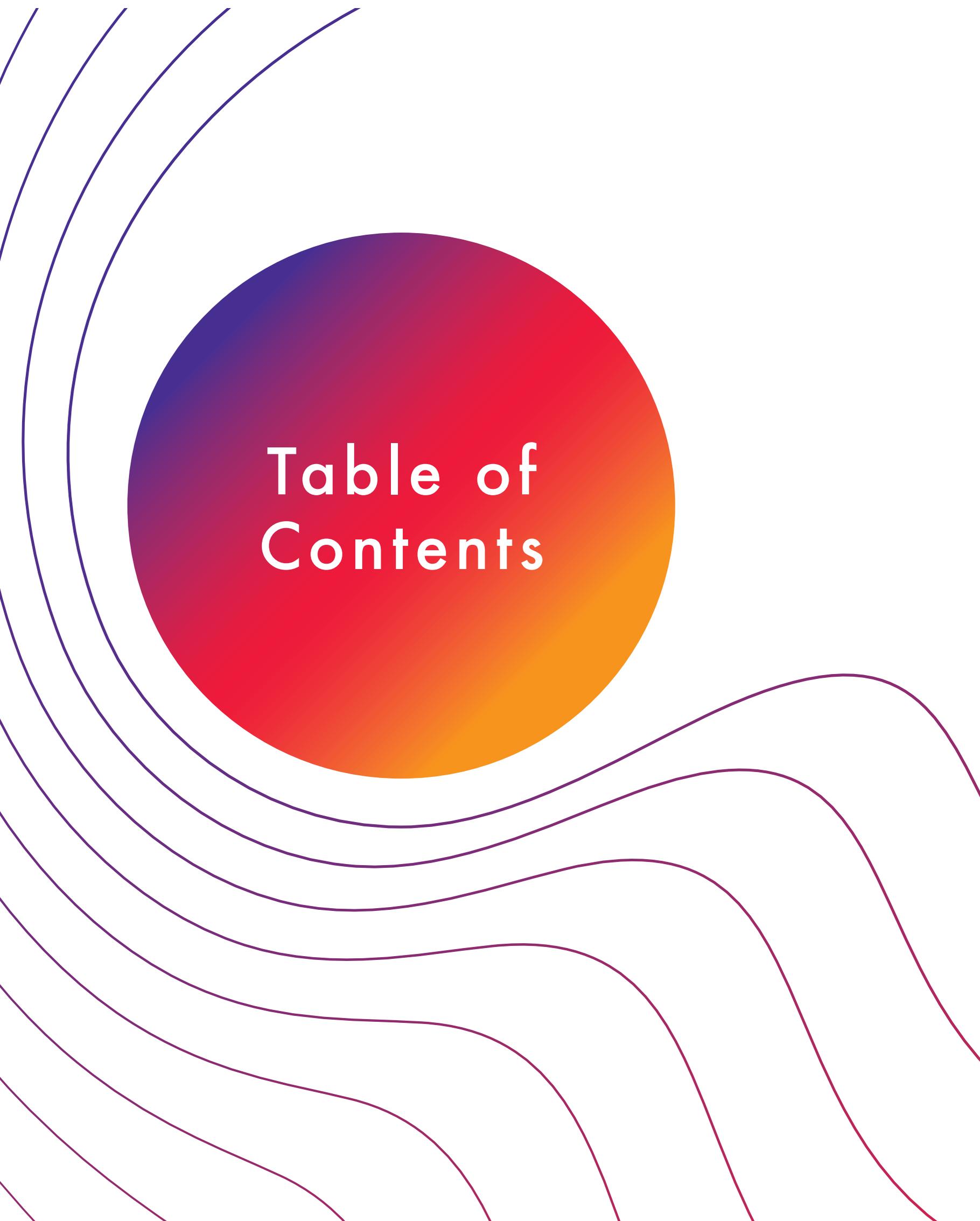


# 2018 ANNUAL REPORT





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**Combining its deep-rooted experience, know-how, qualified and skilled human resources with an intuitive and strong management structure, Zorlu Group is a highly reputed conglomerate both in Turkey and across the globe.**

Zorlu Group's foundation was laid in 1953 with the establishment of a textile company in Babadağ, Denizli. Having started its operations as a family business, today Zorlu Group is a major conglomerate with over 60 companies and approximately 30,000 employees.

Zorlu Group, one of Turkey's leading conglomerates, operates in:

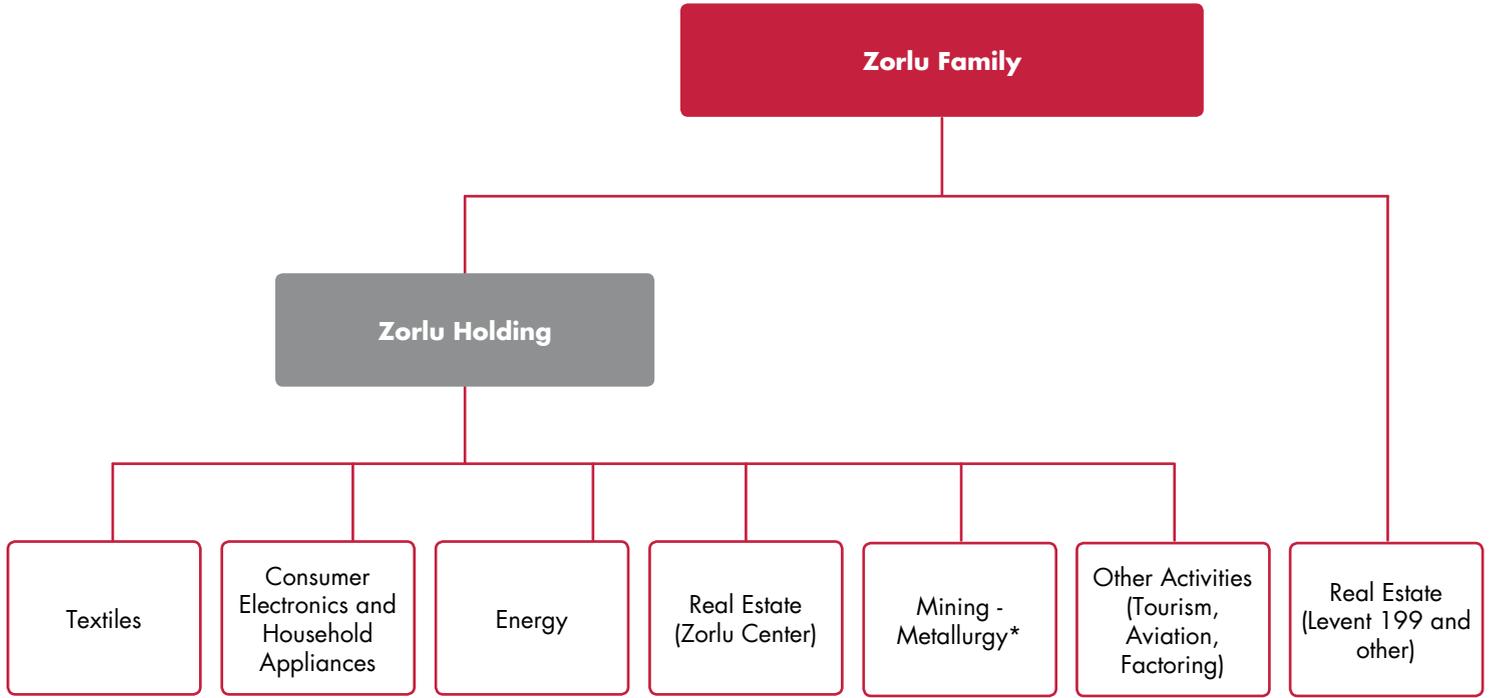
- Textiles,
- Consumer Electronics & Household Appliances,
- Energy,
- Real Estate,
- Mining-Metallurgy and
- Other (Tourism, Factoring, Aviation)

Industries and continues to generate value-added for Turkey's economy, accounting for a significant portion of the country's overall exports.

Distinguishing themselves in their respective sectors with their capabilities, pioneering breakthroughs, institutional structure and performance, Zorlu Group companies are recognized for their strength in manufacturing and services on a global scale.

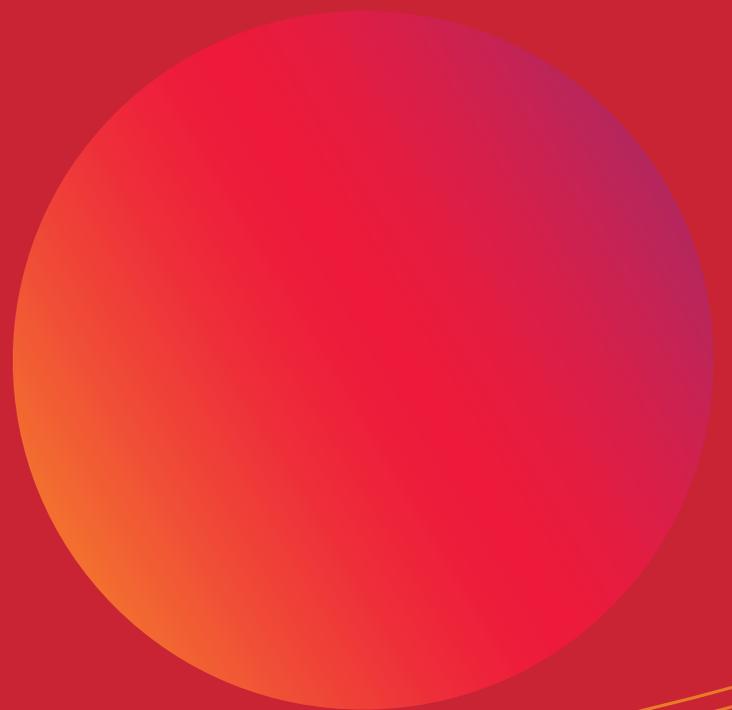
Combining its deep-rooted experience, know-how, qualified and skilled human resources with an intuitive and strong management structure, Zorlu Group is a highly reputed conglomerate in Turkey and across the globe. The Group focuses its activities on creating lasting value for all of its stakeholders and increasing the value of its brand, which represents quality, trust and reputation.

## Zorlu Group's Fields of Operation & Shareholding Structure



\* Meta Nikel Kobalt Madencilik Sanayi Ticaret AŞ's shares are owned 50% each by Zorlu Holding AŞ and Vestel Elektronik Sanayi ve Ticaret AŞ.

# A Success Story





## Zorlu Group's Milestones

**1953**

Hacı Mehmet Zorlu lays the foundation of Zorlu Group by establishing Zorlu Mensucat in Babadağ, Denizli.

**1960**

The Group begins textile trade by opening a store in Trabzon.

**1984**

The company begins its first official export sales with Korteks products.

**1976**

Korteks Velvet Weaving Plant is established in Bursa.

**1966**

Building on the know-how and experience gained in Trabzon, the Group moves to Istanbul and begins contract manufacturing.

**1989**

Korteks Yarn Factory is established in Bursa to meet the need for high-quality polyester yarn in the Turkish textile industry.

**1990**

Korteks Polyester Yarn Factory, Europe's largest integrated polyester yarn manufacturer and exporter, begins production.

**1993**

Zorlu Enerji is founded to meet the energy and steam demands of Zorlu Group's industrial enterprises.

**1999**

Mehmet Zorlu Education, Health, Culture and Solidarity Foundation is established. Vestel begins production of household appliances.

**1997**

Vestel Beyaz Eşya is founded. Denizbank is founded.

**1994**

Vestel is acquired by Zorlu Group

**2000**

20% of Zorlu Enerji's shares are offered to the public and begin trading on Borsa Istanbul.

**2001**

Zorluteks becomes Europe's largest and the world's third largest cotton household linen producer.

**2003**

Zorlu Group celebrates its 50<sup>th</sup> anniversary. Vestel City opens its doors.

**2006**

Zorlu Real Estate Group is established. Zorlu Group sells its stake in Denizbank to Dexia for USD 2.4 billion. 31.5% of Vestel Beyaz Eşya's shares are offered to the public and begin trading on

**2004**

Borsa Istanbul. Zorlu Energy Group wins natural gas distribution license tenders and begins providing natural gas distribution services in Gaziantep and Trakya regions.

**2004**

Jules Verne Travel & Event joins Zorlu Group.

**2007**

Zorlu Holding signs the UN Global Compact. Zorlu Group acquires a stake in Meta Madencilik Ltd. and begins operating in the mining-metallurgy industry.

**2008**

Zorlu Enerji wins the privatization tender for ADÜAŞ, which includes nine power plants with a total installed capacity of 141 MW, with a bid of USD 510 million. The construction of Zorlu Center, Turkey's first five-function "mixed-use" project, begins.

**2011**

Vestel wins the first Smart Board tender launched as part of the Fatih Project.

**2012**

Zorlu Faktoring begins operations.

**2013**

Shopping mall and performance arts center at Zorlu Center open their doors. Kızıldere II Geothermal Power Plant begins commercial operations. Jhimpir Wind Power Plant in Pakistan goes into operation. Vestel wins the second Smart Board tender worth TL 1 billion.

**2014**

The installation of the Meta Nikel Kobalt Madencilik Gördes Facility is completed and preparations are underway for commissioning. Turkey's first domestic smartphone Venus is launched. A+ office project Levent 199 enters into service. Dorad Natural Gas Combined Cycle Power Plant in Israel, in which Zorlu Enerji has a 25% stake, becomes operational.

**2016**

Vestel Beyaz Eşya and Zorlu Enerji voluntarily join Borsa Istanbul's (BIST) Sustainability Index for the November 2016 - October 2017 period. Sarıtepe-Demirciler Wind Power Plants commence commercial operations. Zorlu Center is named Europe's Best Shopping Center by ICSC. Vestel Beyaz Eşya wins the Industrial Excellence Award 2016 in Turkey, advances to the finals in Europe, and becomes the first Turkish company in its sector to

win the Industrial Excellence Award in Europe. Zorluteks R&D Center enters into service. Zorlu Family acquires full ownership of META.

**2015**

Zorlu Holding signs the United Nations Women's Empowerment Principles, institutionalizing its support for the empowerment of women in society, business and the economy. First phase of Alaşehir I Geothermal Power Plant is commissioned. Ramat Negev and Ashdod natural gas cogeneration power plants in Israel, in which Zorlu Enerji has a 42.15% stake, become operational. Vestel Elektronik is included in the BIST Sustainability Index for the November 2015 - October 2016 period. The commissioning of the META Gördes Facility is completed and the first commercial Ni-Co Hydroxide intermediate product is exported.

**2017**

The foundation of the new Vestel Beyaz Eşya washing machine and dryer production plant is laid in July. At the TPM Awards organized by the JIPM, Vestel Elektronik receives the Special Award for TPM Achievement in television manufacturing and Vestel Beyaz Eşya wins the Award for Excellence in Consistent TPM Commitment for its six production facilities simultaneously. Vestel Beyaz Eşya is the first company in the industry to receive the Water Footprint Verification in Turkey. Zorlu Enerji takes over the Osmangazi Electricity Distribution Region in February and enters electricity distribution and

retail sales businesses. The first unit of Kızıldere III Geothermal Power Plant (99.5 MW) enters into service in August. Zorlu Solar becomes the exclusive authorized distributor of the US-based First Solar in 26 countries. Installation work begins for the Meta Nikel Kobalt Facility R&D Center. Zorluteks becomes the first home textile company in Turkey to receive the "Authorized Economic Operator Certificate." Zorluteks Design Center is established. For the first time in the history of the industry, TAÇ Curtain Arts Academy is established with the aim of training the curtain makers of the future.

**2018**

The new Vestel Beyaz Eşya washing machine and dryer production plant is completed and begins production in the second quarter of 2018. Meta Nikel Kobalt Madencilik earns the "R&D Center Certificate." Vestel Elektronik purchases 50% of Meta Nikel Kobalt Madencilik's shares. The 65.5 MW second unit of Kızıldere III GPP comes onstream. Rehabilitation work to increase the installed capacity of İkizdere HPP from 18.6 MW to 24.94 MW is completed and the plant resumes electricity generation. Zorluteks opens a showroom in Munich, Germany. Zorluteks's sustainable working conditions earn it the highest score from BSCI.

## Zorlu Holding

Incorporating Zorlu Group companies under its umbrella, Zorlu Holding AŞ ("Zorlu Holding") is the main company that represents Zorlu Group.

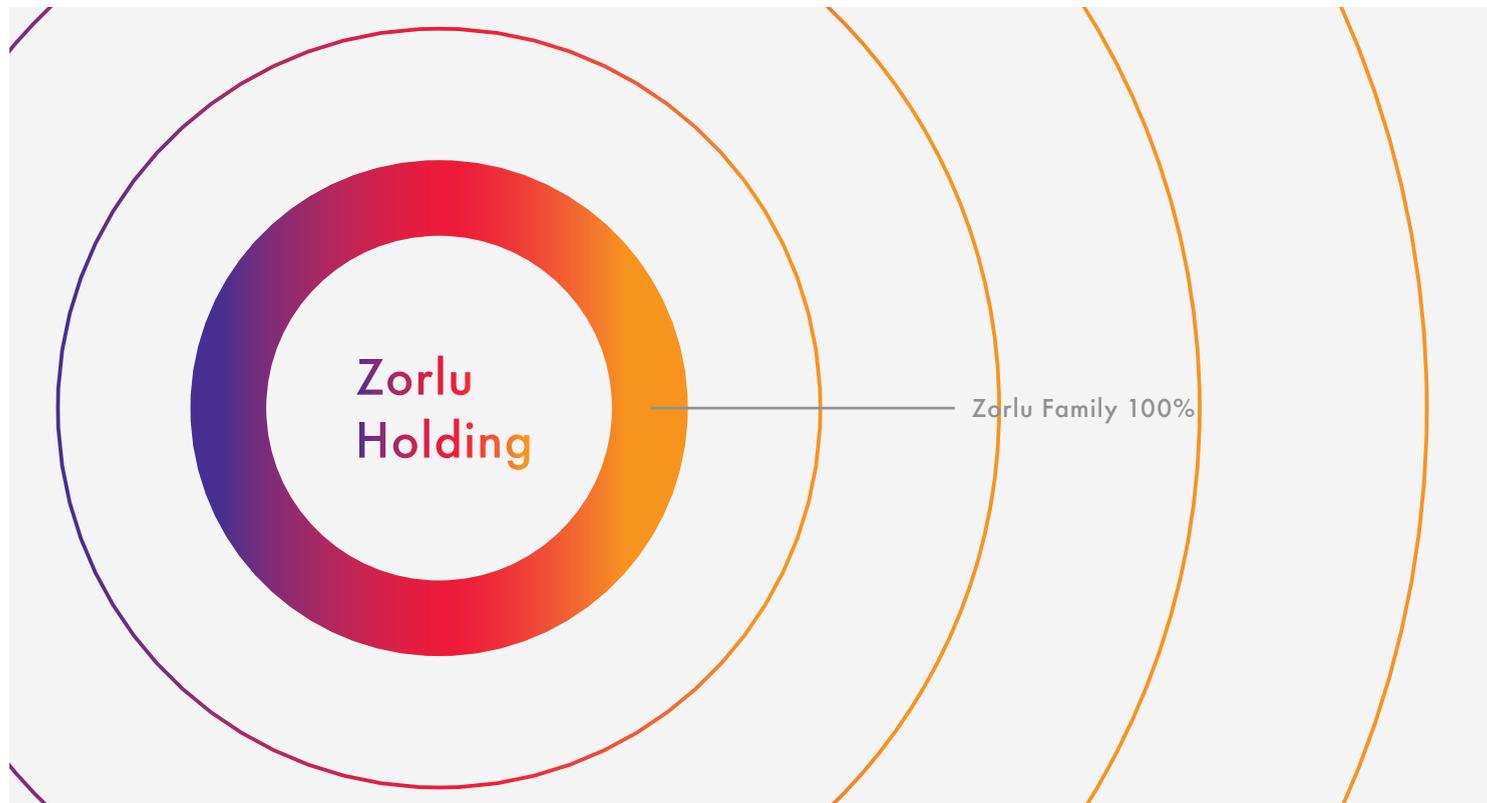
Zorlu Group companies operating in the consumer electronics, household appliances, textiles, energy and mining-metallurgy sectors as well as Zorlu Yapı Yatırım AŞ, which owns Zorlu Center, operate under the roof of Zorlu Holding, which itself is controlled by the Zorlu Family.

The Group's real estate investments other than Zorlu Center are directly controlled by the Zorlu Family.

The shares of Vestel Elektronik Sanayi ve Ticaret AŞ, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ, as well as the corporate bonds of Korteks Mensucat Sanayi ve Ticaret AŞ, Zorlu Faktoring AŞ, Zorlu Enerji Elektrik Üretim AŞ and Zorlu Osmangazi Enerji ve Sanayi Ticaret AŞ trade on Borsa İstanbul (BİST).

As of December 31, 2018, Zorlu Holding's paid-in capital amounts to TL 3,325,000,000.

## Zorlu Holding's Shareholding Structure



## Zorlu Holding and Sustainability

### **Sustainability-driven Smart Life 2030 is the main building block of Zorlu Holding's corporate strategy.**

Within the Smart Life 2030 framework, Zorlu Holding embraces sustainability and transforms it into a way of doing business. Zorlu Holding strives to create lasting value for its stakeholders and to design a smarter life for achieving its dream of a better future enriched by innovation and technology. As an innovative company that quickly adapts to technological developments and shares know-how with all stakeholders, Zorlu Holding focuses on developing sustainable solutions to safeguard the future prosperity of humanity, society and the planet.

Smart Life 2030 provides the necessary framework for reducing environmental impact, adding more value to society as well as achieving sustainable growth in business. This long-term journey extends over three main axes, namely "Employees", "Environment" and "Society."

Acknowledging that employees constitute its biggest asset, Zorlu Holding embraces a vision to create value for them. Zorlu Holding believes that employees' passion for, commitment to and inspiration from the Smart Life 2030 vision will enable reaching the goals it has set. Therefore, it strives to create an innovation-based and inclusive corporate culture to help employees fully utilize their talents and implements a vision including gender equality, employee volunteering and intrapreneurship to pave the way for employees.

Zorlu Holding embraces a vision to protect the environment in order to ensure the best living conditions for not only today but also for future generations. To this end, it reduces its environmental impacts while maintaining its economic growth. It

improves its supply chain, makes facilities smarter and develops sustainable products and services. In order to reduce its impact on climate change, the Holding carries out efforts to reduce the environmental footprint and carbon emissions related with the operations of Group companies, develop products that support saving on natural resources, increase the share of renewable resources and further disseminate advanced environment-friendly manufacturing technologies.

In all these efforts, Zorlu Holding is guided by the United Nations 2030 Sustainable Development Goals. In line with the Smart Life vision, 2022 Sustainability Umbrella Goals have been established. Serving as a leverage for Zorlu Group, these goals for 2022 are managed and monitored through working groups established under the seven focus areas, namely R&D and Innovation, Environment, Employees, Corporate Governance, Supplier Relations, Customer Relations and Public Relations.

In line with Smart Life 2030, Zorlu Holding recognizes that success is closely linked to society's prosperity, and accordingly, forms partnerships and collaborations with stakeholders to realize global sustainable development goals and society's aspirations based on shared values. Through Mehmet Zorlu Foundation, it prepares the youth for the future and implements various public-benefit projects in education, culture & arts, healthcare and social solidarity. It leads the way in developing sustainable solutions for social issues through supporting the social innovation platform İmece. It supports women's empowerment in all aspects of life within the framework of gender equality. It brings to life inspiring projects like Digilogue to encourage thinking about the new technologies on the way to Smart Life.

Zorlu Holding will continue to work with great determination to reinforce its corporate and organizational structure through the sustainability-driven Smart Life 2030, and to build a better future with the synergic collaboration of the Group companies and their human resources.



## Summary Financial Statements and Operational Indicators\*

In 2018, Zorlu Holding maintained its operational growth in line with its goals, increasing its consolidated sales revenues by 37% YoY to TL 27.8 billion thanks to the robust growth in foreign currency denominated domestic and export revenues, while its earnings before interest, taxes, depreciation, and amortization (EBITDA) reached TL 4.9 billion with an 83% increase. The strong operational performance in consumer electronics & household appliances, energy, textiles and real estate industries was the main driver of the EBITDA growth. EBITDA margin increased from 13% to 18%. In 2018, Zorlu Holding recorded exports worth TL 2.9 billion, with a 14% growth on a consolidated basis. The Holding's total assets reached TL 58 billion with a 36% increase mainly driven by the consolidation of Meta Nikel Kobalt Madencilik Sanayi AŞ for the first time in 2018, in addition the growth in existing businesses.

### Zorlu Holding - Summary Balance Sheet (Thousand TL)

	2016	2017	2018
Current Assets	15,369,560	14,172,743	16,858,320
Fixed Assets	14,620,701	28,709,321	41,291,026
Total Assets	29,990,261	42,882,064	58,149,346
Short-Term Liabilities	15,878,317	24,453,805	34,620,527
Long-Term Liabilities	9,529,287	14,629,884	17,372,969
Equity	4,582,657	3,798,375	6,155,850
Total Liabilities & Equity	29,990,261	42,882,064	58,149,346

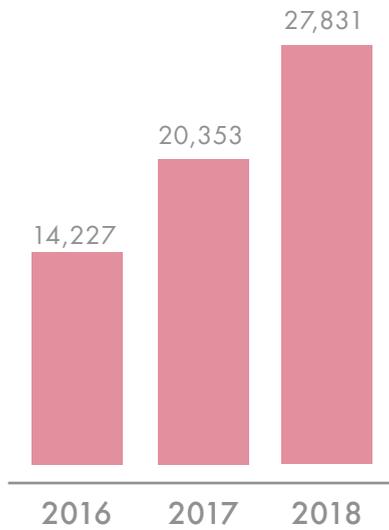
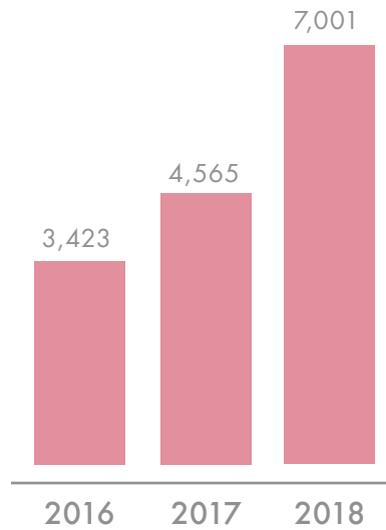
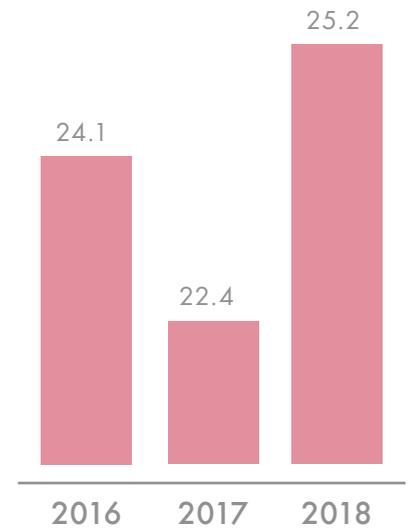
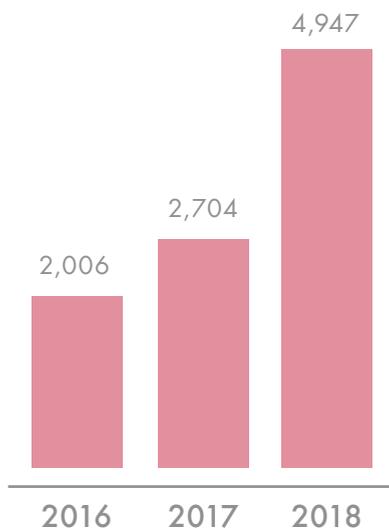
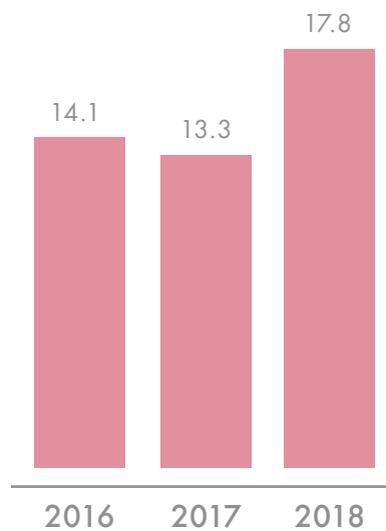
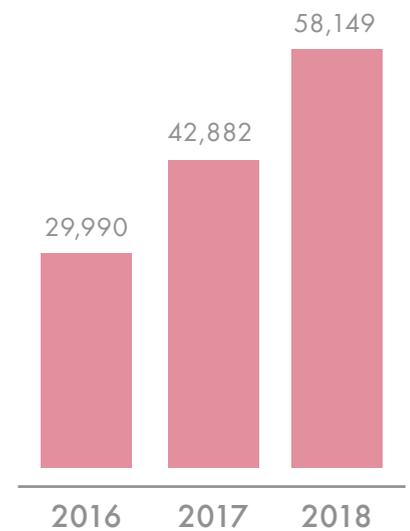
### Zorlu Holding - Summary Income Statement (Thousand TL)

	2016	2017	2018
Sales Revenues	14,227,063	20,353,392	27,831,364
Gross Profit	3,422,689	4,565,119	7,000,797
Operating Profit**	1,392,918	1,927,004	3,794,933
EBITDA**	2,005,603	2,704,496	4,947,209
Net Financial Expenses	-1,495,656	-2,521,181	-8,752,083
Net Loss for the Period***	-207,408	-429,469	-6,897,669
Gross Profit Margin	24%	22%	25%
EBITDA Margin	14%	13%	18%
Export Ratio	52%	46%	51%

\* Zorlu Holding's consolidated financial statements include the Group companies operating in the energy, textile, consumer electronics and household appliances businesses and Zorlu Yapı Yatırım AŞ, which operates in the real estate sector and is the owner of Zorlu Center. The Group's other investments in the real estate business and mining-metallurgy operations are excluded from the above consolidated financial statements.

\*\* Includes profits/losses from investments accounted for by the equity method but excludes other revenues and expenses from operations.

\*\*\* Profit/(loss) attributable to the equity holders of the parent company.

**Net sales**  
(Million TL)**Gross Profit**  
(Million TL)**Gross Profit Margin**  
(%)**EBITDA\***  
(Million TL)**EBITDA Margin**  
(%)**Total Assets**  
(Million TL)

\* Includes profits/losses from investments accounted for by the equity method, but excludes other revenues and expenses from operations.

# A stronger future with the Smart Life 2030 vision...





## Zorlu Group's Fields of Operation

### Textiles

The founding pillar of Zorlu Holding, textile remains one of the key sectors of the Group today.

With Turkey's largest integrated polyester yarn manufacturer and exporter Korteks and Europe's leading household linen producer Zorluteks under its fold, Zorlu Textiles Group is constantly growing and enhancing its position in domestic and international markets.

Led by Zorluteks and Korteks, Zorlu Textiles Group, which is engaged in the production and sales of yarns, curtains and household linens, is as a highly desirable business and solutions partner for global enterprises, thanks to its high production capacity, high-quality products, strong organization in marketing and distribution and excellence in technology and innovation.





## Zorlu Group's Fields of Operation



## Consumer Electronics & Household Appliances

Operating in the consumer electronics and household appliances sectors, Vestel Group of Companies is one of the world's leading ODM (Original Design Manufacturer) providers.

Market leader in TVs and one of the top three players in the household appliances market in Turkey, Vestel, as a global

producer, is also the second largest TV producer and one of the top five white goods manufacturers in Europe.

Vestel City, Vestel's manufacturing base, is one of Europe's largest industrial manufacturing complexes operating in a single location.



## Zorlu Group's Fields of Operation

### Energy

With its integrated structure, Zorlu Energy Group is a leading player in the Turkish energy industry. With renewable energy sources accounting for 53% of its total installed capacity of 1,303 MW as of the end of 2018, the Group maintains its growth trajectory in renewable energy by capitalizing on investment opportunities both in Turkey and international markets.

Increasing its investments in renewable energy, mainly in geothermal and solar power, Zorlu Energy Group continues contributing to a sustainable future.

In natural gas distribution, Zorlu Energy Group continues to expand its network to new districts in its licensed regions, thus bringing natural gas to more locations. Having expanded into electricity distribution and retail sales in 2017, Zorlu Energy Group continues its investments to become a strong player in these new fields of operation.





## Zorlu Group's Fields of Operation

### Real Estate

Innovative and perfectionist, Zorlu Real Estate Group develops world-class projects and constructs exemplary buildings that are poised to set the standards in the real estate sector.

Having adopted contemporary project development and operation methods, Zorlu Real Estate Group brings together technology, R&D, human resources, systems, sustainability, strategies and processes to create a strong synergy. To this end,



Zorlu Real Estate Group focuses its operations on two main pillars:

- A sustainable building concept and
- Digitalized building management systems shaped by Industry 4.0.

Zorlu Shopping Mall, a part of Turkey's first five-function mixed-use project Zorlu Center, has hosted 60 million visitors in five years and has become one of the most prominent venues for

shopping and social life. Filling an important gap in Turkey's culture & arts scene since its foundation, Zorlu Performance Arts Center (Zorlu PSM) hosts over 500,000 people at more than 1,000 events each season and constantly works to offer an even wider range of events. By the end of its fifth year, Zorlu PSM has well-proven itself, having hosted 2,000,000 guests at various cultural and artistic events organized and manifested its approach to culture & the arts.



## Zorlu Group's Fields of Operation

### Mining-Metallurgy

Zorlu Mining Group has developed Turkey's first nickel-cobalt mining facility in Gördes, Manisa. As the pioneer of the nickel mining industry in Turkey, the Group continues its operations at this facility with its experienced and competent staff, in line with its new generation mining and metallurgy approach that creates value-added.

Zorlu Mining Group carries out open-pit mining, producing nickel and cobalt elements in hydroxide form (MHP - Mixed Hydroxide Precipitate) by processing ore near the surface through the use of new generation technologies.

Zorlu Mining Group's strategy involves producing nickel and cobalt elements in different forms, utilizing rare earth elements in line with contemporary economic conditions, and, in doing so, contributing to Turkey's economy. The Group takes full advantage of its competences and know-how to incrementally increase its production capacity and is on its way to become a global supplier. While pursuing these objectives, Zorlu Mining Group firmly believes that human resources, continuously improved through research, development, applied learning and experience, constitute its most valuable asset. Furthermore, environmental and social responsibility has always been an integral part of the Group's business.





## Zorlu Group's Fields of Operation

### Other Fields of Operation

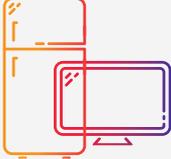
Zorlu Holding continues distinguishing itself with its quality and unique approach to service in a wide range of other fields, from tourism to factoring and aviation.

Renowned for their reliability, determination and strong characteristics in their respective fields of operation, Zorlu Group companies stand out with their employment figures and contributions of value-added to the national economy.





## Zorlu Group's Fields of Operation

SECTOR	SCOPE	MAIN COMPANIES
 <p><b>CONSUMER ELECTRONICS &amp; HOUSEHOLD APPLIANCES</b></p>	<ul style="list-style-type: none"> <li>• Manufacturing and sale of televisions,</li> <li>• household appliances,</li> <li>• digital and mobile products.</li> </ul>	<p><b>Vestel Elektronik</b>  <b>Vestel Beyaz Eşya</b>            2018 Turnover: TL 15.9 billion            Asset Size: TL 15.9 billion</p>
 <p><b>ENERGY</b></p>	<ul style="list-style-type: none"> <li>• Generation and sale of electricity and steam</li> <li>• Electricity trade</li> <li>• Distribution and retail sales of electricity</li> <li>• Natural gas trade and sales</li> <li>• Natural gas distribution</li> <li>• Power plant construction</li> <li>• Long-term operation, repair and maintenance of power plants</li> <li>• Distribution and sale of solar panels</li> <li>• Installation of electric vehicle charging stations</li> <li>• Hourly rentals of electric vehicles</li> </ul>	<p><b>Zorlu Enerji</b>  <b>OEDAŞ</b>  <b>OEPSAŞ</b>  <b>Zorlu Elektrik</b>  <b>Trakya Doğal Gaz and Gaziantep Doğal Gaz</b>  <b>Zorlu Endüstriyel</b>  <b>Zorlu O&amp;M</b>  <b>Zorlu Doğal Gaz</b>  <b>Zorlu Doğal Gaz Tedarik</b>  <b>Zorlu Energy Solutions</b>  <b>Electrip</b>            2018 Turnover: TL 7.6 billion            Asset Size: TL 18.4 billion</p>
 <p><b>TEXTILES</b></p>	<ul style="list-style-type: none"> <li>• Production and sale of polyester yarn and household textiles</li> </ul>	<p><b>Korteks</b>  <b>Zorluteks</b>            2018 Turnover: TL 3.4 billion            Asset Size: TL 3.9 billion</p>
 <p><b>REAL ESTATE</b></p>	<ul style="list-style-type: none"> <li>• Development, sale, lease and/or operation of high-quality real estate projects</li> </ul>	<p><b>Zorlu Gayrimenkul Geliştirme</b>  <b>Zorlu Yapı</b>            2018 Turnover: TL 745.9 million            Asset Size: TL 8.4 billion</p>
 <p><b>MINING - METALLURGY</b></p>	<ul style="list-style-type: none"> <li>• Development and operation of nickel and cobalt resources in Turkey and their domestic &amp; international sales; recovery of precious metals from process waste and development of production technology for rare earth elements</li> </ul>	<p><b>Meta Nikel Kobalt Madencilik</b>            Asset Size: TL 2.7 billion</p>
 <p><b>OTHER INDUSTRIES</b></p>	<ul style="list-style-type: none"> <li>• Factoring</li> <li>• Tourism</li> <li>• Aviation</li> </ul>	<p><b>ABH Turizm Temsilcilik ve Ticaret AŞ</b>  <b>(Jules Verne Travel &amp; Event &amp; Jabiroo)</b>  <b>Zorlu Faktoring</b>  <b>Zorlu Grand Hotel</b>  <b>Zorlu Air</b></p>

## SECTOR POSITION

- Among top ODM providers in TVs, household appliances and digital products in Europe
- Ranks among the top two producers in LCD TVs and top five in household appliances in Europe
- Market leader in TVs and one of top three producers of household appliances in Turkey
- Export champion of Turkey's electronics sector for the past 21 years
- One of Turkey's 10 best-known brands

## COMPETITIVE ADVANTAGES

- One of Europe's largest industrial manufacturing complexes operating in a single location (Vestel City)
- One of Turkey's leading companies in Industry 4.0 and digital transformation
- Efficiency, productivity and cost advantages brought about by manufacturing under a single roof
- Ability to differentiate mass production on an order basis through flexible production capability
- Seamless ODM (Original Design Manufacturer) services from original design and production to point delivery
- Leading ODM in the region
- Growing branded product sales in the European market through long-term licensing agreements with global brands and increasing business volume with A brand customers
- An export map covering 155 countries
- One of Turkey's most extensive sales and after-sales service network
- Excellence in R&D, innovation and design

- 1.2% share in total installed capacity of independent power producers
- Turkey's leading player in geothermal energy with a 24% share
- Electricity sales to a total of 1.78 million customers
- Approximately 1.79 million subscribers in electricity distribution
- Approximately 4% share in Turkey's electricity distribution
- 3.9% share in Turkey's total natural gas consumption

- Balanced and diversified generation portfolio by resource and geography
- Focus on renewables (87% of installed capacity in Turkey, 53% of total installed capacity)
- Investments in countries offering high growth potential
- Renewable energy power plants that benefit from the USD-based fixed feed-in tariffs under the Renewable Energy Resources Support Mechanism in Turkey; overseas investments with long-term power purchase guarantees
- Strong license and project portfolio to support future domestic and overseas growth
- Presence in each link of the electricity value chain
- Electricity distribution and retail sales in the Osmangazi Region, which offers high growth potential in terms of university population, industrialization, and urbanization
- Integrated service capability
- More than 10 years of experience in natural gas distribution
- Investments and efforts for smart systems and technologies for becoming the energy company of the future

- Europe's largest integrated polyester yarn manufacturer and exporter
- Europe's leading producer of household textiles

- Europe's largest integrated and innovative polyester yarn production center
- Household linen manufacturing facility with cutting edge production technologies
- Exports to nearly 60 countries
- Widespread domestic and international sales and distribution network
- Leading companies in the Turkish household linens sector
- Wide product range

**Zorlu Center:** Located at the intersection of two continents, Turkey's first five-function mixed-use project and Istanbul's center of attraction.

**Levent 199:** Eco-friendly A+ office project, with accolades in office architecture

- Smart, eco-friendly and sustainable real estate projects that stand apart in their respective segments with their architectural qualities and advanced technologies
- Proven track record in Istanbul's premium locations: Zorlu Center and Levent 199
- **Zorlu Shopping Mall:** A shopping mall offering select restaurants and world-famous brands
- **Zorlu Performance Arts Center (PSM):** Qualified to be among the top five performing arts centers in the world, Zorlu PSM hosts a variety of events, including world-renowned shows, Broadway musicals, concerts and festivals in a variety of musical genres, theater plays, opera performances, film screenings and corporate events, welcoming thousands of guests in its fully-equipped halls and spaces.
- **Raffles Istanbul Zorlu Center:** One of the world's most luxurious hotel brands
- Portfolio of high-potential plots of land in leading tourism destinations of Turkey

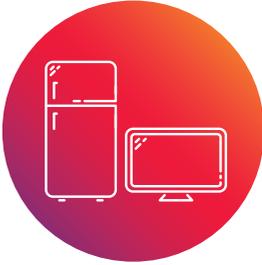
- Turkey's first and only nickel-cobalt mining plant featuring cutting edge technology and among the world's top 10 facilities in its field

- As of the end of 2018, proven and potential reserves equivalent to a total of 680,000 tons of Ni-metal content in licensed areas
- 30 operating and exploration licenses
- Innovative and environment-friendly production technology

- Strong brand values
- Growth-oriented investments

## Growth Strategies of Group Companies

### CONSUMER ELECTRONICS & HOUSEHOLD APPLIANCES



- Increasing sales in existing business segments by expanding product range
- Improving domestic brand image, distribution network and after-sales services to increase market share, particularly in household appliances
- Seeking new brand licensing partnerships for international markets in the consumer electronics segment
- Expanding into new areas of business related with the electronics business such as automotive electronics, medical devices, battery and energy storage systems
- Evaluating potential acquisition/partnership opportunities abroad to expand into growing markets in household appliances

### ENERGY



- Investing into new technologies such as smart systems and smart networks as well as emerging areas such as electric vehicle charging stations, electric vehicle sharing platforms as part of the vision of becoming the energy company of the future
- Building upon the existing renewables portfolio with a particular focus on geothermal and solar energy through new investments in Turkey and abroad
- Providing customers with the highest quality service by completing the network investments and improving the technological infrastructure in electricity distribution; increasing customer outreach by expanding the existing network in natural gas distribution
- Acquiring a 5% market share in Turkey in the short term and 10% in the mid to long term through a sustainable and balanced portfolio

### TEXTILES



- Expanding retail operations
- Focusing on high-value-added areas such as technical textiles and seeking acquisition opportunities

### REAL ESTATE

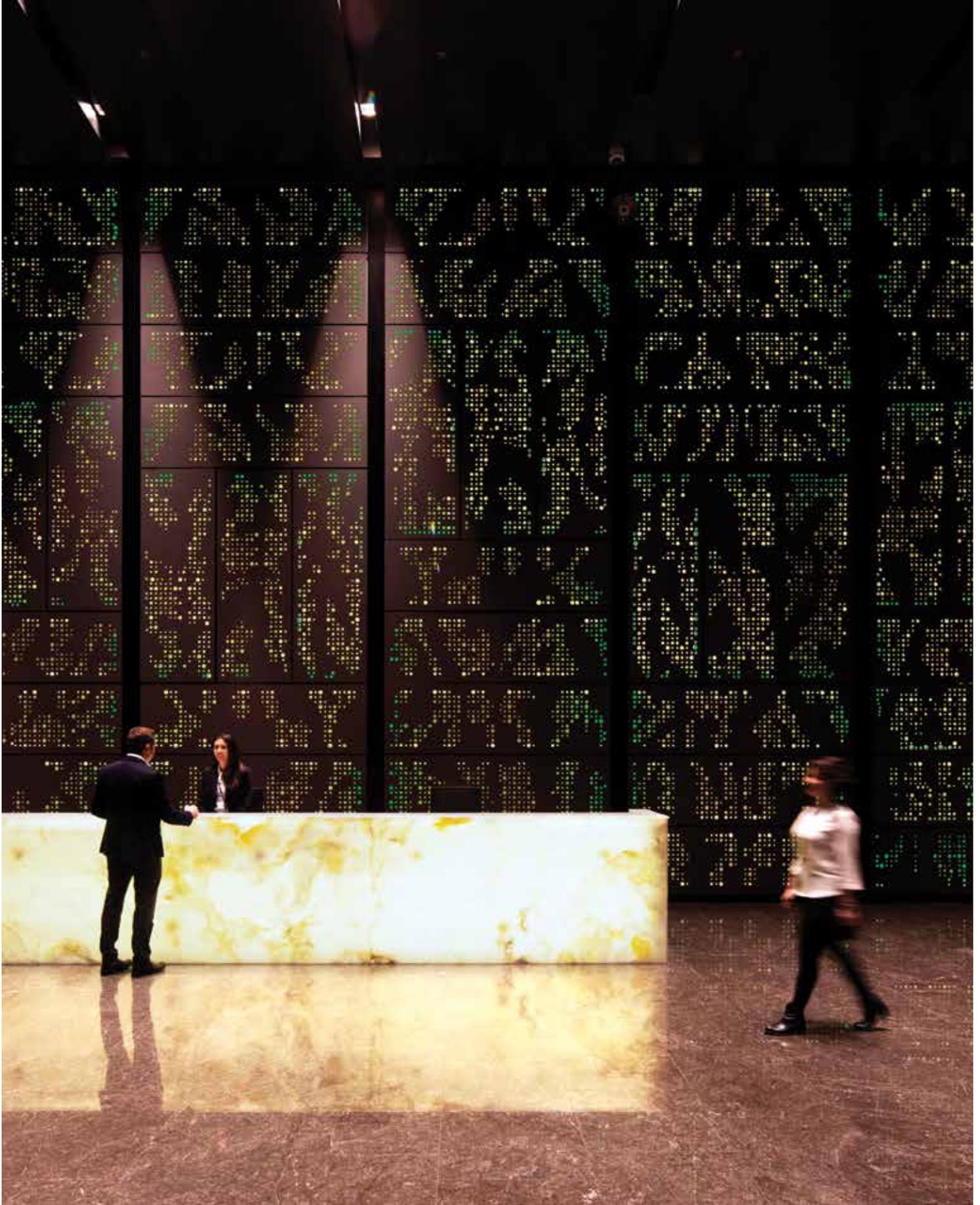


- Prioritizing initiatives that will maximize the value of current assets, particularly Zorlu Center and Levent 199
- Improving the land stock: Initiating zoning changes that will drive up the value of the stock, developing boutique or branded real estate projects on existing plots

### MINING-METALLURGY



- Increasing economic contribution by utilizing the various elements, particularly rare earth elements, within extracted ores
- Producing high-value-added forms of nickel and cobalt, quadrupling current capacity to contribute to reducing the current account deficit
- Ensuring resources stay within the country through domestic production at integrated facilities that produce their own technology and equipment
- Becoming a R&D base for the mining-metallurgy industry by improving product quality and standards and growing skilled workforce labor
- Taking advantage of its competencies and know-how, becoming the biggest nickel producer in the east of Europe in the near future



## Message from the Board of Directors



**Aiming to secure our place among the companies of the future by adapting to the current state of technology- and innovation-oriented change in the world, we have placed our sustainability approach, devised as part of our 2030 Sustainable Development Goals, to the center of our business model.**



### **2018 was a year of increasing growth concerns in the global economy.**

The year was marked with a series of continued global and regional issues, including Turkey's relations with the US, global trade wars, and problems with the neighboring Syria. Inside, Turkey was affected by the volatilities in the economy and financial markets.

Global growth concerns were prevalent throughout the year, driven mainly by the trade war between the US and China. This, in turn, has led to downwards revisions in global growth forecasts for the next year.

In terms of global economy, decline in foreign demand, growing cost of borrowing and continued political uncertainties are expected to continue exerting pressure on developing economies.

With the European Central Bank cutting growth forecasts, uncertainties surrounding the UK's withdrawal from the European Union (Brexit), concerns about the sustainability of the US' economic growth, and China recording the weakest growth performance in the last 28 years are factors that call for a more cautious approach with regard to growth.

Due to these external factors, as well as the volatility in interest and exchange rates in the second half of the year, Turkish economy grew 2.6% in 2018. Meanwhile, the recession in the last quarter is expected to persist in the first quarter of 2019, albeit to a lesser degree. During this period, exports stood out as a positive contributor to the economy, with enterprises engaged in high value-added production and industry playing a particularly important role. The economy is expected to recover slightly starting from the second half of 2019, which will result in a slight growth for the whole.

The economic balancing is expected to continue throughout 2019, while projections indicate a gradual drop in interest rates from the second half of the year onwards, driven by a persistent reduction in inflation. This period, which will be marked with a tight fiscal policy and financial discipline, will see enterprises with strong equity, high credibility and the capacity for high value-added exports outperform other businesses, as was the case in 2018.

From Turkey's perspective, potential key developments in 2019 are the alleviation of the economic pressure of geopolitical and political challenges, restoration of the relations with the US, recovery in the private sector investments and industrial production, shifting of the growth composition towards the investment-export axis, and inflation falling to single digits and bringing down interest rates to subsequently accelerate growth.

**Turkey's growth was driven by high-tech, industry, and high-value-added exports.**

With more than 60 companies and 30,000 employees under its fold, Zorlu Group touches the lives of people across 155 countries, and endeavors for a better life both today and in the future.

All our achievements and success are built on our imagination, our confidence in making our dreams a reality, our innovative nature, our belief in research and development, and our entrepreneurial spirit. We know that the future will be at the hands of those who can understand the rapid pace of change in the world and adapt accordingly, and have great dreams about the future and the will to make these a reality.

As we continue our operations with this understanding, we also continuously make new investments. With our companies operating in textiles, consumer electronics and household appliances, energy, real estate and mining-metallurgy sectors, we work to deliver strategic products and services with value-added to help secure a more sustainable growth for our country.

Today, our group is one of the top three employers in Turkey, and also the seventh largest exporter and the sixth conglomerate in terms of revenue generation. In terms of exports, we boast the highest ratio of international to total sales in Turkey. Two-thirds of our revenues are denominated in foreign currency, which provides our group with resilience against exchange rate fluctuations. With companies operating in five main sectors, we are focused on areas that generate value-added which will carry Turkey into the future. In 2018, this robust organizational structure enabled us to sustain our growth, despite the changing conditions in the world and in Turkey.

We are aware of our responsibility towards our country as one of Turkey's strongest conglomerates. As such, we work to enhance our competitive edge, develop new technologies and innovations, driven by a vision of building the world of the future, today. This vision also guides our efforts to revise our business model. Aiming to secure our place among the companies of the future by adapting to the current state of technology- and innovation-oriented change in the world, we have placed our sustainability approach, devised as part of our 2030 Sustainable Development Goals, to the center of our business model. We believe that this approach, which also shapes our growth strategy, will transform us into a global player that is capable of developing value-added services for the world of tomorrow.

**We are also set to realize a smart transformation that will shape Turkey's future.**

Drawing from the synergy of our group companies, we begun to take the first steps in this smart transformation in our 65<sup>th</sup> anniversary year. Accordingly, we work to redefine the product-service value chain by combining sustainable physical technologies that surround transportation, energy, production, urbanization, work and living, with digital and communications technologies. We invest into smart living with a 360-degree vision that encompasses smart products to smart houses, and smart houses to smart cities. We are also developing a range of smart systems including electric vehicle rentals and charging stations, smart electric poles, and smart energy management systems. We process nickel, one of the key raw materials for the smart world of tomorrow, into a high value-added component for use in electric vehicles and energy storage systems. Thus, we are not only realizing Turkey's dream of high value-added production, but also carrying the Zorlu Group into a league of global giants that will shape the future.

**In all our fields of operation, our growth is driven with sustainable and smart initiatives.**

Innovation remains our core focus, even in sectors such as textiles where production is more heavily focused on traditional methods. As the innovative partner of global giants, we continue to serve as the gateway of Turkish textiles into the world. As a result, we are one of the top textile exporters in Turkey. Bolstered by two R&D centers, we are the world leader in microfiber technologies, and one of Turkey's pioneering players in technical textiles with a wide range of self-cleaning, breathing, durable, nano and antimicrobial fabrics. With smart and innovative products such as "Self-Cleaning Roller Curtain", "Cool Pique", "LED Curtain" and "Content-Producing QR-Code Bedding", we are well on our way towards becoming a new generation textile company of the future.

Meanwhile, we are still synonymous with high-value-added production in Turkey with our brand Vestel, the undisputed export champion of Turkey 21 years running. Each year, we raise the bar in electronics, household appliances and LED lighting sectors, as well as in the defence industry with NATO-standard unmanned aerial vehicles. Boasting a fully-smart product portfolio thanks to its investments in R&D and innovation, Vestel continues to develop new concepts designed to introduce smart transformation, which has become its core business objective, in homes, cities, and various aspects of life. The company is also well on its way towards positioning Vestel City, its manufacturing base, as the first facility in Turkey to complete the Industry 4.0 transformation.

## Message from the Board of Directors



**Vestel is well on its way towards positioning Vestel City, its manufacturing base, as the first facility in Turkey to complete the Industry 4.0 transformation.**



Meanwhile, the Energy Group remains the pioneer of domestic and renewable energy in Turkey with a portfolio of power plants that derive 87 percent of their installed capacity from renewables. We are gradually expanding our investments in renewable energy with solar power, a clean energy source with great potential, adding to our existing investments in hydroelectric, wind and geothermal. Accordingly, we continue our efforts to engage in all aspects of the solar power business, from electricity generation to sales and roof installation of solar panels. Guided by a business model that focuses on next-generation innovation economies, we have begun developing on a series of smart systems including power management of homes and cities with smart grids, as well as electric vehicle rentals and charging stations.

Meta Nikel, our fully export-oriented manufacturing facility, continues to add new nickel products into its portfolio, leveraging the metal's potential as an important, value-added raw material of the future. Meta Nikel-Kobalt Madencilik, which, for us, represents much more than a mining company, remains an important target of our investments, based on our confidence that it will become the R&D and technology hub of our mining industry with its next-generation R&D and technology-based mining approach and a business model that relies on interdisciplinary effort and innovation.

Our Real Estate Group continues to work on socially and environmentally conscious, innovative and high-tech new

projects with excellent waste management to minimize their carbon footprints. While the success of Zorlu Center, Turkey's first five-function mixed-use project, is crowned with international awards, Zorlu PSM, our Group's highly reputable culture & arts center, hosts more than 1,000 unique and vibrant events every year.

Poised to carry a 65-year-long tradition into 2019, Zorlu Group will further its contribution to the Turkish economy through investments and value-added it generates, and explore new horizons with confidence. In addition to our economic operations, we will also improve on our social support to culture, arts, environment and sports activities as part of our goal for a sustainable future.

We are eternally grateful for all of our stakeholders for their invaluable contributions to making Zorlu Group one of the largest conglomerates in Turkey and for sharing our spirit, vision and mission of realizing our dreams of building a more livable world and creating a smart future.

Sincerely,



**Ahmet Nazif Zorlu**  
Chairman



**Zeki Zorlu**  
Co-Chairman

## Message from the Board of Directors



Poised to carry a 65-year-long tradition into 2019, Zorlu Group will further its contribution to the Turkish economy through investments and value-added it generates, and explore new horizons with confidence.



**Ahmet Nazif Zorlu**  
Chairman



## Message from the Board of Directors



In addition to our economic operations, we will also improve on our social support to culture, arts, environment and sports activities as part of our goal for a sustainable future.



**Zeki Zorlu**  
Co-Chairman



## Board of Directors



**Ahmet Nazif Zorlu**  
Chairman

1944 - Denizli) Ahmet Nazif Zorlu began his professional career in a family-owned textile business in his early ages. Trading textiles at the store he opened in Trabzon in the initial years of his career, he moved the company's headquarters to Istanbul and laid the foundations of Zorlu Holding in 1970. 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. Ahmet Zorlu's entrepreneurial spirit, which began in the textile industry, went on to manifest itself in more companies operating in a wide range of industries, such as household appliances, electronics, energy, property development, metallurgy and defense. In addition to his duty as Chairman of the Board of Zorlu Holding, Ahmet Zorlu serves as the Chairman or Deputy Chairman of the Board in numerous Zorlu Group companies operating in different industries.

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).



**Zeki Zorlu**  
Co-Chairman

(1939 - Denizli) Zeki Zorlu began his career in the family-owned textile company in Babadağ, Denizli. Having opened his first textile store in Trabzon, Zeki Zorlu laid the foundations of Korteks in Bursa in 1976. Zeki Zorlu founded Zorlu Holding along with his brother Ahmet Nazif Zorlu and added Vestel to Holding's business portfolio in 1994. He also played a critical role in the foundation and acquisition of numerous companies in energy, tourism and real estate industries.

In addition to his co-chairmanship duties on the Board of Zorlu Holding, Zeki Zorlu also chairs the Board of Directors of Zorlu Group companies operating in energy, textile and real estate industries. Mr. Zorlu also assumes active roles in NGOs. He is the Vice President of Textile Industry Assembly of TOBB (The Union of Chambers and Commodity Exchanges of Turkey). Having served on the Board of BUSİAD (Industrialists and Businessmen Association of Bursa) for two years, Zeki Zorlu is currently a member of the International Patent Cooperation Union, BUFAD (Bursa Disaster Association), the Foundation for the Empowerment of Uludağ University, KalDer (Turkish Society for Quality), SUSEB (Association of Artificial Synthetic Fiber Manufacturers), the Bursa Research Foundation, and the Association for International Competition and Technology.



**Olgun Zorlu**  
Board Member

(1965 - Trabzon) Upon completing his higher education in textiles and business administration in the UK, 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.

Having served on the Board of Directors of Zorlu Holding since 1998, Olgun Zorlu also sits on the Boards of other companies within Zorlu Group.



### **Mehmet Emre Zorlu**

Board Member

(1984 - Istanbul) Mehmet Emre Zorlu graduated from the Department of Electrical and Electronics Engineering at Koç University in 2006 and completed a master's degree in Innovation and Technology Management at the University of Essex in the United Kingdom in 2008. He began his career at Vestel Group of Companies in 2009. Mehmet Emre Zorlu is a Board Member at Zorlu Holding and several Zorlu Group companies. Mr. Zorlu also serves as Board member of Endeavor Turkey, Board of trustees of GİRVAK (Entrepreneurship Foundation of Turkey), and global committee member of Social Innovation Exchange (SIX).



### **Selen Zorlu Melik**

Board Member

(1975 - Trabzon) Selen Zorlu Melik graduated from the Department of Business Administration of the Faculty of Economics and Administrative Sciences at Uludağ University. She began her professional career at Denizbank in 1998. Following her internship at the Bursa branch of Denizbank, she joined Denizbank's Management Trainee Program in 1999. After working in a number of positions at the Denizbank head office, Mrs. Zorlu Melik attended a marketing certificate program at the University of California, Berkeley, USA in 2001.

She began working at the Korteks Yarn Factory in 2002 and became a Board Member of the same company in 2004. Selen Zorlu Melik sits at the Board of Directors of the Zorlu Holding as well as several Zorlu Group companies.

## CEO's Assessment



Zorlu Holding maintained its growth trend in 2018 to record strong operational results in all core fields of business, increasing its consolidated revenues to TL 27.8 billion with a 37% YoY increase, driven by the positive effect of TL's depreciation on export revenues as well as FX denominated revenues generated in Turkey.



2018 was a year that saw economic activity being hampered with volatilities in exchange and interest rates in Turkey coupled with global and regional challenges, yet Zorlu Group managed to power through thanks to its position as an industry and export-focused conglomerate.

In 2018, we took our first steps towards reshaping our operations in line with our Smart Life 2030 vision. We began to implement the sustainability-oriented Smart Life 2030 vision into the long-term management strategies, business policies and processes of our group companies. In line with this vision, we shared with the society technology's power of advancing life, and took part in innovative efforts that will realize the dream of sustainable and smart living.

Zorlu Holding maintained its growth trend in 2018 to record strong operational results in all core fields of business, growing its consolidated revenues to TL 27.8 billion with a 37% YoY increase, driven by the positive effect of TL's depreciation on export revenues as well as FX denominated revenues generated in Turkey.

Export revenues, which account for 51% of total sales, grew 14% to reach USD 2.9 billion, thanks to the export-oriented production strategy in consumer electronics and household appliances and textile sectors. EBITDA surged 83% to TL 4.9 billion due to the significant boost in operating profitability across all businesses.

During the same period, EBITDA margin increased from 13% to 18%. Total assets of Zorlu Holding rose to TL 58 billion with a 36% increase due to both the growth in current lines of business as well as Meta Nikel Kobalt Madencilik Sanayi AŞ having been included in the scope of consolidation for the first time in 2018.

### **Sustainability becoming the way of doing business across all Group companies.**

As part of Smart Life 2030, we are positioning sustainability as the way of doing business, enhancing synergy between Group companies. To this end, we are directing our investments into areas which will shape the smart world of tomorrow, taking significant steps on our way to become a global manufacturer of value-added products and services.

We aim to become part of the innovation economy, an emerging outcome of the great period of change that the world is going through. We understand that, in near future, big data, information technologies and digital communications will pave the way for a new product-service ecosystem that is smart, connected, and based on consumer experience. Our lives will be altered dramatically via various technological mega trends, namely "Internet of Things", "Artificial Intelligence", "Augmented

Reality" and "Blockchain". Smart systems will assume the role of interpreters that establish and maintain continuous communication between consumers and companies. And the Group endeavors to offer high-value-added services that produce products and services for such a world.

As a conglomerate operating across a wide variety of fields ranging from energy to textiles, household appliances to consumer electronics and real estate to next-gen mining, Zorlu Group has all the necessary competence and tools at its disposal to help create this world that will offer a better future for us all. Based on this understanding, and leveraging our ability to innovate, adapt rapidly to change and share our expertise for the benefit of all stakeholders, we are committed to develop sustainable solutions that aim for the prosperity of people and the planet. This understanding, which has become our way of doing business, led us to become one of the partners of the Turkey's Automobile Joint Venture Group. Our sustainability-oriented smart transformation journey continued to take shape in 2018 with new steps towards the development of smart systems of the future.

**Our growth is driven by our operations in crucial sectors that will propel Turkey into the future.**

In 2018, we continued to take such strategic steps that will carry our Group into the future while also achieving new accomplishments in our fields of operation.

As the leading producer of home textiles and the largest integrated polyester yarn manufacturer in Europe, we sustained our trend of export-oriented growth. In textiles, as with the rest of the Zorlu Group, we are gradually implementing a smart transformation shaped by value-added products, services and solutions. An outcome of this initiative is the new smart and innovative products we have added to the portfolio of the Textiles Group, namely "Rechargeable LED Curtain", "Scented Curtain", "Flame Retardant Curtain", "TAÇ Story" and "Air Cleaning Curtain". Thanks to this innovation and value-added focused production approach, our Textiles Group became one of the top textile exporters of Turkey in 2018.

In addition to a variety of product, raw material and process-related innovations in 2018, the Textiles Group also implemented a series of smart transformations on the commercial side as well, following its retail growth strategy. Accordingly, new investments were made to expand the scope of retail growth both in Turkey and in neighboring countries, which represent a population of 700 million in total. With new deals, new channels and new ways of doing business, Textiles Group began taking steps

to create growth opportunities in a variety of areas including retailing, B2B, B2C, e-trade, store chains, contract work and hotels. We are confident that we will remain the global hub for the industry in the fields of yarn, fabric and home textiles in the coming period, drawing on our R&D, innovation, technology, design and production capacity.

In 2018, Vestel maintained its course of growth with a successful performance, despite the volatile market conditions. Having consolidated its strong position in the domestic market, Vestel is also well on its way towards continuing its 21-year export leadership with exports to 155 countries. In 2018, Vestel began to reap the fruits of its brand licensing agreements with global brands. Toshiba reaching its historic highest market share in the important UK market is an excellent example to this. These positive developments show that Vestel still has the room to expand its branded sales in consumer electronics segment in Europe. In the household appliances segment, new ODM projects and addition of new customers have driven an above-sector exports growth.

The new washing machine and dryer production plant, which is set to meet the demand in export markets and complete Vestel's product line in household appliances, was completed and entered into operation in the second quarter of 2018. The new plant, which was built with the Industry 4.0 infrastructure, has a production capacity of 750,000 washing machines and 750,000 dryers per annum. With this investment, Vestel added tumble dryers to its product portfolio and completed its product range in the six major household appliances group

As one of the first Turkish companies to invest in digital transformation, Vestel continues to pioneer the efforts in this area. In this direction, Vestel City's Industry 4.0 transformation is mostly completed. Vestel aims to position Vestel City as the first Industry 4.0 compatible production facility in Turkey, and the fact that Vestel integrated the highest number of robotic cells into its production lines across all sectors shows that this ambition is perfectly feasible. When the transformation is complete, Vestel City will be a fully smart manufacturing complex where all stages of production, from the receipt of the order to the delivery of product, will be automated.

## CEO's Assessment



**The Energy Group sustained its growth in 2018 with investments in renewable energy. Kızıldere III GPP became Turkey's largest geothermal power plant in a single facility with its 165 MW of installed capacity, and Zorlu Enerji now derives 87% of its installed capacity in Turkey from renewable sources.**



With its proven excellence and smart products, services and concepts, Vestel is poised to leave its mark in the smart world of the future. As a member of the Turkey's Automobile Joint Venture Group, Vestel is also engaged in next-gen smart and electric vehicles. Meanwhile, it also continues its R&D efforts into battery and electric vehicle charging units, and into IoT in general. In 2018, Vestel maintained its market leadership in LED lighting and continued to export NATO-standard unmanned aerial vehicle models.

The Energy Group sustained its growth in 2018 with investments in renewable energy. With its second unit having become operational in the first quarter of 2018, Kızıldere III GPP's installed capacity reached 165 MW, making it Turkey's largest geothermal power plant in a single facility, as well as one of the few in the world. With these investments, Zorlu Enerji now derives 87% of its installed capacity in Turkey from renewable sources. Meanwhile, drilling work for the Alaşehir II GPP is still underway.

In addition to geothermal and wind, Zorlu Enerji accelerated its investments in solar power in 2018. In this regard, financing efforts for the 100 MW Bahawalpur I SPP project, which will be developed in Punjab, Pakistan and commence generation in 2020, are underway. Also in solar power, Zorlu Enerji signed a "Joint Venture Agreement" with Jerusalem District Electricity Company, which is distributes 25% of Palestine's electricity, for the development of SPP projects in Palestine. Furthermore, Zorlu Enerji signed a letter of intent with the Kazakhstan Ministry of Energy and the Governorate of Turkestan for the development of a 50 MW solar power plant project in Kazakhstan. Zorlu Enerji also took concrete steps in sales and distribution of solar panels, a business it entered last year. In the domestic market, the company started to sell and distribute membrane photovoltaic solar panels produced for industrial roofs in cooperation with the local solar panel manufacturers. Aiming to become market leader in the field of solar energy applications for industrial rooftops in Turkey, Zorlu Enerji launched the Solution Partnership Ecosystem application in a total of 12 regions across Turkey to enhance marketing, promotion and scope of application of the products it distributes.

Meanwhile, Zorlu Enerji consolidated its electricity distribution and sales activities in the Osmangazi area through OEDAŞ via new investments, coming one step closer to its goal of becoming an energy company of the future as part of Smart Life 2030. Furthermore, Zorlu Enerji signed a "Green Loan" agreement with

Garanti Bank, a first in Turkey and a rare initiative in the world, cementing the importance of sustainability as an essential part of its entire business model in accordance with its Smart Life 2030 vision.

Expanding its smart transformation into innovative business areas, Zorlu Energy's Smart Systems Department, established in 2017, realized various projects in 2018. Electric car-sharing platform "electrip", a first in Turkey, was launched to promote the spread of electric vehicles in Turkey. This platform offers an hourly car-sharing service solely with electric vehicles. In line with this project, Zorlu Enerji's digital brand "ZES" (Zorlu Energy Solutions) was launched in 2018. Under the ZES umbrella, Zorlu Enerji is building Turkey's fastest charging station network for electric vehicles, starting primarily with the big cities. Zorlu Enerji will continue its investments to accelerate the transition to a smart life with a 360-degree vision encompassing a wide variety of areas from smart products to smart homes and smart cities.

In 2018, the Real Estate Group continued to reap the benefits of its investments, including Zorlu Center, Turkey's first five-function multi-use project. Having accomplished a great success by welcoming 60 million visitors to date, Zorlu Center offers service excellence to the visitors in its 198 stores and 21 kiosk. In line with Zorlu Group's vision of smart living spaces of the future, Zorlu Center began to implement innovative features such as electric cabs, next generation urban furniture for smart cities, and smart poles that serve as charging stations for mobile devices. An essential venue for art-lovers since its establishment, Zorlu PSM welcomed a total audience of 2 million in 5,000 events in five years, cementing its position of Turkey's gateway to culture and arts.

As for mining, the META Nickel Cobalt facility continued to grow into the R&D and technology hub for the next-generation mining in Turkey. Investments plans are underway to double the production capacity of this facility. These new investments will also allow us to produce and export various and higher value-added forms of nickel and cobalt, strategic elements that are also used in electric car batteries.

### **Our goal is a better future fueled by innovation and technological advancement.**

As has been the case for the past 65 years, we will continue to be a source of hope and inspiration for our country and facilitate the development of society through technology. Our definitive characteristics of unlimited imagination, courage, entrepreneurship and innovative approach will drive us towards our goal of becoming a global group of companies that shapes the smart world of the future. We will realize our transformation, which we have named Smart Life, by inspiring our employees, strengthening our environment and creating benefit for our society.

I would like to extend my thanks to all of our employees, business partners and other stakeholders who have shared our vision and committed themselves to achieving that vision.

Sincerely,



**Ömer Yüngül**  
CEO

## CEO's Assessment



As has been the case for the past 65 years, we will continue to be a source of hope and inspiration for our country and facilitate the development of society through technology.



**Ömer Yüngül**  
CEO



## Message from the Chairman of the Sustainability Committee



**Built on the pillars of  
“Environment”, “Society” and  
“Employees”, Smart Life 2030  
is based on our values of  
entrepreneurship, innovation  
and creativity, our investments  
in research and development  
and our goal for being  
the pioneer of change and  
innovation in our country.**



Esteemed Stakeholders,

The world is going through a process where the private sector, in addition to generating economic value, will assume a key role in solving social and environmental problems on a global and local scale, due to the advance of globalization.

Leaving the past notion that they exist as entities independent from the society, enterprises of today act with the awareness that they can only exist alongside the society and by generating value. In this process of change and transformation where companies remodel their businesses, they are guided by sustainability strategies and practices.

Zorlu Holding is meeting this need for transformation with its sustainability-focused initiative, Smart Life 2030. Guided by UN Sustainable Development goals for 2030, the Smart Life 2030 vision has placed sustainability at the heart of our growth strategy. Built on the pillars of “Environment”, “Society” and “Employees”, Smart Life 2030 is based on our values of entrepreneurship, innovation and creativity, our investments in research and development and our goal for being the pioneer of change and innovation in our country. In line with this vision, we endeavor to create value for Turkey through our value-added services and locally manufactured high-value-added products which are focused on sustainability with an aim to make life, and innovation, easier.

Set to shape the next decade of our organization, Smart Life 2030 is the result of three years of effort. Upon the approval of the 2022 Principal Sustainability Goals by Zorlu Holding Board of Directors and by collaborating with the working groups within the Sustainability Committee, we have condensed these goals to sectoral and company level and devised our strategic roadmap of medium and long-term actions. Additionally, we are now in the process of monitoring and completing the main and sub-goals of the Holding and Group on an annual basis in order to attain the primary goals set for the year 2022.

We have accelerated our efforts within the Sustainability Committee, which we have been actively working in for the past three years, and, as a result, expanded the working groups and completed our strategic actions for 2017 as part of our strategic action plan. In 2018, we set individual goals for our Group companies and took action in line with our strategic action plan. Our efforts, which have been expanded with contribution from Working Groups within the Sustainability Committee formed of representatives from our Group companies, are designed

to facilitate the adoption of our sustainability approach by our employees and across the Group. Accordingly, we have employed the services of Smart Life Architects, who currently number around 120.

In 2018, as part of our strategic action plan, we continued to integrate Smart Life 2030 into our business processes via innovative projects. In this regard, we published and implemented Code of Ethics, Supplier Principles and Customer Relations Manifest. We also launched the Sparks Movement, an important part of our volunteer platform. The Sparks, which have set out with the motto "Volunteering for a bright future, sustainable life, and social benefit", will pave the way for 8 hours of volunteer work per employee on average by 2022. Meanwhile, we launched another project, named "Be Aware" in partnership with Business Council for Sustainable Development Turkey, to extend the awareness of environmental impact we diligently manage in our production processes to our daily lives through personal awareness. We also plan to implement a significant project towards internal entrepreneurship in 2019.

Of course, on the road to achieving our goals, we do not base our progress solely on numbers; instead, we see the bigger picture and focus on improving our employees' competencies as part of our sustainability vision. To that end, we aim to integrate innovation into our business as a permanent part of our corporate culture. We are aware that there is still a long road ahead of us, because we aim high, and know that it takes true commitment and determination to accomplish our goals. We will devote ourselves to our work until every Zorlu employee

feels like a sustainability ambassador within this transformation process.

Accordingly, we will integrate our long-term strategic goals into our sustainability goals across all of our processes. As Zorlu Holding, we will take planned and systematic steps with our innovative and creative structure, leveraging the support from all of our stakeholders and especially our employees.

I would like to thank our stakeholders once again for their support in our efforts to create a better future fueled by innovation and technological advancement.

Sincerely,



**Bekir Cem Köksal**  
Chairman of the Sustainability Committee

Message from  
the Chairman of  
the Sustainability  
Committee



We are aware that there is still a long road ahead of us, because we aim high, and know that it takes true commitment and determination to accomplish our goals. We will devote ourselves to our work until every Zorlu employee feels like a sustainability ambassador within this transformation process.



**Bekir Cem Köksal**  
Chairman of the Sustainability Committee



## Senior Management



### Ömer Yüngül

CEO

(1955 - İzmir) Ömer Yüngül obtained his bachelor's degree in mechanical engineering at Boğaziçi University in 1978. He started his career at the construction company Tekfen İnşaat, and went on to hold various managerial positions at Metaş, Faz Elektrik, and Merloni Elettrodomestici. In 1997, he was named General Manager of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, and became Chairman of the Executive Board of Vestel Group in 2000. After serving as an executive at Vestel for fifteen years, Ömer Yüngül was named the CEO of Zorlu Holding in 2013.



### Bekir Cem Köksal

CFO

(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 worked in the banking industry between 1990 and 2001, Mr. Köksal was appointed as Deputy General Manager at Denizbank in 1997. Mr. Köksal joined Vestel as the Chief Financial Officer in 2002. He currently serves as an Executive Committee Member at Vestel Group of Companies and as the Chief Financial Officer of Zorlu Holding.



### Enis Turan Erdoğan

CEO, Vestel Group

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



### **Necat Altın**

CEO, Zorlu Textiles Group

(1966- Bursa) Necat Altın graduated from Uludağ University Department of Textile Engineering in 1987. After starting his career at Korteks AŞ, a Zorlu Holding company, in 1992, Mr. Altın assumed the critical role of coordinating the investment process for the integrated polyester yarn manufacturing facility between 1995 and 1998, and contributed to the completion of the investment in record time. Necat Altın served as Deputy General Manager for Production at Korteks AŞ from 1994 to 2004 before being appointed as General Manager. Also serving as Deputy CEO of Zorlu Holding Textiles Group since 2016, Mr. Altın was named CEO of the Textiles Group on January 1, 2018.

Necat Altın is also a board member at several NGOs including Synthetic Yarn Manufacturers' Association of Turkey and BOSİAD, as well as European Man-Made Fibres Association, one of the leading artificial and synthetic yarn platforms in the world, since November 2017.



### **İbrahim Sinan Ak**

CEO, Zorlu Energy Group

(1971 - Ankara) İbrahim Sinan Ak graduated from the Department of Management Engineering at İstanbul Technical University. He started his career as an investment specialist at Evgin Yatırım Menkul Değerler. He then received his MBA degree from Old Dominion University in the USA. Between 2000 and 2002, he worked as Finance Chief at Vestel Komünikasyon and between 2002 and 2006 as Finance Manager at Vestel Beyaz Eşya. Mr. Ak joined Zorlu Energy Group in 2006. He served as Deputy General Manager in charge of Financial Affairs at Zorlu Enerji Elektrik Üretim AŞ until 2012 and became the General Manager of Zorlu Enerji in January 2012. Mr. Ak has been serving as the CEO of Zorlu Energy Group, of which Zorlu Enerji Elektrik Üretim AŞ is a member, since December 1, 2016.



### **Mesut Pektaş**

CEO, Zorlu Real Estate Group

(1953 - Malatya) Mesut Pektaş graduated from the Department of Economics and Statistics Middle East Technical University and obtained a master's degree in Money, Banking and Finance at Boston Northeastern University. In 1979, he started his career in the public sector at the Inspection Board of the Ministry of Finance where he served as Deputy Financial Auditor, Financial Auditor and Chief Financial Auditor. Mesut Pektaş entered the private sector in 1990 and held various senior management positions at Petrol Ofisi, Med Union Containers and Al Baraka Türk. Mesut Pektaş was named Assistant Secretary General at İstanbul Metropolitan Municipality in 1996 and served as AKOM (Disaster Coordination Center) Chairman, Board member of İstanbul World Trade Center and Chairman of the Board at İDO, İGDAŞ and Halk Ekmek companies. Between 2005 and 2009, he served as Secretary General of İstanbul Metropolitan Municipality and he has been working as the CEO of Zorlu Real Estate Group since July 2009.

## Senior Management



**Orhan Yılmaz**  
CEO, Zorlu Mining Group

(1960 - Kayseri) Orhan Yılmaz obtained his bachelor's degree in chemical engineering at Gazi University in 1984. Yılmaz also holds master's and PhD degrees from the same university. In 1986, he launched his career as an engineer in boron and acid factories of Etibank. He served as chief engineer, principal engineer and manager, respectively in the same company and was named Deputy General Manager in 2003. In 2004, Mr. Yılmaz was named General Manager and Chairman of the Board at Eti Maden, positions which he held until 2015. Between 2015 and 2017, he served as an advisor at the Ministry of Energy and Natural Resources. Yılmaz has been serving as the CEO of Zorlu Mining Group since January 2017.



**Necmi Kavuşturan**  
CEO, Zorlu Holding Human Resources Group

(1956 - Gaziantep) Necmi Kavuşturan graduated from the Faculty of Political Sciences at Ankara University in 1979. He began his career as an expert at Türkiye İş Bankası in 1979 and became the Deputy General Manager of Interbank in 1985. Pioneering various projects at Interbank such as "Management Trainee" program, open performance systems and overall quality management, Mr. Kavuşturan served as the Deputy General Manager in charge of Management Services at Denizbank between 1997 and 2003. In these years, he managed the Advertisement, Public Relations, Construction and Purchasing Departments of Denizbank. Since 2003, Mr. Kavuşturan has been serving as the Head of Human Resources Group at Zorlu Holding. He is also an Executive Committee Member at Vestel Group of Companies and a Board Member at Zorlu Gayrimenkul.



**Burak İsmail Okay**  
CLO, Zorlu Holding

(1967 - Ankara) Burak Okay completed his secondary and high school education at TED Ankara College and graduated from the Faculty of Law at Ankara University in 1990. After completing the International Law Program at New York University, he started his career as an Attorney in the Department of Legal Advisory at İşbank. He later worked at Garanti Bankası as an Assistant Legal Advisor, at MNG Bank as a Legal Advisor and at Nortel Networks Netaş as the Legal Affairs Director before joining Bener Law Office as an executive. He joined Zorlu Group in 2006 and played an active role in the structuring of the Legal Department which centrally serves all the Zorlu Group companies. He currently serves as the Head of Legal Affairs Group at Zorlu Holding.,



### **Murat Zeren**

CIO, Zorlu Holding

(1970 - İzmir) Murat Zeren obtained his bachelor's and master's degrees in electrical-electronic engineering at Bilkent University and his PhD degree at Ohio State University, USA. Upon his return to Turkey, Mr. Zeren managed the R&D and software teams at Alcatel Teletaş, Telsim and Oksijen Teknoloji. He started his academic career as an associate professor of computer engineering at Boğaziçi University, where he held tenure from 2002 to 2004, during which he arbitrated and advised projects by TÜBİTAK (Scientific and Technological Research Council of Turkey). Mr. Zeren served in several managerial positions at Ülker Group, Argela Teknoloji and Türk Telekom before his appointment as the Chief Information Officer at Doğan Online. He joined Zorlu Holding in 2014.



### **Billur Demet Atan**

Audit General Manager, Zorlu Holding

(1964 - İstanbul) Billur Demet Atan obtained her bachelor's degree in Business Administration in 1986 and her master's degree in International Management in 1988, both from Istanbul University. She started serving as an independent auditor at Ernst & Young. Between 1995 and 1996, she worked in the Chicago, US office of E&Y and was named audit partner in 1998. From 2000 to 2012, she served as the Independent Audit Leader of Turkey at E&Y. Billur Demet Atan joined Zorlu Holding in 2013. Carrying out internal audit, tax audit and financial audit activities of the Holding, Billur Demet Atan is a member of the Expert Accountants' Association of Turkey, Istanbul Chamber of Independent Accountants and Financial Advisors and the Institute of Internal Auditing of Turkey.



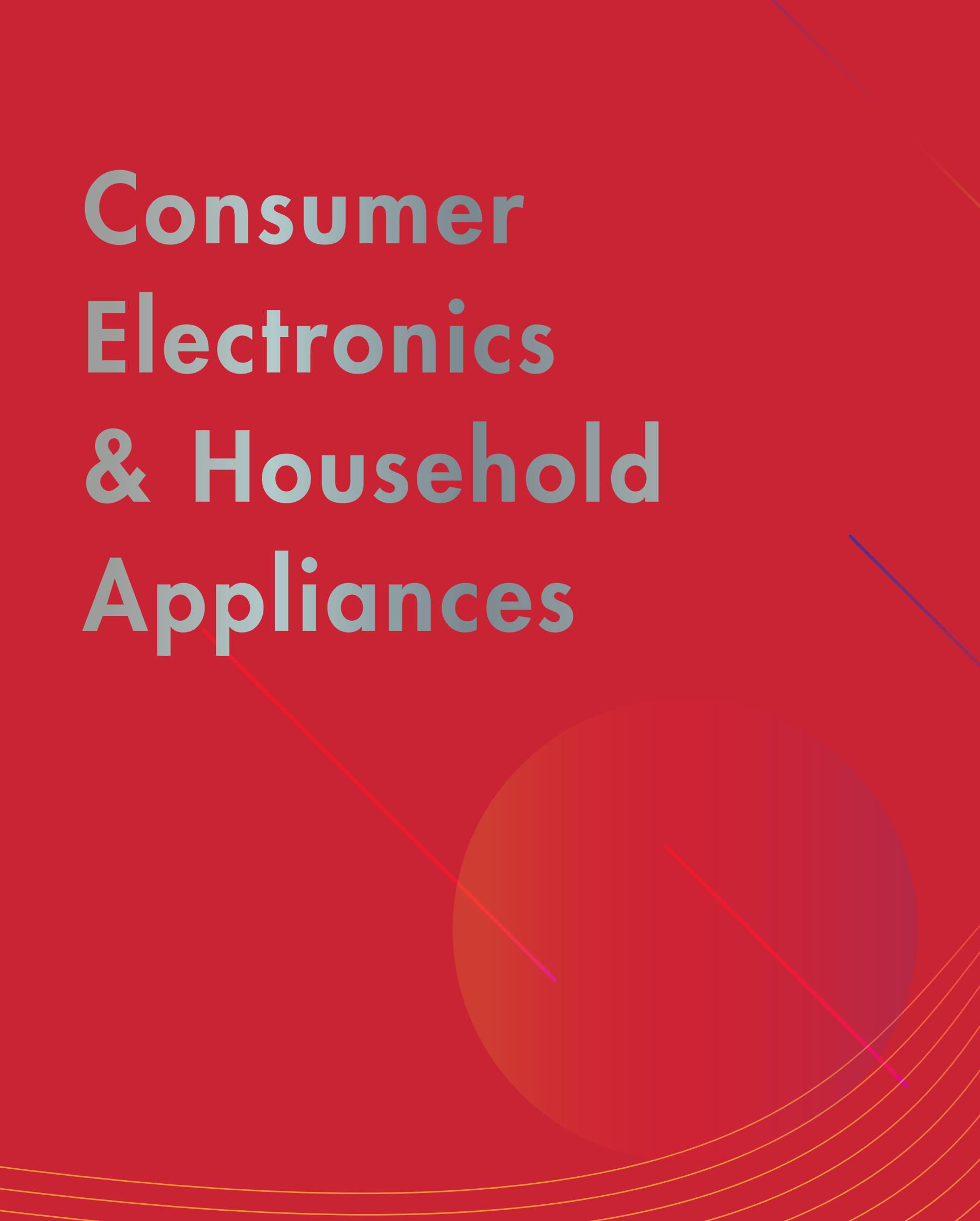
### **Arzu Pişkinöğlü**

Internal Control General Manager, Zorlu Holding

(1970 - İstanbul) After graduating from Üsküdar American Academy, Arzu Pişkinöğlü completed her undergraduate study at the Department of Economics of Boğaziçi University before starting her professional career as an independent auditor at Ernst & Young. Arzu Pişkinöğlü then worked as Quality Assurance Department manager at Citibank Retail Banking and she was appointed as manager at Ernst & Young's Consultancy Department. In this position, Ms. Pişkinöğlü provided consultancy services on internal control, process development, risk management, internal audit, harmonization and financial transformation among others to domestic and foreign companies in various sectors, and later became Consultancy Department Partner in charge of Risk Services in 2007.

Arzu Pişkinöğlü joined Zorlu Holding in 2016. She is responsible for internal control, process risk management and process development activities at Zorlu Holding. She holds various domestic and international certificates including Independent Accountant and Financial Advisor, Certified Internal Accountant (CIA), Certified in Risk Management Assurance (CRMA), Certified Internal Control Auditor (CICA).

# Consumer Electronics & Household Appliances





## Consumer Electronics & Household Appliances

With more than 16,000 employees, production capability built on advanced technology and its contribution to the nation's exports, Vestel represents an important source of power for the Turkish economy.





## Consumer Electronics & Household Appliances



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



**Enis Turan Erdoğan**  
CEO, Vestel Group

In 2018, Vestel enjoyed a strong sales performance driven by international sales, increasing its sales revenues by 31% YoY to TL 15.9 billion. EBITDA reached an all-time high TL 2.3 billion, with the EBITDA margin rising to 14.5%. Combined with the strong growth in operating profitability, we concluded 2018 with a record-breaking net profit of TL 371 million.

The new washing machine and tumble dryer production plant, the construction of which began in 2017, was completed and entered into operation. The new plant, which has an annual production capacity of 750,000 washing machines and 750,000 tumble dryers, was built with the Industry 4.0 infrastructure. With this investment, we added tumble dryers to our product portfolio, completing our product range in six major household appliances.

The concept of Industry 4.0 and the mobility and connectivity technologies constitute an important part of our R&D activities. Integrating IoT (Internet of Things), artificial intelligence and big data technologies into work processes stand out as our other important development points. We think Vestel City is about half way through the Industry 4.0 transformation. As one of the first companies in Turkey, which started to invest in digital transformation, we are maintaining our pioneering position in this field. Vestel will continue its march forward and consolidate its position in the global markets with its progress in Industry 4.0, its R&D, innovation and design capabilities, and sustainable product range and processes.

We continue to work on new generation smart and electric vehicles. Our R&D projects are progressing on battery and electric vehicle charging units and IoT matters in general. In 2018, we participated in the joint venture group which was formed to manufacture Turkey's first national electric car. We aim to support this project with our long-established know-how and experience in the electronics sector.

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

### Consumer Electronics and Household Appliances Sector in 2018

The contraction in the Turkish household appliances industry in 2017 due to the high base effect accelerated in 2018, particularly after August, with the rising interest and exchange rates. While retail sales recovered somewhat thanks to the temporary SCT exemption introduced in the last 2 months of the year and the sales campaigns carried out, the effect on wholesale (sell-in) was limited, which ultimately resulted in the domestic white goods market shrinking 17% in 2018. Despite the contraction in domestic sales, exports grew 7% during the year, with increasing exchange rates supporting Turkish household appliance exporters' competitive strength in international markets.

In 2018, the Turkish TV market contracted by 10% due to the rising exchange and interest rates impeding demand, particularly after the second half of the year, and the reduction of number of installments on TV purchases from 6 to 3 months, effective after August 15.

As household appliances demand in Western Europe, Turkey's largest export market, fell around 1% in 2018, the strong expansion in the Eastern Europe market and the rising competitiveness of Turkish manufacturers were the key drivers of export growth.

The impact of World Cup on TV demand in Western Europe, our major export market, remained somewhat weak compared to previous years, and as a result, Turkish TV exports declined by 8% YoY in 2018.

### Vestel Group

Vestel Group of Companies ("Vestel Elektronik" or "Vestel") comprises Vestel Elektronik Sanayi ve Ticaret AŞ along with its subsidiaries and affiliates.

The group operates in the areas of:

- consumer electronics,
- household appliances,
- digital and mobile products

with 28 companies in total, 18 of which are located abroad.

Consumer electronics, digital and mobile products of the group are produced by Vestel Elektronik, while household appliances are manufactured by Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ("Vestel Beyaz Eşya"), in which Vestel Elektronik holds 95.18% share.

Vestel's manufacturing facilities are located at Vestel City, one of Europe's largest industrial manufacturing complexes in a single location spanning 1.1 million square meters in Manisa. A new washing machine and tumble dryer production plant, the construction of which began at Vestel City in 2017, was completed and became fully operational in 2018. This new 66,000 square meter production facility has an annual production capacity of 750,000 washing machines and 750,000 tumble dryers.

Vestel Ticaret AŞ ("Vestel Trade"), a fully-owned subsidiary of Vestel Elektronik, carries out domestic and international sales and marketing of products manufactured by Vestel Group companies.

### Vestel in Turkey

Vestel's domestic sales network

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

## Consumer Electronics & Household Appliances

**Vestel's international sales and marketing organization comprises foreign trade companies in 11 countries, 10 of which are located in Europe.**

After sales services:

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

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

### **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, as well as direct sales points in neighboring regions. Vestel has 2,750 stores and sales points abroad.

### **Operational and Financial Results of Vestel in 2018**

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

In respect to consumer electronics, Vestel focused on profitability rather than sales growth, both in domestic and export markets in 2018. Accordingly, the company concentrated on the sales of larger screen and premium TV sets, which subsequently increased the average screen size of TV sets sold. While this strategy resulted in a slight decline in domestic market share, the company maintained its market leadership.

In international markets, Vestel was negatively affected by the contraction in demand, particularly in main markets such as Germany and Italy. On the costs side, TV panel prices followed a declining trend during the year and this had a positive impact on the company's profitability on both domestic and international sales in the consumer electronics segment.

For Vestel, 2018 was a year of reaping the fruits of its global collaborations. Toshiba-branded TV sales, which accelerated remarkably after the second half of 2017 with the completion of the product range, sustained its robust growth trajectory in 2018, bringing the brand to its historic highest market share in certain key markets, such as the UK.

In household appliances segment, exports to Europe grew at double digit rates supported by the new ODM projects and addition of new customers, resulting in the company surpassing average sector growth. In terms of domestic sales, Vestel managed to increase its market share as it was less affected by the market contraction than the overall sector.

### VESTEL ELEKTRONİK - 2018 FINANCIAL RESULTS



NET SALES  
TL **15.9**  
BILLION



EBITDA\*  
TL **2,302**  
MILLION

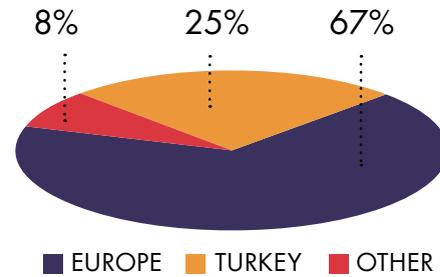


EBITDA  
MARGIN\*  
**14.5%**



NET PROFIT  
TL **371**  
MILLION

#### SALES BREAKDOWN BY REGION



### VESTEL BEYAZ EŞYA - 2018 FINANCIAL RESULTS



NET SALES  
TL **5,964**  
MILLION



EBITDA\*  
TL **894**  
MILLION

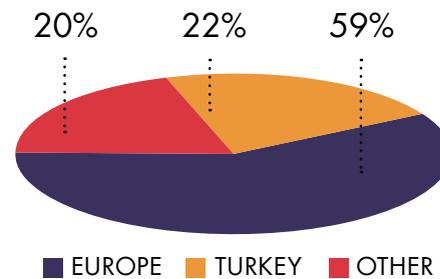


EBITDA  
MARGIN\*  
**15.7%**



NET PROFIT  
TL **623**  
MILLION

#### SALES BREAKDOWN BY REGION



\* Excluding other operating income and expense

**Vestel's position in Turkey and international markets**

With more than 16,000 employees, production capability built on advanced technology and its contribution to the nation's exports, Vestel represents an important source of power for the Turkish economy.

A strong and well-known brand domestically, Vestel is also the leader of the Turkish TV market and one of the top three players in the Turkish household appliances market. Furthermore, Vestel is among the ten most recognized brand names in Turkey.

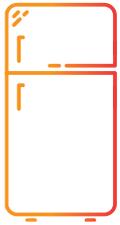
One of the world's leading ODM (Original Design Manufacturer) providers in consumer electronics and household appliances,

Vestel is the second largest LCD TV producer and among the top five household appliances manufacturers in Europe.

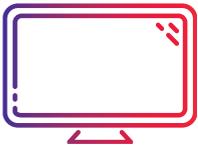
Vestel appeals to a wide variety of consumer preferences in 155 countries with its extensive range of products thanks to its expertise in technology, design and product customization. Accounting for approximately 90% of Turkey's exports in TVs and 30% in household appliances, Vestel has been the undisputed export leader in the Turkish electronics sector for the last 21 years.



EXPORT TO **155**  
COUNTRIES



**30%**  
SHARE IN TURKEY'S HOUSEHOLD  
APPLIANCES EXPORTS



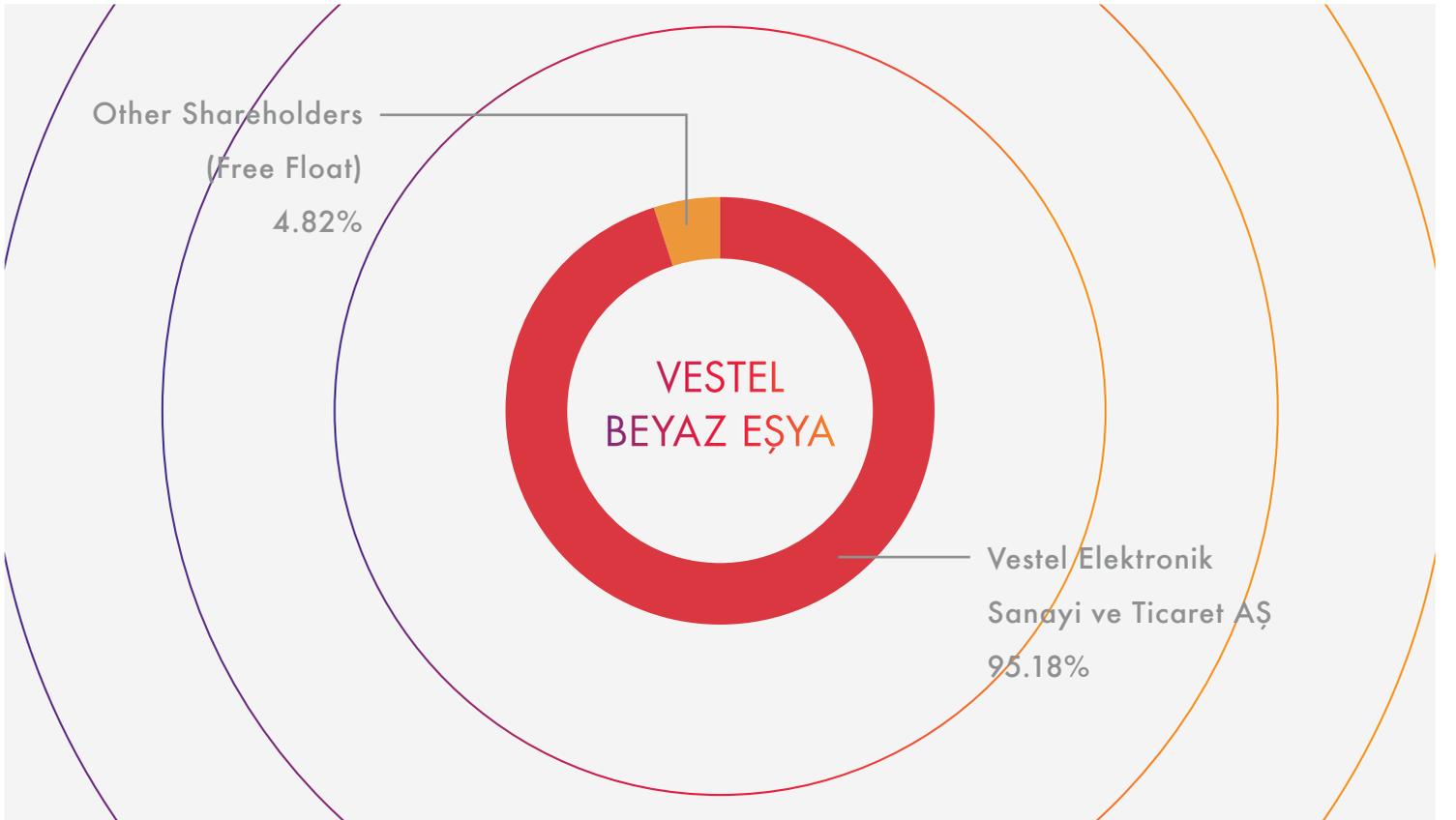
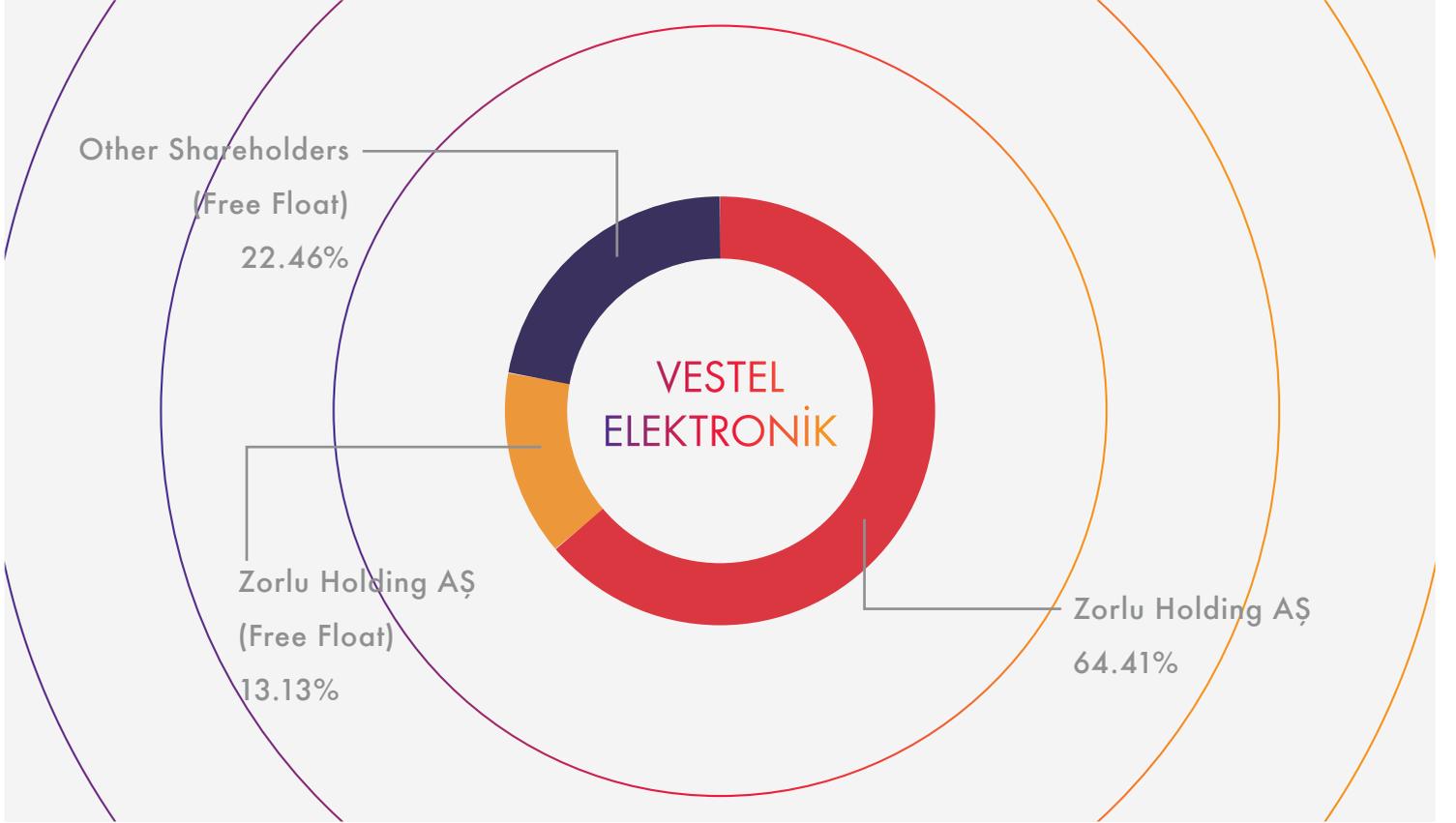
**90%**  
SHARE IN TURKEY'S TV  
EXPORTS



**EXPORT  
CHAMPION**  
IN TURKISH ELECTRONICS  
SECTOR FOR  
**21 YEARS  
RUNNING**



## Shareholding Structure



## Investments

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

Built with an indoor area of 66,000 m<sup>2</sup> and a production capacity of 750,000 washing machines and 750,000 tumble dryers per year, the plant was designed in accordance with the Industry 4.0 standards.

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

Furthermore, in order to meet the double digit growth in its dishwasher sales in international markets, Vestel also doubled its dishwasher production capacity through incremental investments in 2018. Thus, the company's total production capacity in white goods had increased to 12 million units per year by the end of 2018.

## Vestel and R&D

R&D will always remain Vestel's most distinct competitive advantage. The company's R&D organization abroad and well-versed R&D team of over 1,600 people will propel Vestel further.

Vestel has a total of nine R&D centers: one Household Appliances and three Electronics R&D centers at Vestel City, the manufacturing base in Manisa; two R&D centers at ITU Technopark and Celal Bayar University Technopark and three overseas R&D centers in the UK and China. Vestel Elektronik affiliates Vestel Savunma Sanayi AŞ and Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ are also certified R&D Centers as per Law No 5746.

Within the scope of its R&D activities, Vestel collaborates with several national and international institutions and organizations, particularly with universities.

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

To this end, Vestel's R&D mission is based on developing technologies that will provide Vestel with advantages over its competitors in a fiercely competitive environment, while also being a pioneer of technology in the fields that will enable the sustainability of its competitive position and carry the company into the future.

With its strong vision, the company aims to be Turkey's and Europe's leader in the field of "4C convergence", which has emerged through the integrated use of communication, consumer electronics, computing and content technologies.

Vestel actively continues its R&D efforts in new screen technologies, smart solutions, photovoltaic cells, energy transformation and storage systems, electric vehicle charging stations, 5G, automotive electronics, wearable technologies and telecommunication within the consumer electronics segment.

Vestel's R&D focus in household appliances is to develop eco-friendly technologies and products that use resources efficiently by maximizing energy and water conservation with functional and aesthetic designs, prolong shelf life and protect the freshness of food, provide extra hygiene, deliver maximum performance thanks to smart sensors and can be remotely controlled via Internet access.

Vestel allocates half of its R&D budget to the development of environmentally friendly products. Thanks to its R&D efforts Vestel's household appliances product range consists of products with energy ratings of A, A+, A++ and above, which are considered the highest categories in energy efficiency.

As a result of R&D efforts in the consumer electronics industry, the company has developed and launched the following products in 2018:

- TVs featuring cardless embedded conditional access,
- Smart home integrated TVs,
- WCG HDR Hi-bright Ultra HD TVs with borderless screens, ultra-thin mechanical structure and advanced video technology, Vestel LED WALL,
- Indoor and outdoor flight information screens,
- Widescreen 1,000 nit digital information screens,
- Low-cost 75" UHD digital information screens,
- Large-scale capacitive touch screen digital information displays,
- 86" digital information screens with touch screen and industrial panel options,

## Consumer Electronics & Household Appliances

Standing out with its manufacturing, R&D and innovation competencies, Vestel is a key technology company and global producer driving not only the Turkish market but also global markets.

- High-performance 4.5G tablets with high resolution screens and EMR pens,
- Vestel LED lighting products for field lighting,
- Industrial high-ceiling LED lighting products,

Interactive personalized smart mirrors.

Vestel has developed and launched the following household appliances in 2018:

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



- 60x185 cm deep freezer with No-Frost Cooling technology,
- Dishwashers that consume up to 25% less water for entry-level products, thanks to Aquazone, a water saving technology developed by Vestel,
- Dishwashers with Natural ION Tech technology which prevents that prevents the unpleasant odor of dishes,
- BrillART offering user-friendly applications with 13 different sensors,
- Built-in dishwashers that consume 20% less energy compared to A+++ products,
- Record holding washing machines which generate 38 dBA (decibel) of noise level,
- TwinJet® washing machine with a load capacity of 12 kg,
- TimeSaver washing machine with the Pyrojet® technology, that can wash 8 kg of laundry in 90 minutes with A class performance,
- Built-in ovens with the latest cooking technology “HeatWrap”, than cook or bake homogenously with multiple trays (up to 5 trays) or independent from tray positioning,
- Induction ovens with the highest level of energy efficiency, safe to use in kitchens with an electrical infrastructure suited to gas ovens, Gas cooker consuming up to 20% less gas with highly efficient hobs,
- New generation indoor platform aesthetic air-conditioning units,
- Record holding air conditioners, which generate just 51 dBA of sound,
- R32 Terra Inverter series air-conditioners.

Vestel has developed the following products in 2018 to be launched in 2019:

- 4-door puzzle refrigerator with the FermentStore technology providing ideal fermentation and storage conditions,
- Refrigerators using the latest UV-A and Photocatalytic Filter (Ultra Pure Tech) technology, inspired by the cleansing effect of the sun’s rays,
- 60x185 cm 7-drawer single door refrigerator with No-Frost Cooling system and Dual Control technology (Cool or Freeze),
- 70 and 84 cm double door Top Freezer refrigerators with the Convert Zone technology and new generation No-Frost Multi Cooling system,
- HydroBoost® washing machine which protects and washes laundry in record time by spraying the water and detergent mixture on the laundry from 14 different points,
- HydroCharge® washing machine, which reduces the need for detergents with its unique technology based on electrolysis,
- Fully redesigned stylish and user-friendly T series washing machine family, Easy Bill air-conditioner,

- Voice activated air-conditioners,
- Air-conditioners with new generation ionizer technology,
- Air-conditioners with anti-microbial gel filters,
- Multi-Inverter air-conditioners,
- Bottom-controlled water heaters.

In 2017 Vestel initiated its collaboration in artificial intelligence with the US based e-commerce giant Amazon with a smart washing machine that enables automatic ordering of laundry detergent and fabric softeners. Taking the collaboration a step further in 2018, for the first time in the world, Vestel has integrated Amazon’s smart assistant Alexa into its TVs. Thanks to this this collaboration, all electronic devices and household appliances within the ecosystem of a smart home will be voice controlled via the smart assistant Alexa integrated into the TVs manufactured by Vestel; consumers will receive notifications from all their devices on their TV screen. The first products of this collaboration, Toshiba branded TVs manufactured by Vestel integrated into the Alexa ecosystem were offered for sale the UK and Germany markets as of 2018. The company aims to position TVs manufactured by Vestel at the core of smart homes.

Vestel has developed smart home and smart city technologies that enable all devices, from electronics to home appliances, to communicate with one another. The future’s top trend, smart technologies are now ready to enter people’s homes.

Vestel’s R&D power and innovative approach are demonstrated through its claim on intellectual property and patents. In 2017, Vestel Elektronik submitted 408 applications to the European Patent Office (EPO) and 1,114 applications to the Turkish Patent and Trademark Office for patents that meet the criteria. With the highest number of patent applications to EPO and the Turkish Patent and Trademark Office in 2017, the company ranked 49<sup>th</sup> in EPO’s “Top 100 applicants” list. In 2018, Vestel Elektronik also applied for patents for 104 inventions. As of the end of 2018, the company has a total of 123 registered and patented inventions. In the household appliances segment, the number of registered and patented inventions reached 221.

## Consumer Electronics & Household Appliances

**Vestel has made great efforts towards the Industry 4.0 transformation for more than four years.**

### Industry 4.0 Transformation

As one of the pioneers of the Industry 4.0 transformation in Turkey, Vestel has made great efforts on the subject for more than four years.

In order to implement its vision of digitization in every process, Vestel focuses on various fields such as horizontal/vertical value chain integration, artificial intelligence software, IoT (Internet of Things) technologies, lights-out factory applications, automation (robots, Cobots (collaborative robots)), 3D printing (additive manufacturing), AGV (Automated Guided Vehicle) and SDV (Self Driving Vehicle) applications.

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



The Industry 4.0 transformation will allow Vestel to enhance its competencies and competitive advantages from a multi-dimensional point of view with gains such as customized products that can respond more extensively and rapidly to consumer preferences and needs, greater flexibility and less defects in manufacturing, higher product quality, reduced use of resources, and higher efficiency.

The completion of the Industry 4.0 transformation will ensure end-to-end digitization and an ecosystem complete with all stakeholders in the value chain.

Vestel is committed to position Vestel City as the first facility in Turkey to complete this transformation. To this end, the company's new washing machine and tumble dryer production plant was built in line with the Industry 4.0 infrastructure.

### **Vestel's Sustainability Approach**

In line with its sustainability strategy that was built around its focus on economy, society, environment and social benefit, Vestel acts with "respect towards the environment and natural resources."

As a global manufacturer, Vestel reflects its vision of sustainability to every one of its processes and closely monitors

the environmental impact of its products at every step from design to production, and after the end of their service life.

Expanding its range of products that hold world records in energy and water conservation, Vestel mitigates the environmental impacts of its operations, its production costs, and risks through modern and environment-friendly and human-focused manufacturing processes.

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

Vestel considers its own development akin to the development of the society and is an avid supporter of social responsibility projects in addition to its contributions towards achieving economic and environmental sustainability.

Determined to increase its efforts and contribution towards a better future, Vestel applies sustainability to all of its business models from the use of its technology to management strategy.



## Consumer Electronics & Household Appliances

**Vestel considers its own development akin to the development of the society and is an avid supporter of social responsibility projects in addition to its contributions towards achieving economic and environmental sustainability.**

Vestel Elektronik was first listed in the BIST Sustainability Index on November 2, 2015. The Index includes the shares of publicly traded companies traded on Borsa Istanbul with a high corporate sustainability performance. Having been listed in the BIST Sustainability Index for three periods, and having maintained its compliance with the index criteria, Vestel Elektronik was included in the Sustainability Index on November 1, 2018 for the fourth time.

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



As part of its sustainability efforts, Vestel Elektronik:

Increased the awareness for the environment by providing environmental training for 1,257 employees in 2018.



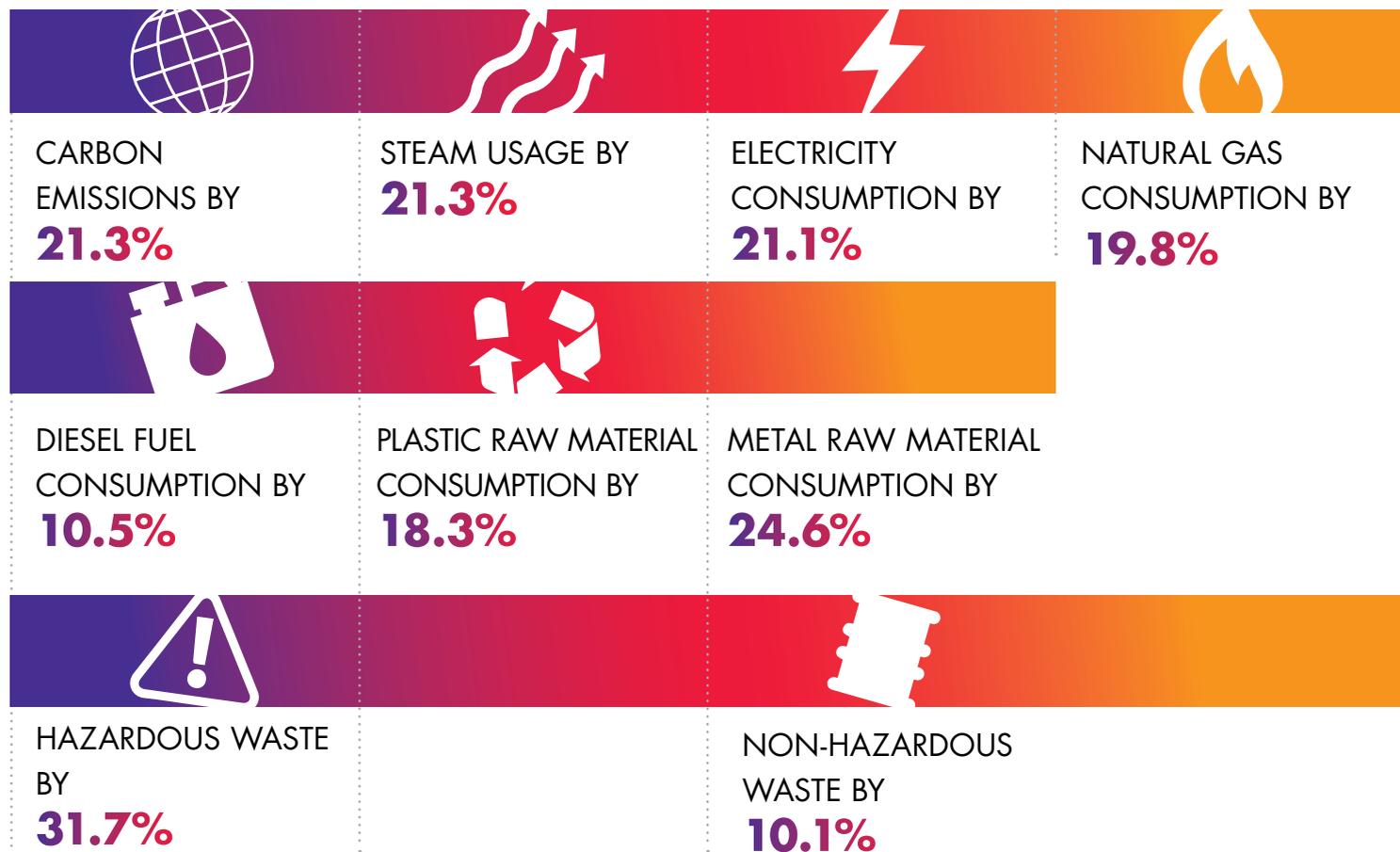
**1,257**

Had its greenhouse gas emission estimates verified by an independent authorized firm in 2018 and maintained its certification.



**Certification**

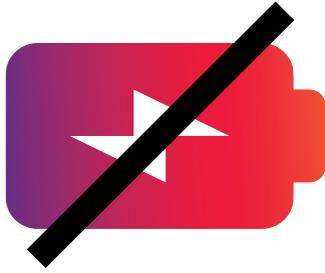
COMPARED TO 2017, IN 2018 VESTEL ELEKTRONİK REDUCED ITS



BASED ON STANDALONE TL REVENUES.

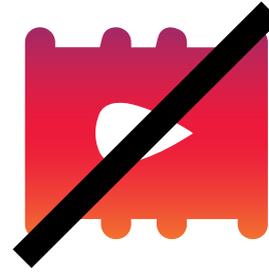
As part of its sustainability efforts, Vestel Beyaz Eşya:

Saved 4,160 tonnes of soil from contamination by collecting all of its battery waste.



**4,160 tonnes**

Saved 88 billion liters of clean water from pollution by collecting its waste oil.



**88 billion liters**

Thanks to the technological developments in dyeing units, reduced its powder paint waste from powder paint use by 27%.

Prevented 61,288 trees from being cut down in the past year by recycling waste paper.

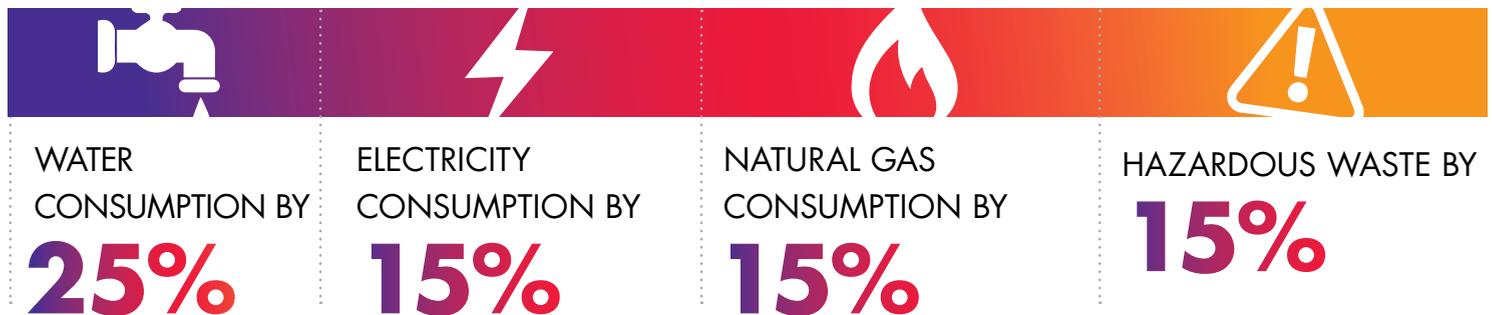
Thanks to R&D efforts and improvements at production plants, in the past year saved water equivalent to of the annual consumption of 1,156 people.

As a result of the effective operation of the waste management system and R&D efforts, hazardous waste per unit was reduced by 95% in the past 5 years.

Broke its own record by preventing 1,765,529 kg of carbon emissions thanks to its "Energy Efficiency in Ancillary Facilities" Project.

Calculated its water footprint for 2017 in accordance with the ISO 14046 Water Footprint Standard and had the estimates validated by an accredited organization, Rina to receive the ISO 14046 Water Footprint Certification.

IN THE PAST YEAR, VESTEL BEYAZ EŞYA REDUCED ITS



PER PRODUCT.

## Awards Received in 2018

### Red Dot Design Award

Vestel was awarded in the "Product Design" category for the design of its Borderless TV 65560 and ERA RC43135 remote control at the Red Dot Design Award 2018, one of the most prestigious awards in the design industry.

### CES Innovation Award

Vestel was granted the Innovation Award for its refrigerators with Vacuum and FermentStore technologies at CES, the world's largest consumer electronics show. Technologies by hundreds of brands competed in 28 categories at the CES Unveiled Awards organized in New York on November 8, 2018. Vestel's award-winner products were exhibited and drew a lot of attention at CES 2019, organized in Las Vegas on January 8-11, 2019.

### Productivity Project Awards

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

At the same organization, Vestel Beyaz Eşya won First Place in the "Large-Scale Enterprise R&D" category with its "Refrigerator Cooling Technology Revision Process."

### Edison Awards

The smart cane WeWALK, developed in collaboration by Vestel and Young Guru Academy, was recognized with the Gold Award in the "Health & Wellness" category at the Edison Awards, one of the most prestigious awards in innovation organized in the US.

### Crystal Apple Creativity Awards

Vestel was granted 4 Crystal Apple Awards at the Crystal Apple Creativity Awards held as part of the 30<sup>th</sup> Crystal Apple Festival hosted by the Turkish Association of Advertising Agencies.

## Good Design Award

Vestel received a total of 12 awards with 6 products in consumer electronics and 6 products in household appliances at the Good Design Award 2018.

## European Business Awards for the Environment

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

## Kırmızı Awards

Vestel was granted the Kipkırmızı Award in the "Best Digital Campaign" category with its "Viziizle - The World's First Bumper Ad Series" Project at the 15<sup>th</sup> Red Awards organized in 2018 with the theme of change. Vestel's project has been recognized with awards in the "Best Digital Ad" and "Best Consumer Durables Campaign" categories as well. Also receiving the Consumer Durables Campaign Achievement Award with its "Mix&Go Big Gossip from Small Household Appliances" campaign, Vestel took home 4 awards from the ceremony.

## Stevie International Business Awards

In 2018, Vestel Retail Academy (VPA) won three awards at the Stevie International Business Awards, the world's only international business award program. VPA was granted a Gold Stevie in the "New Hire Training" category with its "Sales Bootcamp Program"; a Bronze Stevie in the "Managerial Training" category with its "Excellence in Retail Program"; and a Bronze Stevie in the "Sales Training" category with its "Sales Representatives Development Program."

## Awards Received in 2018

### Plus X Award

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

### Turkish Standards Institution Award

Vestel was awarded for its “Participation and Contributions to Standardization Efforts” at the Standardization Summit co-organized by the Turkish Standards Institution (TSE) and the Union of Chambers and Commodity Exchanges of Turkey (TOBB) for the World Standards Day.

### Contact Center World Awards

Vestel Customer Services won first place in the “Technology Innovation” category with its VIRA Project at the EMEA semi-finals of Contact Center World Awards, one of the most prestigious awards in the call center sector, organized in Berlin. Allowing service technicians in the field to carry out all transactions via the mobile app on their Venus smartphones, the VIRA Project also won the Gold Award at the Contact Center World Awards world finals held in Prague and won the first place in the “Best Technology Innovation” category for the third time.

### Effie Awards

At the Effie Awards Turkey, Vestel won the Gold Effie in the “Sustainable Success” category with its “Proudly Local” campaign held for consumer durables, in addition to the Bronze Effie in the “Consumer Durables/Small Household Appliances” category with the “Big Gossip from Small Household Appliances” campaign prepared for Mix&Go.

## TEGEP Learning and Development Awards

With its Technology Academy Project, Vestel was awarded Gold Prize with a record breaking score in the Learning and Development Awards held for the fourth time this year by the TEGEP Learning and Development Platform Association. Receiving the award in the “Best Training and Development Program” category, the Vestel Technology Academy Project was the first project to be selected unanimously by all 25 jury members.

## Campaign Agency & Brand of the Year Awards

At the Campaign Agency & Brand of the Year Awards organized by Campaign UK and Campaign Asia Pacific for 25 years and held in Turkey for the first time in 2018, Vestel was granted an award in the “Consumer Durables, Small Household Appliances and Electronics” category.

## Felis Awards

Vestel received 4 awards at the 13<sup>th</sup> Felis Awards.

- Felis - I Am Not a Robot (Digital Inspiring Ideas Category)
- Felis - Mother’s Day (Integrated Campaigns-Consumer Durables Category)
- Felis - V Hepyeni (Alwaysnew) Subscription Revolution (Integrated Campaigns-Consumer Electronics Category)
- Felis-V Hepyeni (Alwaysnew) Subscription Revolution (Film-Consumer Electronics Category)

## Consumer Electronics & Household Appliances

### Vestel's 2018 Highlights

#### Vestel's new plant began production.

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

The new plant, which was built with the Industry 4.0 infrastructure, has a production capacity of 750,000 washing machines and 750,000 dryers per annum.

#### Vestel's record-breaking products were certified by the VDE.

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

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

#### Vestel Elektronik ranked among the top 50 companies with the highest number of applications to European Patent Office.

Having filed 408 patent applications in 2017 with the European Patent Office, one of Europe's largest official organizations, Vestel Elektronik left global giants behind and ranked within the top 50 companies. Vestel Elektronik is also the only Turkish company within the top 100 companies in patent applications.





**Vestel Service Academy proved its quality of training of international standards by receiving the ISO 29990 Certificate.**

Vestel Service Academy operating under Vestel Customer Services received the "ISO 29990" Certificate, proving that it offers authorized service and field personnel high-quality trainings at international standards.

As the first organization in Turkey to receive this certificate, Vestel Service Academy aims for creating a difference in customer experience in after-sales services, contributing to national development through employees' professional development, and sustaining a qualified workforce.

**Vestel Call Center validated offering services at European Union standards with the EN 15838:2009 Customer Relations Management System Certificate.**

Restructured within Vestel City in January 2014, Vestel Call Center successfully completed a series of rigorous audits covering most of its business processes and obtained the EN 15838:2009 Customer Relations Management System Certificate in May 2018, validating its service quality of EU standards.

As an EU standard, EN 15838:2009 identifies and regulates the minimum standards for businesses in many aspects including accessibility, workflows and processes, quality, data management, reporting, customer satisfaction and employee satisfaction.

**Vestel Beyaz Eşya had its water footprint validated as per the ISO 14046 Water Footprint Standard, becoming a pioneer in Turkey's household appliances industry yet again.**

Acknowledging the role of responsible water use in building a sustainable future, Vestel Beyaz Eşya calculated its corporate water footprint for 2017 in accordance with the ISO 14046 Water Footprint Standard and had the estimates validated by an accredited organization, Rina to receive the ISO 14046 Water Footprint Certification. Having reduced water consumption per unit product by 7% in 2017, Vestel Beyaz Eşya maintained its guiding role in the industry with the ISO 14046 Water Footprint validation. The Water Footprint is calculated by the amount of water consumed (including evaporation) or polluted per unit time. The concept of a footprint in water is an important tool in determining the amount of water consumed from the production of goods and services to their consumption.

## Consumer Electronics & Household Appliances

**Vestel Beyaz Eşya crowned Low Carbon Hero for the second time.**

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

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

**50% of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ's shares were acquired.**

Vestel acquired 50% of shares of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ ("Meta Nikel Kobalt Madencilik"), initiating the nickel mining industry in Turkey with its establishment in 2000, from Zorlu Group for USD 250 million in June 2018. As the pioneer in nickel mining in Turkey, Meta Nikel Kobalt Madencilik operates with a new generation mining and metallurgy approach to process ores extracted above ground at its eco-friendly facilities featuring a closed circuit system, transforming them into value-added forms.



## Consumer Electronics & Household Appliances

**Vestel Project Partner aims to offer the most appropriate turnkey solutions for all needs, from the design phase onwards, in order to help public and private sector projects access the most advanced technologies.**

**VESTEL**  
**Proje Ortađım**

LED Aydınlatma Otomasyon Sistemleri Dijital Ekran Çözümleri Akıllı Ev Sistemleri Enerji

### Vestel Project Partner

Zorlu Group's strength and Vestel's domestic technology were combined in the Vestel Project Partner initiative, which aims to make life easier by providing customers result-oriented and effective solutions through innovative products in various fields.

Bringing LED Lighting, Air-Conditioning, Hotel & Construction Projects, Digital Solutions and Public Sales Departments together under a single roof, Vestel Project Partner offers all projects professional and integrated solutions with expert teams.

Starting from the design phase, Vestel Project Partner aims for offering the most appropriate turnkey solutions for all needs, in order to help public and private sector projects utilize the most advanced technologies.

To this end, corporate customers' needs, demands and current problems are determined and analyzed in the fastest and most accurate way to design customized products to meet these needs.

Taking care to prepare projects using the most appropriate products in the best way possible, flexible and alternative payment options for project investment costs are presented. After-sales services, in line with Vestel's commitment to unconditional customer satisfaction, constitute an integral component of the Project Partner service cycle.



## Vestel Ventures

Vestel Ventures Ar-Ge AŞ ("Vestel Ventures") is an investment company founded by Vestel Elektronik in 2015 to support new ventures and add new areas of business to the Group. The company provides entrepreneurs with financial, R&D, design, production, marketing, and management support for Internet of Things, smart cities, smart homes and smart factories, materials, energy, battery technologies and innovative devices.

An arena of ideas where tech entrepreneurs meet, Vestel Ventures aims to contribute to Vestel's global competitive strength by expanding the technological potential in its ecosystem through the companies it invests in.

To this end, from its foundation till the end of 2018, Vestel Ventures invested in a total of 15 enterprises in and outside Turkey. The fields the company has invested in include energy, healthcare, bioplastics, mobile applications, AR/VR (Augmented & Virtual Reality) technologies, smart cities, and customer services. Vestel Ventures exhibited its investees Verisun and Pisano's products

in the Vestel booth at the Mobile World Congress Barcelona in 2018. Verisun's "Smart Urban Assistant" and Pisano's web-based customer interaction applications attracted visitors' attention.

Verisun's voice-controlled "Vestel Urban Assistant" kiosk provides directions, weather forecasts, bus schedules, as well as taxi hailing services. A new-generation IoT device and a part of the smart city platform, the three-meter-tall Vestel Smart Urban Assistant kiosk is solar powered.

Pisano was established to provide continuous communication between brands and customers. Pisano offers a customer experience platform covering all customer contact points across online and offline channels. Enabling customers to give feedback on their experience while still within the premises, Pisano allows brands to respond quickly and obtain helpful insights in areas in need of improvement.



## Consumer Electronics & Household Appliances

Having taken its R&D competence to the next level, Vestel stands apart with its successful defence projects.

### Vestel Savunma

Having taken its R&D competence to the next level, Vestel stands apart with its successful defence projects. Vestel Savunma Sanayi AŞ ("Vestel Savunma"), an affiliate of Vestel, developed Turkey's first domestic tactical Unmanned Aerial Vehicle (UAV) Karayel, which was designed and produced in accordance with Stanag 4671, NATO's airworthiness standard.

The Karayel UAV system is produced for the Turkish Armed Forces (TSK) and consists of six aircraft, three ground control stations, and ancillary subsystems.

In addition to Karayel, Vestel Savunma developed Bora training aircraft for use in avionics tests and pilot training.

So far, Vestel Savunma has filed a total of 12 patent applications; the company has nine patents as of the end of 2018.





### 2018 Activities

The integration of SAR (Search and Rescue) and AIS (Automatic Identification System) was completed, which will enable the Karayel UAV platform to be utilized in maritime surveillance and patrol missions.

As of the end of 2018, Karayel UAV's total flight time reached 10,000 hours.

In 2018, UAV systems and Fuel Cell technologies were showcased at various domestic and international events.

As an expert in the field of Unmanned Systems, Vestel Savunma continues design and development activities in various classes and systems. In 2018, the first test flight for a new UAV platform was performed successfully.

In 2018, R&D Center staff grew by 30% over the previous year to reach 166 employees.

## Consumer Electronics & Household Appliances

Having been a reliable business partner and supplier of critical systems in the defence and aerospace industry for many years, in 2018 AYESAŞ has further expanded its domestic customer base and secured strategic partnership deals with the industry's leading players.

### AYESAŞ

Aydın Yazılım Elektronik ve Sanayi AŞ ("AYESAŞ") continues operations with its original products, effectively utilizing its strong production, engineering and software capabilities for diverse projects in the defence industry and offering these capabilities to the service of the state. Original products developed by the company include new generation Command Control and Platform Control consoles and cabinets for warships, Helicopter Obstacle Detection system, Digital Moving Map and Mission Planning applications.

AYESAŞ directly exports to the top ten companies in the global defence and aerospace industry. Half of AYESAŞ's total revenues consist of overseas sales, all of which are high-tech products and systems exports to the US and EU countries.

In 2018, AYESAŞ's Critical System Solutions and products were exhibited in a number of strategic domestic and international events.

While funding R&D activities mostly through its own resources, AYESAŞ was also the first company to receive the product design incentive of Republic of Turkey Ministry of Trade. Furthermore, it takes part in R&D projects under TÜBİTAK and European Union Framework Programmes, supporting authentic product development activities.



# Textiles





## Textiles

With innovation and R&D at the heart of its business model, Zorlu Textiles Group reinforces its value driver brand position in global competition by utilizing technology to the fullest.





## Textiles



Building on our experience in wholesale trade, we bring the smart transformation in innovative products, particularly in production and technical textiles, to retail sales as well. Step-by-step, we implement a high-value-added growth model by diversifying our distribution channels, reinforcing retail sales, increasing the number of concept stores, and focusing more on e-commerce.



### **Necat Altın**

CEO, Zorlu Textiles Group

As the innovative partner of global giants, we remain the global hub for the textiles industry in Turkey and continue investing in our home market and neighboring markets that represent a total population of 700 million in line with our growth strategy.

As a new textiles industry emerges with the great global transformation, Zorlu Holding Textiles Group redefines itself through a sustainability-oriented transformation.

A main axis of this transformation is our strong suit, production, an area in which we invest for transformation, combining sustainability with profitability and generating value-added in the long-term. The resulting smart production model, as opposed to capacity-based production, will enhance the value of the "Made by Zorlu" brand, and enable our Group to remain synonymous with production in the future, as it has been in the past 65 years.

We reshape innovation, an essential part of our DNA, based on consumer experience. This enables us to receive innovation demands directly, without any intermediaries, and turn them into products and services to make people's lives easier and further increase the value-added we create. Further expanding our line of smart and innovative products, such as the "Self-Cleaning Curtain", "Cool Pique", "Antibacterial Anti-Mite Beddings", "LED Curtains", and "Content Producing QR Code Beddings", we are committed to be one of the new generation companies to shape the future of textiles.

Building on our experience in wholesale trade, we bring the smart transformation in innovative products, particularly in production and technical textiles, to retail

sales as well. Step-by-step, we implement a high-value-added growth model by diversifying our distribution channels, reinforcing retail sales, increasing the number of concept stores, and focusing more on e-commerce. Meanwhile, continuously expanding our export map with new regions, and with value-added products, is a main driving force in our growth. Korteks's record export performance in 2018 and leading position in Europe in supplying value-added raw materials is a testament to the success of our growth strategy.

As part of this sustainability-oriented transformation, reinforced by technology and innovation, we also make all production plants and facilities compatible with Industry 4.0. We believe that in 10 years time, with new businesses, new channels, new ways of doing business organized around our commercial activities, we will have grown more than threefold and reap the fruits of today's investments.

### **Zorlu Textiles Group**

One of the top-ranking textile manufacturers in the world, Zorlu Textiles Group is a preferred business and solutions partner on a global scale thanks to its high manufacturing capacity, quality product line, and superior marketing and distribution capabilities.

Led by Zorluteks Tekstil Ticaret ve Sanayi AŞ ("Zorluteks") and Korteks Mensucat Sanayi ve Ticaret AŞ ("Korteks"), Zorlu Textiles Group is mainly involved in the manufacturing and marketing of yarn, drapery and home textiles. The Group has 12 manufacturing and marketing companies in total.

Zorlu Group's activities in home textiles have grown rapidly over the years and expanded the borders of Turkey to spread to four continents. In 2018, Zorlu Textiles Group's exports reached USD 250 million. With around 7,000 employees and manufacturing facilities spanning 800,000 m<sup>2</sup> in total, Zorlu Textiles Group is among the leading polyester yarn and home textiles manufacturers around the globe.

### **Megatrends are transforming the textile industry.**

The fourth industrial revolution is ongoing, and it transforms not only the business world but also the entire society, opening the gates to a new era. In this process, digitization and rapidly changing technology are fundamentally altering traditional business models. Economic actors focus their efforts on building a sustainable future under these challenging competitive conditions. These developments also profoundly affect the textile industry. Characterized as a traditional industry until recently, textiles stand out in the center of this change and transformation as the most visible face of megatrends.

### **Innovation is the most distinct element of this colossal transformation and change.**

Industry players that aim to be a part of the future should not limit themselves to manufacturing traditional products such as bed sheets, curtains or yarns, but also create innovation in order to proactively adopt to the changing expectations of consumers, change their lives, and increase their quality of life.

Effectively applying innovation both to its products and to its marketing strategies, Zorlu Textiles Group is the first name that comes to mind when talking about innovation in the textiles industry. The Group makes key investments to develop and manufacture innovative products which meet the needs of the consumers.

The innovation approach adopted by the Group makes up the foundation of innovative products such as self-cleaning roller blinds and draperies, cooling coverlets, scented curtains, antibacterial and anti-mite beddings, LED-illuminated curtains and content producing QR code beddings, all proof of the success of Zorlu Textiles Group which enjoys competitive and leading position in technical textiles.

### **R&D is one of determining factors in the fierce global competition in the textiles industry.**

Until recently, R&D was a term identified with technology companies. Today, we can see economic actors with high competitive power include R&D at the center of their business model, regardless of industry.

Powered by its two R&D Centers, Zorlu Textiles Group consolidates and carries to the future its position as the innovative and competitive business partner of world giants.

## Textiles

**Zorlu Textiles Group accurately predicts consumer trends in world markets, particularly in Europe, and can exceed expectations with a human-oriented design philosophy.**

### **Digitization and technology-intensive business models affect the textile industry.**

It is not possible for a textile company that does not utilize and invest in advanced technology to maintain a presence in global markets in the medium and long term. Fully aware of this simple fact, Zorlu Textiles Group continuously invests in technology and uses the best digital printing machines available in its manufacturing processes.

### **Human-oriented and customized designs meet consumer expectations.**

Managing consumers' needs and expectations well and developing more functional, more innovative, more human-oriented, more customized and more striking designs set the stage for competition in the textiles industry.

Zorlu Textiles Group accurately predicts consumer trends in world markets, particularly in Europe, and can exceed expectations with a human-oriented design philosophy.

### **360-degree sustainability approach will enable a lasting impact.**

Sustainability is an essential element that is particularly relevant to all economic actors in today's world. Sustainability is not simply limited to the environment; it is a holistic, 360-degree approach that involves the entire business cycle. Today,





world's leading retailers are highly sensitive about whether the suppliers they collaborate with meet the quality and standards of sustainability.

Zorlu Textiles Group is a highly preferred business and solution partner for global companies thanks to its sustainability vision, quality, standards and applications. Embracing the goal of a sustainable world investing in the future by using resources effectively today, Zorlu Textiles Group develops environment-friendly products.

**Smart production with Industry 4.0 also transforms the future of textiles.**

In addition to providing communications between devices, Industry 4.0 also necessitates interaction of people and devices, and requires the establishment of a harmonious ecosystem. One of the keys to a sustained presence in a fast and competitive business world, Industry 4.0 points out to a large and new universe encompassing factories, facilities, suppliers and business partners.

Zorlu Textiles Group, currently in the process of implementing Industry 4.0 practices, responds rapidly to the demands of its customers all around the globe and increasingly reaps the fruits of the investments it has made in smart business management processes.

**Being a brand that creates value ...**

In today's world, being unique and maximizing the value offered to consumers are the main goals of manufacturers. Consumers opt for brands that offer distinct products with high-value-added that make them feel special and good, or in other words, brands that can go beyond offering products alone. Textiles industry is one of the industries where this trend is the most visible. Textile companies that wish to compete in the same league with global players in today's competitive markets must develop the capability for flexible production while focusing on creating value for their customers.

This is the approach that enabled Zorlu Textiles Group to put its Made by Zorlu brand across throughout the world.

## Textiles

**Zorlu Textiles Group has an extensive retail structure in Turkey and abroad. In addition to this wide-reaching organization, the Group also leverages e-commerce, alternative and wholesale delivery channels.**

### **Zorlu Textiles Group reaches customers in domestic and international markets through its leading brands.**

The Group remains the market leader in the Turkish home textiles industry with the drapery and quilt cover products offered under its TAÇ brand.

Linens is another leading brand of the Group. Zorlu Textiles Group has introduced an innovative and pioneering vision to retail home textiles sector with Linens, which stands apart as Turkey's only international home textiles chain store.

Another brand from the group, Valeron has first been launched in Europe before making its way to the domestic market.

Zorlu Textiles Group has an extensive retail structure in Turkey and abroad. In addition to this wide-reaching organization, the Group also leverages e-commerce, alternative and wholesale delivery channels.

The Group has a strong in-house design team, and enjoys another important competitive advantage in home textiles thanks to its ability to offer tailored collections for its customers, which can be produced rapidly in varying quantities.

### **ZORLUTEKS**

**Zorluteks is a global and leading company in home textiles.**

Thanks to its drapery and home textile manufacturing facilities, marketing company and globally known brands, Zorluteks is one of the global and leading companies in the home textiles sector.

Zorluteks ranks among the most modern and largest integrated textile producers with its giant manufacturing facilities in Lüleburgaz, Kırklareli with high production capacity and over 4,000 employees, exceptional quality of products, and the importance it places on the environment, occupational health and working conditions.

**Zorluteks is Europe's largest integrated manufacturer of cotton home textiles.**

Zorluteks produces its curtains at its modern machinery park within an indoor area of 60,000 m<sup>2</sup> that consists of embroidery and finishing operations.

The Company's curtain production capacity is 20 million meters and 6 million ready-made curtains per year. Zorluteks also manufactures 96 million meters of different home textile products within an indoor area of 108,000 m<sup>2</sup> such as quilt covers, coverlets, pillowcases, quilts, bed sheets, tablecloths, bed spreads, cotton drapery fabrics, jersey fitted sheets and towels. The Company has a machinery park of 273 machines in its facilities with an indoor area of 60,000 m<sup>2</sup> for weaving, knitting and warping.

In addition to Turkey, Zorluteks has a manufacturing facility in China and a marketing office in New York.

**Zorluteks employs the world’s largest digital print machine.**

In order to meet the needs of its international clients as rapidly as possible, Zorluteks has made significant investments in digital printing machinery.

The first digital printing machine (reactive printing) of Zorluteks entered service in August 2011, the first of its kind in Turkey capable of printing on a 3.2 m-wide fabric. Zorluteks’s second printing machine (disperse printing) commenced production in May 2013 and the third machine (reactive printing) in June 2014. The fourth machine (pigment printing), which entered service in July 2014, can print on a 1.8 m-wide fabric. Zorluteks has demonstrated the importance it attaches to technology by purchasing and including to its machinery park the largest printing machine in the world, which is owned by only several companies around the world.

Putting technology at the heart of its activities, Zorluteks is the world leader at implementing photograph-printing systems. The system makes it possible to print any photograph on fabric in the desired dimensions. 3D patterns were printed for the first

time in Turkey on Zorluteks bedding products and introduced to the market.

New generation printing machine park offers many opportunities such as low and sustainable energy costs, eco-friendly and flexible production, and the ability to respond quickly to customer’s needs and manufacture in the quantities requested. The machine park gives Zorluteks a competitive edge and contributes to the company’s position as one of the most popular textiles companies in international markets, especially in Europe.

Zorluteks has invested USD 4 million in two new digital printing machines (single pass and multi pass) and will continue to use new printing techniques in the coming years.

**Zorluteks is the first home textile company to receive the “Authorized Economic Operator Certificate”.**

Zorluteks became the first home textile company in Turkey to receive the “Authorized Economic Operator (AEO) Certificate”, which enables trustworthy companies to carry out their customs transactions at an expedited pace.

Serving as a proof that the required standards on transparency, traceability, accountability, and plant safety are met, the



## Textiles

**Zorlu Textiles Group single-handedly accounts for 40% of Turkey's bedding product exports. Zorluteks exports 34% of its curtain production and sells the rest in its home market via the TAÇ, Linens and Valeron brands.**

"Authorized Economic Operator Certificate" has made Zorluteks stronger in customs transactions.

**Zorluteks maintained its export-oriented performance in 2018 and reached 68 countries in 5 continents.**

Manufacturing for the top brands in Turkey such as TAÇ, Linens, and Valeron, Zorluteks, Europe's biggest integrated home linen manufacturer, exports 60% its home textile products to various parts of the world, mainly the US, Europe, Japan and Russia.

Zorlu Textiles Group single-handedly accounts for 40% of Turkey's bedding product exports. Zorluteks exports 34% of its curtain production and sells the rest in its home market via the TAÇ, Linens and Valeron brands. The company aims to grow its home textiles business through retail stores not only across Turkey but also in neighboring markets that represent a total population of 700 million. In 2018, the retail growth drive continued and number of stores and outlets in various regions increased.

In 2018, Zorluteks presented its product range to 68 countries in 5 continents and carried out sales under the TAÇ brand to approximately 20 countries including Russia, Ukraine, Georgia, and Middle East and the Balkan countries. The aim of the company is to improve its presence in European market, where it already enjoys a strong position, and to enter new markets, particularly in the Middle East region and especially Iran.

Working with big retailers in Europe, Zorluteks is devoted to establishing long-term and robust relations and ensuring the continuity of business operations. In locations with the necessary infrastructure, Zorluteks keeps online track of store inventories, which enables the company to produce and export rapidly based on demand.

**Turkey's first manufacturer to produce 100% organic home textile products and first ecological manufacturing plant**

Deeming sustainability as an essential priority in terms of presence in the future and a determining factor in competition, Zorluteks is the first manufacturer in Turkey to produce 100% organic home textile products with the Global Organic Textile Standard (GOTS) Certificate.

Having finalized the first integrated manufacturing facility investment in its sector on a global scale, Zorluteks contributes to and supports a sustainable economy with its manufacturing processes in all aspects. Zorluteks also owns Turkey's first ecological manufacturing plant.

Zorlu Textiles Group continuously invests in technology, uses the world's best digital printing machines and the latest environment-friendly technologies allowing high conservation of resources in its manufacturing processes.

## Zorlu Textiles Group's global network

Zorlu Textiles Group reaches its customers via thousands of points in Turkey and abroad to offer them a wide range of products.

### TAÇ



#### ABROAD

IN **24** COUNTRIES  
**120** STORES  
**735** OUTLETS



#### TURKEY

**1,698** OUTLETS  
**26** FACTORY OUTLETS  
IN **20** CITIES

### LİNENS



#### ABROAD

IN **7** COUNTRIES  
**8** STORES



#### TURKEY

IN **2** CITIES  
**78** STORES

### VALERON



#### ABROAD

IN **27** COUNTRIES  
APPROXIMATELY **200**  
OUTLETS  
A TOTAL OF **809** OUTLETS  
IN THE US



#### TURKEY

**1** STORE

60% of Zorlu Textiles Group's products reach global customers through export.

### KORTEKS

IN **57** COUNTRIES  
EXPORTS TO **APPROXIMATELY**  
**250** CLIENTS



### PRIMARY BRANDS

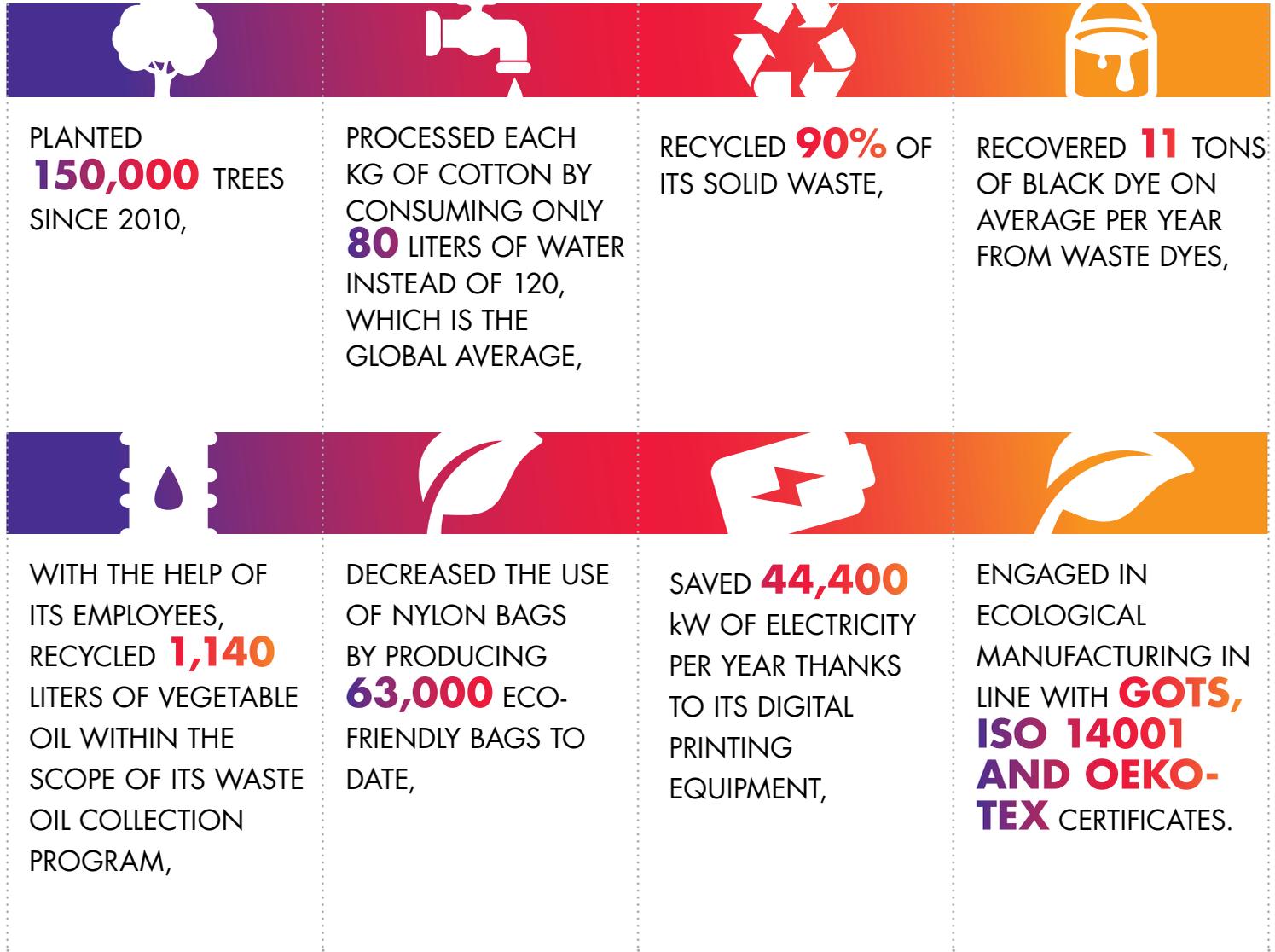
### ZORLUTEKS

EXPORTS TO **60** COUNTRIES



TAÇ, LİNENS, VALERON, BIANCA LUNA, KRISTAL, CASABEL, BRIELLE

## In its production cycle, Zorluteks



## In its consumption cycle, Zorluteks



## KORTEKS

Korteks is the largest integrated and innovative polyester thread manufacturing center in Europe.

Founded in Bursa in 1989 to meet the demand for quality polyester thread in the Turkish textile industry, Korteks now spans across a production area of 335,000 m<sup>2</sup>. At any given time, there are approximately 2,500 types of polyester threads in the warehouses of Korteks, which stands out among its competitors with its extensive product range.

Polyester-based products make up more than two thirds of the total thread supply in textile raw materials across the globe. As the most important raw material in textile industry at the global level, polyester continuously consolidates its position in the textile industry thanks to its various uses, versatility and flexibility.

Although the initial aim of polyester thread production was to supply the demand from Zorlu Textiles Group, it gradually evolved into a separate and significant line of business within the Group.

Korteks steadily continues its R&D investments and technology development efforts.

Korteks features the capacity to develop technology in-house and attaches great importance to R&D investments in order to further reinforce its position in international markets.

Creating innovative solutions for domestic and international partners through major R&D investments and applications of nanotechnology, Korteks is the world's leading company in microfibers.

Korteks has always been among the top-ranking polyester thread manufacturers not only in Turkey but also in the world, and it has increased its capacity through systematic investments, supporting its technology with innovation.

As the first Turkish company to implement direct-from-polymer POY production in 1993, Korteks continues to invest in R&D efforts and technology development to improve its product quality. The company's pilot facility consisting of manufacturing



## Textiles

**Aiming to increase its market share and grow through customer-oriented, innovative and high-value-added products, Korteks offers high quality, unique, novel and environment-friendly polyester thread products to a variety of textiles companies across the global arena.**

and texturing machinery and cutting edge testing and analysis devices allow for R&D efforts in a continuous and rapid fashion.

**Korteks enjoys a strong competitive advantage in the world with its product range.**

Aiming to increase its market share and grow through customer-oriented, innovative and high-value-added products, Korteks offers high quality, unique, novel and environment-friendly polyester thread products to a variety of textiles companies across the global arena.

Korteks adds numerous new and useful products to its portfolio in an effort to enhance product variety with distinct and innovative options. These products have a high competitive strength in the textile industry in particular and are increasingly being used in other areas like furnishing, carpets, towels, medical products, sweatshirts, top-wear and sportswear, outdoors, and automotive textiles.

Korteks manufactures super-bright, semi-matte polyester grade chips and super-bright/matte/semi-matte/full-matte ecru and dope-dyed polyester POY, FDY, textured, elastane, air-textured, twisted, bobbin-dyed and flat, mono-filament threads and yarns under the TAÇ brand. All of Korteks's production facilities are designed to manufacture high-quality and special filament threads.

In addition to POY, FDY and texturized thread, the company also manufactures specially-pointed, non-torque, fancy twisted and elastane threads specific for different fields of use with over 400 dope-dyed color choices. In its line of product, Korteks also has product brands such as DRY TOUCH®, TAÇ FLAME RETARDANT, TAÇ COTTON-LIKE, TAÇ ANTIMICROBIAL, TAÇ ANTISTATIC and TAÇ UV RESISTANT and products intended for technical textile industry.

**The first choice of customers with its wide high-quality and innovative product range**

Aiming to achieve superior customer satisfaction by combining technology with innovation, Korteks continues its efforts to continuously expand its product range, manufacture the highest-quality products, and always be the first choice of its customers.

Korteks sells approximately 85% of its production to the Turkish market, where around 700,000 tons of polyester threads are consumed annually.

The company is also active in the European market, where it complements its market presence with technical textile threads, which have high value-added, require special manufacturing processes and involve advanced technology, and are especially sought after in the automotive industry.

Being one of the leading exporters in Turkey, Korteks exports its products to more than 40 countries including Germany, Belgium, England, Italy, Spain, France, Poland, Portugal, Iran, Egypt, the United States, Canada, Mexico, and South Africa. According to 2018 data, the top three export markets of Korteks are, in order, Germany, Italy, and Spain.

Korteks effectively puts its technological capabilities to use for progress in sustainability outcomes as well.

**Korteks ensures corporate sustainability by implementing the ISO 9001, IATF 16949, ISO 10002 and ISO 14001 management systems.**

Korteks puts its technological capabilities to use in line with sustainability goals, embracing an environment friendly approach in both manufacturing and new product development processes.

Standing out with their durability and quality, Korteks products are environment friendly, ecological, sanitary and chemical-free.

In order to reduce Global Environmental Impacts, Korteks completed the Recycled Thread Project. In 2018 Korteks received its Global Recycle Standard (GRS) certificate, validating its products and processes.

In 2018, Korteks carried out continuous improvement activities (occupational health and safety, environment, cost reduction, process efficiency, increase in productivity, quality improvements) that resulted in saving TL 2,150,000 in total.

**Zorlu Textiles Group aims for more efficiency and less defects in manufacturing with Industry 4.0 applications.**

Zorlu Textiles Group conducts Industry 4.0 activities that aim to increase efficiency in the entirety of the commercial and economic cycle, from manufacturing to marketing.



## Textiles

**Korteks uses a large number of robots with various functionalities in different stages of production processes, all of which are fully automated.**

As a manufacturer internalizing Industry 4.0, Korteks has a team specialized on this field. Industry 4.0 is a system very much in line with Korteks' production technology, and each and every automation process to this end is specially designed within the company. Korteks also cooperates with its business partners in terms of Industry 4.0. A global machinery supplier, with which Korteks has worked for many years, chose Korteks as its implementation partner in Industry 4.0. The aim of this project is to jointly develop a system that can be marketed internationally within a year.

Korteks uses a large number of robots with various functionalities in different stages of production processes, all of which are fully automated.



## Awards Received in 2018



### Most Admired Companies of the Business World

Zorlu Tekstil ranked first in the textile category in the “Most Admired Companies of the Business World 2018” survey conducted by the Capital magazine.



### Large-Scale Enterprise Sustainable Production

Korteks won first place in the “Large-Scale Enterprise Sustainable Production” category at the “Productivity Project Awards 2018” organized by the Directorate General for Industry and Productivity of the Ministry of Industry and Technology of the Republic of Turkey.

# Energy





## Energy

Founded in 1993 with the establishment of Zorlu Enerji Elektrik Üretim AŞ ("Zorlu Enerji"), Zorlu Energy Group is a global group of companies offering services in different fields of the energy industry.





## Energy

“

Recognizing that applications such as energy storage systems, electric vehicles, energy management, distributed production, smart cities and smart home systems will be the emerging fields of innovation in the future, we continue to work on smart systems and technologies.

”



**İbrahim Sinan Ak**

CEO, Zorlu Energy Group

The global energy industry is undergoing a significant transformation. Following suit with this transformation, at Zorlu Enerji we strategically review the role we have taken on in the energy industry. In our strategy, we give strategic priority to innovative business and service models which will meet future needs and help Turkey keep pace with the evolving technology and changing energy sector. We will continue our work on smart systems and technologies, with the understanding that the future will be built on new applications such as energy storage systems, electric vehicles, energy management, distributed generation, smart cities, and smart home systems.

We also continue to focus on renewable energy. As of the end of 2018, our total installed capacity is 1,303 MW. Renewable energy sources account for 87% of our installed capacity in Turkey and 53% of our total installed capacity.

In the first quarter of 2018 we commissioned the second unit of Kızıldere III Geothermal Power Plant with 65.5 MW of installed capacity, thus increasing our installed capacity in geothermal energy to 305 MW and becoming Turkey's biggest player in this field. With an installed capacity of 165 MW, Kızıldere III GPP is not only Turkey's largest geothermal power plant in a single facility, but also one of the few geothermal power plants with such capacity across the world.

We strongly believe in the potential of solar energy and continue our efforts in this field as well. We continue to work on raising project finance for the Bahawalpur I

GPP project, which will be built in the Punjab province of Pakistan with 100 MW of installed capacity. We aim to commission the power plant in 2020.

We have also taken concrete steps forward in the sales and distribution of solar panels, a business we entered last year. We began domestic sales and distribution of membrane photovoltaic solar panels, which we produce for industrial roofs in collaboration with domestic solar panel manufacturers.

Securing long-term financing for Osmangazi Elektrik Dağıtım AŞ's investments to be undertaken until 2020 worth USD 330 million from European Bank for Reconstruction and Development (ERBD), International Finance Corporation (IFC), Dutch Development Bank (FMO) and Denizbank AŞ, was a significant milestone in 2018.

As part of our strategy to become the energy company of the future, we implemented a number of important projects in 2018. We initiated "electrip", the first electric vehicle sharing platform in Turkey, to encourage widespread use of electric cars in our country, one of our main priorities. In parallel with this project, we also launched our digital brand "ZES" (Zorlu Energy Solutions), aiming to establish Turkey's fastest network of electric vehicle charging stations.

Despite the pressures caused by the increase in exchange rates and interest rates during the year, we recorded strong results in operating profitability in 2018.

. While sales revenues increased by 35% to TL6.7 billion EBITDA reached an all-time high at TL 1.85 billion (US\$386 million), with an 82% growth year over-year.

. In the upcoming period, we will continue to invest in renewable and clean energy, particularly in geothermal and solar energy. We will continue to work for a sustainable and smarter future by investing in the smart energy systems of the future and new business and service models.

### Turkish Energy Industry in 2018

In 2018, electricity consumption grew by 1.8% yoy to 300,109 GWh. In line with the growth in demand, electricity generation also increased by 1.8% yoy to 300,717 GWh.

With the contribution of new renewable energy power plants that were commissioned in 2018, the share of wind, geothermal and solar power plants in total electricity generation increased from 9% to 11.4%. Because of the increase in production cost of natural gas power plants during the year and the purchase guarantees provided to coal-fired power plants using domestic coal, the share of coal and lignite power plants in electricity generation increased from 33% to 37%, while the share of natural gas power plants decreased from 36.6% to 30%. Meanwhile, hydroelectric power plants contributed 20% to total electricity generation, similar to last year.

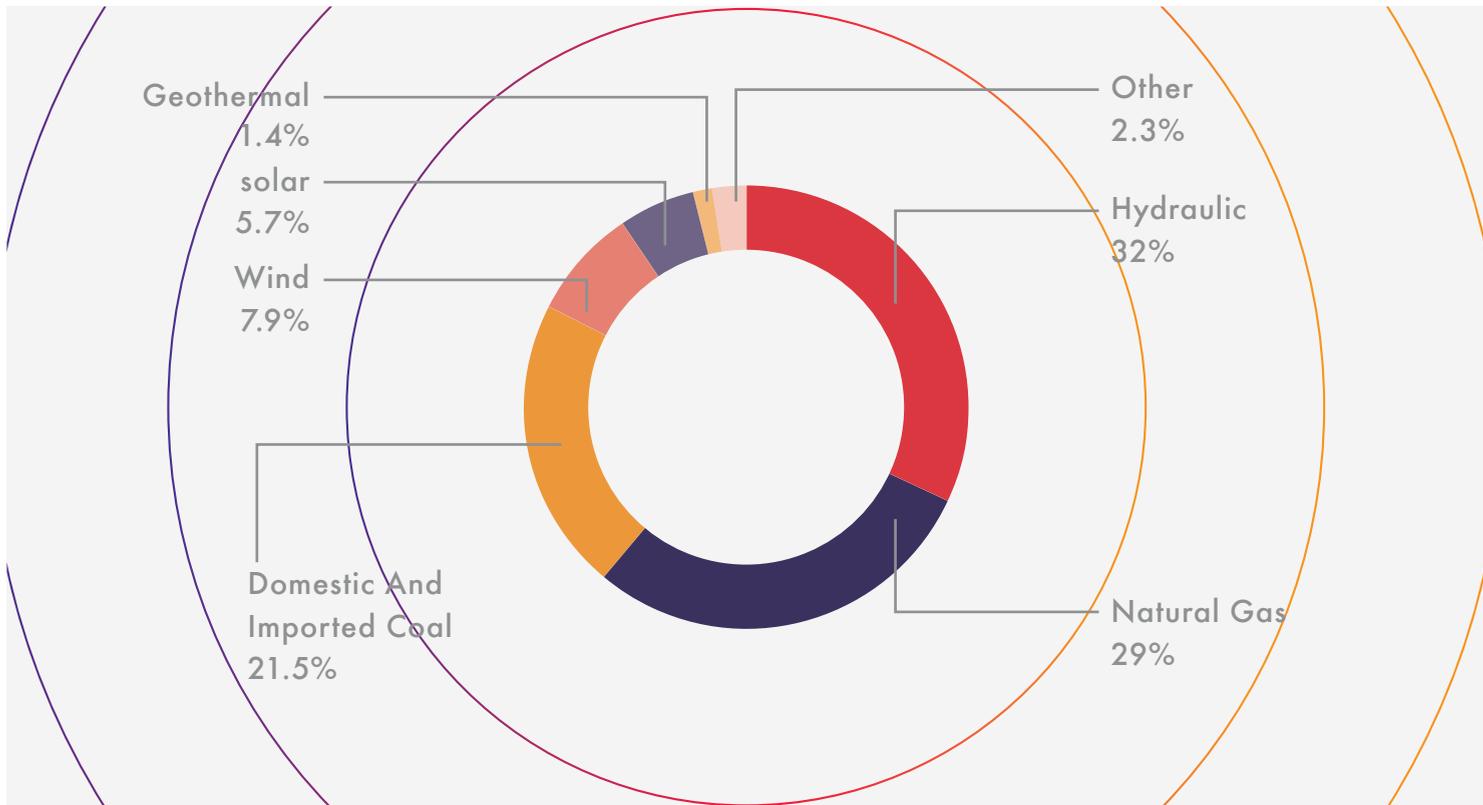
Compared to the end of 2017, Turkey's total installed capacity increased by 3,351 MW (factoring in the power plants retired or with capacities reduced during the year) to reach 88,551 MW.

Hydroelectric energy accounts for 32% of total installed capacity, natural gas for 29%, domestic and imported coal for 21.5%, wind for 7.9%, solar for 5.7%, geothermal for 1.4%, and other energy sources for the remaining 2.3%. 20.9% of the total installed capacity belongs to EÜAŞ (the state-owned Electricity Generation Company) and subsidiaries; 12.2% belongs to power plants operated under the build-operate-transfer (BOT), build-operate-own (BOO) and transfer of operating rights (TOR) schemes, and the remaining 66.8% belongs to independent power producers and unlicensed power plants.

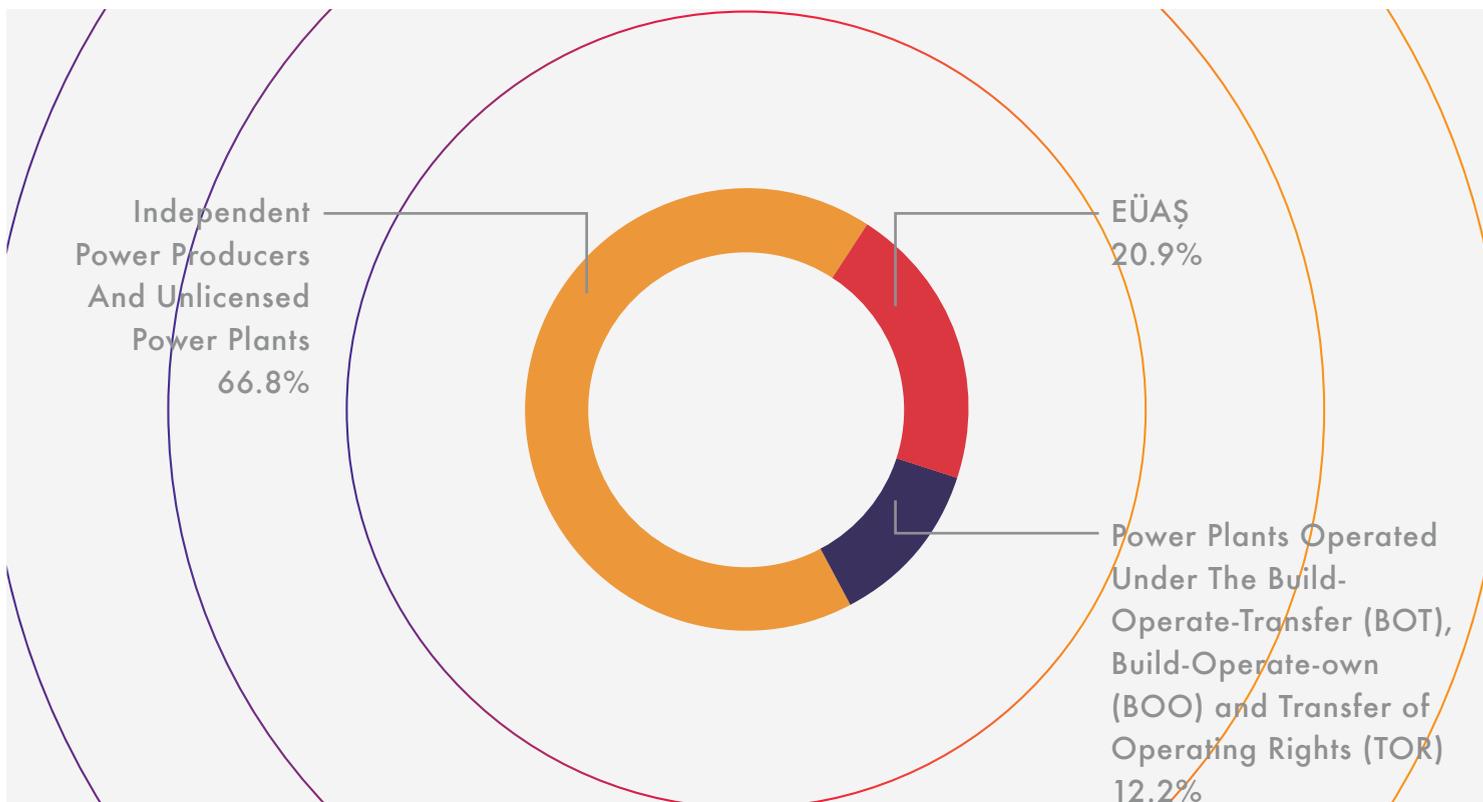
In 2018, natural gas consumption in Turkey declined by 8% to 48.9 billion m<sup>3</sup>. The natural gas consumption in electricity generation, homes and industrial facilities were 15.6 billion m<sup>3</sup>, 12 billion m<sup>3</sup> and 12.7 billion m<sup>3</sup>, respectively.

Compared to 2017, the total number of natural gas subscribers increased by 1.3 million to reach 15.4 million by the end of 2018. Thanks to the investments made by the natural gas distribution companies, approximately 66 million people have access to natural gas today and 53 million people (65% of the total population) actively use it.

## Distribution of Installed Power by Resources (%)



## Distribution of Installed Power by Producers (%)



## Zorlu Energy Group

Founded in 1993 with the establishment of Zorlu Enerji Elektrik Üretim AŞ ("Zorlu Enerji"), Zorlu Energy Group is a global group of companies offering services in different fields of the energy industry.

Zorlu Energy Group operates in the following fields:

Generation and sales of electricity and steam,

- Electricity trade,
- Electricity distribution and retail sales,
- Turnkey construction of power plants,
- Long-term operation, maintenance and repair of power plants,
- Natural gas distribution,
- Natural gas trade and sales,
- Distribution and sales of solar panels,
- Installation of electric vehicle charging stations,
- Hourly rentals of electric vehicles.

Zorlu Energy Group's consolidated revenues increased by 45% to TL 7.6 billion in 2018.

## Electricity Generation, Sales, Distribution and Trade

### Zorlu Enerji

Zorlu Enerji Elektrik Üretim AŞ, the only publicly listed company of Zorlu Energy Group, and its subsidiaries and affiliates engage in electricity and steam generation and sales, electricity trading, and electricity distribution as well as retail sales. The first company of Zorlu Energy Group, Zorlu Enerji started its activities in 1993, and today, it is one of the leading players in the Turkish energy industry thanks to its balanced generation portfolio consisting of domestic and international plants that emphasize resource diversity; its integrated structure that encompasses electricity generation, sales, trading, distribution, and natural gas distribution activities; and its vast experience in the industry and strong standing in the market.

As of the end of 2018, the total installed capacity of Zorlu Energy Group is 1,303 MW.

Zorlu Enerji's generation portfolio comprises:

- 7 hydroelectric, 3 wind, 4 geothermal and 3 natural gas power plants in Turkey, and
- 1 wind power plant in Pakistan and 3 natural gas power plants in Israel.

The 56.4 MW wind power plant developed in Jhimpir, Pakistan by Zorlu Enerji Pakistan Limited, a wholly-owned subsidiary of Zorlu Enerji, is the country's first wind farm realised with foreign investment.

Zorlu Enerji is among the few private sector energy companies operating in Israel. The company has completed and put into service three natural gas power plants with a total installed capacity of 1,031 MW in cooperation with its partners in Israel. The company's stake adjusted installed capacity in Israel amounts to 290 MW.

Zorlu Enerji continues its research and investment efforts in solar power, a high-potential area. Accordingly, Zorlu Solar Pakistan (Private) Limited, a Pakistan-based company which is 99.7% owned by Zorlu Enerji, commenced project development and obtained a 25-year generation license from the Pakistan National Electric Power Regulatory Authority for the Bahawalpur I Solar Power Plant, which will be constructed in the Punjab State of Pakistan with an installed capacity of 100 MW. The power plant is planned to be commissioned in 2020.

In 2017, pre-licenses were obtained in Pakistan for two other power plant projects to be developed in Punjab province with 100 MW of installed capacity each, as well as for a hybrid solar power plant project with 30 MW of capacity to be built on the existing site of Jhimpir Wind Power Plant in the Sindh region of Pakistan.

As part of the partnership agreement Zorlu Holding signed in 2017 with the US-based First Solar, which develops next-gen solar energy technologies, Zorlu Solar Enerji Tedarik ve Ticaret AŞ ("Zorlu Solar"), a wholly-owned subsidiary of Zorlu Enerji became the largest business partner and the sole authorized distributor of First Solar in 26 countries in the Eastern Europe, Eurasia, and Eastern Mediterranean, and began to distribute and sell First Solar's solar PV panels both in Turkey and abroad in the second quarter of 2017. Expanding its collaboration with solar panel manufacturers in 2018, Zorlu Solar partnered up with domestic solar panel manufacturers to begin sales and

## Energy

**Zorlu Solar began sales and distribution of membrane solar panels. So far, panels have been implemented in the food, cold storage and livestock sectors and new projects are being developed for opportunities in the logistics sector.**

distribution of membrane solar panels for industrial roofs under the Zorlu Solar brand. So far, panels have been implemented in the food, cold storage and livestock sectors and new projects are being developed for the logistics sector. Zorlu Solar began exporting membrane PV solar panels in 2018; initially to Jamaica.

In addition to the investments made under Zorlu Enerji, the publicly listed company of Zorlu Energy Group operating in the field of electricity generation, the Group also has a combined cycle natural gas power plant (Tereshkovo Power Plant) under Zorlu Holding in Russia, Moscow, which has an electricity generation capacity of 217 MW and a heat generation capacity of 150 Gcal\*/hour. Tereshkovo Power Plant, which commenced operations in November 2011 as a simple cycle power plant, switched to combined cycle generation in March 2012 as local heating and hot water systems entered into service. Annual generation of Tereshkovo Power Plant is around 1.2 billion kWh, which the plant sells to REK. The power plant's annual



\* Gigakalori

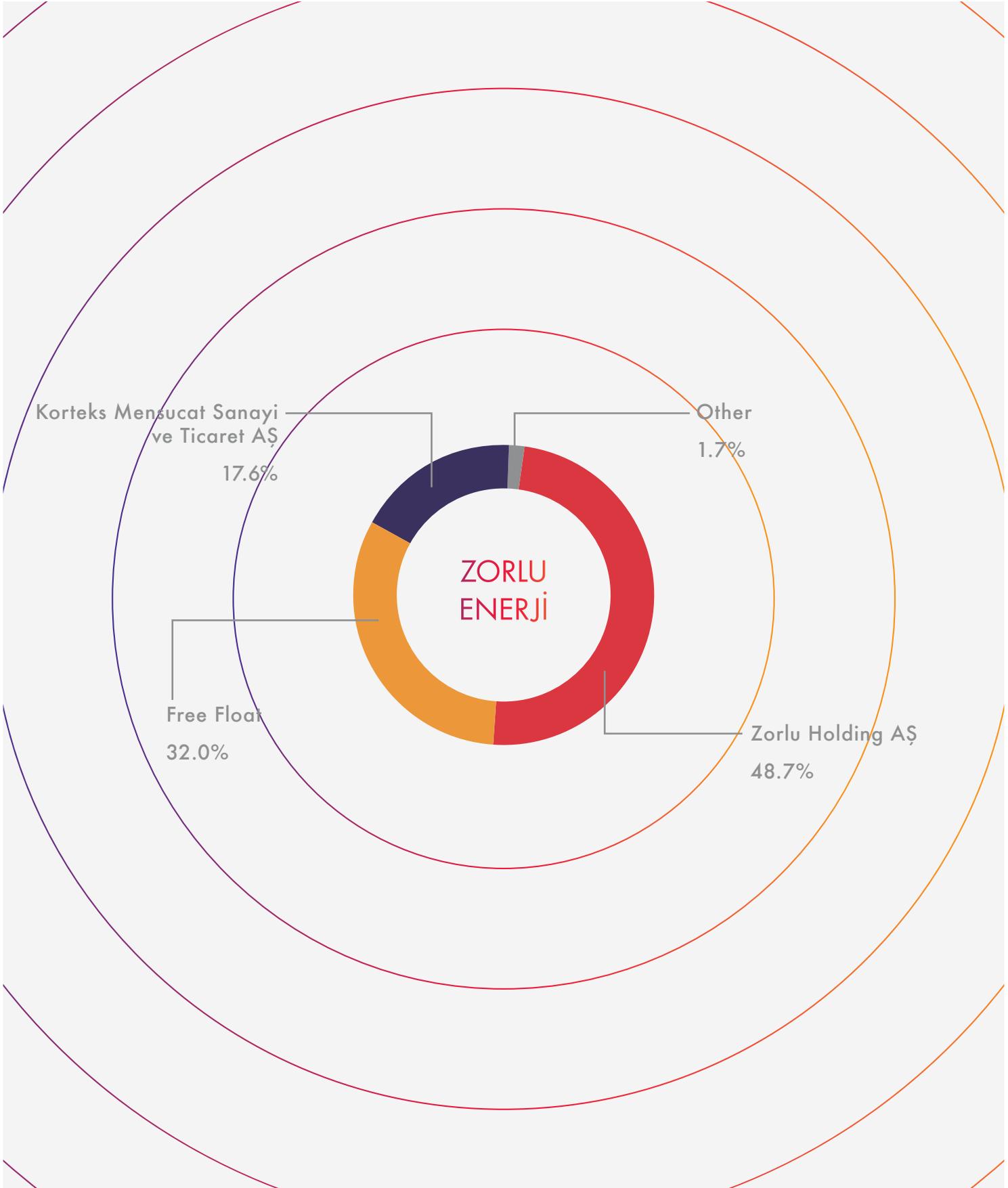


heat generation varies between 150,000 and 200,000 Gcal depending on the local heating needs, and the plant sells the heat to MOEK.

In February 2017 Zorlu Enerji expanded into the electricity distribution business by acquiring 100% shares of Osmangazi Elektrik Dağıtım AŞ ("OEDAŞ") and Osmangazi Elektrik Perakende Satış AŞ ("OEPSAŞ"). Distributing electricity within the provincial borders of Eskişehir, Afyonkarahisar, Bilecik, Kütahya and Uşak, OEDAŞ serves approximately 1.79 subscribers as of the end of 2018. OEPSAŞ, the assigned supplier for the region, also sells electricity to eligible consumers. In 2018 OEPSAŞ sold electricity to a total of 1.77 million customers.

With the aim of achieving operational integration by consolidating the gas distribution activities under its umbrella, Zorlu Enerji acquired 90% of the shares of two regional gas distribution companies, namely Trakya Bölgesi Doğal Gaz Dağıtım AŞ ("Trakya Doğal Gaz") and Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ ("Gaziantep Doğal Gaz, from Zorlu Group for a total consideration of 293 million Turkish lira, through its whollyowned subsidiary Zorlu Enerji Dağıtım AŞ, in June 2018. As of the end of 2018, Trakya Doğal Gaz, operating in the EdirneKırklareli-Tekirdağ region, serves 313,000 subscribers, and Gaziantep Doğal Gaz, operating in the Gaziantep-Kilis-Nizip region, serves 309,000 subscribers.

## Shareholding Structure



**ZORLU ENERJİ - 2018 FINANCIAL RESULTS**

NET SALES  
TL **6,730**  
MILLION



EBITDA\*  
TL **1,854**  
MILLION



NET PROFIT  
TL **35**  
MILLION

With Kızıldere III GPP becoming operational in full-capacity with both units as of March 2018, an increase in sales to YEKDEM (Renewable Energy Resources Support Mechanism) and the robust growth in OEPSAŞ's electricity sales, consolidated revenues of Zorlu Enerji grew by 35% YoY to TL 6,730 million.

Meanwhile, EBITDA\* reached all-time high TL 1,854 million with a growth of 82% due to a number of factors including the inclusion of Kızıldere III Geothermal Power Plant in YEKDEM mechanism for the first time in 2018, in addition to the existing five power plants;; the depreciation of TL against the USD during the year, which boosted the YEKDEM revenues; the increase in OEPSAŞ and OEDAŞ revenues due to the new regulations for

electricity distribution and assigned suppliers; and the positive impact of the increases in electricity prices, especially in the second half of the year, on profitability of electricity sales under bilateral agreements.

Thanks to the strong growth in EBITDA, net financial debt/ EBITDA ratio declined from 8.2x from 2017 to 5.8x as of the end of 2018.

Despite the volatility in financial markets during the year, Zorlu Enerji recorded a TL 35 million net profit in 2018 driven by the strong growth in operating profitability.

\* EBITDA calculation includes the depreciation expense which is reported under operating expenses and financial income from electricity and natural gas distribution activities

## Energy

**Zorlu Enerji's gross electricity generation increased by 25% YoY to 3,095 GWh in 2018. In parallel with the increase in electricity production, electricity sales from generation also increased by 25% YoY to 2,834 GWh.**

### Zorlu Enerji's Activities in 2018

#### Electricity generation and sales

Zorlu Enerji's gross electricity generation increased by 25% YoY to 3,095 GWh in 2018. The factors contributing to this increase include full-year operation of the first unit of Kızıldere Geothermal Power Plant, which became operational in August 2017; the second unit beginning generation in March 2018; and İkizdere Hydroelectric Power Plant, which was under rehabilitation and not operational throughout 2017, to have resumed generation in March 2018 upon the completion of the investment.

In line with the increase in electricity production, electricity sales from generation also increased by 25% YoY to 2,834 GWh. Sales of electricity procured from other sources increased by 23% to 9,591 GWh, due to the robust growth in OEPSAŞ's regulated customer portfolio, as a result of eligible customers' migration from free market to regulated market with the increase in sales prices under bilateral agreements in 2018. Consequently, total electricity sales grew by 23% YoY to 12,426 GWh in 2018.



### **Commissioning of the second unit of Kızıldere III GPP**

The first unit of Kızıldere III Geothermal Power Plant ("GPP"), which was developed in the Kızıldere field, which possesses the highest potential in terms of geothermal energy in Turkey, was commissioned in August 2017. The plant's second unit, with 65 MW of installed capacity, became operational in March 2018. Built on the provincial border between Denizli and Aydın, Kızıldere III GPP is Turkey's largest geothermal power plant in a single facility with its 165 MW of installed capacity. With the Kızıldere III GPP becoming operational, Zorlu Enerji's total installed capacity in geothermal energy reached 305 MW, making the company Turkey's largest player in this field.

### **Completion of the capacity expansion at İkiizdere HEPP**

The rehabilitation work, which started in July 2016, for increasing the installed capacity of İkiizdere Regulator and Hydroelectric Power Plant ("HPP"), located in the İkiizdere district of Rize, from 18.6 MW to 24.94 MW was completed in early March, and the power plant resumed commercial operations.

One of the first milestones in hydroelectric power generation in Turkey, İkiizdere HPP was transformed into a technological facility through a responsible corporate approach in the rehabilitation efforts, without compromising principles of respecting the local community and the environment.

### **The new steam boiler built at Lüleburgaz Natural Gas Power Plant entered into service.**

The fluidized bed steam boiler facility with a steam generation capacity of 2x40 tons/hour installed to increase the steam generation capacity at Lüleburgaz Natural Gas Cogeneration Power Plant, was completed in March 2018 and began commercial operations and sales.

### **International project finance for electricity distribution investments**

Osmangazi Elektrik Dağıtım AŞ secured TL denominated long-term project financing worth USD 330 million from European Bank for Reconstruction and Development (ERBD), International Finance Corporation (IFC), Dutch Development Bank (FMO) and Denizbank AŞ to fund its network investments until the end of 2020.

### **Turkey's First "Green Loan" from Garanti to Zorlu Enerji**

Zorlu Enerji and Garanti Bank signed Turkey's first Green Loan agreement. The USD 10 million loan will be used to finance Zorlu Enerji's working capital needs. The interest rate of the loan will be based on the sustainability performance of Zorlu

Enerji, encouraging the company to improve its sustainability performance with interest rate discounts throughout the term of the loan.

### **Non-stop travel with ZES fast-charging stations**

Zorlu Enerji launched its next-generation technology brand ZES ("Zorlu Energy Solutions") in 2018. After installing Turkey's fastest-charging stations at Zorlu Center, Istanbul, ZES has accelerated the installation of electric vehicle charging stations across Turkey, contributing to the development of Turkey's electric vehicle ecosystem.

The ZES branded electric vehicle charging stations first entered into service at the O3, O37 and O68 rest stops along the Istanbul-Izmir highway, at the Bozüyük-Sarar Outlet, and Susurluk-Festiva. Investments continued with 3 more installations at Afyon-Kolaylı Rest Stop, Uşak-Festiva and Bolu-Highway, and the number of ZES electric vehicle fast-charging stations increased to 9 during the year.

### **Electric vehicle sharing platform "electrip" was launched.**

Aiming to spread the use of electric vehicles in Turkey, the first electric vehicle sharing platform "electrip" was launched in 2018. Zorlu Enerji takes a revolutionary step in transportation solutions with "electrip", which offers hourly car-sharing service and brings a fresh breath of air into the car rental sector with silent, zero-emission electric vehicles.

### **Zorlu Enerji is the first energy company to calculate its water footprint.**

Zorlu Enerji continues to shape its sustainability approach by maximizing its use of domestic and renewable energy resources and to validate the value it adds to the society and the environment with independent certifications.

In line with this vision, along with its subsidiary Zorlu Doğal, Zorlu Enerji became Turkey's first energy company to calculate its water footprint, the amount of water used from production to consumption of all services and products consumed, and have it validated. As the recipients of Turkey's first ISO 14046 Water Footprint Certificate in the energy industry, Zorlu Enerji and Zorlu Doğal's pioneering efforts in water management proved their commitment to the environment and the society once again through certifications by independent institutions.

## Energy

**In 2018, OEDAŞ's subscriber base in the Eskişehir, Afyonkarahisar, Bilecik, Kütahya and Uşak region grew by 3.9%, above the average rate in Turkey, to reach approximately 1.79 million subscribers.**

### Electricity Distribution and Retail Sales

#### Osmangazi Elektrik Dağıtım AŞ (OEDAŞ)

OEDAŞ distributes electricity within the provincial borders of Eskişehir, Afyonkarahisar, Bilecik, Kütahya and Uşak. The company is responsible for operating the electricity distribution network in its designated region, making the necessary maintenance and expansion investments, reading and maintaining the electricity meters of the distribution system users in the region, preparing demand forecasts and investment plans, illumination of public areas and purchasing electricity to make up for the shortfall in the region stemming from theft and loss.

As a region with high potential for rapid growth, especially in terms of university population, industrialization and urbanization, the number of users in the Osmangazi region increases by an average 3-4% on an annual basis. In 2018, subscriber base in the region grew by 3.9%, which is above the average rate in Turkey, and reached approximately 1.79 million. During the year, Uşak recorded the highest growth in subscribers with a rate of 4.4%.

In 2018, while the amount of electricity distributed in the region increased by 3.4% to 6.33 TWh, the theft and loss ratio was realized as 6.41%, remaining below the regulatory target of 7.55% set by the Energy Market Regulatory Authority ("EMRA") for the year. Because the high-consumption consumers in the region are transmission system users, the per capita electricity consumption in the region based on the number of subscribers was 3,786 kWh in 2018.

Attaching great importance to customer satisfaction, OEDAŞ steadily continued its efforts in this field in 2018 as well. According to the independent customer satisfaction survey conducted by ELTEMTEK Consulting on behalf of TEDAŞ, OEDAŞ was ranked number one across Turkey based on the survey results for September, October and December, demonstrating that the company has begun reaping the fruits of its focus on customer satisfaction.

#### Osmangazi Elektrik Perakende Satış AŞ (OEPSAŞ)

As the assigned supplier (supplier of last resort) for the Osmangazi Electricity Distribution Region, OEPSAŞ sells electricity to regulated customers in the region at retail sales tariffs verified by EMRA. The company can also sell electricity to eligible consumers all around Turkey without any regional limitations.

Following the acquisition of the company by Zorlu Enerji, operational processes and all activities in retail sales services were revised and transformed into customer-oriented business models that rapidly adapt to customers' demands and enriched by technological innovations. Process analyses regarding legislation and customer satisfaction targets are ongoing.

In 2018, the Customer Services Directorate carried out activities to improve customer satisfaction and service quality.

As part of these activities, developments in the market were followed closely by participating in commission meetings and conducting comparative surveys including other companies.

In 2018 the company began revising its existing Customer Services Centers in all provinces, with plans to complete the revisions within the first quarter of 2019.

OEPSAŞ sold 7.02 TWh of electricity in total to approximately 1.77 million customers in 2018, including both eligible and regulated customers. The company's electricity sales increased by 18% YoY. This growth in sales was mainly driven by the migration of eligible consumers from other electricity suppliers to the company's regulated customer portfolio due to the increase in sales prices for bilateral agreements in 2018. Consequently, total electricity sales grew by 23% YoY to 12,426 GWh in 2018.

83% of electricity sales were made to regulated customers (K1) and the remaining 17% were to eligible customers, exercising their rights as free consumers to purchase electricity via bilateral agreements (K2). In 2018, consolidation efforts were carried out in the K2 portfolio to protect the profitability due to the

increase in electricity supply costs. As a result, the number of K2 subscribers declined from 74,141 in 2017 to 13,995 as of the end of 2018.

### **Natural Gas Distribution**

As part of the re-organization efforts aiming to unite activities in the energy industry under the roof of Zorlu Enerji, in June 2018 via its wholly-owned subsidiary Zorlu Enerji Dağıtım AŞ, Zorlu Enerji acquired 90% stake in natural gas distribution companies Trakya Bölgesi Doğalgaz Dağıtım AŞ and Gazdaş Gaziantep Doğalgaz Dağıtım AŞ from Zorlu Group for TL 293 million.

### **Trakya Bölgesi Doğal Gaz Dağıtım AŞ**

Established in 2005, Trakya Bölgesi Doğalgaz Dağıtım AŞ ("Trakya Doğal Gaz") distributes natural gas for residential and industrial use. On June 23, 2005, Trakya Doğal Gaz won the tender held by EMRA for the Edirne-Kırklareli-Tekirdağ natural gas distribution region by offering a zero subscriber connection fee for the first 5 years, a zero unit service amortization fee for the first eight years, and a license fee of TL 2.5 million. The company received its distribution license on January 25, 2006 and started natural gas distribution activities in the region. Under its license, the company is responsible for the planning, project design, construction, operation, maintenance and expansion of



## Energy

**Complying with distribution license obligations fully and on time, Trakya Doğal Gaz reached pipeline length of 4,092 km and a USD 163.4 million investment value as of the end of 2018.**

the distribution network and for the transportation of natural gas via this distribution network to subscribers and eligible consumers in the distribution region covering Edirne, Kırklareli and Tekirdağ provinces, and Lüleburgaz, Çerkezköy, Muratlı, Kavaklı, Evrensekiz, Büyükkarıştıran, Kızılpınar, Kapaklı, Karaağaç, Veliköy, Ulaş, Misinli, Velimeşe and Babaeski districts in the above-mentioned provinces for 30 years in accordance with the applicable legislation.

### Expansion of License Area

Trakya Doğal Gaz expanded the distribution license area to include:

- Keşan, İpsala and Süloğlu districts of Edirne province, pursuant to the EMRA's Board resolution no. 5813-6 dated October 8, 2015,
- Süleymanpaşa, Şarköy, Malkara, Hayrabolu, Ergene (Ulaş, Velimeşe and Misinli neighborhoods) and Saray districts of Tekirdağ province, pursuant to the EMRA's Board resolution no. 6134-6 dated March 2, 2016
- Uzunköprü, Lalapaşa, Havsa, Meriç and Enez districts and Yenimuhacir, Subaşı, Küplü and Yenikarpuzlu townships of Edirne province; Pınarhisar and Vize districts and Ahmetbey township of Kırklareli province, pursuant to the EMRA's Board resolution no. 6853-7 dated January 12, 2017,
- Pehlivan köy district and Beğendik, Üsküp, Büyükmandıra, Alpullu, Kaynarca townships of Kırklareli province; and Esetçe township of Edirne province, pursuant to the EMRA's Board resolution no. 7749-2 dated March 3, 2018.

### Responsibility from A-Z in Natural Gas Supply

Trakya Doğal Gaz is responsible for the planning, project design, construction, operation, maintenance and expansion of the distribution network and transportation and retail sales of natural gas through this network to subscribers and eligible consumers in the cities included in its distribution license.

Complying with the distribution license obligations fully and on time, Trakya Doğal Gaz reached a pipeline length of 4,092 km a USD 163.4\* million investment value as of the end of 2018.

Through new investments, the company aims to extend the length of its network to 5,585 km by undertaking a USD 210 million investment by the end of 2021, and to 6,229 km with a USD 365 million investment by 2036, the 30<sup>th</sup> year of its distribution license.

As of the end of 2018, the company has a total of 379,796 subscriber connection agreements (number of detached sections-NUI). The number of subscriber connections is expected to reach 480,464 NIUs by the end of 2021, and 701,000 NIUs by 2036.

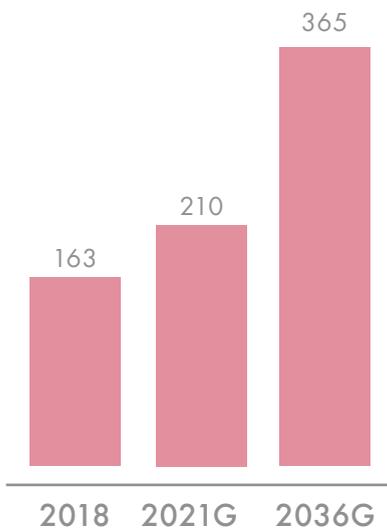
In 2018, a total of 1.2 billion Sm<sup>3</sup> (standard cubic meters) of natural gas was consumed within the company's area of operation. 690 million Sm<sup>3</sup> of this consumption was directly

sold by Trakya Dođal Gaz to consumers, while the company provided transfer services for the remaining 511 million Sm<sup>3</sup>.

Through new investments and expansion in the subscriber base, natural gas consumption in Trakya Dođal Gaz's distribution region is expected to reach 1.34 billion m<sup>3</sup> in 2021 and at least 3 billion m<sup>3</sup> by 2036.

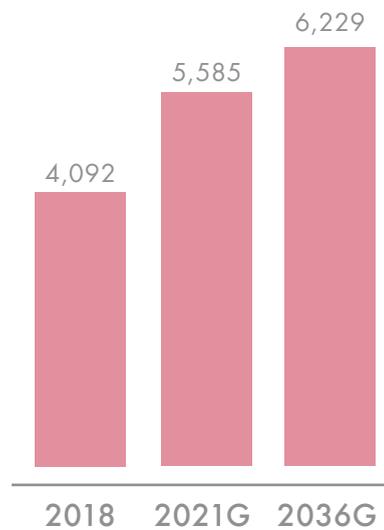
### Total Investment Amount\*

(Million USD)



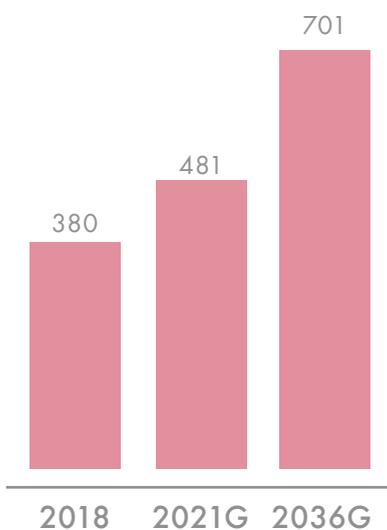
### Total Length of Line

(km)



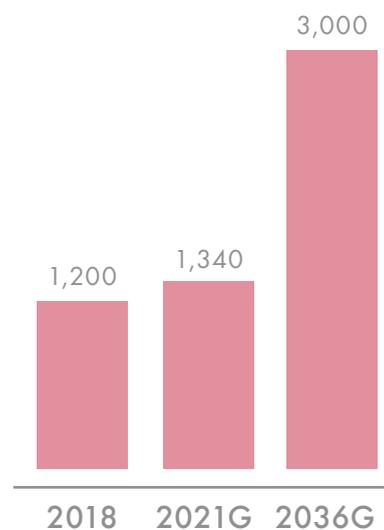
### Total Number of Subscribers

(Thousand NIUs\*\*)



### Natural Gas Consumption

(Million m<sup>3</sup>)



\* Excluding profit difference and interest expenses

\*\* NIU: Number of Independent Units

## Energy

**Complying with distribution license obligations fully and on time, Gaziantep Doğal Gaz reached a pipeline length of 3,305 km and a USD 154.71 million investment value as of the end of 2018.**

### Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ

Established in 2005, Gazdaş Gaziantep Doğalgaz Dağıtım AŞ ("Gaziantep Doğal Gaz") distributes natural gas for residential and industrial use.

On July 28, 2005, Gaziantep Doğal Gaz won the tender held by EMRA for the Gaziantep-Kilis-Nizip natural gas distribution region, by offering a US\$30 subscriber connection fee for the first five years and a zero unit service amortization fee for the first eight years. The company received its distribution license on February 24, 2006, and started natural gas distribution activities in the region.

Under its license, the company is responsible for the planning, project design, construction, operation, maintenance and expansion of the distribution network and for the transportation of natural gas via this distribution network to subscribers and eligible consumers in the distribution region covering Gaziantep, Kilis and Nizip for 30 years in accordance with the applicable legislation.

### Expansion of License Area

Gaziantep Doğal Gaz expanded the distribution license area to include:

- Oğuzeli, İslahiye and Nurdağı districts of Gaziantep province, pursuant to the EMRA's Board resolution no. 5717-4 dated August 6, 2015,
- Araban and Yavuzeli districts of Gaziantep province, pursuant to the EMRA's Board resolution no. 6867-4 dated January 19, 2017.

### Responsibility from A-Z in Natural Gas Supply

Gaziantep Doğal Gaz is responsible for the planning, project design, construction, operation, maintenance and expansion of the distribution network and transportation and retail sales of natural gas through this network to subscribers and eligible consumers in the cities included in its distribution license.

Complying with distribution license obligations fully and on time, Gaziantep Doğal Gaz has reached a pipeline length of 3,305 km and a USD 154.71\* million investment value as of the end of 2018.

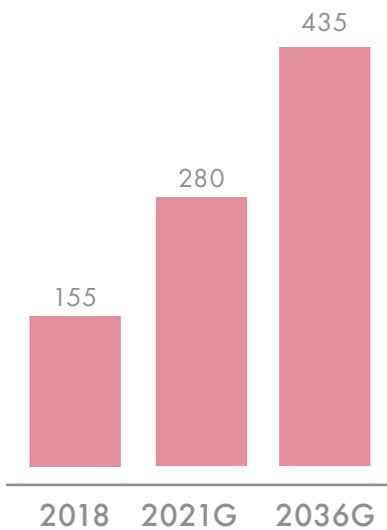
Through new investments, Gaziantep Doğal Gaz aims to increase the length of its network to 4,142 km by undertaking a USD 280 million investment by the end of 2021, and to 4,954 km with a USD 435 million investment by 2036, the 30<sup>th</sup> year of its distribution license.

As of the end of 2018, the company has a total of 391,140 subscriber connection agreements (number of detached sections-NUI). The number of subscriber connections is expected to reach 551,741 NIUs by the end of 2021, and 1,114,307 NIUs by 2036.

In 2018, the area of operations of Gaziantep Doğal Gaz consumed 596 Sm<sup>3</sup> of natural gas. 312 million Sm<sup>3</sup> of said consumption was directly sold by Gaziantep Doğal Gaz to consumers, while the company provided transfer services for the remaining 284 million Sm<sup>3</sup>.

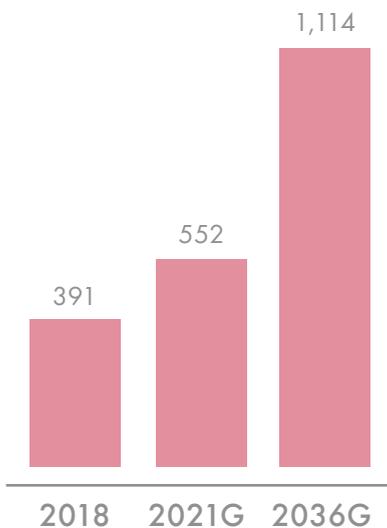
#### Total Investment Amount\*

(Million USD)



#### Total Number of Subscribers

(Thousand NIUs\*\*)



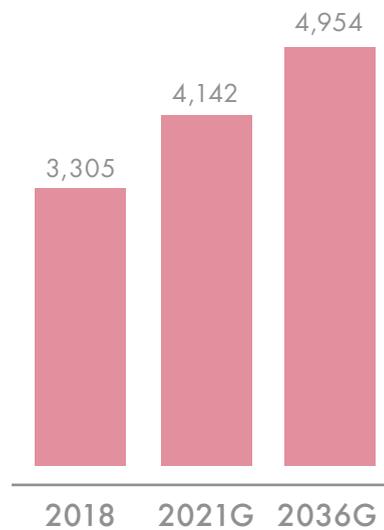
Through new investments and the expansion in subscriber base natural gas consumption in Gaziantep Doğal Gaz's distribution region is expected to reach 759 billion m<sup>3</sup> in 2021 and 2 billion m<sup>3</sup> by 2036.

#### Gazdaş Call Center

Located in Adıyaman, Gazdaş Call Center provides services to all the distribution areas of Gazdaş. Equipped with up-to-date technologies, Gazdaş Call Center answers 24/7 emergency calls on the 187 hotline from customers in the distribution regions

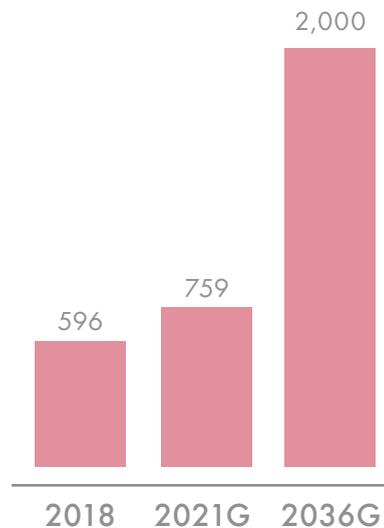
#### Total Length of Line

(km)



#### Natural Gas Consumption

(Million m<sup>3</sup>)



\* Excluding profit difference and interest expenses

\*\* NIU: Number of Independent Units

## Energy

**Zorlu Energy Group has traded nearly 3% of all natural gas consumed in Turkey since it obtained the first license in 2010. Since then, the Group sold 8.6 billion cubic meters of natural gas all across Turkey, 616 million cubic meters of which was sold in 2018 alone.**

of Trakya Doğal Gaz and Gaziantep Doğal Gaz, as well as their other demands on 444 9 429 (444 Z GAZ).

Calls received on the emergency response hotline are immediately transferred as work orders via master control center to hand terminals of field teams, and the problem reported by the customer is resolved in less than 15 minutes.

### Natural Gas Trade

Since 2010, Zorlu Doğal Gaz and Zorlu Doğal Gaz Tedarik have carried out natural gas sales and trade activities through Zorlu Doğal Gaz İthalat, İhracat ve Toptan Ticaret AŞ ("Zorlu Doğal Gaz") and Zorlu Doğal Gaz Tedarik Ticaret AŞ ("Zorlu Doğal Gaz Tedarik") under Zorlu Holding AŞ.

Zorlu Doğal Gaz and Zorlu Doğal Gaz Tedarik operate in direct sales to licensed local wholesale, retail and distribution companies and eligible consumers as well as exports and wholesale trade to exporters of the natural gas it procures from local producers, importers and other wholesale companies via delivery lines and/or from abroad in the form of liquefied natural gas (LNG).

Playing an increasingly bigger role in natural gas trade every year, Zorlu Energy Group has traded nearly 3% of all natural gas consumed in Turkey since it obtained the first license in 2010. Since then, the Group sold 8.6 billion cubic meters of natural gas all across Turkey, 616 million cubic meters of which was sold in 2018 alone. Maintaining a stable growth in the energy market, Zorlu Energy Group is increasing its natural gas trade volume by the day.

Zorlu Doğal Gaz and Zorlu Doğal Gaz Tedarik aim to lead the way in the natural gas industry and become prestigious companies in their operating region in the natural gas market. The companies provide natural gas to eligible consumers via their transmission and distribution networks with high quality, in an uninterrupted way and without damaging the environment.

### Power Plants Construction, Repair and Operations

#### Zorlu Endüstriyel

Founded in early 2000, Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Ticaret AŞ ("Zorlu Endüstriyel") offers turnkey "EPC" contracting services and solutions, including project development, feasibility, basic design, engineering, supply, construction, installation and commissioning work for industrial plants and power plants in Turkey and abroad. Feasibility and engineering studies as well as

turnkey construction and installation works for the Zorlu Energy Group's power plants in Turkey and abroad are undertaken by Zorlu Endüstriyel.

#### 2018 Activities

Zorlu Endüstriyel commissioned the second unit of Kızıldere III GPP with 65 MW of installed capacity in the first quarter of 2018. Kızıldere III GPP is Turkey's largest geothermal power plant in a single facility with its 165 MW of installed capacity. The rehabilitation works to increase the installed capacity of İkizdere Regulator and Hydroelectric Power Plant from 18.6 MW to 24.94 MW, were also completed in the first quarter of the year. In the first quarter of 2018, Zorlu Endüstriyel also put into service the pulverized lignite fueled fluidized bed steam boilers installed to increase the steam production capacity at Lüleburgaz Cogeneration Natural Gas Power Plant and began commercial steam sales at the facility. The construction work for the Bahawalpur Solar Power Plant project in Pakistan, with a planned capacity of 100 MW, is underway; the site has been leveled and pile foundations for the solar panels have been completed. Moreover, in 2018 the company has installed 9 fast-charging stations on Turkey's most travelled highways for the service of electric vehicle owners.

#### Zorlu O&M

Established in 2000 as the first Turkish maintenance and operations company of the energy sector, Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ ("Zorlu O&M") provides long-term operational, maintenance and repair services to for thermal (natural gas, simple cycle, combined cycle, co-generation) hydroelectric, wind and geothermal power plants owned by both Zorlu Energy Group and third parties.

Zorlu O&M is present in nine countries, providing operation and maintenance services to Zorlu Enerji Group's natural gas plants in Russia and Israel as well as the wind power plant in Pakistan while undertaking maintenance of a number of power plants in Europe, Middle East, South Asia and Central Asia under single contracts. One of the remarkable Zorlu O&M projects abroad is the maintenance of the Greek public LM gas turbines.

Apart from operation and maintenance services, Zorlu O&M also undertakes the commissioning of newly-built power plants.

An extensive spare parts pool that feeds a robust logistics network, experienced operation and maintenance personnel, emergency response teams, and an advanced automation infrastructure guarantee a high level of availability of Zorlu O&M services for its customers.



## Energy

**In the first quarter of 2018, Zorlu O&M Calibration Center entered into service in Gaziantep to perform calibrations and adjustments for type G2.5-G4 and G6 domestic natural gas meters. As the first authorized calibration center in the Eastern Anatolia Region, Zorlu O&M Calibration Center has the capacity to serve 100,000 meters per year.**

### 2018 Activities

Zorlu O&M provided operation and maintenance services for installation and commissioning of the fluidized bed steam boiler facility with a capacity of 2x40 tons/hour, built to improve profitability by reducing steam generation costs at Zorlu Enerji's Lüleburgaz Cogeneration Natural Gas Power Plant. The steam boilers began test production in March 2018 and reached full capacity following completing provisional acceptance in June.

Zorlu O&M provides operation and maintenance services for the 135 MW Gökçedağ Wind Power Plant commissioned by Zorlu Enerji in Osmaniye in 2010. Zorlu O&M was also involved in the installation and commissioning of the power plant. In line with its strategy of continuous improvement, with the "TPO/Autotune/Peakshaver" (boosting turbine efficiency by automatic adjusting of seasonal parameters) project was implemented at the wind turbines of Gökçedağ WPP, which began in the final quarter of 2017 and completed in the final quarter of 2018. Thanks to this project, Zorlu O&M achieved an average annual increase of 0.7% in power generation at the plant.

Zorlu O&M provides operation and maintenance services for the 80.3 MW Sarıtepe and Demirciler Wind Power Plants commissioned by Zorlu Enerji in Osmaniye in 2016. Zorlu O&M was also involved in the installation and commissioning of the power plants. Within the scope of its strategy of continuous improvement, the "Thrust Increase" (boosting turbine efficiency by adjusting rotor torque) project was implemented at the wind turbines of Sarıtepe and Demirciler WPPs, which was kicked off in the final quarter of 2017 and completed in the final quarter of 2018. Thanks to this project Zorlu O&M achieved an average annual increase of 1% in power generation at the plants.

In July 2018, Gökçedağ Wind Power Plant and Sarıtepe and Demirciler Power Plants recorded the highest output levels since their inception with 60.15 GWh and 38.73 GWh, respectively.

In addition to operation services provided to Kızıldere I and Kızıldere II GPPs under Zorlu Doğal Elektrik Üretim AŞ and Alaşehir I GPP under Zorlu Jeotermal Elektrik Üretimi AŞ, Zorlu O&M began providing operation services to Kızıldere III GPP, the first unit of which was commissioned in 2017 and the second unit in 2018. Furthermore, Zorlu O&M carries out testing activities with the drilling and reservoir group, collaborates with the investment teams on the material supply and design of electrical and mechanical works for new production and reinjection wells, and provides follow-up and control services in implementation and commissioning phases. Maintenance of all main and ancillary equipment is carried out in-house by Zorlu O&M teams.

Zorlu O&M constantly supports drilling activities for the development of Alaşehir II GPP project run by the reservoir group while contributing significantly to the reservoir tests and to the uninterrupted and smooth continuation of processes by providing material, labor and equipment support.

After completion of the capacity increase and rehabilitation efforts, İkazdere WPP reached an installed capacity of 24.94 MW and resumed generation upon completing provisional acceptance in March 2018.

Within the scope of the five-year Operation, Periodic Maintenance & Repair, and Inspection Works Agreement signed with Trakya Bölgesi Doğal Gaz Dağıtım AŞ and Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ, Zorlu O&M provides maintenance and repair services to these companies.

In the first quarter of 2018, Zorlu O&M Calibration Center entered into service in Gaziantep to perform calibrations and adjustments for type G2.5-G4 and G6 domestic natural gas meters. Built on an outdoor area of 1200 m<sup>2</sup> and an indoor area of 600 m<sup>2</sup> as the first authorized calibration center in the Eastern Anatolia Region, Zorlu O&M Calibration Center has the capacity to serve 100,000 meters per year.

In line with its fast service and flexible pricing policy, Zorlu O&M offers its customers maintenance services that OEM (Original Equipment Manufacturing) companies provide for gas turbines at natural gas cycle power plants. Increasing fuel

prices, operating costs and costs of maintenance (especially the cost of foreign currency-based spare parts) provided by OEM companies make operation of natural gas cycle plants more difficult, causing power plants serviced by Zorlu O&M to shut down. Therefore, Zorlu O&M has assessed the current state of the energy market and expectations for upcoming periods and established a new organization that can quickly adapt to possible future developments.

With the acquisition of Turkbine by Zorlu O&M in the final quarter of 2017, existing maintenance equipment were transferred from the Istanbul Ataturk Airport maintenance site to Zorlu O&M's facilities in Bursa. By doing so, Zorlu O&M aims to offer services formerly provided only to aero-derivative gas turbines to all power plants under Zorlu Enerji as well as third parties within the scope of external services and meeting customer demands over a wider service network. The range of maintenance equipment at the Bursa Maintenance Workshop is prepared to cover an infrastructure to serve workshop-level maintenance services. In addition to maintenance of gas turbines, the company is looking into facilities to provide grinding, balance, etc. services for the equipment of internal and external customers. Negotiations with Presidency of Defence Industries and Turkish Naval Force are ongoing for Zorlu O&M to provide major overhaul works for the LM2500 gas turbines used in the ships and frigates in the inventory of Turkish Naval Forces at the Bursa Workshop.



## Energy

**Turkey's first energy company to calculate its carbon footprint and qualify for the ISO 14064-1 Greenhouse Emission Standards Certification, Zorlu Enerji takes part in the CDP (Carbon Disclosure Project) and publicly discloses annual carbon footprint reports with management perspectives in relation to climate change.**

Arrangements were made at the Zorlu O&M's Bursa Workshop to directly perform through suppliers' main shaft bearing and generator box overhaul works at wind turbines carried out by OEM companies. As part of these efforts, Zorlu O&M disassembled and overhauled the gearbox and the main shaft bearing of the GE 2.5 MW wind turbine at the Bursa workshop.

Zorlu O&M successfully performed planned preventive maintenance and controls of GE LM2500+ gas turbines at the natural gas power plants in Rhodes and Crete Islands owned by Public Power Corporation (PPC), the public electricity company of Greece. During the maintenance, the company detected and reported off-limit findings at the plant's LM 2500+ gas turbine to PPC. PPC accepted Zorlu O&M's offer for corrective maintenance. Zorlu O&M successfully replaced the HPC top case and combustor of the Chania LM2500+ gas turbine. Zorlu O&M also performed maintenance of PPC's fuel nozzle parts.

Zorlu O&M provided instruments and equipment for 2 months for an off-shore project by General Electric affiliate Field Core Services.

Zorlu O&M disassembled and dismantled all balance of plant (BOP) equipment except for the buildings and the main energy generating systems in the sites of Ankara Combined Cycle Natural Gas Power Plant and Kayseri Combined Cycle Natural Gas Power Plant, generation licenses of which had been cancelled, and Bursa Combined Cycle Natural Gas Power Plant whose capacity is reduced.

### Zorlu Energy Group & Sustainability

Zorlu Energy Group considers the maximum use of local and renewable energy resources as key to sustainable development and adopts a policy of energy production and distribution based on efficient and reliable resources. Underpinning the Group's priority areas of sustainability are the responsible use of natural resources, social governance, energy efficiency, security of supply, reduction of emissions, and climate change.

The Sustainability Board launched in 2015 within Zorlu Energy Group drafts the Group's strategy and action plan on sustainability as a guide to activities in this field. Led by the Sustainability Board, the Group defines its approach towards sustainability, which it has integrated into its operational processes, as "a guide to managing the economic, environmental and social factors and related risks with a view to creating long-term value."

Supporting a low-carbon economy constitutes one of the main pillars of the Group's sustainability strategy. To this end, the Group plans to continue its investments in local and renewable energy resources while respecting its environmental and social responsibilities. Zorlu Enerji Group allocates 40% of its social investments to supporting sports and cultural activities, 20% to corporate responsibility projects, 20% to improving the life standards of local communities and 20% to education, scholarship and research grants.

Turkey's first energy company to calculate its carbon footprint and qualify for the ISO 14064-1 Greenhouse Emission Standards Certification, Zorlu Enerji takes part in the CDP (Carbon Disclosure Project) and publicly discloses annual carbon footprint reports with management perspectives in relation to climate change. The company was granted the CDP Turkey Carbon Transparency Leader Award in 2011, 2013, 2014, and 2017.

With two of its companies involved in the Climate Change Program of the CDP Platform, Zorlu Energy Group has been a part of the CDP Water Program as of 2017 with two companies, Zorlu Enerji and Zorlu Doğal, and began to measure water footprints and to transparently share the results with stakeholders through the CDP Platform. In autumn 2017, the company also

launched several initiatives within the context of the ISO 14046 Water Footprint Standard, and continued these initiatives into 2018 in line with its transparency policy.

Zorlu Energy Group was the first in the Turkish energy sector to prepare a sustainability report in 2011 and has continued sustainability reporting periodically ever since, disclosing its sustainability performance transparently to all stakeholders. In 2018, the Group published its fifth Sustainability Report, covering the 2016-2017 period and prepared in accordance with the Global Reporting Initiative's (GRI) Sustainability Reporting Standards: Core option.

With an impressive track record of exemplary local and renewable energy projects, for the first time in November 2016 Zorlu Enerji was listed on a voluntary basis in the BIST Sustainability Index, composed of stocks of companies with high performance on corporate sustainability traded in Borsa Istanbul. Maintaining its compliance with the index criteria, Zorlu Enerji successfully passed the evaluations for the November 2018-October 2019 period and qualified to be listed in the index for the third time in a row.



## Zorlu Energy Group's Activities in Turkey and Abroad



### ELECTRICITY GENERATION

- Total installed capacity of 1,303 MW, with 739 MW in Turkey, 290 MW\* in Israel, 56 MW in Pakistan, and 217 MW in Russia.
- 87% of the installed capacity in Turkey and 53% of total installed capacity are based renewable energy resources
  - Natural Gas: 607 MW (47%)
  - Wind: 272 MW (21%)
  - Geothermal: 305 MW (23%)
  - Hydroelectric: 119 MW (9%)

### ELECTRICITY DISTRIBUTION

- Electricity distribution in the Eskişehir, Bilecik, Uşak, Afyonkarahisar and Kütahya provinces with a total population of 2.8 million
- Approximately 1.79 million distribution subscribers
- 6.3 TWh of net distributed electricity
- 6.41% theft and loss ratio

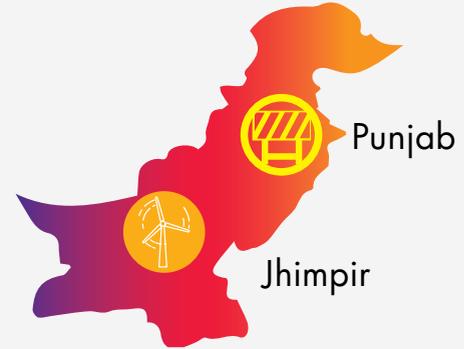
### ELECTRICITY TRADE AND SALES

- 8 TWh of total electricity sales
- 1.78 million customers
- Approximately 30,000 eligible customers
- Customer portfolio:
  - Commercial (24%),
  - Residential (31%),
  - Industrial clients (45%)
- One of the first market makers in Derivatives Market
- 

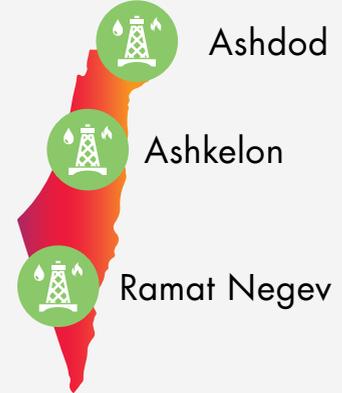
\* Based on ownership stakes



## PAKISTAN



## ISRAEL



## RUSSIA



## NATURAL GAS DISTRIBUTION AND TRADE

- Distribution of natural gas in Edirne, Kırklareli, Tekirdağ, Gaziantep and Kilis provinces with a total population of 4 million
- 7,400 km-long natural distribution network
- Approximately 621,900 subscribers
- 1 billion Sm<sup>3</sup> of natural gas sales
- 1.8 billion Sm<sup>3</sup> of natural gas distribution



NATURAL GAS POWER PLANT



GEOTHERMAL POWER PLANT



HYDROELECTRIC POWER PLANT



WIND POWER PLANT



NATURAL GAS DISTRIBUTION



ELECTRICITY DISTRIBUTION



POWER PLANTS UNDER CONSTRUCTION

## Awards Received in 2018

### Bonds & Loans Award for Zorlu Enerji's Sukuk Issue

Achieving another first in its sector, Zorlu Enerji received the Bonds & Loans Award for its lease certificate issue, which was completed on October 3, 2017. This was the largest sukuk issue realized by the real sector in Turkey with its size of 200 million Turkish lira.

The Bonds & Loans Award reviews the most successful financial transactions across various sectors in Turkey. Since 2013, different organizations, primarily banks and financial institutions, have been recognized and awarded for their performance and financial transactions.



## Zorlu Enerji was granted the Respect for People Award for the 6<sup>th</sup> time.

The Respect for People Award is awarded to companies that receive the most job applications and provide the most employment and have the highest and the fastest response rate. Having fulfilled all the eligibility criteria, Zorlu Enerji was presented with the Respect for People Award for the sixth time in 2018.



# Real Estate





## Real Estate

Within the framework of our Smart Life 2030 vision, we embrace sustainability and transform it into a way of doing business. Through smart projects and applications shaped by innovation and technology, we design innovative living environments which make people's lives easier.





## Real Estate

“

As the Real Estate Group, we focus our business model on sustainable buildings and smart building management systems shaped by Industry 4.0.

”



**Mesut Pektaş**

CEO, Zorlu Real Estate Group

With the impact of digitization, the world is undergoing a great transformation, which in turn changes and transforms individuals, societies, ways of doing business, lifestyles and living environments.

At the heart of this transformation lies a demand for change, boosted by digitization, and a desire for a better future enriched by innovation and technological developments. As a reflection of this, a new generation lifestyle and a new generation economy shaped by innovation in products, services, ways of doing business and solution methods emerge. As a result, we see the first signs of a smarter life that is based on consumer experience, where big data and algorithms are at the service of people.

As life is being transformed inside out, this trend naturally increases the demand for innovative living environments day by day. In line with Zorlu Holding's Smart Life 2030 vision, the Real Estate Group responds to this smart transformation with sustainable solutions enriched by innovation and technological developments.

Following this vision, we focus our business model on sustainable buildings and smart building management systems shaped by Industry 4.0.

### **Innovative and sustainable new-generation life: Zorlu Center**

Zorlu Real Estate Group offers one of the most impressive examples of innovative and sustainable new-generation living environments with Zorlu Center, Turkey's first five-function mixed-use project.

Comprising Zorlu Shopping Mall, Zorlu Performance Arts Center, Raffles Istanbul Zorlu Center, residences and offices, the five-function Zorlu Center is an exceptional example in Turkey and in the world. Zorlu Real Estate Group continues to further enhance Zorlu Center as a new generation living environment by implementing sustainable technologies and smart technology systems.

Zorlu Center features the best examples of enhancements that improve people's lives, including: Smart Home and Smart Energy Management systems, electric vehicle charging stations, Beacon tracking system for offers and customer trends, electric outdoor benches, solar panel charging units, and robot-assisted orientation and information services, first of its kind in Turkey.

### **We make life easier and reduce our environmental impacts with smart systems**

Zorlu Real Estate Group implements projects that improve lives of residents and customers, all the while spreading sustainability, which it embraces as a way of doing business, across its facilities through innovative applications.

Implemented in line with this approach, smart systems further reduce the environmental impacts every day. Examples of good practices which reduce environmental impacts at Zorlu Center include: a 120 m<sup>2</sup> recycle room for solid waste, glass waste collection points, and recycling waste, including oil waste from restaurants, which is regularly collected by authorized organizations.

In addition to these waste management practices, Zorlu Center also effectively uses various smart systems to save energy and water. These include: trigeneration to save energy in electric heaters and coolers, recovery of waste water to save water, LED transformation in communal area lighting to save energy and Smart Energy Management to significantly save energy.

We utilize a holistic approach to environmental impact, implementing practices to raise awareness not only in the area surrounding Zorlu Center but also across Istanbul. To this end, Zorlu Center has introduced electric taxis, serving customers with eco-friendly cabs with zero carbon emissions.

### **We continue to reduce energy and water use in our facilities.**

Maintaining the maximum level of comfort and safety for life at Zorlu Center, Turkey's first five-function mixed-use project, and making quality lasting and sustainable requires running an immense operation. We welcome all demands by residents with a solution-oriented mindset.

We saved electricity by 60%, or in other words 2,100,000 kWh of electricity per year thanks to the adjustments to lighting in the parking lots; also saved 180,039 kWh of electricity per year by installing movement sensors for lighting on car lanes in all parking lots. The LED transformation in all communal areas was completed, helping us save 2,220,480 kWh of electricity per year. Furthermore, the special device purchased for cleaning the reflecting pools has enabled cleaning without emptying the pools, therefore helping us save approximately 13,000 tons of water per year.

### **No barriers in Zorlu Center**

While continuing to develop practices to make life easier for guests and residents alike, we also take significant steps to support projects that raise awareness on people with disabilities.

In the previous years, we collaborated with Guide Dogs Association on the "No Barriers in Zorlu" project, to make Zorlu Center fully accessible and turn it into a space where individuals with disabilities can socialize. Within the scope of the project, all staff in Zorlu Shopping Mall food courts received sign language training and restaurant menus were also printed in Braille alphabet. The "My Shopping Center Travel Mate" feature on the "My Partner in Dreams" application is developed to support individuals with visual disabilities to participate in social life more actively and independently.

## Real Estate

**Shortly after its inception, Zorlu PSM has become an essential venue for culture and arts. Zorlu PSM has hosted 2 million guests at a total of 5,000 events in five years, 500,000 guests were hosted in the previous season alone.**

### **Zorlu Center has welcomed 60 million visitors.**

Since the day it opened its doors, Zorlu Center has hosted a total of 60 million visitors. Zorlu Center offers visitors a unique service experience with over 200 stores, gourmet restaurants, open-air piazza, and smart living environments at Zorlu Shopping Mall.

Zorlu PSM has hosted 2 million guests to date.

Shortly after its inception, Zorlu PSM has become an essential venue for culture and arts. Zorlu PSM has hosted 2 million guests at a total of 5,000 events in five years; 500,000 guests were hosted in the previous season alone. Zorlu PSM events accounted for nearly 15% of the tickets sold for entertainment, culture and arts events in Turkey. Zorlu PSM also provides employment to 10,000 people per season, including event staff and the 140-person Zorlu PSM team.

### **Raffles Istanbul Zorlu Center, the address for distinguished guests.**

Raffles Istanbul Zorlu Center, one of the world's most exceptional luxury hotels, continues to be the Istanbul address for elite guests from all over the world. Raffles Istanbul Zorlu Center offers guests a unique and luxurious experience with 185 rooms and 65 residences, a ballroom with a capacity of 1,200 people and a 3,000 m<sup>2</sup> SPA with natural daylight. It also presents a wide range of luxury and sophisticated dining experiences with Rocca Restaurant offering the flavors of Mediterranean cuisine; the Pan-Asian restaurant ISOKYO, introducing a brand new approach to dining in Istanbul since the day it opened its doors and awarded with the most prestigious awards in Turkey and internationally; Long Bar, with its signature cocktails and legendary events; and Raffles Patisserie, presenting the most innovative deserts, cakes and pastries.



## 2018 Activities

### **New generation smart applications at Zorlu Center**

Smart applications implemented in line with Zorlu Holding's Smart Life 2030 vision were further enhanced in 2018. New generation solar-powered smart urban furniture was installed and offered for visitors' use along with the Vestel Ventures investment Verisun. Smart poles offer visitors charging sockets and wireless charging, paving the way for a brand new and sustainable customer experience. The new smart application serves as both an energy unit and an assembly point, attracting great attention from visitors.

### **Practical basic sign language training removes barriers**

As part of the "No Barriers in Zorlu" project, carried out to make Zorlu Center accessible and turn it into a space where people with disabilities can socialize, new features were implemented throughout 2018. Practical basic sign language trainings were organized for the personnel at customer contact points, further expanding the employee base involved in this

process. Furthermore, Zorlu Center elevators now feature a voice command system in Turkish and English.

### **Find what you are looking for at Zorlu Center conveniently with new generation applications.**

Zorlu Center keeps investing in technology and new generation applications to make life easier. In 2018, the information tools at Zorlu Center were renewed. The maps and interfaces on touch screens were redesigned to make it easier for visitors to find the locations they are looking for. With the new generation navigation system, menu interfaces and maps were enhanced with animations to provide an excellent user experience and the routes displayed on touchscreens allow visitors to conveniently find the stores and restaurants they are looking for at Zorlu Center.

The application is also a reliable source of data, helping create a rich data repository. Data including the most searched and user tendencies will help further improve the user experience and enable serving Zorlu Center visitors in a better way.

## Real Estate

**Zorlu Real Estate Group continued to manage Zorlu Shopping Mall with the “Destination Marketing” strategy in 2018 as well. Specially crafted events offer visitors a distinct experience each and every time; Zorlu Center Shopping Mall entices visitors into coming back with its range of novelties and innovative projects. It has also come to stand among top tourist attractions in Istanbul.**

### **Orientation services with personnel on skates**

Zorlu Center implements innovative applications aiming to respond to visitors’ requests and expectations quickly. To this end, the shopping mall features personnel on skates, providing visitors orientation and information services.

### **Employee Portal made life easier for Zorlu Center employees as well.**

Acknowledging that employees are its most valuable asset, Zorlu Real Estate Group focuses on creating a participatory work environment and makes life easier for Zorlu Center employees with innovative practices. To this end, in 2018 the Shopping Mall Employee Portal, an ecosystem composed of Zorlu Center Shopping Mall tenants, was launched. In addition to employee cards and satisfaction surveys for shopping mall employees, the portal provides employees easy access to announcements from the management and emergency phone numbers. The portal also features special discounts and advantages for employees.

### **New brands added to Zorlu Center’s mix.**

More world-famous brands joined Zorlu Center Shopping Mall in 2018, including the Spanish textiles company Inditex Group brand Zara, Sneaks Up for sports-lovers, Cyprus’s leading brand ANY, house of fashion, Vakkorama, Lebanese haute couture master Elie Saab, and Chakra, bringing the magic touch of nature into all living spaces. Zorlu Shopping Mall also makes a difference with its gourmet concept, bringing together different flavors from all around the world. In addition to existing restaurants such as Eataly, Morini, Parle, Cantinery and Welldone; this year Vakkorama Cafe and La Viña, pleasantly furnished and offering an impressive menu featuring delicacies from Spanish cuisine, also joined Zorlu Shopping Mall.

### **Every minute at Zorlu Shopping Mall is full of fun**

Zorlu Real Estate Group continued to manage Zorlu Shopping Mall with the “Destination Marketing” strategy in 2018 as well. Specially crafted events offer visitors a distinct experience each and every time; Zorlu Center Shopping Mall entices visitors into coming back with its range of novelties and innovative projects. It has also come to stand among top tourist attractions in Istanbul.

Throughout the year, Zorlu Center is home to unlimited entertainment that endears a wide audience from every segment and every age, including events such as “Zorlu New Year’s Village”, “Misfest”, free attendance comedy performances, live music performances and open-air movie screenings during the summer, among many others.

### **Turkey's first New Year's village: Zorlu New Year's Village**

To spread the joy of New Year's for all of Istanbul to experience, Turkey's first New Year's village, Zorlu New Year's Village came to life as part of Zorlu New Year's Festival. Just like the previous years, between December 1-31 visitors had a delightful time. The Village featured valuable brands and unique designs, live musical performances by Defne Samyeli & İskender Paydaş, Can Bonomo, Evrencan Gündüz, Emir Ersoy Project and university bands and juggling performances.

### **We continued to take the entertainment outside.**

Since the day it opened its doors, Zorlu Center has been a gathering place for those who love to enjoy life to the fullest. With the events it has hosted, Zorlu Center has been the most attractive stop for Istanbulites in 2018, too. Between April and September, Zorlu Center hosted approximately 35,000 people at 36 concerts, 15 movie screenings and 14 comedy performances as part of its open-air activities.

### **Last season, we hosted 500,000 people at Zorlu Performing Arts Center (PSM).**

Furnished with the latest technology, different-sized halls, and multiple-purpose areas, in its fifth season Zorlu PSM has hosted 500,000 guests at nearly 1,000 events. Known for its program featuring big productions, Zorlu PSM's most popular event in 2018 was the Notre Dame de Paris musical.

While bringing the world's best musicals and arts events to Turkey, Zorlu PSM also began to focus on local festivals. In addition to the Vestel Proudly Local concert series, ongoing since January 2015, in September Zorlu PSM has successfully organized Turkey's first and only popular culture festival Fızy İstanbul Music Week, in collaboration with Atlantis Yapım. The "Vestel Proudly Local" program sponsored by Vestel entertained over 30,000 spectators at 29 concerts throughout 2018; and more than 25,000 guests were hosted at the Fızy İstanbul Music Week.



## Real Estate

**In 2018, Raffles Istanbul was granted awards in the “Best Restaurant” and “Best SPA” categories at the World Luxury Spa & Restaurant Awards.**

### **Zorlu PSM received two prestigious awards in 2018**

In 2018, Zorlu PSM received two awards highly acclaimed in the tourism, culture & arts and entertainment sectors.

- As a result of the vote by Biletix customers, Ghost the Musical was named the “Favorite Musical” of 2018 at the “Ticket of the Year” Awards hosted by Biletix.
- Zorlu PSM’s contributions to tourism in Istanbul were recognized with the “Skalite Special Award” at the 21<sup>st</sup> Skalite Awards organized by Skal International Istanbul.

### **Raffles Istanbul Zorlu Center won numerous awards in Turkey and across the globe.**

In 2018, Raffles Istanbul was granted numerous awards in the “Best Restaurant” and “Best SPA” categories at the World Luxury Spa & Restaurant Awards. Raffles Istanbul and ISOKYO Restaurant were featured in the Louis Vuitton City Guide published annually. Having introduced Istanbul to Pan-Asian cuisine in 2018, within the same year Raffles Istanbul ISOKYO was crowned with 4 pearls at the İncili (Pearly) Gastronomy Awards, one of the most prestigious dining and gastronomy awards, annually organized by the daily Hürriyet.

### **Zorlu Center continued winning awards in 2018.**

With the addition of the awards received in 2018, Zorlu Center has reached a total of 84 awards up-to-date.

- The “No Barriers in Zorlu” project, aiming to make Zorlu Center “an accessible destination that allows convenient access to participation in social life” for individuals with disabilities was granted the “Community Support Award” by the International Council of Shopping Centers (ICSC).

With this award, the International Council of Shopping Centers has contributed USD 10,000 to the Guide Dogs Association as part of social responsibility projects, another pioneering achievement by Zorlu Center. Following the European Award, the project was also nominated for the Global Retail Real Estate Convention (RECon), where projects from all over the world will compete.

- Zorlu Center received two awards with the “Square Floor Activities” and “No Barriers in Zorlu Center” projects at the Stevie International Business Awards, which honor the world’s most successful organizations and projects.

- Zorlu Center received a Platinum and a Gold award for its “No Barriers in Zorlu Center” project and “Square Floor Activities” at the MarCom Awards.
- Zorlu Center was granted four different awards for its “Square Floor Activities” at the Hermes Creative Awards.

#### **Levent 199: Turkey’s first large-scale A+ office project with a LEED Gold Certificate**

Situated in Levent, one of Istanbul’s busiest locations, Levent 199 is the first A+ office project of this size in Turkey to obtain a LEED Gold Certificate by the US Green Building Council. Levent 199 earned this certificate due to its eco-friendly features including highly energy-efficient glass coatings, the use of LED fixtures throughout the lighting system, featuring a special parking lot for electric vehicles and a bicycle park, heat recovery fresh air systems, and a wide, 10,000 m<sup>2</sup> landscape area. Compatible with the smart life concept, Levent 199 effectively utilizes sustainability-oriented technologies. Its double deck elevators, a first in Istanbul, reduce the average elevator waiting time to 27

seconds, providing an energy efficiency of over 50%. Levent 199 also supports end-to-end recycling; waste disposal and water treatment system to treat grey water and store treated water to be reused as irrigation water for green areas are among the environment friendly practices implemented with due care.

#### **New life-improving smart projects are on the way...**

Zorlu Real Estate Group will continue to make an impact with its upcoming bold projects. The Group’s main projects of focus in the coming period will be Zorlu Konak, Zorlu Alaçatı and Zorlu Marmaris projects.

Construction projects for Zorlu Konak have been completed and the construction permit has been obtained. The construction for the project is expected to begin shortly.

As for the Zorlu Marmaris Project, the first stage of approvals regarding conservation development plans has been completed; an alternative project concept has also been prepared for this plot.



## Awards Received in 2018

### Hermes Creative Awards

Zorlu Shopping Mall - Square Floor Activities - Brand Awareness  
Zorlu Shopping Mall - Square Floor Activities - Special Event  
Zorlu Shopping Mall - Square Floor Activities - Footfall Activation  
Zorlu Shopping Mall - Square Floor Activities - Communication and Marketing Plan



### MarCom Awards

Square Floor Activities - Platinum Award  
No Barriers in Zorlu Center - Gold Award



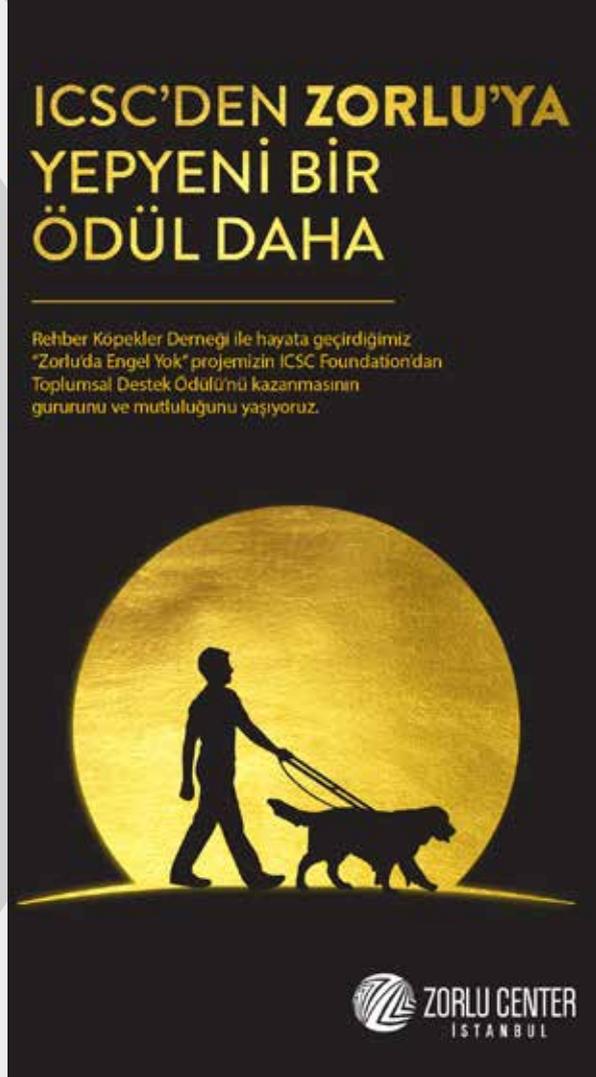
### Ticket of the Year

As a result of the vote by Biletix customers, Ghost the Musical was named the "Favorite Musical" of 2018 at the "Ticket of the Year" Awards hosted by Biletix.



## ICSC Foundation

No Barriers in Zorlu Center - Community Support



## Stevie International Business Awards

Zorlu Shopping Mall - Square Floor Activities -  
Community Involvement Program of the Year  
No Barriers in Zorlu Center Project - Corporate Social  
Responsibility Program of the Year



## Skalite Special Award

Zorlu Performance Arts Center's contributions to tourism  
in Istanbul were recognized with the "Skalite Special  
Award" at the 21<sup>st</sup> Skalite Awards organized by Skal  
International Istanbul.



# Mining- Metallurgy





## Mining- Metallurgy

Meta Nikel Kobalt Madencilik continues nickel-cobalt mining investments and surveying, mining, export, R&D activities in order to exploit our country's nickel potential and contribute to the national economy.





## Mining- Metallurgy

“

Meta Nikel Kobalt Madencilik, izlediği akılcı politika ile maden ve metalurji sektöründeki gelişmeleri yakından takip ederek, stratejik durumları iyi değerlendiren önemli bir üretim merkezi haline gelmiştir.

”



**Dr. Orhan Yılmaz**

CEO, Zorlu Mining Group

Zorlu Group entered the mining-metallurgy sector in 2007 as a shareholder of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ (“Meta Nikel Kobalt Madencilik”) and acquired full ownership of the company in 2016. The Group continues activities in surveying, mining, export, R&D and nickel-cobalt mining investments in order to fully exploit our country’s nickel potential and contribute to the national economy. In addition to the active nickel-cobalt mining facility in Gördes, Manisa, Meta Nikel Kobalt Madencilik also has nickel reserves in Eskişehir and Uşak. Carrying out reserve development and ore production activities in Eskişehir and geological surveys in Uşak, Meta Nikel Kobalt Madencilik engages in nickel-cobalt surveying in various regions of Turkey.

Processing ores extracted aboveground in a closed circuit system, the eco-friendly Gördes production facility drives a brand new and sustainable approach to mining-metallurgy, bringing dynamism into the industry.

We produced 1,790 tons of nickel metal equivalent in 136 workdays in 2016, approximately 4,000 tons of nickel metal equivalent in 230 workdays in 2017, and 5,001 tons of nickel metal equivalent in 242 workdays in 2018. Our R&D and improvement efforts of the previous years have paid off, increasing our efficiency and production capacity today; our facility shows an upward linear trend in terms of workdays and production capacity each year. Following the completion of the planned improvements and investments, we aim to reach full-capacity production in the upcoming years.

Embracing a rational policy and closely following the developments in the mining-metallurgy industry, Meta Nikel Kobalt Madencilik has become a key production hub which makes sound strategic assessments. To this end, we are on our way to become a R&D hub and continue our efforts to create an ecosystem of well-trained employees, who follow scientific and technological developments, who are equipped to develop R&D projects, successfully conduct and finalize scientific studies and develop inventions useful for the industry. In short, our goal is to become a R&D powered company which transcends the notion of the exporter/distributor company and aims for the actual value-added.

Thanks to its innovation-driven approach, learning process and accumulated know-how, today Meta Nikel Kobalt Madencilik is able to produce concentrated nickel and cobalt from ore. Adopting a strategy to expand its marketable product range, in addition to producing high-quality forms of nickel and cobalt, the company steadily works to recover other elements besides nickel and cobalt and to utilize rare earth elements for production.

Within the new world order brought upon by the rapidly changing technology and globalization, Meta Nikel Kobalt Madencilik enhances its competitive power through its strategy developed based on its own competencies and know-how, improves its success rate in international markets and reinforces its position as a producer that meets the end user's quality expectations.

We are establishing a strong facility in Gördes that will increase our contributions to the national economy by producing higher-value-added end products and supporting efforts to utilize each and every valuable element in earth. We plan to make an even greater contribution to our country, by supporting local and national production while obtaining most of the technology and equipment to be used in our upcoming scheduled investments.

We strive to enable employees to fully utilize their skills and know-how, ensure they embrace the policy of maximizing their contributions to the company, and provide a safe and healthy work environment with a good work-life balance for all employees. We believe that the biggest asset in our business is human beings, not machinery and equipment. Experiences and talented engineers, technicians and employees are at the core of our mining-metallurgy approach. We are on our way to become a global supplier, with the support and strength of our workforce, our key asset that makes us who we are.

## Mining- Metallurgy

**Carrying out reserve development and ore production activities in Eskişehir and geological surveys in Uşak, Meta Nikel Kobalt Madencilik engages in nickel-cobalt surveying in various regions across Turkey.**

### **A brand new and sustainable approach to mining-metallurgy production**

Meta Madencilik Limited Şirketi was founded in 2000 to engage in nickel mining in Turkey. Operating in partnership with Zorlu Group since 2007, all the shares of the company were acquired by Zorlu Family in 2016. The company has been carrying out activities as Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ since.

Meta Nikel Kobalt Madencilik continues activities in surveying, mining, export, R&D and nickel-cobalt mining investments in order to fully exploit our country's nickel potential and contribute to the national economy. Currently operating the nickel-cobalt mining facility in Gördes, Manisa, Meta Nikel Kobalt Madencilik also has nickel reserves in Eskişehir and Uşak. Carrying out reserve development and ore production activities in Eskişehir and geological surveys in Uşak, Meta Nikel Kobalt Madencilik engages in nickel-cobalt surveying in various regions across Turkey.

Designed to produce 10,000 tons of nickel metal per year with around 1.7 million tons of nickel ore feed, the investment for Gördes Meta-Nikel project started in 2011; the plant was installed in 2014, which was followed by commissioning. First products were exported in May 2015.

The plant produced 1,790 tons of nickel metal equivalent in 136 workdays in 2016, nearly 4,000 tons of nickel metal equivalent in 230 workdays in 2017, and 5,001 tons of nickel metal equivalent in 242 workdays in 2018.

Adopting a vision to produce nickel and cobalt in different forms, to exploit the potential of rare earth elements within the ore and contribute to Turkey's economy, Meta Nikel Kobalt Madencilik aims to become a global supplier by incrementally increasing its production capacity.

In addition to mining-metallurgy activities, Meta Nikel Kobalt Madencilik draws from metallurgy and chemistry with a focus to produce innovative products. Ranking among the top 10 facilities in its industry, at the Gördes plant extracted ores with approximately 0.7% nickel content are processed and enriched with advanced technologies, resulting in a product with 38% of nickel content.

In line with a sustainable production approach, the Gördes facility employs a variety of processes for water and heat recovery.

The plant features a 25 million m<sup>3</sup> waste storage for process waste and with 3,834 hectares holds the largest environmental impact assessment permit to date in its industry.

Preparations began in October 2017 to implement the ISO 9001 Quality Management System and in February 2018 to implement the ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System. Certifications are expected in September 2019.

Thanks to the devoted efforts of the management and the technical personnel, improvement and research for boosting the efficiency of the plant was carried over to 2018. In a nutshell, the improvement efforts underway are the following:

- Investments for water recovery from the waste storage dam, treatment facility, and waste thickening,
- Second phase investment to increase the capacity of waste storage dam,
- R&D Center certification and completion of installation,
- Replacement of Feeding Pump for HP Heater,
- Commissioning of the second filter to increase MHP (Nickel and Cobalt Hydroxide) Filter Press Capacity,
- Cost reduction efforts,
- R&D activities to produce end products.

Meta Nikel Kobalt facility displays an upward trend in terms of workdays and production capacity each passing year. Following the completion of the planned improvements in ore preparation, water treatment and waste storage dam, the company aims to reach full-capacity production in the upcoming years.

Following are the planned investments and R&D projects to achieve full-capacity production and obtain new products:

- Ore enrichment investment project,
- Completing preparations to establish of a Sulfuric Acid Plant and starting the investment period,
- Following the first investment in the plant, starting the investment period to obtain nickel sulfate and cobalt sulfate from the Ni-Co Hydroxide produced.
- Waste reduction and waste recovery studies.



# Other Activities





## Other Activities

### **Zorlu Air Havacılık AŞ (Zorlu Air)**

Launched initially under the roof of Korteks in 1992, Zorlu Air decided to continue operations as an independent air charter company starting from 1996.

Zorlu Air currently serves with a 2016 AW-139 VIP helicopter with a passenger capacity of six to eight, a 2002 Bell-430 VIP helicopter with a passenger capacity of six, and a 2012 Gulfstream G-450 Large Cabin aircraft with a passenger capacity of 14. All these aircrafts have joined the Zorlu Air fleet on their year of manufacture.

### **Zorlu Faktoring**

Zorlu Faktoring AŞ ("Zorlu Faktoring") was established in 2012 to deliver factoring services in Turkey and abroad. The company takes it as a priority to serve all the sectors and companies that shape the Turkish economy with reliability, consistency, and good faith.

The main field of business for Zorlu Faktoring is domestic revocable factoring transactions, and it targets medium and large-scale enterprises as well as prominent companies which have a widespread network of suppliers and dealers.



### Zorlu Grand Hotel

The first tourism initiative of Zorlu Group, Zorlu Grand Hotel opened its doors in 1996 in the center of Trabzon, rising as the first five-star hotel of the region. The hotel offers exclusive services to business and holiday guests with 160 uniquely furnished and comfortable rooms, eight conference halls, a health club, and multiple restaurants.

Hosting the biggest events and conferences in Trabzon and throughout the Black Sea region, Zorlu Grand Hotel features eight conference halls, the largest of which can accommodate 800 people.

One of Turkey's top 25 business hotels, Zorlu Grand Hotel is also a green started eco-friendly hotel, located 4 kilometers from Trabzon Airport.

### ABH Turizm Temsilcilik ve Ticaret AŞ

#### Jules Verne Travel & Event

Founded in 1998 by Ayşe Yağcı Büyükpınar, ABH Turizm Temsilcilik ve Ticaret AŞ operates in all segments of the tourism industry. The ABH Turizm Temsilcilik ve Ticaret AŞ company Jules Verne Travel & Event joined Zorlu Group in 2004.

Jules Verne Travel & Event organizes turnkey events, organizations and travels all over the globe with its team of 62 experienced, dynamic, enthusiastic, creative, curious individuals who love to do research, keep up with novel developments and who are inspired by the future.

The company offers a wide range of tourism and event organization services including event organization in Turkey and abroad, product launches, parties, dealer meetings, organization of national and international congresses and seminars, press tours, flight ticket sales, hotel bookings, visa services, cruise tours, transfers, VIP transfers, car & helicopter rentals, and VIP airport pickups.

With a distinctive perspective, Jules Verne Travel & Event's expert team has proved its merit in numerous important projects, both in Turkey and abroad.

[www.julesverne.com.tr](http://www.julesverne.com.tr)

#### Jabiroo

Operating under ABH Turizm Temsilcilik ve Ticaret AŞ, with its motto "Travel Differently with Jabiroo!" [jabiroo.com.tr](http://jabiroo.com.tr) provides online customized travel design services, a first in Turkey.

The business model of [jabiroo.com.tr](http://jabiroo.com.tr) is providing customized travel itineraries, prepared by travel experts, for those who wish for a flawless holiday experience. Meeting all the expectations of the customers "Travel Design Experts" prepare customized vacation itineraries, including all sorts of useful information and recommendations on attractions not to miss, accommodation, local cuisine and delicacies, transfer and transportation tips.

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# Human Resources





## Human Resources

Zorlu Holding Human Resources Department strives to provide a pleasant work environment and all-around personal development opportunities for the personnel.





## Human Resources

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At Zorlu Holding Human Resources Group, our goal has always been to reinforce our persistence based on continuous development and to employ and train professionals who will carry our Group into the future.

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### **Necmi Kavuşturan**

CEO, Zorlu Holding Human Resources Group

At Zorlu Group, we believe that our employees constitute our biggest asset. In line with our Smart Life 2030 vision, we shape the future with the power of our human resources. Our employees' loyalty, commitment and passion play a critical role in realizing our vision.

With this mindset, we continue to develop an inclusive corporate culture that awards achievement and allows employees to fully utilize their talents. We enable our employees to become a part of the dream for a better future and a more sustainable world.

At Zorlu Group, effective performance management, career management and trainings, continuous development, digitalized HR applications, recruitment and development of young talents are some of the prominent human resources topics that are key in creating an organization which consists of qualified employees who are highly-competent in their respective fields.

We follow and adopt new, trend-setting human resources practices across the globe, paving the way for thriving creative and productive talents. Through an array of training programs, not only do we offer our employees a path to personal development but also, we add value to our Group by building a proper infrastructure.

We make life easier for our employees through digitalized HR applications. As our processes become smarter and more digitalized each day, we lead the

development of a new generation of human resources. In addition to increasing employees' performance and efficiency, we believe that continuous development also improves employee loyalty. To this end, we pay great attention not only to recruiting and developing young talents, but also to the continuous development of all our employees.

At Zorlu Holding Human Resources Group, our goal has always been to reinforce our persistence and to employ and train professionals who will carry our Group into the future.

**A leading actor in Turkey's economy, Zorlu Group employs approximately 30,000 individuals in over 60 companies.**

Human resources constitute Zorlu Holding's most valuable asset. Zorlu Holding believes that innovative ideas and projects by qualified and motivated employees will reinforce its competitive advantage in all sectors and ensure sustainable growth.

Improving human resources practices in light of global and national best practices, Zorlu Holding Human Resources focuses on providing employees a satisfying work environment and maintaining the best working conditions. The Group also provides systematic trainings and all-around personal development opportunities for its personnel.

In its recruitment process, Zorlu Holding primarily prefers candidates who are open to improvement and innovation and able to smoothly adapt into the corporate culture of Zorlu Group.

Zorlu Holding and its affiliated companies do not discriminate

on the basis of language, religion, race, or gender in any of their business processes, including recruitment.

As a UN Global Compact signatory, Zorlu Holding aims for complete accordance with the Ten Principles in terms of work environment and human rights, and continues its efforts to fulfill its commitments.

As of the end of 2018, Zorlu Group employs a total of 29,495 people, of whom 70% are blue-collar and 30% are white-collar personnel. The table below shows the personnel distribution by sector.

Sector	Number of Employees* (as of Dec 31, 2018)
Consumer Electronics & Household Appliances**	17,446
Textiles	6,877
Energy	3,003
Real Estate	882
Mining-Metallurgy	664
Other	591
<b>Total</b>	<b>29,495</b>

**Zorlu Holding Human Resources Policy**

With respect to human resources management, Zorlu Holding recognizes that determined, professional and qualified employees who work with passion are essential to achieving corporate goals.

Holding companies hire candidates who have not only expectations but also aspirations, who seek excellence rather than being content with the "good" and share common values, all based on the principles of equal opportunity and non-discrimination.

Zorlu Holding Human Resources Policy and practices are centered around

- a remuneration system that rewards success and a transparent performance management,
- career management that allow for entrepreneurship,
- and trainings.

\* Includes employees abroad and subcontractors' personnel.

\*\* The employees of Vestel Savunma Sanayi AŞ and AYESAŞ are included among Vestel Group personnel.

## Human Resources

**In 2018, the Performance Management System was reviewed to cover all companies. The new performance system developed as a result, based on assessing and improving employees' business outcomes and competencies, will be implemented in 2019.**

Employee selection and placement processes are based on putting the right people on the right jobs and carried out rigorously in line with Zorlu Holding's corporate goals and principles.

At Zorlu Holding, the decisive criterion for hiring is competence.

- Zorlu Holding relates competence to;
- Result-orientation,
- Self-confidence,
- Taking initiative,
- Analytical thinking,
- Customer-centricity,
- Teamwork and cooperation,
- Flexibility and change management,
- Relationship/network building,
- Creativity.

Applications of competent candidates who are a good fit for the job are reviewed; candidates who possess the necessary qualities are identified and invited for an interview.

The hiring process uses personality inventories, foreign language proficiency tests, general aptitude tests and interviews to assess how a candidate matches the job. Candidates who successfully complete the process receive a job offer from the Human Resources Department.

All Group companies regard the orientation process as a significant part of hiring; once the candidate accepts the job offer, he/she is supported through various activities to strengthen his/her bond with Zorlu and help him/her adapt to the company. We aim to improve employee loyalty by providing an excellent working experience at Zorlu. Zorlu Holding carries out performance management practices that foster a culture of high performance and develops the performance system based on corporate strategies. In 2018, the Performance Management System was reviewed to cover all companies. The new performance system developed as a result, based on assessing and improving employees' business outcomes and competencies, will be implemented in 2019.

**Zorlu Holding Career Planning System offers employees growth and career development opportunities.**

Zorlu Holding adopts the modern human resources management system, therefore supports employees with their career planning. Promotions and horizontal advancement systems are utilized in accordance with the needs of Zorlu Holding group companies and the career development of its employees. The goals of the companies and the personal goals of employees are coordinated

using these systems. The objective is to improve employees' existing skills, foster their professional competence and earn new competences required for future jobs.

Zorlu Holding Career Planning System not only offers vertical advancement opportunities to the employees, but also creates horizontal ones. The rotation practice allows employees to acquire a diverse set of skills, experiences and know-how by taking on different roles within the company or the Group.

**Zorlu Holding Wage Management System is designed on the basis of certain parameters and a rational approach.**

Zorlu Holding's Wage Management System is identified in light of market conditions and in-group balance, and considers, more specifically, position levels, Group wage policy, and performance parameters.

Zorlu Holding Wage Policy may vary with each company on the grounds of the existing wage structure, market position, and competitiveness. The wage policy also offers the personnel several employee benefits according to the position title.

**Training and development activities based on the principles of equal opportunity**

In an effort to improve competences of human resources within the Group, training and development practices are planned and carried out.

Training and development practices are carried out in accordance with the principles of equal opportunity. Training and development activities carried out using valid analytical methods are important for improving the personal and professional competencies of the employees and ensuring that they keep up with the latest development in not only their profession, but the industry as well.

Training programs within the Group are planned according to areas of improvement identified by the performance assessment process.

Following are some of the many areas in which Zorlu Holding organizes annual training programs based on the fields of activity of Group companies:

- Personal Growth,
- Technical Know-How,
- Development of Managerial Skills,
- Finance,
- Law,
- Sales and Marketing and
- Production.

There are also customized competence development training programs offered for managerial positions.

The Management Trainee program and other programs for new graduates aim to help graduates adapt to Zorlu Group and boost their competencies required in their respective positions.

These programs are carried out in cooperation with the leading universities in Turkey and fulfill an important mission in terms of industry-university collaboration by developing exemplary projects.

**All-purpose activities to boost personnel competencies in Vestel Group**

Vestel Technology and Business Administration Academies boost and enrich the technical capabilities of engineers and the administrative staff at Vestel Group.

Training programs and the Academies improve professional, technical and intellectual competences of employees. In addition to participants with the academic and scientific backgrounds, the training programs are also participated by experts; they contribute to implementing new technologies and innovations.

Training and Development Programs under the Vestel Technology Academy offer employees the chance to raise their level of education and improve themselves.

Vestel Technology Academy is a training program designed to maximize employees' motivation with trainings and efficiency reflected in their work, in order to develop the most advanced technologies in the world and represent Turkey in the global market in the best way.

Developed with the collaboration between Vestel Group and Özyeğin University, Vestel Technology Academy provides a lifelong training opportunity; it enables engineering personnel to build on their technical know-how and expertise in their respective fields.

The project has completely fulfilled its initial goal of "bringing the university campus into the company." In 2018, 252 students are actively attending courses at the Vestel Technology Academy and 190 have graduated.

At the First Vestel Technology and Innovation Workshop organized at the beginning of the 2017-2018 Fall Semester with the "Vestel's InnoVators" theme, theses and projects carried out across the company were shared with executives and company employees. 53 theses and/or projects competed at the workshop, where each academic work was presented to the jury and qualifying projects received awards. All works presented were of pioneering quality, to serve as examples for future applications for patents, incentives and publications.

## Human Resources

### **Vestel MT Program trains the managers of the future, which will create added-value for Vestel as well.**

With the academic support of Turkey's leading universities, Vestel organizes the Vestel Management Trainees (MT) Program. In order to train new university graduates to become the managers of the future. The 9<sup>th</sup> Vestel MT Program took place in 2018 at the Vestel Training Center in Manisa, in collaboration with Koç University.

After going through a series of stages to qualify for the MT Program, young talents have many opportunities for developing their skills in various fields over a course of four months. MTs enrich their theoretical knowledge with trainings held both at the university and the company; they also receive personal development trainings to guide them in their professional life.

### **Zorlu Tekstil Talent Management Programs aim to train human resources equipped with the 21<sup>st</sup> century competencies.**

Zorlu Tekstil Talent Management Programs aims to equip manufacturing and retail employees with 21<sup>st</sup> century competencies.

Zorlu Tekstil New Graduates Program welcomes young, new graduates who will bring further success to Zorlu Group in the future. In partnership with the Textile Engineering and Business Administration Departments of Istanbul Technical University, the program offers theoretical and practical training to talented new graduates over a course of four months. New graduates who complete the trainings are employed at Zorlu Textiles Group.

### **Linens and TAÇ, the first and only organized retail brand of Turkey, offer growth opportunities for those who wish to pursue a career in retail.**

TAÇ has turned its mastery in curtains, passed on from generation to generation, into an academy in 2017. Those who successfully complete the training program, developed with the experience of Zorlu Tekstil, which shapes the Turkish home textiles industry, and the support of seasoned academics, are offered an opportunity to work as curtain sales representatives at TAÇ, Turkey's favorite home textile brand.

Zorlu Tekstil also provides mentoring programs for employees' development. In 2017, generation Y employees mentored 14 senior managers within the "reverse mentoring" program. In 2018, 12 senior and mid-level managers mentored the generation Y employees. Mentoring programs will continue to be implemented over 6-month periods.

### **Zorlu Enerji prepares its employees for the future with training and development programs.**

Zorlu Enerji prepares its employees for the future with the training and development programs it offers. The Executive Training Academy Program within Zorlu Energy Group aims to discover employees with leadership qualities, help employees improve themselves and their professional skills and prepare them for future tasks with higher responsibilities.

Zorlu Enerji also continues to provide youth with opportunities. Participating in the Turkey Youth Summit, organized for the sixth time in 2018 with the participation of 3,000 students from 184 universities in 18 provinces, Zorlu Enerji hosted the "Future Workshop", listening to students and offering them fun activities that help them discover useful tips in their career journey. 10 students who wished to get to know Zorlu Enerji family closely and experience professional life were offered internships at Zorlu Enerji sites.

### **As of the end of 2018, women make up 32% of all Zorlu Group employees.**

Attributing great importance to participation of women into the economic and social life as well as decision-making processes, Zorlu Holding is an avid supporter of all activities in this area.

In an effort to ensure gender equality in the workplace, Zorlu Holding encourages gender equality within group companies as part of United Nations Women's Empowerment Principles (UNWEP), of which the Holding is a signatory since 2015, and line with the Sustainable Development Goal 5.

As of the end of 2018, 32% of all employees in Zorlu Group are women. Raising the number of women employees in Zorlu Holding and Zorlu Group companies is recognized as a strategic goal, and women's active roles within the Group are also supported.

As a result of Zorlu Tekstil's focus on gender equality and efforts to increase employment of women, the number of women employed in stores as curtain sales representatives increased by 66% over the previous year. As it makes childcare easier by offering childcare services for working mothers at their workplace, the nursery at Zorlu Tekstil's Lüleburgaz Factory considerably supports women's employment and draw women to work.

**Vestel Group offers employment opportunities for disabled individuals with projects such as "Equal Opportunity", "I'm a Part of Life", and "ZEKI".**

With the "Equal Opportunity" Project carried out at the electronics factory of Vestel, individuals with hearing and speech impairments were employed after a training program. Production lines in the factory are especially designed for convenient use by individuals with disabilities. 172 individuals with hearing and speech impairments hired as part of the project continue their employment under suitable conditions.

Within the scope of the Mental Health-Friendly Workplace (ZEKI) Project initiated by the Manisa OIZ, Vestel Beyaz Eşya has become one of the three companies to lead the employment of individuals with mental disabilities.

As per the Protected Workplace Standards, areas safe from potential occupational health and safety risks were created for employees with mental disabilities at the Vestel Beyaz Eşya production plant. 9 employees with disabilities handle the preliminary preparation of materials to be used in production under the supervision of a trainer at the Protected Workplace. Meanwhile, "I'm a Part of Life" project launched by Zorlu Holding Human Resources aims to welcome individuals with down syndrome and mental disabilities to work in Vestel and join the workforce.

### **Other human resources activities within Zorlu Group Companies**

In 2018, further activities were carried out to boost employer brand perception within group companies.

Vestel develops change and advancement strategies based on the idea of "Being where the talent is." To attract the young talents its rapid growth requires, Vestel began its employer brand journey in 2013 with the "Campuses Furnished with Vestel" project. With this project, Vestel aimed to create alternative channels in finding qualified candidates and discover young talents at university campuses before they graduate.

Vestel values and feeds on the opinions of the youth. Consequently, at the beginning of each academic year since 2015, Vestel carries out the "V-Inception" Project, in order to identify the Employer Brand Strategy that Vestel Human Resources will follow during that year and to reach young talents through their preferred channels. As part of the project, representatives of many student clubs at universities are invited to Vestel City, to experience Vestel and develop projects in line with the mission assigned to them. Designing a "Vestel Dream" as part of their projects, students place Vestel's strong features in these dreams. And it is the Employer Brand's job to realize these dreams and Furnish Campuses with Vestel in line with the students' vision.

Zorlu Real Estate Group reaches new students through five functions it offers at Zorlu Center, and provides an eye-opening education on Mixed Project Management. After requests from the Engineering, Architecture, and Landscape Architecture departments of universities across Turkey, a stimulating "Zorlu Center Field Trip" has been organized to show students the work the Group has done with the architecture and the green space, as well as offering them practical tips that might come in handy post-graduation.

In 2018, Korteks continued activities under Kaizen, organized for encouraging innovative ideas, developing new products, continuous improvement and employees' active involvement in these. Employees who submit proposals as part of the Kaizen-Continuous Improvement activities are awarded at the ceremonies organized annually. As part of university-industry partnerships, collaborations with many universities, particularly with regional universities, are ongoing. The "R&D Personnel Training Program" organized in collaboration with Uludağ University was completed successfully. Furthermore, in 2018 the "First Level Manager Development Program" was implemented aiming to develop the skills of 190 first level managers at the Technician, Chargeman and Foreman level, responsible for the management and administration of blue collar employees; to help them accurately transfer their accumulated know-how, mastery and experience to workers and to increase production efficiency. The "2244 Industry PhD Program", aiming to train qualified human resources with PhD degrees in the textiles industry through university-industry partnerships, is carried out in collaboration with Uludağ University.

META, the Group company operating in the mining-metallurgy industry, has increased its collaborations with universities and currently offers internship programs for Celal Bayar University, Dokuz Eylül University and METU students. META also participates in career days organized at universities to inform students about Zorlu Holding and the mining-metallurgy industry. META offers scholarships to 101 high-achieving students living in Gördes and the neighboring villages through Mehmet Zorlu Foundation (MZF). The company also employs MZF scholarship recipients. As part of the partnership with Gördes Vocational and Technical

## Human Resources

Anatolian High School, in the 2018-2019 academic year 21 high school seniors began their vocational education internships at the Gördes facility of META. The students are supported throughout their internships to prepare them for employment in technical positions upon graduation. 64% of employees at the Gördes facility are locals. Creating jobs for the local community is an important environmental and social responsibility goal, as is contributing to the progress and development of the region.

### **Zorlu Holding human resources practices received various domestic and international awards in 2018.**

Zorlu Holding human resources practices earned various awards at both the national and global arena. Some of these awards are listed below:

**“Best Practices in Success and Career Management” Silver Award from Brandon Hall:** Vestel received the **“Best Practices in Success and Career Management”** Silver Award under Excellence in Talent Management at the Brandon Hall Group HCM Excellence Awards.

**Vestel Technology Academy receives Bronze Stevie in the “Human Resources Team of the Year” category at Stevie Business Awards:** Vestel Technology Academy Program was granted the Bronze Stevie in the **“Human Resources Team of the Year”** category at the Stevie International Business Awards, one of the world’s most prestigious awards in business.

**TEGEP names Vestel Technology Academy “The Best Training and Development Program of the Year”:** “Vestel Technology Academy” won first place in the **“Best Training and Development Program”** category, the most prestigious category of the competition at the TEGEP Learning and Development Awards, selected unanimously by all jury members with a record-breaking score.

**VesTELLer Project receives Bronze Award at the Employer Brand Management Awards:** VesTELLer (Campus Brand Ambassador) Project initiated in 2015 received the Bronze Award in the **“Best Brand Ambassador Programme”** category at the Employer Brand Management Awards (EMBA).

**“DeepBach Experience” Project receives two awards at the Horizon Interactive Awards:** The **“DeepBach Experience”** Project implemented at the METU Career Fair in November 2018 earned the Gold Award in the **“Social Media”** category and the Silver Award in the **“Advertising-Integrated Campaign”** category at the Horizon Interactive Awards.

**Hacettepe University grants Vestel the “Crystal Deer” Award:** Vestel won first place in **“Consumer Durables”** in the **“Management and Finance”** category and in **“Communications”** in the **“Engineering”** category at the Crystal Deer Awards hosted by Hacettepe University.

**Ege University names Vestel “The Most Innovative Brand of the Year”:** Ege University students voted Vestel as **“The Most Innovative Brand of the Year”** as part of the Crystal Collar Business Awards organized by Ege University.

### **Occupational health and safety norms in full accordance with international standards**

Zorlu Holding focuses on the importance of creating a healthy, safe and decent work environment, which is compatible with human dignity, suitable for employees across the Group and which meets international standards and all relevant regulations.

A core mission of the Holding is to provide a working environment in which employees can work efficiently and effectively and perform well.

Zorlu Holding Occupational Health and Safety (OHS) Policy mainly seeks to provide decent working conditions, assess risks and take measures against these risks in the field of activity, and regulate working conditions of the individuals with special needs.

### **Zorlu Holding is dedicated to maintain its zero accident severity rate.**

The planned and systematic Occupational Health and Safety trainings at Zorlu Holding aim to raise employee awareness to establish a safe and healthy work environment.

As a measure against occupational health and safety risks employees might face in the workplace; practical and interactive trainings are organized, OHS-themed drills are carried out and informative leaflets are distributed across the Group.

In an effort to maintain the “zero accident severity rate” goal, Zorlu Holding focuses on occupational safety as part of sustainability initiatives.

**Employee commitment and satisfaction are crucial for the sustainable success and performance of Zorlu Holding.**

Considering human resources as its most valuable capital, Zorlu Holding carries out planned activities, which aim to reinforce employee motivation, corporate loyalty and belonging, all of which are required for a successful and sustainable performance of Group companies.

Employee commitment and satisfaction are measured through various instruments and employee commitment studies are carried out across the Group. In addition to these, factors that ensure loyalty are identified to inform action plans and implementation of practices that reinforce employee commitment and improve employee experience.

**Based on its culture of philanthropy, Zorlu Holding attaches great importance to corporate volunteering activities.**

Within the framework of our Smart Life 2030 strategy devised for a better future, in 2018 we designed the Corporate Volunteering Program covering the entire Group, in order to systematically manage all corporate volunteering projects under a single roof and ensure their sustainability, in line with the Group’s social responsibility policies. As of 2019, volunteering activities will continue and new projects to contribute to social good and awareness will be implemented in line with the new program.

**Social clubs play an important role in enhancing the communication and coordination among employees.**

Social clubs within Zorlu Holding enable employees to come together and spend time on their individual hobbies and interests. These organizations play an important role in enhancing the communication and coordination among employees.

Within the Group:

- Wellness and Sports Club,
- Book Club,
- Outdoor Sports Club,
- Theater Club and
- Running Club

carry out regular activities.

Fundamental values of Zorlu Holding include strengthening bonds between employees and boosting their spirits and motivation. Opening of social clubs are supported to serve that end.

Social, cultural, artistic and sports clubs in the Group contribute to employees’ self-development, help employees develop their hobbies, ensure a work-private life balance and give an opportunity for further communication and cooperation among employees.

**Zone: A communication platform that gathers all Zorlu Holding employees in one place**

Zone, the intranet platform accessible to all Zorlu Holding employees, is a communication platform that brings together employees working in different locations. Besides providing information and announcing activities on Zorlu Holding and Group companies, Zone also includes events and news announcements as well as social information.

**Dialog Conferences**

Dialog Conferences, a series of events seeking to expand the vision of Zorlu employees, are organized every month.

Dialog Conferences aim to enrich Zorlu employees’ perspective on Turkish and global agendas as well as to expand their vision.

The conferences, attended by employees from different levels in the Group each month, host experts who give talks and make presentations in their respective fields.

**Steeped Chats**

In line with the goal of achieving sustainability in human resources a series of seminars called “Steeped Chats” was initiated in November 2017, open to all blue-collar and white-collar employees, in order to raise employee awareness on certain topics.

The seminars are organized usually once a month, featuring guests and topics that will be useful for the employees; where employees can get answers to their questions from the experts. The topics covered so far include education, society, gender equality, awareness on disabilities, fatherhood, family and child development.

# Mehmet Zorlu Foundation





## Mehmet Zorlu Foundation

Mehmet Zorlu Foundation is a corporate social responsibility initiative focused on education, culture & arts, health and social solidarity and embracing the core principle of investing in the future of Turkey.





## Mehmet Zorlu Foundation

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Throughout 2018, Mehmet Zorlu Foundation has consistently continued its efforts to create value for the society.

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### **Necmi Kavuşturan**

Executive Board Member, Mehmet Zorlu Foundation

Since its inception, Zorlu Holding has embraced a philosophy to create value and be productive for its country at every step of the way. We strive to transform our fields of operation towards contributing to the common good, creating value for the society, and developing solutions for social problems.

We have inherited this vision from the Group's founder, Hacı Mehmet Zorlu, under whose name we have carried out various activities since 1999, particularly on education and also on culture & arts, health and social solidarity through the Mehmet Zorlu Foundation (MZF).

As we are a Group that designs the future, education is our top and most valued priority. Because today, as Industry 4.0 is fastly transforming the world, the world's pace and new ways of doing business critically impact young people while the education they receive remains insufficient.

As a Group that notices society's problems and invests in the future, we aim to contribute to the development of children and youth through the schools we build, scholarships we provide and the 21<sup>st</sup> Century Competencies Training Program we have developed. By doing so, we contribute to developing the competent human resources necessitated by the new world order, creating lasting value and benefits for our country.

We thank all our shareholders who share this vision, embrace and work towards the same goals and provide direct and indirect support for our activities that create value.

### **Zorlu Holding realizes social responsibility activities through MZF.**

Through Mehmet Zorlu Education, Health, Culture and Solidarity Foundation ("MZF") established on April 25, 1999, Zorlu Holding undertakes social responsibility activities aiming to create lasting value for the society.

MZF focuses on education, culture & arts, and health and social solidarity. Having adopted the motto "investing in the future of Turkey", MZF especially aims to increase its current contributions to education, culture & arts, and sports activities of the youth.

In addition to donations from Zorlu Group companies, MZF also finances its social responsibility activities using rent and interest income.

### **As of the end of the 2018-2019 school year, MZF has provided scholarships to a total of 22,542 students.**

MZF provides a range of scholarship opportunities in education and offers in-cash and in-kind support to schools, associations and foundations as well. Every year, around 2,000 students receive MZF scholarships. So far MZF has provided scholarships to 22,542 students as of the end of the 2018-2019 school year.

Scholarships continue until graduation, depending on student achievement and needs. As of the end of 2018, the scholarship program's scope includes 33 universities in Turkey.

39% of MZF scholarship recipients attend primary or secondary schools, while the remaining 61% are university students.

In addition to scholarship opportunities, MZF also contributes to a higher quality education for children and youth and help them achieve their aspirations by building schools across various regions in Turkey. So far, MZF has built 8 schools and contributed to completion and renovation of many universities, high schools and primary schools.

### **MZF's systematic contribution to health**

MZF provides medicine, medical products and equipment aid to persons in need of assistance. It also supports and donates to a number of organizations including the Turkish Red Crescent, the Foundation for Children with Leukemia (LÖSEV), the Hope Foundation for Children with Cancer (KAÇUV), and Turkish Kidney Foundation (TBV).

### **MZF carries out its culture & arts activities through the Zorlu Children's Theater.**

Zorlu Children's Theater was established by MZF in 2003. In the 15 years since, the troupe has performed 14 different plays 1,305 times, reaching a total of 886,700 children.

Having performed a number of well-known plays, such as the Heart of Music, the Town Musicians of Bremen, the Frog Prince, and Frozen, since 2016 the Zorlu Children's Theater continues to enrich its act with plays colored by children's imagination, written by children themselves. These plays include the Carnival Planet, the Cardboard City and the Dream Stealing Witch.

Enhancing the inner world and dreams of children through entertaining and educational plays, the Zorlu Children's Theater has received numerous international awards through the years.

### **21<sup>st</sup> Century Competencies Training Program: A comprehensive training program providing young people with the opportunity to increase their experience and develop their competencies**

Focusing on youth in its social efforts, with the 21<sup>st</sup> Century Competencies Training Program MZF aims to help young people prepare themselves for the future by building upon their academic, technical and professional knowledge with life skills and adaptation capabilities for the 21<sup>st</sup> century.

Initiated in 2016 and improved each year, the 21<sup>st</sup> Century Competencies Training Program includes Presentation Techniques, Excel, Career Planning, Preparing Resumes, 21<sup>st</sup> Century Citizenship (Digital Literacy, Financial Literacy, Information Literacy), Coding and Entrepreneurship, Social Innovation, and Sustainability courses aiming to equip university and high school students with the skills necessary to adapt to the changing needs of the world in transformation, to help develop their life skills and raise awareness.

A first in Turkey, the program features in-class trainings, online support, dissertations, summer internships, post-internship working experiences. Organized at the end of the program, the MZF Youth Summit brings together 2,300 students from all over Turkey with prominent experts from various fields under the same roof.

The program is open to third and fourth graders from high schools and students at years 1 through 4 of universities that have applied and selected to be a part of the 21<sup>st</sup> Century Competencies Training Program; MZF scholarship recipients; the children of Zorlu Group employees as well as scholarship recipients of various other foundations.

# Audit





## Audit



In addition to conducting audit activities effectively and efficiently, one of our priority goals is carrying out projects to improve functions across the Group.



**Billur Demet Atan**

Audit General Manager, Zorlu Holding

As the Zorlu Holding Audit Department, we employ an effective, transparent and high-efficiency approach as we work to ensure that company activities are carried out in full compliance with applicable legislation, and as a result, support the Group in reaching its targets.

In addition to conducting audit activities effectively and efficiently, one of our priority goals is carrying out projects to improve functions across the Group.

### **Organization and Activities of the General Directorate of Internal Audit**

The internal audit of Zorlu Group companies is carried out by the centralized Internal Audit Department operating within Zorlu Holding since 2000. The Internal Audit Department conducts board-approved audit programs in line with 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 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 the Zorlu Group, the Tax Audit Department was restructured as Tax Audit Directorate as of December 1, 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 January 1, 2016. Following the completion of the organizational restructuring process in the General Directorate of Audit and Internal Control for the execution of internal control activities separately in 2017, the General Directorate of Internal Control began operations as an independent unit as of January 1, 2018.

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

### **Internal Audit Activities**

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

Prior to each audit, internal auditors meet with senior management for risk assessment where the risks that 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 final report, actions taken in line with the 4T approach (Treat, Terminate, Transfer, Tolerate) are reported to the Board of Directors.

The Internal Audit Department organizes periodic meetings with the Audit Committees of companies that feature such an organization throughout the year. In these meetings, participants evaluate planned and actual audits, consultancy activities and special audits, etc. for the year, share findings, review action plans and follow-up results based on these findings, and review plans for the upcoming period.

Zorlu Group supports and promotes Zorlu Group Internal Audit Team, which consists of 10 people, in receiving additional training to improve and enhance their existing knowledge, skills and other qualities, becoming a member of the relevant organizations (e.g. The Institute of Internal Auditing, Turkey – IIA Turkey) and obtaining international certificates. The Internal Audit team includes 2 CIAs (Certified Internal Auditor), 2 CFEs (Certified Fraud Examiner), 1 CISA (Certified Information Systems Auditor), 2 CRMAs (Certification in Risk Management Assurance), 1 CMAALL (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 units have 9 and 5 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 such areas.

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

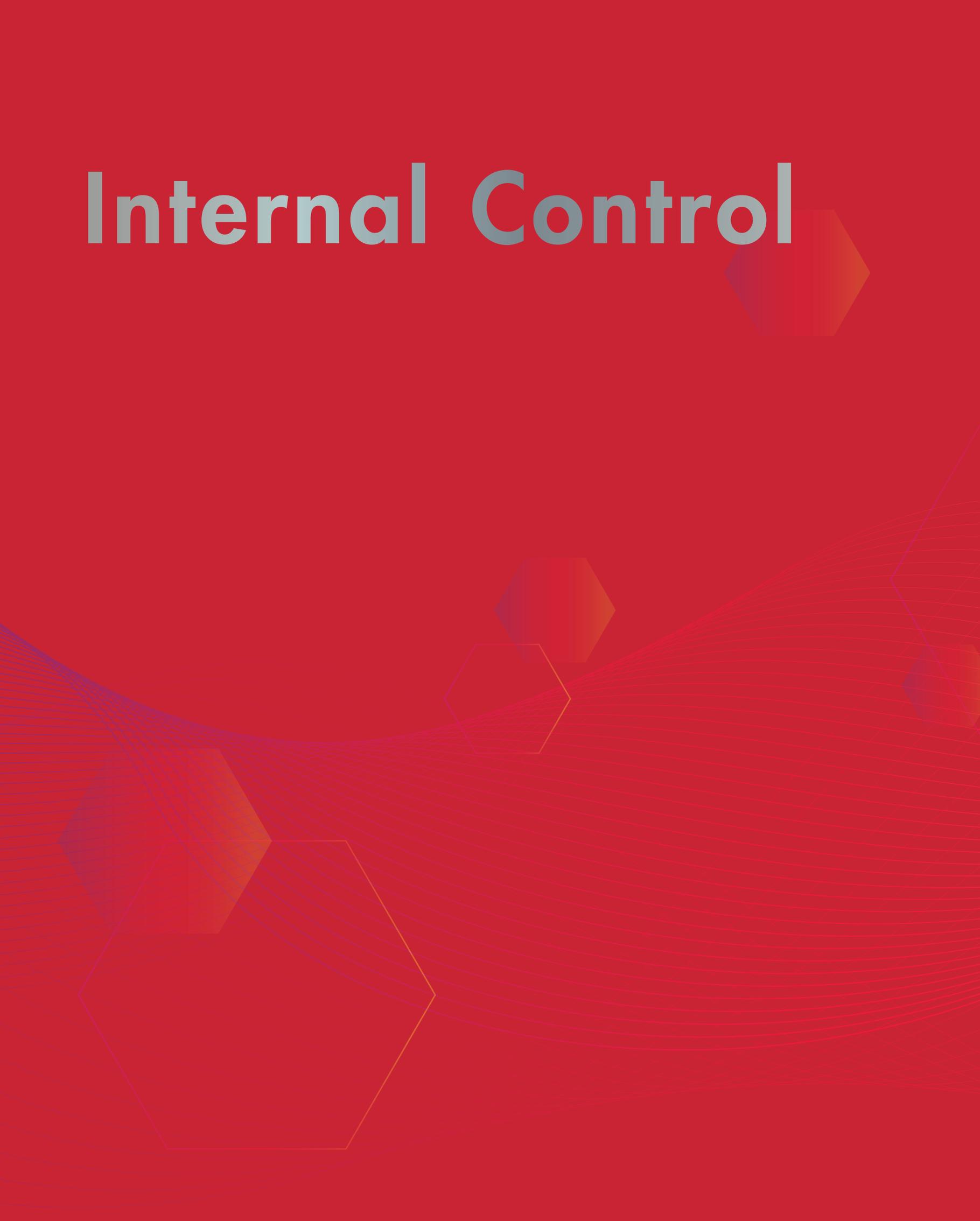
When deemed necessary, the Tax Audit Department also provides advisory services with reasonable assurance to Group companies against potential tax risks.

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

The Financial Audit Team includes 1 Certified Public Oversight Authority Licensed Auditor, 7 CPAs (Certified Public Accountant) and 1 CMAALL (CMB Level 2 License), while the Tax Audit Team includes 4 CPAs.

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# Internal Control

The background features a series of thin, wavy lines in shades of red and orange that create a sense of motion and depth. Scattered throughout are several hexagonal shapes, some solid and some outlined, in various colors including red, orange, and purple. The overall aesthetic is modern and technical.



## Internal Control



We aim to develop and improve target-related processes and internal control systems; to reinforce effective risk management and efficient, consistent and technology-enhanced process management across the Group.



### **Arzu Pişkinoğlu**

Internal Control General Manager, Zorlu Holding

At the Zorlu Holding Internal Control Department, we actively work in line with the Group's strategic goals to effectively and efficiently carry out process and risk management, meet standards, support the entire value chain, develop and sustain internal control systems to enable sharing and disseminating best practices across companies.

Along these lines, in light of technological needs and new business models introduced by the changing world of business, following a plan based on needs and risks, we actively support executives of Group companies on issues including improving efficiency and effectiveness of processes, strengthening internal control structures and reinforcing organizational memory in order to contribute to the Group's progress and sustainability objectives.

### **Organization and Activities of the Generate Directorate of Internal Control**

Zorlu Holding centrally coordinates and carries out internal control of all Zorlu Group Companies.

The restructuring of organizational processes for carrying out internal control activities separately under the Audit and Internal Control Department was completed in 2017. Internal Control Department began operations as an independent unit as of January 1, 2018.

While internal control activities are coordinated centrally, within the Internal Control Department teams are established that are responsible for the internal control activities of sectors and companies, some of which actively operate in the field and back up one another.

The purpose, authorizations and responsibilities as well as operating structure of the Internal Control Department and professional and ethical rules to follow have been defined by documents circulated across relevant executives, such as the "Internal Control Regulation" and the "Internal Control Manual".

The mission of the Internal Control Department is to establish and maintain an internal control system to ensure efficient, effective, integrated and consistent risk management at Group companies in line with goals; and to enable sharing, disseminating and spreading the implementation of best practices of companies.

The Internal Control Department supports executives and employees in identifying areas to improve in processes and the internal control system and the necessary steps to take; in utilizing informational technologies as much as possible while implementing these steps; in implementing the decided actions and regularly monitoring their progress. In addition, the department provides regular guidance to executives and process owners on these issues. All relevant executives and employees of Group companies contribute in establishing, monitoring and evaluating internal control systems and taking the necessary measures.

The Internal Control Department prepares an annual risk-based internal control plan and carries out activities in a systematic, continuous and disciplined manner. Internal control work plan is prepared based on risk-based evaluations by the Internal Control Department, requests from the Board of Directors and management, findings on internal control from audit activities conducted by the Audit Department, and corporate risk maps. Annual internal control work plan is submitted to Zorlu Holding's CEO and Board of Directors for information and approval.

During periodical meetings between the Internal Control Department and the management, internal control activities planned and realized within the year are evaluated, relevant findings are shared, action plans to be implemented on the findings and follow-up results are shared and plans for the upcoming period are reviewed.

Zorlu Group Internal Control team is composed of individuals with various sectoral experiences and advanced skills on internal control, risk management, process improvement and project management. Zorlu Group also supports and encourages the team to build upon their existing know-how and skills through trainings, membership in relevant professional associations and international professional certifications (CIA, CPA, CISA, CFE, CICA, CRMA etc.).

# Additional Disclosures as per the Legislation





# Additional Disclosures as per the Legislation

## 1. GENERAL INFORMATION

### Reporting Period

The Annual Report covers the fiscal period between 01.01.2018- 31.12.2018.

### Corporate Title and Other Information

Corporate Title: Zorlu Holding AŞ

Headquarters Address: Levent 199 Büyükdere St. Number: 199 34394 Şişli/ISTANBUL

Trade Register No: 267687

Tax ID Number: 999 003 0324

Telephone: (0212) 456 20 00

Fax: (0212) 422 03 40

Website: www.zorlu.com.tr

Central Registration System Number: 0999003032400010

### Changes in the Articles of Association Made During the Reporting Period

No changes were made in the Articles of Association during the reporting period.

### Members of the Board of Directors and the Audit Committee

#### Board of Directors:

Name and Surname	Position	Tenure	
		Start	End
Ahmet Nazif ZORLU	Chairman	05.06.2017	05.06.2020
Zeki ZORLU	Vice Chairman	05.06.2017	05.06.2020
Olgun ZORLU	Member	05.06.2017	05.06.2020
Mehmet Emre ZORLU	Member	05.06.2017	05.06.2020
Selen ZORLU MELİK	Member	05.06.2017	05.06.2020

As Zorlu Holding AŞ is subject to independent audit pursuant to the Turkish Commercial Code No. 6102, the firm Engin Bağımsız Denetim ve SMMM AŞ (Grant Thornton), information about which is listed below, was selected to externally audit Company accounts and transactions during 2018.

<b>Company Name:</b>	Engin Bağımsız Denetim ve SMMM AŞ
<b>Fiscal Year:</b>	01.01.2018 - 31.12.2018
<b>Independent Auditor Public Registry Number</b>	8547
<b>Address:</b>	Abide-i Hürriyet Cad. Bolkan Center 211 C Kat 2 Şişli/İSTANBUL

#### Business Dealings with the Company That Are Authorized by the General Assembly and Involve Members of Company Governing Bodies Acting on Their Own Behalf or on Behalf of Others; No-Competition Clauses

No member of any company governing body is authorized by the general assembly to do business with the company on their own behalf or on behalf of others; neither did any member compete with the company.

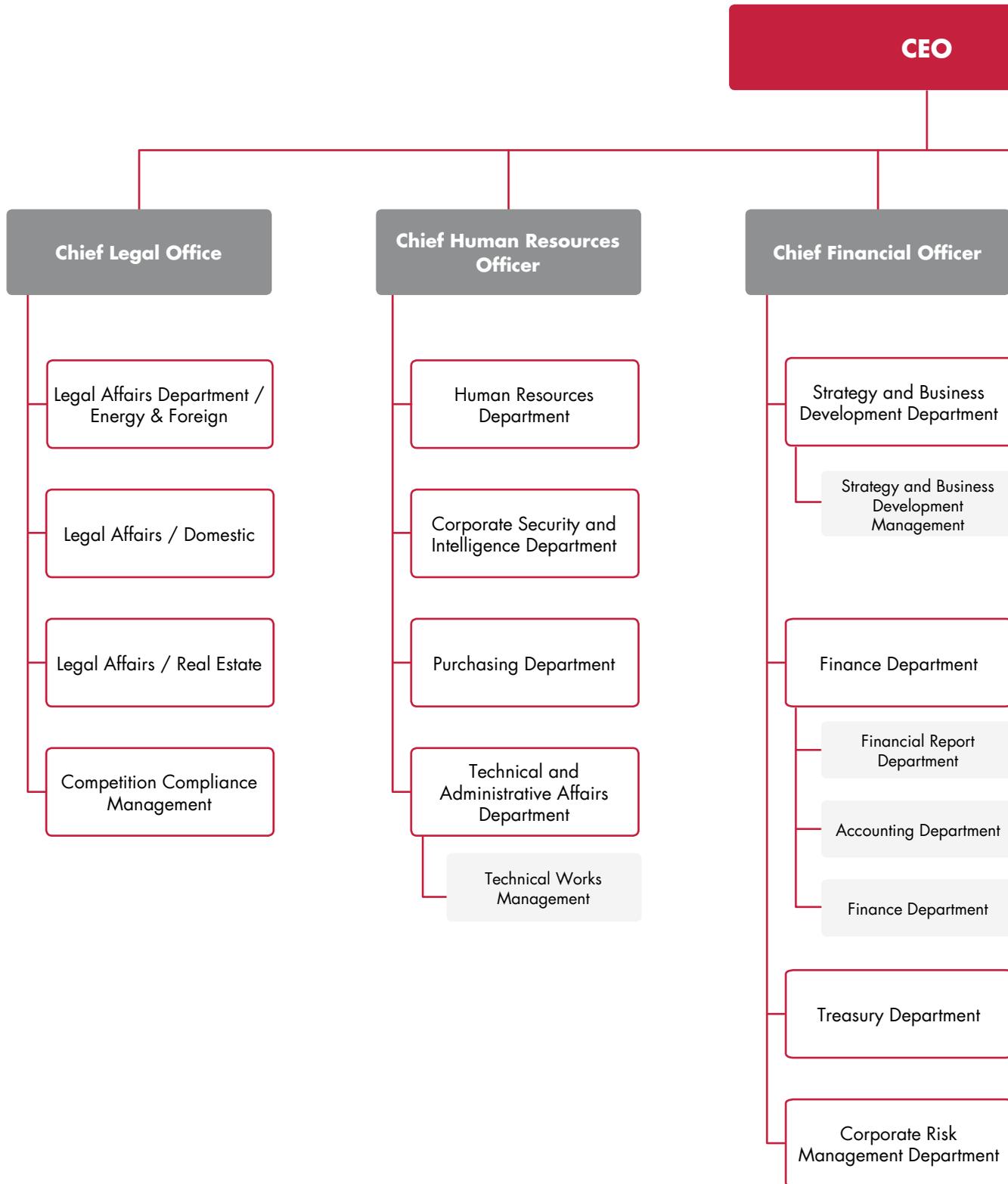
#### Shareholding Structure and Capital Distribution

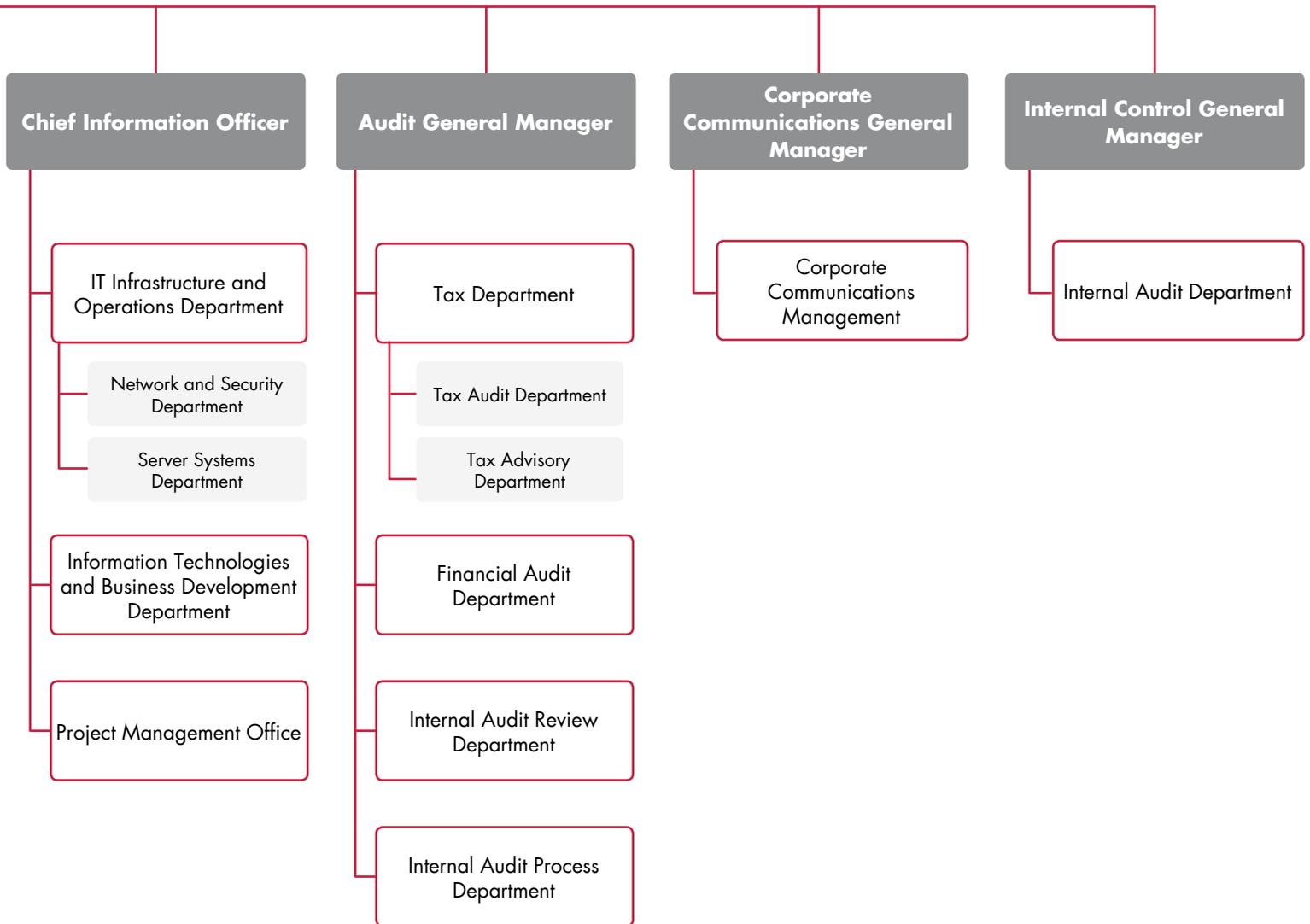
Shareholders	Number of Shares	Nominal Value of Shares (TL)	Share in Capital (%)
Zeki ZORLU	498,750,000	498,750,000	15
Ahmet Nazif ZORLU	1,529,500,000	1,529,500,000	46
Olgun ZORLU	1,064,000,000	1,064,000,000	32
Türkan ZORLU	33,250,000	33,250,000	1
Zülal ZORLU	33,250,000	33,250,000	1
Selen ZORLU MELİK	33,250,000	33,250,000	1
Fatma Şehenaz ÇAPKINOĞLU	33,250,000	33,250,000	1
Şehminur AYDIN	33,250,000	33,250,000	1
Mehmet Emre ZORLU	33,250,000	33,250,000	1
Şule CÜMBÜŞ	33,250,000	33,250,000	1
<b>TOTAL</b>	<b>3,325,000,000</b>	<b>3,325,000,000</b>	<b>100</b>

The company's capital is divided into 3,325,000,000 shares each with a par value of TL 1 and all shares are registered.

The company does not have preferential shares.

## Zorlu Holding Organization Chart





## Additional Disclosures as per the Legislation

### 2. FINANCIAL RIGHTS PROVIDED TO BOARD MEMBERS AND SENIOR EXECUTIVES

No member of any company governing body or senior management received any payment under the rubrics of "travel allowance", "accommodation allowance", or "representation expense" during the 2018 fiscal period. A total of TL 135,423.27 was paid on behalf of such persons as insurance expenses.

### 3. THE COMPANY'S RESEARCH AND DEVELOPMENT ACTIVITIES

N/A

### 4. 2018 ACTIVITIES

#### Participation in the Capital Increase in 2018

Company Name	Capital Increased	Amount of Increase	Number of Shares	Share Ratio (%)
Zorlu Air Havacılık AŞ	78,000,000 TL	78,000,000 TL	78,000,000	100.00%
Meta Nikel Kobalt Madencilik San. ve Tic. AŞ	1,786,291,512.00 TL	1,786,291,512 TL	1,786,291,512	100.00%
Rosmiks International B.V	17,250,000 USD	90,406,517.70 TL	18,000	99.99%
Zorlu Faktoring AŞ	20,000,000 TL	19,999,672,00 TL	19,999,672	99.05%

#### Shares Transferred and Acquired in 2018 and Other Changes

Company Name	Share Amount (TL)	Shares in Capital (TL)	Shares in Capital (%)	Number of Shares Transferred
Meta Nikel Kobalt Madencilik San. ve Tic. AŞ	869,956,512.00	869,956,512.00	50.00%	869,956,512
Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ	21,874,437.00	21,874,437.00	67.31%	21,874,437
Trakya Bölgesi Doğal Gaz Dağıtım AŞ	51,285,000.00	51,285,000.00	80.76%	51,285,000

Company Name	Share Amount (TL)	Shares in Capital (TL)	Shares in Capital (%)	Number of Shares Transferred
Zorlu Enerji Elektrik Üretim AŞ	59,812,871.77	59,812,871.77	2.99%	5,981,287,177

#### Administrative or Judicial Sanctions Imposed Against the Company and the Board of Directors Members on Account of Breach of Legislation

There are no administrative or legal sanctions imposed against the Company or Members of the Board on account of breach of legislation during the 2018 fiscal year.

**Disclosure on Special and Public Audits During Fiscal Year**

No special or public audit was made of the Company during the 2018 fiscal year.

**Compliance/Non-Compliance with General Assembly Resolutions**

All decisions taken at the 2017 Ordinary General Assembly were complied with during the 01.01.2018-31.12.2018 fiscal period.

**5. FINANCIAL CONDITION****Board of Directors' Statement Concerning and Assessment of the Company's Capital Adequacy and/or Insolvency**

As of the end of 2018, the company's equity ratio was 1.75 and under article 376 of the Turkish Commercial Code, this means that the company has neither suffered a capital impairment nor is insolvent.

**Financial Ratios**

<b>A. FINANCIAL STATEMENT</b>	<b>31.12.2018</b>
Current Assets/Total Assets	29%
Fixed Assets/Total Assets	71%
Short-Term Liabilities/Total Liabilities	60%
Long-Term Liabilities/Total Liabilities	30%
Equity Capital/Total Liabilities	11%
<b>B. LIQUIDITY RATIOS</b>	<b>31.12.2018</b>
Current Rate	49%
Liquidity Rate	31%
<b>C. PROFITABILITY RATIOS</b>	<b>01.01.2018-31.12.2018</b>
Net Profit (Loss) For the Period*/Subscribed Capital	(207%)
Net Profit (Loss) For the Period*/Sales	(25%)
Sale Costs/Sales	75%
Operating Profit (Loss) Before Financing Expenses/Sales	5.6%

**Profit Distribution Suggestion**

No contingency reserves will be made as the year 2018 resulted in loss.

**6. MANDATORY PARENT COMPANY DISCLOSURES IN CORPORATE GROUPS**

Situations in which Zorlu Holding controls, directly or indirectly, 5%, 10%, 20%, 25%, 33%, 50%, 67%, or 100% of shares representing another company's capital; changes in such shareholding interests and their reasons:

Companies where Zorlu controls 0-5% of all shares directly or indirectly.

<b>Company</b>	<b>Share Percentage</b>
Zorlu Gayrimenkul Geliştirme ve Yatırım AŞ	2%

## Additional Disclosures as per the Legislation

Companies where Zorlu controls 6-10% of all shares directly or indirectly.

Company	Share Percentage
Osteoid Sağlık Teknolojileri AŞ	8%
Medicraft Medikal Sistemler AŞ	8%
Buseb AŞ	10%
Sichuan Zorluteks Yinhua Co. Ltd.	10%

Companies where Zorlu controls 11-20% of all shares directly or indirectly.

Company	Share Percentage
Nanortopedi Teknoloji Sanayi ve Ticaret AŞ	12%
Intermar Ticaret Pazarlama Turizm Sanayi AŞ	16%
CY Vision INC	16%
Aydın Yazılım Elektronik ve Sanayi AŞ	16%
Mavilab Yazılım Medikal Lazer Makina İmalatı Sanayi ve Ticaret AŞ	20%
Hayriya Bilişim ve Sağlık Teknolojileri AŞ	20%
Biolive Biyolojik ve Kimyasal Teknolojiler Sanayi ve Ticaret AŞ	20%
Ringpara Mobil İletişim Bilgi Teknolojileri Reklamcılık Ticaret AŞ	20%
Verisun Teknoloji AŞ	20%

Companies where Zorlu controls 21-33% of all shares directly or indirectly.

Company	Share Percentage Oranı
EZOM Ltd.	25%
Dorad Energy Ltd.	25%

Companies where Zorlu controls 11-20% of all shares directly or indirectly.

Company	Share Percentage
Vestel Savunma Sanayi AŞ	35%
Enwair Enerji Teknolojileri AŞ	39%
Ezotech Ltd.	42%
Ashdod Energy Ltd.	42%
Ramat Negev Energy Ltd.	42%
Solad Energy Ltd.	42%

Companies where Zorlu controls 51-67% of all shares directly or indirectly.

Company	Share Percentage
Nemrut Jeotermal Enerji Elektrik Üretim AŞ	61%

Companies where Zorlu controls 68-100% of all shares directly or indirectly.

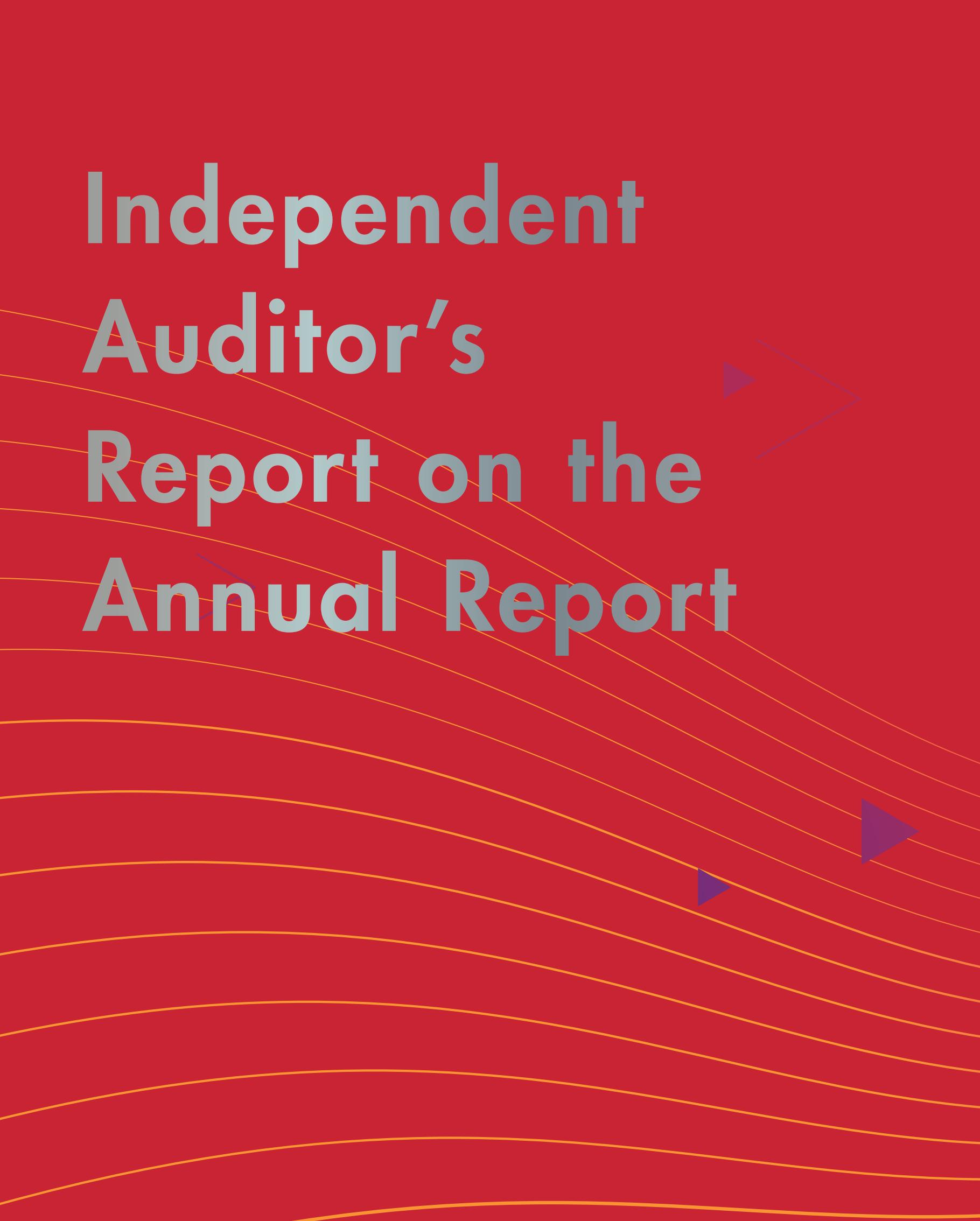
Company	Share Percentage
Cabot Communications Ltd.	70%
Vestel Beyaz Eşya Sanayi ve Ticaret AŞ	73%
ABH Turizm Temsilcilik ve Ticaret AŞ	74%
Gazdaş Gaziantep Doğalgaz Dağıtım AŞ	76%
Intertechnika LLC	77%
Vestel Electronics Gulf Dmcc	78%
Uts-United Technical Services, S.R.O	78%
Vestel Polska Technology Center sp. z o.o.	78%
Vestel Komünikasyon Sanayi ve Ticaret AŞ	78%
Vestel France SA	78%
Vestek Elektronik Araştırma Geliştirme AŞ	78%
Vestel Elektronik Sanayi ve Ticaret AŞ	78%
Vestel Ticaret AŞ	78%
Vestel CIS Ltd.	78%
Vestel Iberia SL	78%
Vestel Holland BV	78%
Vestel Germany GmbH	78%

## Additional Disclosures as per the Legislation

Vestel Benelux BV	78%
Vestel UK Ltd.	78%
Vestel Trade Ltd.	78%
OY Vestel Scandinavia AB	78%
Vestel Elektronica SRL	78%
Vestel Ventures Ar-Ge AŞ	78%
Vestel Poland sp. z.o.o.	78%
Vestel Central Asia	78%
Vestel Central Asia LLP	78%
Vestel Electronics Shanghai Trading Co. LTD	78%
Zorlu Renewable Pakistan (Private) Ltd.	79%
Zorlu Wind Pakistan (Private) Ltd.	81%
Zorlu Enerji Elektrik Üretimi AŞ	81%
Zorlu Doğal Elektrik Enerji Üretim AŞ	81%
Rotor Elektrik Üretim AŞ	81%
Zorlu Hidroelektrik Enerji Üretim AŞ	81%
Zorlu Rüzgar Enerjisi Elektrik Üretim AŞ	81%
Zorlu Enerji Pakistan Limited	81%
Zorlu Jeotermal Enerji Elektrik Üretim AŞ	81%
Zorlu Enerji Israil Ltd.	81%
Zorlu Sun Power (Private) Ltd.	81%
Zorlu Solar Pakistan (Private) Ltd.	81%
Zorlu Solar Enerji Tedarik ve Ticaret AŞ	81%
Zorlu Osmangazi Enerji Sanayi ve Ticaret AŞ	81%
Osmangazi Elektrik Perakende Satış AŞ	81%
Osmangazi Elektrik Dağıtım AŞ	81%
Zorluteks D.O.O.	83%

Trakya Bölgesi Doğalgaz Dağıtım AŞ	86%
Zorlu Doğal Gaz Tedarik Ticaret AŞ	95%
Zorlu Faktoring AŞ	98%
Zorlu Doğalgaz İthalat İhracat AŞ	99%
Zorlu Yapı Yatırım AŞ	99%
Zorlu East Co. Trading Company	99%
Zorlu Center Sanat Merkezi AŞ	99%
Zorlu Industrial Pakistan (Private) Limited	100%
Zorlu O/M Pakistan Limited	100%
Rosmiks International B.V	100%
Zorlu Enerji ve İnşaat Sanayi ve Ticaret AŞ	100%
Zorlu Elektrik Enerji İthalat İhracat AŞ	100%
Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Tic. AŞ	100%
Zorlu O/M Enerji Tesisleri İşletme AŞ	100%
Rosmiks LLC	100%
Zorlu Doğal Gaz, Petrokimya Ürünleri Petrol İnşaat Sanayi Ticaret AŞ	100%
Korteks Mensucat Sanayi ve Ticaret AŞ	100%
Zorluteks Tekstil Sanayi ve Ticaret AŞ	100%
Zorlu Dış Ticaret Sanayi ve Ticaret AŞ	100%
Zorlu Ev Tekstil Ürünleri AŞ	100%
Zorlu Tekstil Ürünleri Pazarlama AŞ	100%
Zorluteks SNG	100%
Zorlu UK Ltd.	100%
Zorlu Air Havacılık AŞ	100%
Linens Tekstil Ürünleri Pazarlama AŞ	100%
Zorlu International Investments Ltd.	100%
Zorlu USA Inc.	100%
Zorlu Financial Services	100%
Zorlu Hometeks AŞ	100%
Zorlu OMR Elektrik Santralleri İşletme ve Bakım Hizmetleri Ltd.	100%
Zorlu O&M Pakistan Ltd.	100%
Zorlu Ventures USD Inc.	100%

# Independent Auditor's Report on the Annual Report

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**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT  
ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH**

**Engin Bağımsız Denetim ve  
Serbest Muhasebecilik  
Mali Müşavirlik A.Ş.**  
Abide-i Hürriyet Caddesi  
Balkan Center 211 C Kat 2  
34381 Şişli / İstanbul, Turkey

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F + 90 212 291 76 01  
www.gtturkey.com

**To the General Assembly of Zorlu Holding A.Ş.**

**1-) Opinion**

We have audited the annual report of Zorlu Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January – 31 December 2018 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

**2-) Basis for Opinion**

Our independent audit was conducted in accordance with the Independent Standards on auditing that are part of Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

**3-) Our Audit Opinion on the Full Set Consolidated Financial Statements**

We expressed an unqualified opinion in the auditor's report dated 31 May 2019 on the full set consolidated financial statements for the 1 January – 31 December period.

**4-) Board of Director's Responsibility for the Annual Report**

Group management's responsibilities related to the annual report according to the Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communique Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" (the "Communique") are as follows:

- a) To prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) To prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also, in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regard to these matters are also included in the report.
- c) To include the matters below in the annual report:



- Events of particular importance that occurred in the Company after the operating year,
- The Group's research and development activities,
- Financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

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

#### 5-) Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communique provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

Engin Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş.  
Member Firm of GRANT THORNTON International

A handwritten signature in blue ink, appearing to read "Emre Halit".

Emre Halit  
Sorumlu Denetçi

İstanbul, 31.05.2019

# Consolidated Financial Statements and Independent Auditor's Report





## Independent Auditor's Report

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**To the Shareholders of Zorlu Holding A.Ş.  
Istanbul - Turkey**

### **REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **1) Opinion**

We have audited the consolidated financial statements of Zorlu Holding A.Ş. (the Company or "Zorlu Holding") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit and loss and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Zorlu Holding A.Ş. as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **2) Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **3) Emphasis of Matter - Going Concern**

The financial statements of the companies included in the consolidated financial statements of the Group were prepared on a going concern basis.

As of 31 December 2018, the consolidated short term assets of the Group amounted to TL 16.858.320 thousand (31.12.2017 - TL 14.172.743 thousand) and the consolidated current liabilities to TL 34.620.527 thousand (31.12.2017 - TL 24.453.805 thousand); the consolidated net loss for the year ending as of the same date was TL 6.877.351 thousand (31.12.2017 - loss TL 368.378 thousand) which turned into a consolidated comprehensive of profit of TL 3.310.514 thousand (31.12.2017 - TL 45.004 thousand) after the inclusion of revaluations of property, plant and equipment and of translation differences related investments in foreign countries. The net loss of TL 6.877.351 thousand resulted entirely from net losses on foreign exchange amounting to TL 7.210.308 thousand approximately most of which consisted of unrealised losses on foreign exchange.

The consolidated shareholders' equity of the Group as of 31 December 2018 gave a positive balance of TL 6.155.850 thousand (31.12.2017 - TL 3.798.375 thousand) and the management of Zorlu Holding A.Ş. believes that there is no concern about the continuity as a going concern of Zorlu Holding A.Ş. or of the companies included in its consolidated financial statements.

#### **4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

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

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## 5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Emre Halit.

ENGİN Bağımsız Denetim ve Serbest Mali Müşavirlik A.Ş.

Member Firm of GRANT THORNTON International



Emre Halit

Partner

İstanbul, 31.05.2019

## Consolidated Statements of Financial Position at 31.12.2018 and 31.12.2017

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

<b>Assets</b>	<b>Note</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>Current assets</b>			
Cash and cash equivalents	5	4.296.325	2.994.307
Investment securities	7	412.626	28.255
Trade receivables			
-Related parties	32	399.517	302.904
-Third parties	8	4.585.787	4.451.298
Receivables from finance sector operations			
-Other trade receivables from finance sector operations	9	199.118	283.376
Other receivables			
-Related parties	32	383.975	538.670
-Third parties	12	477.711	416.185
Receivables from service concession arrangements	13	158.453	130.999
Inventories	16	4.376.533	4.117.676
Prepaid expenses	10	225.461	335.535
Current income tax assets		92.051	72.603
Derivative financial instruments	11	93.252	15.195
Other current assets	14	553.194	485.740
<b>Subtotal</b>		<b>16.254.003</b>	<b>14.172.743</b>
Assets held for sale	15	604.317	--
<b>Total current assets</b>		<b>16.858.320</b>	<b>14.172.743</b>
<b>Non-current assets</b>			
Trade receivables			
-Third parties	8	15.743	82.968
Other receivables			
-Related parties	32	1.602.356	1.976.680
-Third parties		5.716	2.671
Investment in associate	6	378.523	258.379
Investment securities	7	7.626.272	5.899.113
Receivables from service concession arrangements	13	1.167.479	508.335
Mining assets		88.691	--
Property, plant and equipment	17	26.219.215	16.164.459
Intangible assets	18	2.685.059	2.658.916
Prepaid expenses	10	286.603	277.889
Other non-current assets	14	268.042	79.488
Derivative financial instruments	11	--	31.603
Deferred tax asset	24	947.327	768.820
<b>Total non-current assets</b>		<b>41.291.026</b>	<b>28.709.321</b>
<b>Total assets</b>		<b>58.149.346</b>	<b>42.882.064</b>

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

## Consolidated Statements of Financial Position at 31.12.2018 and 31.12.2017

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Liabilities and equity	Note	31.12.2018	31.12.2017
<b>Current liabilities</b>			
Financial liabilities	19	21.469.914	14.646.379
Trade payables			
- Related parties	32	136.505	100.870
- Third parties	21	8.085.667	7.272.751
Payables from finance sector operations			
- Other trade payables from finance sector operations	20	244.175	330.355
Employee benefit obligations		126.442	123.746
Other payables			
- Related parties	32	1.360.123	74.043
- Third parties		869.348	285.452
Deferred income			
- Related parties	32	5	52
- Third parties	10	409.947	420.086
Derivative financial instruments	11	400.428	304.806
Taxation on income	24	106.802	56.980
Short term provisions			
- Provision for employee benefits	23	44.087	43.591
- Other provisions	23	625.050	454.487
Other liabilities	22	336.681	340.207
<b>Subtotal</b>		<b>34.215.174</b>	<b>24.453.805</b>
Liabilities related to the assets held for sale	15	405.353	--
<b>Total current liabilities</b>		<b>34.620.527</b>	<b>24.453.805</b>
<b>Non-current liabilities</b>			
Financial liabilities	19	15.643.272	12.762.591
Trade payables			
- Third parties	21	14.631	1.959
Other payables			
- Related parties	32	4.666	176.912
- Third parties		20.031	27.614
Deferred income		125.686	99.725
Derivative financial instruments	11	33.076	34.342
Long term provisions			
- Provision for employee benefits	25	223.595	187.857
- Other provisions	23	66.291	84.902
Other non-current liabilities	22	43	281.036
Deferred tax liability	24	1.241.678	972.946
<b>Total non-current liabilities</b>		<b>17.372.969</b>	<b>14.629.884</b>
<b>Equity</b>			
Share capital	26.a	3.325.000	3.325.000
Adjustments to share capital	26.b	446.109	446.109
Share premium		17.594	21.932
Other comprehensive income/(expense) not to be reclassified to profit or loss			
- Revaluation reserves	26.c	7.564.145	--
- Actuarial gain/loss arising from defined benefit plans		(14.076)	(6.930)
Other comprehensive income/(expense) to be reclassified to profit or loss			
- Cash flow hedge fund	26.d	(1.405.894)	(730.979)
- Translation reserve		5.324.646	2.851.090
Restricted reserves	26.e	189.656	181.068
General reserves		(3.552.231)	(2.274.776)
Net loss for the year		(6.897.669)	(429.469)
<b>Equity attributable to owners of the parent</b>		<b>4.997.280</b>	<b>3.383.045</b>
Non-controlling interests		1.158.570	415.330
<b>Total equity</b>		<b>6.155.850</b>	<b>3.798.375</b>
<b>Commitments and contingencies</b>	28	--	--
<b>Total liabilities and equity</b>		<b>58.149.346</b>	<b>42.882.064</b>

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

## Consolidated Statements of Profit or Loss for the Years Ended 31.12.2018 and 31.12.2017

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	Note	01.01.- 31.12.2018	01.01.- 31.12.2017
Revenue	4	27.831.364	20.353.392
Cost of sales (-)	4	(20.830.567)	(15.868.719)
<b>Gross profit</b>		<b>7.000.797</b>	<b>4.484.673</b>
Marketing and selling expenses (-)		(2.176.875)	(1.722.818)
General and administrative expenses (-)		(1.028.989)	(834.851)
Other income		398.427	568.772
Other expense (-)	30	(1.532.857)	(351.847)
Share of gain of associates		44.925	20.096
<b>Operating profit</b>		<b>2.705.428</b>	<b>2.164.025</b>
Financing income	31	5.921.003	4.189.435
Financing expense (-)	31	(15.827.764)	(6.769.504)
<b>Loss before taxation</b>		<b>(7.201.333)</b>	<b>(416.044)</b>
Current tax charge		(93.394)	(67.559)
Deferred tax income		417.376	115.225
<b>Taxation on income</b>		<b>323.982</b>	<b>47.666</b>
<b>Net loss for the year</b>		<b>(6.877.351)</b>	<b>(368.378)</b>
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Parent		(6.897.669)	(429.469)
Non-controlling interests		20.318	61.091

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

## Consolidated Statements of Comprehensive Income for the Years Ended 31.12.2018 and 31.12.2017

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

		<b>01.01.- 31.12.2018</b>	<b>01.01.- 31.12.2017</b>
<b>Net loss for the year</b>		<b>(6.877.351)</b>	<b>(368.378)</b>
<b>Other comprehensive income/(expense) not to be reclassified to profit/(loss)</b>			
- Actuarial losses	25	(10.645)	(11.404)
- Revaluation of property, plant and equipment		9.369.438	--
- Tax effect	24	(789.052)	2.509
		<b>8.569.741</b>	<b>(8.895)</b>
<b>Other comprehensive income/(expense) to be reclassified to profit/(loss)</b>			
- Cumulative losses on cash flow hedging		(1.122.065)	(486.489)
- Translation differences		2.493.333	802.016
- Tax effect	24	246.856	106.750
		<b>1.618.124</b>	<b>422.277</b>
<b>Total comprehensive income for the year</b>		<b>3.310.514</b>	<b>45.004</b>
<b>Net profit/(loss) attributable to:</b>			
Equity holders of the Parent		2.437.389	7.699
Non-controlling interests		873.125	37.305

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

## Consolidated Statements of Changes in Shareholders' Equity for the Years Ended 31.12.2018 and 31.12.2017

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	Paid in capital	Adjustments to share capital	Share premium	Share Revaluation reserve	Actuarial gain/loss arising from defined benefit plans	Cash flow hedge fund	Other comprehensive income/(expense) to be reclassified to profit or loss	Restricted reserve	General reserves	Net loss for the year	Equity holders of the parent	Non-controlling interests	Total equity
<b>Balance at 01.01.2017</b>	<b>3.325.000</b>	<b>446.109</b>	<b>21.289</b>	<b>282.450</b>	<b>(3.234)</b>	<b>(237.650)</b>	<b>2.074.736</b>	<b>200.331</b>	<b>(1.531.098)</b>	<b>(207.408)</b>	<b>4.370.525</b>	<b>212.132</b>	<b>4.582.657</b>
Transfer to accumulated deficit	--	--	--	(282.450)	3.084	(153.913)	(7.010)	7.898	99.963	207.408	(125.020)	--	(125.020)
Transfer to restricted reserves	--	--	--	--	--	--	--	(27.161)	26.001	--	(1.160)	1.160	--
Tax effect of foreign subsidiary net income	--	--	--	--	--	--	--	--	11.368	--	11.368	--	11.368
Dividend paid to minority interest	--	--	--	--	--	--	--	--	--	--	--	(9.472)	(9.472)
Increase in subsidiaries share premium	--	--	643	--	--	--	--	--	--	--	643	--	643
Consolidation of Zorlu Yapı Yatırım A.Ş. as from 13.04.2017	--	--	--	--	--	--	--	--	(945.025)	--	(945.025)	--	(945.025)
Total comprehensive income	--	--	--	--	(6.780)	(339.416)	783.364	--	--	(429.469)	7.699	37.305	45.004
Transactions with non-controlling interests	--	--	--	--	--	--	--	--	64.015	--	64.015	174.205	238.220
<b>Balance at 01.01.2018</b>	<b>3.325.000</b>	<b>446.109</b>	<b>21.932</b>	<b>--</b>	<b>(6.930)</b>	<b>(730.979)</b>	<b>2.851.090</b>	<b>181.068</b>	<b>(2.274.776)</b>	<b>(429.469)</b>	<b>3.383.045</b>	<b>415.330</b>	<b>3.798.375</b>
Transfer to accumulated deficit	--	--	--	--	--	--	--	--	(429.469)	429.469	--	--	--
Consolidated subsidiary under group control <sup>(1)</sup>	--	--	--	--	(59)	--	20.158	--	(544.986)	--	(524.887)	(90.955)	(615.842)
Dividend paid to minority interest	--	--	--	--	--	--	--	--	--	--	--	(15.753)	(15.753)
Impact of change in accounting policy	--	--	--	--	637	--	--	--	(219.389)	--	(218.752)	(21.898)	(240.650)
Transfer to restricted reserves	--	--	--	--	--	--	--	8.588	(8.588)	--	--	--	--
Total comprehensive income	--	--	--	7.564.145	(7.684)	(674.801)	2.453.398	--	--	(6.897.669)	2.437.389	873.125	3.310.514
Transactions with non-controlling interests	--	--	(4.338)	--	(40)	(114)	--	--	(75.023)	--	(79.515)	(1.279)	(80.794)
<b>Balance at 31.12.2018</b>	<b>3.325.000</b>	<b>446.109</b>	<b>17.594</b>	<b>7.564.145</b>	<b>(14.076)</b>	<b>(1.405.894)</b>	<b>5.324.646</b>	<b>189.656</b>	<b>(3.552.231)</b>	<b>(6.897.669)</b>	<b>4.997.280</b>	<b>1.158.570</b>	<b>6.155.850</b>

(\*) Note 2.6

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

## Consolidated Statements of Cash Flows for the Years Ended 31.12.2018 and 31.12.2017

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	Note	01.01.- 31.12.2018	01.01.- 31.12.2017
<b>Net loss for the year</b>		<b>(6.877.351)</b>	<b>(368.378)</b>
Depreciation of property, plant and equipment		949.696	615.859
Amortization of intangible assets	18	202.580	161.633
Profit on sale of property, plant and equipment		(9.506)	(225.515)
Loss on sale of property, plant and equipment	30	349	27.229
Provision for employee termination benefits	25	38.167	28.819
Provision for doubtful receivables, net	8	57.207	(18.815)
Provision for (release from) diminution of inventories, net	16	2.532	6.523
Other provisions, net	23	139.731	143.421
Losses (gains) on derivative financial instruments, net		(474.858)	178.311
Interest expense	31	3.691.103	1.986.681
Interest income	31	(918.112)	(557.400)
Unearned interest on receivables	31	21.199	31.323
Unearned interest on payables	31	(18.774)	(22.832)
Goodwill		--	(402.237)
Other adjustments		(240.570)	--
Pooling of interests		(662.505)	(945.025)
Adjustments to the tax expense/income		(323.982)	(47.666)
<b>Net cash generated from operating activities before changes in operating assets and liabilities</b>		<b>(4.423.094)</b>	<b>591.931</b>
Changes in trade receivables		(164.448)	(957.879)
Changes in inventories		(266.717)	(1.196.026)
Changes in other receivables		(69.046)	(106.402)
Changes in other assets		(1.058.444)	(419.063)
Changes in trade payables		881.444	2.175.525
Changes in other payables		490.179	(2.526.943)
Changes in other liabilities		(267.625)	104.637
Changes in deferred income		(10.186)	34.052
Changes in prepaid expenses		101.360	(150.879)
Employee termination paid	25	(41.974)	(31.486)
Taxes paid		(82.072)	(15.911)
<b>Net cash generated from operating activities</b>		<b>(4.910.623)</b>	<b>(2.498.444)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	17	(1.643.302)	(2.454.684)
Purchases of intangible assets	18	(206.558)	(224.452)
Purchases of mining assets		(159)	--
Proceeds from sale of property, plant and equipments		596.004	324.761
Proceeds from sale of intangible assets		--	2.315
Transactions with non-controlling interests		(5.617)	212.670
Acquisition of subsidiary		--	(1.124.984)
<b>Net cash used in investing activities</b>		<b>(1.259.632)</b>	<b>(3.264.374)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		30.855.569	13.794.158
Repayments of borrowings		(20.439.339)	(8.806.075)
Changes in investment securities		(2.262.812)	(769.769)
Payment of settlement of derivatives		(415.878)	(669.600)
Changes in other receivables from related parties		528.883	2.191.424
Changes in other payables to related parties		1.114.554	(1.919)
Interest received		918.112	557.400
Interest paid		(3.666.371)	(1.780.758)
Dividend paid to non-controlling interests		(15.753)	(9.472)
<b>Net cash generated from financing activities</b>		<b>6.616.965</b>	<b>4.505.389</b>
Translation differences		822.174	345.182
<b>Net change in cash and cash equivalents</b>		<b>1.268.884</b>	<b>(912.247)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>2.861.942</b>	<b>3.774.189</b>
<b>Cash and cash equivalents at end of year</b>	5	<b>4.130.826</b>	<b>2.861.942</b>

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

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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### **1. ORGANISATION AND NATURE OF ACTIVITIES**

Zorlu Holding A.Ş. (the "Company" or "Zorlu Holding") was founded in 1990 to support and organize the activities of its subsidiaries mainly within the sectors of textile, white goods and electronic, energy and real estate by providing centralised services for finance, accounting, budget, internal audit, human resources and corporate communications.

Zorlu Holding A.Ş. and its subsidiaries (the "Group") is made up of Zorlu Holding A.Ş., in which Zorlu Holding A.Ş. owns a majority shareholding and/or effectively controls their management.

The Group is the under control of the Zorlu family.

The registered office address of the Company is located at Levent 199, Büyükdere Caddesi No: 199, Şişli/Istanbul- Turkey.

#### **Nature of activities of the Group**

The Group is organized into four major production divisions given below;

##### **1.1 Energy division**

This division is established to meet the energy requirements of Zorlu Group and other industrial companies.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Company	Nature of business	Country
Zorlu Enerji Elektrik Üretim A.Ş.	Electricity production and steam and sales	Turkey
Rotor Elektrik Üretim A.Ş.	Electricity production	Turkey
Zorlu Doğal Elektrik Üretimi A.Ş.	Electricity production	Turkey
Zorlu Hidroelektrik Enerji Üretim A.Ş.	Electricity production	Turkey
Zorlu Jeotermal Enerji Elektrik Üretimi A.Ş.	Electricity production	Turkey
Zorlu Rüzgar Enerjisi Elektrik Üretimi A.Ş.	Electricity production	Turkey
Nemrut Jeotermal Elektrik Üretimi A.Ş.	Electricity production	Turkey
Zorlu Solar Enerji Tedarik ve Ticaret A.Ş.	Electricity production and panel trading	Turkey
Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	Electricity trading	Turkey
Zorlu Osmangazi Enerji Sanayi ve Ticaret A.Ş. <sup>(*)</sup>	Electricity distribution and trading	Turkey
Osmangazi Elektrik Dağıtım A.Ş.	Electricity distribution and trading	Turkey
Osmangazi Elektrik Perakende Satış A.Ş.	Electricity distribution and trading	Turkey
Zorlu Enerji Pakistan Ltd.	Electricity production	Pakistan
Zorlu Wind Pakistan (Private) Ltd.	Electricity production	Pakistan
Zorlu Solar Pakistan (Private) Ltd.	Electricity production	Pakistan
Zorlu Renewable Pakistan (Private) Ltd.	Electricity production	Pakistan
Zorlu Sun Power (Private) Ltd.	Electricity production	Pakistan
Zorlu Enerji İsrail Ltd.	Electricity production	Israel
Trakya Bölgesi Doğalgaz Dağıtım A.Ş.	Natural gas distribution	Turkey
Gazdaş Gaziantep Doğalgaz Dağıtım A.Ş.	Natural gas distribution	Turkey
Zorlu Enerji Dağıtım A.Ş. <sup>(**)</sup>	Natural gas distribution	Turkey
Zorlu Asia Holding Ltd.	Energy investment	Dubai
Zorlu O/M Enerji Tesisleri İşletme ve Bakım Hizmetleri A.Ş.	Energy facility operation and maintenance services	Turkey
Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Ticaret A.Ş.	Energy facility construction services	Turkey
Rosmiks International B.V.	Financial services	Holland
Rosmiks LLC	Production of electricity	Russia
Zorlu Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş.	Purchase and sales of natural gas	Turkey
Zorlu Doğal Gaz Tedarik Ticaret A.Ş.	Purchase and wholesale of natural gas	Turkey
Zorlu Doğal Gaz Petrokimya Ürünleri Petrol İnşaat Sanayi Ticaret A.Ş.	Purchase and sale of petrol and petrochemical goods	Turkey

<sup>(\*)</sup> Zorlu Osmangazi has 100% shares of Osmangazi Elektrik Dağıtım A.Ş. ("OEDAS") and Osmangazi Elektrik Satış Perakende A.Ş. ("OEPSAŞ")

<sup>(\*\*)</sup> Transactions concerning Zorlu Enerji Dağıtım A.Ş., which is 100% owned by Zorlu Enerji Elektrik Üretim A.Ş., taking over 90% of the shares of Trakya Bölgesi Doğal Gaz Dağıtım A.Ş. ("Trakya") and Gazdaş Gaziantep Doğal Gaz Dağıtım A.Ş. ("Gazdaş") were completed on 29 June 2018.

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(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### **Zorlu Enerji Elektrik Üretim A.Ş. ("Zorlu Enerji"):**

Zorlu Enerji, its affiliates and associates are engaged in establishing, renting and operating facilities of electrical energy production plant, producing, distribution, trading electricity and producing steam. The Company was established by Zorlu Holding A.Ş. and Korteks Mensucat Sanayi ve Ticaret A.Ş. ("Korteks") in 1993.

As of 31 December 2018, the total electricity and steam capacity of the Zorlu Enerji's three natural gas plant, which are operating and located in Bursa, Kırklareli (Lüleburgaz) and Yalova, are 176,2 MW and 239,5 ton/hour in total. The production license granted for Ankara Natural Gas Fueled Electric Production Plant of 50,3 MW installed capacity was terminated on 30 September 2014. The production license of combined cycle Natural Gas power plant, having a capacity of 163,2 MW in Kayseri, Melikgazi has been terminated on 1 October 2015. Pursuant to the material event disclosure dated 25 January 2017, the production license of the combined cycle natural gas power plant of Zorlu Enerji in Bursa Organised Industrial Zone was amended, and the installed capacity included in the license was decreased from 90 MW to 34,3 MW. In order to increase the steam production capacity of the Lüleburgaz plant which is 129,5 tons/hour, a fluidized bed steam boiler plant with a steam production capacity of 2x40 tons/hour is being installed in the plant. Construction and engineering work on the project started in April 2016 and the facility is targeted to be commissioned in the first quarter of 2018.

On February 2015, Yozgat Provincial Special Administration gave three Geothermal Sources and Natural Mineral Waters Exploration License to the Company until 10 February 2018 in order to make exploration in three different region in Yozgat province, Şefahtli district.

Zorlu Enerji prelicense application to Energy Market Regulatory Authority ("EMRA") for combined cycle natural gas power plant having a capacity of 1.200 MW to be incorporated in Kırklareli, Vize, Kıyıköy has been approved in February 2016. As a preliminary licensing condition, Environmental Impacts Assessment ("EIA") process should be completed.

Zorlu Enerji participated in the tender dated on 30 January 2015 regarding Turkish Electricity Transmission Company's Application for the Establishment of Pre-licensed Solar Power Electricity Production Plant Competition Package 3 for the Konya Zone 1 with 46 MW capacity and won the tender by taking 18 MW full capacity. In respect of the won tender, as per the material disclosure dated April 2016, EMRA granted pre-license which will be valid for 30 months for the planned construction of Alibeyhöyüğü Solar Power Plant Project in Çumra, Konya.

Zorlu Enerji participated in Denizli Metropolitan Municipality's tender to rent geothermal fields on 21 September 2016 and won the tender by agreeing and undertaking to pay annual field rent made up of 19% of the annual field operation turnover defined in article 26/G of the tender specifications as well as TL3.000 fixed rent, excluding VAT. Within the scope of the tender, the 3470-hectare Sarayköy geothermal field on Lot 32 in the Tekke Neighborhood of the Sarayköy District of Denizli Province, with operation license no: (J-559/c), will be rented out until 2 June 2041 for the purpose of generating electrical energy via geothermal resources. Field operation turnover is made up of the net fee of the electrical power sold, excluding VAT, and the net income acquired by the sale or rent of the geothermal fluid to third parties, excluding VAT.

Zorlu Enerji signed a letter of intent with the Punjab State Government in February 2017 for a 200 MW solar power plant project at Pakistan which consists of two solar power plants with 100 MW installed, which will be developed in the Punjab Province. Pre-license was obtained for projects within the scope of the agreement in July 2017. Pre-license were given to Zorlu Sun Power (Private) Limited and Zorlu Renewable Pakistan (Private) Limited in which Zorlu Enerji owns 99,7% shares and the projects will be carried out by these companies.

### **Rotor Elektrik Üretim A.Ş. ("Rotor"):**

Rotor was established for the purpose of building wind power plants in 2003 and was acquired by "Zorlu Enerji" in 2007. On 19 December 2003, Rotor obtained the production license for 30 years from EMRA to establish a wind power plant with a capacity of 135 MW in the province of Osmaniye. Gökçedağ Wind Power Plant (Rotor WPP) whose construction started in July 2008, started production with full capacity on 15 October 2010 and continues its operations.

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Gökçedağ Wind Power Plant joined the Renewable Energy Resources Support Mechanism ("YEKDEM") in 2016 and the application to EMRA for Gökçedağ Wind Power Plant to make use of YEKDEM in the 2017 calendar year was accepted in November 2016. Accordingly, also in 2017, the power plant sells all the electricity it generates in return for 7,3 USD cent/kWh, which is the support fee provided on the basis of resources to the production facilities running on wind power within the scope of YEKDEM. Application of Power Plant to make use of YEKDEM in the 2018 calendar year has been approved in 2017. The power plant will sell all the electricity it generates in return for 7,3 USD cent/kWh within the scope of YEKDEM in 2018.

Additionally, the production licence period of Rotor's Gökçedağ wind power plant with 135 MW installed power in Bahçe, Osmaniye was extended from 30 years to 49 years in 2018, and will be effective 19 December 2013.

### **Zorlu Doğal Elektrik Üretimi A.Ş. ("Zorlu Doğal"):**

Zorlu Doğal was established for purpose to sell the electricity, to develop a project to correspond the requirement of energy, heat and steam, to establish hydroelectric, geothermal power plants being in the first place and also to perform feasibility studies to assembly associations which is based on all forms of renewable energy in 2008.

On 5 March 2008, Zorlu Doğal has won the tender for the operating license of 7 hydroelectric power plants, 1 geothermal power plant and 1 fuel oil power plant from Ankara Doğal Elektrik Üretim ve Ticaret A.Ş. ("ADÜAŞ") and started to operate to be valid effective from 1 September 2008. The application to EMRA in order to be ended of the production license of Van fuel oil power plant with 15 MW was approved as of March 2014. As a result, sales negotiations conducted with bargaining method on 10 November 2015, Van plant and its field was sold.

Zorlu Doğal has hydroelectric power plants in Tokat, Eskişehir, Kars, Rize, Erzurum, Erzincan, Tunceli and the first geothermal power plant of Turkey in Denizli and also operating rights of the highest geothermal energy potential field in Turkey for 30 years.

In addition to the existing 15 MW Kızıldere I Geothermal Power Plant ("JES"), Performance and security tests of the first phase of fully constructed Kızıldere II project of Zorlu Doğal with the installed capacity of 60 MW has been successfully completed and after the official acceptance of the Ministry, the power plant has been started to sell commercial electricity as of 31 August 2013, official acceptance of the second and last phase with the capacity of 20 MW has been made on 31 October 2013 and the power plant started being operated with full capacity.

Kızıldere II Plant of 80 MW has the right to benefit from YEKDEM. The power plant was integrated to YEKDEM and sold all electricity generated in 2014, 2015 and 2016 within the scope of YEKDEM. The application to EMRA, in order to sell electricity in scope of YEKDEM in 2017, has been approved as of November 2016. In this respect, Kızıldere II plant sells the electricity to be generated in 2017 against a price of USD 11,2/kWh resulting from addition of additional contribution share of USD 0,7/kWh granted due to use of domestic equipment to the price of USD 10,5/kWh as the support price given on source basis to the generation plants based on geothermal energy. The application to EMRA, in order to sell electricity in scope of YEKDEM in the calendar year of 2018, has been approved. In this respect, Kızıldere II plant will sell the whole electricity to be generated in 2018 with a price of USD 11,2/kWh.

The hydroelectric power plants in Zorlu Doğal and Kızıldere I JES sell most of their production through bilateral agreements.

For the Kızıldere III Geothermal Power Plant project developed in the Karataş neighbourhood within the provincial borders of Denizli and Aydın, Zorlu Doğal obtained the production license from EMRA which will be valid through 2037. The Kızıldere III Geothermal Power Plant project are composed of two units with a total installed capacity of 165 MW. The first unit of the Kızıldere III Geothermal Power Plant's 99,5 MW installed power started commercial electricity sales as of 19 August 2017. The second unit of 65,5 MW is planned to be put into use in the first half of 2018. Zorlu Doğal's total installed capacity in 7 hydroelectric and 2 geothermal power plants has reached to 307 MW with the start of operation of first unit of Kızıldere III Geothermal Power Plant.

In addition, Zorlu Doğal obtained a pre-license from EMRA for the Kızıldere IV Geothermal Power Plant project planned to be established in the Karataş neighbourhood, Buharkent district, Aydın province with an installed capacity of 24,9 MW on 22 June 2015. An

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application was filed to EMRA for an amendment on the installed capacity in the pre-license of the project from 24,9 MW to 60 MW had been approved on July 2017 and EMRA decided to give a pre-license for the project which will be valid for 36 months.

The application to EMRA for the amendment of the 15 MW installed capacity in the current production license of Tercan Dam and Hydroelectric Power Plant ("HPP"), owned by Zorlu Dođal, as 17,04 MWm/16,9 MWe with the additional 4<sup>th</sup> unit was approved on April 2015. Construction work for increasing the installed capacity has not started yet; however, the engineering work is continuing.

Rehabilitation of Zorlu Dođal's İközdere Regulator and Hydroelectric Power Plant in İközdere District, Rize, 18,6 MW installed power to 24,94 MW through rehabilitation started in July 2016 was completed at 2 March 2018 and power plant begun commercial production as of 3 March 2018.

### **Zorlu Hidroelektrik Enerji Üretim A.Ş. ("Zorlu Hidroelektrik"):**

Zorlu Hidroelektrik was established in 2007 for the purpose of building hydroelectric power plants and other power plants based on renewable energy sources.

In accordance with the decision of EMRA dated 7 June 2012 and numbered 3870/3, EMRA has cancelled the license of Zorlu Enerji for Sami Soydam Sandalcık Barajı hydroelectric power plant in Denizli which would have 127,8 MWm/124 Mwe capacity; in accordance with the Electricity Market Law numbered 4628 and related regulations, aforesaid the license has been transferred to Zorlu Hidroelektrik as of 7 June 2012. As a result of latest evaluation, Zorlu Hidroelektrik decided not to carry on with the Sami Soydam-Sandalcık Dam and Hydroelectric Power Plant project and the production license of the project has been terminated in August 2017.

### **Zorlu Jeotermal Enerji Elektrik Üretimi A.Ş. ("Zorlu Jeotermal"):**

Zorlu Jeotermal was established in 30 June 2008 to develop projects for energy power plants based on all forms of renewable energy sources to produce energy, steam and heat.

Zorlu Jeotermal has taken over the Alaşehir Geothermal license of Zorlu Petrogas Petrol, Gaz ve Petrokimya Ürünleri İnşaat Sanayi ve Ticaret A.Ş. on 30 July 2009.

The production plant is located in Manisa, Alaşehir with a capacity of 45 MW operates with full capacity. The application to EMRA, in order to sell electricity in 2017 in scope of YEKDEM, has been approved as of November 2016. In this respect, Alaşehir I plant sells the electricity to be generated in 2017 against a price of USD 11,2/kWh resulting from additional contribution share of USD 0,7/kWh granted due to use of domestic equipments to the price of USD 10,5/kWh as the support price given on source basis to the generation plants based on geothermal energy within the scope of YEKDEM. The application to EMRA, in order to sell electricity in scope of YEKDEM in the calendar year of 2018, has been approved. In this respect, Alaşehir I plant will sell the whole electricity to be generated in 2018 with a price of USD 11,2/kWh.

For the Alaşehir II Geothermal Power Plant ("Alaşehir II JES") project, which is planned to be developed on the same site, a production license was obtained for 22 years from EPDK for 24,9 MW capacity in November 2017. The Company has received the certificate which shows Environmental Impact Assessment, Permit and Inspection ("EIA") is not required as of 19 June 2015 and began searching and well drilling. As a result of the exploration work on the installed power of 24,9 MW in the production license of the project, an application was made to the EMRA in January 2018 in order to be amended to 45 MW as a total of two units of 22,5 MW each.

Zorlu Jeotermal has received pre-license of 10 December 2014 for the Alaşehir III geothermal power plant with planned 30 MW capacity. As per the material disclosure dated 4 December 2015, upon exploration works, Zorlu Jeotermal applied to EMRA in order to amend the capacity from 30 MW to 50 MW. As per the material disclosure dated 4 April 2016, Zorlu Jeotermal has received acceptance to its application to the EMRA and the Authority has decided to grant Zorlu Jeotermal the pre-license to be valid for 30 months entered into force on the decision date.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

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Zorlu Jeotermal joined the tender held by Kütahya Special Provincial Administration on 27 October 2016 for licensing and granting the right to explore the geothermal resource search field and won the tender by accepting and undertaking to pay a fee of TL450 plus VAT. Within the scope of the tender, Zorlu Jeotermal gained the right to conduct a search for geothermal resources in Yeniköy geothermal field, a field of 4.950 hectares in the Yeniköy neighbourhood, Simav district, Kütahya province.

### **Zorlu Rüzgar Enerjisi Elektrik Üretimi A.Ş. ("Zorlu Rüzgar"):**

Zorlu Rüzgar was established in 2009 to develop projects for energy power plants, based especially on wind power and other forms of renewable energy sources to produce electricity.

In accordance with the Board of Directors decision dated 16 November 2009 and numbered 2009/9 Rotor has transferred its license to Zorlu Rüzgar which was obtained for 25 years as of 5 August 2008 for the construction of two wind energy power plants in Sarıtepe and Demirciler regions of Osmaniye with a capacity of respectively 50 MW and 60 MW.

Sarıtepe (57 MW) and Demirciler (23,3 MW) Wind Power Plants, which were built in Osmaniye by Zorlu Rüzgar and have a total installed capacity of 80,3 MW, have been partially commissioned since June 2016 and is fully operational as of 27 August 2016 and production has begun.

Sarıtepe RES and Demirciler RES joined to YEKDEM in 2017 and the power plants has sold all produced electricity within the scope of YEKDEM for 8,58USD/kWh which is the sum of the 1.28USD/kWh contribution fee for using locally produced components and the support fee of 7,3USD/kWh. The application to EMRA for Sarıtepe and Demirciler's benefit from YEKDEM in 2018 has been approved. In this respect, Sarıtepe ve Demirciler RES will sell the whole electricity to be generated in 2018 against a price of USD 7,3/kWh resulting from additional contribution share of USD 1,4/kWh granted due to use of domestic equipments to the price of USD 8,7/kWh as the support price given on source basis to the generation plants based on wind energy within the scope of YEKDEM.

The production licence periods of Zorlu Rüzgar's Sarıtepe wind power plant with 57 MW installed power in Bahçe, Osmaniye and of the Demirciler wind power plant with 23.3 MW installed power were extended from 25 years to 49 years in 2018 and will be effective 8 May 2008.

### **Nemrut Jeotermal Elektrik Üretimi A.Ş. ("Nemrut"):**

Nemrut which the Group has 75% shareholding and Rarik-Turkison Enerji İnşaat Maden Proje Ltd. Şti. has 25% shareholding, has been incorporated on 2 August 2013 with 878732 number Trade Registering Newspaper.

Bitlis Special Provincial Administration has given to Nemrut, in which the Company has 75% shareholding, the "Geothermal Resources and Natural Mineral Waters Operating License" for a period of 30 year and the "Geothermal and Natural Resources Exploration License" until the date of 3 June 2014 to be valid in the boundaries of Tatvan district of Bitlis. Relevant licenses have entered into force on 23 September 2013. The application for the time extension of exploration license process has not been approved yet.

### **Zorlu Solar Enerji Tedarik ve Ticaret A.Ş. ("Zorlu Solar"):**

Zorlu Solar was established to generate electricity both domestically and internationally from solar energy; to rent, sell, purchase, export Solar Photovoltaic (PV) panels and provide services for placing the panels onto the roofs and any other services regarding the installation and consultancy of Solar Photovoltaic panels. Zorlu Solar was also established to engage in electricity energy and/or wholesale purchases and sales activities domestically. The registration procedures for the establishment of the company have been completed as of 28 March 2016. In the scope of its Distributorship and Supply Contract with First Solar, Inc. of the USA ("First Solar"), in February 2017, Zorlu Solar took on the authorized distributorship of First Solar's photovoltaic panels in 26 countries and started its operations as of the second quarter of 2017.

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### **Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş. ("Zorlu Elektrik"):**

Zorlu Elektrik was established in 2000 to purchase electricity from domestic markets and free zones, its wholesale or direct sale in Turkey, or its export to foreign countries. To ensure operation integrity by consolidating wholesale electricity trade operations within Zorlu Enerji and to increase transparency, all of Zorlu Elektrik's shares were acquired by Zorlu Enerji and the relevant registration transactions were completed on 7 March 2016. The company operates under "Procurement License" issued by the Energy Market Regulatory Authority.

Zorlu Elektrik's main operations are as follows:

- retail electricity sales to the persons and organisations within the scope of eligible consumer
- electricity purchase and sales in Organised Wholesale Electricity Markets run by EPIAŞ
- over the counter (OTC) and Derivative Market wholesale electricity trade
- electricity export and import, and
- group management in charge of balance.

Zorlu Elektrik provides a significant portion of the electricity it sells from renewable sources. Zorlu Elektrik has a share of over 1% in the eligible consumer market with a 1,6 billion kWh of electricity sales to eligible consumers.

Zorlu Elektrik performs demand and price forecasting, production planning, pricing, sales, risk and portfolio management, reconciliation and invoicing within the scope of its core activities. The company provides alternative pricing adapted to market price options to consumers based on hourly and periodically in bilateral agreements. Zorlu Elektrik creates high saving tariff packages suitable for consumers' consumption volume and habits and offers solutions to minimize costs for consumers.

Besides selling electricity to eligible consumers, Zorlu Elektrik has also commercial activities with other leading companies in the sector. Zorlu Elektrik buys and sell energy through bilateral agreements with other leading companies in the sector. It has also import and export activities with neighboring countries.

Zorlu Elektrik supports the work carried out in order to effectuate the transformation of markets into a targeted liberal and competitive structure and as one of the important players in the sector Zorlu Elektrik supports all the activities that adds value to sector and customers. Zorlu Elektrik actively participated in the Electricity Futures Market ("VIOP"), which is a market started operations within the scope of Borsa İstanbul, as a result of the activities on the way of liberalization of the electricity markets.

### **Zorlu Osmangazi Enerji Sanayi ve Ticaret A.Ş. ("Zorlu Osmangazi"):**

Pursuant to the material event disclosure dated 18 November 2016, a company with the title "Zorlu Osmangazi Enerji Sanayi ve Ticaret A.Ş.", whose main field of activity is electricity distribution and retail, has a capital of TL50, and is 100% owned by Zorlu Enerji, pursuant to the material event disclosure dated 6 March 2017, the capital increase process to increase the current share capital of TL50, of Zorlu Osmangazi, to TL1.150.050 with an entirely cash increase of TL1.150.000 have been completed. Zorlu Osmangazi acquired all shares of Osmangazi Elektrik Dağıtım A.Ş. ("OEDAŞ") and Osmangazi Elektrik Perakende Satış A.Ş. ("OEPSAŞ") in return for USD 360.000 on 2 February 2017 (Note 2).

Within the scope of the acquisition of all shares of OEDAŞ and OEPSAŞ by Zorlu Osmangazi, OEDAŞ's distribution license valid until 1 September 2036 and OEPSAŞ's retail license valid until 1 September 2036 were amended by EMRA on 31 May 2017 by changing the partnership structure mentioned in the licenses.

### **Osmangazi Elektrik Dağıtım A.Ş. ("OEDAŞ"):**

OEDAŞ distributes electricity within the provincial borders of Eskişehir, Afyon, Bilecik, Kütahya, and Uşak. OEPSAŞ is the responsible retail company in the relevant distribution region.

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### **Osmangazi Elektrik Perakende Satış A.Ş. ("OEPSAŞ"):**

OEPSAŞ is the responsible retail company in Eskişehir, Afyon, Bilecik, Kütahya, and Uşak.

### **Zorlu Enerji Pakistan Ltd. ("Zorlu Enerji Pakistan"):**

Zorlu Enerji Pakistan was incorporated on 13 September 2007 to set up a project for electric power generation through wind to generate and sell electric power. The wind power plant with the installed capacity of 56,4 MW being constructed in Jhampir area of Pakistan by the Group's 100% affiliate Zorlu Enerji Pakistan started commercial electric energy sales to Pakistan National Transmission and Distribution Company ("NTDC") on 26 July 2013.

Zorlu Enerji Pakistan, Zorlu Enerji's wholly owned affiliate, obtained a pre-license from Pakistan Alternative Energy Development Board for a 30 MW hybrid power plant the hybrid power plant will generate solar and wind power simultaneously, which will contribute towards the more efficient utilization of the national grid. The new project will be the first wind&solar hybrid project in Pakistan.

### **Zorlu Wind Pakistan (Private) Ltd. ("Zorlu Wind Pakistan"):**

With regard to the material event disclosure on 5 January 2015, Zorlu Wind Pakistan is incorporated with a partnership of Zorlu Enerji having a partnership in the ratio of 99,7% which has a capital of PKR 10 thousand and has a wind energy production activity, and the said company's registration procedures have been completed.

### **Zorlu Solar Pakistan (Private) Ltd. ("Zorlu Solar Pakistan"):**

Pursuant to the material event disclosure dated 25 November 2016, a company with the title "Zorlu Solar Pakistan (Private) Limited", whose main fields of activity are to carry out electricity energy projects through any renewable energy power plant that the company selects, including but not limited to thermal energy plants, wind power plants, hydroelectric plants and solar power plants; to set up and operate the distribution systems; to produce, purchase, supply and install complementary elements concerning these plants; to carry out all activities that the company needs to in the scope of these transactions, and which has capital of PKR 10 thousand, and is 99,7% owned by Zorlu Enerji was founded and registered on 18 November 2016 in Pakistan.

Pursuant to the material event disclosure dated August 2017, the Punjab Power Development Board accepted the pre-license application of Zorlu Solar Pakistan for the 100 MW solar power plant project planned to be developed in Punjab, Pakistan. This is the first renewable energy pre-license application accepted by the Pakistani Government after three years. It is planned that the power plant, the construction of which started in March 2017, will operate in the first half of 2018. Zorlu Solar Pakistan's meetings with various banks to finance the project are ongoing.

The Board of Directors have decided to increase the capital of Zorlu Solar Pakistan Ltd, from PKR 100 thousand to PKR 2.500.000 thousand as of 12 December 2017.

### **Zorlu Renewable Pakistan (Private) Ltd. ("Zorlu Renewable"):**

Pursuant to the material event disclosure dated 25 May 2017, a company with the title "Zorlu Renewable Pakistan (Private) Limited", whose main fields of activity are to carry out electricity energy projects through any renewable energy power plant that the company selects, including but not limited to thermal energy plants, wind power plants, hydroelectric plants and solar power plants, to set up and operate the distribution systems, to produce, purchase, supply and install complementary elements concerning these plants; to carry out all activities that the company needs to in the scope of these transactions, and which has capital of PKR 10 thousand and is 99,7% owned by Zorlu Enerji was founded and registered on 1 June 2017.

Within the scope of a letter of intent signed by Zorlu Enerji and the Punjab State Government, the Punjab Government granted a pre-license to Zorlu Renewable to establish a 100 MW solar power plant in July 2017.

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### **Zorlu Sun Power (Private) Ltd. ("Zorlu Sun Power"):**

Pursuant to the material event disclosure dated 25 May 2017, a company with the title "Zorlu Sun Power (Private) Limited", whose main fields of activity are to carry out electricity energy projects through any renewable energy power plant that the company selects, including but not limited to thermal energy plants, wind power plants, hydroelectric plants and solar power plants, to set up and operate the distribution systems, to produce, purchase, supply and install complementary elements concerning these plants; to carry out all activities that the company needs to in the scope of these transactions, and which has capital of PKR 10 thousand and is 99,7% owned by Zorlu Enerji was founded and registered on 1 June 2017.

Within the scope of a letter of intent signed by Zorlu Enerji and the Punjab State Government, the Punjab Government granted a pre-license to Zorlu Sun Power to establish a 100 MW solar power plant in July 2017.

### **Zorlu Enerji İsrail Ltd. ("Zorlu Enerji İsrail"):**

Pursuant to the material event disclosure dated 14 March 2017, a company with the title "Zorlu Enerji İsrail Ltd", whose main field of activity is carrying out energy projects, and which has capital of NIS 10 thousand, and 100% of which is owned by Zorlu Enerji, was founded and registered on 12 March 2017.

### **Trakya Bölgesi Doğalgaz Dağıtım A.Ş. ("Trakya Doğal Gaz"):**

Trakya Doğal Gaz was established in 2005 for the purpose of city gas distribution. On August 2006, Trakya Doğal Gaz won the tender of city gas distribution in Tekirdağ, Muratlı, Edirne, Kırklareli, Kavaklı, Babaeski, Lüleburgaz, Evrensekiz, Büyükkarıştıran, Misinli, Ulaş, Çerkezköy, Kapaklı, Kızılpınar, Karaağaç, Velimeşe, and Veliköy, all in the Thrace region for 30 years starting on 25.01.2006.

### **Gazdaş Gaziantep Doğalgaz Dağıtım A.Ş. ("Gaziantep Doğal Gaz"):**

Gaziantep Doğal Gaz was established in 2005 for the purpose of city gas distribution. On August 2005, Gaziantep Doğal Gaz won the tender of city gas distribution in Gaziantep, Kilis and Nizip all in Southeast Anatolia region for 30 years starting on 24.02.2006.

### **Zorlu Enerji Dağıtım A.Ş. ("Zorlu Enerji Dağıtım"):**

Zorlu Enerji Dağıtım was established in 2018 for the purpose of city gas distribution. Transactions concerning Zorlu Enerji Dağıtım A.Ş. taking over 90% of the shares of Trakya Bölgesi Doğal Gaz Dağıtım A.Ş. ("Trakya") and Gazdaş Gaziantep Doğal Gaz Dağıtım A.Ş. ("Gazdaş") were completed on 29 June 2018.

### **Zorlu Asia Holding Ltd. ("Zorlu Asia Holding"):**

Zorlu Asia was established in 2018 for the purpose of energy investments.

### **Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri A.Ş. ("Zorlu O&M"):**

Zorlu O&M was established in 2000 to provide operational and maintenance services to power plants. Zorlu O&M has cooperation agreements with Zorlu Enerji and provides operation and maintenance services in Turkey to Zorlu Enerji's power stations. Internationally it provides services for the power stations in Greece, India and Kuwait. Zorlu O&M provides operation and maintenance services to Zorlu Enerji's Pakistan and Israel power plant projects.

### **Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Ticaret A.Ş. ("Zorlu Endüstriyel"):**

Zorlu Endüstriyel became operational in 2000 for the purpose of developing, and implementing to industrial and energy plant projects.

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### **Rosmiks International B.V. ("Rosmiks BV"):**

This company was established in 2006 for the purpose of providing financial support to two energy plant projects in Russia with a capacity of 340 MW of electricity and 2.500 thousand Gcal/year of steam and owns 100% of Rosmiks LLC.

### **Rosmiks LLC ("Rosmiks LLC"):**

Rosmiks LLC was established for the purpose of building and operating two energy plants respectively in "Kojuhovo" and "Tereshkovo" regions in Russia with a capacity of 340 MW of electricity and 2.500 thousand Gcal/year of steam each.

Tereshkovo Power Plant was constructed with an investment of USD 500 million approximately; its construction which incorporates a planned capacity 340 MW of electricity and 150 gcal/hour of steam has been undertaken by Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Ticaret A.Ş. First phase of Tereshkovo power plant, involving capacities of 170 MW of electricity and 150 gcal/hour of steam has been completed. Tereshkovo power plant has commenced production as from 14 November 2011. As of 14.03.2012, district heating, hot water and combined-cycle power generation system has also been commissioned by Tereshkovo natural gas combined cycle plant's first phase in addition to 170 MW of electricity and 150 gcal/hour of steam production units.

ICFS International LLC, indirect owner of Rosmiks LLC in the percentage of 100% which was established to operate the Tereshkovo and Kojuhovo Projects that are conducted in Russian Federation; sold all its shares in Rosmiks International BV, direct shareholder of Rosmiks LLC in the percentage of 100%, to Zorlu Holding A.Ş. on 28.12.2012 over a price of USD 25.061. As a result of this share transfer, Zorlu Holding A.Ş., has become direct and indirect shareholder in the percentage of 100% in Rosmiks International BV and Rosmiks LLC respectively.

### **Zorlu Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş. ("Zorlu Doğal Gaz"):**

Zorlu Doğal Gaz was established in 2003 for the purpose of wholesale procurement and distribution of compressed natural gas ("CNG") and/or liquefied natural gas ("LNG") to other wholesale companies, free trade zones and countries abroad; owns license for wholesale and retail sales and direct sales to consumers.

### **Zorlu Doğal Gaz Tedarik Ticaret A.Ş. ("Zorlu Doğal Gaz Tedarik"):**

Zorlu Doğal Gaz Tedarik was established in 2010 for the purpose of wholesale procurement and distribution of compressed natural gas ("CNG") and/or liquefied natural gas ("LNG") to other wholesale companies, free trade zones and countries abroad; owns license for wholesale and retail sales and direct sales to consumers.

### **Zorlu Doğal Gaz Petrokimya Ürünleri Petrol İnşaat Sanayi Ticaret A.Ş. ("Petrokimya"):**

Zorlu Doğal Gaz Petrokimya Ürünleri Petrol İnşaat Sanayi ve Ticaret A.Ş. was established in 2013 for the purpose of trading petrol and petrochemical products.

## **1.2 Textile division**

The activities of this division consist of production and marketing of yarn and home textiles, including curtains, bed linens, quilt cover sets and varieties. Curtains and quilt covers are produced under the Taç brand and sold in Linens chain stores.

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## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

The subsidiaries in textile division; their field of activities and countries of operation are listed below:

<b>Company</b>	<b>Nature of business</b>	<b>Country</b>
Korteks Mensucat Sanayi ve Ticaret A.Ş.	Production of textile goods	Turkey
Zorluteks Tekstil Ticaret ve Sanayi A.Ş.	Production of textile goods	Turkey
Zorlu Dış Ticaret A.Ş.	Textile marketing	Turkey
Zorlu Tekstil Ürünleri Pazarlama A.Ş.	Textile marketing	Turkey
Zorluteks SNG	Textile marketing	Russia
Zorluteks D.O.O.	Textile marketing	Macedonia
Zorlu UK Limited	Textile marketing	U.K.
Linens Tekstil Ürünleri Pazarlama A.Ş.	Textile marketing	Turkey

### **Korteks Mensucat Sanayi ve Ticaret A.Ş. ("Korteks"):**

Korteks was made up of two divisions: Firstly, Korteks Weaving and Knitting plant was established in 1982 and has been engaged in the production of jacquard lace and woven product (voile and its varieties). This division was transferred to Zorluteks in the last quarter of 2007. Secondly, Korteks Polyester Yarn Plant was established in 1989 to meet polyester needs of the Korteks Weaving and Knitting plant. The plant is built on 335.000 m<sup>2</sup> of enclosed area.

### **Zorluteks Tekstil Ticaret ve Sanayi A.Ş. ("Zorluteks"):**

Zorluteks was established in 1982. Zorluteks's production facilities include home textile and curtain weaving and knitting, finishing, and sewing plants. In home textile production facilities with a total of 160.000 m<sup>2</sup> of enclosed space, Zorluteks manufactures 96 million meters a year of a wide range of home textile products such as comforters, piques, pillowcases, bed sheets, fitted sheets, tablecloths, bedspreads, cotton curtain fabrics, and towels. 46% of the company's output is exported to different parts of the world including the USA, EU, Japan, and Russia. The remainder of the output is assigned to leading Turkish labels as TAÇ and Linens.

In accordance with the Board decisions dated 22 June 2014 and numbered 2014/27, Linens Pazarlama merged with Zorluteks Tekstil as a branch of Company.

### **Zorlu Dış Ticaret A.Ş. ("Zorlu Dış Ticaret"):**

Zorlu Dış Ticaret was established in 1998 carries out all foreign trade activities of the Textile Group.

### **Zorlu Tekstil Ürünleri Pazarlama A.Ş. ("Zorlu Tekstil Ürünleri"):**

Zorlu Tekstil Ürünleri was established in 1990. It serves wholesalers in the Aegean region.

### **Zorluteks SNG:**

Zorluteks SNG was established in 2005. It serves wholesalers in Russia.

### **Zorluteks D.O.O.:**

Zorluteks D.O.O. was established in 2004. It serves wholesalers in Macedonia.

### **Zorlu UK Limited:**

Zorlu UK was established in 2002. It serves wholesalers in England.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### ***Linens Tekstil Ürünleri Pazarlama A. Ş. ("Linens Tekstil"):***

Linens Tekstil was established in 1997 as of Deniz Destek Oto Kiralama Temizlik Hizmetleri ve İnşaat A.Ş. and changed its name in 2014. The company is inactive.

### **1.3. White goods and electronics division**

The subsidiaries in white goods and electronics division; their field of activities and countries of operation are listed below:

<b>Company</b>	<b>Nature of business</b>	<b>Country</b>
Vestel Elektronik Sanayi ve Ticaret A.Ş.	Production	Turkey
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	Production	Turkey
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	Sales	Turkey
Vestel Ticaret A.Ş.	Sales	Turkey
Vestel CIS Limited	Sales	Russia
Vestel Iberia SL	Sales	Spain
Vestel France SA	Sales	France
Vestel Holland BV	Sales	Holland
Vestel Germany GmbH	Sales	Germany
Cabot Communications Limited	Software	UK
Vestel Benelux BV	Sales	Holland
Vestel UK Limited	Sales	UK
Vestek Elektronik Araştırma Geliştirme A.Ş.	Software	Turkey
Vestel Trade Limited	Sales	Russia
OY Vestel Scandinavia AB	Sales	Finland
Intertechnika LLC	Service	Russia
Vestel Central Asia LLP	Sales	Kazakhstan
Vestel Poland sp. z.o.o.	Sales	Poland
Vestel Polska Technology Center sp. z o.o.	Production/Sales	Poland

### ***Vestel Elektronik Sanayi ve Ticaret A.Ş. ("Vestel Elektronik"):***

Vestel Elektronik was established in 1983 and mainly produce and sell a range of brown goods and white goods. Vestel Elektronik is registered to CMB and its share have been quoted to Borsa İstanbul ("BİST") since 1990.

### ***Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. ("Vestel Beyaz Eşya"):***

Vestel Beyaz Eşya was established in 1997 in Manisa Organized Industrial Zone and is a manufacturer of f refrigerators, room air conditioning units, washing machines, cookers, dishwashers and water heaters.

### ***Vestel Komünikasyon Sanayi ve Ticaret A.Ş. ("Vestel Komünikasyon"):***

Vestel Komünikasyon was established in 1975 and is located in Aegean Free Zone.

### ***Vestel Ticaret A.Ş. ("Vestel Ticaret"):***

Vestel Dış Ticaret was established in 1987 in İstanbul and it currently operates in Manisa Organized Industrial Zone. It carries out all foreign trade activities of industrial products of Group manufacturing companies. After the merger with Vestel Dayanıklı Tüketim Malları

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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Pazarlama A.Ş. as of 30 January 2013, Vestel Dış Ticaret A.Ş. was changed its trade name as Vestel Ticaret A.Ş. As of 30.11.2012, Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. was merged with Vestel Dış Ticaret A.Ş. and operates as a brunch of Vestel Ticaret A.Ş.

### **Vestel CIS Limited ("Vestel CIS"):**

Vestel CIS was established in 2002 in Vladimir Region, Russia and is a manufacturer of televisions, refrigerators and washing machines.

### **Vestel Iberia SL ("Vestel Iberia"):**

Vestel Iberia SL was established in 1998 in Spain for the purpose of selling Vestel products throughout Spain and Portugal.

### **Vestel France SA ("Vestel France"):**

Vestel France SA was established in 1996 in France for the purpose of selling Vestel products throughout France, Switzerland and Belgium.

### **Vestel Holland BV ("Vestel Holland"):**

Vestel Holland BV was established in 1995 in Holland for the purpose of providing raw materials to the Group manufacturing companies and is a wholesaler of their products.

### **Vestel Germany GmbH ("Vestel Germany"):**

Vestel Germany GmbH was established in 1995 in Germany for the purpose of selling, distributing and providing service for Vestel products throughout Germany, Switzerland and Austria.

### **Cabot Communications Limited ("Cabot UK"):**

Cabot UK was established in 1995 in England and involved in Vestel Group Companies in 2001. Cabot's' field of activity is developing software about digital televisions technologies and establishing marketing channels for these products.

### **Vestel Benelux BV ("Vestel Benelux"):**

Vestel Benelux BV was established in 2003 in Holland for the purpose of marketing Vestel products throughout Holland, Belgium and Luxemburg.

### **Vestel UK Limited ("Vestel UK"):**

Vestel UK Limited was established in England in 2004 for the purpose of marketing Vestel products in England.

### **Vestek Elektronik Araştırma Geliştirme A.Ş. ("Vestel Elektronik Araştırma Geliştirme"):**

The company was established in 2005 in Istanbul for the purpose of providing consulting, marketing research and planning services in electronic sector.

### **Vestel Trade Limited ("Vestel Trade"):**

Vestel Trade Limited was established in 2003 for the purpose of marketing Vestel products in Russia.

### **OY Vestel Scandinavia AB ("OY Vestel"):**

OY Vestel was established in 2006 in Finland for the purpose of marketing Vestel products in Finland.

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## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### **Intertechnika LLC ("Intertechnika"):**

Intertechnika was founded in Russia in 2005 and its 99,9% shares was acquired by Vestel CIS Limited on 26 December 2007. Intertechnika provides operational lease services to Vestel CIS Limited

### **Vestel Central Asia LLP ("Vestel Central Asia"):**

Vestel Central Asia LLP was established in 2011 for the purpose of marketing and selling Vestel products in Kazakhstan.

### **Vestel Poland sp. z.o.o. ("Vestel Poland"):**

Vestel Poland sp. z.o.o. was established in 2014 in Poland for the purpose of marketing Vestel products throughout Poland.

### **Vestel Polska Technology Center sp. z o.o. ("Vestel Polska."):**

Vestel Polska Technology Center sp. z o.o. was established in 2016 in Wroclaw/Poland for the purpose of manufacturing and selling Vestel products.

### **1.4 Real estate division**

Real estate group operation mainly focuses on construction and management of domestic and foreign establishments

<b>Company</b>	<b>Field of activities</b>	<b>Country</b>
Zorlu Yapı Yatırım A.Ş.	Real estate	Turkey

### **Zorlu Yapı Yatırım A.Ş. ("Zorlu Yapı"):**

Zorlu Yapı Yatırım A.Ş. was founded in May 2007, in Turkey. The companies purpose of foundation can be describe as construction and management of domestic and foreign establishments like tourist facilities and corporate housing.

### **1.5 Other activities**

Other group operations mainly comprise the sale of services.

<b>Company</b>	<b>Field of activities</b>	<b>Country</b>
Zorlu Air Havacılık A.Ş.	Aviation	Turkey
Zorlu International Investments Limited	Investment	Malta
ABH Turizm Temsilcilik ve Ticaret A.Ş.	Tourism	Turkey
Zorlu Faktoring A.Ş.	Factoring	Turkey
Meta Nikel Kobalt Madencilik Sanayi A.Ş.	Mining	Turkey

### **Zorlu Air Havacılık A.Ş. ("Zorlu Air"):**

Zorlu Air was established in 1995 to provide air-taxi services. As of report date, Zorlu Air owns two Bell 430 VIP helicopters and one Gulfstream G-450 large cabin jet built in 2012. Zorlu Air's Gulfstream G-450 has a range of 4.350 nautical miles (8.056 km) and a carrying capacity of 14 passengers. The plane went into service in August 2012 with the issuance of the company's air taxi operations license.

### **Zorlu International Investments Limited ("Zorlu International"):**

Zorlu International was established in December 2006 in Malta.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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### ***ABH Turizm Temsilcilik ve Ticaret A.Ş. ("ABH Turizm"):***

ABH Turizm was established in January 1998 to operate in tourism sector as travel agency and tour operator. ABH Turizm was merged with its subsidiaries which are Jules Verne Fuarçılık Hizmetleri A.Ş. and JBR Turizm Bilişim Ticaret A.Ş. as of 1 September 2015.

### ***Zorlu Faktoring A.Ş. ("Zorlu Faktoring"):***

Zorlu Faktoring was established in August 2012 to factoring operations in the financial sectors.

### ***Meta Nikel Kobalt Madencilik Sanayi A.Ş. ("Meta Nikel"):***

Meta Nikel was established on 26 December 2005 to operate the nickel cobalt mine in Manisa, Eskişehir and Uşak.

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

### **2.1 Basis of preparations**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect.

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

Financial statements of subsidiaries operating in foreign countries are prepared according to the legislation of the country in which they operate and adjusted to the IAS/IFRS to reflect the proper presentation and content. Foreign subsidiaries' assets and liabilities are translated into TL from the foreign exchange rate at the balance sheet date and income and expenses are translated into TL at the average foreign exchange rate. Exchange differences arising from the translation of the operating net assets of the foreign undertakings and differences between average and balance sheet date rates are included in "currency translation differences" under the shareholders' equity.

### ***Transactions with non-controlling interests***

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For share purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. In case of the share sales to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

### **2.2 Measurement currency and reporting currency**

These consolidated financial statements are presented in TL. Turkish Lira ("TL") is the Group's functional currency.

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## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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### 2.3 Amendments in International Financial Reporting Standards

#### New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2018 are consistent with those of the previous financial year, except for the adoption of new and amended International Accounting Standards ("IAS")/IFRS and IFRIC interpretations effective as of 1 January 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

#### IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds. The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

#### IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for;

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share based payments,
- share-based payment transactions with a net settlement feature for withholding tax obligations,
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

#### IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

#### Annual Improvements to IFRS - 2014-2016 Cycle

IFRS Standards 2014-2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organization or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The amendments of the interpretations will not have an impact on the financial position or performance of the Group.

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## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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### Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the year end consolidated financial statements as at 31 December 2018 are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

#### IFRS 9 Financial instruments - Amendments

Effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

#### IFRS 16 Leases

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. As a result, all right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). As at the reporting date, the assessment of the Group related to the impacts of IFRS 16 on its consolidated financial statements continues. These studies are managed by the Group including all its subsidiaries. The Group's activities as a lessor are not material.

#### 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 recognise 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 Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

#### IAS 28 Investments in associates and joint venture

Effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

#### Annual improvements 2015-2017

Effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- IFRS 3, 'Business combinations'; - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements'; - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
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## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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- IAS 12, 'Income taxes'; - a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs'; - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- IAS 19, 'Employee benefits'; on plan amendment, curtailment or settlement, use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

### **Amendments to IAS 1 and IAS 8 on the definition of material**

Effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

### **Amendments to IFRS 3 - definition of a business**

Effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

## **2.4 Comparable financial information and reclassification of prior period financial statements**

The financial position with the accompanying notes as of 31.12.2018 and 31.12.2017 and statement of comprehensive income, cash flow and changes in equity with the accompanying notes as of 31.12.2018 and 31.12.2017 are presented as comparatively. For the compatibility of the current consolidated financial statements, these consolidated financial statements are reclassified if necessary, and material differences are disclosed.

As of 31.12.2017, deferred income amounting to TL179.724 which was accounted under "other current liabilities" was reclassified to "deferred income".

As of 31.12.2017, deferred income amounting to TL99.725 which was accounted under "other non-current liabilities" was reclassified to "non-current deferred income".

As of 31.12.2017, the expenses amounting to TL 80.446 which was accounted under "selling and marketing expenses" was reclassified to "cost of sales".

## **2.5 Offsetting**

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

## **2.6 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of Zorlu Holding and entities controlled by Zorlu Holding. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements and have been prepared in accordance with IFRS by applying uniform accounting policies and presentation. The results of operations of subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

For the purpose of consolidated financial statements Zorlu Holding and its subsidiaries will be referred to collectively as the "Group".

Consolidated company	31.12.2018		31.12.2017	
	Ownership interest	Economic interest	Ownership interest	Economic interest
Zorlu Enerji Elektrik Üretimi A.Ş.	84,1%	84,1%	81,1%	81,1%
Rotor Elektrik Üretim A.Ş.	100,0%	84,1%	100,0%	81,1%
Zorlu Hidroelektrik Enerji Üretim A.Ş.	100,0%	84,1%	100,0%	81,1%
Zorlu Jeotermal Elektrik Üretim A.Ş.	100,0%	84,1%	100,0%	81,1%
Zorlu Enerji Pakistan Limited	100,0%	84,1%	100,0%	81,1%
Zorlu Wind Pakistan (Private) Limited	99,7%	83,8%	99,7%	80,8%
Zorlu Solar Pakistan (Private) Ltd.	99,7%	83,8%	99,7%	80,8%
Zorlu Rüzgar Enerjisi Elektrik Üretim A.Ş. (*)	100,0%	84,1%	100,0%	81,1%
Zorlu Doğal Elektrik Enerji Üretim A.Ş.	100,0%	84,1%	100,0%	81,1%
Nemrut Jeotermal Elektrik Üretim A.Ş.	75,0%	63,8%	75,0%	60,8%
Zorlu Solar Enerji Tedarik ve Ticaret A.Ş.	100,0%	84,1%	100,0%	81,1%
Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	100,0%	84,1%	100,0%	81,1%
Zorlu Osmangazi Enerji Sanayi ve Ticaret A.Ş.	100,0%	84,1%	100,0%	81,1%
Osmangazi Elektrik Dağıtım A.Ş.	100,0%	84,1%	100,0%	81,1%
Osmangazi Elektrik Perakende Satış A.Ş.	100,0%	84,1%	100,0%	81,1%
Zorlu Enerji İsrail Ltd.	100,0%	84,1%	100,0%	81,1%
Zorlu Renewable Pakistan (Private) Ltd.	99,7%	83,8%	99,7%	80,8%
Zorlu Sun Power (Private) Ltd.	99,7%	83,8%	99,7%	80,8%
Zorlu Enerji Dağıtım A.Ş. (**)	100,0%	84,1%	--	--
Zorlu Asia Holding Ltd. (***)	100,0%	84,1%	--	--
Zorlu O/M Enerji Tesisleri İşletme ve Bakım Hizmetleri A.Ş.	100,0%	99,9%	100,0%	99,9%
Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Ticaret A.Ş.	100,0%	99,8%	100,0%	99,8%
Rosmiks International B.V.	100,0%	100,0%	100,0%	100,0%
Rosmiks LLC	100,0%	100,0%	100,0%	100,0%
Trakya Bölgesi Doğalgaz Dağıtım A.Ş.	100,0%	85,6%	94,2%	94,2%
Gazdaş Gaziantep Doğalgaz Dağıtım A.Ş.	90,0%	75,6%	74,4%	74,4%
Zorlu Doğalgaz İthalat İhracat Toptan Ticaret A.Ş.	99,0%	99,0%	99,0%	99,0%
Zorlu Doğal Gaz Tedarik Ticaret A.Ş.	95,0%	95,0%	95,0%	95,0%
Zorlu Doğal Gaz, Petrokimya Ürünleri Petrol İnşaat Sanayi Ticaret A.Ş.	100,0%	100,0%	100,0%	100,0%
Korteks Mensucat Sanayi ve Ticaret A.Ş.	100,0%	100,0%	100,0%	100,0%
Zorluteks Tekstil Ticaret ve Sanayi A.Ş.	100,0%	100,0%	100,0%	100,0%
Zorlu Dış Ticaret A.Ş.	100,0%	100,0%	100,0%	100,0%
Zorlu Tekstil Ürünleri Pazarlama A.Ş.	100,0%	100,0%	100,0%	100,0%
Zorluteks SNG	100,0%	100,0%	100,0%	100,0%
Zorluteks D.O.O.	83,0%	83,0%	83,0%	83,0%
Zorlu UK Limited	100,0%	100,0%	100,0%	100,0%

(\*) As per the material event statement dated 30 October 2018, the start of the negotiations for the sale of the Rotor, Rüzgar, Gazdaş and Trakya was announced to the public. As of 31 December 2018, only Zorlu Rüzgar among the aforementioned companies, met the terms of the IFRS 5 " Non-current Assets Held for Sale and Discontinued Operations" standard, and the assets and liabilities related to this subsidiary were classified as "assets held for sale" and "liabilities related to the asset held for sale".

(\*\*) The establishment registration procedures of Zorlu Enerji Dağıtım were completed on 20 April 2018, and Zorlu Enerji Dağıtım owns 90% of Gazdaş and Trakya shares.

(\*\*\*) Zorlu Asia's foundation registration transactions were completed by 28 May 2018.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Consolidated company - continued	31.12.2018		31.12.2017	
	Ownership interest	Economic interest	Ownership interest	Economic interest
Vestel Elektronik Sanayi ve Ticaret A.Ş.	77,5%	77,5%	77,5%	77,5%
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	94,6%	73,3%	94,6%	73,3%
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	100,0%	77,5%	100,0%	77,5%
Vestel Ticaret A.Ş.	100,0%	77,5%	100,0%	77,5%
Vestel CIS Limited	100,0%	77,5%	100,0%	77,5%
Vestel Iberia SL	100,0%	77,5%	100,0%	77,5%
Vestel France SA	100,0%	77,5%	100,0%	77,5%
Vestel Holland BV	100,0%	77,5%	100,0%	77,5%
Vestel Germany GmbH	100,0%	77,5%	100,0%	77,5%
Cabot Communications Limited	90,8%	70,4%	90,8%	70,4%
Vestel Benelux BV	100,0%	77,5%	100,0%	77,5%
Vestel UK Limited	100,0%	77,5%	100,0%	77,5%
Vestek Elektronik Araştırma Geliştirme A.Ş.	100,0%	77,5%	100,0%	77,5%
Vestel Trade Limited	100,0%	77,5%	100,0%	77,5%
OY Vestel Scandinavia AB	100,0%	77,5%	100,0%	77,5%
Intertechnika LLC	99,9%	77,4%	99,9%	77,4%
Vestel Poland sp. z.o.o.	100,0%	77,5%	100,0%	77,5%
Vestel Central Asia LLP	100,0%	77,5%	100,0%	77,5%
Vestel Polska Technology Center sp. z o.o.	100,0%	77,5%	100,0%	77,5%
Zorlu Air Havacılık A.Ş.	100,0%	100,0%	100,0%	100,0%
Linens Tekstil Ürünleri Pazarlama A.Ş.	100,0%	100,0%	100,0%	100,0%
Zorlu International Investments Limited	100,0%	100,0%	100,0%	100,0%
ABH Turizm Temsilcilik ve Ticaret A.Ş.	75,0%	75,0%	75,0%	75,0%
Zorlu Faktoring A.Ş.	98,4%	98,4%	98,4%	98,4%
Zorlu Yapı Yatırım A.Ş.	99,2%	99,2%	99,2%	99,2%
Meta Nikel Kobalt Madencilik Sanayi A.Ş. <sup>(1)</sup>	88,7%	88,7%	88,7%	88,7%

Subsidiaries are companies in which Zorlu Holding has the power to control the financial and operating policies for the benefit of itself, either through the power to exercise more than 50% of voting rights related to shares in the companies as a result of shares owned directly and/or indirectly by itself or although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

The balance sheet and statement of income of the subsidiaries are consolidated on a line-by-line basis and all material intercompany payable/receivable balances and sales/purchase transactions are eliminated. The carrying value of the investment held by Zorlu Holding and its subsidiaries is eliminated against the related shareholder's equity.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

The Company has always exercised effective control over the management of each of the companies included in the group consolidation.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

<sup>(1)</sup> As of 31.12.2018, Meta Nikel Kobalt Madencilik Sanayi A.Ş. was acquired by Zorlu Holding A.Ş. The difference between the consideration paid and the net identifiable assets of Meta Nikel Kobalt Madencilik Sanayi A.Ş. amounting to TL 615.842 is accounted under the heading of "General reserve" in the equity.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

The table below sets out all associates and demonstrates the proportion of ownership interest as of 31 December 2018 and 31 December 2017:

Associates	Direct and indirect ownership interest by the Company and its Associates (%)	
	31.12.2018	31.12.2017
Dorad Energy Limited	25,00	25,00
Ezotech Electric Limited (**)	42,15	42,15
Solad Energy Limited	42,15	42,15
Vestel Savunma Sanayi A.Ş. (*)	35,00	35,00
Aydın Yazılım Elektronik ve Sanayi A.Ş. (*)	21,00	21,00

(\*) Since Vestel Savunma and Aydın Yazılım has net liability position as of 31 December 2018, carrying value of those investment in associate accounted for by equity method is resulted as nil in the consolidated balance sheets.

(\*\*) Ezotech Electric Ltd has 100% shares of Ashdod Energy Ltd. ("Ashdod") and Ramat Negev Energy Ltd. ("Ramat Negev").

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Revenue

Group recognizes revenue in accordance with TFRS 15 "Revenue from contracts with customers" standard by applying the following five step model:

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of transaction price in the contract,
- Allocation of price to performance obligations,
- Recognition of revenue when the performance obligations are fulfilled.

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- Group can identify each party's rights regarding the goods or services to be transferred,
- Group can identify the payment terms for the goods or services to be transferred,
- The contract has commercial substance,
- It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Revenue for services provided initially is measured at the fair value of the consideration receivable. Expenses is included in operating expenses at cost unless the expense was permitted or required to be included in the financial statements on another basis. Cost is the fair value of the consideration given for the materials or services used in the production of goods or provision of services. Cost of sales is presented as a separate line item on the face of the income statement for the functional analysis of expenditures is chosen for the format of the income statement.

Factoring service income is composed of collected and accrued interest income and commission income earned from advance payments made to customers.

A proportion of factoring invoice total obtained constitutes commission income.

Revenue is recognised on an accrual basis when the electricity is delivered. Transmission revenue is netted-off with its related costs in the consolidated financial statements.

Dividend revenue from investments is recognized when the shareholder's rights to receive payment have been established.

Other revenues earned by the Group are recognized on the following bases:

- Rental income - on an accrual basis.
- Interest income - on an effective yield basis.

### Foreign currency translations

**Foreign currency translations and translation** - Transactions in foreign currencies during the period have been translated into TL at the exchange rates prevailing at dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the income or expense accounts as appropriate.

The foreign exchange rates used by the Group are as follows:

	2018	2017
USD	5,2609	3,7719
EUR	6,0280	4,5155
GBP	6,6528	5,0803
CHF	5,3352	3,8548

**Foreign entities**- Foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the balance sheet and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences between the closing balances and opening balances due to the difference in inflation and devaluation are included in currency translation adjustment in equity.

### Leases

**Finance lease** - Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the Group is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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**Operating Lease** - Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments on operating lease are recognized as an expense on a straight-line basis over the lease term.

### **Accounting policy related to the natural gas inventory left in the pipes at the end of the year**

At period end, the Group's relevant technical departments determine the amount of natural gas left in the pipes. This amount, multiplied by the natural gas price per unit, which is invoiced to the Group by BOTAŞ, is accounted as an inventory.

### **Accounting policies related to the deposits received from the natural gas distribution segment**

To guarantee residence natural gas sale receivables, the Group collects a one-time-only deposits from subscribers using mechanical meters during the signing of the subscription agreement. The deposits paid by a subscriber whose subscription is ending refunded to the subscriber or their authorised representative within five days following a request on the condition that all debts are paid and the deposits received in cash is updated within the framework of the relevant legislation.

The amounts received as deposit are updated in accordance with EMRA legislation as at the date of accrual and accounted in the deposits received account. Differences arising from the indexation of deposits received are recognised under other expenses from operating activities in the condensed consolidated statement of income and loss.

### **Service concession arrangements**

IFRIC 12, "Service concession arrangements" regulate recognition of the service concession arrangements given by public entities to private industry. The service concession arrangement concerning electricity and natural gas distribution is recognised within the framework of IFRIC 12 by the Group.

As per the conditions of arrangements based on the contracts within the scope of IFRIC 12, the Group operates as a service provider with the title "operator". An operator builds and renovates the infrastructure used to provide a public service, operates the infrastructure during the determined period and maintains the infrastructure.

Financial assets are depreciated within 22 years as per the concession arrangements concerning natural gas distribution activities.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. As of 31.12.2018 the Group accounted for its power plants, lands, buildings and machinery and equipment under a revaluation model using the fair value method. The accumulated depreciation of the buildings, plant, machinery and equipment's are netted off with the cost and the net value is increased to the valued amount.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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### **Mining assets**

Mining asset; consist of mining rights, lands, expenditures on rehabilitation and closing of reserves and also mine development costs. Mining assets are measured at cost less accumulated amortisation and impairment, if any. The depreciation starts when the production begins in the mining area. Depreciation of mining assets are included in production costs of related mining areas. Development costs incurred to evaluate and develop new ore bodies, or to define mineralisation in existing ore bodies, road construction, or to establish or expand productive capacity or to maintain production are capitalised. Mine development costs are capitalised to the extent they provide probable access to gold bearing reefs, have future economic benefits and they are attributable to an area of interest or those that can be reasonably allocated to the area of interest.

### **Intangible assets**

Intangible assets acquired before 1 January 2005 are carried at restated cost in power of purchase of TL as at 31 December 2004 less accumulated depreciation and impairment losses. Intangible assets acquired after 1 January 2005 are carried at cost less accumulated depreciation and impairment losses. Intangible assets comprise licenses, computer softwares, service concession arrangements, customer relationships and goodwill.

### **Licenses**

Commercial enterprise licences acquired separately are shown with their costs. Commercial enterprise licences have limited useful lives and they are tracked using their values after the accumulated amortisation is deducted from the cost. The amortisation of the commercial enterprise licences is recognised at the cost of the licenses throughout their useful lives of 15-30 years using the straight-line method.

### **Computer softwares**

Computer softwares are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives of 3 - 15 years. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

### **Service concession arrangement**

Service concession arrangements owned as a result of business combinations are recognised at their fair values at the acquisition date. The duration of the electricity distribution service concession arrangement and natural gas distribution service concession arrangement were determined to be 20 and 18 years, respectively. The service concession arrangement contracts will be amortised during this time.

### **Customer relationships**

Customer relationships acquired as a result of business combinations related OEPSAŞ are recognised at their fair value at the acquisition date. The duration of customer relationships is determined to be 20 years. Customer relationships are amortised by straight line method in accordance with their expected useful lives (20 years).

### **Assets held for sale**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

### **Government grants**

Government grants, including non-monetary grants at fair value, are recognized in consolidated financial statements when there is reasonable assurance that the entity will comply with the conditions attaching to them, and the grants will be received. Incentives for research and development activities are recognized in consolidated financial statements when they are authorized by the related institutions.

### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition but excludes borrowing cost. Cost is calculated by using moving weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### **Impairment**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether any indication of impairment exists. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

### **Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. For the purpose of these financial statements shareholders are referred to as related parties. Related parties also include individuals that are principle owners, management and members of the Group's Board of Directors and their families.

### **Borrowing cost**

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs of qualifying assets are not added to the cost of those assets for the period during which construction to get them ready for their intended use or sale is suspended. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. Other borrowing costs are expensed in the period in which they are incurred and reported in "financing expense".

### **Bank borrowings**

Interest-bearing bank loans and overdrafts are recognized at fair value at initial recognition which equate to the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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### Deposits received

The Company receives deposits from the customers on behalf of the Turkey Electricity Distribution Company ("TEDAŞ"), during subscription and these deposits are determined by the tariffs and methods announced by EMRA and they are recognized over their fair value at the moment when they are received from the customers. In accordance with the decision of EMRA about "The Rules and Regulation related to the Update of Guarantee Payments in Electricity Payment", the Group updates the subscription fees in accordance with the methods identified by EMRA and deposits are refunded to subscribers over their indexed values, where index is periodically updated by EMRA, upon termination of subscription of customers. Besides, in accordance with the "Transfer of Operating Right" ("TOR") agreement signed with TEDAŞ, the Group has to follow currently the deposits received from the subscribers and the refunded deposits and to pay the net balance to TEDAŞ at the end of the license period.

### Current and deferred income taxes

Tax expense (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

### Employee termination benefits

Under Turkish labour law, the Group and its Turkish subsidiaries are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies.

### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

### Warranty and assembly expenses provision

Warranty expenses include repair and maintenance expenses of products sold and labor and material costs of authorized services for products under the scope of warranty terms without any charge to customers. Based on estimations using past statistical information, warranty expense provision is recognised for the products sold with warranty terms in the period, for possible repair and maintenance expenses to be incurred during the warranty period.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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### **Financial assets**

Financial assets other than hedging instruments are divided into the following categories:

- financial assets as at fair value through profit or loss
- available-for-sale financial assets
- held-to-maturity investments
- loans and receivable

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognized in profit or loss or directly in equity.

### **Financial assets as 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 categorised as held for trading unless they are designated as hedges.

### **Available-for-sale financial assets**

Generally, the Group recognizes all financial assets using settlement day accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expense relating to financial assets are recognized in the income statement line item "finance costs" or "finance income", respectively.

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include unconsolidated investments. Unconsolidated investments which are not quoted at any stock exchange are reported at cost less any impairment charges, as its fair value can currently not be reliably estimated.

### **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Group's management to hold them until maturity. The Group currently holds time deposits that fall into this category.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

### **Loans and receivable**

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 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.

### **Factoring receivables and other receivables**

Factoring receivables and other receivables are stated at fair value at initial recognition. Subsequent to initial recognition, all receivables except for factoring receivables are carried at amortized cost using the effective interest method. Factoring transactions are accounted

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## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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for at carrying amounts in subsequent reporting periods. The Group management believes that carrying amounts of factoring receivables approximate to their fair values since amortization is taken into account at initial recognition.

### **Derivative financial instruments**

The Group holds derivative financial instruments which mainly consist of interest rate swap instruments and forward foreign exchange contracts.

Derivative financial instruments held for trading are recognized initially at fair value; attributable transaction costs are recognised in statement of consolidated income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in the fair value of such derivatives are recognised in the statement of consolidated income as part of finance income and costs.

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

### **Trade receivables**

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method to set an allowance for unearned interest. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### **Trade payables**

Trade payables are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method to set an allowance for unearned interest.

### **Recognition and derecognition of financial instruments**

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of a financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of a financial asset or when a financial asset or a portion of a financial asset expires. The Group derecognizes a financial liability when and only when a liability is extinguished and that is when the obligation specified in the contract is discharged, cancelled and expires.

### **Commitments and contingencies**

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non-occurrence of certain future events, unless the expected performance is not very likely.

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## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

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Accordingly, contingent losses are recognised in the financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

### Segment reporting

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

The Group management evaluates the operational results at industrial and geographical level. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses.

### Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand; deposits with banks and other financial institutions with the original maturity of three months or less.

### Provision for environmental obligations

Estimated environmental obligations, comprising rehabilitation and mine closure arising from development activities are based on the Company's environmental management plans in compliance with current technological, environmental and local regulatory requirements. The net present values of expected rehabilitation and mine closure cost estimates are recognised and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using pre-tax rates that reflect current market assessments of the time value of money and where appropriate the risk specific to liability.

### Going Concern

The financial statements of the companies included in the consolidated financial statements of the Group were prepared on a going concern basis.

As of 31 December 2018, the consolidated short term assets of the Group amounted to TL 16.858.320 thousand (31.12.2017 - TL 14.172.743 thousand) and the consolidated current liabilities to TL 34.620.527 thousand (31.12.2017 - TL 24.453.805 thousand); the consolidated net loss for the year ending as of the same date was TL 6.877.351 thousand (31.12.2017 - loss TL 368.378 thousand) which turned into a consolidated comprehensive of profit of TL 3.310.514 thousand (31.12.2017 - TL 45.004 thousand) after the inclusion of revaluations of property, plant and equipment and of translation differences related investments in foreign countries. The net loss of TL 6.877.351 thousand resulted entirely from net losses on foreign exchange amounting to TL 7.210.308 thousand approximately most of which consisted of unrealised losses on foreign exchange.

The consolidated shareholders' equity of the Group as of 31 December 2018 gave a positive balance of TL 6.155.850 thousand (31.12.2017 - TL 3.798.375 thousand) and the management of Zorlu Holding A.Ş. believes that there is no concern about the continuity as a going concern of Zorlu Holding A.Ş. or of the companies included in its consolidated financial statements.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 4. SEGMENT INFORMATION

The basis on which the Group reports its primary and secondary segment information is as follows:

- Energy: Electricity production, natural gas extraction and distribution, and power plant construction (note 1.1).
- Textile: Manufacture and sale of textile goods (note 1.2).
- Holding: This segment mainly the finance agent for Zorlu Group.
- White goods and electronic: Production and sale of white goods and electronic devices (note 1.3).
- Real estate: Real estate group operation mainly focuses on construction and management of domestic and foreign establishments (note 1.4).
- Other: This segment mainly contain the nickel cobalt mining company of Zorlu Group.

The segment results for the periods ended 31.12.2018 and 31.12.2017 are as follows:

	Energy	Textile	Holding	White goods and electronics	Real estate	Other	Intersegment elimination	Total
<b>01.01.- 31.12.2018</b>								
External revenue	7.554.758	3.399.110	227.746	15.841.295	641.002	167.453	--	27.831.364
Intersegment revenue	181.541	3.801	64.252	11.006	5.968	435.700	(702.268)	--
	<b>7.736.299</b>	<b>3.402.911</b>	<b>291.998</b>	<b>15.852.301</b>	<b>646.970</b>	<b>603.153</b>	<b>(702.268)</b>	<b>27.831.364</b>
Cost of sales (-)	(6.148.327)	(2.064.656)	(48.690)	(11.543.600)	(385.741)	(639.553)	--	(20.830.567)
<b>Gross profit</b>	<b>1.587.972</b>	<b>1.338.255</b>	<b>243.308</b>	<b>4.308.701</b>	<b>261.229</b>	<b>(36.400)</b>	<b>(702.268)</b>	<b>7.000.797</b>

Other segment items included in the income statement:

Depreciation expense	382.098	48.759	5.185	326.690	82.746	104.218	--	949.696
Amortization charge	85.613	3.600	1.867	108.866	1.444	1.190	--	202.580
	<b>467.711</b>	<b>52.359</b>	<b>7.052</b>	<b>435.556</b>	<b>84.190</b>	<b>105.408</b>	<b>--</b>	<b>1.152.276</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	Energy	Textile	Holding	White goods and electronics	Real estate	Other	Intersegment elimination	Total
<b>01.01.- 31.12.2017</b>								
External revenue	5.219.096	2.465.943	184.826	12.025.756	322.231	135.540	--	20.353.392
Intersegment revenue	107.516	4.581	56.671	75.182	7.770	97.655	(349.375)	--
	<b>5.326.612</b>	<b>2.470.524</b>	<b>241.497</b>	<b>12.100.938</b>	<b>330.001</b>	<b>233.195</b>	<b>(349.375)</b>	<b>20.353.392</b>
Cost of sales (-)	(3.997.613)	(1.730.429)	(43.572)	(9.652.708)	(250.212)	(194.185)	--	(15.868.719)
<b>Gross profit</b>	<b>1.328.999</b>	<b>740.095</b>	<b>197.925</b>	<b>2.448.230</b>	<b>79.789</b>	<b>39.010</b>	<b>(349.375)</b>	<b>4.484.673</b>
Other segment items included in the income statement:								
Depreciation expense	234.038	55.464	7.582	250.393	64.162	4.220	--	615.859
Amortization charge	60.241	2.951	2.180	94.811	1.284	166	--	161.633
	<b>294.279</b>	<b>58.415</b>	<b>9.762</b>	<b>345.204</b>	<b>65.446</b>	<b>4.386</b>	<b>--</b>	<b>777.492</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

The segment assets and liabilities as of the financial position dates and capital expenditure for the years ended are as follows:

<b>31.12.2018</b>	<b>Energy</b>	<b>Textile</b>	<b>Holding</b>	<b>White goods and electronics</b>	<b>Real estate</b>	<b>Other</b>	<b>Total</b>
<b>Current assets</b>							
Cash and cash equivalents	610.482	29.589	496.651	3.085.661	43.081	30.861	4.296.325
Investment securities	23.853	--	388.473	--	--	300	412.626
Trade receivables	883.696	442.245	927	3.557.280	90.626	10.530	4.985.304
Receivables from finance sector operations	--	--	--	--	--	199.118	199.118
Other receivables	168.200	93.187	302.827	276.971	27	20.474	861.686
Receivables from service concession arrangements	158.453	--	--	--	--	--	158.453
Inventories	48.426	685.620	30	2.861.739	573.981	206.737	4.376.533
Prepaid expenses	33.391	52.335	12.693	96.782	15.426	14.834	225.461
Current income tax assets	19.713	26	65.591	6.575	83	63	92.051
Derivative financial instruments	5.148	3.444	--	84.660	--	--	93.252
Other current assets	385.951	28.684	60.444	40.572	36.027	1.516	553.194
<b>Subtotal</b>	<b>2.337.313</b>	<b>1.335.130</b>	<b>1.327.636</b>	<b>10.010.240</b>	<b>759.251</b>	<b>484.433</b>	<b>16.254.003</b>
Assets held-for sale	604.317	--	--	--	--	--	604.317
<b>Total current assets</b>	<b>2.941.630</b>	<b>1.335.130</b>	<b>1.327.636</b>	<b>10.010.240</b>	<b>759.251</b>	<b>484.433</b>	<b>16.858.320</b>
<b>Non-current assets</b>							
Trade receivables	--	9.889	--	5.854	--	--	15.743
Other receivables	257.034	213	675.973	671.916	401	2.535	1.608.072
Investment in associate	378.523	--	--	--	--	--	378.523
Investment securities	797	4.564	7.572.647	48.264	--	--	7.626.272
Receivables from service concession arrangements	1.167.479	--	--	--	--	--	1.167.479
Mining assets	--	--	--	--	--	88.691	88.691
Property, plant and equipment	11.175.720	2.431.926	280.534	4.283.033	6.105.371	1.942.631	26.219.215
Intangible assets	1.721.255	67.563	149.808	738.390	6.550	1.493	2.685.059
Prepaid expenses	219.674	3.047	11.889	49.752	97	2.144	286.603
Other non-current assets	136.196	1	--	6.248	--	125.597	268.042
Deferred tax assets	364.733	2.804	--	119.536	--	460.254	947.327
<b>Total non-current assets</b>	<b>15.421.411</b>	<b>2.520.007</b>	<b>8.690.851</b>	<b>5.922.993</b>	<b>6.112.419</b>	<b>2.623.345</b>	<b>41.291.026</b>
<b>Total assets</b>	<b>18.363.041</b>	<b>3.855.137</b>	<b>10.018.487</b>	<b>15.933.233</b>	<b>6.871.670</b>	<b>3.107.778</b>	<b>58.149.346</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

31.12.2018	Energy	Textile	Holding	White goods and electronics	Real estate	Other	Total
<b>Current liabilities</b>							
Short term financial liabilities	4.340.812	3.478.972	3.263.954	6.427.545	3.309.914	648.717	21.469.914
Trade payables	1.676.510	423.154	18.436	5.789.899	46.883	267.290	8.222.172
Payables from finance sector operations	--	--	--	--	--	244.175	244.175
Employee benefit obligations	13.992	20.618	3.673	76.777	7.398	3.984	126.442
Other payables	718.895	1.455	1.394.522	50.728	46.533	17.338	2.229.471
Deferred income	32.195	104.938	--	181.391	87.446	3.982	409.952
Derivative financial instruments	8.522	946	--	250.205	140.755	--	400.428
Taxation on income	6.657	--	96.840	493	--	2.812	106.802
Provision for expenses	18.043	9.750	3.512	624.784	8.530	4.518	669.137
Other liabilities	139.553	7.942	21.770	152.497	12.475	2.444	336.681
<b>Subtotal</b>	<b>6.955.179</b>	<b>4.047.775</b>	<b>4.802.707</b>	<b>13.554.319</b>	<b>3.659.934</b>	<b>1.195.260</b>	<b>34.215.174</b>
Liabilities related to asset held for sale	405.353	--	--	--	--	--	405.353
<b>Total current liabilities</b>	<b>7.360.532</b>	<b>4.047.775</b>	<b>4.802.707</b>	<b>13.554.319</b>	<b>3.659.934</b>	<b>1.195.260</b>	<b>34.620.527</b>
<b>Non-current liabilities</b>							
Long term financial liabilities	8.248.254	336.106	2.721.994	749.486	2.656.697	930.735	15.643.272
Trade payables	--	--	--	14.631	--	--	14.631
Other payables	20.031	--	4.666	--	--	--	24.697
Derivative financial instruments	33.076	--	--	--	--	--	33.076
Deferred income	57.314	59.547	--	8.825	--	--	125.686
Long term provisions	27.093	72.846	4.840	164.888	3.057	17.162	289.886
Other non-current liabilities	17	26	--	--	--	--	43
Deferred tax liability	644.574	258.761	15.191	311.320	11.832	--	1.241.678
<b>Total non-current liabilities</b>	<b>9.030.359</b>	<b>727.286</b>	<b>2.746.691</b>	<b>1.249.150</b>	<b>2.671.586</b>	<b>947.897</b>	<b>17.372.969</b>
<b>Total liabilities</b>	<b>16.390.891</b>	<b>4.775.061</b>	<b>7.549.398</b>	<b>14.803.469</b>	<b>6.331.520</b>	<b>2.143.157</b>	<b>51.993.496</b>
<b>01.01.- 31.12.2018</b>							
<b>Capital expenditure</b>	<b>705.452</b>	<b>81.873</b>	<b>3.744</b>	<b>926.794</b>	<b>32.851</b>	<b>99.305</b>	<b>1.850.019</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

31.12.2017	Energy	Textile	Holding	White goods and electronics	Real estate	Other	Total
<b>Current assets</b>							
Cash and cash equivalents	405.444	54.932	369.452	2.000.337	152.837	11.305	2.994.307
Investment securities	10.320	--	17.935	--	--	--	28.255
Trade receivables	618.023	412.213	30.791	3.652.849	28.477	11.849	4.754.202
Receivables from finance sector operations	--	--	--	--	--	283.376	283.376
Other receivables	152.401	178.692	362.069	261.521	103	69	954.855
Receivables from service concession arrangements	130.999	--	--	--	--	--	130.999
Inventories	56.692	487.870	17	2.944.179	626.936	1.982	4.117.676
Prepaid expenses	78.445	140.064	6.918	60.769	42.428	6.911	335.535
Current income tax assets	23.219	41	40.266	8.739	12	326	72.603
Derivative financial instruments	1.706	--	--	13.489	--	--	15.195
Other current assets	327.453	39.268	15.071	28.394	74.561	993	485.740
<b>Total current assets</b>	<b>1.804.702</b>	<b>1.313.080</b>	<b>842.519</b>	<b>8.970.277</b>	<b>925.354</b>	<b>316.811</b>	<b>14.172.743</b>
Trade receivables	--	14.428	--	68.540	--	--	82.968
Other receivables	189.649	157	1.581.809	207.361	375	--	1.979.351
Investment in associate	258.379	--	--	--	--	--	258.379
Investment securities	9.231	6.245	5.807.375	46.831	24.500	4.931	5.899.113
Receivables from service concession arrangements	508.335	--	--	--	--	--	508.335
Property, plant and equipment	6.644.056	628.999	147.996	1.610.027	7.041.823	91.558	16.164.459
Intangible assets	1.693.560	76.651	214.319	666.433	7.487	466	2.658.916
Derivative financial instruments	31.603	--	--	--	--	--	31.603
Prepaid expenses	189.654	269	6.299	81.436	2	229	277.889
Other non-current assets	72.427	1	--	7.060	--	--	79.488
Deferred tax assets	440.856	39.400	--	278.983	--	9.581	768.820
<b>Total non-current assets</b>	<b>10.037.750</b>	<b>766.150</b>	<b>7.757.798</b>	<b>2.966.671</b>	<b>7.074.187</b>	<b>106.765</b>	<b>28.709.321</b>
<b>Total assets</b>	<b>11.842.452</b>	<b>2.079.230</b>	<b>8.600.317</b>	<b>11.936.948</b>	<b>7.999.541</b>	<b>423.576</b>	<b>42.882.064</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

31.12.2017	Energy	Textile	Holding	White goods and electronics	Real estate	Other	Total
<b>Current liabilities</b>							
Short term financial liabilities	3.713.213	3.378.563	3.363.715	3.484.289	676.801	29.798	14.646.379
Trade payables	1.272.620	282.062	20.500	5.744.389	42.834	11.216	7.373.621
Payables from finance sector operations	--	--	--	--	--	330.355	330.355
Employee benefit obligations	10.333	19.901	4.394	81.441	6.490	1.187	123.746
Other payables	284.343	26.584	443	10.095	34.689	3.341	359.495
Deferred income	156.613	131.477	4	49.050	80.284	2.710	420.138
Derivative financial instruments	13.915	8.760	--	163.545	118.586	--	304.806
Taxation on income	7.270	--	39.495	9.023	--	1.192	56.980
Provision for expenses	50.444	10.200	2.329	429.602	3.367	2.136	498.078
Other liabilities	78.784	7.111	3.871	246.426	2.397	1.618	340.207
<b>Total current liabilities</b>	<b>5.587.535</b>	<b>3.864.658</b>	<b>3.434.751</b>	<b>10.217.860</b>	<b>965.448</b>	<b>383.553</b>	<b>24.453.805</b>
<b>Noncurrent liabilities</b>							
Long term financial liabilities	5.710.202	464.983	1.946.381	1.024.003	3.513.427	103.595	12.762.591
Trade payables	--	--	--	1.959	--	--	1.959
Other payables	27.614	--	176.912	--	--	--	204.526
Derivative financial instruments	34.342	--	--	--	--	--	34.342
Long term provisions	21.743	63.257	4.278	180.980	2.214	287	272.759
Deferred income	--	93.444	--	6.281	--	--	99.725
Other non-current liabilities	281.036	--	--	--	--	--	281.036
Deferred tax liability	217.092	16.414	5.603	91.510	642.249	78	972.946
<b>Total non-current liabilities</b>	<b>6.292.029</b>	<b>638.098</b>	<b>2.133.174</b>	<b>1.304.733</b>	<b>4.157.890</b>	<b>103.960</b>	<b>14.629.884</b>
<b>Total liabilities</b>	<b>11.879.564</b>	<b>4.502.756</b>	<b>5.567.925</b>	<b>11.522.593</b>	<b>5.123.338</b>	<b>487.513</b>	<b>39.083.689</b>
<b>01.01.- 31.12.2017</b>							
<b>Capital expenditure</b>	<b>1.863.674</b>	<b>293.868</b>	<b>3.025</b>	<b>654.571</b>	<b>265.172</b>	<b>1.063</b>	<b>3.081.373</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### Geographical Segments

	<b>01.01.- 31.12.2018</b>	<b>01.01.- 31.12.2017</b>
<b>Revenue</b>		
Turkey	13.677.932	10.926.855
Europe	12.599.201	8.241.321
Other countries	1.554.231	1.185.216
	<b>27.831.364</b>	<b>20.353.392</b>
<b>Capital expenditure</b>		
Turkey	1.844.575	3.049.600
Asia	5.444	31.773
	<b>1.850.019</b>	<b>3.081.373</b>
<b>Depreciation and amortization expenses</b>		
Turkey	1.080.463	717.279
Asia	71.813	60.213
	<b>1.152.276</b>	<b>777.492</b>

### 5. CASH AND CASH EQUIVALENTS

	<b>31.12.2018</b>	<b>31.12.2017</b>
Cash in hand	2.099	2.020
Demand deposit at banks	1.614.903	573.409
Time deposit at banks	1.716.785	2.100.976
Blocked deposit	822.592	174.591
Other	139.946	143.311
<b>Cash and cash equivalents</b>	<b>4.296.325</b>	<b>2.994.307</b>
Bank overdrafts (-)	(165.499)	(132.365)
<b>Cash and cash equivalents presented in cash flow statement</b>	<b>4.130.826</b>	<b>2.861.942</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group holds a 25% voting and equity interest in Dorad Energy Ltd. ("Dorad"), 42,15% voting and equity interest Ezotech Ltd. ("Ezotech) and 42,15% voting and equity interest Solad Energy Ltd. (Solad), 19% voting and equity interest Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş. These investments are accounted for under the equity method.

	<b>31.12.2018</b>	<b>31.12.2017</b>
Cost	<b>378.523</b>	<b>258.379</b>

Within the framework of Turkey's Automobile Project, following the work undertaken by the Joint Initiative Group, to which Company's controlling shareholder, Zorlu Holding A.Ş. was a party, Vestel Elektronik Sanayi ve Ticaret A.Ş. decided has participated with a 19% share in "Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş.", which is planned to be established to produce mainly electric passenger cars and carry out supporting activities. In this respect, the Shareholders Agreement and Articles of Association have been signed on 31 May 2018. Establishment of the new company is completed on 28 June 2018.

### 7. INVESTMENT SECURITIES

#### Current

Investment securities held to maturity	395.144	28.255
Other	17.482	--
	<b>412.626</b>	<b>28.255</b>

#### Investment securities held to maturity

Investment securities held to maturity are investments in fixed rate debt securities. Group monitors its interest rate and other market price risks to which it is exposed primarily through sensitivity analysis. Group accepts a degree of interest and other market price risk as long as the effects of various changes in rates and prices, as calculated using its sensitivity analysis model, remain within prescribed ranges.

The cost of other marketable securities, government bonds and private sector bonds, together with accrued interests were approximately equal to their market value.

#### Non-current financial assets available-for-sale

Financial assets held to maturity	7.556.907	5.814.799
Unconsolidated investments	48.107	72.107
Other investments	21.258	12.207
	<b>7.626.272</b>	<b>5.899.113</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Entity	Country	Shareholding %		Amount	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
<b>Unconsolidated investments</b>					
Zorlu Enerji ve İnşaat Sanayi ve Ticaret A.Ş.	Turkey	95%	95%	1.000	1.000
Hometeks Tekstil Ürünleri Sanayi ve Ticaret A.Ş.	Turkey	100%	100%	7.000	7.000
Vestel Electronica SRL	Romania	100%	100%	1.778	1.778
Vestel Ventures Arge A.Ş.	Turkey	100%	100%	36.275	36.275
Zorlu Center Sanat Merkezi A.Ş.	Turkey	100%	100%	--	24.000
Other				3.832	3.832
				<b>49.885</b>	<b>73.885</b>
Vestel Electronica SRL	Romania			(1.778)	(1.778)
				<b>48.107</b>	<b>72.107</b>
<b>Other investments</b>					
Sichuan Zorluteks Yinhua Co. Limited	China	10%	10%	3.123	3.123
Intermar Ticaret Pazarlama Turizm Sanayi A.Ş.	Turkey	16%	16%	7.402	7.402
Other				10.733	1.682
				<b>21.258</b>	<b>12.207</b>
Financial assets held to maturity				<b>7.556.907</b>	<b>5.814.799</b>
				<b>7.626.272</b>	<b>5.899.113</b>

As of the financial position dates, the companies listed under "equity investments" and "unconsolidated investments" in which the Group has controlling interest or significant influence are not consolidated or equity accounted as they are immaterial individually and in aggregate to the results and financial position of the Group.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 8. TRADE RECEIVABLES

	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>Current</b>		
Trade receivables		
- Third parties	4.678.292	4.411.362
- Related parties, note 32	399.644	304.895
Notes receivable		
- Third parties	299.721	423.480
	<b>5.377.657</b>	<b>5.139.737</b>
Unearned interest on receivables (-)		
- Third parties	(11.711)	(66.659)
- Related parties, note 32	(127)	(1.991)
Allowance for doubtful receivables (-)	(380.515)	(316.885)
	<b>4.985.304</b>	<b>4.754.202</b>
	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>Non-current</b>		
Trade receivables		
- Third parties	--	69.736
Notes receivable		
- Third parties	17.360	17.280
	<b>17.360</b>	<b>87.016</b>
Unearned interest on receivables (-)		
- Third parties	(1.617)	(4.048)
	<b>15.743</b>	<b>82.968</b>
Movement in the allowance for doubtful receivables is as follows:		
	<b>01.01.- 31.12.2018</b>	<b>01.01.- 31.12.2017</b>
<b>Opening balance, 01.01</b>	<b>316.885</b>	<b>230.984</b>
Charge for the year	87.159	43.090
Doubtful receivables written-off	(13.363)	(45.379)
Amounts utilized during the year (-)	(16.589)	(16.526)
Translation differences	6.423	5.635
Consolidated of subsidiary	--	99.081
<b>Ending balance, 31.12</b>	<b>380.515</b>	<b>316.885</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 9. RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31.12.2018	31.12.2017
<b>Current</b>		
Domestic factoring receivable	199.228	105.316
Other factoring receivable	--	182.822
Unearned interest (-)	(110)	(4.762)
	<b>199.118</b>	<b>283.376</b>

The Group had received cheques and notes receivable amounting to TL 90.411 (2017: TL 166.164) in exchange of factoring receivables.

The Group had received guarantees amounting to TL 2.719.157 (2017: TL 2.456.195) as collateral for receivables from sector operations.

### 10. PREPAID EXPENSES AND DEFERRED INCOME

	31.12.2018	31.12.2017
<b>Current</b>		
Prepaid expenses	109.407	94.916
Advances given to third parties	116.039	210.425
Advances given to related parties, note 32	15	30.194
	<b>225.461</b>	<b>335.535</b>
<b>Non-current</b>		
Prepaid expenses	233.565	195.039
Advances given	53.038	82.850
	<b>286.603</b>	<b>277.889</b>
<b>Deferred income</b>		
Advances received from third parties	341.778	240.362
Advances received from related parties, note 32	5	52
Other	68.169	179.724
	<b>409.952</b>	<b>420.138</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 11. DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2018			31.12.2017		
	Contract amount	Fair values		Contract amount	Fair values	
		Asset	Liability		Asset	Liability
<b>Held for hedging</b>						
Interest rate swaps	5.207.603	--	103.921	3.258.318	--	82.319
Currency forwards	1.585.537	16.635	14.364	2.347.535	2.252	72.614
Foreign currency swaps	195.193	--	3.650	322.314	33.309	--
Cross foreign currency swaps	659.575	--	72.591	187.000	--	68.717
<b>Held for trading</b>						
Currency forwards	6.140.283	68.025	236.513	5.422.472	11.237	96.165
Cross foreign currency swaps	196.821	--	2.191	309.015	--	8.350
Interest rate swaps	476.262	8.592	274	838.343	--	10.983
	<b>14.461.274</b>	<b>93.252</b>	<b>433.504</b>	<b>12.684.997</b>	<b>46.798</b>	<b>339.148</b>

Derivative financial instruments are initially recognised in the consolidated financial position at cost and subsequently are re-measured at their fair value. The derivative instruments of the Group consist of interest rate swap and foreign currency forward contracts.

On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognised asset or liability ("fair value hedge"), or a hedge of a forecasted transaction or a firm commitment ("cash flow hedge").

Interest rate swap transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for hedging. Changes in the fair value of derivatives that are designated as being and qualify as cash flow hedges and are highly effective, are recognised in equity as "hedge reserves".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, or when a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income.

As of 31 December 2018, The Group has forward foreign currency purchase contract that amounts to 580.767 thousand EUR, 1.045.622 thousand USD, 55.520 thousand GBP, 32.565 thousand PLN, 2.560 thousand RON, 10.700 thousand RUB and 1.098.749 thousand TL against forward foreign currency sales contract that amounts to 751.007 thousand EUR, 417.107 thousand USD, 109.021 thousand GBP, 1.182.391 thousand RUB, 20.872 thousand RON, 106.610 thousand PLN, 9.447 thousand SEK and 3.117.311 thousand TL.

### 12. OTHER RECEIVABLES

	31.12.2018	31.12.2017
<b>Current</b>		
Due from related parties, note 32	383.975	538.670
VAT receivables	240.313	238.843
Deposits and guarantees given	136.306	60.812
Due from personnel	4.653	5.914
Other receivables	96.439	110.616
	<b>861.686</b>	<b>954.855</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 13. RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT

	31.12.2018	31.12.2017
Short-term	158.453	130.999
Long-term	1.167.479	508.335
	<b>1.325.932</b>	<b>639.334</b>

The receivables of service concession arrangements are made up of the investment's value that is not repurchased through the tariff.

The maturity analysis of the receivables from service concession arrangement is as follows:

	31.12.2018	31.12.2017
Up to 1 year	158.453	130.999
Up to 1-3 year	316.906	261.998
More than 4 years	850.573	246.337
	<b>1.325.932</b>	<b>639.334</b>

### 14. OTHER ASSETS

	31.12.2018	31.12.2017
<b>Current</b>		
VAT receivable	290.844	317.170
Income accruals <sup>(*)</sup>	220.981	133.293
Other	41.369	35.277
	<b>553.194</b>	<b>485.740</b>
<b>Non-current</b>		
VAT receivable	141.507	19.570
Tangible fixed assets and stocks on resale	6.248	7.165
Investment inventory <sup>(**)</sup>	68.052	10.691
Other income accruals	52.235	42.062
	<b>268.042</b>	<b>79.488</b>

<sup>(\*)</sup> Income accruals accounted under "Other Assets" amounting TL 0. (31 December 2017: TL42.346) has been recognized for the ongoing lawsuits which are under guarantee. Remaining balance consists of the followings: TL 0 loss and theft income accrual of OEDAŞ (31 December 2017: TL5.947), TL8.943 income accrual regarding unbilled electricity of OEPSAŞ (31 December 2017: TL22.572), TL71.521 income accrual regarding natural gas sale of Gazdaş and Trakya (31 December 2017: None), TL10.216 of uncontracting expense related with OEPSAŞ (31 December 2017: TL5.824), TL38.231 of insurance income accrual (31 December 2017: TL45.843), TL74.150 income accrual for renewable energy charge (31 December 2017: None) and TL17.920 other income accruals (31 December 2017: TL10.761).

<sup>(\*\*)</sup> Investment inventories related to Trakya, Gazdaş and OEDAŞ, which are assessed in the scope of the Group's receivables from service concession arrangements, are recognised under other non-current assets.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 15. ASSETS AND LIABILITIES HELD FOR SALE

Negotiations for the sale of Zorlu Enerji, assessed in the scope of the IFRS 5 "Assets Held-for-Sale and Discontinued Operations" standard, were announced to the public with material event disclosure of Zorlu Enerji dated 30 October 2018. After the fulfilment of the requirements of IFRS 5, the assets and liabilities related to this subsidiary were classified as "assets held for sale" and "liabilities related to assets held for sale".

#### a) Assets held for sale:

	31.12.2018	31.12.2017
Cash and cash equivalents	31.138	--
Trade receivables	4.216	--
Other current assets	3.678	--
Other long-term receivables	136	--
Property, plant and equipment	565.149	--
	<b>604.317</b>	<b>--</b>

#### b) Liabilities related to assets held for sale:

Derivative financial instruments	6.764	--
Financial liabilities	372.574	--
Trade payables	839	--
Other payables	46	--
Other long-term provisions	34	--
Other current liabilities	1.480	--
Deferred tax liabilities	23.616	--
	<b>405.353</b>	<b>--</b>

### 16. INVENTORIES

Raw and auxiliary materials	1.475.659	1.542.831
Work in process	298.223	147.345
Finished goods and merchandise	2.564.838	2.442.984
Other	82.782	21.625
	<b>4.421.502</b>	<b>4.154.785</b>
Provision for diminution in value of inventories (-)	(44.969)	(37.109)
	<b>4.376.533</b>	<b>4.117.676</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Movement in the diminution in value of inventories is as follows:

	<b>01.01.- 31.12.2018</b>	<b>01.01.- 31.12.2017</b>
<b>Opening balance, 01.01</b>	<b>37.109</b>	<b>28.501</b>
Charge for the year	17.620	23.908
Amounts utilized during the year (-)	(15.088)	(17.385)
Translation difference	5.328	2.085
<b>Ending balance, 31.12</b>	<b>44.969</b>	<b>37.109</b>

### 17. PROPERTY, PLANT AND EQUIPMENT

	<b>2017</b>	<b>Revised</b>	<b>Additions</b>	<b>Disposals</b>	<b>Unconsolidated subsidiary</b>	<b>Translation differences</b>	<b>Revaluation of fixed assets</b>	<b>Transfer</b>	<b>2018</b>
<b>Cost</b>									
Land and buildings	9.556.630	9.024.891	24.056	(436.977)	(9.399)	305.682	1.932.243	(434.335)	10.406.161
Machinery and equipment	8.829.931	9.946.891	478.838	(94.263)	(598.315)	903.665	6.703.780	(4.236.980)	13.103.616
Motor vehicles	29.884	34.278	2.680	(5.225)	(77)	2.392	--	--	34.048
Leasehold improvements	196.381	196.380	20.388	(3.501)	--	1.127	--	3.098	217.492
Furniture and fixtures	818.695	825.034	67.082	(3.090)	(423)	9.134	--	8.559	906.296
Construction in progress	2.165.551	2.204.180	1.050.258	--	(10)	218.070	--	(1.131.280)	2.341.218
	<b>21.597.072</b>	<b>22.231.654</b>	<b>1.643.302</b>	<b>(543.056)</b>	<b>(608.224)</b>	<b>1.440.070</b>	<b>8.636.023</b>	<b>(5.790.938)</b>	<b>27.008.831</b>
<b>Accumulated depreciation (-)</b>									
Land and buildings	487.278	427.840	108.732	(2.191)	(284)	31.551	--	(565.648)	--
Machinery and equipment	4.285.032	4.441.543	717.843	(33.194)	(42.459)	170.188	--	(5.253.921)	--
Motor vehicles	17.551	20.102	6.180	(3.844)	(26)	2.087	--	--	24.499
Leasehold improvements	149.981	148.702	24.701	(1.986)	(80)	576	--	--	171.913
Furniture and fixtures	492.771	498.608	89.355	(2.576)	(225)	7.407	--	635	593.204
	<b>5.432.613</b>	<b>5.536.795</b>	<b>946.811</b>	<b>(43.791)</b>	<b>(43.074)</b>	<b>211.809</b>	<b>--</b>	<b>(5.818.934)</b>	<b>789.616</b>
<b>Net book value</b>	<b>16.164.459</b>								<b>26.219.215</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	2016	Reclass	Revised	Additions	Disposals	Addition of subsidiary	Translation differences	Transfer	2017
<b>Cost</b>									
Land and buildings	2.207.487	1.286	2.208.773	716.477	(121.490)	6.568.750	177.381	6.739	9.556.630
Machinery and equipment	6.219.597	1.191.351	7.410.948	294.065	(104.187)	256	120.064	1.108.785	8.829.931
Motor vehicles	28.408	--	28.408	5.411	(4.390)	60	390	5	29.884
Leasehold improvements	459.705	(272.771)	186.934	26.009	(18.309)	--	419	1.328	196.381
Furniture and fixtures	504.351	(162)	504.189	63.699	(17.835)	251.076	4.061	13.505	818.695
Construction in progress	1.768.735	57.668	1.826.403	1.349.023	--	478	140.839	(1.151.192)	2.165.551
	<b>11.188.283</b>	<b>977.372</b>	<b>12.165.655</b>	<b>2.454.684</b>	<b>(266.211)</b>	<b>6.820.620</b>	<b>443.154</b>	<b>(20.830)</b>	<b>21.597.072</b>
<b>Accumulated depreciation (-)</b>									
Land and buildings	397.683	(71.230)	326.453	89.437	(34.971)	141.872	(35.513)	--	487.278
Machinery and equipment	3.545.120	347.129	3.892.249	425.855	(77.210)	242	43.896	--	4.285.032
Motor vehicles	20.618	(4.859)	15.759	2.874	(1.499)	10	407	--	17.551
Leasehold improvements	164.630	(20.058)	144.572	21.222	(16.085)	--	231	41	149.981
Furniture and fixtures	356.997	149	357.146	76.471	(9.971)	65.944	3.424	(243)	492.771
	<b>4.485.048</b>	<b>251.131</b>	<b>4.736.179</b>	<b>615.859</b>	<b>(139.736)</b>	<b>208.068</b>	<b>12.445</b>	<b>(202)</b>	<b>5.432.613</b>
<b>Net book value</b>	<b>6.703.235</b>								<b>16.164.459</b>

The Group's policy is to trace all material and significant fixed asset additions under construction in progress and transfer to the related fixed asset accounts when the construction process is completed. As of 31.12.2018 "Construction in Progress" account for new investments in tangible fixed assets amounted to TL 2.341.229 (2017: TL 2.165.551) which was broken down as follows:

	31.12.2018	31.12.2017
Energy segment	2.124.767	1.968.789
Textile segment	18.488	14.872
Holding segment	96.791	94.213
White goods segment	39.874	87.497
Other segment	61.309	180
	<b>2.341.229</b>	<b>2.165.551</b>

### Energy segment

- Construction of one 340 MW energy power plants by Rosmiks LLC in Russia amounting to TL1.508.743 (2017: TL 1.265.570).
- Investments in progress amounted to TL 8.668 by Zorlu Endüstriyel (2017: TL 36.016) in Kızıdere for increasing capacity of power stations and other investments amounting to TL 607.356 (2017: TL 667.203).

### Textile segment

- Investments by Korteks and Zorluteks for modernization of textile factories in Lüleburgaz and Bursa totalling TL 18.488 (2017: TL 14.872).

### Holding segment

- Investments by Zorlu Holding in Zincirlikuyu/Istanbul relates to construction of building amounting to TL 96.791 (2017: TL 94.213).

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### White goods segment

– Investments by Vestel Group of companies relate to modernization of white goods production facilities in Manisa amounting to TL 39.874 (2017: 87.497 TL).

The guarantees given to secure bank loans are set out in note 28.

Leased assets comprise plant and machinery and furniture and fixtures are amounting to TL 155.550 (2017: TL 164.846) net of accumulated depreciation.

### 18. INTANGIBLE ASSET

	2017	Revised	Additions	Disposals	Addition of Translation subsidiary	difference	Transfers	2018
<b>Cost</b>								
Goodwill	825.516	825.516	--	--	--	--	--	<b>825.516</b>
Wind energy production rights	--	90.470	--	--	--	--	--	<b>90.470</b>
Development cost	830.828	832.094	164.824	(616)	--	499	(662)	<b>996.139</b>
Rights	1.483.285	1.491.258	22.625	(16.064)	--	2.126	(30.795)	<b>1.469.150</b>
Other intangible assets	169.697	164.811	19.109	(2.876)	--	9.298	589	<b>190.931</b>
	<b>3.309.326</b>	<b>3.404.149</b>	<b>206.558</b>	<b>(19.556)</b>	--	<b>11.923</b>	<b>(30.868)</b>	<b>3.572.206</b>
<b>Accumulated depreciation (-)</b>								
Development cost	435.187	435.967	103.729	--	--	353	(662)	<b>539.387</b>
Rights	121.894	152.034	89.025	(239)	--	2.108	(2.235)	<b>240.693</b>
Other intangible assets	93.329	92.525	9.826	(2.831)	--	7.522	25	<b>107.067</b>
	<b>650.410</b>	<b>680.526</b>	<b>202.580</b>	<b>(3.070)</b>	--	<b>9.983</b>	<b>(2.872)</b>	<b>887.147</b>
<b>Net book value</b>	<b>2.658.916</b>							<b>2.685.059</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	2016	Reclass	Revised	Additions	Disposals	Addition of Translation subsidiary difference	Transfers	2017	
<b>Cost</b>									
Goodwill	423.288	(9)	423.279	402.237	--	--	--	<b>825.516</b>	
Wind energy production rights	20.483	(20.483)	--	--	--	--	--	--	
Hydroelectric energy production rights	748.519	(748.519)	--	--	--	--	--	--	
Thermal energy production rights	211.896	(211.896)	--	--	--	--	--	--	
Development cost	685.792	(1)	685.791	147.159	(2.241)	--	119	<b>830.828</b>	
Rights	119.753	29.898	149.651	50.472	(4.073)	1.272.208	513	<b>1.483.285</b>	
Other intangible assets	158.375	(33.088)	125.287	26.821	(71)	5.825	5.720	<b>169.697</b>	
	<b>2.368.106</b>	<b>(984.098)</b>	<b>1.384.008</b>	<b>626.689</b>	<b>(6.385)</b>	<b>1.278.033</b>	<b>6.233</b>	<b>20.748</b>	<b>3.309.326</b>
<b>Accumulated depreciation (-)</b>									
Wind energy production rights	7.108	(7.108)	--	--	--	--	--	--	
Hydroelectric energy production rights	176.969	(176.969)	--	--	--	--	--	--	
Thermal energy production rights	49.985	(49.985)	--	--	--	--	--	--	
Development cost	351.916	(2.628)	349.288	85.899	--	--	--	<b>435.187</b>	
Rights	70.289	(10.965)	59.324	64.903	(4.062)	1.254	425	<b>121.894</b>	
Other intangible assets	88.261	(10.202)	78.059	10.831	(8)	2.048	2.329	<b>93.329</b>	
	<b>744.528</b>	<b>(257.857)</b>	<b>486.671</b>	<b>161.633</b>	<b>(4.070)</b>	<b>3.302</b>	<b>2.754</b>	<b>120</b>	<b>650.410</b>
<b>Net book value</b>	<b>1.623.578</b>							<b>2.658.916</b>	

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 19. BORROWINGS

	Foreign currency		TL equivalent	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
<b>Current</b>				
-USD ('000)	2.320.704	1.545.171	12.208.992	5.828.230
-EUR ('000)	651.059	550.243	3.924.584	2.484.622
-TL	4.398.812	5.504.340	4.398.812	5.504.340
-PKR ('000)	425.481	140.462	15.909	4.763
<b>Issued bonds</b>				
-TL	617.317	589.593	617.317	589.593
<b>Other securities</b>				
-TL	164.184	132.362	164.184	132.362
<b>Finance leases</b>				
-TL	4.882	3.098	4.884	3.098
-USD ('000)	21.932	21.570	115.382	81.359
-EUR ('000)	3.293	3.989	19.850	18.012
			<b>21.469.914</b>	<b>14.646.379</b>
<b>Non-current</b>				
-USD ('000)	2.236.223	2.426.457	11.764.544	9.152.354
-EUR ('000)	321.821	504.150	1.939.937	2.276.492
-TL	1.358.391	477.236	1.358.391	477.236
-PKR ('000)	625.992	719.674	23.406	24.411
<b>Issued bonds</b>				
-TL	--	362.184	--	362.184
<b>Other securities</b>				
-TL	255.118	176.040	255.118	176.040
<b>Finance leases</b>				
-TL	23.097	25.942	23.097	25.942
-USD ('000)	39.579	57.459	208.221	216.731
-EUR ('000)	11.705	11.339	70.558	51.201
			<b>15.643.272</b>	<b>12.762.591</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Korteks Mensucat Sanayi ve Ticaret A.Ş. has completed sale transaction of the floating rate bonds, with coupon paid every 3 months and the principal-paid at maturity, which have a due date of 546 days and a nominal value of TL 67.900 on 2 August 2017, with a due date of 546 days and a nominal value of TL40.000 on 20 November 2017, with a due date of 524 days and a nominal value of TL32.430 on 12 December 2017, with a due date of 364 days and a nominal value of TL50.440 on 26 March 2018 and with a due date of 364 days and a nominal value of TL 2.760 on 15 November 2018. Additionally, the company has completed sale transaction of the floating rate bonds, with coupon-paid monthly and the principal-paid at maturity, which have a due date of 180 days and a nominal value of TL 11.260 on 26 September 2018. The company has also completed sale transaction of the fixed rate bonds, with the principal paid the maturity, which have a due date of 155 days and a nominal value of TL18.570 on 15 November 2018 and with a due date of 134 days and a nominal value of TL41.490 on 5 December 2018.

Vestel Elektronik Sanayi ve Ticaret A.Ş. has reclassified its borrowings amounting to 567.704 thousand TL as short term which were previously classified as long term borrowings with respect to IAS 1 "Presentation of Financial Statements" due to breach of certain clauses of its loan agreements. Fair values of short term bank borrowings are considered to approximate their carrying values due to immateriality of discounting. Fair values are determined using average effective annual interest rates. Long term bank borrowings are stated at amortized cost using effective interest rate method and their fair values are considered to approximate their carrying values since loans usually have a re-pricing period of six months.

Summary maturity schedule of total borrowings is given below:

	USD (‘000)	EUR (‘000)	PKR (‘000)	TL	TL equivalent
<b>31.12.2018</b>					
Due in one year	2.320.704	651.059	425.481	5.180.313	21.329.798
One to two years	859.564	56.650	625.992	1.071.370	5.958.341
Two to three years	535.540	50.971	--	154.911	3.279.587
Three to four years	189.749	46.316	--	170.399	1.447.842
Four to five years	277.305	48.157	--	126.502	1.875.666
Over five years	374.065	119.727	--	90.327	2.779.960
	<b>4.556.927</b>	<b>972.880</b>	<b>1.051.473</b>	<b>6.793.822</b>	<b>36.671.194</b>
<b>31.12.2017</b>					
Due in one year	1.545.171	550.243	140.462	6.226.295	14.543.910
One to two years	1.097.497	130.794	719.674	690.007	5.444.670
Two to three years	564.373	79.585	--	262.093	2.750.218
Three to four years	175.652	61.385	--	32.455	972.181
Four to five years	145.804	64.293	--	30.905	871.178
Over five years	443.131	168.093	--	--	2.430.470
	<b>3.971.628</b>	<b>1.054.393</b>	<b>860.136</b>	<b>7.241.755</b>	<b>27.012.627</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 20. PAYABLES FROM FINANCE SECTOR OPERATIONS

	31.12.2018	31.12.2017
<b>Current</b>		
Borrowings received	193.850	179.434
Finance bonds	50.325	150.921
	<b>244.175</b>	<b>330.355</b>

The interest rates of the spot TL loans vary between 23,50% and 32,50% (2017: 15,30% and 17,30%).

Zorlu Faktoring has completed sale transaction of three floating rate finance bonds, which have a due date of 560 days and nominal value of TL 20.800 on 28 February 2018, with a due date of 532 days and nominal value of TL 7.000 on 16 April 2018 and with a due date of 336 days and nominal value of TL 32.000 15 August 2018. And also, Zorlu Faktoring has completed sale transaction of fixed rate finance bonds, which have a due date of 196 days and nominal value of TL 9.000 on 30 October 2018.

### 21. TRADE PAYABLES

	31.12.2018	31.12.2017
<b>Current</b>		
Trade payables		
- Third parties	7.884.069	7.276.944
- Related parties, note 32	136.508	101.386
Notes payables		
- Third parties	188.027	384
Other	13.850	10.742
	<b>8.222.454</b>	<b>7.389.456</b>
Unearned interest on payables (-)		
- Third parties	(279)	(15.319)
- Related parties, note 32	(3)	(516)
	<b>8.222.172</b>	<b>7.373.621</b>
<b>Non-current</b>		
Third parties	<b>14.631</b>	<b>1.959</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 22. OTHER LIABILITIES

#### Current

Taxes payable	226.498	172.755
Other	110.183	167.452
	<b>336.681</b>	<b>340.207</b>

#### Non-current

Deposits received from natural gas customers	--	281.019
Deposits and guarantees received	43	17
	<b>43</b>	<b>281.036</b>

### 23. PROVISION FOR EXPENSES

	31.12.2018	31.12.2017
<b>Current</b>		
Legal claims	71.849	79.081
Warranty provisions	246.198	193.900
Provision for employee benefits	44.087	43.591
Other provisions	307.003	181.506
	<b>669.137</b>	<b>498.078</b>
<b>Non-current</b>		
Warranty provisions	51.128	52.556
Other provisions	15.163	32.346
	<b>66.291</b>	<b>84.902</b>

Movement of provisions is as follows:

	01.01.- 31.12.2018	01.01.- 31.12.2017
<b>Opening balance, 01.01</b>	<b>582.980</b>	<b>365.014</b>
Consolidated subsidiary under group control	12.717	--
Additions	205.562	480.236
Disposals (-)	(65.831)	(336.815)
Acquisition of subsidiary	--	74.545
<b>Ending balance, 31.12</b>	<b>735.428</b>	<b>582.980</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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### 24. TAXATION ON INCOME

#### a. Current taxation

Turkish Tax Legislation does not permit a parent company its subsidiaries and investments in associates to file a consolidated tax return. Therefore, tax liabilities as reflected in these consolidated financial statements have been calculated on a separate entity basis for the fully consolidated subsidiaries.

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

In Turkey, advance tax returns are filed on a quarterly basis at the rate of 22%, until the 14<sup>th</sup> day of the following month and paid until the 17<sup>th</sup> day. Advance tax returns files within the year are offset against corporate income tax calculated over the annual taxable corporate income.

According to the Corporate Tax Law, 50% of the capital gains arising from the sale of tangible assets and 75% of the earning from investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity.

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

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

For the years 2006-2017, corporate tax rate in Turkey is 20%. In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

#### Russian Federation

In Russia, corporate tax rate applicable is 20% (2017: 20%). Under the Russian Federation taxation system, tax losses can be carried forward to be offset against future taxable income for up to ten years. There are no restrictions on the amounts subject to net off. On the other hand, tax, currency and customs legislations are subject to various interpretations and changes which can occurs frequently in Russian Federation. Management's interpretation for such legislation, which is applied to the Company's operations and activities, can be interpreted by regional and federal authorities in different ways.

The events of the recent past in Russian Federation, shows that risk could be possible on approval of operations and activities, which approved in the past may not be approved in the future as a result of reviews by the tax authorities on legislation. According to a review by the tax inspection authorities, without exceptional circumstances, tax inspection covers three years prior to the final inspection. Under certain circumstances, such views may cover longer periods.

The tax results of Group's subsidiaries in other countries are not material to consolidated financial statements.

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## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

A reconciliation of the Group's tax provision on the financial position is as follows:

	<b>31.12.2018</b>	<b>31.12.2017</b>
Corporation tax payable	131.894	67.559
Prepaid tax	(25.092)	(10.579)
	<b>106.802</b>	<b>56.980</b>
Deferred tax assets	(947.327)	(768.820)
Deferred tax liabilities	1.241.678	972.946
	<b>294.351</b>	<b>204.126</b>

### b. Deferred taxation

The Group recognizes deferred tax assets and liabilities based upon temporary differences between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

The composition of cumulative temporary differences and the related deferred tax assets/liabilities in respect of items for which deferred tax has been provided at the balance sheet dates using the expected future tax rates were as follows:

	<b>Deferred tax assets</b>		<b>Deferred tax liabilities</b>		<b>Net</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Temporary differences arising from restating non-monetary assets	273.969	151.188	1.697.905	1.085.809	(1.423.936)	(934.621)
Receivables from service concession arrangements	--	--	280.267	--	(280.267)	--
Employee termination benefits	61.294	39.508	--	--	61.294	39.508
Provision for diminution in value of Inventories	18.300	3.627	35.880	--	(17.580)	3.627
Provision for doubtful receivables	36.965	36.170	597	--	36.368	36.170
Taxable losses carried forward	571.003	413.667	--	--	571.003	413.667
Unearned interests, net	3.709	16.879	350	1.502	3.359	15.377
Interest swaps	31.307	1.768	--	--	31.307	1.768
Forward expense accruals	43.907	62.444	676	101	43.231	62.343
Warranty expense	28.282	29.124	--	--	28.282	29.124
Other	751.724	240.348	99.136	111.437	652.588	128.911
	<b>1.820.460</b>	<b>994.723</b>	<b>2.114.811</b>	<b>1.198.849</b>	<b>(294.351)</b>	<b>(204.126)</b>
Net-off (-)	(873.133)	(225.903)	(873.133)	(225.903)	--	--
<b>Net deferred tax assets/ (liabilities)</b>	<b>947.327</b>	<b>768.820</b>	<b>1.241.678</b>	<b>972.946</b>	<b>(294.351)</b>	<b>(204.126)</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Movement of deferred tax liability is given below:

	<b>01.01.- 31.12.2018</b>	<b>01.01.- 31.12.2017</b>
<b>Opening balance, 01.01</b>	<b>(204.126)</b>	<b>377.406</b>
Charge for the year	417.376	115.225
Actuarial gain/loss	2.341	2.509
Financial derivative instruments deferred tax effect due to cash flow hedging	246.856	106.750
Assets held for sale	23.616	--
Translation differences	10.979	7.982
Revaluation of tangible assets	(791.393)	--
Acquisition of subsidiary	--	(813.998)
<b>Ending balance, 31.12</b>	<b>(294.351)</b>	<b>(204.126)</b>

### 25. EMPLOYEE TERMINATION BENEFITS

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each eligible employee who has completed one year of service with the Group, and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The amount of indemnity is the equivalent of one month's salary for each year of service subject to a ceiling which is TL 5.434,42 as of 31.12.2018 (2017: TL4.732,48) on historical cost basis.

In the accompanying consolidated financial statements, the Group reflected a liability for termination benefits based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted to present value at the balance sheet date by using average market yield, expected inflation rates and an appropriate discount rate.

The Group has no other obligation for employee termination other than the retirement pay above.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Movement of reserve for retirement pay is given below:

	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>Opening balance, 01.01</b>	<b>187.857</b>	<b>150.135</b>
Consolidated subsidiary under group control	3.826	--
Service cost	38.167	28.819
Actuarial gain/loss	10.645	11.404
Interest expense	24.732	18.477
Repayments (-)	(41.974)	(31.486)
Translation difference	376	--
Transfer to liabilities related to asset held for sale	(34)	--
Consolidated of subsidiary	--	10.508
<b>Ending balance, 31.12</b>	<b>223.595</b>	<b>187.857</b>

Number of personnel employed at years end:

White goods and electronics	16.125	15.856
Textile	5.733	5.177
Energy	2.377	2.496
Holding	333	338
Other	676	638
	<b>25.244</b>	<b>24.505</b>

### 26. EQUITY

#### a) Share capital

As of financial position dates the paid-in capital of the Company is TL3.325.000 consisting of 3.325.000.000 ordinary shares of par value TL 1 each.

The shareholders of the Company and their percentage shareholdings are as follows:

	<b>Shareholding percentage</b>		<b>Shareholding amount</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Zorlu Family	<b>100%</b>	<b>100%</b>	<b>3.325.000</b>	<b>3.325.000</b>

#### b) Adjustment to share capital ("inflation adjustment of share capital")

Adjustment to share capital is the difference between restated share capital and historical share capital.

	<b>31.12.2018</b>	<b>31.12.2017</b>
Adjustment to share capital	<b>446.109</b>	<b>446.109</b>

#### c) Revaluation reserve

Increases of carrying amounts as a result of revaluations recognized directly in the equity are followed in the headings below;

Revaluation gains	<b>7.564.145</b>	--
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## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### d) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet affected profit or loss.

Hedging reserve	<b>(1.405.894)</b>	<b>(730.979)</b>
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### e) Restricted reserves ("Legal reserves")

The legal reserves consist of first and second legal reserves set aside out of profits in accordance with the Turkish Commercial Code. 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. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted.

Legal reserves	<b>189.656</b>	<b>181.068</b>
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## 27. GENERAL RESERVES

General reserves comprise legal reserves and retained earnings.

Under the Turkish Commercial Code, the Group is required to create the following legal reserves from appropriations of earnings, which are available for distribution only in the event of liquidation or losses:

- First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid up share capital.
- Second legal reserve, apportioned at the rate of at least 10% of distributions in excess of 5% of issued share capital, without limit. It may be used to absorb losses.

## 28. COMMITMENTS AND CONTINGENCIES

### Contingent assets

	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>a. Obtained from customers and suppliers</b>		
Letters of guarantee	3.292.468	2.864.638
Checks and notes	623.807	904.548
Mortgaged and guarantees received	2.398.858	2.244.067

### Contingent liabilities

#### a. Letters of guarantee, checks and notes given

On behalf of incorporated body	5.463.518	5.066.851
On behalf of consolidated subsidiaries	36.756.271	22.502.582
On behalf of other Zorlu Group of companies	433.382	133.360
On behalf of third parties	120.386	85.219
	<b>42.773.557</b>	<b>27.788.012</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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Details concerning the guarantees, pledges and mortgages that the Company and its affiliates gave within the scope of project financing loans and on behalf of their legal entities are given below:

As of 31 December 2018, Zorlu Holding A.Ş. guaranteed the bank loan amounting to USD145.38 million and EUR 296.45 million and TL104.550 between Zorlu YapıYatırım A.Ş. and Akbank A.Ş. As of 31 December 2018, Zorlu Holding A.Ş. guaranteed the bank loan amounting to USD233.45 million between Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş. and Finansbank A.Ş.

Since Katılım Varlık Kiralama AŞ and TFKB Varlık Kiralama AŞ is the issuer and Zorlu Enerji is the beneficiary of the funds in the sukuk transaction, which amounts to TL200 million and was issued on 20 April 2018 and amounts to TL100 million and was issued on 24 March 2015, Zorlu Enerji and Zorlu Holding became the guarantor of Katılım Varlık Kiralama AŞ and TFKB Varlık Kiralama AŞ.

As per the sale of the Lüleburgaz steam generator of Zorlu Enerji, a sell and lease-back financial leasing agreement was signed between Şeker Finansal Kiralama AŞ and Zorlu Enerji on 24 August 2017. Zorlu Holding is guarantor for the financial leasing liabilities of Zorlu Enerji resulted from sell and lease back agreement signed for the sale of steam generator. The receivables of Zorlu Enerji arising from the steam agreement with Zorluteks Tekstil Tic. ve San. AŞ ("Zorluteks") were transferred to Şeker Finansal Kiralama AŞ in the scope of financial leasing transactions.

Zorlu Holding is guarantor for Zorlu Enerji's loan obtained from Export Development Canada amounts to USD100 million and loan obtained from Kuwait Investment Authority amounts to USD250 million.

On 29 June 2015, a loan agreement with a term of 12 years for the amount of USD 102 million was signed with Akbank and Yapı ve Kredi Bankası for use in the expansion investments to be made by Gazdaş in the scope of natural gas distribution licence expansion in the Gaziantep region. In this agreement, Zorlu Holding is a guarantor, and Trakya and Gazdaş ara guarantors for each other. In addition to the said loan agreement, an account pledge agreement, transfer of consecutive receivables and a share collateral agreement, a licence transfer contract and an account pledge agreement worth TL 29.250 thousand were signed.

On 29 June 2015, a loan agreement with a term of 12 years for the amount of USD 114 million was signed with Akbank and Yapı ve Kredi Bankası for use in the expansion investments to be made by Trakya in the scope of natural gas distribution licence expansion in the Gaziantep region. In this agreement, Zorlu Holding is a guarantor, and Trakya and Gazdaş are guarantors for each other. In addition to the said loan agreement, an account pledge agreement, transfer of consecutive receivables and a share collateral agreement, a licence transfer contract and an account pledge agreement worth TL 63.500 thousand were signed.

OEDAŞ, the European Bank for Reconstruction and Development ("EBRD"), the International Finance Corporation ("IFC"), Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden N.V. ("FMO") and Denizbank A.Ş. signed project financing agreements for a loan with a maximum amount of USD 330 million. In addition to the loan agreement, agreements for receivable transfer, account pledge, transfer of consecutive receivables and share collateral amounting to TL 147.743 thousand were signed. Zorlu Enerji Elektrik Üretim A.Ş. ("Zorlu Enerji"), Zorlu Holding and Zorlu Osmangazi were co-signers as the guarantors for OEDAŞ's loan in the amount of TL 596 million, which was provided from EBRD, IFC, FMO and Denizbank. And also, TL 52.126 thousand and TL 1.150.050 thousand shares pledge agreements were signed for OEPSAŞ and Zorlu Osmangazi, respectively.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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Rotor has signed a long-term loan agreement with the consortium of a group of financial institutions amounts to EUR130 million as at 8 May 2009 related to the 135 MW electricity production powerplant located in Osmaniye. In addition to the loan agreement, mortgage, commercial enterprise pledge, share pledge, account pledge, assignment of receivables and assignment of insurance receivables agreements are signed. As per mortgage agreement signed between the Company and the Bank, a pledge amounts to EUR130.000.000 has placed on the property of the Company. As per commercial pledge agreement, a commercial pledge amounts to TL501.725.000 has placed on Company's fixed assets and it is included in the collateral, pledges and mortgages given by the Company note. Commercial enterprise pledge upper limit is EUR235,000,000. Zorlu Holding and Zorlu Enerji are guarantor for Rotor's loan obtained from the consortium of several financial institutions amounting EUR130 million.

As at 26 October 2011, Zorlu Enerji Pakistan Ltd. subsidiary of Zorlu Enerji, signed a long term loan agreement with International Finance Corporation ("IFC"), the Asian Development Bank ("ADB"), Eco Trade and Development Bank ("ECO") and local consortium leader Habib Bank Limited ("HBL") amounting USD111 million with a maturity of up to 12 years for financing of its wind energy power plant with a capacity of 56.4 MW in Pakistan/Jhimpir established in Jhimpir, the Sindh region of Pakistan. Zorlu Holding is guarantor for this loan. In addition to the loan agreement, account pledge, share pledge, assignment of insurance receivables, pledge on deed, assignment of project rights and mortgage agreements are signed. As per mortgage engagement signed between

As per mortgage agreement signed between Zorlu Enerji Pakistan and the Bank, a pledge amounts to USD118.625.000 and PKR1.875.000.000 has placed on the property of the Company.

On 27 October 2015, a loan agreement amounts to USD815 million (USD785 million in cash and USD30 million in non-cash) and having a 14 years term has been signed on 27 October 2015 between Zorlu Doğal, Akbank TAŞ, Türkiye Garanti Bankası AŞ, Türkiye İş Bankası AŞ and Türkiye Sınai Kalkınma Bankası AŞ for the refinancing of its existing debts and for financing the investment in the Kızıldereli III geothermal power plant, which is planned to be constructed in Denizli. In addition to the said loan agreement, account pledge, share pledge, assignment of receivables and assignment of shareholder receivables agreement are signed. Also, Zorlu Doğal signed a loan agreement amounts to USD190 million with European Bank for Reconstruction and Development ("EBRD"), Akbank TAŞ, Türkiye İş Bankası AŞ and Türkiye Sınai Kalkınma Bankası AŞ on 6 April 2017 for the purpose of financing the second unit (65.5 MW) of the Kızıldereli III Geothermal Energy Plant. In addition to the loan contract, they also signed contracts for an account pledge, a share pledge, the transfer of receivables and stakeholder receivables transfers. EPIAŞ's receivable transfer amount cap in the scope of the transfer of receivables agreement is TL9.500.000 thousand. Since EPIAŞ's receivable transfer amount is the cap, it is not included in the collateral, pledges and mortgages given by the Company note. Zorlu Holding and Zorlu Enerji are guarantor for Zorlu Doğal's loan obtained amounts to USD 955 million and TL99 million.

The 14 year term loan agreement has been signed on 25 November 2013 between Zorlu Jeotermal and Yapı Kredi AŞ with a credit line up to USD113million in order to finance the project. Pursuant to the material disclosure dated 24 June 2015, the project capacity was increased to 45MW. Hence, an amended loan agreement was signed between aforementioned parties and the credit line were increased to USD148 million. In addition to the said loan agreement, account pledge, share pledge, assignment of receivables and assignment of shareholder receivables agreement are signed.

In addition to the aforementioned credit agreement, account pledge, share pledge, consecutive lending and takeover contracts were signed. As per the Commercial Enterprise Pledge Contract, a commercial enterprise lien equal to TL1.060.800 thousand was granted. As per the transfer of receivables agreement, the cap for the receivable transfer amount of EPIAŞ was determined to be TL2.155.000 thousand. Since the EPIAŞ receivable transfer amount is the cap, it is not included in the collateral, pledges and mortgages given by the Company note. Zorlu Holding and Zorlu Enerji are also guarantor for Zorlu Jeotermal's loan obtained from Yapı ve Kredi AŞ amounting USD148 million,

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Pursuant to the material disclosure dated 24 November 2014, Zorlu Rüzgar, which is 100% subsidiary of the Company, signed two loan agreements amounts to EUR40 million with Türkiye Sınai Kalkınma Bankası and EUR41.3 million with Bayerische Landesbank as a part of ECA financing with German Trade Finance Agency (Euler Hermes) contribution, in order to finance Sarıtepe and Demirciler wind power plant projects which are planned to established in Bahçe/Osmaniye and to have 80.3 MW installed capacity. In addition to the loan agreement, account pledge, share pledge, assignment of receivables, assignment of electricity production license, and commercial enterprise pledge agreements are signed. As per commercial pledge agreement, a commercial pledge amounts to TL193 thousand has placed on Company's fixed assets. As per the transfer of receivables agreement, the cap for the EPIAŞ receivable transfer amount is TL870.000 thousand. Since the EPIAŞ receivable transfer amount is the cap, it is not included in the collateral, pledges and mortgages given by the Company note.

Zorlu Enerji is guarantor for Zorlu Rüzgar's loan obtained amounts to EUR80.6 million loan obtained from Türkiye Sınai Kalkınma Bankası and Bayerische Landesbank.

As of the balance sheet date, Vestel Elektronik Sanayi ve Ticaret A.Ş. has committed to realize exports amounting to 761.758 thousand USD (31 December 2017: 568.309 thousand USD) due to the export and investment incentive certificates obtained.

### 29. NATURE OF EXPENSES

Nature of expenses consists of cost of sales, selling, general and administrative expenses.

	<b>01.01.- 31.12.2018</b>	<b>01.01.- 31.12.2017</b>
Direct materials and merchandise expenses	17.411.611	12.792.687
Changes in inventories	(164.426)	304.289
Personnel expenses	1.798.678	1.471.187
Depreciation and amortisation expense	1.092.249	730.195
Warranty expenses	345.911	301.420
Freight and freight insurance	479.857	327.720
Outsourcing expenses	237.787	212.141
Energy expenses	133.702	173.479
Energy transmission line distribution expenses	143.986	135.664
Advertising expenses	188.852	199.803
Repair and maintenance expenses	266.834	123.732
Export commissions	177.511	102.904
Office expenses	128.591	69.055
Exhibition expenses	73.982	38.304
Other	1.721.306	1.443.808
	<b>24.036.431</b>	<b>18.426.388</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 30. OTHER EXPENSE

	<b>01.01.- 31.12.2018</b>	<b>01.01.- 31.12.2017</b>
Impairment of revalued tangible assets <sup>(*)</sup>	1.151.828	--
Provision expense	101.721	71.909
Loss on sale of property, plant and equipment	349	27.229
Loss on sale of investment	--	51.840
Indexation of deposits received	102.793	--
Idle capacity depreciation expenses	12.047	4.671
Depreciation of service concession arrangements	47.980	42.626
Expenses for project license cancelation <sup>(**)</sup>	--	45.894
Accretion of interest on deposits received	--	18.106
Other	116.139	89.572
<b>Other expense</b>	<b>1.532.857</b>	<b>351.847</b>

<sup>(\*)</sup> Impairment loss is recognized in the consolidated statement of profit or loss after deducting the revaluation surplus recognised in equity from the excess of the revaluation surplus of the same asset.

<sup>(\*\*)</sup> The amount relates to termination of Zorlu Hidroelektrik's Sami Soydam project license.

### 31. FINANCING INCOME AND FINANCING EXPENSE

Foreign exchange gain	4.438.976	3.608.056
Profit on derivative financial instruments	544.835	--
Interest income	918.112	557.400
Unearned interest on payables	18.774	22.832
Dividend income	306	1.147
<b>Financing income</b>	<b>5.921.003</b>	<b>4.189.435</b>
Foreign exchange loss	11.649.284	4.284.391
Interest expense	3.691.103	1.986.681
Loss on derivative financial instruments	69.977	179.458
Bank commission expenses	110.081	86.526
Unearned interest on receivables	21.199	31.323
Other financial expenses	286.120	201.125
<b>Financing expense</b>	<b>15.827.764</b>	<b>6.769.504</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 32. RELATED PARTY DISCLOSURE

These comprised the following:

The significant balances with related parties at period end are shown below:

31.12.2018	Trade receivables	Other receivables	Prepaid expenses	Trade payables	Deferred income	Other payables
<b>Current</b>						
Ezom Ltd.	112.416	--	--	38.115	--	--
Zorlu Usa Inc.	105.242	--	--	--	--	--
Ramat Negev Energy Ltd.	66.319	--	--	210	--	--
Ashdod Energy Ltd.	44.524	--	--	102	--	--
Arzum Tekstil Pazarlama ve Ticaret Ltd.	24.795	--	--	1	--	--
Vestel Electronica Srl	15.716	--	--	--	--	--
Zorlu Tesis Yönetim A.Ş.	82	--	--	6.746	--	--
Zorlu O/M Pakistan Ltd.	6.453	36.866	--	--	--	16.876
Ahmet Nazif Zorlu	3	2	--	--	--	206.475
Vestel Savunma Sanayi A.Ş.	708	--	--	--	--	357.827
Zorlu Gayrimenkul Otelcilik İnşaat Taahhüt ve Turizm A.Ş.	91	300.230	--	28	--	551.650
Other	23.295	46.877	15	91.306	5	227.295
	<b>399.644</b>	<b>383.975</b>	<b>15</b>	<b>136.508</b>	<b>5</b>	<b>1.360.123</b>
Unearned interest (-)	(127)	--	--	(3)	--	--
	<b>399.517</b>	<b>383.975</b>	<b>15</b>	<b>136.505</b>	<b>5</b>	<b>1.360.123</b>
<b>31.12.2018</b>						
	Trade receivables	Other receivables	Prepaid expenses	Trade payables	Deferred income	Other payables
<b>Non-current</b>						
Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş.	--	552.509	--	--	--	--
Vestel Savunma Sanayi A.Ş.	--	670.215	--	--	--	--
Ezotech Electric Ltd.	--	147.452	--	--	--	--
Zorlu Grand Hotel İşletmeleri A.Ş.	--	37.981	--	--	--	--
Edeltech Ltd.	--	92.062	--	--	--	--
Passtel Gıda ve İhtiyaç Maddeleri Pazarlama İnşaat Mühendislik Turizm Sanayi ve Ticaret A.Ş.	--	73.568	--	--	--	--
Meta Madencilik Enerji Turizm Danışmanlık Sanayi ve Ticaret A.Ş.	--	10.095	--	--	--	--
Other	--	18.474	--	--	--	4.666
	--	<b>1.602.356</b>	--	--	--	<b>4.666</b>
Unearned interest (-)	--	--	--	--	--	--
	--	<b>1.602.356</b>	--	--	--	<b>4.666</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

<b>31.12.2017</b>	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Prepaid expenses</b>	<b>Trade payables</b>	<b>Deferred income</b>	<b>Other payables</b>
<b>Current</b>						
Zorlu USA Inc.	87.563	--	--	--	--	--
Zorlu Hometeks A.Ş.	244	--	--	3.002	--	58
Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş.	553	360.116	26	2.591	--	--
Arzum Tekstil Pazarlama ve Ticaret A.Ş.	21.953	--	--	--	--	--
Sichuan Zorluteks Yinhua Co. Ltd.	--	--	--	33.364	--	--
Meta Nikel Kobalt Madencilik Sanayi A.Ş.	3.628	109.703	30.146	26	--	--
Dorad Energy Ltd	--	38.185	--	--	--	--
Edeltech Ltd.	--	18.043	--	42.692	--	--
Ashdod Energy Ltd.	34.097	--	--	--	--	--
Zorlu OM Pakistan	4.499	10.023	--	--	--	10.700
UTS- United Technical Services, Spol S.R.O.	16.551	--	--	--	--	--
Vestel Elektronika S.R.L.	9.764	--	--	7	--	--
Ramat Negev Energy Ltd.	27.396	--	--	--	--	--
Ezom Ltd.	81.163	--	--	--	--	--
Zorlu Tesis Yönetim A.Ş.	3.182	--	--	7.944	--	--
Meta Madencilik Enerji Turizm Danışmanlık Sanayi ve Ticaret A.Ş.	--	--	--	--	--	28.622
Other	14.302	2.600	22	11.760	52	34.663
	<b>304.895</b>	<b>538.670</b>	<b>30.194</b>	<b>101.386</b>	<b>52</b>	<b>74.043</b>
Unearned interest (-)	(1.991)	--	--	(516)	--	--
	<b>302.904</b>	<b>538.670</b>	<b>30.194</b>	<b>100.870</b>	<b>52</b>	<b>74.043</b>
<b>Non-current</b>						
Edeltech Ltd.	--	62.830	--	--	--	--
Dorad Energy Ltd.	--	12.027	--	--	--	--
Zorlu Grand Hotel İşletmeleri A.Ş.	--	57.285	--	--	--	--
Ezotech Ltd.	--	105.139	--	--	--	--
Meta Nikel Kobalt Madencilik Sanayi A.Ş.	--	1.258.009	--	--	--	--
Vestel Savunma Sanayi A.Ş.	--	206.258	--	--	--	--
Passtel Gıda ve İht. Mad. Paz. İnş. Muh. Tur. San ve Ticaret A.Ş.	--	53.865	--	--	--	--
Zorlu Gayrimenkul Otelcilik İnşaat Taahhüt ve Turizm A.Ş.	--	205.022	--	--	--	--
Meta Madencilik Enerji Turizm Danışmanlık Sanayi ve Ticaret A.Ş.	--	6.586	--	--	--	--
Zehra Ev Tekstil Ürünleri Konfeksiyon Sanayi ve Ticaret A.Ş.	--	--	--	--	--	7.280
Other	--	9.659	--	--	--	169.632
	--	<b>1.976.680</b>	--	--	--	<b>176.912</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 33. FINANCIAL INSTRUMENTS

#### Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized at the balance sheet date.

Credit risk concerns the risk that a loss will be suffered by a party due to the reason that the other party to the transaction is unable to meet its obligations.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group management considers that all the financial assets shown above under paragraph liquidity risk that are not impaired for each of the reporting dates under review are of good credit quality.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

As of financial position dates, the Group's exposure to credit risk is as summarised below:

	Receivables		Factoring receivables	Bank amounts	Derivative instruments	Other		
	Trade receivables Related Parties	Other receivables Third parties						
<b>31.12.2018</b>								
A. Carrying amount of financial assets that are not overdue and not impaired	399.517	3.887.545	1.986.331	483.427	199.118	4.152.904	93.252	143.421
B. Financial assets with renegotiated conditions	--	--	--	--	--	--	--	--
C. Carrying amount of assets that are overdue but not impaired	--	699.089	--	--	--	--	--	--
- Carrying amount secured with collateral	--	(349.765)	--	--	--	--	--	--
D. Carrying amount of assets that are impaired	--	14.896	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	395.411	--	97.654	--	--	--	--
- Impairment	--	(380.515)	--	(97.654)	--	--	--	--
- Carrying amount secured with collateral	--	14.896	--	--	--	--	--	--
<b>Total risk as of 31.12.2018</b>	<b>399.517</b>	<b>4.601.530</b>	<b>1.986.331</b>	<b>483.427</b>	<b>199.118</b>	<b>4.152.904</b>	<b>93.252</b>	<b>143.421</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

31.12.2017	Trade receivables		Other receivables		Factoring receivables	Bank amounts	Derivative instruments	Other
	Related Parties	Third parties	Related parties	Third parties				
A. Carrying amount of financial assets that are not overdue and not impaired	285.013	3.823.679	2.515.350	418.856	283.376	2.848.976	46.798	145.331
B. Financial assets with renegotiated conditions	--	72.217	--	--	--	--	--	--
C. Carrying amount of assets that are overdue but not impaired	17.891	634.520	--	--	--	--	--	--
- Carrying amount secured with collateral	--	(380.342)	--	--	--	--	--	--
D. Carrying amount of assets that are impaired	--	3.850	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	331.644	--	97.654	13.362	--	--	--
- Impairment	--	(327.794)	--	(97.654)	(13.362)	--	--	--
- Carrying amount secured with collateral	--	(3.850)	--	--	--	--	--	--
<b>Total risk as of 31.12.2017</b>	<b>302.904</b>	<b>4.534.266</b>	<b>2.515.350</b>	<b>418.856</b>	<b>283.376</b>	<b>2.848.976</b>	<b>46.798</b>	<b>145.331</b>

While measuring the maximum credit risk exposed, guarantees which increase the credibility of the Group are not taken into consideration.

### Foreign currency risk

The majority of the Group's transactions are carried out in Euros and US Dollars. Exposure to currency exchange rates arise from the Group's bank loans and due to related parties, which are primarily denominated in US Dollars and Euros.

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group manages its currency exposure risk by organizing a balanced distribution between its foreign currency assets and commitments and by matching off the liabilities and receivables and its net currency position.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

The net currency position of the Group as of 31.12.2018 and 31.12.2017 are shown below:

<b>31.12.2018</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>CHF</b>	<b>Other currencies TL equivalent</b>	<b>Total TL equivalent</b>
Cash and cash equivalents	451.681	71.270	145	115	22.969	2.830.411
Investment securities	188.630	4.000	--	--	--	1.016.476
Trade receivables and other assets	603.848	236.194	842	31	366.569	4.972.897
<b>Total foreign currency assets</b>	<b>1.244.159</b>	<b>311.464</b>	<b>987</b>	<b>146</b>	<b>389.538</b>	<b>8.819.784</b>
Trade payables and other liabilities	1.153.622	146.811	267	4	12.908	6.968.772
Current borrowings	2.342.636	654.352	--	--	15.909	16.284.720
Non-current borrowings	2.275.802	333.526	--	--	23.406	14.006.666
<b>Total foreign currency liabilities</b>	<b>5.772.060</b>	<b>1.134.689</b>	<b>267</b>	<b>4</b>	<b>52.223</b>	<b>37.260.158</b>
<b>Derivatives</b>						
Assets	1.045.622	580.767	55.520	--	49.807	9.420.945
Liabilities	(417.107)	(751.007)	(109.021)	--	(271.730)	(7.718.454)
	<b>628.515</b>	<b>(170.240)</b>	<b>(53.501)</b>	<b>--</b>	<b>(221.923)</b>	<b>1.702.491</b>
<b>Net foreign currency position</b>	<b>(3.899.386)</b>	<b>(993.465)</b>	<b>(52.781)</b>	<b>142</b>	<b>115.392</b>	<b>(26.737.883)</b>
<b>Import</b>	<b>1.538.398</b>	<b>222.185</b>	<b>40</b>	<b>5.684</b>	<b>2.033</b>	<b>8.511.246</b>
<b>Export</b>	<b>811.352</b>	<b>1.239.549</b>	<b>6.344</b>	<b>1.128</b>	<b>1.252</b>	<b>13.865.957</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

<b>31.12.2017</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>CHF</b>	<b>Other currencies TL equivalent</b>	<b>Total TL equivalent</b>
Cash and cash equivalents	189.580	30.955	8	8	73.465	928.391
Investment securities	197.389	--	--	--	--	744.532
Trade receivables and other assets	937.589	317.020	1.303	947	295.584	5.273.850
<b>Total foreign currency assets</b>	<b>1.324.558</b>	<b>347.975</b>	<b>1.311</b>	<b>955</b>	<b>369.049</b>	<b>6.946.773</b>
Trade payables and other liabilities	1.418.543	105.782	9	22	48.230	5.876.621
Current borrowings	1.566.741	554.232	--	--	4.763	8.416.986
Non-current borrowings	2.483.916	515.489	--	--	24.411	11.721.189
<b>Total foreign currency liabilities</b>	<b>5.469.200</b>	<b>1.175.503</b>	<b>9</b>	<b>22</b>	<b>77.404</b>	<b>26.014.796</b>
<b>Derivatives</b>						
Assets	1.732.108	278.243	17.803	104	26.519	7.907.108
Liabilities	(366.055)	(871.551)	(97.710)	(1.000)	(302.653)	(6.119.113)
	<b>1.366.053</b>	<b>(593.308)</b>	<b>(79.907)</b>	<b>(896)</b>	<b>(276.134)</b>	<b>1.787.995</b>
<b>Net foreign currency position</b>	<b>(2.778.589)</b>	<b>(1.420.836)</b>	<b>(78.605)</b>	<b>37</b>	<b>15.511</b>	<b>(17.280.028)</b>
<b>Import</b>	<b>2.075.310</b>	<b>221.713</b>	<b>20</b>	<b>2.995</b>	<b>1.475</b>	<b>8.494.458</b>
<b>Export</b>	<b>781.800</b>	<b>1.265.460</b>	<b>7.408</b>	<b>835</b>	<b>648.405</b>	<b>9.384.599</b>

On basis of the above an increase of 10% in the foreign exchange rates against the Turkish Lira as of 31 December 2018 will amount to a loss of TL 2.673.788 (31 December 2017: TL 1.728.003) and a decrease will amount to profit of the same amount.

### Interest rate risk

Interest rate risk arises because changes in interest rates may affect profitability as disclosed in financial statements.

The Group is subject to interest rate risk as a result of differences in balancing off the dates or timing differences related to assets and liabilities maturing or to be subjected to price revision. The Group manages its interest rate risk by applying risk management strategies whereby its strives to balance off the dates of changes in interest rates related to assets and liabilities.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

The Group's interest rate position is as follows:

	31.12.2018	31.12.2017
<b>Fixed interest rate financial instruments</b>		
Financial assets-time deposits		
- <i>Time deposits</i>	3.554.479	2.889.282
Financial liabilities		
- <i>Borrowings</i>	27.154.476	20.277.872
- <i>Payables of factoring sector operations</i>	244.175	330.355
<b>Variable interest rate financial instruments</b>		
Financial liabilities		
- <i>Borrowings</i>	9.958.710	7.131.098

As of balance sheet dates, the Group's annual effective interest rates are as follows:

2018 (%)	USD	EUR	GBP	TL
<b>Assets</b>				
Cash and cash equivalents	3,8%	0,0%	0,0%	21,0%
<b>Liabilities</b>				
Borrowings	6,9%	5,6%	0,0%	23,3%
2017 (%)	USD	EUR	GBP	TL
<b>Assets</b>				
Cash and cash equivalents	3,7%	0,1%	--	14,5%
Trade receivables	1,6%	0,0%	0,5%	13,9%
<b>Liabilities</b>				
Borrowings	6,1%	5,1%	--	17,1%
Trade payables	0,8%	0,0%	0,4%	14,0%

As of 31.12.2018, if the variable interest rates of bank borrowing increased or decreased of +1% and -1% and if all other variables are held constant the result before tax would have been influenced favourably or unfavourably by TL 72.008 (31.12.2017: TL 44.404) for an increase and for a decrease in value of TL.

### Liquidity risk

Liquidity risk comprises the risk that the Group becomes unable to find its payment requirements.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30 day projection. Long-term liquidity needs for a 180 day and 360 day lookout period are identified monthly.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

The breakdown of liabilities according to their contractual maturity is based on the maturity dates from the date of the balance sheet is given below:

<b>31.12.2018</b>	<b>Book value</b>	<b>Total cash out flow</b>	<b>Within 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>
<b>Contractual maturities</b>						
Bank loans	36.053.877	42.829.683	7.418.291	14.356.006	16.639.822	4.415.564
Bond issued	617.317	648.125	283.154	364.971	--	--
Payables from finance sector operations	244.175	244.175	140.323	103.852	--	--
Financial lease liabilities	441.992	487.505	30.651	108.694	348.160	--
	<b>37.357.361</b>	<b>44.209.488</b>	<b>7.872.419</b>	<b>14.933.523</b>	<b>16.987.982</b>	<b>4.415.564</b>
<b>Expected maturities</b>						
Trade payables	8.236.803	8.243.763	5.313.273	2.912.885	17.605	--
Other payables	2.254.168	2.254.168	813.053	1.416.418	4.683	20.014
Other liabilities	336.724	336.724	166.857	169.824	43	--
	<b>10.827.695</b>	<b>10.834.655</b>	<b>6.293.183</b>	<b>4.499.127</b>	<b>22.331</b>	<b>20.014</b>
Derivative cash inflow		10.801.965	7.124.789	736.632	2.184.521	756.023
Derivative cash outflow		(11.026.097)	(7.339.863)	(739.170)	(2.144.122)	(802.942)
<b>Derivative financial liabilities</b>	<b>(9.163)</b>	<b>(224.132)</b>	<b>(215.074)</b>	<b>(2.538)</b>	<b>40.399</b>	<b>(46.919)</b>

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

31.12.2017	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>Contractual maturities</b>						
Bank loans	26.060.851	29.884.616	5.657.388	8.974.557	11.490.140	3.762.531
Bond issued	951.776	1.004.597	114.928	488.115	401.554	--
Finance sector operations	330.233	330.233	111.710	218.523	--	--
Financial lease liabilities	396.343	413.283	26.383	77.593	283.489	25.818
	<b>27.739.203</b>	<b>31.632.729</b>	<b>5.910.409</b>	<b>9.758.788</b>	<b>12.175.183</b>	<b>3.788.349</b>
<b>Expected maturities</b>						
Trade payables	7.375.580	7.396.268	4.187.671	3.171.351	37.246	--
Other payables	564.021	564.021	359.495	--	204.526	--
Other liabilities	900.691	900.691	519.136	794	380.761	--
	<b>8.840.292</b>	<b>8.860.980</b>	<b>5.066.302</b>	<b>3.172.145</b>	<b>622.533</b>	<b>--</b>
Derivative cash inflow		12.676.108	6.211.620	1.943.950	2.193.408	2.327.130
Derivative cash outflow		(12.968.475)	(6.359.301)	(1.972.749)	(2.309.295)	(2.327.130)
<b>Derivative financial liabilities</b>	<b>(292.350)</b>	<b>(292.367)</b>	<b>(147.681)</b>	<b>(28.799)</b>	<b>(115.887)</b>	<b>--</b>

However expected maturities may differ from contractual liabilities in response to changes in term that may occur in the ordinary course of business.

### Capital risk management

The Group's capital management objectives are:

- ensure the Group's ability to continue as a going concern; and
  - to provide an adequate return to shareholders,
- by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity plus its total of current and non current borrowings (net debt) less cash and cash equivalents as presented on the face of the consolidated balance sheet.

The Group sets the amounts of capital in proportion to its overall financing structure i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid the shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

The Group's net debt to overall or financing ratio developed as follows:

	<b>31.12.2018</b>	<b>31.12.2017</b>
Total borrowings, note 19	37.113.186	27.408.970
Less: Cash and cash equivalents, note 5	(4.296.325)	(2.994.307)
Less: Investment securities	(388.430)	(741.701)
<b>Net debt</b>	<b>32.428.431</b>	<b>23.672.962</b>
Total equity	6.155.850	3.798.375
<b>Overall financing</b>	<b>38.584.281</b>	<b>27.471.337</b>
<b>Net debt to overall financing ratio</b>	<b>84%</b>	<b>86%</b>

### Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information, management's judgment and appropriate valuation methodologies. The following disclosure of the estimated fair value of financial instruments is made with the requirements of IAS 32. To the extent relevant and reliable information is available from the financial markets in Turkey; the fair value of the financial instruments of the Group is based on such market data. The fair values of the remaining financial instruments of the Group can only be estimated. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments:

#### Financial assets

Monetary assets for which fair value approximates carrying value:

-Balances denominated in foreign currencies are translated at year-end exchange rates. The fair value of certain financial assets carried at cost, including cash and due from banks, marketable securities plus the respective accrued interest are considered to approximate their respective carrying values.

-The carrying value of the trade receivables net of provisions for uncollectible are considered to approximate their fair values.

#### Financial liabilities

Monetary liabilities for which fair value approximates carrying value:

- The fair values of short-term bank loans and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.
- The fair values of long-term bank borrowings which are denominated in foreign currencies and translated at year-end exchange rates are considered to approximate their carrying values.

## Notes to Consolidated Financial Statements for the Year Ended 31 December 2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

### 34. POST BALANCE SHEET EVENTS

Korteks Mensucat Sanayi ve Ticaret A.Ş. has completed sale transaction of the floating rate bonds, with coupon paid every 3 months and the principal-paid at maturity, which have a due date of 339 days and a nominal value of TL 14.340 on 19 April 2019, with a due date of 364 days and a nominal value of TL 6.870 on 25 March 2019 and with a due date of 364 days and a nominal value of TL 25.860 on 30 January 2019. The company has also completed sale transaction of the fixed rate bonds, with the principal paid the maturity, which have a due date of 209 days and a nominal value of TL 7.880 on 19 April 2019, with a due date of 132 days and a nominal value of TL 23.370 on 19 April 2019, with a due date of 234 days and a nominal value of TL 16.310 on 25 March 2019, with a due date of 157 days and a nominal value of TL 13.270 on 25 March 2019, with a due date of 251 days and a nominal value of TL 5.210 on 8 March 2019, with a due date of 174 days and a nominal value of TL 9.100 on 8 March 2019 and with a due date of 152 days and a nominal value of TL 37.620 on 30 January 2019.

As per the material event disclosure dated 21 February 2019, Zorlu Enerji joined the foundation of the company names "Çumra Güneş Enerjisi ve Üretim Anonim Şirketi", which was established to invest in renewable energy, as the sole founding partner with a TL 50.000 capital share.

As per the material event disclosure dated 6 March 2019, the renewed project financing agreements of Ashdod Energy Ltd. (Ashdod), a 42,15% indirect subsidiary of the Company operating to provide electricity and steam to industrial facilities in Israel and which has a capacity of 64,5 MW of electricity and 40 tons/hour of steam production, and Ramat Negev Energy Ltd. (Ramat Negev), which has a capacity of 126,4 MW of electricity and 70 tons/hour of steam, were signed on 6 March 2019. The current total loan amount of ILS 1.020.428 thousand (ILS 332.862 thousand for Ashdod and ILS 687.566 thousand for Ramat Negev) was refinanced at a more favourable interest rate, and the loan interest will vary based on the project ratings. Another shareholder of the Ashdod and Ramat Negev project companies is Edeltech Ltd., with a shareholding rate of 57,85%.

As per the material event disclosure dated 7 March 2019, Zorlu Enerji joined the foundation of the company named "ZES Dijital Ticaret Anonim Şirketi", established to operate in electricity sale, electric vehicle leasing, electric vehicle charging station installation and energy management system development, as the sole founding shareholder with a share of TL4.000.000.

As per the material event disclosure dated 1 April 2019, Zorlu Enerji filed an application with EMRA for a production licence for the Alibeyhöyüğü Solar Energy Power Plant Project, which it plans to build in Çumra, Konya with installed power of 18 MW.

As per the material event statement dated 4 April 2019, an application was filed with EMRA for a production licence for the Tekkehamam II Geothermal Energy Power Plant Project, which is planned to be built in Sarayköy, Denizli with installed power of 35 MW.

Zorlu Faktoring has completed sale transaction of two fixed rate finance bonds, which have a due date of 112 days and nominal value of TL 27.200, with a due date of 336 days and nominal value of TL11.000 on 6 February 2019. The Company has also completed sale transaction of two fixed rate bonds, which have a due date of 196 days and nominal value of TL 32.500 and 35.000 respectively on 18 March 2019 and 30 April 2019.

In accordance with the decision of the Capital Markets Board of Turkey dated 17 January 2019 and numbered 4/65; Zorlu Faktoring has issued a certificate of issuance of up to TL 80.000 to be submitted to qualified investors without public offering inside Turkey.

Zorlu Faktoring's finance bonds which have a nominal value of TL 6.300 and TL 32.120 respectively on 17 July 2017 and 30 October 2018 have been amortised with the principal and final coupon repayment on 28 January 2019.

## Contact Information



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