, and washing machine, dishwasher and fridge in 2017, which were offered as a complete product family during 2017.

- Washing machines with a record-breaking 39 dBA of noise level,
- A first in the world for built-in ovens, the 'Hot Air Shield' function trapping inside the hot air and steam which rush out upon opening the door of a heated oven,
- 75 L pyrolytic built-in oven,
- Silent (35 dBA) built-in oven,
- Super inverter air conditioner,
- Super quiet air conditioner.

Vestel Beyaz Eşya also developed the world's first mechanically controlled built-in and free-standing ovens with A+ energy performance in 2017. This will allow the Company to offer more energy efficient products in the middle segment.

Vestel Beyaz Eşya also developed the following products in 2017 for launch in 2018:

- Fridge with the Vacuum Bag technology which keeps food fresh in food storage bags up to five times longer with vacuum sealing,
- The first fridge to feature a voice command technology which allows for the automatic opening of the refrigerator door,
- Vestel Sterilizone® washing machine featuring UV-C technology,
- TwinJet® washing machine with 12 kg of loading capacity,
- The smartest washing machine - Vestel Intellicare,
- Built-in oven with steam-assist function.





VESTEL BEYAZ EŞYA WON FIVE AWARDS IN NATIONAL AND INTERNATIONAL DESIGN COMPETITIONS.

Vestel Beyaz Eşya continued to advance its competency in design and proved its success once again in 2017 with the numerous awards it won in national and international competitions during the year.

The Company received a total of five awards in national and international design competitions in 2017, carrying the total number of its design awards to 182.

Vestel Beyaz Eşya won:

- The “iF Product Design Award” for its Vflex Induction Oven and Magma Glass Grill at the iF the Design Awards;
- “Good Design Award” for its Vflex Induction Oven, Jasmine Dishwasher and Flora Split Air Conditioner at Design Turkey 2017.



VESTEL WAS CERTIFIED AS “CUSTOMER-FRIENDLY ORGANIZATION” AND “CUSTOMER-FRIENDLY BRAND” BY TSE (TURKISH STANDARDS INSTITUTION).

Focusing on after-sales services as much as it does on the quality of production, Vestel’s approach to customer and after-sales services were deemed worthy of the “Customer-Friendly Organization” and “Customer-Friendly Brand” Certificates by the Turkish Standards Institution (TSE).

Vestel became the first company to receive these certificates in its sector which verified once again that the company’s after-sales services comply with the international standards.

Vestel Customer Services’ innovative projects, meticulous approach to protection of personal data and 24/7 accessibility played an important role in this certification. Additionally, modernization of the customer greeting and product receipt areas at the authorized service points and special practices for customers with disabilities as part of the “Accessibility Project” also contributed to this process.

THE YEAR 2017 AT VESTEL BEYAZ EŞYA



ONE OF THE MOST POPULAR BRANDS AT IFA 2017 - BERLIN FAIR

Vestel Beyaz Eşya participated in IFA, Europe's largest consumer electronics fair held in Berlin, in September 2017 where it drew attention with its smart products.

At the fair, the Company also announced its collaboration with the e-commerce giant Amazon. Under this collaboration, Amazon Dash Replenishment service has been integrated into the smart washing machines manufactured by Vestel Beyaz Eşya. This new system enables automatic ordering of laundry detergent and fabric softeners via Amazon when their supplies are at low levels.

Vestel Beyaz Eşya's washing machine with UV technology and medical-level hygiene attracted great interest at the fair. The Company's ovens with the "hot air shield" feature, which is developed to offer innovative and convenient solutions to consumers, refrigerators with vacuum sealing technology that keeps food fresh for a longer period as well as refrigerators with voice command function that requires no internet connection also drew strong interest from visitors.





TESKON+SODEX 2017

Vestel Beyaz Eşya exhibited its air conditioning products at a 72 m² stand at Teskon+Sodex 2017.

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



THE TURKISH ECONOMY DISPLAYED A STRONG PERFORMANCE IN 2017 AND RECORDED A 7.4% GROWTH FOR THE FULL-YEAR FOLLOWING ITS RECORD-BREAKING 11.3% GROWTH IN 3Q17.



Ahmet Nazif Zorlu
Chairman

TOWARDS LIGHTS-OUT MANUFACTURING

Industry 4.0

We aim for Vestel City to be the first production facility in Turkey complete the Industry 4.0 transformation.

CREATING THE FUTURE

R&D

Our achievements in innovation and competency in R&D foster our belief that Vestel will be one of the companies to shape the future.

SUSTAINABLE EXCELLENCE

TPM

Vestel Beyaz Eşya won the “Award for Excellence in Consistent TPM Commitment” in 2017.

EMPLOYMENT OF PEOPLE WITH DISABILITIES

39 employees

Vestel recruited 100 individuals with disabilities in 2017, of whom 39 were employed by Vestel Beyaz Eşya. Thus, the total number of employees with disabilities at Vestel Group increased to 440.

Return to strong and synchronized growth

In 2017, the global economy was shaped by the central banks' decisions and geopolitical developments. Pro-growth monetary policies pursued by the world's major central banks, especially the Federal Reserve Bank (Fed) and the European Central Bank (ECB), yielded positive results and led to an acceleration in the growth rates of the developed countries. Likewise, developing countries also saw a pick up in their growth performance. Consequently, 2017 was a year of global economic growth which went beyond expectations.

It is noteworthy that this synchronized growth was achieved in the presence of geopolitical and political issues in various parts of the world, such as the rising concerns for the protectionist policies of the US President, Donald Trump, Brexit vote in the UK, unfavorable developments in the Middle East and the growing tension between North Korea and the US.

Parallel to the steady improvement in economic growth and employment rates in the US, the Fed has implemented three scheduled rate hikes throughout the year and raised the policy interest rate to the 1.25%-1.50% range as of the end of 2017. The Fed also initiated the process for balance sheet normalization in October. On the other hand, the US Dollar depreciated in international markets due to inflation failing to yield the desired momentum and the failure of the Trump administration to implement its growth plans as fast as expected.

In Europe, however, the Euro has started appreciating, especially from 2Q17, on expectations that the ECB would take steps to tighten liquidity. In 2017, the Eurozone displayed its strongest growth performance since the global crisis in 2008. In parallel to these developments, the ECB decided to reduce the size of its monthly asset purchases and took the initial steps towards monetary policy normalization in 2017. Going through a rebalancing process, the Chinese economy also exhibited signs of returning to a stable growth trajectory in 2017, though not as high as before.

The commodity prices maintained their uptrend in 2017, while developing countries continued to attract capital flows thanks to the supportive liquidity policies on a global basis and investors' quest for high returns.

With its strong performance, the Turkish economy once again demonstrated its resilience and dynamism.

The Credit Guarantee Fund launched in 2017, the government's employment campaign and the industry-specific temporary tax cuts boosted domestic consumption and economic growth in Turkey.

Thanks to these incentives and a low base in 2016, the Turkish economy displayed a strong performance in 2017 and recorded a 7.4% growth for the full-year following its record-breaking 11.3% growth in 3Q17.

In return, with the increase in food and energy prices, inflation hit double digits by the end of 2017 while foreign trade deficit and current account deficit continued to remain among the main issues of the Turkish economy.

IN 2017, THE GLOBAL ECONOMY WAS SHAPED BY THE CENTRAL BANKS' DECISIONS AND GEOPOLITICAL DEVELOPMENTS WHILE THE GLOBAL ECONOMIC GROWTH EXCEEDED EXPECTATIONS.

WE LAID THE FOUNDATION FOR OUR NEW MANUFACTURING FACILITY, WHICH WILL PRODUCE WASHING MACHINES AND DRYERS IN JULY 2017, FOR WHICH WE INITIATED THE INVESTMENT IN LATE 2016. THE FACILITY IS PLANNED TO BECOME OPERATIONAL IN THE SECOND HALF OF 2018 WITH AN INVESTMENT OF EUR 70 MILLION.

While economic matters such as inflation, current account deficit, employment and foreign debt will continue to be among the most pressing agenda items in 2018, the geopolitical risks, the reform program and stimulus measures to be implemented by the Turkish government, the Fed's interest rate decisions and the Brexit process will also have an important impact on the markets and the economy.

Based on the projections that the government would continue with its pro-growth policies and exports would be supported by the recovery in global economy, the Turkish economy is expected to grow at a more moderate 4-5% in 2018, following its strong performance in 2017.

While the ongoing recovery in export and tourism revenues is expected to have a positive impact on the current account deficit, inflation is also projected to recede to single digits towards the end of 2018 thanks to a favorable base effect.

2017 was a year when Vestel Beyaz Eşya implemented its sustainable and profitable growth plans and recorded substantial achievements.

The SCT exemption on white goods, which was in effect during February – September 2017, spurred a strong growth in our domestic sales while the economic recovery in Europe, our main export market, had a positive impact on our exports.

We laid the foundation for our new washing machine and dryer manufacturing plant in July 2017, for which we initiated the investment in late 2016. Planned to become operational in the second half of 2018 with an investment of EUR 70 million, our new manufacturing facility is designed in line with the Industry 4.0 principles and will have a production capacity of 750,000 washing machines and 750,000 dryers per year.

After receiving the “TPM Excellence Award” in 2014, Vestel Beyaz Eşya took its operations a step further and was deemed worthy of the “Award for Excellence in Consistent TPM Commitment” in 2017. This achievement made Vestel Beyaz Eşya the first and only household appliances company in the world to simultaneously receive this award with its six production facilities.

We have the upper hand in adapting to Industry 4.0.

The implementation of TPM activities for years provides Vestel Beyaz Eşya with an advantage in adapting to Industry 4.0.

What we ultimately want to achieve with our digital transformation called VESTEL 4.0 is a “Smart Factory” where all processes are carried out by artificial intelligence software.

Our competency in software is one of our major strengths in transition to Industry 4.0. We foresee that this transition will also change the profile of our human resources with workers doing manual work being replaced with employees who are capable of designing, developing and controlling manufacturing processes.

In addition to bringing increased levels of productivity and significant cost savings in manufacturing, the Industry 4.0 transformation will also serve towards our goal of maximizing customer satisfaction.

With this transformation, Vestel Beyaz Eşya will be able to offer higher value added products to the market faster than before, thus improving its global competitiveness.

We are working incessantly to deliver on our promise of making Vestel City the first manufacturing facility in Turkey to complete this transformation.

360-degree corporate sustainability

As part of our 360-degree corporate sustainability vision, we use our advantages in R&D and innovation to expand our sustainable product portfolio.

The levels of efficiency we have reached in energy and water consumption can be seen clearly in our manufacturing processes and record-breaking products. Continuing our efforts to improve energy efficiency further, we contribute towards building a sustainable future.

The fact that Vestel Beyaz Eşya has recently received the Water Footprint Verification, a first for our industry in Turkey, represents a great example of our achievements.

One of our many international certificates, this document indicates the standard we have reached in water consumption and highlights the importance we attach to the efficient use of natural resources.

We are also taking important steps in other fields which constitute the main pillars of our sustainability approach, such as customer services and training and development of human resources. While we provide support to our R&D activities through the training programs at Vestel Technology Academy, we also improve the quality of our customer services and strengthen our human resources under our continuous improvement approach by offering training courses at various platforms, mainly at Vestel Retail Academy and Vestel Service Academy.

The “Customer-Friendly Brand” and “Customer-Friendly Organization” Certificates, which we have received in 2017, making a first in our industry, shows Vestel’s perfectionist service approach and how much it has achieved in customer services.

A striking example of the integration of technology into social responsibility

We believe that a happy future can be built in a world where women, men, children and the disabled, are actively and collectively engaged to create value without any discrimination. To this end, we consider our Accessibility Project a striking example of integrating technology into the area of social responsibility.

The Accessibility Project is designed to make it possible for the disabled individuals to access the world of Vestel with ease throughout all processes from the factory to the end user and from the website to customer services.

Employment of the disabled and other social responsibility projects for individuals with disabilities constitute the complementary aspects of the project.

We were very proud to see our project represent Turkey at the 2017 UN Conference of Parties.

Recognized as the “Enterprise with the Highest Off-Quota Employment of Disabled People”, Vestel recruited a total of 100 people with disabilities, 39 of whom were employed by Vestel Beyaz Eşya and increased the total number of its employees with disabilities to 440 in 2017. In addition, 10 people with mental disabilities were employed by Vestel Beyaz Eşya in 2017 as part of the ZEKİ Project (Mental Health-friendly Workplace) launched by the Manisa Industrial Zone.

Proud steps to the future...

A global manufacturer, which designs future from today, Vestel Beyaz Eşya has a wide product range, which includes smart products as well as record holder products in energy and water efficiency. Our achievements in innovation and R&D competency strengthen our belief that Vestel will be one of the companies to shape the future.

Our Company’s fundamental purpose of existence is to devotedly work for a more livable world and wealthier Turkey. I would like to extend my gratitude to each member of the great Vestel family and to all of our stakeholders, who have shared our dreams and achievements and accompanied us in our journey to the top.

Kind regards,



Ahmet Nazif ZORLU
Chairman

BOARD OF DIRECTORS



Ahmet Nazif Zorlu
Chairman

Hacı Ahmet Kılıçoğlu
Vice Chairman

Olgun Zorlu
Board Member

(1944 - Denizli) Ahmet Nazif Zorlu began his professional career in a family owned textiles business in Denizli, Babadağ. In 1970, Mr. Zorlu moved the company's headquarters to Istanbul and laid the foundations of Zorlu Holding together with his brother, Zeki Zorlu. Ahmet Zorlu set up his first company, Korteks in 1976 and gathered all the companies under the roof of Zorlu Holding in 1990. Acquiring Vestel in 1994, Ahmet Zorlu opened the door to new lines of business for Zorlu Holding. 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 serves as the Chairman or Deputy Chairman of the Board in numerous Zorlu Group companies operating in different industries including Vestel Beyaz Eşya and Vestel Elektronik.

With a keen interest in non-governmental organizations, Ahmet Zorlu sits on the Boards of DEİK (Foreign Economic Relations Board), TÜSİAD (Turkish Industry and Business Association), DENSİR (Education and Culture Foundation of People of Denizli), BASİAD (Babadağ Industry and Business Association) and TETSİAD (Turkish Home Textile Industrialists' Association).

(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 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 and as Vice Chairman at Denizbank in 2010. In addition to being a Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Mr. Kılıçoğlu also seats on the Boards of two other Zorlu Group companies - Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ. He is also a Board Member at Şeker Mortgage Finansman AŞ, Şekerbank Kıbrıs Ltd, Doğan Gazetecilik AŞ and Doğan Holding AŞ.

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



Şule Cümbüş
Board Member

(1976 - İstanbul) After graduating from Işık High School, Şule Cümbüş pursued 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/FDU 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. In addition to being a Board Member at Vestel Beyaz Eşya, Mrs. Cümbüş serves as the Chairman of the Board at Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ.



İzzet Güvenir
Board Member

(1955 - İzmir) İzzet Güvenir obtained his Bachelor's degree in Aeronautical Engineering from Istanbul Technical University in 1980. After serving in various positions in the white goods sector, he joined Vestel in 1998 as the Manager for the Air Conditioner Plant. Mr. Güvenir became the General Manager of Vestel Beyaz Eşya in 2000. He stepped down from his position as the Executive Committee Member responsible for White Goods and Vestel CIS on July 1, 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 Tax Inspector and Chief Tax Inspector at the Ministry of Finance between 1972-1986. 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 Savings Deposit 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 to the Board of Directors of Diler Holding in 2011. Besides his board membership at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Akın Tarı also serves as a Board Member at Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ, which are Zorlu Group companies.

THE TURKISH WHITE GOODS MARKET HAD A BUOYANT YEAR IN 2017.

BOOSTED BY THE SCT (SPECIAL CONSUMPTION TAX) EXEMPTION, DOMESTIC WHITE GOODS SALES INCREASED BY 14% TO A RECORD HIGH 8.5 MILLION UNITS.

Enis Turan Erdoğan
CEO



REVENUES

TL 3.9 bn

Revenues increased by 27% to TL 3.9 bn in 2017. Exports made up 73% of total revenues.

TECHNOLOGY SHOW

Record Breaking Products

Vestel Beyaz Eşya exhibited its new and record breaking products, which include the most energy efficient, water conserving and quietest products, at the IFA Fair in Berlin.

NEW MANUFACTURING PLANT

1,500,000 units/year

We expect to create employment for 1,100 people with our new manufacturing facility, which is planned to come onstream in the second half of 2018 with a production capacity of 750,000 washing machines and 750,000 dryers per year.

R&D TEAM

526 employees

R&D will always be our most distinct competitive advantage. Our well-versed R&D team of 526 people will propel Vestel Beyaz Eşya further.

Could you talk about the developments in the white goods sector during 2017?

The Turkish white goods market had a very strong year in 2017 with domestic sales increasing by 14% to a record high 8.5 million units boosted by the special consumption tax (SCT) exemption, which was in effect during February 3 - September 30.

With the economic recovery in Western Europe, our main export market, led by France, Spain and Italy and the strong growth in the Eastern European market, Turkey's white goods exports increased by 6% to 20.6 million units. As a result, the Turkish white goods sector had a record breaking year in terms of both domestic sales and exports in 2017.

How did Vestel Beyaz Eşya perform in this environment?

The strong growth in domestic sales thanks to the SCT relief and the positive effect of TL depreciation on export revenues led to a 27% growth in our sales revenues to TL 3.9 billion in 2017. International sales accounted for 73% of our total revenues.

The depreciation of TL exerted pressure on our domestic margins, which coupled with the increase in raw material costs, had a negative impact on our profitability in 2017.

While EBITDA reached TL 466 million in 2017, EBITDA margin was realized at 12.1%. Net profit for the year amounted to TL 295 million.

What were the highlights for 2017 regarding your manufacturing operations?

We broke ground for our new washing machine and dryer production plant in July 2017, for which we initiated the investment in late 2016.

Set to become operational in the second half of 2018 with an investment of approximately EUR 70 million, the new facility is designed in accordance with the Industry 4.0 principles. The new plant will have an indoor area of 63,000 m² and a production capacity of 750,000 washing machines and 750,000 dryers per year. It is projected to create employment for 1,100 people.

Our new washing machine and dryer plant has a strategic importance for increasing our sales volumes and expanding our product range.

We are elevating our level of manufacturing excellence by completing the stages of TPM Management System and crowning our achievements with awards.

After receiving the "TPM Excellence Award" from JPIM (Japan Institute of Plant Maintenance) in 2014, Vestel Beyaz Eşya won the "Award for Excellence in Consistent TPM Commitment" in 2017. This achievement has made Vestel Beyaz Eşya the first and only household appliances company in the world to simultaneously receive this award for its six production facilities.

Our successful work in TPM provides us a significant advantage in Industry 4.0 transformation, where machines communicate with each other to generate data, which is then used to manage the manufacturing processes.

**REVENUES INCREASED BY 27% TO
TL 3.9 BN IN 2017 WITH EXPORTS
COMPRISING 73% OF TOTAL
REVENUES.**

CURRENTLY, ALL OF OUR PRODUCTS HAVE BECOME SMART. IN THE NEXT PHASE, WE ARE PLANNING TO PROVIDE COMPLEMENTARY SERVICES ALONG WITH OUR PRODUCTS IN ORDER TO MAKE CONSUMERS' LIVES EASIER AND FACILITATE TRANSITION TO A SMART LIFE.

As part of its efforts for adapting to Industry 4.0, Vestel Beyaz Eşya can undertake process analyses, mechanical designs, parts manufacturing, PLC (Programmable Logic Controller), robotics software and simulation analyses within its body as of 2017.

One of the most important Industry 4.0 tools for flexible manufacturing is autonomous robots which can be positioned at various points along the production line. With the robots and robot cells it has commissioned in 2016, Vestel Beyaz Eşya became the leader in terms of the number of robot cells commissioned in a year both in the white goods sector and across all sectors. The Company steadily expands its robot-machine-human trinity and the level of its automation.

Vestel Beyaz Eşya is able to carry out unmanned in-plant transportation by using remotely controlled software. All automatically guided vehicles at the Company's six separate production plants can be controlled simultaneously with a single traffic software. This is a first for both the white goods sector and all the other sectors in Turkey.

We know that R&D is one of the most significant competitive advantages of Vestel Beyaz Eşya. How does your R&D work shape Vestel Beyaz Eşya's present and future?

Vestel Beyaz Eşya proves its upper hand in R&D with the patents it obtains and commercializes, the projects it develops and its partnership ecosystem.

One of Vestel Beyaz Eşya's priorities in R&D is to increase the Company's competitive power in domestic and foreign markets. To be one step ahead of our competitors, we are working to develop products which offer an optimum mix of price, quality and innovation. Vestel Beyaz Eşya differentiates itself with smart technologies and high efficiency in energy and water consumption. While making innovative changes in existing products is of vital

importance for consumer demand, identifying new and developing areas and deciding which areas to focus on based on our R&D competencies are also critical for ensuring the sustainability of our competitive advantage.

With Industry 4.0, we are shifting to a new working model where humans and robots work together and machines directly communicate with each other. One of our R&D missions is to effectively utilize our competencies in software and connectivity in the transition to this new era of automation. Therefore, we are constantly investing in and developing our human resources to support our R&D activities. We are actively using the Vestel Technology Academy for the enhancement of our R&D work and tailor the training programs of the Academy to contribute to our Industry 4.0 transformation.

Your Accessibility Project was a great success and at the 10th Conference of States Parties to the UN Convention on the Rights of Persons with Disabilities, Vestel shared its innovative accessibility solutions with the world. What would you like to say on this?

At Vestel, we think that access to information and technology is a human right. Building on this idea, we consider developing technology that will facilitate the lives of people with disabilities as part of our social responsibility. As a company that reaches consumers in many parts of the world, we not only benefit our country but also the entire world.

Our Accessibility Project aimed at people with disabilities presents a great example for the world. Representing Turkey at the UN's Conference of States Parties, organized under the title of "Technology for a Better Life" to discuss innovative solutions to facilitate the lives of people with disabilities, Vestel's Accessibility Project was very well received by the participants.

I believe that our project will help raise awareness for the disabled individuals not only in Turkey but also in other countries and will be a great example for granting equality and more opportunities to people with disabilities. In this respect, I believe that this project is also a source of pride for Turkey.

This umbrella project, which has three main goals, includes accessible products, employment of the disabled and Vestel's other social responsibility projects for people with disabilities. Within this framework, we are working to making our products, services and technologies more accessible for the disabled individuals.

You strengthen your reputation in the international arena each passing year by participating in various trade fairs and launching your new products in these platforms. What were the highlights for 2017 regarding the fairs you attended and the new products you introduced?

Our stands at IFA-Berlin, CES-Las Vegas, Living Kitchen-Cologne and Smart Cities Conference-Qatar attracted great interest in 2017. At these fairs, Vestel Beyaz Eşya 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.

We have exhibited our products and put on a real technology show at our 3,000 m² stand at Europe's largest and longest-running consumer electronics fair, the IFA, which we have attended for the 27th time in 2017. These are the fruits of our investments in R&D and innovation.

Vestel Beyaz Eşya attaches great importance to energy and water efficiency together with design and technology. The Company exhibited its new and record breaking products at the IFA, which include the most energy efficient, water conserving and quietest products approved by the German independent testing agency, the VDE. Our products which facilitate the lives of consumers such as the washing machines that offer medical level hygiene and UV technology, ovens with the "hot air shield" feature, fridges with the vacuum sealing technology that keeps food fresh for a longer period and fridges with the voice command function that requires no Internet connection drew a lot of interest at the fair.

Additionally, our Sharp branded products were displayed at a separate stand at the fair. The expanded white goods product range of Sharp will help us increase our market share in Europe.

We have also announced our collaboration with the e-commerce giant Amazon at the IFA fair. As part of this collaboration, the Amazon Dash Replenishment service has been integrated into the smart washing machines manufactured by Vestel Beyaz Eşya. This new system enables automatic ordering of laundry detergent and fabric softener via Amazon when their supply is at low levels.



At the biannual Living Kitchen Fair-Cologne, where built-in home appliances are exhibited, we have displayed Vestel and Sharp brands at separate stands, with 750 m² and 400 m² of areas, respectively and acquired new local and international business partners.

Moreover, Vestel attended the Smart Cities Conference, which was organized in Qatar for the first time, as a golden sponsor and exhibited its most innovative and luxurious products at its 450 m² stand.

What would you like to say about the upcoming period?

R&D will always be our most distinct competitive advantage. Our strong R&D infrastructure will propel Vestel Beyaz Eşya further. We are further strengthening our competencies in industrial design, innovative product development and software with our efforts and investments for transition to Industry 4.0. The Industry 4.0 transformation is of significant importance for us to increase our competitiveness in the global arena and be ahead of our competitors. Therefore, we are using our best efforts to make Vestel City to be the first manufacturing facility in Turkey to complete this transformation.

Currently, all of our products have become smart. In the next phase, we are planning to provide complementary services along with our products to make the lives of consumers easier and to facilitate transition to a smart life. The Amazon-Vestel collaboration announced at IFA is the first step towards this goal.

For the upcoming period, in addition to growing in our existing markets, we are looking to explore acquisition/partnership opportunities especially in the Asia Pacific Region and planning to invest in these markets as part of our strategy to expand into new and growing markets. As in 2017, we will continue our efforts towards this goal in 2018.

EXECUTIVE COMMITTEE



Enis Turan Erdoğan

Chairman of the Executive Committee

Bekir Cem Köksal

Executive Committee Member

İhsaner Alkım

Executive Committee Member

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

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

(1954 - Kırklareli) İhsaner Alkım 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. Alkım has served in various R&D related positions at Vestel, except for a break which he took between 1998 and 2002. In 2005, Mr. Alkım became a Member of the Executive Committee and continued to serve as the Committee Member in charge of Electronic Operations at Vestel Group of Companies until his retirement on January 1, 2018.



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 Isbank in 1979. He has held various managerial positions at Interbank between 1985 and 1997. Mr. Kavuşturan joined Denizbank in 1997 as the Deputy General Manager in charge of Management Services. He became the Head of Human Resources Group at Zorlu Holding in 2003. He has been serving as the Executive Committee Member in charge of Human Resources at 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 Procurement Manager between 1998 and 2000. He then served as the Deputy General Manager in charge of Foreign Trade 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 Operations at Vestel Group of Companies on January 1, 2013, a position which he has held until his retirement on January 1, 2018.



Nedim Sezer
Executive Committee Member

(1958 - Tekirdağ) Nedim Sezer obtained his Bachelor's degree in Mechanical Engineering from Istanbul Technical University in 1982. He obtained 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 Plant in 1998. Mr. Sezer, who also served as the General Manager of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ until April 1, 2015; has been the Executive Committee Member in charge of Household Appliances at Vestel Group of Companies from 2012 until his retirement on January 1, 2018.

OPERATING MAINLY AS AN ODM PROVIDER IN EUROPE, VESTEL BEYAZ EŞYA ALSO UNDERTAKES BRANDED SALES THROUGH THE WELL-KNOWN REGIONAL BRANDS OWNED BY VESTEL GROUP AND THE GLOBAL BRANDS HELD UNDER THE BRAND LICENSING AGREEMENTS BY VESTEL GROUP.



VESTEL BEYAZ EŞYA IS ONE OF THE TOP FIVE MANUFACTURERS OF HOUSEHOLD APPLIANCES IN EUROPE AND ONE OF THE TOP THREE PLAYERS IN THE TURKISH WHITE GOODS SECTOR.

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

Vestel Beyaz Eşya deploys the state-of-the-art technology at its six manufacturing plants located at Vestel City in Manisa, which is one of the largest industrial complexes in Europe in a single location with an area of 1.1 million m². Vestel Beyaz Eşya manufactures refrigerators, washing machines, cooking appliances, dishwashers, air conditioners and water heaters in an enclosed area of 346,000 m² at Vestel City. The Company has a production capacity of 9.4 million units of products per year. 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 to build a new manufacturing plant for the production of washing machines and dryers. Projected to become operational in 2018, the new plant will have a production capacity of 750,000 washing machines and 750,000 dryers per year.

Closely following technological trends, Vestel Beyaz Eşya is one of the leading original design manufacturers (ODM) in Europe. It is currently one of the five largest white goods manufacturers in Europe and among the top three players in the Turkish white goods sector.

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

With its strong resources in R&D and competence in technology development, Vestel Beyaz Eşya appeals to a wide range of consumers around the globe. The Company continuously expands its eco-friendly product range to bring more comfort to millions of homes and accounts for approximately 30% of Turkey's total exports in white goods.

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

Vestel Ticaret's* strong logistics-distribution capabilities, which include a wide dealer network and a service organization with advanced technological infrastructure, reinforce Vestel Beyaz Eşya's strong brand image in the domestic market. The after-sales services for Vestel Beyaz Eşya's products are provided by the independent authorized service providers as well as by the Central Services and the call center under Vestel Customer Services General Directorate.

* Vestel Beyaz Eşya's sales and marketing activities in 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.



ESTABLISHED OVER MILLION M² OF AREA IN MANISA, VESTEL'S MANUFACTURING BASE, VESTEL CITY IS ONE OF EUROPE'S LARGEST INDUSTRIAL MANUFACTURING COMPLEXES OPERATING IN A SINGLE LOCATION.

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

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

Excellency Awards and 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;

Following the receipt of the "TPM Excellence Award" in 2014, Vestel Beyaz Eşya won the "Award for Excellence in Consistent TPM Commitment" in 2017 and became the first and only household appliances company in the world to simultaneously receive this award for its six production facilities in six different product groups (refrigerators, washing machines, cooking appliances, dishwashers, air conditioners and water heaters).

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

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

In the last 10 years, Vestel Beyaz Eşya has managed to cut its water consumption by 40% per unit of production despite a 79% increase in its production volume.

VESTEL BEYAZ EŞYA OFFERS AN IMPECCABLE ODM SERVICE WHICH COVERS EVERYTHING FROM ORIGINAL DESIGN AND MANUFACTURING TO POINT DISTRIBUTION.

Innovation

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

Economies of Scale in Manufacturing, Flexible Production Model and Product Customization

- Product development and diversification according to varying customer needs; being able to differentiate mass production on an order basis thanks to flexible manufacturing capability,
- Product customization in accordance with 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 under a single roof at Vestel City, one of Europe's largest industrial manufacturing complexes operating in a single location,

- The logistical advantage for exports arising from the proximity of the Company's 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 the Izmir port and the Company's suppliers,
- Relatively lower 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.

Pioneer in Digital Transformation

- Being a part of Vestel Group, which has innovation in its DNA with a history of integrating technology and innovation into its corporate culture since its foundation,
- Achievements in efficiency and manufacturing quality thanks to digital transformation across all processes from the supply chain to the end-user,
- Leading the digital transformation in Turkey, as it did in the country's technological transformation,
- Being at the center of digital transformation with its solutions, innovations and products as a Company that exports its products worldwide.

VESTEL BEYAZ EŞYA'S MAIN STRENGTHS



ALL AUTOMATICALLY
GUIDED VEHICLES USED AT
VESTEL BEYAZ EŞYA'S SIX
PRODUCTION FACILITIES
CAN BE CONTROLLED
SIMULTANEOUSLY WITH A
SINGLE TRAFFIC SOFTWARE.

Industry 4.0 Work at Vestel Beyaz Eşya

Vestel Beyaz Eşya is able to manage all automation and Industry 4.0 activities singlehandedly with a special unit created within its body, follow current technologies closely, and perform all activities for software, design and electrical hardware design through this unit. Process analyses, all mechanical designs, manufacturing of parts, PLC (Programmable Logic Controller), robotics software and simulation analyses can be carried out within Vestel Beyaz Eşya. Thus, the Company can act rapidly and with low cost in its projects. Vestel Beyaz Eşya has evolved into a company, which can build its own machinery used in production and apply for patents for this machinery thanks to its skilled engineers and technicians.

Thanks to its 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.

One of the most important Industry 4.0 tools for flexible manufacturing is autonomous robots which can be positioned at different points along the production line. In 2016, Vestel Beyaz Eşya became the leader in terms of the number of robots and robot cells commissioned in a year in both the white goods sector and across all sectors. Constantly expanding its robot-machine-human trinity, the Company performs its production activities with impeccable manufacturing techniques.



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

All automatically guided vehicles used at Vestel Beyaz Eşya's six production facilities can be controlled simultaneously with a single traffic software. This is a first for the white goods sector as well for other sectors in Turkey in terms of both number and functionality. Extra health and safety precautions are taken while implementing this as the vehicles are powered with gel cell batteries despite their shorter service life. This allows for a faster and safer in-plant transportation which is free of human error. In the next stage the aim is to carry out all manufacturing processes with unmanned vehicles, unlike the modular and standard manufacturing lines.

With a view to adapting to rapid change in the industry, Vestel Beyaz Eşya leverages its unmanned vehicles and robots to increase the number of its automated warehouses while enabling robots, unmanned vehicles and automated warehouses to communicate with each other. The Company thus develops its own smart systems. In addition to decreasing storage and transportation costs with the automated warehouse systems, the Company also achieves online controlled consumption and minimizes human errors in manufacturing.

As part of the Industry 4.0, Vestel Beyaz Eşya provides a quick and easy training for its operators with its work in virtual reality and augmented reality and improves the quality of its production.



While the Company aims for technical and financial accuracy via virtual reality programs and special simulations carried out before all investment decisions (robot-machine-equipment-automated warehouse, etc.), the technical measurements conducted at the outset of projects ensure the flawless operation of systems. Moreover, these programs enable accurate analysis of project costs, thus saving additional costs in the future. The use of augmented reality programs, which became popular with the Industry 4.0, in personnel training will make significant contribution to the quality of production and education. The purpose is to eliminate human errors and improve quality with proper training.

As part of the Industry 4.0 applications, Vestel Beyaz Eşya intensively employs the additive manufacturing (3D Printing) technology. Test production for robot holders, machine parts and molds are carried out using 3D printers. This speeds up the process for trial production and commissioning while production halts due to a failure/error can also be resolved quickly. As a result, molds and machines manufactured can work impeccably.

Firm steps have been taken for the online monitoring of machine generated data and tracking of data stored in the cloud through special screens and mobile devices and development of systems guided by artificial intelligence while various applications are implemented for managing machinery at different plants. Vestel Beyaz Eşya intends to complete its horizontal-vertical integration in the next few years by developing an infrastructure where machines and robots can communicate with each other which will be followed by the integration of the Company's entire internal ecosystem with its suppliers.

EXPORTS TO 155 COUNTRIES

VESTEL REACHES A LARGE CONSUMER BASE IN THE DOMESTIC MARKET THROUGH ITS “MULTI-BRAND AND MULTI-CHANNEL STRATEGY” AND BOASTS ONE OF THE MOST EXTENSIVE SALES AND AFTER-SALES SERVICE NETWORKS IN TURKEY.

Vestel in Turkey

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

DOMESTIC SALES NETWORK

- 1,136 Vestel stores
- 10 Vs Outlet stores
- 1,028 Regal stores (251 of which are Exclusive Regal Dealers)
- emagaza.vestel.com.tr
- vsoutlet.com.tr
- regal-tr.com

AFTER-SALES SERVICES

- 360 Authorized Service Providers
- 12 Central Services
- Call Center
- 5 güVENÜSsü (Trust Base) centers and 5 mini güVENÜSsü centers



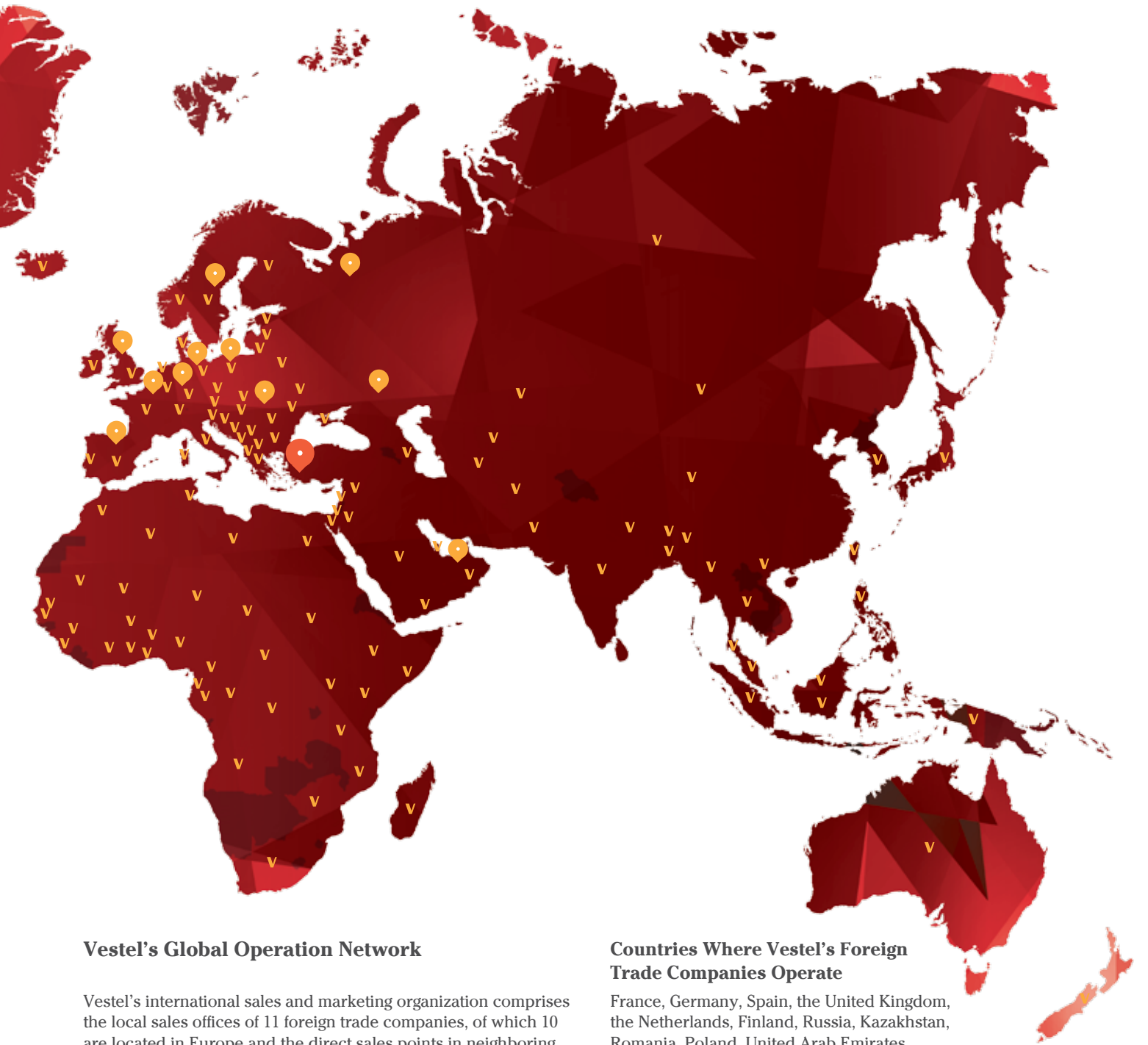
Vestel's Foreign Trade Companies



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 11 foreign trade companies, of which 10 are located in Europe and the direct sales points in neighboring regions.

Countries Where Vestel's Foreign Trade Companies Operate

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

NUMBER OF STORES ABROAD

2,750

Number of stores and sales points abroad

COMPANIES IN EUROPE

10

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

NUMBER OF VESTEL'S EXPORT MARKETS

155

Exporting to 155 countries, Vestel Beyaz Eşya recorded TL 2.8 billion of international revenues in 2017.

MAIN STRATEGY

TO ACHIEVE PROFITABLE GROWTH BY INVESTING IN EXISTING AND NEW MARKETS IN ITS CORE BUSINESS

STRATEGIES

REALIZATIONS

INCREASING MARKET DIVERSITY

To grow in markets other than Europe, which is Vestel Beyaz Eşya's main export market

To evaluate different market entry strategies for these markets such as greenfield investments, acquisitions, partnerships and contract manufacturing



Increasing the total number of export destinations to 155 countries through the addition of new markets

Establishing a new sales and marketing company in Dubai in accordance with Vestel Group's goal to increase sales in the Middle East and Africa regions

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, for which ODM service is provided

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

To expand market share by increasing product diversity:

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

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



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

Initiating investment for a new manufacturing plant to add dryers to the product range

Next generation household appliances: Developing record-breaking products in terms of energy and water efficiency and noise level

- Washing machines which are 60% more energy efficient than A+++ products with 7 kg and 10 kg of loading capacities,
- Remotely controlled smart product family, including dishwashers, washing machines, refrigerators, ovens and air conditioners,
- A combi fridge having the highest level of energy efficiency, which consumes 35% less energy compared to A+++ products,
- The world's quietest fridge with a 33 dBA (decibels) noise level thanks to the Pro-Drive technology,
- The world's least energy-consuming French Door refrigerator with A+++ energy performance,
- Fridge with the Vacuum Bag Technology that keeps food fresh in food storage bags up to five times longer with vacuum sealing,
- Record breaking dishwashers that produce only 36 dBA of noise with their extra silent feature,
- 45 cm entry level dishwasher with a record breaking A++ energy performance,
- Record-breaking washing machines with 39 dBA of noise level,
- Super quiet air conditioner.

MAIN STRATEGIC GOAL

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

STRATEGIES

REALIZATIONS

BRANDED GROWTH

To increase market share in the domestic market with 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 and increase branded sales through the well-known regional brands in Vestel's portfolio and the global brands licensed by Vestel Group

To strengthen market position in neighboring markets by developing 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 of the dealer network and furthering the promise of creating a distinguished customer experience by going beyond standard services in customer and after-sales services, strong growth in the sales of Regal branded products following the restructuring of the brand

Continued growth in the sales of Sharp branded white goods undertaken within the framework of the brand licensing agreement signed with the Sharp Corporation in 2014 as part of the strategy to increase branded sales abroad



TEXTILES

Korteks Zorluteks

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

ENERGY

Zorlu Energy Group

- A rising player in Turkey with 744 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 sales of electricity and steam, electricity distribution and trade, "turnkey" construction of power plants, including project development, long-term operation, maintenance and repair services for power plants and natural gas distribution and trade

CONSUMER ELECTRONICS, HOUSEHOLD APPLIANCES AND DIGITAL PRODUCTS

Vestel

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

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



REAL ESTATE

Zorlu 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 assumed 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 m².

MINING - METALLURGY

Meta Nikel Kobalt Madencilik (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 production capacity of 10,000 tons of nickel content, which was realized with an investment of USD 400 million.
- The plant, which began test production in 2015, exported approximately 10,400 tons of nickel concentrates in 2016 and 23,130 tons of nickel concentrates in 2017 with nearly 4,000 tons of nickel content and 220 tons of cobalt content. Future plans involve increasing the concentrated nickel production capacity and efficiency of the existing plant and undertaking R&D studies for manufacturing 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.

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.



IN 2017, VESTEL BEYAZ EŞYA'S R&D EXPENDITURES AMOUNTED TO 1.4% OF ITS REVENUES.



R&D is one of Vestel Beyaz Eşya's main 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 2017, Vestel Beyaz Eşya's R&D expenditures amounted to 1.4% of its revenues.



Vestel Beyaz Eşya's R&D Department carries out separate R&D activities based 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 industrial design, intellectual property rights, innovation and Industry 4.0 for all the products manufactured by the Company. The Central R&D units that operate under the Head Office and cooperate with the R&D units of the production plants, consist of the Technology Development Office, Design Office, and the Automation and Project Development Office. Activities for industrial design and intellectual property rights for all products are carried out by the Design Office and innovation work by the Technology Development Office. The Automation and Project Development Office works in the areas of Industry 4.0 applications, automation, process analyses and related investments to be undertaken with the Company's own resources. The number of Vestel Beyaz Eşya's R&D staff increased from 469 in 2016 to 526 in 2017.

R&D AT VESTEL BEYAZ EŞYA



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

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 property rights for the designs developed by the Company and to gain a competitive advantage over rivals,
- To develop products which cater to 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,
- Eco-friendly manufacturing,
- 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 by developing its own products and supporting efforts to ensure customer satisfaction. In this framework, areas of specialization of the R&D staff are given below.

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

VESTEL BEYAZ EŞYA HAS MORE THAN 150 REGISTERED AND PATENTED INVENTIONS AS OF THE END OF 2017. THE COMPANY ALSO HAS NEARLY 370 INVENTIONS WHICH IT HAS MADE AVAILABLE TO THE SECTOR.

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

Accordingly, the R&D units and the Technology Development and Industrial Design Centers:

- Follow technical, academic and industrial publications on white goods in order to keep close track of the innovations and developments in the sector,
- Undertake basic research in their laboratories and apply the resulting innovations to the Company's products,
- Make customer visits and attend trade fairs to better understand the customers' needs and demands, design products in view of these findings and improve existing products,
- Design products with more functionality by improving production parameters,
- Ensure pre-production qualification for products, either newly developed or improved, through trial production.

Vestel Beyaz Eşya has more than 150 registered and patented inventions as of the end of 2017. With the help of patent searching, technological trends are being analyzed to launch new projects; and emerging technologies are protected by patents in order to avoid counterfeiting. Patent portfolio is subject to regular maintenance so that patents pertaining to outdated technologies which are replaced by new technologies are abandoned. The Company has nearly 370 inventions which it made available to the sector in this manner.

Vestel Beyaz Eşya deploys its competent technical infrastructure with significant success in converting knowledge into technology and technology into products. Vestel Beyaz Eşya undertakes exemplary investments in sustainable development in collaboration with the universities and national and international project partners, supported by its competent and innovation-centric engineers and cutting-edge devices and systems within its R&D department.

R&D COLLABORATIONS OF VESTEL BEYAZ EŞYA

In 2017, Vestel Beyaz Eşya's R&D Center applied for eleven TÜBİTAK TEYDEB (Technology and Innovation Grant Programs Directorate) projects. Five TÜBİTAK projects were brought to a successful conclusion while seven projects are underway. Most of the projects have been realized in partnership with the universities, in particular with İzmir Dokuz Eylül University, Ege University, Yeditepe University, Istanbul Technical University, İzmir Yüksek Teknoloji University and Katip Çelebi University.

As for international cooperation, the Company actively works with testing and certification bodies such as VDE (Verband der Elektrotechnik Elektronik Informationstechnik e.V.), Intertek and TÜV (Technischer Überwachungs Verein).

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

VESTEL BEYAZ EŞYA'S PRODUCT GROUPS AND INNOVATIONS

Product Group	Products	Specifications/Description
Refrigerators	84 cm Combi Refrigerator with Next Generation No-Frost Multi Cooling Technology	An 84 cm wide bottom-freezer (combi) refrigerator. The Multi Cooling system not only isolates odors but also keeps food fresh for a longer period by creating two independent air circles in the freezer and cooler compartments. With an energy rating of A+++, the product offers ease of use thanks to diffuser LED lighting, adjustable door shelves, chiller, humidity controlled crisper and zero overflow system. This product, an extension of the next generation design concept of Vestel Beyaz Eşya, also offers optional features such as Glass Illuminated Design, Maxi Fresh Preserver and Active Ion Technology.
	84 cm Top-Freezer Refrigerator with Next Generation No-Frost Multi Cooling Technology	An 84 cm wide top-freezer refrigerator. The Multi Cooling system not only isolates the odors but also keeps food fresh for a longer period by creating two independent air circles in the freezer and cooler compartments. With an energy rating of A+++, the product offers ease of use thanks to diffuser LED lighting, adjustable door shelves, chiller, humidity controlled crisper and zero overflow system. This product, an extension of the next generation design concept of Vestel Beyaz Eşya, also offers optional features such as Glass Illuminated Design, Freezer Lights, Maxi Fresh Preserver and Active Ion Technology.
	54 cm Table Top Deep Freezer	The new 54 cm wide freezer by Vestel Beyaz Eşya, which features the largest interior space in the market and is quite competitive with its new appealing design. The product is not only energy-efficient but also offers high performance thanks to the evaporator tube cooling technology.
	60x185 cm Freezer with No-Frost Cooling Technology	The new 60x185 cm vertical No-Frost Deep Freezer and No-Frost Cooler of Vestel Beyaz Eşya. The product offers newly added optional features such as LED lighting, chiller compartment, humidity-controlled crisper, Active Ion Technology, adjustable door shelves, foldable glass shelf as well as a large interior space.
	Refrigerator with Voice Control Technology	A unique mechanism design which allows the refrigerator door to be opened with voice command, a first both in Turkey and the world. Vestel Beyaz Eşya will offer the new version of the 84 cm combi refrigerator featuring voice control initially in the domestic market.
	New Practical Handle triggered with surface contact	A new, easy-to-use handle with a moving arm mechanism, which requires less force by eliminating the vacuum effect which results from the difference between the inner pressure of the product and the ambient pressure, which is higher, especially for freezers.
	Vacuum Bag Technology	For the first time in Turkey, Vestel refrigerators feature the Vacuum Bag Technology, which keeps packaged food fresh up to five times longer thanks to vacuum packaging. Food goes bad with the chemical effect of oxygen which exists in the atmospheric environment and the growth of aerobic microorganism. With vacuum technology which prevents the contact with air, food will have a longer shelf-life.
Washing Machines	39 dBA Silent Washing Machine	This record breaking washing machine produces only 39 dBA (decibels) of noise with its silent inverter motor technology, specially designed silent washing algorithm, and the use of soundproofing systems with advanced technology. This is even lower than the ambient noise inside a library, which is 40 dBA.
	Vestel Sterilizone® Washing Machine featuring UV-C Technology	Vestel Sterilizone Washing Machine provides extra hygiene with its unique technologies. The fact that it reduces bacteria by 99.99999% with its special integrated UV-C lamps and custom-engineered washing programs is certified by the German VDE Testing and Certification Institute.
	TwinJet® Washing Machine with a 12 kg Load Capacity	The highest product capacity in the current platform has been increased from 11 kg to 12 kg following comprehensive design and analysis work. With a capacity to wash 76 t-shirts at the same time, this machine is ideal for big families particularly.
	Washing Machine featuring Steam Technology	Enabling a more thorough and hygienic wash thanks to the steam technology, this washing machine not only reduces wrinkles effectively but also eliminates unpleasant smell on clothes while still keeping them dry.
	The Smartest Washing Machine - Vestel Intellicare	Vestel Intellicare, which features smart sensors to detect the type and the size of the laundry to automatically select the appropriate washing program and settings as well as identify the amount of detergent and softener to use based on the specified values. All you need to do is to put the clothes in the washing machine and press the button.

VESTEL BEYAZ EŞYA'S PRODUCT GROUPS AND INNOVATIONS

Product Group	Products	Specifications/Description
Cooking Appliances	Built-in Oven with Steam-Assist Function	Having the most advanced technology within the built-in oven product range, the Smart Built-in Oven with colored TFT display offers steam-assist function, which helps cook delicious meat and vegetable dishes by preserving the nutrients while making perfect bakeries which are crispy outside and soft inside. Automatic programming and manual use options are available for the product which also features steam cleaning function.
	Silent Built-in Oven	Vestel Beyaz Eşya has developed the quietest built-in oven ever, working at sound levels of just 35 dBA when cooking, thanks to its unique structural design. This is even lower than the ambient noise inside a library, which is 40 dBA.
	Mechanically Controlled Free-standing and Built-in Ovens with A+ Energy Efficiency Class	Vestel Beyaz Eşya has developed the first mechanically controlled ovens with A+ energy rating in the world. With the new heat insulation system and custom-engineered heater and fan operation algorithms, an A+ energy efficiency rating has been achieved in 65 L free-standing ovens and 75 L built-in ovens.
	'Hot Air Shield' Technology for Built-in Ovens	A first in the world for built-in ovens, the 'Hot Air Shield' function, which traps inside the hot air and steam which rush out upon opening the door of a heated oven, has been developed to prevent discomfort to users.
	75 L Pyrolytic Built-in Oven	The '75 L built-in oven' product family now features the pyrolytic self-cleaning function. Thanks to the unique cooling system, the surface temperature will be 40% lower than the maximum value specified in safety standards when the self-cleaning function is on despite the fact that the inner oven temperature may increase up to 450° C and no higher than the ambient temperature when the oven is on.
Dishwashers	36 dBA Quiet Dishwasher	A record-holder, the super quiet dishwasher which generates only 36 dBA of noise thanks to the use of high-tech noise insulation materials, unique washing algorithms and the quiet inverter motor technology.
	Direct & Triple Wash Technologies	The Direct Wash Technology offers a thorough wash particularly for deep cups and narrow mouth feeding bottles and allows for easy selection and activation with the touch of a button while the Triple Wash Technology enables a high-pressure, thorough wash for the persistent stains on cooking pots and frying pans especially.
	45 cm Entry Level Energy Champion (A++) Dishwasher	Developed by Vestel Beyaz Eşya, the record-holder dishwashers in the 45 cm entry level product range offer an A++ energy performance and low water consumption thanks to the efficient washing technology.
	Smart Dishwasher with color TFT Display	Thanks to its remote connectivity feature, the smart dishwasher with color TFT display can be controlled remotely via smartphones or tablets. Eco Time function informs consumers to turn on their dishwashers when the electricity tariff is lower. The users can also create their favorite programs and select a program of their choice with the touch of a button.
Air Conditioners	Super Inverter A/C	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.
	Super Quiet A/C	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 19 dBA sound level in sleep mode.

VESTEL BEYAZ EŞYA OFFERS
ITS PRODUCTS TO MILLIONS OF
CONSUMERS AROUND THE WORLD
THANKS TO THE STRONG SALES
AND DISTRIBUTION ORGANIZATION
OF VESTEL GROUP IN DOMESTIC
AND INTERNATIONAL MARKETS,
WHICH IS MANAGED WITH
PROACTIVE STRATEGIES.



VESTEL BEYAZ EŞYA CARRIES OUT ITS MARKETING AND SALES ACTIVITIES IN THE EUROPEAN MARKET THROUGH THE LOCAL SALES AND DISTRIBUTION NETWORK OF THE 10 FOREIGN TRADE COMPANIES OWNED BY VESTEL TİCARET.



Supported by Vestel Group's strong sales and distribution organization in domestic and international markets, which is managed by proactive strategies, 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,
- Branded sales through regional brands owned by Vestel Group and under global brands licensed by Vestel Group.

In addition to expanding its ODM business, Vestel Beyaz Eşya also aims to increase its brand penetration and market share in international markets through product sales under well-known regional brands acquired in Europe by Vestel Ticaret and via global brands, the rights to which were licensed by Vestel Ticaret.

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

Vestel Beyaz Eşya's sales and marketing activities in the European market are carried out through Vestel Ticaret's local sales and distribution network in Europe, which comprises 10 foreign trade companies operating in France, Germany, Spain, the UK, the Netherlands, Finland, Russia, Kazakhstan, Romania and Poland. Sales and marketing activities in other foreign markets are carried out directly by Vestel Ticaret.

CUSTOMER EXPERIENCE BEYOND EXPECTATIONS WITH VESTEL BEYAZ EŞYA

In line with the goal to increase sales in the Middle East and Africa, Vestel Electronics Gulf DMCC, a wholly-owned subsidiary of Vestel Ticaret, was founded in the Dubai Multi Commodities Centre Free Trade Zone in August 2017 to engage in sales and marketing activities.

Vestel Ticaret acquired the rights for the development, manufacturing, sales and marketing of Sharp-branded household appliances throughout Europe under a brand licensing agreement signed in September 2014 and became the exclusive distributor of Sharp products in Europe which are manufactured at Vestel Beyaz Eşya's plants and at Sharp Corporation's facilities in Asia as of January 1, 2015. Expanding the product range of Sharp for the European market with washing machines, dishwashers and ovens exclusively developed for Sharp, Vestel has strengthened its position as well as increased its sales of premium and branded products in the European market through this agreement.

Domestic Sales

The quality and diversity of Vestel Beyaz Eşya's product range coupled with Vestel Ticaret's strong distribution network, provide an important competitive advantage for the Company.

Vestel Beyaz Eşya reaches a wide customer base in the domestic market through Vestel Ticaret's domestic sales organization, which comprises 1,136 exclusive dealer stores, 10 Vs Outlets, 1,028 Regal sales points (of which 251 are exclusive Regal stores), and online stores (emagaza.vestel.com.tr, vsoutlet.com.tr and regal-tr.com) as well as through the technology retailers, hypermarkets, household stores and other e-commerce sites.

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

As of the end of 2017, vestel.com.tr and vsoutlet.com.tr have 402,543 and 10,121 subscribers, respectively and regal-tr.com 9,029 subscribers.

Vestel stores have been renovated from the inside out with a holistic approach.

Under its new store concept, Vestel renovated the exterior frontage and the interior of the majority of its 1,136 dealer stores. Vestel applies the integrated approach, which it pursues at all points where it reaches consumers, from the window displays to in-store activities. Consumers can personally experience the products and make comparisons within product groups at Vestel stores. Vestel aims to offer the most unforgettable customer experience by improving the customer's journey from the first moment he/she meets Vestel in a store to making payment and until after-sales.

Kafe Vesto: A new era in retail with the cafe concept

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

The new Vestel stores in Beşiktaş and Kavacık in Istanbul, and Bahçelievler in Ankara were designed in line with this concept. Kafe Vesto also became operational at the Zorlu Center store in Istanbul. Vestel introduced a new experience to retail with its café concept which has been developed to provide customers with a different, richer and higher quality service and to enable customers 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.

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

Vestel Retail Academy

As in previous years, Vestel Retail Academy (VRA) continued to provide training for the Head Office and dealer channel and delivered a total of 20,000 hours of training for 1,200 people in 80 classes under 21 different training topics in 2017.



Having gained recognition on national and global scale, VRA was granted a Gold Award in the category of “Best Sales Development Program” by TEĞEP, the Learning and Development Platform Association, one of the leading institutions in the Turkish education sector.

In addition, VRA won Bronze Awards in the categories of “Best Program for Sales Training and Performance” and “Best Results of a Learning Program” at the Brandon Hall Awards while garnering a Gold Stevie Award in the “Sales Training” and Bronze Stevies in the “Talent Development” and “Executive Training” categories at the Stevie Awards, another prominent event.

Established under the management’s vision of “R&D in Retail”, START (Strategic Analysis and Retail Training Unit) team brings together the departments which gather, analyze and distribute data and is comprised of the Market Research, Retail Metrics Measurement and Analysis Departments and the Vestel Retail Academy. START plays a key role in improving the content of the training programs by nurturing the spirit of R&D through interfunctional collaboration and synergy.

After-sales services which promise a unique customer experience

The after-sales services of Vestel are carried out by the Vestel Customer Services Directorate (“Vestel Customer Services”). With 360 authorized service points providing services throughout the country, 12 Central Services in 11 different provinces, call center at Vestel City, 5 güVENÜSsü (Trust Base) centers in Izmir, Istanbul,

Ankara, Trabzon and Gaziantep and 5 mini güVENÜSsü centers to provide services for the Venus smartphones and Vestel tablets, technical and training units and field operations managed through four Regional Directorates, Vestel Customer Services promises a unique customer experience with the mission of delivering reliable services and transforming expectations into pleasure and pleasure into appreciation.

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

Gaining worldwide recognition as well as setting an example in its sector in Turkey, the 7/24 available Vestel Call Center aims to provide solution at the first call through its expert customer representatives. In addition to phone calls, customers can also access Vestel Customer Services anytime through the CapCanlı (Live) Support line, mobile assistant application, Vestel website, WhatsApp or Venus support line. While the rate of digitization gears up in parallel with the technological developments, the basic principle is 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 points which provide services to customers in the field. Central Services support the field organization in training, inspection and rapid supply of spare parts. Central Services also take part in new product tests in coordination with the central technical units.

VESTEL CENTRAL SERVICES IN TURKEY



CUSTOMER EXPERIENCE BEYOND EXPECTATIONS WITH VESTEL BEYAZ EŞYA



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

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

In addition to five mega güVENUSsü centers, there are also five mini güVENUSsü centers at the busiest dealers and sales points.

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

Pioneering Projects by Vestel Customer Services

Buena Vista: A world champion in the category of Best Technology Innovation, “Buena Vista” is a system and process design project for call centers. Under the project, systems and processes are renewed from end to end and a smart system and process design experience is offered through decision-making mechanisms which do not require system training and through algorithms developed to guide the customer representatives.

Smart Diagnostic: Ranked second for the Best use of Self-Service Technology, the “Smart Diagnostic” project can remotely solve non-technical problems by tracking the error in Vestel Puzzle refrigerators. It also informs the authorized service point about the defective parts and the spare part codes in case of a failure which requires servicing in order to minimize the service time.

Joker: Ranked number one twice in the Most Innovative Project category in different platforms, the “Joker Project” is an application which provides instant assistance to customer representatives when they are handling a call. Customer representatives can consult the Joker team if they encounter a request which they cannot answer

immediately during the call, without keeping the customer on hold for a long time. Customer representatives receive the necessary support by writing to their ‘Joker’ while they continue their calls. In this way, customers are quickly offered the most accurate information

Vestel Service Academy

In line with the target to offer a unique after-sales experience, Vestel Service Academy has been providing training to all service teams including the technicians and managers of the authorized service points and customer representatives on a regular basis since 2012 within Vestel Customer Services. The Academy holds 18,000 person days of training sessions with several training modules every year.

Long-Term Technician Specialization Program

Service technicians, who are in direct contact with the customers, are trained as service specialists through the Long-Term Technician Specialization Program. The four-week program is held at Vestel Service Academy in Manisa with different curricula for five product groups. So far, over 1,500 service technicians have received training and become service specialists through this program. In 2016, a second Specialization Program was launched to cover different product groups.

The aim is to train 750 customer representatives through the specialization program which was launched in 2015 for the customers representatives who are in constant contact with the customers.

To date, a total of 230 customers representatives in 15 groups have completed the program successfully, with seven groups in 2017.

Empathy and Communication Workshop in Vestel Service Chain

With the “Empathy and Communication Workshop in Vestel Service Chain” Project, another unprecedented practice in the sector, a good teamwork environment was created by bringing dealers, authorized service providers, Call Center employees and Assist Team together to ensure customer satisfaction and loyalty, with the cooperation of

VRA. The training courses, which are built around various customer scenarios, develop empathy among all the stakeholders.

Launched in 2015, the project was completed with a total of 194 participants in 25 groups in 2017.

Product Training for Sales Teams

The “Product Training to Sales Teams Project” was launched in collaboration with the Vestel Service Academy and Vestel Retail Academy in 2015 for the sales teams in Vestel’s sales channels in order to increase their technical knowledge of the products in the product portfolio and help them transfer their knowledge to authorized dealers. As part of the project, classroom training had been provided to 105 participants in seven groups from the Assist Teams, 20 participants from the Merch Teams, and 138 participants in six groups from the sales teams in 2017. In addition to classroom training, a total of six distant live broadcasts were made from the Service Academy studio to all the sales teams, including the authorized dealers.

Authorized Service Center Business Management 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 authorized service owners and managers, produced its first graduates in April 2014. A total of 328 service owners and managers have completed 80 hours of training over four years and received their diplomas. The program continues in its 5th year in the 2017/2018 training period.

The Certificate Program aims to improve authorized service centers in terms of efficient and profitable business management, increase the quality of their services, improve the management of their human resources, ensure the fulfillment of their legal obligations and achieve maximum customer satisfaction. In 2015, this project won the KalDer’s Grand Award of Team Excellence and was given considerable 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 authorized service staff to rapidly access up-to-date technical information. A total of 133 live broadcast training sessions were held in 2017 for the sales teams and dealers as well as for the authorized service points in Turkey and abroad. The live broadcasts reach a large audience via applications such as the “Information Contest” and “Monthly Agenda” where managers also participate while the interest in the live broadcasts has been increasing over the years.

Training Field for Solar Energy Systems (SES)

As part of Zorlu Holding’s decision to enter Solar Energy Systems (SES), an 8-day training session was provided with the cooperation of Vestel Service Academy and Zorlu Solar Enerji Tedarik ve Ticaret AŞ. Accordingly, a hands-on training was held in Izmir and technical

WITHIN THE SCOPE OF THE AUTHORIZED SERVICE CENTER BUSINESS MANAGEMENT CERTIFICATE PROGRAM, A TOTAL OF 328 SERVICE CENTER OWNERS AND MANAGERS HAVE COMPLETED 80 HOURS OF TRAINING OVER A PERIOD OF FOUR YEARS AND RECEIVED THEIR DIPLOMAS.

trips were organized to two facilities. A rooftop solar system was also installed to serve as a training area for the Vestel Service Academy. In addition, Vestel Service Academy prepared training curricula and documents for the training of technicians who will perform system installation and maintenance work.

Management Quality Systems

Within the framework of the quality improvement activities initiated in 2013, Vestel Customer Services Directorate completed the formulation of its mission, vision, values and strategies and obtained the TSE ISO 9000 Quality Management System Certificate and ISO 10002 Customer Satisfaction Management System Certificate in 2014. Vestel Customer Services has embraced the EFQM (European Quality Foundation Management) Excellence Model, a strategic management model, for all of its activities. As part of this management model, which aims to improve business results by taking into account the expectations of all stakeholders, Vestel Customer Services has been conducting stakeholder perception surveys (for customers, employees, dealers, authorized service points, suppliers and the community) for the past four years. The company performs continuous improvement activities based on the results of these surveys. Vestel Customer Services also reviews its strategies once in every two years and monitors the performance systematically in line with its targets and the management philosophy.

“Customer-Friendly Organization/Customer-Friendly Brand” Certification

In 2017, Vestel Customer Services was granted the Customer-Friendly Organization and Customer-Friendly Brand Certification by TSE, which is a first in the sector, with its 120 authorized service points throughout Turkey.

Each of these authorized service points was audited in terms of meeting the service quality standards and in managing customer satisfaction in particular and was certified as a “Customer-Friendly Organization”.

2017 WAS ANOTHER YEAR BRINGING
NUMEROUS DOMESTIC AND INTERNATIONAL
AWARDS TO CONFIRM THE DIFFERENCE MADE
BY VESTEL CUSTOMER SERVICES.

2017 ECCCSA European Contact Centre & Customer Service Awards	Gold Medal for Innovation in Customer Services
2017 CCWA Contact Center World Awards	1 st in the EMEA and 2 nd in the World for Best use of Self-Service Technology
	1 st in the EMEA and 2 nd in the World for Best Technology Innovation - Internal Solution
2017 Stevie Awards (International Business Awards)	Bronze Stevie for Customer Services / Department of the Year
2017 A.C.E. Awards	1 st Prize in the Category of Household Appliances
	1 st Prize in TV Category
	1 st Prize in Smartphone Category
2017 KalDer Team Excellence Awards	Silver Award for Successful Team of the Year
2017 Turkish Standards Institution (TSE)	Customer-Friendly Brand / Customer-Friendly Organization
2017 Çetin Ceviz (Hard nut to crack)	1 st Prize for Best Project Team Member
2017 Call Centers Association (ÇMD) Golden Headset Awards	1 st Prize for Best Customer Experience
	1 st Prize for Most Effective Social Responsibility Project
	1 st Prize in the category of I Love My Job Because ...
2017 Dragon Festival / Rowing Races	Federation Cup Winner
Ministry of Environment and Urban Planning	2 nd Prize for Manufacturer Contributing to Waste Collection by ELDAY (Association for Electrical and Electronics Recycling and Waste Management)

Vestel's Corporate Brand and Communication Strategy

The communication strategy which describes the goals, vision and mission of the Vestel world is centered around the concept of "Turkey is Vestelized".

As a local brand which produces high technology to global standards, this concept rests upon Vestel's aim to facilitate and improve 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". This approach is being strengthened with the "Proudly Domestic" campaign. All processes from the product strategy to the communication approach and from the sales campaign to 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 the firsts and to be an inspiring brand for Turkey.

Launched four years ago, both the "Turkey is Vestelized" and "Proudly Domestic" campaigns have achieved a great success. While the product categories have been further improved, the success of the communication campaign has been bolstered by the holistic communication.

Vestel, aware of the fact that women play a key role in its accomplishments in production, sales and after-sales services as well as in the high customer satisfaction achieved, has put women, who contributed to its success, at the heart of its communication in 2017 as a sign of its gratitude for them.



FURTHER EXPANDING THE RANGE OF ITS PRODUCTS WHICH BREAK WORLD RECORDS WITH THEIR ENERGY AND WATER SAVING LEVELS EACH YEAR, VESTEL BEYAZ EŞYA MITIGATES THE ENVIRONMENTAL IMPACTS OF ITS OPERATIONS THROUGH ITS ECO-FRIENDLY AND HUMAN-FOCUSED MANUFACTURING PROCESSES.

VESTEL BEYAZ EŞYA WAS QUALIFIED TO BE VOLUNTARILY INCLUDED IN THE BIST SUSTAINABILITY INDEX FOR THE SECOND TIME.

The sustainability approach of Vestel Beyaz Eşya has been shaped by the goal of a better future on the basis of economic, human, environmental and social contribution in line with the sustainability approach of Vestel Group (“Vestel”), of which it is a member.

Further expanding the range of its products which break world records with their energy and water saving levels each year, Vestel Beyaz Eşya mitigates the environmental impacts of its operations through its eco-friendly and human-focused manufacturing processes.

Vestel Beyaz Eşya voluntarily applied in late 2015 to be included in BIST Sustainability Index which consists of the listed companies on Borsa Istanbul with a high corporate sustainability performance. As a result of the evaluations by Borsa Istanbul, Vestel Beyaz Eşya was added to the BIST Sustainability Index for the November 2016 – November 2017 period and was also qualified to be voluntarily included in the index for the second time between November 2017 and October 2018.

Human Resources at Vestel Beyaz Eşya

Human resource activities at Vestel Beyaz Eşya are carried out by the Vestel Human Resources Directorate which reports to the Zorlu Holding Human Resources Group. The Directorate is structured under four main organizations, namely, the Industrial Relations Directorate, the Recruitment and Talent Management Directorate, Education and Development Directorate and Administrative Affairs Directorate. The Head of Zorlu Holding’s Human Resources Group also sits on the Executive Board of the Vestel Group of Companies so that continuity is ensured in the delivery of information to the management in all matters concerning employees.

Vestel Beyaz Eşya has a written Human Resources Policy in place, which comprises recruitment, promotion, dismissal, compensation, career planning, performance measurement system, performance-based compensation system and training policies. Employees are informed about the job descriptions and distribution of tasks as well as the performance criteria and reward scheme by means of 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 working for and to ensure their loyalty to the Company by offering them a suitable career path. In line with this goal, projects are being developed not only to easily reach these talents but also to retain them and ensure their loyalty to the Company.

In line with this objective, Vestel Beyaz Eşya:

- takes into consideration the needs of its employees so that they could achieve successful business results,
- ensures fairness and equal opportunities among employees, by balancing the expectations of employees with those of the Company,
- supports and promotes the development of employees through continuous training programs,
- follows up and evaluates the performance of employees, while encouraging and rewarding them for their achievements,
- performs career planning with vertical and horizontal promotions and maintains long-term cooperation with the employees,
- periodically conducts internal duty backups for sustainability,
- mainly utilizes in-house human resources to meet the needs,
- monitors, evaluates and implements new developments for improving the management of human resources.



Innovative, dynamic and team spirited human resources

Vestel Beyaz Eşya is aware that it is not the giant factories or the state-of-the-art technology products manufactured which 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 Turkey's employment.

Vestel Beyaz Eşya formulates its change and development strategies based on the idea of "Being where the talent is". Vestel began the journey towards becoming a preferred employer with the "Campuses are Vestelized" project in 2013 in order to attract young talented individuals needed by the Company due to its rapid growth. 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. In view of the importance Vestel attaches to employing new graduates and young talents, it identified university students as potential candidates. Within this context, intensive activities are carried out in the university campuses to further enhance the perception of Vestel as an "Attractive Employer". These activities include 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 the industry-university collaboration.

Vestel cares about the ideas of young people, which is a driving force for Vestel. To this end, since 2015, Vestel has been implementing the "V-Inception" Project for talent acquisition and for shaping the Employer Branding Strategy to be followed by the Vestel Human

Resources at the beginning of each academic year. Through this project, student club representatives from several universities come to Vestel City to experience Vestel and create a project of their own in line with the mission assigned to them. These young people build a "Vestel Dream" and integrate the strengths of Vestel into this dream through their project. Among the Employer Branding activities are carrying this dream into the campuses and Vestelizing the campuses just as students wish it to be.

Another project launched for talent acquisition is the VesTELLer Project. Since 2015, 21 students from the leading universities in Turkey have been serving as a VesTELLer (Vestel's Brand Representative in Campuses). As part of the project, the selected students conduct activities to support Vestel in becoming a well-known, popular and preferred employer at the campuses.

Continuity in training activities

At Vestel Beyaz Eşya, where each employee is considered as a value, a regular training model is adopted to develop the existing skills of employees and further facilitate their adaptation to innovation and change. Within this framework, quality and sustainable training activities are carried out to sustain the creative, inquisitive, reflective, entrepreneurial and productive human resources. Accordingly, soft skills and technical training programs were provided while trainings continued in the fields of computer, electrical-electronics, industry and mechanical engineering at Vestel Technology Academy in 2017.

In 2017, Vestel Beyaz Eşya provided a total 52,282 hours of training to 10,584 employees, corresponding to an average eight hours of training per employee.



Vestel Beyaz Eşya's R&D Development Program

As part of its R&D Development Program, Vestel Beyaz Eşya provided training from May to December 2017 under six headings, namely, Project Management, Advanced Excel, Innovation and Management of Ideas, Decision-Making and Problem-Solving Techniques and Effective Communication for Effective Team Work. A total of 18 training sessions were held for 390 participants to contribute to their development process. A satisfaction survey conducted at the end of the training revealed that 90% of the participants were satisfied with the program.

Compulsory Training and Qualifications

Within the scope of the Vocational Qualifications Authority Law, 201 employees were certified for steel welding while 133 employees were certified for machinery maintenance. Through the operator training, 15 employees were qualified as Forklift Operator and 16 employees as Manlift Operator. As of October 2017, all commercial vehicle drivers who engage in the transport of persons and goods must hold the Driver Certificate of Professional Competence (Driver CPC). Accordingly, 60 employees obtained CPC 2 and CPC 4 driver licenses.

In order to meet the legal requirement, first aid training was also provided in 2017 through which 229 employees completed the Basic First Aid Training and obtained a certificate. While 20 employees were certified in the field of basic sign language, six employees received training and were then certified through the EKAT (Working under High Voltage at Electrical Strong Current Plants) Training.

Vestel Technology Academy

Lifelong learning opportunity is provided at Vestel Technology Academy which was developed via collaboration between Vestel Group and Özyeğin University. The Program is aimed at enhancing the technical knowledge and experience of Vestel's engineers in their fields. As of the end of 2017, a total of 58 Vestel Beyaz Eşya employees have received training through the Program.

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 have a master's degree in four major fields (Electrical and Electronic, Computer, Mechanical and Industrial Engineering) as part of the Program,
- allows employees, who have graduate degrees, to get a PhD degree.

The "Vestel Technology and Innovation Workshop" was held in a bid to share the thesis and project results of this extensive program with the Company executives and employees, to create synergy among different departments and to inspire other employees. At the workshop, 53 theses/project applications were submitted. Applicants presented their academic studies to the jury that evaluated, selected and awarded the winners. A Vestel Beyaz Eşya employee has won the second prize at the workshop.

Vestel Management Trainee Program

Vestel launched its eighth Vestel Management Trainee Program, which is carried out with the academic support of Turkey's leading universities, at Vestel Training Center in Manisa in cooperation with Koç University in order to cultivate young talented university graduates as future managers of the Company. In 2017, three out of 27 candidates, who completed all the phases successfully, were recruited by 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 theoretical training for a total of 45 working days from their first day at work over a four month period. They complete their training with an applied internship period at Vestel Group of Companies.

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

Vestel Retail Academy

Vestel has laid the foundation of Vestel Retail Academy in partnership with Sabancı University for the purpose of providing training for its domestic sales channels. The goal of the project is to train all sales teams throughout Turkey, particularly of dealers and retail stores, who influence the sales and marketing channels.

THE GOAL OF VESTEL RETAIL ACADEMY IS TO TRAIN ALL SALES TEAMS THROUGHOUT TURKEY, PARTICULARLY OF DEALERS AND RETAIL STORES, WHO INFLUENCE THE SALES AND MARKETING CHANNELS.

VESTEL BEYAZ EŞYA'S BASIC HR INDICATORS (AS OF THE END OF 2017)

Personnel	Number	%
Total	6,406	-
Female	4,572	29
Male	1,834	71
Average Seniority	4 years	
Breakdown of Senior Management Based on Gender	Female	Male
General Manager	-	2
Deputy General Manager	-	6
Mid-Level Management	5	45
Total	5	53
Breakdown of Personnel Based on Education Level	Female	Male
PhD	-	-
Master's Degree	32	68
Bachelor's Degree	196	503
Vocational high school graduate	166	380
High school graduate	1,440	3,621
Total	1,834	4,572

NUMBER OF PERSONNEL BY CATEGORY

Senior Management	Other Employees (Excluding Administrative Personnel)
58	6,348



Occupational Health and Safety

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

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

- To create a "Safety Culture" throughout the Company and ensure that it is adopted,
- To avoid health-threatening and hazardous conditions 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 ensure occupational health and safety together with the personnel, by asking for their feedback through constant training and the platforms which support employee engagement,
- To consider occupational health and safety as an indispensable priority for all employees and an inseparable part of their jobs,
- To create a safe working environment by preventing or minimizing fire risk and accidents in operations,

- To eliminate or minimize unsafe situations or acts in the workplace by conducting risk analyses and implementing preventive plans based on "The right work for the right employee" principle.

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

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

In this respect, the fundamental targets of Vestel Beyaz Eşya are as follows:

- To employ energy efficient and eco-friendly technologies in order to improve its energy performance,
- To continuously improve its energy performance by benchmarking it with the best practices in the world,
- To use renewable energy sources,
- To conduct activities for the reduction, reuse, recycling and recovery of waste,
- To foster a culture of participation and innovation among stakeholders to ensure energy saving,

- To identify areas for the improvement of energy efficiency and conduct regular internal and external energy efficiency workshops,
- 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 that promote and improve the use of new technology,
- To carry out Industry 4.0 activities with an environmental awareness.

Maximum energy and water efficiency in all products

Constantly revising its energy efficiency targets, Vestel Beyaz Eşya's entire product range consists of eco-friendly products with energy classes of A, A+, A++ and above, which fall into the high energy efficiency category. Vestel Beyaz Eşya strives to develop energy efficient and environmentally friendly products that have a minimum impact on the environment through its continuous work in R&D and innovation. The Company currently allocates half of its R&D budget to the development of environmentally friendly products as well as provides additional funding to such projects, which are initiated without delay.

- The Vestel Pyrojet washing machine product family has been expanded to include 7 kg and 10 kg models in addition to the record-holding 8 kg and 9 kg models. The Vestel Pyrojet washing machine product family, which consumes 70% less energy than A+++ products with 8 kg and 9 kg of loading capacities, and 60% less than those with 7 kg and 10 kg of loading capacities, is the world record holder for energy efficiency. Moreover, all models have hit a record in terms of water consumption.
- Vestel Ekomaks dishwasher consumes 20% less energy than an A+++ energy class dishwasher, holding a record in this area.
- Pyrojet and Ekomaks received VDE approval from the German Association for Electrical, Electronic and Information Technologies by virtue 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 embedded in Vestel Beyaz Eşya's next generation washing machines and dishwashers allows the machines to work at off-peak hours at lower electricity tariffs 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.
- Vestel's 70 cm Combi fridge-freezer consumes 35% less energy than its counterparts in the A+++ energy class.

VESTEL BEYAZ EŞYA'S ENTIRE PRODUCT RANGE CONSISTS OF ECO-FRIENDLY PRODUCTS WITH ENERGY CLASSES OF A, A+, A++ AND ABOVE, WHICH FALL INTO THE HIGH ENERGY EFFICIENCY CATEGORY.

- 14 place setting dishwashers, which consume 5.4 liters of water and washing machines which consume 4.4 liters of water per kilogram are the eco-friendliest products in their segments with their least amount of water consumption.
- Vestel Beyaz Eşya manufactures A+++ energy class air conditioners.
- The A+ energy class built-in and free-standing ovens developed by Vestel Beyaz Eşya provide consumers with mid-segment products of higher energy class, a first in the world.

The first Turkish company to receive the ISO 50001 Energy Management System Certification

As a result of its efforts to protect the environment, reduce greenhouse gas emissions, use resources effectively and cut energy costs, 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 energy consumption systematically, Vestel Beyaz Eşya was awarded this certificate by the Turkish Standards Institution (TSE).

Environmentally focused practices in manufacturing processes

Vestel Beyaz Eşya operates in accordance with the TS-EN-ISO 14001 Environmental Management System Certificate and ISO 50001 Energy Management System Certificate granted by the TSE.

Environmental Policy

In line with its Environmental Policy, Vestel Beyaz Eşya commits to:

- Reduce, reuse, recycle and recover waste,
- Ensure the saving of energy, water and natural resources by promoting increased efficiency and use of new technologies,



VESTEL BEYAZ EŞYA IS COMMITTED TO REDUCING ITS NEGATIVE IMPACTS ON THE ENVIRONMENT. IN THIS REGARD, THE COMPANY AIMS TO REDUCE THE RATIO OF ITS CARBON EMISSIONS TO ITS TURNOVER BY 15% UNTIL 2022.

- Use recyclable materials to reduce the consumption of natural resources,
- Increase environmental awareness among employees through trainings and minimize environmental pollution,
- Constantly improve its Environmental Policy in accordance with new goals and targets determined each year,
- Research and implement methods to reduce greenhouse gas emissions,
- Develop projects focused on water conservation,
- Promote continuous environmental improvement, prevent pollution and comply with the applicable legislation and administrative regulations regarding the environment,
- Take environmental factors into account in the evaluation of new products, projects and operations, reduce the use of harmful substances in products and manufacturing processes in compliance with the European Union Directives (RoHS, Reach, etc.) and national legislation and research less polluting substances and accordingly, limit the use of six hazardous heavy metals (such as lead, mercury, cadmium, Chromium VI, PBB, and PBDE) in its products,
- Adhere to the requirements of the ISO 14001 Environmental Management System standards, continuously review such standards to ensure effective implementation, integrate these standards with other management systems and allocate adequate resources when doing so.

For many years, Vestel Beyaz Eşya has strictly avoided using lead-containing solder in its electronic cards and electrical parts. The Company has shown great care to ensure that the gases used in its coolers are ozone-friendly.

Vestel Beyaz Eşya also manufactures all of its products in accordance with the Restriction of Hazardous Substances Directive (RoHS Directive) 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” in the use of nylon and separators in addition to the use of smart boxes, thereby reducing its packaging waste and minimizing the environmental impact of packaging.

These activities are carried out by the Company’s Health, Safety and Environment (HSE) Committee. The Committee is chaired by the Management Systems and Customer Relations Manager, who acts as the Executive Representative of Vestel Beyaz Eşya.

Vestel Beyaz Eşya is committed to reducing the negative impacts it creates on the environment in all areas.

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

Conservation of biodiversity

The manufacturing facilities of Vestel Beyaz Eşya are located in the Manisa Organized Industrial Zone (“OIZ”). Consisting of industrial facilities, Organized Industrial Zones are areas designed to promote the industrial effectiveness and organized settlement in the city.

As Vestel Beyaz Eşya operates in an OIZ and there are only industrial settings within the 2 km impact area of its operations, no flora-fauna activities have been carried out; however, the Company pledges to abide by the Environment Law No. 2872 and the relevant regulations for the protection of the flora and fauna.

Vestel Beyaz Eşya’s impact area contains the Gediz river, the second largest river in the Aegean Region, the Nif Brook, and the Karaçay Stream. The three mentioned tributaries are at a sufficient distance from the Company’s facilities and there is no lake in the Company’s impact area. 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 does not contain the following: habitats of endemic species and species which are significant for scientific research and/or are endangered or vulnerable, biosphere reserves, biotopes, biogenetic reserves, and geological and geomorphological formations.

In accordance with the Bern Convention, previous evaluations have confirmed that no protected species live in or threatened flora species grow in the Company’s area of activity.

Fight against climate change

Climate change is one of the greatest threats to our earth. Vestel Beyaz Eşya has adopted an effective Energy and Climate Change Policy to combat climate change. The Company has been taking firm steps towards becoming 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 to this issue and set an example for its stakeholders.

Vestel Beyaz Eşya participated in the survey under the project titled “Study on the CEO Perception on Climate Change: Turkish Business Leaders’ Response to Climate Change,” which was conducted by the Regional Environmental Center (REC) Turkey and supported by the German Embassy. Moreover, on December 6, 2016; the Company attended the meeting in which the general assessments and the project results of the United Nations’ Conference of the Parties on Climate Change (COP 22) were publicly shared.

The meeting took place with the participation of about 150 people representing public institutions and organizations, local governments, global private companies, NGOs, academia and the media sector.

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

- make environmental protection a priority across the Company by using less polluting manufacturing technologies and
- comply with the legal obligations and manufacture energy efficient, low water consuming, low emission and eco-friendly products as part of its fight against climate change.

In 2017, Vestel Beyaz Eşya earned a score of B in CDP Water and CDP Carbon Programs.

Carbon footprint

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

Carbon Footprint is a measurement (in units of carbon dioxide) of the amount of greenhouse gas generated by human activities.

Vestel Beyaz Eşya’s Carbon Footprint Report was prepared in accordance with the GHG (Greenhouse Gas) Protocol Standards 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 predefined system limits.

Of the total carbon footprint, 20% consists of direct emissions included in Scope 1, 2% consists of indirect emissions included in Scope 3, which result from the Company’s business trips, transportation and vehicle use, and the remaining 78% consists of emissions included in Scope 2, which result from the use of electricity and heating.

In 2016, Vestel Beyaz Eşya calculated its corporate carbon footprint in line with the ISO 14064-3:2006 Standard and had it validated.

Having successfully completed the “ISO 14064:3 Verification and Validation of Greenhouse Gas Emissions” process, Vestel Beyaz Eşya is determined to maintain the continuity of its greenhouse gas monitoring activities and its environmental approach through the improvement efforts to be taken each year.

SUSTAINABILITY AND VESTEL BEYAZ EŞYA

Vestel Beyaz Eşya is recognized as the “Low Carbon Hero”

By preventing the emission of 623,750 kg of carbon dioxide through its project for “the optimization of dyehouse pump pressure,” Vestel Beyaz Eşya became the first company to be presented this award in the consumer durables sector.

Following this initial step, Vestel Beyaz Eşya continues its carbon management related activities at full speed.

Integrated waste management

Through its Waste Management System, Vestel Beyaz Eşya aims to minimize the environmental and economic impacts of waste disposal. The quickest way to achieve this goal is to promote the efficient use of resources and decrease the total amount of waste. Integrated Waste Management can be defined as the selection and implementation of appropriate methods, technologies and management programs to achieve a specific waste management goal. Integrated Waste Management also covers compliance with the provisions of the relevant legislation. Vestel Beyaz Eşya categorizes and separates waste at its source in compliance with the legal regulations and sends its waste to certified recycling and disposal facilities for further processing.

Environment and energy management

Vestel Beyaz Eşya takes into account the environmental impact of its activities at every stage from the manufacturing of products to the delivery of products to consumers. Since 2010, the Company holds the ISO 14001 certification, an international standard which outlines the monitoring and development of environmental performance, and is also certified with TSE- ISO- EN 14001:2015.

Created to ensure the efficient use of energy, which has gained increasing importance in today’s world, the Company’s Energy Policy aims for the effective use of resources and the reduction of greenhouse gas emissions. Having established the necessary processes and systems to increase energy efficiency, Vestel Beyaz Eşya implements and ensures the sustainability of such processes and systems in a manner that is integrated with the ISO 50001 Energy Management System Standard certification, which it obtained in 2012. The Company is the first in Turkey to receive this certification.

Energy efficiency

Within the scope of the Projects for Increasing Efficiency in Industrial Enterprises, supported by the Ministry of Energy and Natural Resources, Vestel Beyaz Eşya has signed contracts with the Ministry for receiving support for its 3 projects, namely the Efficiency in Lighting, Increasing Energy Efficiency in Compressors and Using Electric Air Guns Instead of Pressurized Air Guns projects, and has applied for three other new projects.

The Efficiency in Lighting Project includes the replacement of 1,110 low-efficient lighting fixtures in the Refrigerator Plant with more efficient LED lighting fixtures. It is expected that the project will reduce the amount of annual electricity consumption by 447,550.272 kWh.

The Project for Increasing the Efficiency of Vacuum Pumps aims to replace the vacuum pumps in thermoform machines used in the Refrigerator Plant with centralized, high-efficiency vacuum pumps with inverters. It is expected that the project will reduce total electricity consumption by 393,569.28 kWh per year.

The Project for Increasing the Efficiency of Induction Motors involves the replacement of 29 low-efficiency induction motors used in the Refrigerator, Washing Machine, Cooking Appliances and Air Conditioner Plants with high-efficiency IE3 motors of the same power. It is expected that the project will reduce annual electricity consumption by 114,208.44 kWh.

VESTEL BEYAZ EŞYA VALIDATED ITS WATER FOOTPRINT IN LINE WITH THE “ISO 14046 WATER FOOTPRINT STANDARD,” THUS, BECOMING THE FIRST COMPANY IN THE TURKISH WHITE GOODS SECTOR TO OBTAIN THIS VALIDATION.

VESTEL BEYAZ EŞYA WON THE “AWARD FOR EXCELLENCE IN CONSISTENT TPM COMMITMENT” IN 2017 AND BECAME THE WORLD’S FIRST AND ONLY HOUSEHOLD APPLIANCES COMPANY TO SIMULTANEOUSLY RECEIVE THIS AWARD FOR SIX PRODUCTION PLANTS.

Water use

Vestel Beyaz Eşya is aware that water is an indispensable source of survival for living beings. Even though a large portion of the world is made up of water resources, only 3% of these resources are potable/usable. In order to meet the rapidly increasing water demand in the face of continuously diminishing resources, efforts are underway to develop and disseminate water conservation models and to make use of recycled water.

Vestel Beyaz Eşya meets its production-related water needs by making use of tap water at the Manisa OIZ and from wells.

In the last 10 years, the Company has managed to decrease its water consumption by 40% per unit of production despite a 79% increase in production volume.

In 2017, as a result of its water conservation efforts, Vestel Beyaz Eşya:

- Prevented the loss of 18,250 m³/year of water thanks to the improvement of the chemical dosage system of cooling towers in the auxiliary plant no. 2.
- Prevented the loss of 105,000 m³/year of water thanks to the improvement of the surface treatment raw water reduction process in the refrigerator dyehouse.

Vestel Beyaz Eşya validated its water footprint in line with the “ISO 14046 Water Footprint Standard,” becoming the first company in the Turkish white goods sector to obtain this validation.

Water Footprint is measured in terms of the amount of water (including evaporation) used per unit or the amount of water which is contaminated. Measuring water footprint is an important tool in determining the amount of water used starting from the production to the consumption of goods and services.

Aware of the importance of the proper use of water for a sustainable future, Vestel Beyaz Eşya calculated its water footprint for the year 2016 on a corporate basis in accordance with the ISO 14046 Water Footprint Standard and validated the result through Intertek Canada, an accredited organization, thus earning the right to obtain the ISO 14046 Water Footprint Certification.

By doing so, the Company successfully completed the validation process for the ISO 14046 Water Footprint, following the completion of the verification and validation process for the ISO 14064:3 Greenhouse Gas Emissions.

Total Productive Maintenance (TPM)

By successfully implementing the Total Productive Maintenance (TPM) Management System since 2011, Vestel Beyaz Eşya is progressing towards its improvement targets each passing year. TPM offers an approach which targets zero losses in production and support processes, requires the involvement of all employees, supports a proactive perspective and aims to maximize equipment effectiveness. Having adopted this approach, Vestel Beyaz Eşya strives to exceed standards by continuously achieving improvement in all areas. Moreover, environmental efforts are also supported by TPM practices. Environmental gains through the TPM system approach may be listed as follows:

- Maintaining an orderly organization through the 5S methodology, thus reducing pollution and sources of pollution,
- Kaizen-led improvement activities carried out across all the processes, and reduction of losses,
- Less equipment breakdown, less dissemination, saving of energy and raw materials through the autonomous maintenance approach,
- Reducing scrap and rework, therefore, reducing waste,
- Increasing efficiency and quality through continuous improvement efforts.

As a result of the successful implementation of TPM practices at its refrigerator, washing machine, dishwasher, cooking appliances and air conditioner-water heater production plants, Vestel Beyaz Eşya received another award from the Japan Institute of Plant Maintenance (JIPM) in 2017. Having won the “TPM Excellence Award” in 2014, Vestel Beyaz Eşya improved its processes further and received the “Award for Excellence in Consistent TPM Commitment,” in 2017, making it the first and only household appliances company in the world to simultaneously receive this award for its six different product groups and six production facilities.

SUSTAINABILITY AND VESTEL BEYAZ EŞYA

Vestel Beyaz Eşya's social contribution activities

Considering social responsibility as one of the fundamental and unchanging elements of its management approach, Vestel Beyaz Eşya carries out various social corporate responsibility activities that benefit the society.

Many projects are implemented at Vestel for the individuals with disabilities. In this context:

- 4 battery-driven and 60 manual wheelchairs were provided to 60 disabled citizens in 2016 and 2017.
- Within the scope of the Mental Health-friendly Workplace (ZEKİ) Project initiated by the Manisa OIZ, Vestel Beyaz Eşya recruited 10 individuals with mental disabilities in 2017.

Vestel Beyaz Eşya conducted various other social responsibility projects in 2017.



Blood Donation Campaign: In April, Vestel Beyaz Eşya organized an internal blood donation campaign in cooperation with the Turkish Red Crescent. The campaign was very well-received by the employees, and resulted in the collection of over 208 units of blood. Due to employees' great interest in the event, another campaign was held in November with the slogan of "Looking for 1,000 donors among our 6,000 employees"; which attracted 1,232 applications. Out of this, 1,046 applicants donated blood, resulting in a record number of donations at an industrial facility within a single day. Considering the fact that one unit of blood can save three lives, Vestel Beyaz Eşya provided hope for 3,138 lives.

Environment Day Drawing Contest: In order to raise awareness of the importance of the Environment Day, which is celebrated on June 5, among employees and their children, a drawing contest themed "The Environment from a Child's Perspective" was held and the children who won the first, second, and third places were awarded

prizes. During this contest organized by Vestel Beyaz Eşya on the occasion of World Environment Day, the drawings of 215 children were displayed on the bulletin boards of factories. Employees showed a great interest in this event organized to draw attention to environmental issues.

March 8 International Women's Day: To highlight the importance of women's employment on the occasion of the International Women's Day on March 8, Vestel Beyaz Eşya gifted its female employees with soap bars made by women from Soma to help the region and to contribute to women's employment.

Anti-Smoking Events: On the occasion of the World Cigarette Boycott Day, anti-smoking events were held at Vestel Beyaz Eşya throughout the month of February. The Community Health Center and Manisa State Hospital gave five seminars to Vestel Beyaz Eşya employees on the harms of smoking as well as the methods to quit smoking. Moreover, nicotine tests were conducted on employees who smoke to demonstrate the negative effects of smoking and stands were set up to highlight the importance of quitting smoking.

Book Collection Campaign: Vestel Beyaz Eşya launched a "Book Collection Campaign" in April, during which book collection boxes were placed in the Company's production plants. The Book Collection Campaign aimed to provide books to villages and village schools, which did not have libraries. Under the campaign, 1,400 books were collected in the span of a month and donated to the Manisa Province Public Library.

Traveling Library: On the occasion of the International Children's Book Week celebrated on November 13, a first was accomplished together with the collaboration of the Manisa Provincial Public Library. Starting on this meaningful day, the "Traveling Library" began to visit Vestel Beyaz Eşya every 15 days and provide book borrowing services. Vestel Beyaz Eşya employees are able to borrow books for themselves or their children from the traveling library which offers more than 1,000 books. This practice gives the Company's employees and their families easy access to numerous books free-of-charge. This practice, which drew great interest, will continue through 2018.

VESTEL BEYAZ EŞYA CARRIES OUT VARIOUS SOCIAL CORPORATE RESPONSIBILITY PROJECTS FOR THE BENEFIT OF THE SOCIETY.



REPORTS AND FINANCIAL INFORMATION

RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

Risk Management

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

Zorlu Holding Enterprise Risk Management Policy is summarized below:

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

CONTINUOUS MONITORING

Vestel Beyaz Eşya's Early Detection of Risk Committee, which was established on 15 March 2013 pursuant to the Article 378 of the Turkish Commercial Code, undertakes studies for the early detection of risks which could jeopardize the existence, development and continuity of the Company, implementation of the necessary actions and remedies and managing the risks in a coordinated manner. During 2017, Enterprise Risk Management Department submitted 6 risk reports to the Early Detection of Risk Committee to support the Committee in the effective supervision of the enterprise risk management processes, and the reports were presented to the Board of Directors following the review of the Committee. The headings of the risk reports submitted to the Committee and the Board of Directors are listed below:

1. Global Risks 2017,
2. Financial Risks of Vestel,
3. PESTLE Analysis on the White Goods Sector & PESTLE Analysis on the Consumer Electronics Sector,
4. Financial and Economic Indicators with a Negative Trajectory,
5. Turkish-German Relations - Development of the Crisis and Possible Reflections,
6. Risks in the White Goods and Consumer Electronics Sectors 2017.

A "Survey regarding the Risks in the White Goods and Consumer Electronics Sectors" was prepared as an output of the "Risks in the White Goods and Consumer Electronics Sectors 2017" report submitted to the Board of Directors on October 19, 2017. The survey included an assessment of the impact and probability of risks and was shared with top management in order to manage and assess risks with a common perception. It was then followed by an online survey for an overall assessment across the Company. According to survey results, the top three risks were identified as follows: "Competition Risk, Currency Risk and Geopolitical Risks".

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

Strategic Risks

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

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

The following actions are taken against these risks:

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

Sector Related Risks

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

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

Financial Risks

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

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

The following actions are taken against these risks:

- Employing alternative financing methods,
- Asset and liability management,
- Making use of various derivative instruments for hedging purposes, when necessary,
- Conducting Value at Risk (VaR) study for forward contracts recognized in equity within the cash flow hedge reserve account, measuring the worst one and five-day fair value variations within a 99% confidence interval,
- Paying attention to not taking on a financing burden which cannot be covered with the highly liquid assets as per the Company's philosophy,
- Following up budget targets with the realizations on a monthly basis and making revisions as necessary,
- Following up the profit target with the realizations on a monthly basis and making revisions as necessary,
- Insuring receivables and obtaining various guarantees.

Operational Risks

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

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

The following actions are taken against these risks:

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

RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

- Regularly providing compulsory training programs on occupational health and safety to all Zorlu Holding employees in accordance with the related regulations,
- Centralized follow-up of recommendations proposed by the insurance companies to Group companies subsequent to risk inspections,
- Following-up the policies and procedures for compliance with the legally defined standards in relation to environmental health, stakeholder safety and stakeholder health,
- Monitoring and keeping records of repair and maintenance of plant and machinery,
- Making commitments in relation to compliance with various principles such as human rights, environment, society, ethics, anti-corruption, etc. through the United Nations Global Compact.

Reputation Risk

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

The following actions are taken against these risks:

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

External Risks

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

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

The following actions are taken against these risks:

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

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

List of Primary Insurances Purchased

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

INTERNAL AUDIT DEPARTMENT AND ACTIVITIES

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

In addition to the Internal Audit Department, Financial Audit and Tax Audit Departments were established in 2011 in order to perform financial audits across all Group companies, which commenced their activities in 2012. In the last quarter of 2013, the Internal Audit and Financial and Tax Audit Departments were gathered under the umbrella of Zorlu Holding General Directorate of Audit and Internal Control. In accordance with the changing needs of Zorlu Group, the Tax Audit Department was restructured as Tax Audit Directorate as of 1 December 2015 while the Internal Audit Department was restructured into two distinct Directorates, namely, the Internal Audit Process Oversight and Internal Audit Inspection Oversight as of 1 January 2016.

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

Internal Audit Activities

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

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

Zorlu Group supports and promotes Zorlu Group Internal Audit Team, which consists of 13 people, in receiving additional training to improve and enhance their existing knowledge, skills and other qualities, becoming a member of the related associations (e.g. The Institute of Internal Auditors, Turkey – TIA) and obtaining international certificates. The Internal Audit team includes 2 CIAs (Certified Internal Auditors), 1 CPA (Certified Public Accountant), 1 CISA (Certified Information Systems Auditor), 1 CFE (Certified Fraud Examiner), 3 CRMAs (Certification in Risk Management Assurance), 1 CMAAAL (CMB Level 3 License), 1 CGRL (CMB Corporate Governance Rating License), 1 DIL (CMB Derivatives License) and 1 CMB Real Estate Appraisal License.

Financial Audit and Tax Audit Activities

The Financial Audit and Tax Audit Departments have been carrying out their activities at Zorlu Group Companies since 2012. Currently, these departments have 9 and 8 employees, respectively.

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

Audit findings are reported to the Company executives and senior management.

When deemed necessary, the Tax Audit Department also provides advisory services with reasonable assurance to Group companies against the potential tax risks.

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

The Financial Audit Team includes 1 Certified Public Oversight Authority Licensed Auditor, 5 CPAs (Certified Public Accountant) and 1 CMAALL (CMB Level 2 License), while the Tax Audit Team includes 1 Certified Public Oversight Authority Licensed Auditor, 1 CMA (Financial Management Certificate) and 7 CPAs.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CONTENTS

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

PART II - SHAREHOLDERS

- 2.1. Investor Relations Department
- 2.2. Exercise of Shareholders' Rights to Obtain Information
- 2.3. General Assembly Meetings
- 2.4. Voting Rights and Minority Rights
- 2.5. Right to Dividends
- 2.6. Transfer of Shares

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

- 3.1. Corporate Website
- 3.2. Annual Report

PART IV - STAKEHOLDERS

- 4.1. Informing Stakeholders
- 4.2. Stakeholders' Participation in Management
- 4.3. Human Resources Policy
- 4.4. Code of Ethics and Corporate Social Responsibility

PART V - BOARD OF DIRECTORS

- 5.1. Structure and Composition of the Board of Directors
- 5.2. Operating Principles of the Board of Directors
- 5.3. Number, Structure and Independence of the Board Committees
- 5.4. Risk Management and Internal Control Mechanisms
- 5.5. Strategic Targets of the Company
- 5.6. Financial Benefits

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 the rights to minority shareholders, which are envisaged in the Corporate Governance Principles while radical changes were made to the management structure in pursuit of “better governance”. The Corporate Governance practices were continued with the establishment of 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.

Vestel Beyaz Eşya carries out its activities in compliance with the applicable regulations and the Capital Markets Board’s “Corporate Governance Principles”. The Company fully complies with all the compulsory principles in the Corporate Governance Principles appended to the CMB’s Communiqué on Corporate Governance (II-17.1), and has also adopted the majority of the non-compulsory principles. As briefly summarized below, the Company took the following actions in order to further improve its compliance with the Corporate Governance Principles in 2017.

- Vestel Beyaz Eşya voluntarily entered the BIST Sustainability Index, which comprises the shares of listed companies on Borsa İstanbul with a high corporate sustainability performance, for the first time in November 2016. The Company was deemed eligible for inclusion the index for the November 2017 - October 2018 period too thanks to its continued compliance with the index criteria.
- In line with the amendment to the Article 24 of the CMB’s Communiqué on Material Events Disclosure No. II-15.1, “Vestel Beyaz Eşya Sanayi ve Ticaret AŞ Public Disclosure Procedure”, which sets out the necessary procedures for disclosures to be made on the Public Disclosure Platform (PDP, in Turkish: KAP), was prepared and put into effect by the Board of Directors’ decision dated October 23, 2017 and numbered 2017/35.

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, there is only one 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 authority.

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

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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART II - SHAREHOLDERS

2.1. Investor Relations Department

The Investor Relations Department is responsible for managing and maintaining the relations with existing and potential shareholders, protecting and facilitating the use of 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 a member of the Executive Committee of Vestel Group of Companies.

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, following its discussion at the Corporate Governance Committee, on its 2017 activities to the Board on January 5, 2018.

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 2017:

- 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 related departments, 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 Meeting, which would be presented to the information and review of 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 22 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 quarterly reporting period, prepared an analytical study which compares the financial results and share price performance of the Company with those of its domestic peers traded on BIST and presented it to the upper management,
- Monitored the fulfilment 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 and ensured the timely delivery of public announcements to be made pursuant to the Company's Public Disclosure Policy and applicable legislation,
- Held informative meetings with domestic and international investors and analysts 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' right to access and examine information, which are recognized by the legislation.
- Shareholders are not discriminated with respect to exercise of their right to access and examine information, and all information, except for confidential information and trade secrets, are made available to shareholders.
- 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 as soon as possible and in an effective manner. These queries were responded to via phone, e-mail or postal mail, in writing or verbally, further to the demands of the shareholders.
- During 2017, 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' right to access and examine information, which lie among the most essential rights of 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. 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 Articles 438 and 439 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 2016 on May 9, 2017 at 12:30 pm at the address of Raffles Istanbul Levazım Mahallesi, Kuru Sokak No: 2, Zorlu Center, 34340 Beşiktaş, İstanbul, 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. 9306 and dated 14 April 2017, and in Dünya newspaper dated 14 April 2017, 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.
- Out of the total 190,000,000 shares corresponding to the Company's total share capital of TL 190,000,000.00, 130 shares corresponding to TL 130.00 in capital were represented in person and 181,369,300 shares corresponding to TL 181,369,300.00 in capital were represented by proxy at the General Assembly Meeting. The meeting quorum achieved in the General Assembly was 95.46%.
- 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.
- As per the Turkish Commercial Code and applicable legislation, the Chairman of the meeting has made the necessary preparations and obtained the necessary information in advance for running the General Assembly Meeting.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- 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 2016 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. Questions posed and the answers given thereto during 2016 Ordinary General Assembly Meeting are made available for the public on the Company's website.
- In accordance with the Company's Donation and Charity Policy, shareholders were informed under a separate agenda item about the total TL 3,017,167.00 of donations and charity made during the year at the General Assembly Meeting.
- The upper limit for the donations to be made in 2017 pursuant to the Article 19 of the Capital Market Law numbered 6362 was submitted to the approval of the General Assembly.
- In 2017, 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.
- Pursuant to the Article 11 of the Articles of Association, members of the Board of Directors may not carry out the transactions listed under Articles 395 and 396 of the Turkish Commercial Code without the approval of 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.
- In making its dividend distribution decisions, the Company takes into consideration the Turkish Commercial Code, Capital Market Legislation, CMB's regulations and decisions, tax laws, provisions of other applicable legislation and the Company's Articles of Association.
- 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 Company's website, annual report and 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.
- As indicated in the Company's Articles of Association, the date and the method of dividend distribution are decided by the General Assembly based on the Board of Directors' proposal, which is prepared in accordance with the provisions of the Capital Market Law and applicable legislation.
- At the Ordinary General Assembly Meeting for the year 2016, Board of Director's proposal for dividend distribution, dated April 11, 2017 and numbered 2017/10, was accepted and decision was taken to commence the dividend payments on May 15, 2017.

2.6. Transfer of Shares

- The Company's Articles of Association does not contain any provisions restricting the transfer of shares, nor does the Company have any implementations complicating free 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 1st 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.
- The information provided on the Company's website is the same and consistent with the disclosures made pursuant to the provisions of applicable legislation, and does not contain any contradicting or missing information.
- 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.
- The Annual Report is prepared in both Turkish and English and made available to the public via the website.

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 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.
- The necessary and systematic communication channels have been established in order to keep all stakeholders informed of matters that concern them.
- 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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- 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 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 are able to submit their suggestions which add value to the Company as well as their complaints, if any, directly to the Human Resources Department via the "Vestel Suggestions, Complaints, and Improvements System", or to the units and managers tasked with processing suggestions by using the "Suggestion Module" which is accessible to every employee. 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 ("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 suggestions received from the employees are evaluated by the TPM Office; suggestions deemed appropriate are turned into applicable projects in line with the Company's goals and strategies. To encourage employee participation in this system, employees whose suggestions are selected to become a project or Kaizen are rewarded, and all employees who submit a suggestion earn cash points which they can use to receive rewards from a prize catalog.
- The Company's employees have elected "employee representatives" for Occupational Health and Safety, who participate in the top management's meetings at certain intervals, where they convey the feedback collected from the employees to the upper management and ensure that decisions are taken on these suggestions.
- In making important decisions with regard to stakeholders, senior executives representing stakeholders are invited to Board meetings to express their opinions. Moreover, attention is paid to ensure that employees participate in 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 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 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-advancement, 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.
- Vestel Human Resources Department was deemed worthy of two global awards in 2017 by virtue of its successful activities. The Department claimed:
 - Bronze Stevie with its project "How a Young Team Attract, Recruit, Affiliate Young Candidates in an Excellent Way!" in the "Human Resources Team of the Year" category at the Stevie Awards, and
 - Silver Award in the "Best New Hire Onboarding Program" category at the 2017 Brandon Hall Group Excellence in Talent Acquisition Awards organized for the 23rd time.

Vestel Human Resources Directorate was also a finalist with its "TechnoTrip" project launched in 2017 in the "Most Innovative Deployment of HR Technology" category, in which numerous companies competed on a global scale, at the HR Excellence Awards.

- 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.
 - 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).

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- 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. In addition, the Code of Conduct that also includes the Code of Ethics was posted on the Purchasing Portal, which is accessible by all suppliers. 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 Group of Companies 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,
 - Reduce 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 each 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, "ISO 14064-3 Validation and Verification of Greenhouse Gases" and "ISO 14046 Water Footprint" processes were successfully completed in line with the relevant standards during 2017. In this framework, the Company had its water footprint and carbon footprint verified.

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 legal requirements,
 - To identify energy efficiency improvement areas by regularly conducting internal and external energy efficiency studies,
 - 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, c.7,000 kilograms of plastic caps were collected in 2017, and 13 wheelchairs have been delivered to the needers under the plastic cap collection campaign run internally.
 - 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 was assigned a score of B in the CDP Water and CDP Carbon Programs.
- Based on the evaluations conducted by Borsa İstanbul AŞ, Vestel Beyaz Eşya was qualified to be included in the BIST Sustainability Index on a voluntary basis for the period of November 2016 - October 2017. The Company was deemed eligible for the second time on a voluntary basis for inclusion in the Index for the November 2017-October 2018 period thanks to its continued fulfillment of the index criteria.
- 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 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 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 Total Productive Maintenance practices carried out simultaneously at its refrigerator, washing machine, dishwasher, air conditioner-water heater and cooking appliances plants. As the first company in the world to win this award with its 6 facilities at the same time in the white goods sector, Vestel Beyaz Eşya notched up a worldwide success.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- 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 13 handicapped citizens.
 - Under the blood drive campaign carried out in cooperation with the Turkish Red Crescent under the slogan "Looking for 1,000 donors with our 6,000 employees", 1,046 employees donated blood and broke the blood donation record in a single day at an industrial facility in Turkey. Each unit of blood donated gives the chance to save three lives. Hence, Vestel Beyaz Eşya has given hope for 3,138 lives in total. The Company once again lived the pride of leading our country not only in the economic sense but also in terms of social responsibility.

PART V - BOARD OF DIRECTORS

5.1. Structure and Composition of the Board of Directors

- The Company is governed, represented and bound by a Board of Directors formed of at least five and at most eleven members to be elected by the General Assembly.
- Majority of the Board is comprised of non-executive members.
- At the Company's Ordinary General Assembly Meeting held on May 9, 2017, it was resolved to set the number of the members of the Board as six and to elect Mr. Ahmet Nazif Zorlu, Mr. Olgun Zorlu, Mr. İzzet Güvenir and Mrs. Şule Cümbüş as Board Members and Mr. Ali Akın Tarı and Mr. Hacı Ahmet Kılıçoğlu as Independent Board Members to serve until the 2017 Ordinary General Assembly Meeting.

The members of the Board of Directors designated in accordance with the Company's Articles of Association and their duties are presented in the table below:

Board of Directors

Member	Duty	Term of Office	Other Positions Held Within the Group	Positions Held Outside the Group	Status
Ahmet Nazif Zorlu	Chairman	Until 2017 Ordinary General Assembly Meeting	Chairman and Vice Chairman - Zorlu Group Companies	-	Non-executive
Hacı Ahmet Kılıçoğlu	Vice Chairman	Until 2017 Ordinary General Assembly Meeting	Board Member - Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ	Board Member - Şeker Mortgage Finansman AŞ, Şekerbank Kıbrıs Ltd., Doğan Gazetecilik AŞ and Doğan Holding	Independent
Olgun Zorlu	Board Member	Until 2017 Ordinary General Assembly Meeting	Board Member - Zorlu Group Companies	-	Non-executive
Şule Cümbüş	Board Member	Until 2017 Ordinary General Assembly Meeting	-	Chairman of the Board - Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ	Non-executive
İzzet Güvenir	Board Member	Until 2017 Ordinary General Assembly Meeting	-	-	Non-executive
Ali Akın Tarı	Board Member	Until 2017 Ordinary General Assembly Meeting	Vice Chairman - Vestel Elektronik Sanayi ve Ticaret AŞ, Vice Chairman - Zorlu Enerji Elektrik Üretim AŞ	Board Member and Audit Committee Member - Dilerbank AŞ, Board Member - Diler Holding AŞ	Independent

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. 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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 - İstanbul) 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 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 - İzmir) 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 Board members 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.
- Although there is no provision in the Articles of Association in this respect, 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. No one in the Company has unrestricted decision-making authority.
- Prior to the General Assembly Meeting for the year 2016, 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 April 11, 2017. Upon a resolution by the Board of Directors dated April 11, 2017 and numbered 2017/7, 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 2016 General Assembly Meeting held on May 9, 2017. 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.

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,

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 Tarı 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 Board of Directors carries out its activities in a transparent, accountable, fair and responsible manner.
- 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 addition, shareholders holding at least 20% of the Company's share capital and stakeholders can convoke a Board 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 2017, the Board of Directors passed 41 decisions in 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 chairs of the other committees are elected from among the independent members of the Board.
- 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.

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 Akin Tari, 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 9 May 2017:

Committee Members	Duty	Status
Ali Akin Tari	Chairman of the Committee	Independent Board Member
Hacı Ahmet Kılıçoğlu	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 2017.
- 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 Committee carries out its activities in line with the working principles put into writing in detail.

In 2017, the Audit Committee performed the following functions:

- Oversight of the Company's financial and operational activities,
- Supervision and approval of the accuracy and conformity of the annual and interim financial statements, which will be disclosed to the public, with the accounting principles employed by the Company,
- Election of the independent audit firm, preparation of the independent audit contract and initiation of the independent audit process,
- Monitoring of the effectiveness and performance of the independent audit activity,
- Supervision of the operation and efficiency of the internal control and internal audit system,
- Review and approval of the internal control and internal audit reports.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 9 May 2017:

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

- In principle, the Committee convenes at least twice a year in order to ensure the effective performance of its duties. Corporate Governance Committee convened 4 times in 2017.
- The activities carried out by the Corporate Governance Committee in 2017, 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,
 - In order to achieve compliance with the amended Article 24 of the CMB's Material Events Disclosure Communiqué No. II-15.1, prepared the "Vestel Beyaz Eşya Sanayi ve Ticaret AŞ Public Disclosure Procedure" that sets out the procedures for disclosures to be made on PDP, and submitted the same for the approval of the Board of Directors,
 - Within the scope of the Remuneration Committee duties, submission of its recommendation for the remuneration of the Board of Directors and executive managers for the year 2017, which takes into account their progress in meeting the remuneration criteria, to the Board.

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.

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 9 May 2017:

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 2017 and presented 6 risk reports to the Board of Directors.
- The activities carried out by the Committee in 2017, 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:

- Global Risks 2017,
- Vestel's Financial Risks,
- White Goods Industry PESTLE Analysis and Consumer Electronics Industry PESTLE Analysis,
- Adverse Financial and Economic Indicators,
- Turkey-Germany Relations - The Development of the Crisis and its Potential Implications,
- White Goods and Electronics Industry Risks 2017 Report.
- In order to ensure adequate supervision of Enterprise Risk Management processes, an internal questionnaire covering 20 risks was administered in 2017 within the scope of White Goods and Electronics Industry Risks. Assessing the implications and probabilities of the risks pertaining to the white goods and electronics industry, the online questionnaire will be shared with the upper management after sufficient participation is achieved for the results. The outcomes from the questionnaire that will list the risks in order of significance will serve to manage risks based on a common perception.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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.
- 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.
- 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 sets the Company's strategic goals, identifies the human and financial resources necessary for the achievement of the Company's goals, and supervises the performance of the management.
- 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 121,100.00 as an attendance fee in 2017, commensurate with the practices of the peer companies in the sector. The amounts for 2018 will be decided at the 2017 Ordinary General Assembly Meeting. No other benefits are provided to Board members.
- 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 2017 was TL 7,524 thousand (01.01-31.12.2016: TL 6,023 thousand).
- During 2017, 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.

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

The Board Committees were established to support the Board of Directors in fulfilling its duties and responsibilities more effectively. In line with the Corporate Governance Principles of the Capital Markets Board, at its meeting on 10 May 2017, 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 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 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 Committee Member.

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

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

In 2017, the Board Committees performed their duties and responsibilities effectively as required in the Corporate Governance Principles and their own Working Principles.

In compliance with the way required for the effectiveness of their functions, their Working Principles and annual meeting schedules, in 2017:

- The Corporate Governance Committee met twice on 26 June 2017 and 4 October 2017,
- The Corporate Governance Committee convened on 11 April 2017 to fulfill the duties of the Nomination Committee,
- The Corporate Governance Committee convened on 15 February 2017 to fulfill the duties of the Remuneration Committee,
- The Audit Committee met 6 times on 19 February 2017, 11 April 2017, 25 April 2017, 9 May 2017, 31 July 2017 and 25 October 2017,
- The Early Detection of Risk Committee met 6 times on 19 January 2017, 20 April 2017, 22 June 2017, 20 July 2017, 21 September 2017 and 19 October 2017.

The Committees submitted reports on the results of their meetings to the Board. 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 to improve corporate governance practices, oversaw the activities of the Investor Relations Department, carried out studies to fulfill the criteria for the Company’s inclusion in the BIST Sustainability Index on a voluntary basis for the November 2017 - October 2018 period and in line with the amendment to the Article 24 of the CMB’s Communiqué on Material Events Disclosure No. II-15.1, prepared “Vestel Beyaz Eşya Sanayi ve Ticaret AŞ Public Disclosure Procedure”, which sets out the necessary procedures for disclosures to be made on the Public Disclosure Platform to ensure effective implementation of public disclosure procedures.
- The Corporate Governance Committee also fulfills the duties of the Nomination Committee. Within the scope of its duties as the Nomination Committee, the Corporate Governance Committee evaluated the applications for independent board membership by assessing the independence status of the board member candidates according to the independence criteria. The Committee prepared a report on its evaluations and submitted it to the Board of Directors for approval.
- The Corporate Governance Committee also fulfills the duties of the Remuneration Committee. Within the scope of its duties as the Remuneration Committee, the Corporate Governance Committee submitted to the Board of Directors its proposal for the remuneration of Board members and executives with administrative responsibility for 2017, by taking into account the extent of the fulfilment of the remuneration criteria.
- The Audit Committee, which was established for the supervision of the Company’s accounting system, the independent audit, public disclosure of financial information, and functioning and efficiency of the Company’s internal control and internal audit system, presented its views and recommendations in the areas of its responsibility to the Board of Directors.
- The Early Detection of Risk Committee, which was established for the early detection of risks which could threaten the Company’s existence, development and continuity, implementation of necessary measures against these risks and management of risks, made a high-level risk assessment during the year, prepared a risk inventory pertaining to the critical risks in strategic, financial and operational areas and prepared and submitted six Risk Reports to the Board within the scope of its duties set f

AGENDA OF THE 2017 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 2017 Annual Report of the Board of Directors,
4. Review of the Summary Statement of the Independent Audit Report for the fiscal year 2017,
5. Review, discussion and approval of the Financial Statements for the fiscal year 2017,
6. Acquittal of the members of the Board of Directors severally for their activities and transactions in relation to the Company for the year 2017,
7. Determination of the number and 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 2018,
9. Discussion and approval of the Board of Directors' proposal for the distribution of 2017 profit and the date of dividend 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 2018 in accordance with the Capital Market Law and the Turkish Commercial Code,
12. Informing the General Assembly about the donations and aids made in 2017; discussion and approval of the upper limit for the donations to be made during the period of 1 January-31 December 2018,
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 2017 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 RESOLUTION FOR THE DISTRIBUTION OF 2017 PROFIT

The Company's Board of Directors took the following decisions at its meeting on 11 April 2018.

Vestel Beyaz Eşya Sanayi ve Ticaret AŞ recorded TL 295,234,000 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 269,959,286 of net profit in its statutory financial statements.

As per the Article 519 of the Turkish Commercial Code, no first legal reserve has been set aside from the net distributable profit recorded in CMB financials as the amount of legal reserves has already reached 20% of the Company's paid-in capital. Accordingly, net distributable profit is calculated as TL 295,234,000. After adding to this amount the TL 3,179,392 of donations made during the year 2017, the base for the first dividend is calculated as TL 298,413,392.

In accordance with the Company's Articles of Association and Dividend Distribution Policy, the first dividend is determined as TL 74,603,348 which is calculated as 25% of the distributable profit based on CMB financials. After deducting the first dividend of TL 74,603,348 from the distributable profit of TL 295,234,000 and setting aside a second legal reserve of TL 23,050,000, of the remaining amount, TL 165,396,652 is decided to be distributed as a second dividend to shareholders. Accordingly, the Company's Board of Directors resolved to propose the distribution of TL 240,000,000 of gross cash dividends (as first and second dividends), corresponding to a gross cash dividend of TL 1.26316 and net cash dividend of TL 1.07368 per share from May 15, 2018 and to submit this proposal to the approval of shareholders at the 2017 General Assembly Meeting.

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 2017. 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 2017, 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

11.04.2018

Statement of Independence

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

- a) Within the last five years, no employment relationship has been established between me, my spouse and my relatives by blood or marriage up to second degree and the Company, the affiliated companies which the Company controls the management of or has material influence over, shareholders who control the management of or have material influence over the Company and legal entities which these shareholders control the management of, in an executive position with important duties and responsibilities, nor have I/we individually or jointly held more than 5% of the capital or voting rights or privileged shares in or established a material business relationship with the same,
- b) Within the last five years, I have not been a shareholder (5% and more), or held an executive position with significant duties and responsibilities, or served as a Board member in any company from or to which the Company purchases or sells a significant quantity of products or services based on the agreements made during the periods these products or services were sold or purchased including particularly those companies which provide auditing (including tax audit, legal audit and internal audit), rating and consultancy services to the Company,
- c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent Board member,
- d) I will not be working as a full time employee at any public institution or organization after being elected as a Board member with the exception of working as a faculty member at a university provided that this is in compliance with the relevant legislation,
- e) I am deemed to be a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193,
- f) I have strong ethical standards, professional reputation and experience which will allow me to make positive contributions to the operations of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,
- g) I will be able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the Company activities and to duly perform the duties I shall assume,
- h) I have not served as a Board member at the Company’s Board of Directors for more than 6 years within the last ten years,
- i) I am not serving as an independent board member at more than three companies whose management is controlled by the shareholders controlling the Company and Company management and at more than five companies which are traded on the stock exchange,
- j) I am not registered and declared on behalf of the legal entity which is elected as a board member.

Ayşegül İldeniz



Statement of Independence

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

- a) Within the last five years, no employment relationship has been established between me, my spouse and my relatives by blood or marriage up to second degree and the Company, the affiliated companies which the Company controls the management of or has material influence over, shareholders who control the management of or have material influence over the Company and legal entities which these shareholders control the management of, in an executive position with important duties and responsibilities, nor have I/we individually or jointly held more than 5% of the capital or voting rights or privileged shares in or established a material business relationship with the same,
- b) Within the last five years, I have not been a shareholder (5% and more), or held an executive position with significant duties and responsibilities, or served as a Board member in any company from or to which the Company purchases or sells a significant quantity of products or services based on the agreements made during the periods these products or services were sold or purchased including particularly those companies which provide auditing (including tax audit, legal audit and internal audit), rating and consultancy services to the Company,
- c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent Board member,
- d) I will not be working as a full time employee at any public institution or organization after being elected as a Board member with the exception of working as a faculty member at a university provided that this is in compliance with the relevant legislation,
- e) I am deemed to be a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193,
- f) I have strong ethical standards, professional reputation and experience which will allow me to make positive contributions to the operations of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,
- g) I will be able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the Company activities and to duly perform the duties I shall assume,
- h) I have not served as a Board member at the Company’s Board of Directors for more than 6 years within the last ten years,
- i) I am not serving as an independent board member at more than three companies whose management is controlled by the shareholders controlling the Company and Company management and at more than five companies which are traded on the stock exchange,
- j) I am not registered and declared on behalf of the legal entity which is elected as a board member.

Bekir Ağırdir



STATEMENT OF INDEPENDENCE BY THE INDEPENDENT BOARD MEMBER CANDIDATES

11.04.2018

Statement of Independence

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

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

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

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

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

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

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

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

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

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

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

Elmas Melih Araz



STATEMENT OF RESPONSIBILITY

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

RESOLUTION DATE: 08.02.2018

RESOLUTION NUMBER: 2018/5

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:

a) We have reviewed our Company's financial statements and annual report for the fiscal year ended 31 December 2017, 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 2018 and numbered 2018/5,

b) 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,

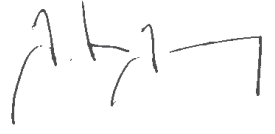
c) Based on the information we possess within the scope of our duties and responsibilities in the Company, the financial statements prepared in accordance with the financial reporting standards in effect provide an accurate view of the assets, liabilities, financial position and profit (loss) of the 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 Kılıçoğlu
Vice Chairman



Ali Akın Tarı
Board Member



Alp Dayı
Financial Affairs Coordinator



Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS AT
1 JANUARY - 31 DECEMBER 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

(Originally Issued In Turkish)

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



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

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the “Company”), which comprise the statement of financial position (balance sheet) as at 31 December 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards (“TAS”).

2. Basis for Opinion

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

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT



Key Audit Matter	How our audit addressed the key audit matter
<p>Measurement and accounting of derivative financial instruments designated as cash flow hedges (Refer to Note 2.4 and Note 27)</p> <p>The Company uses significant amount of derivative financial instruments to manage foreign currency risk due to its operations. Some of these financial instruments consist of derivative instruments classified as cash flow hedges. As of 31 December 2017, the total amount of cash flow hedged foreign exchange contracts amounting to TL 769.468 thousands and the fair value of these contracts recognized in shareholders' equity is TL 1.734 thousands.</p> <p>We focused on and consider this area as a key audit matter since the models for the effectiveness of derivative financial instruments designated as cash flow hedges by the Company includes complex calculations.</p>	<p>We performed the following audit procedures in relation to the measurement and accounting of derivative financial instruments designated as cash flow hedges:</p> <ul style="list-style-type: none">• We examined the models of the Company management related with the foreign currency cash flows originated from the operations of the Company with the help of our experts and we tested some transactions on which the cash flows are based in the related models on a sample basis.• We evaluated the accounting practices of such transactions, including the effects on equity and profit or loss.• We tested the existence and fair value of derivative instruments which are not due as of 31 December 2017 through the confirmation letters obtained from financial institutions on a sample basis.• We assessed the appropriateness and adequacy of disclosures in the notes to the financial statements related to the derivative financial instruments designated as cash flow hedges in accordance with the related accounting standards.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT



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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 8 February 2018.

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

Mehmet Karakurt, SMMM
Partner

İstanbul, 8 February 2018

CONTENTS

	PAGE
BALANCE SHEETS	106
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	109
STATEMENTS OF CHANGES IN EQUITY	110
STATEMENTS OF CASH FLOWS	112
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017	
NOTE 1 COMPANY'S ORGANISATION AND NATURE OF OPERATIONS	114
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	114
NOTE 3 SEGMENT REPORTING	121
NOTE 4 CASH AND CASH EQUIVALENTS	122
NOTE 5 FINANCIAL LIABILITIES	122
NOTE 6 RELATED PARTY DISCLOSURES	124
NOTE 7 TRADE RECEIVABLES AND PAYABLES	126
NOTE 8 OTHER RECEIVABLES	127
NOTE 9 INVENTORIES	127
NOTE 10 PREPAID EXPENSES	128
NOTE 11 PROPERTY, PLANT AND EQUIPMENT	129
NOTE 12 INTANGIBLE ASSETS	131
NOTE 13 GOVERNMENT GRANTS	132
NOTE 14 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	132
NOTE 15 COMMITMENTS	134
NOTE 16 EMPLOYEE BENEFITS	134
NOTE 17 OTHER ASSETS AND LIABILITIES	135
NOTE 18 CAPITAL, RESERVES AND OTHER EQUITY ITEMS	135
NOTE 19 SALES	137
NOTE 20 EXPENSES BY NATURE	138
NOTE 21 GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES	138
NOTE 22 OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES	139
NOTE 23 FINANCIAL INCOME AND FINANCIAL EXPENSE	139
NOTE 24 ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS	140
NOTE 25 TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)	140
NOTE 26 EARNINGS PER SHARE	142
NOTE 27 DERIVATIVE INSTRUMENTS	143
NOTE 28 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	143
NOTE 29 FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)	150

BALANCE SHEETS

AS OF 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

	Footnotes	Audited 31 December 2017	Audited 31 December 2016
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	73.679	12.829
Trade Receivables		1.045.883	1.186.044
Trade Receivables Due From Related Parties	6	1.038.802	1.182.807
Trade Receivables Due From Unrelated Parties	7	7.081	3.237
Other Receivables		645.195	336.710
Other Receivables Due From Related Parties	6	511.898	258.612
Other Receivables Due From Unrelated Parties	8	133.297	78.098
Derivative Financial Assets		4.009	26.404
Derivative Financial Assets Held for Trading	27	1.759	2.922
Derivative Financial Assets Held for Hedging	27	2.250	23.482
Inventories	9	500.180	244.446
Prepayments		13.803	11.066
Prepayments to Unrelated Parties	10	13.803	11.066
Current Tax Assets	25	1.250	-
Other Current Assets		5.941	1.212
Other Current Assets Due From Unrelated Parties	17	5.941	1.212
TOTAL CURRENT ASSETS		2.289.940	1.818.711
NON-CURRENT ASSETS			
Property, Plant and Equipments		553.202	327.965
Land and Premises	11	39.063	6.547
Land Improvements	11	844	875
Buildings	11	40.838	40.247
Machinery and Equipments	11	367.398	254.966
Vehicles	11	249	215
Fixtures and Fittings	11	17.689	15.028
Leasehold Improvements	11	4.070	3.144
Construction in Progress	11	83.051	6.943
Intangible Assets and Goodwill		118.214	97.030
Other Rights	12	19	22
Capitalized Development Costs	12	109.806	89.931
Other Intangible Assets	12	8.389	7.077
Prepayments		62.952	41.741
Prepayments to Unrelated Parties	10	62.952	41.741
Deferred Tax Asset	25	5.681	2.056
TOTAL NON-CURRENT ASSETS		740.049	468.792
TOTAL ASSETS		3.029.989	2.287.503

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

BALANCE SHEETS**AS OF 31 DECEMBER 2017 AND 31 DECEMBER 2016**

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

	Footnotes	Audited 31 December 2017	Audited 31 December 2016
LIABILITIES			
CURRENT LIABILITIES			
Current Borrowings		281.926	26.407
Current Borrowings From Unrelated Parties		281.926	26.407
Bank Loans	5	281.476	26.407
Leasing Debts	5	450	-
Current Portion of Non-current Borrowings		70.051	15.691
Current Portion of Non-current Borrowings from Unrelated Parties		70.051	15.691
Bank Loans	5	70.051	15.691
Trade Payables		1.242.281	840.474
Trade Payables to Related Parties	6	40.744	23.448
Trade Payables to Unrelated Parties	7	1.201.537	817.026
Employee Benefit Obligations	16	26.671	23.763
Other Payables		64.507	52.999
Other Payables to Related Parties	6	64.507	52.999
Derivative Financial Liabilities		9.977	27.853
Derivative Financial Liabilities Held for Trading	27	5.993	27.853
Derivative Financial Liabilities Held for Hedging	27	3.984	-
Current Tax Liabilities, Current	25	-	3.185
Current Provisions		2.197	1.620
Other Current Provisions	14	2.197	1.620
Other Current Liabilities		8.697	10.249
Other Current Liabilities to Unrelated Parties	17	8.697	10.249
TOTAL CURRENT LIABILITIES		1.706.307	1.002.241
NON-CURRENT LIABILITIES			
Long Term Borrowings		179.514	206.611
Long Term Borrowings From Unrelated Parties		179.514	206.611
Bank Loans	5	178.968	206.611
Leasing Debts	5	546	-
Trade Payables		1.959	-
Trade Payables to Unrelated Parties	7	1.959	-
Other Payables		98.323	134.261
Other Payables to Related Parties	6	98.323	134.261
Non-current Provisions		31.749	24.459
Non-current Provisions for Employee Benefits	16	31.749	24.459
TOTAL NON-CURRENT LIABILITIES		311.545	365.331
TOTAL LIABILITIES		2.017.852	1.367.572

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

BALANCE SHEETS

AS OF 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

	Footnotes	Audited 31 December 2017	Audited 31 December 2016
EQUITY			
Equity Attributable to Owners of Parent		1.012.137	919.931
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		(6.203)	(3.313)
Gains (Losses) on Revaluation and Remeasurement		(6.203)	(3.313)
Gains (Losses) on Remeasurements of Defined Benefit Plans	24	(6.203)	(3.313)
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		(1.352)	18.786
Gains (Losses) on Hedge		(1.352)	18.786
Gains (Losses) on Cash Flow Hedges	24	(1.352)	18.786
Restricted Reserves Appropriated From Profits		111.627	77.019
Legal Reserves	18	111.627	77.019
Prior Years' Profits or Losses	18	304.066	193.669
Current Period Net Profit Or Loss		295.234	325.005
TOTAL EQUITY		1.012.137	919.931
TOTAL LIABILITIES AND EQUITY		3.029.989	2.287.503

Financial statements for the period 1 January - 31 December 2017 were approved by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. on 8 February 2018. 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.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Footnotes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
PROFIT OR LOSS			
Revenue	19	3.857.756	3.037.017
Cost of Sales	19	(3.363.747)	(2.546.704)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		494.009	490.313
GROSS PROFIT (LOSS)		494.009	490.313
General Administrative Expenses	21	(48.918)	(47.395)
Marketing Expenses	21	(53.931)	(46.926)
Research and Development Expense	21	(36.959)	(31.351)
Other Income from Operating Activities	22	325.713	164.643
Other Expenses from Operating Activities	22	(195.302)	(142.519)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		484.612	386.765
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		484.612	386.765
Finance Income	23	128.567	109.985
Finance Costs	23	(312.605)	(162.977)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		300.574	333.773
Tax (Expense) Income, Continuing Operations		(5.340)	(8.768)
Current Period Tax (Expense) Income	25	(3.164)	(18.751)
Deferred Tax (Expense) Income	25	(2.176)	9.983
PROFIT (LOSS) FROM CONTINUING OPERATIONS		295.234	325.005
PROFIT (LOSS)		295.234	325.005
Earnings Per Share with a TL 1 of Par Value	26	1,55	1,71
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss	24	(2.890)	373
Gains (Losses) on Remeasurements of Defined Benefit Plans		(3.613)	466
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss		723	(93)
Taxes Relating to Remeasurements of Defined Benefit Plans		723	(93)
Other Comprehensive Income that will be Reclassified to Profit or Loss	24	(20.138)	11.157
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		(25.216)	13.946
Gains (Losses) on Cash Flow Hedges		(25.216)	13.946
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		5.078	(2.789)
Taxes Relating to Cash Flow Hedges		5.078	(2.789)
OTHER COMPREHENSIVE INCOME (LOSS)		(23.028)	11.530
TOTAL COMPREHENSIVE INCOME (LOSS)		272.206	336.535

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Issued Capital	Inflation Adjustments on Capital	Share Premiums or Discounts			Other Accumulated Comprehensive Income that will not be Reclassified in Profit or Loss		
				Gains (Losses) on Remeas-urements of Defined Benefit Plans	Gains (Losses) Revaluations and Remeas-urements		Cash Flow Hedges	
Previous Period								
1 January -31 December 2016								
Equity at Beginning of Period	190.000	9.734	109.031	(3.686)	(3.686)	(3.686)	7.629	
Transfers	-	-	-	-	-	-	-	
Total Comprehensive Income (Loss)	-	-	-	373	373	373	11.157	
Profit (Loss)	-	-	-	-	-	-	-	
Other Comprehensive Income (Loss)	-	-	-	373	373	373	11.157	
Dividends Paid	-	-	-	-	-	-	-	
Equity at End of Period	190.000	9.734	109.031	(3.313)	(3.313)	(3.313)	18.786	
Current Period								
1 January -31 December 2017								
Equity at Beginning of Period	190.000	9.734	109.031	(3.313)	(3.313)	(3.313)	18.786	
Transfers	-	-	-	-	-	-	-	
Total Comprehensive Income (Loss)	-	-	-	(2.890)	(2.890)	(2.890)	(20.138)	
Profit (Loss)	-	-	-	-	-	-	-	
Other Comprehensive Income (Loss)	-	-	-	(2.890)	(2.890)	(2.890)	(20.138)	
Dividends Paid	-	-	-	-	-	-	-	
Equity at End of Period	190.000	9.734	109.031	(6.203)	(6.203)	(6.203)	(1.352)	

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
	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
	18.786	18.786	77.019	193.669	325.005	518.674	919.931	919.931
	-	-	34.608	290.397	(325.005)	(34.608)	-	-
	(20.138)	(20.138)	-	-	295.234	295.234	272.206	272.206
	-	-	-	-	295.234	295.234	295.234	295.234
	(20.138)	(20.138)	-	-	-	-	(23.028)	(23.028)
	-	-	-	(180.000)	-	(180.000)	(180.000)	(180.000)
	(1.352)	(1.352)	111.627	304.066	295.234	599.300	1.012.137	1.012.137

STATEMENTS OF CASH FLOWS

FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Footnotes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		655.672	245.564
Profit (Loss)		295.234	325.005
Profit (Loss) from Continuing Operations		295.234	325.005
Adjustments to Reconcile Profit (Loss)		170.287	176.770
Adjustments for Depreciation and Amortisation Expense	11	111.746	91.066
Adjustments for Impairment Loss (Reversal of Impairment Loss)		907	(354)
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	907	(354)
Adjustments for Provisions		11.270	10.992
Adjustments for (Reversal of) Provisions Related with Employee Benefits	16	10.693	10.730
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	14	577	262
Adjustments for Interest (Income) Expenses		26.259	815
Adjustments for Interest Income	23	(21.605)	(22.028)
Adjustments for Interest Expense	23	47.864	22.843
Adjustments for Unrealised Foreign Exchange Losses (Gains)		43.440	30.838
Adjustments for Fair Value Losses (Gains)		(20.697)	35.851
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(20.697)	35.851
Adjustments for Tax (Income) Expenses		5.340	8.768
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(478)	(239)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		(478)	(239)
Other Adjustments to Reconcile Profit (Loss)	4	(7.500)	(967)
Changes in Working Capital		204.766	(246.393)
Adjustments for Decrease (Increase) in Trade Accounts Receivable		140.161	(361.459)
Decrease (Increase) in Trade Accounts Receivables from Related Parties	6	144.005	(364.101)
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties	7	(3.844)	2.642
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(55.199)	20.139
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations	8	(55.199)	20.139
Adjustments for Decrease (Increase) in Inventories	9	(256.641)	17.284
Decrease (Increase) in Prepaid Expenses	10	(23.948)	(38.749)
Adjustments for Increase (Decrease) in Trade Accounts Payable		403.766	109.824
Increase (Decrease) in Trade Accounts Payables to Related Parties	6	17.296	(1.750)
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties	7	386.470	111.574
Increase (Decrease) in Employee Benefit Liabilities	16	2.908	3.709
Other Adjustments for Other Increase (Decrease) in Working Capital		(6.281)	2.859
Decrease (Increase) in Other Assets Related with Operations	17	(4.729)	(920)
Increase (Decrease) in Other Payables Related with Operations	17	(1.552)	3.779
Cash Flows from (used in) Operations		670.287	255.382
Payments Related with Provisions for Employee Benefits	16	(7.016)	(7.712)
Income Taxes refund (Paid)	25	(7.599)	(2.106)

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

STATEMENTS OF CASH FLOWS

FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Footnotes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(610.975)	(374.901)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		3.280	2.870
Proceeds from Sales of Property, Plant and Equipment		3.280	2.870
Purchase of Property, Plant, Equipment and Intangible Assets		(360.969)	(119.159)
Purchase of Property, Plant and Equipment	11	(318.614)	(89.436)
Purchase of Intangible Assets	12	(42.355)	(29.723)
Cash Advances and Loans Made to Other Parties		(253.286)	(258.612)
Cash Advances and Loans Made to Related Parties	6	(253.286)	(258.612)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		8.653	52.512
Proceeds from Borrowings		653.271	442.600
Proceeds from Loans		652.275	442.600
Proceeds from Other Financial Borrowings		996	-
Repayments of Borrowings		(392.977)	(259.591)
Loan Repayments		(392.977)	(259.591)
Decrease in Other Payables to Related Parties	6	(50.987)	207
Dividends Paid	6	(180.000)	(130.877)
Interest Paid		(42.259)	(21.855)
Interest Received		21.605	22.028
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		53.350	(76.825)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		53.350	(76.825)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	11.840	88.665
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		65.190	11.840

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

(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/Istanbul.

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 346.000 square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 395.000 square meters.

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

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

As of 31 December 2017, the number of personnel employed was 6.406 (31 December 2016: 6.008).

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

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

As of 31 December 2017, 59.800.000 shares of the Company have been quoted at the Borsa Istanbul ("BİST") (31,5% of its share capital; 31 December 2016: 31,5%).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance

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

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

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

2.2 Comparative information and restatement of prior period financial statements

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED 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 2017 and are adopted by the Company:**
- **Amendments to IAS 7 'Statement of cash flows'** on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
 - **Amendments IAS 12 'Income Taxes'**, effective from annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
 - **Annual improvements 2014-2016**, effective from annual periods beginning on or after 1 January 2017.
 - IFRS 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. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.
- b) **Standards, amendments and interpretations effective after 1 January 2018**
- **IFRS 9 'Financial instruments'**, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
 - **Amendment to IFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
 - **IFRS 15 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
 - **Amendment to IFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
 - **IFRS 16 'Leases'**, effective from annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 15, 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.
 - **Amendments to IFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
 - **Annual improvements 2014-2016**; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
 - IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,
 - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

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

- **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.
- **IFRIC 23, 'Uncertainty over income tax treatments'**, effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The Company will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date.

- c) **Other new standards, amendments and interpretations issued and effective as of 1 January 2017 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

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

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 recognized 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

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

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.

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 Group will benefit from the related incentive.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

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

2.4.10 Employee benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision for employment termination benefits as of 31 December 2017 is calculated in accordance with the assumptions used by the independent actuarial firm and is recorded in the financial statements at its net present value. Employment termination benefits are considered as being part of defined retirement benefit plan as per TAS 19. All actuarial gains and losses are recognized in statements of income.

2.4.11 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

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

2.4.16 Going concern

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

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.

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 2017	1 January - 31 December 2016
Turkey	1.029.225	751.305
Europe	1.974.695	1.659.173
Other	866.821	638.356
Gross sales	3.870.741	3.048.834
Discounts (-)	(12.985)	(11.817)
Net sales	3.857.756	3.037.017

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

The amount of export is 2.841.516 thousand TL for the period ended 31 December 2017. (1 January-31 December 2016: 2.297.529 thousand TL). Export sales are denominated in EURO, and USD as 96,3%, and 3,7% of total export respectively (1 January-31 December 2016: 98,2% EUR, 1,8% USD).

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash	178	182
Bank deposits		
- Demand deposits	65.012	1.242
- Time deposits	-	3.951
Cheques and notes	-	6.465
Blocked deposits	8.489	989
Cash and cash equivalents	73.679	12.829

Effective interest rates

	31 December 2017	31 December 2016
TL	-	9,50%
EUR	-	0,60%

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

NOTE 5 - FINANCIAL LIABILITIES

	31 December 2017	31 December 2016
Short - term financial liabilities		
Short term bank loans	281.476	26.407
Short term portion of long term bank loans	70.051	15.691
Leasing debts	450	-
	351.977	42.098

Long - term financial liabilities

Long term bank loans	178.968	206.611
Leasing debts	546	-
	179.514	206.611

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

Currency	31 December 2017			31 December 2016		
	Weighted average of effective interest rates per annum	Original currency	TL Equivalent	Weighted average of effective interest rates per annum	Original currency	TL Equivalent
- EUR	1,59%	49.693	224.389	-	-	-
- TL	16,69%	57.087	57.087	10,52%	26.407	26.407
			281.476			26.407

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 5 - FINANCIAL LIABILITIES (Cont'd)

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

Currency	31 December 2017			31 December 2016		
	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	4,21%	5.262	23.759	4,43%	1.697	6.295
- TL	14,18%	46.292	46.292	16,06%	9.396	9.396
Short term portion			70.051			15.691
- EUR	3,80%	37.319	168.514	3,67%	42.370	157.189
- TL	16,06%	10.454	10.454	14,51%	49.422	49.422
Long term portion			178.968			206.611
			249.019			222.302

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

	31 December 2017	31 December 2016
One to two years	178.968	197.654
Two to three years	-	8.957
	178.968	206.611

As of 31 December 2017 the Company does not have floating rate loans. (31 December 2016: 6.295 thousand TL).

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

Guarantees given for the bank loans obtained are disclosed in note 14.

As of 31 December 2017 and 2016, reconciliation of net financial debt is as below:

	31 December 2017	31 December 2016
Net financial debt as of 1 January	235.880	(28.198)
Cash inflows from loans	652.275	442.600
Cash outflows from loan payments	(392.977)	(259.591)
Cash inflow/outflow from other financial debts	996	-
Unrealized FX gain/loss	16.883	4.223
Accrued interest	5.605	988
Change in cash and cash equivalents	(60.850)	75.858
Net financial debt as of 31 December	457.812	235.880

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 6 - RELATED PARTY DISCLOSURES

a) Short term trade receivables from related parties

	31 December 2017	31 December 2016
Vestel Ticaret A.Ş.	1.046.054	1.188.788
	1.046.054	1.188.788
Unearned interest on receivables (-)	(7.252)	(5.981)
	1.038.802	1.182.807

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 2017	31 December 2016
Vestel Elektronik Sanayi ve Ticaret A.Ş.	32.239	21.839
Vestel Ticaret A.Ş.	6.355	-
Vestel Holland B.V.	1.534	120
Other related parties	1.044	1.690
	41.172	23.649
Unearned interest on payables (-)	(428)	(201)
	40.744	23.448

c) Other short term receivables from related parties

	31 December 2017	31 December 2016
Vestel Elektronik Sanayi ve Ticaret A.Ş.	511.898	258.612

The Company's interest rate of other receivables in TL is 18% (31 December 2016: 15%)

d) Other short term liabilities to related parties

	31 December 2017	31 December 2016
Vestel Elektronik Sanayi ve Ticaret A.Ş.	64.507	52.999

The Company's interest rate of other payables in EUR is Euribor +3,20 (31 December 2016: Euribor +3,20).

e) Other long term liabilities to related parties

	31 December 2017	31 December 2016
Vestel Elektronik Sanayi ve Ticaret A.Ş.	98.323	134.261

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

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

	1 January - 31 December 2017	1 January - 31 December 2016
Sales		
Vestel Ticaret A.Ş.	3.854.559	2.974.726
Vestel Elektronik Sanayi ve Ticaret A.Ş.	14.859	12.694
Other related parties	11	22
	3.869.429	2.987.442
Purchases and operating expenses		
Vestel Holland B.V.	29.099	8.964
Vestel Elektronik Sanayi ve Ticaret A.Ş.	168.059	107.896
Other related parties	17.119	12.016
	214.277	128.876
Other operating income		
Vestel Ticaret A.Ş.	295.932	146.312
Other related parties	1.217	514
	297.149	146.826
Other operating expense		
Vestel Ticaret A.Ş.	55.575	17.293
Other related parties	2.174	1.255
	57.749	18.548
Dividend paid		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	170.539	123.837
Public shares	9.461	7.040
	180.000	130.877

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 6 - RELATED PARTY DISCLOSURES (Cont'd)

f) Transactions with related parties

	1 January - 31 December 2017	1 January - 31 December 2016
Financial income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	21.542	21.153
	21.542	21.153
Financial expense		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	53.333	33.446
	53.333	33.446

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 three months period ended 31 December 2017 is 7.524 thousand TL (1 January -31 December 2016: 6.023 thousand TL).

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2017	31 December 2016
Short - term trade receivables		
Trade receivables		
- Related parties (note 6)	1.046.054	1.188.788
- Other parties	5.349	3.759
Cheques and notes receivables	2.131	-
	1.053.534	1.192.547
Unearned interest expense (-)		
- Related parties (note 6)	(7.252)	(5.981)
- Other parties	(161)	(291)
Allowance for doubtful receivables (-)	(238)	(231)
Total short - term trade receivables	1.045.883	1.186.044

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

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

	31 December 2017	31 December 2016
Short term trade payables		
Trade payables		
- Related parties (note 6)	41.172	23.649
- Other parties	1.205.514	819.114
	1.246.686	842.763
Unearned interest income (-)		
- Related parties (note 6)	(428)	(201)
- Other parties	(3.977)	(2.088)
Total short term trade payables	1.242.281	840.474
Long term trade payables		
Trade payables		
- Other parties	1.959	-
Total long term trade payables	1.959	-

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

NOTE 8 - OTHER RECEIVABLES

	31 December 2017	31 December 2016
Short - term other receivables		
Other receivables from related parties (note 6)	511.898	258.612
VAT receivable	128.421	55.738
Deposits and guarantees given	3.474	6.690
Other tax receivables	-	14.497
Other receivables	1.402	1.173
	645.195	336.710

NOTE 9 - INVENTORIES

	31 December 2017	31 December 2016
Raw materials	312.136	165.803
Work in process	7.820	3.997
Finished goods	181.399	74.914
	501.355	244.714
Provision for impairment on inventories (-)	(1.175)	(268)
	500.180	244.446

As of 31 December 2017 the Company does not have inventories pledged as security for liabilities (31 December 2016: None).

Cost of the inventory included in the cost of sales for the period 1 January - 31 December 2017 amounts to 2.928.539 thousand TL (1 January - 31 December 2016: 2.176.565 thousand TL).

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

(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 2017	31 December 2016
Finished goods and merchandise	1.175	268
	1.175	268

Movement of inventory impairment on inventories is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance, 1 January	268	622
Current year additions	1.175	268
Realised due to sale of inventory	(268)	(622)
Balance at 31 December	1.175	268

NOTE 10 - PREPAID EXPENSES

	31 December 2017	31 December 2016
Prepaid expenses in current assets		
Order advances given	4.274	3.918
Prepaid expenses	9.453	7.135
Business advances given	76	13
	13.803	11.066
Prepaid expenses in non-current assets		
Advances given for fixed asset purchases	62.612	41.224
Prepaid expenses	340	517
	62.952	41.741

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Disposals	Transfers	31 December 2017
Cost					
Land	6.547	32.516	-	-	39.063
Land improvements	3.248	6	-	21	3.275
Buildings	69.608	1.346	(8)	677	71.623
Leasehold improvements	5.983	765	(9)	775	7.514
Plant and machinery	861.200	167.889	(3.514)	31.063	1.056.638
Motor vehicles	516	118	(45)	-	589
Furniture and fixtures	47.137	4.603	(182)	2.727	54.285
Construction in progress	6.943	111.371	-	(35.263)	83.051
	1.001.182	318.614	(3.758)	-	1.316.038
Accumulated depreciation					
Land improvements	2.373	58	-	-	2.431
Buildings	29.361	1.427	(3)	-	30.785
Leasehold improvements	2.839	609	(4)	-	3.444
Plant and machinery	606.234	85.980	(2.974)	-	689.240
Motor vehicles	301	75	(36)	-	340
Furniture and fixtures	32.109	4.667	(180)	-	36.596
	673.217	92.816	(3.197)	-	762.836
Net book value	327.965			-	553.202

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

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

	1 January 2016	Additions	Disposals	Transfers	31 December 2016
Cost					
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
	915.785	89.436	(4.039)	-	1.001.182
Accumulated depreciation					
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
	601.215	75.787	(3.785)	-	673.217
Net book value	314.570				327.965

Additions to property, plant and equipment in the period 1 January - 31 December 2017 and 2016 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:

	<u>Useful life</u>
Land improvements	8 - 35 years
Buildings	25 - 50 years
Leasehold improvements	5 years
Plant and machinery	5 - 20 years
Motor vehicles	5 years
Furniture and fixtures	5 - 10 years

Allocation of period depreciation and amortization expenses is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Cost of sales	90.667	74.007
Research and development expenses	19.809	16.175
Marketing, selling and distribution expenses	359	275
General administrative expenses	911	609
	111.746	91.066

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 12 - INTANGIBLE ASSETS

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Rights	6.376	-	-	6.376
Development cost	159.355	40.083	(2.241)	197.197
Other intangible assets	11.490	2.272	-	13.762
	177.221	42.355	(2.241)	217.335
Accumulated amortization				
Rights	6.354	3	-	6.357
Development cost	69.424	17.967	-	87.391
Other intangible assets	4.413	960	-	5.373
	80.191	18.930	-	99.121
Net book value	97.030			118.214
	1 January 2016	Additions	Disposals	31 December 2016
Cost				
Rights	6.376	-	-	6.376
Development cost	133.481	28.251	(2.377)	159.355
Other intangible assets	10.018	1.472	-	11.490
	149.875	29.723	(2.377)	177.221
Accumulated amortization				
Rights	6.351	3	-	6.354
Development cost	54.926	14.498	-	69.424
Other intangible assets	3.635	778	-	4.413
	64.912	15.279	-	80.191
Net book value	84.963			97.030

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

Useful lives of intangible assets are as follows:

	Useful life
Rights	3 - 15 years
Development cost	2 - 10 years
Other intangible assets	2 - 15 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

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:

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

Research and development incentive premium from Tübitak Teknoloji ve Yenilik Destek Programları Başkanlığı ("TEYDEB") amounts to 533 thousand TL for the period 1 January - 31 December 2017 (1 January - 31 December 2016: 381 thousand TL).

Brand support incentive Turquality obtained from Republic of Turkey Prime Ministry Undersecretary of Treasury amounts to 19 thousand TL in year 2017 (2016: 1.281 thousand TL).

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2017	31 December 2016
Short - term provisions		
Provision for lawsuit risks	2.197	1.620
	2.197	1.620

The movements in the provision for lawsuits are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance, 1 January	1.620	1.358
Current year additions	581	274
Payments/Disposals	(4)	(12)
Balance at 31 December	2.197	1.620

b) Guarantees received by the Company

	31 December 2017	31 December 2016
Guarantee letters	55.750	7.232
Cheques and notes	4.277	8.273
Collaterals and pledges	3.689.650	3.238.156
	3.749.677	3.253.661

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

(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
31 December 2017				
A. CPM's given on behalf of its own legal entity	-	2.307	21.032	31.449
B. CPM's given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	1.008.140	44.487	907.894	4.911.378
i. Total amount of CPM's given on behalf of the parent company	722.288	-	667.835	3.392.233
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	285.852	44.487	240.059	1.519.145
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	1.008.140	46.794	928.926	4.942.827
CPM's given by the Group	USD (‘000)	EUR (‘000)	TL	TL Equivalent
31 December 2016				
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.	-	-	-	-
Total	1.111.675	54.116	924.403	5.037.375

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 485% as of 31 December 2017 (31 December 2016: 539%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 15 - COMMITMENTS

As of the balance sheet date the Company has committed to realize exports amounting to 448.212 thousand USD (31 December 2016: 462.190 thousand USD) due to the export and investment incentive certificates obtained.

As of 31 December 2017 the Company has forward foreign currency purchase contract that amounts to 92.509 thousand TL, 55.072 thousand EUR and 279.575 thousand USD against forward foreign currency sales contract that amounts to 242.091 thousand EUR, 17.745 thousand USD and 237.451 thousand TL (31 December 2016: 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 sales contracts).

NOTE 16 - EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2017	31 December 2016
Due to personnel	19.779	17.538
Social security payables	6.892	6.225
	26.671	23.763

Long term provisions for employee benefits:

	31 December 2017	31 December 2016
Provision for employment termination benefits	31.749	24.459

Under Turkish law, the Company is required to pay employment termination benefits to each employee whose employment is terminated without due caus. 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 4.732,48 TL/year as of 31 December 2017 (31 December 2016: 4.297,21 TL/year).

The provision for employee termination benefits is not funded.

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as at 31 December 2017 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 2017 provision is calculated based on real discount rate of 4,67% (31 December 2016: 4,79%) assuming 6,5% annual inflation rate and 11,47% discount rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

(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 2017	1 January - 31 December 2016
Balance at 1 January	24.459	21.907
Increase during the year	7.677	8.451
Payments during the year	(7.016)	(7.712)
Actuarial (gain)/loss	3.613	(466)
Interest expense	3.016	2.279
Balance at 31 December	31.749	24.459

As of 31 December 2017, an increase in annual discount rate by 0,25% would lead to a decrease in employee benefit liability by 4,1%; a decrease in annual discount rate by 0,25% would lead to an increase in employee benefit liability by 4,3%. (31 December 2016: 4,1% decrease and 4,4% increase).

As of 31 December 2017, an increase in salary escalation by 0,25% would lead to an increase in employee benefit liability by 4,5%; a decrease in salary escalation by 0,25% would lead to a decrease in employee benefit liability by 4,3%. (31 December 2016: 4,6% increase and 4,3% decrease)

NOTE 17 - OTHER ASSETS AND LIABILITIES

	31 December 2017	31 December 2016
Other current assets		
VAT carried forward	266	113
Other	5.675	1.099
	5.941	1.212
Other current liabilities		
Taxes and dues payable	8.355	9.743
Advances received	-	346
Other	342	160
	8.697	10.249

NOTE 18 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in capital

	31 December 2017	31 December 2016
Shares of par value Kr 1 each		
Issued share capital	190.000	190.000

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 18 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

As of 31 December 2017 and 31 December 2016 the shareholding structure is as follows:

	Shareholding		Amount	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
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 2017	31 December 2016
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 2017	31 December 2016
Share premium	109.031	109.031

d) Restricted reserves ("Legal reserves")

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

	31 December 2017	31 December 2016
Legal reserves	111.627	77.019

e) Retained earnings

	31 December 2017	31 December 2016
Extraordinary reserves	258.976	133.233
Previous year's profits	45.090	60.436
	304.066	193.669

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 18 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

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.

NOTE 19 - SALES

	1 January - 31 December 2017	1 January - 31 December 2016
Domestic sales	1.029.225	751.305
Overseas sales	2.841.516	2.297.529
Gross sales	3.870.741	3.048.834
Less: Sales discounts (-)	(12.985)	(11.817)
Net sales	3.857.756	3.037.017
Cost of sales	(3.363.747)	(2.546.704)
Gross profit	494.009	490.313

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 20 - EXPENSES BY NATURE

	1 January - 31 December 2017	1 January - 31 December 2016
Raw materials, supplies and finished goods	3.038.847	2.132.321
Changes in finished goods, work in process and trade goods	(110.308)	44.244
Personnel expenses	290.817	255.792
Depreciation and amortization	111.746	91.066
Other	172.453	148.953
	3.503.555	2.672.376

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2017	1 January - 31 December 2016
a) General and administrative expenses:		
Personnel expenses	13.649	12.241
Consultancy Expenses	13.758	10.840
Rent and office expenses	4.317	8.815
Travelling expenses	1.648	968
Taxes and duties	1.469	1.449
Insurance expenses	503	340
Energy expenses	550	461
Depreciation and amortization	911	609
Benefits and services provided externally	490	202
Other	11.623	11.470
	48.918	47.395
b) Marketing expenses:		
Personnel expenses	12.833	11.408
Transportation, distribution and storage expenses	28.520	25.407
Taxes and duties	5.305	3.686
Insurance expenses	1.413	1.339
Depreciation and amortization	359	275
Other	5.501	4.811
	53.931	46.926
c) Research and development expenses:		
Depreciation and amortization	19.809	16.175
Personnel expenses	8.427	8.067
Travelling expenses	1.526	890
Benefits and services provided externally	1.240	691
Maintenance expenses	983	729
Other	4.974	4.799
	36.959	31.351

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 22 - OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

	1 January - 31 December 2017	1 January - 31 December 2016
a) Other income from operating activities:		
Credit finance gains arising from trading activities	49.591	24.165
Foreign exchange gains arising from trading activities	267.752	133.561
Other income	8.370	6.917
	325.713	164.643
b) Other expense from operating activities:		
Debit finance charges arising from trading activities	43.377	24.974
Foreign exchange expenses arising from trading activities	145.048	111.192
Other expenses	6.877	6.353
	195.302	142.519

NOTE 23 - FINANCIAL INCOME AND FINANCIAL EXPENSE

a) Financial income:

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange gains	20.794	7.406
Gains on derivative financial instruments	86.168	80.551
Interest income	21.605	22.028
	128.567	109.985

b) Financial expense:

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange losses	103.286	51.476
Losses on derivative financial instruments	161.348	88.556
Interest expense	47.864	22.843
Other finance expenses	107	102
	312.605	162.977

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 24 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

a) Cash flow hedge fund:

	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance, 1 January	18.786	7.629
Gains (losses) on cash flow hedges	(25.216)	13.946
Taxes relating to cash flow hedges	5.078	(2.789)
Balance at 31 December	(1.352)	18.786

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

	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance, 1 January	(3.313)	(3.686)
Gains (losses) on remeasurements of defined benefit plans	(3.613)	466
Taxes relating to remeasurements of defined benefit plans	723	(93)
Balance at 31 December	(6.203)	(3.313)

NOTE 25 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2017	31 December 2016
Corporation and income taxes	3.164	18.751
Prepaid taxes (-)	(4.414)	(15.566)
Current income tax liabilities - net	(1.250)	3.185
Deferred tax assets	5.681	2.056

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses and by deducting other exempt income. In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed at the rate of 15%, except for companies receiving dividends who are resident companies in Turkey. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

In Turkey, advance tax returns are filed on a quarterly basis at the rate of 20%, until the 14th day of the following month and paid until the 17th day. Advance tax returns files within the year are offset against corporate income tax calculated over the annual taxable corporate income.

According to the Corporate Tax Law, 50% of the capital gains arising from the sale of tangible assets and investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Bazı Vergi Kanunları İle Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 25 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

As of 1 January - 31 December 2017 and 2016 tax expense in the statement of income is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Current period tax expense	(3.164)	(18.751)
Deferred tax benefit/(expense)	(2.176)	9.983
Total tax expense	(5.340)	(8.768)

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

	1 January - 31 December 2017	1 January - 31 December 2016
Profit before tax	300.574	333.773
Local tax rate	22%	20%
Tax income calculated using local tax rate	(66.126)	(66.755)
Non-deductible expenses	(1.583)	(619)
Discounts and exemptions	12.976	8.495
Discounted corporate tax advantage	48.359	50.111
Effect of legal tax rate change on deferred tax	1.034	-
Other	-	-
	(5.340)	(8.768)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 25 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities provided using principal tax rate as of the balance sheet dates is as follows:

	Cumulative temporary differences		Deferred tax	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Deferred tax assets				
Employment termination benefits	(31.749)	(24.459)	6.350	4.892
Provision for impairment on inventories	(1.175)	(268)	258	54
Derivative financial instruments	(5.968)	(1.449)	1.313	290
Other	(14.436)	(13.185)	3.176	2.637
			11.097	7.873
	Cumulative temporary differences		Deferred tax	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Deferred tax liabilities				
Useful life and valuation differences on property, plant and equipment and intangible assets	25.180	27.730	(5.036)	(5.546)
Other	1.900	1.355	(380)	(271)
			(5.416)	(5.817)
Deferred tax assets - net			5.681	2.056

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

	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance, 1 January	2.056	(5.045)
Tax expense recognized in income statement	(2.176)	9.983
Recognized in shareholders' equity	5.801	(2.882)
Deferred tax liabilities at the end of the period, net	5.681	2.056

As of 31 December 2017, the Company has not recognized 143.360 thousand TL deferred tax assets arising from its investment incentive certificate, in accordance with conservatism principle of accounting.

NOTE 26 - EARNINGS PER SHARE

	1 January - 31 December 2017	1 January - 31 December 2016
Net (loss)/income attributable to equity holders of the parent	295.234	325.005
Weighted number of ordinary shares with a TL 1 of par value (thousand shares)	190.000	190.000
	1,55	1,71

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 27 - DERIVATIVE INSTRUMENTS

	31 December 2017		31 December 2016	
	Contract amount	Fair Value Assets/(Liabilities)	Contract amount	Fair Value Assets/(Liabilities)
Derivative financial assets:				
Held for trading				
Forward foreign currency transactions	211.078	1.759	354.888	2.922
Cash flow hedge				
Forward foreign currency transactions	486.575	2.250	242.825	23.482
Derivative financial liabilities:				
Held for trading				
Forward foreign currency transactions	415.169	(5.993)	219.947	(27.853)
Cash flow hedge				
Forward foreign currency transactions	282.893	(3.984)	-	-
	1.395.715	(5.968)	817.660	(1.449)

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital risk management:

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

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

As of 31 December 2017 and 31 December 2016 the Company's net debt/total equity ratios are as follows:

	31 December 2017	31 December 2016
Total financial liabilities (note 5)	531.491	248.709
Cash and cash equivalents (note 4)	(73.679)	(12.829)
Net debt	457.812	235.880
Total equity	1.012.137	919.931
Capital invested	1.469.949	1.155.811
Net debt/capital invested	0,31	0,20

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

b) Financial risk factors:

The Company's activities expose it to a variety of financial risks including the foreign currency exchange rates risk, credit risk and liquidity risk. The Company's overall risk management program on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company uses derivative financial instruments in order to protect itself from various financial risks.

b.1) Credit risk:

Credit risk arises from bank deposits, trade receivables and other trade receivables. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of these agreements. The Company sells significant portion of its products to Vestel Ticaret A.Ş. which is a group company. Credit risk is evaluated by considering past experiences and current economic conditions and receivables is presented in the balance sheet after appropriate amount of provision for doubtful receivables is allocated. The company considers that the credit risk is managed effectively. The following statements show the analysis of credit risk as of 31 December 2017 and 31 December 2016:

	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
31 December 2017						
Maximum exposed credit risk as at 31 December 2017 (A+B+C+D)	1.038.802	7.081	511.898	133.297	65.012	8.667
- Secured portion of the maximum credit risk by guarantees, etc	-	-	-	-	-	-
A. Net book value of financial asset either are not due or impaired	1.038.802	7.081	511.898	133.297	65.012	8.667
- 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	-	238	-	-	-	-
- Impairment	-	(238)	-	-	-	-
- Secured portion of the net value by guarantees, etc	-	-	-	-	-	-
E. Off balance sheet items comprised of credit risk	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

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
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	-	-	-	-	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

(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 2017:

Contractual Maturities	Book Value	Total contractual cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities						
Bank Borrowings	531.491	543.535	90.101	265.039	188.395	-
Trade Payables	1.242.281	1.246.699	940.798	305.901	-	-
Other Payables	162.830	169.118	34.848	34.364	99.906	-
	1.936.602	1.959.352	1.065.747	605.304	288.301	-
Derivative financial instruments						
Derivative cash inflows	-	(1.395.715)	(909.140)	(486.575)	-	-
Derivative cash outflows	-	1.397.546	917.508	480.038	-	-
	5.968	1.831	8.368	(6.537)	-	-

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
Non-derivative financial liabilities						
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	-
	1.276.443	1.308.551	719.199	223.859	365.493	-
Derivative financial instruments						
Derivative cash inflows	-	(817.660)	(517.254)	(300.406)	-	-
Derivative cash outflows	-	813.430	516.193	297.237	-	-
	1.449	(4.230)	(1.061)	(3.169)	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2017	USD	EUR	Other (TL Equivalent)	TL Equivalent
1. Trade receivables	12.776	148.303	163	718.015
2a. Monetary financial assets (including cash and cash equivalents)	350	15.540	19	71.510
2b. Non-monetary financial assets	-	-	-	-
3. Other	36.720	-	-	138.504
4. Current assets (1+2+3)	49.846	163.843	182	928.029
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	1.605	7.140	-	38.295
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	1.605	7.140	-	38.295
9. Total assets (4+8)	51.451	170.983	182	966.324
10. Trade payables	180.221	56.166	46	933.439
11. Financial liabilities	-	54.955	-	248.148
12a. Other monetary liabilities	-	14.286	-	64.508
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	180.221	125.407	46	1.246.095
14. Trade payables	-	-	-	-
15. Financial liabilities	-	37.319	-	168.514
16a. Other monetary liabilities	-	21.775	-	98.325
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	59.094	-	266.839
18. Total liabilities (13+17)	180.221	184.501	46	1.512.934
19. Off-balance sheet derivative instruments/net asset (liability) position (19a+19b)	261.830	(187.019)	-	143.112
19a. Hedged total assets	279.575	55.072	-	1.303.207
19b. Hedged total liabilities	(17.745)	(242.091)	-	(1.160.094)
20. Net foreign currency asset/(liability) position (9-18+19)	133.060	(200.537)	136	(403.498)
21. Net foreign currency monetary asset/(liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(167.095)	(20.658)	136	(723.409)
22. Fair value of financial instruments used in foreign currency hedging	-	-	-	(5.968)
23. Export	29.144	671.923	-	2.841.516
24. Import	261.603	200.443	1.408	1.776.031

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	USD	EUR	Other (TL Equivalent)	TL Equivalent
31 December 2016				
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
4. Current assets (1+2+3)	4.086	231.609	24	873.650
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	4.086	231.609	24	873.650
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	-	-	-	-
13. Current liabilities (10+11+12)	107.115	82.531	43	683.184
14. Trade payables	-	-	-	-
15. Financial liabilities	-	42.370	-	157.189
16a. Other monetary liabilities	-	36.190	-	134.261
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	78.560	-	291.450
18. Total liabilities (13+17)	107.115	161.091	43	974.634
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)
20. Net foreign currency asset/(liability) position (9-18+19)	(2.186)	(46.363)	(19)	(179.714)
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

(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 2017 and 31 December 2016, 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 2017				
+/- 10% fluctuation of USD rate:				
USD net asset/liability	(63.027)	63.027	(63.027)	63.027
Secured portion from USD risk (-)	21.788	(21.788)	98.314	(98.314)
USD net effect	(41.239)	41.239	35.287	(35.287)
+/- 10% fluctuation of EUR rate:				
EUR net asset/liability	(9.328)	9.328	(9.328)	9.328
Secured portion from EUR risk (-)	(7.971)	7.971	(84.670)	84.670
EUR net effect	(17.299)	17.299	(93.998)	93.998
+/- 10% fluctuation of other currency rates:				
Other currencies net asset/liability	14	(14)	14	(14)
Secured portion from other currency risk (-)	-	-	-	-
Other currency net effect	14	(14)	14	(14)
	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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

b.5) Interest rate risk:

The Company is exposed to interest rate risk as the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate hedge contracts and forward interest rate contracts.

Analysis of financial instruments of the Company which are sensitive to interest rate changes is as follows:

	31 December 2017	31 December 2016
Financial instruments with fixed interest rates		
Time deposits	-	3.951
Financial liabilities	531.491	242.414
Financial instruments with variable interest rates		
Financial liabilities	-	6.295
Other liabilities	162.830	187.260

On 31 December 2017, if interest rates of all currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes would have been 1.540 thousand TL (2016: 1.733 thousand TL) lower/higher as a result of interest expenses.

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Categories of financial instruments and fair values

The Company has classified its financial assets and liabilities as at fair value through profit or loss, available for sale financial assets and loans and receivables. Among Company's financial assets, cash and cash equivalents (note 4), trade receivables (notes 6 and 7) and other receivables (notes 6 and 8), are classified as loans and receivables and are measured at amortized cost using the effective interest method.

Company's financial liabilities consist of financial liabilities (note 5) and trade payables (note 7) are measured at amortized cost using the effective interest method.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Company, using available market information and appropriate valuation methodologies. However, judgement is necessarily required interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Monetary assets

The book value of foreign currency denominated balances which are translated to TL using exchange rates prevailing on the date of the balance sheet approximate their fair values. For financial assets measured at cost including cash and cash equivalents, the carrying amounts are the same with fair values due to their short term nature. Carrying amounts of trade receivables net of impairments approximate their fair values.

Monetary liabilities

The fair values of short term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in the market interest rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Cont'd)

Fair value hierarchy

The Company classifies the fair value measurement of each class of financial instruments according to the source, using the three level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy tables as of 31 December 2017 and 31 December 2016 are as follows:

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets/(liabilities)				
Derivative financial assets/(liabilities)	-	(5.968)	-	(5.968)
31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets/(liabilities)				
Derivative financial assets/(liabilities)	-	(1.449)	-	(1.449)

INVESTOR INFORMATION

General Information

Reporting Period: 01.01.2017 - 31.12.2017
Corporate Title: Vestel Beyaz Eşya Sanayi ve Ticaret AŞ
Trade Register No: İstanbul Ticaret Sicil Müdürlüğü, No: 380814
Registered Capital Ceiling: None
Paid-in/Issued Capital: TL 190,000,000

Headquarters/Branches Contact Details:

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Independent Auditor

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Financial Data and Company Announcements

Financial statements, auditor reports, material event disclosures and annual reports of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ are available on the Company's website at <http://vesbe.vestelyatirimciiliskileri.com/>.

Additionally, requests for information can be submitted to the Investor Relations Directorate of Vestel Group of Companies via phone and e-mail.

Investor Relations

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Investor Relations Director

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